Finance Act 2024

CHAPTER 3

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Finance Act 2024

2024 CHAPTER 3

An Act to make provision in connection with finance.

[22nd February 2024]

Most Gracious Sovereign

WE, Your Majesty's most dutiful and loyal subjects, the Commons of the United Kingdom in Parliament assembled, towards raising the necessary supplies to defray Your Majesty's public expenses, and making an addition to the public revenue, have freely and voluntarily resolved to give and to grant unto Your Majesty the several duties hereinafter mentioned; and do therefore most humbly beseech Your Majesty that it may be enacted, and be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

PART 1

INCOME TAX AND CORPORATION TAX

CHAPTER 1

RELIEFS FOR BUSINESSES ETC

Capital allowances for companies

1 Permanent full expensing etc for expenditure on plant or machinery

(1) In section 7 of F(No.2)A 2023 (temporary full expensing etc for expenditure on plant or machinery), in subsection (3), in the inserted section 45S of CAA 2001, in paragraph (a), omit "but before 1 April 2026".

(2) In consequence of the provision made by subsection (1)—

(a) the amendments made by subsections (2) to (6) of section 7 of F(No.2)A 2023 are instead to operate as textual amendments of Part 2 of CAA 2001, and

(b) accordingly, in subsection (1) of that section, for the words from "has effect" to the end substitute "is amended as follows", and, in the italic heading inserted by subsection (6) of that section, omit "temporary".

Research and development

2 New regime for research and development carried out by companies

Schedule 1—

(a) replaces the existing scheme for R&D expenditure credit,

(b) amends the existing scheme for R&D relief, and

(c) makes related provision.

Films, television programmes, video games etc

3 Films, television programmes and video games produced by companies

Schedule 2 replaces Parts 15 to 15B of CTA 2009 with a new regime for the taxation of companies producing films, television programmes and video games, including relief in the form of payable credits arising from expenditure on production activities.

4 Theatrical productions made by companies

Schedule 3 amends the regime for the taxation of companies producing theatrical productions in Part 15C of CTA 2009.

5 Orchestral concerts produced by companies

Schedule 4 amends the regime for the taxation of companies producing orchestral concerts in Part 15D of CTA 2009.

6 Museum and gallery exhibitions produced by companies

Schedule 5 amends the regime for the taxation of companies producing museum and gallery exhibitions in Part 15E of CTA 2009.

7 Sections 3 to 6: administration of reliefs

Schedule 6 amends Schedule 18 to FA 1998 (company tax returns etc) in relation to the reliefs introduced or amended by sections 3 to 6.

Real Estate Investment Trusts

8 Miscellaneous amendments relating to REITs

Schedule 7 makes miscellaneous amendments to the corporation tax regime for Real Estate Investment Trusts.

Tonnage tax

9 Managers of ships

Schedule 8 amends Schedule 22 to FA 2000 to make provision to enable companies, and groups of companies, that manage qualifying ships to make a tonnage tax election (so that their profits for the purposes of corporation tax are calculated in accordance with the tonnage tax regime).

10 Increase in capital allowances limit for ship leasing

(1) Paragraph 94 of Schedule 22 to FA 2000 (tonnage tax: restrictions on capital allowances) is amended as follows.

(2) In sub-paragraph (3), for "£40 million", in both places it occurs, substitute "£100 million".

(3) In sub-paragraph (5), for "£80 million" substitute "£200 million".

(4) The amendments made by subsections (2) and (3) have effect in relation to leases entered into on or after 1 April 2024.

Other reliefs

11 Extension of EIS relief and VCT relief to shares issued before 6 April 2035

(1) In –

(a) section 157(1)(aa) of ITA 2007 (which limits EIS relief to shares issued before 6 April 2025), and

(b) section 261(3)(za) of that Act (which limits VCT relief to shares issued before that date),

for "2025" substitute "2035".

(2) This section comes into force on such day as the Treasury may by regulations appoint.

12 Relief for payments of compensation by government etc to companies

(1) FA 2020 is amended as follows.

(2) After paragraph 5 of Schedule 15 (tax relief for scheme payments) insert—

"PART 2

CORPORATION TAX AND OTHER RELATED RELIEF

Introductory

6 This Part of this Schedule provides for the following—

(a) an exemption from corporation tax for relevant compensation payments, and

(b) an exemption from income tax and capital gains tax for relevant onward payments.

Relevant compensation payments

7 (1) In this Part of this Schedule "relevant compensation payment" means a payment made to a company under—

(a) the GLO Compensation Scheme,

(b) the Horizon Shortfall Scheme,

(c) the Suspension Remuneration Review,

(d) the Post Office Process Review, or

(e) such other compensation scheme of a description specified in regulations made by the Treasury.

(2) The power under sub-paragraph (1)(e) to specify a description of compensation scheme is exercisable only if the scheme provides for the payment of compensation to persons by or on behalf of—

(a) the government of the United Kingdom,

(b) the government of a part of the United Kingdom,

(c) the government of any other country or territory,

(d) a local or other public authority in the United Kingdom, or

(e) a local or other public authority of a territory outside the United Kingdom.

(3) The power under sub-paragraph (1)(e) may be exercised so as to provide—

(a) for the provisions of this Part of this Schedule to apply to all descriptions of payments made under a compensation scheme or only to such descriptions as may be specified in the regulations;

(b) for all provisions of this Part of this Schedule to apply to payments made under a compensation scheme or only for such provisions to apply as are specified in the regulations.

(4) The power under sub-paragraph (1)(e) must be exercised so as to provide that the reliefs conferred by this Part of this Schedule in respect of the compensation schemes mentioned in sub-paragraph

(1)(a) to (d) are also conferred in a corresponding or similar way in respect of other relevant schemes.

(5) The reference in sub-paragraph (4) to "relevant schemes" is a reference to any compensation schemes established for the purposes of—

(a) compensating persons affected by the Horizon system, or

(b) compensating persons in respect of other matters identified in High Court judgments given in proceedings relating to the Horizon system.

Relevant onward payments

8 (1) For the purposes of this Part of this Schedule a payment is a "relevant onward payment" if or to the extent that—

(a) the payment is made by a company to which a relevant compensation payment was made,

(b) the payment is to an individual and—

(i) the individual is or was a director or employee of the company, or

(ii) the payment is a distribution by the company to shareholders, and

(c) it is reasonable to conclude from the circumstances that the payment is made by the company to the individual for the purpose of passing on all or part of the compensation payment mentioned in paragraph (a) to the individual.

(2) But where sub-paragraph (3) applies to the relevant compensation payment mentioned in sub-paragraph (1)(a), a payment to an individual is a relevant onward payment for the purposes of this Part of this Schedule only so far as it relates to such part of the relevant compensation payment as was made for the purpose of topping up the amount of compensation paid to account for sums lost to tax.

(3) This sub-paragraph applies to a relevant compensation payment—

(a) made (at any time) under the Horizon Shortfall Scheme;

(b) made before 1 January 2024 under the Suspension Remuneration Review.

Exemption from corporation tax

9 (1) No liability to corporation tax arises in respect of a relevant compensation payment.

(2) The following are to be ignored for all other corporation tax purposes—

(a) the receipt by a company of a relevant compensation payment;

(b) the making by a company of a relevant onward payment.

(3) This paragraph has effect—

(a) in the case of relevant compensation payments falling within paragraph 7(1)(a), (b), (c) or (d), whenever the payments are received;

(b) in the case of relevant compensation payments falling within paragraph 7(1)(e), where the payments are received on or after such date as is specified in the regulations concerned;

(c) in the case of relevant onward payments that relate to paragraph 7(1)(a), (b), (c) or (d), whenever the payments are made;

(d) in the case of relevant onward payments that relate to paragraph 7(1)(e), where the payments are made on or after such date as is specified in the regulations concerned.

(4) The date specified in regulations as mentioned in sub-paragraph (3)(b) and (d) may be a date before the regulations are made.

Exemption from income tax and capital gains tax

10 (1) Paragraph 3(1) and (2) (exemption from income tax) applies to a relevant onward payment as it applies to a qualifying payment.

(2) Paragraph 4(1) and (2) (exemption from capital gains tax) applies to a relevant onward payment as it applies to a qualifying payment.

(3) Sub-paragraph (1) has effect—

(a) in the case of relevant onward payments that relate to paragraph 7(1)(a), (b), (c) or (d), whenever the payments are received;

(b) in the case of relevant onward payments that relate to paragraph 7(1)(e), where the payments are received on or after such date as is specified in the regulations concerned.

(4) Sub-paragraph (2) has effect—

(a) in the case of relevant onward payments that relate to paragraph 7(1)(a), (b), (c) or (d), in relation to disposals whenever made;

(b) in the case of relevant onward payments that relate to paragraph 7(1)(e), in relation to disposals made on or after such date as is specified in the regulations concerned.

(5) The date specified in regulations as mentioned in sub-paragraph (3)(b) and (4)(b) may be a date before the regulations are made.

Power to make further provision

11 (1) The Treasury may by regulations make provision for the purpose of providing relief from corporation tax, income tax or capital gains tax in relation to the receipt of payments made under compensation schemes that is supplementary or incidental to provision contained in this Part of this Schedule.

(2) Provision under this paragraph may (among other things)—

(a) make different provision for different compensation schemes;

(b) make provision having retrospective effect.

Regulations: general

12 (1) A power to make regulations under this Part of this Schedule is exercisable by statutory instrument.

(2) A statutory instrument containing regulations under this Part of this Schedule is subject to annulment in pursuance of a resolution of the House of Commons.

Interpretation

13 (1) In this Part of this Schedule—

"GLO Compensation Scheme" means the scheme announced by His Majesty's Government on 22 March 2022 with the objective of ensuring that persons who were party to a claim against Post Office Limited in respect of the Horizon system that was subject to a group litigation order have access to compensation for losses related to that system;

"Horizon Shortfall Scheme" means the scheme established on 1 May 2020 by Post Office Limited to compensate persons who were adversely affected by accounting shortfalls related to the Horizon system;

"the Horizon system" means previous versions of the computer system used by Post Office Limited known as Horizon (and sometimes referred to as Legacy Horizon, Horizon Online or HNG-X);

"Post Office Limited" means the private company limited by shares with the company number 02154540 whose registered office is 100 Wood Street, London EC2V 7ER;

"Post Office Process Review" means the review established by Post Office Limited to provide redress to postmasters who were financially impacted by previous processes or policies in relation to balance discrepancies unrelated to the Horizon system;

"Suspension Remuneration Review" means the review established by Post Office Limited to provide redress to postmasters contracted to deliver Post Office services through branches who were suspended before March 2019 and did not receive remuneration during their period of suspension.

(2) For the purposes of this Part of this Schedule—

(a) a relevant onward payment "relates" to paragraph 7(1)(a) if the related relevant compensation payment mentioned in paragraph 8(1)(c) falls within paragraph 7(1)(a) (and

references to payments relating to paragraph 7(1)(b), (c), (d) or (e) are to be read accordingly);

(b) references to a compensation scheme include references to any arrangements for the making of payments of compensation."

(3) In consequence of the amendment made by subsection (2)—

(a) in section 102—

(i) omit "and" after paragraph (b), and

(ii) after that paragraph insert—

"(ba) payments made under or otherwise referable to compensation schemes established in connection with certain matters relating to Post Office Limited, and";

(b) before paragraph 1 of Schedule 15 (and the italic heading before it) insert—

"PART 1

INCOME TAX AND OTHER RELATED RELIEF";

(c) in each of the following provisions of Schedule 15, before "Schedule" insert "Part of this"—

(i) paragraph 1(1);

(ii) paragraph 1(2);

(iii) paragraph 2(6)."

13 Enterprise management incentives: time limits

(1) Part 7 of Schedule 5 to ITEPA 2003 (enterprise management incentives: notification of options) is amended as follows.

(2) In paragraph 44(1) (time within which notice of options must be given to HMRC) for "within 92 days after the date of the grant of the option" substitute "on or before 6 July following the end of the tax year in which the option was granted".

(3) In paragraph 46(5) (time for giving of notices of enquiry)—

(a) for "end of the period of 92 days" substitute "date";

(b) for "period within" substitute "date by".

(4) The amendments made by this section have effect in relation to share options (within the meaning of the EMI code (see paragraph 59 of Schedule 5 to ITEPA 2003)) granted on or after 6 April 2024.

CHAPTER 2

PENSIONS

14 Provision in connection with abolition of the lifetime allowance charge

(1) Schedule 9 contains amendments in consequence of, or otherwise in connection with, the provision made by sections 18, 19 and 23 of F(No.2)A 2023 (which relate to the abolition of the lifetime allowance charge).

(2) In that Schedule—

(a) Part 1 contains repeals of the provisions of Part 4 of FA 2004 (pension schemes etc) that impose the lifetime allowance charge, and amendments relating to those repeals;

(b) Part 2 contains amendments of Part 4 of FA 2004, Part 9 of ITEPA 2003, and subordinate legislation, relating to the taxation of lump sums paid by registered pension schemes;

(c) Part 3 contains amendments of Part 4 of FA 2004, Part 9 of ITEPA 2003, and subordinate legislation, relating to the taxation of lump sums paid by certain unregistered non-UK pension schemes and to the overseas transfer charge;

(d) Part 4 contains amendments of provisions that confer transitional protections in relation to the introduction of the lifetime allowance charge or reductions in the amount of the lifetime allowance;

(e) Part 5 contains amendments of Part 4 of FA 2004 and subordinate legislation relating to the provision of information;

(f) Part 6 contains provision about commencement and transitional matters, and powers to make further provision.

(3) The following provisions of F(No.2)A 2023 (which are superseded by the amendments contained in Parts 1 and 2 of Schedule 9) are repealed—

section 18 (abolition of lifetime allowance charge);
section 19 (certain lump sums to be taxed at marginal rate).

(4) The amendments contained in Schedule 9 include repeals of provisions that are spent or are no longer of practical utility.

15 MPs' pension scheme etc: rectification of discrimination

(1) The Treasury may by regulations make provision about the treatment for the purposes of income tax or capital gains tax of—

(a) rectification payments, or tax redress payments, made to or in respect of a member of a relevant pension scheme,

(b) tax windfalls resulting from a rectification exercise, or

(c) increases or decreases resulting from a rectification exercise in—

(i) the rate of a scheme pension payable by a relevant pension scheme, or

(ii) the value of any rights under a relevant pension scheme in respect of a member.

(2) "Relevant pension scheme" means—

(a) an MPs' pension scheme,

(b) a Senedd pension scheme, or

(c) an Assembly pension scheme.

(3) "Rectification payment" means—

(a) a payment of pension benefits that—

(i) are payable as a result of a rectification exercise, and

(ii) would have become payable at an earlier time if the rectification exercise had been retrospective, or

(b) a refund of pension contributions that is owed as a result of a rectification exercise.

(4) "Tax redress payment" means a payment made to or in respect of a member of a relevant pension scheme where—

(a) the member was subject to a rectification exercise, and

(b) the payment represents compensation for an amount paid in respect of an income tax liability for any tax year that would not have arisen if the rectification exercise had been retrospective.

(5) "Tax windfall", in relation to a rectification exercise and a member of a relevant pension scheme, means—

(a) a liability of the member for the annual allowance charge that would have arisen in the tax year 2023-24 or any earlier tax year, or

(b) a liability of the member for the lifetime allowance charge that would have arisen in the tax year 2022-23 or any earlier tax year,

if the rectification exercise had been retrospective.

(6) "Rectification exercise" means an exercise, conducted by a relevant pension scheme in accordance with the rules of the scheme, under which the benefits payable to or in respect of a member in respect of the member's remediable service (or any part of the member's remediable service)—

(a) cease to be career average benefits and become instead final salary benefits, or

(b) cease to be final salary benefits and become instead career average benefits.

(7) Regulations under this section may—

(a) modify any enactment contained in the Income Tax Acts or relating to capital gains tax;

(b) impose a charge to income tax in relation to a tax windfall;

(c) make different provision for different cases;

(d) include consequential, incidental, supplemental, transitional, transitory or saving provision.

(8) Regulations under this section—

(a) if made before 6 April 2025, may be made so as to have effect in relation to the tax year 2024-25;

(b) if made on or after 6 April 2025, may include provision that has effect in relation to times before the regulations are made if that provision does not increase any person's liability to tax.

(9) In this section—

"an Assembly pension scheme" means a pension scheme made under section 48 of the Northern Ireland Act 1998;

"lifetime allowance charge" means the charge to income tax under section 214 of FA 2004, as it had effect before its repeal by this Act;

"modify" includes disapply or supplement;

"an MPs' pension scheme" means a pension scheme made under paragraph 12(1) of Schedule 6 to the Constitutional Reform and Governance Act 2010;

"remediable service" means service that is pensionable service under a relevant pension scheme and—

(a) in the case of service that is pensionable service under an MPs' pension scheme, takes place in the period beginning with 8 May 2015 and ending with 31 March 2023;

(b) in the case of service that is pensionable service under a Senedd pension scheme or an Assembly pension scheme, takes place in the period beginning with 6 May 2016 and ending with 6 May 2021;

"scheme pension" has the same meaning as in Part 4 of FA 2004 (pensions etc);

"a Senedd pension scheme" means a pension scheme made under section 20 of the Government of Wales Act 2006.

CHAPTER 3

OTHER INCOME TAX MEASURES

Calculation of trade profits etc

16 Provision relating to the cash basis

Schedule 10 contains provision about the calculation of the profits of a trade, profession or vocation on the cash basis, including provision—

(a) for the cash basis to be the default basis of calculation for certain persons,

(b) removing eligibility conditions relating to receipts,

(c) removing restrictions on deductions for loan interest, and

(d) removing restrictions on the availability of certain loss reliefs.

Other

17 PAYE regulations: special types of payer or payee

(1) In Chapter 3 of Part 11 of ITEPA 2003 (pay as you earn: special types of payer or payee), after section 688AA insert—

"688AB Workers' providing services through intermediaries etc: cases where taxes already paid

(1) PAYE regulations may make the following provision.

(2) Provision for an amount to be treated as having been recovered from the payee, and for that amount not to be recoverable from the payer ("the deemed employer"), where—

(a) the deemed employer would otherwise be liable to pay an amount under PAYE regulations in consequence of being treated under section 61N(3) as having made a deemed direct payment to a worker (other than by virtue of section 61WA), and

(b) an amount of income tax or corporation tax has already been paid, or assessed, in respect of income referable to that payment.

(3) Provision for the amount referred to in the opening words of subsection (2) to be the best estimate which can reasonably be made by an officer of Revenue and Customs (whether generally or specifically) of the amount referred to in subsection (2)(b).

(4) Provision preventing a person specified in PAYE regulations from—

(a) making a claim for the repayment of, or relief in respect of, an amount referred to in subsection (2)(b), or

(b) deducting, or setting off, the amount referred to in that subsection from, or against, any tax liability of the person,

in a case where an estimate of that amount is treated as having been recovered from the payee as a result of provision made by virtue of this section.

(5) In this section, "payee" and "payer" have the same meaning as in section 684 (see subsection (7C) of that section)."

(2) PAYE Regulations made by virtue of subsection (1) may make provision in relation to deemed direct payments made on or after 6 April 2017.

18 Carer's allowance supplement: correction of statutory reference

(1) In Table A in section 660 of ITEPA 2003 (taxable UK benefits), in the entry for carer's allowance supplement, for "Sections 24 and 28" substitute "Section 81".

(2) The amendment made by subsection (1) is treated as having had effect from the time when section 12 of FA 2019 (tax treatment of social security income) came into force.

PART 2

OTHER TAXES

Stamp duty and stamp duty reserve tax

19 Growth market exemption: qualifying UK multilateral trading facilities etc

(1) Section 99A of FA 1986 (meaning of "recognised growth market" etc) is amended as follows.

(2) In subsection (5)—

(a) in the words before paragraph (a), after "recognised stock exchange" insert "or a qualifying UK multilateral trading facility";

(b) in paragraph (a), for "£170 million" substitute "£450 million".

(3) In subsection (6), at the end insert ";

"UK multilateral trading facility" has the meaning given by Article 2.1.14A of Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments as it forms part of assimilated law."

(4) After subsection (6) insert—

"(6A) For the purposes of subsection (5) a UK multilateral trading facility is "qualifying" if—

(a) it is operated by an investment firm within the meaning given by article 3(1) of The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (S.I. 2001/544), and

(b) the investment firm has permission under Part 4A of the Financial Services and Markets Act 2000 to carry on the regulated activity (within the meaning of that Act) of operating a multilateral trading facility."

(5) The amendments made by this section are treated as having come into force on 1 January 2024.

20 Capital-raising arrangements etc

Schedule 11 makes provision for and in connection with ensuring that it continues to be the case that—

(a) no 1.5% charge to stamp duty or stamp duty reserve tax arises in relation to—

(i) issues of securities or stock, or

(ii) transfers of securities made in the course of capital-raising arrangements or qualifying listing arrangements, and

(b) no charge to stamp duty arises in relation to the issue of bearer instruments.

Electricity generator levy

21 New investment exemption

(1) Part 5 of F(No.2)A 2023 (electricity generator levy) is amended as follows.

(2) In section 280 (key concepts), in subsection (1), in the definition of "relevant" (as in relevant generating station)—

(a) omit the "and" after paragraph (a), and

(b) after paragraph (b) insert ", and

(c) to the extent it is not comprised of qualifying new generating plant (see section 311A);".

(3) After section 311 insert—

"311A Meaning of "qualifying new generating plant"

(1) Generating plant is "qualifying new generating plant" if it is new generating plant commissioned as part of a qualifying project that meets the new investment condition.

(2) The new investment condition is met in relation to a qualifying project if on 21 November 2023 it was reasonable to conclude, having regard to all of the circumstances, that there is a significant likelihood of the project not proceeding.

(3) The Treasury may by regulations provide for cases in which qualifying projects are to be treated as meeting the new investment condition.

(4) "Qualifying project" means a project to commission—

(a) new generating plant for—

(i) a new generating station, or

(ii) an existing generating station which (as a result of the project) is to be wholly or substantially comprised of new generating plant, or

(b) new generating plant that increases the generating capacity of an existing generating station.

(5) Subsection (6) applies where new generating plant that increases the generating capacity of an existing generating station replaces existing generating plant.

(6) Only so much of the new generating plant as represents generating capacity in excess of the capacity of the generating plant it replaces is to be regarded as qualifying new generating plant."

(4) In section 313 (definitions in this Part), in the table, at the appropriate place insert—

"qualifying new generating plant	section 311A".

Pillar Two

22 Ensuring consistency of Parts 3 and 4 of F(No.2)A 2023 with OECD rules etc

Schedule 12 makes amendments to F(No.2)A 2023 in relation to multinational top-up tax and in relation to domestic top-up tax.

Excise duty rates

23 Rates of tobacco products duty

(1) In Schedule 1 to TPDA 1979 (table of rates of tobacco products duty), for the Table substitute—

"TABLE

1 Cigarettes	An amount equal to the higher of— (a) 16.5% of the retail price plus £316.70 per thousand cigarettes, or (b) £422.80 per thousand cigarettes.
2 Cigars	£395.03 per kilogram
3 Hand-rolling tobacco	£412.32 per kilogram
4 Other smoking tobacco and chewing tobacco	£173.68 per kilogram
5 Tobacco for heating	£325.53 per kilogram".

(2) In consequence of the provision made by subsection (1), in Schedule 2 to the Travellers' Allowances Order 1994 (which provides in certain circumstances for a simplified calculation of excise duty on goods brought into Great Britain)—

(a) in the entry relating to cigarettes, for "£393.45" substitute "£422.80",

(b) in the entry relating to hand rolling tobacco, for "£351.03" substitute "£412.32",

(c) in the entry relating to other smoking tobacco and chewing tobacco, for "£161.62" substitute "£173.68",

(d) in the entry relating to cigars, for "£367.61" substitute "£395.03",

(e) in the entry relating to cigarillos, for "£367.61" substitute "£395.03", and

(f) in the entry relating to tobacco for heating, for "£90.88" substitute "£97.66".

(3) The amendments made by this section are treated as having come into force at 6pm on 22 November 2023.

24 Rates of vehicle excise duty

(1) Schedule 1 to VERA 1994 (annual rates of vehicle excise duty) is amended as follows.

(2) In paragraph 1 (general rate)—

(a) in sub-paragraph (2) (vehicle not covered elsewhere in Schedule with engine cylinder capacity exceeding 1,549cc), for "£325" substitute "£345", and

(b) in sub-paragraph (2A) (vehicle not covered elsewhere in Schedule with engine cylinder capacity not exceeding 1,549cc), for "£200" substitute "£210".

(3) In paragraph 1B (graduated rates for light passenger vehicles registered before 1 April 2017), for the Table substitute—

"CO2 Emissions Figure		Rate	
(1)	**(2)**	**(3)**	**(4)**
Exceeding	**Not exceeding**	**Reduced rate**	**Standard Rate**
g/km	**g/km**	**£**	**£**
100	110	10	20
110	120	25	35
120	130	150	160
130	140	180	190
140	150	200	210
150	165	245	255
165	175	295	305
175	185	325	335
185	200	375	385
200	225	405	415
225	255	700	710
255	—	725	735".

(4) In the sentence immediately following the Table in that paragraph, for paragraphs (a) and (b) substitute—

"(a) in column (3), in the last two rows, "405" were substituted for "700" and "725", and

(b) in column (4), in the last two rows, "415" were substituted for "710" and "735"."

(5) In paragraph 1GC (graduated rates for first licence for light passenger vehicles registered on or after 1 April 2017), for Table 1 (vehicles other than higher rate diesel vehicles) substitute—

"CO2 Emissions Figure		Rate	
(1)	**(2)**	**(3)**	**(4)**
Exceeding	**Not exceeding**	**Reduced rate**	**Standard Rate**
g/km	**g/km**	**£**	**£**
0	50	0	10
50	75	20	30
75	90	125	135
90	100	165	175
100	110	185	195
110	130	210	220
130	150	260	270
150	170	670	680
170	190	1085	1095
190	225	1640	1650
225	255	2330	2340
255	–	2735	2745".

(6) In that paragraph, for Table 2 (higher rate diesel vehicles) substitute—

"CO2 Emissions Figure		Rate
(1)	**(2)**	**(3)**
Exceeding	**Not exceeding**	**Rate**
g/km	**g/km**	**£**
0	50	30

"CO2 Emissions Figure		Rate
50	75	135
75	90	175
90	100	195
100	110	220
110	130	270
130	150	680
150	170	1095
170	190	1650
190	225	2340
225	255	2745
255	–	2745".

(7) In paragraph 1GD(1) (rates for any other licence for light passenger vehicles registered on or after 1 April 2017)—

(a) in paragraph (a) (reduced rate), for "£170" substitute "£180", and

(b) in paragraph (b) (standard rate), for "£180" substitute "£190".

(8) In paragraph 1GE(2) (rates for light passenger vehicles registered on or after 1 April 2017 with a price exceeding £40,000)—

(a) in paragraph (a), for "£560" substitute "£590", and

(b) in paragraph (b), for "£570" substitute "£600".

(9) In paragraph 1J(a) (rates for light goods vehicles that are not pre-2007 or post-2008 lower emission vans), for "£320" substitute "£335".

(10) In paragraph 2(1) (rates for motorcycles)—

(a) in paragraph (a) (engine cylinder capacity not exceeding 150cc), for "£24" substitute "£25",

(b) in paragraph (b) (motorbicycles with engine cylinder capacity exceeding 150cc but not exceeding 400cc), for "£52" substitute "£55",

(c) in paragraph (c) (motorbicycles with engine cylinder capacity exceeding 400cc but not exceeding 600cc), for "£80" substitute "£84", and

(d) in paragraph (d) (other cases), for "£111" substitute "£117".

(11) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2024.

25 Rates of air passenger duty

(1) Section 30 of FA 1994 (air passenger duty: rates) is amended as follows.

(2) In subsection (1B) (journeys ending in the United Kingdom)—
  (a) in paragraph (a), for "£6.50" substitute "£7", and
  (b) in paragraph (b), for "£13" substitute "£14".

(3) In subsection (2A) (long-haul journeys)—
  (a) in paragraph (a), for "£87" substitute "£88", and
  (b) in paragraph (b), for "£191" substitute "£194".

(4) In subsection (4A) (ultra-long haul journeys)—
  (a) in paragraph (a), for "£91" substitute "£92", and
  (b) in paragraph (b), for "£200" substitute "£202".

(5) In subsection (4E) (journeys on aircraft equipped to carry fewer than 19 passengers)—
  (a) in paragraph (aa), for "£574" substitute "£581", and
  (b) in paragraph (d), for "£601" substitute "£607".

(6) The amendments made by this section have effect in relation to the carriage of passengers beginning on or after 1 April 2024.

Miscellaneous VAT and excise measures

26 Rebate on heavy oil and certain bioblends used for heating

In Schedule 1A to HODA 1979 (excepted machines), in paragraph 8, in sub-paragraph (1)(e), for the words from "kerosene" to the end substitute "for fuel—

"(i) heavy oil other than gas oil, or
(ii) bioblend other than bioblend that is a mixture of biodiesel and gas oil."

27 Vehicle excise duty exemption for foreign vehicles

After section 5 of VERA 1994 (exempt vehicles) insert—

"5A Additional power to exempt foreign vehicles

(1) The Secretary of State may by regulations confer an exemption from vehicle excise duty in respect of a foreign vehicle.

(2) The regulations may, for or in connection with conferring the exemption, amend subordinate legislation made under this Act or the Motor Vehicles (International Circulation) Act 1952.

(3) The regulations may provide that the exemption of a foreign vehicle from vehicle excise duty is—
  (a) subject to conditions;
  (b) limited to a specified period.

(4) Regulations under this section may make—

(a) provision which applies generally or for particular purposes;
(b) retrospective provision.

(5) A provision of regulations under this section that has the effect of removing the exemption of a foreign vehicle from vehicle excise duty must not be made so as to have retrospective effect.

(6) In this section—

"foreign vehicle" means a vehicle that is registered under the law of any territory outside the United Kingdom;

"specified" means specified in the regulations;

"subordinate legislation" means Orders in Council, orders and regulations (including any regulations made under an Order in Council)."

28 Interpretation of VAT and excise law

(1) This section makes provision about how—

(a) the European Union (Withdrawal) Act 2018 ("EUWA 2018"), and
(b) the amendments made to that Act by the Retained EU Law (Revocation and Reform) Act 2023 ("REULA 2023"),

are to apply for the purpose of interpreting enactments relating to value added tax or any duty of excise ("VAT and excise law").

(2) Section 4 of EUWA 2018 (retained EU rights, powers, liabilities etc) continues to have effect (despite the provision made by section 2 of REULA 2023) for the purpose of interpreting VAT and excise law subject to the following exception.

(3) The exception is that Articles 110 and 111 of the Treaty on the Functioning of the European Union (which relate to internal taxation on products) have no effect for that purpose.

(4) Section 5(A1) to (A3) of EUWA 2018 (which are inserted by section 3 of REULA 2023 and which abolish the supremacy of EU law) have effect in relation to VAT and excise law as they have effect in relation to other domestic enactments but only so far as they relate to the disapplication or quashing of any enactment as a result of EU law (and, accordingly, the superseded provisions continue to have effect for the purpose of interpreting VAT and excise law).

(5) Retained general principles of EU law—

(a) continue to be relevant (despite the provision made by section 4 of REULA 2023) for the purpose of interpreting VAT and excise law in the same way, and to the same extent, as they were relevant for that purpose before the coming into force of that section, but
(b) otherwise have effect for that purpose subject to the provision made by that Act (including, in particular, the amendments made by section 6 of that Act (role of courts)).

(6) In this section—

(a) the reference to any duty of excise is to be read in accordance with section 49 of TCTA 2018,

(b) the reference to the superseded provisions is a reference to section 5(1) to (3) of EUWA 2018 as those subsections had effect immediately before the passing of REULA 2023, and

(c) the reference to retained general principles of EU law is to be read in accordance with EUWA 2018 as that Act had effect immediately before the passing of REULA 2023.

(7) This section needs to be read with sections 42 and 47 of TCTA 2018 (which make other provision about EU law relating to VAT and excise law and which continue to have effect for the purpose mentioned in subsection (1) above).

(8) This section is treated as having come into force on 1 January 2024.

Environmental taxes

29 Rates of landfill tax

(1) Section 42 of FA 1996 (amount of landfill tax) is amended as follows.

(2) In subsection (1)(a) (standard rate), for "£102.10" substitute "£103.70".

(3) In subsection (2) (reduced rate for certain disposals), in the words after paragraph (b)—

(a) for "£102.10" substitute "£103.70", and

(b) for "£3.25" substitute "£3.30".

(4) The amendments made by this section have effect in relation to disposals made (or treated as made) on or after 1 April 2024.

30 Rate of aggregates levy

(1) In section 16(4) of FA 2001 (rate of aggregates levy), for "£2" substitute "£2.03".

(2) The amendment made by this section has effect in relation to aggregate subjected to commercial exploitation on or after 1 April 2024.

31 Rate of plastic packaging tax

(1) In section 45(1) of FA 2021 (rate of plastic packaging tax), for "£210.82" substitute "£217.85".

(2) The amendment made by this section has effect in relation to packaging components produced in, or imported into, the United Kingdom on or after 1 April 2024.

PART 3

MISCELLANEOUS AND FINAL

Evasion, avoidance etc

32 Increase in maximum terms of imprisonment for tax offences

(1) In the specified provisions of the following enactments, for "seven" (or "7") substitute "14"—

TMA 1970	Section 106A(2)(b) (fraudulent evasion of income tax)
Customs and Excise Duties (General Reliefs) Act 1979	Section 13C(4)(b) (relieved goods used, etc, in breach of condition)
CEMA 1979	Section 50(4)(b) (improper importation of goods)
	Section 53(9)(b) (shipping etc dutiable or restricted goods with fraudulent intent)
	Section 63(6)(b) (goods taken on board a ship etc with fraudulent intent)
	Section 68(3)(b) (exportation of prohibited or restricted goods with intent to evade prohibition or restriction)
	Section 68A(2)(b) (fraudulent evasion of agricultural levy)
	Section 100(4)(b) (taking etc of warehoused goods with intent to defraud)
	Section 136(2)(b) (claims for drawback etc with intent to defraud)
	Section 159(7)(b) (removing examinable goods with intent to defraud)
	Section 170(3)(b) (fraudulent evasion of duty, etc)
	Section 170B(1)(b) (taking preparatory steps for evasion of excise duty)
HODA 1979	Section 10(7)(b) (contravening restrictions on use of duty-free oil)
	Section 13(5)(b) (contravening restrictions on use of heavy oil)
	Section 13AB(7)(b) (contravening restrictions on use of rebated kerosene)

	Section 14(8)(b) (contravening restrictions on use of light oil)
	Section 14D(5)(b) (contravening restrictions on use of rebated biodiesel or bioblend)
	Section 14F(3)(b) (contravening restrictions on use of restricted fuel) (as substituted by paragraph 9 of Schedule 11 to FA 2020)
	Section 20AAC(4)(d) (contravening restrictions on use of aqua methanol)
	Section 24A(6)(b) (contravening restrictions on use of marked oil)
BGDA 1981	Paragraph 16(1)(b) of Schedule 3 (fraudulent evasion of bingo duty)
FA 1993	Section 31(2)(b) (fraudulent evasion etc of lottery duty)
VATA 1994	Section 72(1)(b), (3)(ii) and (8)(b) (fraudulent evasion etc of VAT)
FA 1994	Section 41(2)(b) (fraudulent evasion etc of duty)
	Paragraph 10(1)(b), (3)(b) and (5)(b) of Schedule 7 (fraudulent evasion etc of insurance premium tax)
FA 1996	Paragraph 16(1)(b), (3)(b) and (5)(b) of Schedule 5 (fraudulent evasion etc of landfill tax)
FA 1997	Paragraph 12(3)(b)(ii) of Schedule 1 (fraudulent evasion etc of gaming duty)
FA 2000	Paragraphs 92(3)(b), 93(3)(b) and 94(3)(b) of Schedule 6 (fraudulent evasion etc of climate change levy)
FA 2001	Paragraphs 1(3)(b), 2(3)(b) and 3(3)(b) of Schedule 6 (fraudulent evasion etc of aggregates levy)
FA 2003	Section 95(2)(b) (fraudulent evasion of stamp duty land tax)
FA 2012	Paragraph 37(2)(a) of Schedule 24 (fraudulent evasion of machine games duty)
FA 2014	Section 174(3)(a) (fraudulent evasion of general betting duty, pool betting duty and remote gaming duty)
FA 2017	Section 50(3)(d)(i) (fraudulent evasion of soft drinks levy)
FA 2021	Section 77(3)(d)(i) (fraudulent evasion of plastic packaging tax)

	Section 78(3)(d)(i) (false statements in connection with plastic packaging tax)
	Section 79(3)(d)(i) (plastic packaging tax: conduct involving evasions or false statements)

(2) Subsections (3) to (5) make amendments to CEMA 1979 which are consequential on amendments to that Act made by subsection (1).

(3) In section 50—
(a) in subsection (4) for ", (5AA), (5B) or (5C)" substitute "or (5B)",
(b) in subsection (5A) for "7" (in the closing words) substitute "14",
(c) omit subsection (5AA),
(d) in subsection (5B)(b) for "7" substitute "14", and
(e) omit subsection (5C).

(4) In section 68—
(a) in subsection (3) for ", (4A), (4AA) or (4B)" substitute "or (4A)",
(b) in subsection (4A) for "7" (in the closing words) substitute "14",
(c) omit subsection (4AA), and
(d) omit subsection (4B).

(5) In section 170—
(a) in subsection (3) for ", (4AA), (4B) or (4C)" substitute "or (4B)",
(b) in subsection (4A) for "7" (in the closing words) substitute "14",
(c) omit subsection (4AA),
(d) in subsection (4B)(b) for "7" substitute "14", and
(e) omit subsection (4C).

(6) Subject to subsection (7), the amendments made by this section have effect in relation to offences committed on or after the day on which this Act is passed.

(7) The amendment made to section 14F of HODA 1979 so far as applying to a part of the United Kingdom other than Northern Ireland—
(a) comes into force at the same time as paragraph 9 of Schedule 11 to FA 2020 (which inserts a new section 14F into HODA 1979) comes into force in its application to that part of the United Kingdom, and
(b) has effect in relation to offences committed on or after the day on which it comes into force.

33 Disqualification of directors etc promoting tax avoidance schemes

Schedule 13 makes provision for HMRC to apply for disqualification orders under the Company Directors Disqualification Act 1986 in connection with the promotion of tax avoidance schemes.

34 Promoters of tax avoidance: failure to comply with stop notice etc

(1) In FA 2014, before section 278 (but after the italic heading) insert—

"277A Offences relating to stop notices

(1) A person who, without reasonable excuse, fails to comply with a duty imposed under section 236B(1) is guilty of an offence.

(2) The recipient of a stop notice ("R") is guilty of an offence if—

(a) R fails, without reasonable excuse, to comply with a duty imposed under section 236B(3)(a), (4)(a) or (5)(a) to give a copy of the notice to another person ("P"),

(b) P subsequently fails to comply with a duty imposed under section 236B(1) in relation to the notice, and

(c) at the time of P's failure the stop notice continues to have effect in relation to R.

(3) For the purposes of this section—

(a) an insufficiency of funds is not a reasonable excuse unless attributable to events outside the person's control,

(b) if the person relies on any other person to do anything, that is not a reasonable excuse unless the first person took reasonable care to avoid the failure,

(c) if the person had a reasonable excuse for the failure but the excuse has ceased, the person is to be treated as having continued to have the excuse if the failure is remedied without unreasonable delay after the excuse ceased, and

(d) reliance on legal advice is to be taken automatically not to constitute a reasonable excuse where the person is a monitored promoter if either—

(i) the advice was not based on a full and accurate description of the facts, or

(ii) the conclusions in the advice that the person relied on were unreasonable.

277B Liability for offences under section 277A committed by a body

(1) If an offence under section 277A is committed by a body corporate or a partnership and—

(a) is committed with the consent or connivance of a relevant person in relation to the body or partnership, or

(b) is attributable to neglect on the part of such a person,

the person (as well as the body or partnership) commits the offence and is liable to be proceeded against and punished accordingly.

(2) A "relevant person" is—

(a) in relation to a body corporate other than one whose affairs are managed by its members—

(i) a director, manager, secretary or other similar officer of the body, or a person purporting to act in such a capacity, or

(ii) a shadow director within the meaning of section 251 of the Companies Act 2006;

(b) in relation to a limited liability partnership or other body corporate whose affairs are managed by its members—

(i) a member who exercises functions of management with respect to it, or a person purporting to act in such a capacity, or

(ii) in the case of a limited liability partnership, a shadow member within the meaning of regulation 2 of the Limited Liability Partnerships Regulations 2001 (S.I. 2001/1090);

(c) in relation to a partnership, a partner or a person purporting to act in such a capacity."

(2) In section 280(1) of FA 2014 (penalties for offences), after "section" insert "277A,".

(3) The offence under section 277A(1) of FA 2014 (as inserted by subsection (1)) applies in relation to a failure to comply that occurs on or after the date on which this Act is passed.

(4) The offence under section 277A(2) of FA 2014 (as inserted by subsection (1)) applies in relation to duties under section 236B(3)(a), (4)(a) or (5)(a) arising on or after the date on which this Act is passed.

(5) In section 236B(7) of FA 2014 (effect of stop notices), for "(5)(b)" substitute "(5)(a)".

35 Construction industry scheme: gross payment status

(1) FA 2004 is amended as follows.

(2) In section 66 (cancellation of registration for gross payment)—

(a) in subsection (1)—

(i) in paragraph (b), after "sub-contractor)" insert "in connection with an obligation arising";

(ii) in paragraph (c), for "any such provision" substitute "an obligation arising under or in connection with any provision of this Chapter or of regulations made under it".

(b) in subsection (3)—

(i) for paragraph (b) substitute—

"(b) has fraudulently made an incorrect return or has fraudulently provided incorrect information (whether as a contractor or a sub-contractor) in connection with an obligation—

(i) arising under any provision of this Chapter or of regulations made under it;

(ii) arising under any provision of PAYE regulations;

(iii) to submit a self-assessment return;

(iv) arising under any provision of the Value Added Tax Act 1994 or of regulations made under it, or";

(ii) in paragraph (c), for "any such provision" substitute "an obligation arising under or in connection with any provision of this Chapter or of regulations made under it".

(3) In Schedule 11 (conditions for registration for gross payment)—

(a) in paragraph 4, in sub-paragraph (1)(a)—

(i) in sub-paragraph (iii), for "the PAYE Regulations (SI 2003/2682)" substitute "PAYE regulations";

(ii) at the end insert—

"(v) to account for or pay VAT as required by or under the Value Added Tax Act 1994, and";

(b) in paragraph 8, in sub-paragraph (1)(a)—

(i) in sub-paragraph (iii), for "the PAYE Regulations (SI 2003/2682)" substitute "PAYE regulations";

(ii) at the end insert—

"(v) to account for or pay VAT as required by or under the Value Added Tax Act 1994, and";

(c) in paragraph 12, in sub-paragraph (1)(a)—

(i) in sub-paragraph (iii), for "the PAYE Regulations (SI 2003/2682)" substitute "PAYE regulations";

(ii) at the end insert—

"(v) to account for or pay VAT as required by or under the Value Added Tax Act 1994, and".

(4) The amendments in this section have effect in relation to—

(a) applications for gross payment status made on or after 6 April 2024, and

(b) registrations for gross payment status which are in effect on or after 6 April 2024 (but see subsection (5)).

(5) When making a determination under section 66(1)(a) of FA 2004 (cancellation of registration for gross payment) in relation to a person registered for gross payment status before 6 April 2024, any failure by that person before 6 April 2024 to comply with an obligation to account for or pay VAT must be disregarded (notwithstanding the amendments made by subsection (3)).

Administration

36 Additional information to be contained in returns under TMA 1970 etc

(1) In section 8 of TMA 1970 (personal return), after subsection (1H) insert—

"(1I) Where a person is required to make and deliver a return under this section, the person may be required by an officer of His Majesty's Revenue and Customs to include in the return any information that is specified or described in regulations made by the Commissioners (whether or not the information is relevant for the purpose mentioned in subsection (1)).

(1J) The Commissioners may only specify or describe information in regulations under subsection (1I) if the Commissioners consider that the information is relevant for the purpose of the collection and management of any of the taxes listed in section 1.

(1K) A person who fails to comply with a requirement imposed on them by virtue of subsection (1I) is liable to a penalty of £60.

(1L) Regulations under subsection (1I) may make different provision for different purposes."

(2) In section 8A of TMA 1970 (trustee's return), after subsection (1F) insert—

"(1G) Where a person is required to make and deliver a return under this section, the person may be required by an officer of His Majesty's Revenue and Customs to include in the return any information that is specified or described in regulations made by the Commissioners (whether or not the information is relevant for the purpose mentioned in subsection (1)).

(1H) The Commissioners may only specify or describe information in regulations under subsection (1G) if the Commissioners consider that the information is relevant for the purpose of the collection and management of any of the taxes listed in section 1.

(1I) A person who fails to comply with a requirement imposed on them by virtue of subsection (1G) is liable to a penalty of £60.

(1J) Regulations under subsection (1G) may make different provision for different purposes."

(3) In section 12AA of TMA 1970 (partnership return), after subsection (5E) insert—

"(5F) Where a person is required to make and deliver a return under this section, the person may be required by an officer of His Majesty's Revenue and Customs to include in the return any information that is specified or described in regulations made by the Commissioners (whether or not the information is relevant for the purpose mentioned in subsection (1)).

(5G) The Commissioners may only specify or describe information in regulations under subsection (5F) if the Commissioners consider that the information is relevant for the purpose of the collection and management of any of the taxes listed in section 1.

(5H) A person who fails to comply with a requirement imposed on them by virtue of subsection (5F) is liable to a penalty of £60.

(5I) Regulations under subsection (5F) may make different provision for different purposes."

(4) In Chapter 6 of Part 11 of ITEPA 2003 (pay as you earn), before section 708 insert—

"707A Provision of additional information to His Majesty's Revenue and Customs

(1) PAYE regulations may include provision requiring an employer to provide any information that is specified or described in regulations made by the Commissioners (whether or not that information is also relevant to the assessment, charge, collection and recovery of income tax in respect of PAYE income).

(2) The Commissioners for His Majesty's Revenue and Customs may only specify or describe information in regulations under subsection (1) if the Commissioners consider that the information is relevant for the purpose of the collection and management of any of the taxes listed in section 1 of TMA 1970."

(5) The amendments made by this section have effect for the tax year 2025-26 and subsequent tax years.

37 Commencement of rules imposing penalties for failure to make returns etc

(1) Regulations made by the Treasury under any of the powers in sections 116, 117 or 118 of FA 2021 may provide for any provision of Schedules 24 to 27 to that Act (penalties for failure to make returns etc or pay tax) to come into force for the purposes of failures by eligible volunteers.

(2) An eligible volunteer is an individual in respect of whom an election has effect under the regulations.

(3) The regulations may in particular—

(a) provide for an election to take effect only if accepted by an officer of Revenue and Customs;

(b) provide that an election may not be revoked by the individual;

(c) provide that an election ceases to have effect upon an officer of Revenue and Customs giving notice to the individual;

(d) make provision about the consequences of an election ceasing to have effect.

(4) The provision that may be made by virtue of subsection (3)(d) includes provision for an election that ceases to have effect to be treated as never having had effect, other than for the purposes of any failure in respect of which His Majesty's Revenue and Customs have already assessed a penalty.

Final

38 Abbreviations used in Act

In this Act the following abbreviations are references to the following Acts—

BGDA 1981	Betting and Gaming Duties Act 1981
CAA 2001	Capital Allowances Act 2001
CEMA 1979	Customs and Excise Management Act 1979
CTA 2009	Corporation Tax Act 2009
CTA 2010	Corporation Tax Act 2010
FA followed by a year	Finance Act of that year
F(No.2)A followed by a year	Finance (No.2) Act of that year
HODA 1979	Hydrocarbon Oil Duties Act 1979
ICTA	Income and Corporation Taxes Act 1988
ITA 2007	Income Tax Act 2007
ITEPA 2003	Income Tax (Earnings and Pensions) Act 2003
ITTOIA 2005	Income Tax (Trading and Other Income) Act 2005
TCGA 1992	Taxation of Chargeable Gains Act 1992
TCTA 2018	Taxation (Cross-border Trade) Act 2018
TIOPA 2010	Taxation (International and Other Provisions) Act 2010
TMA 1970	Taxes Management Act 1970
TPDA 1979	Tobacco Products Duty Act 1979
VERA 1994	Vehicle Excise and Registration Act 1994

39 Short title

This Act may be cited as the Finance Act 2024.

SCHEDULES

SCHEDULE 1

Section 2

RESEARCH AND DEVELOPMENT

PART 1

MAIN AMENDMENTS OF CTA 2009

1 CTA 2009 is amended as follows.

2 In Part 3, omit Chapter 6A (R&D expenditure credit).

3 In the heading of Part 13, omit "Additional relief for".

4 (1) Chapter 1 of Part 13 is amended as follows.

(2) For section 1039 (overview of Part) substitute—

"1039 Overview of Part

(1) This Part provides relief for companies that invest in research and development.

(2) Chapter 1A makes relief available in the form of a credit in respect of expenditure on research and development, which becomes payable in certain circumstances.

(3) Chapter 2 makes alternative relief available, in the form of—

(a) an additional deduction in calculating trading profits, and

(b) a payable credit,

to small or medium-sized enterprises that invest heavily in research and development and do not make associated trading profits.

(4) Chapter 8 limits the reliefs provided by Chapters 1A and 2.

(5) Chapter 9 contains definitions and other supplementary provision."

(3) For section 1040 (relief to be available under more than one Chapter of Part 13) substitute—

"1040 No overlapping claims under Chapters 1A and 2

A company is not entitled to relief under Chapter 2 in respect of expenditure if it is entitled to, and claims, relief under Chapter 1A in respect of that expenditure."

(4) Omit section 1040A (which refers to the existing R&D expenditure credit).

5 After Chapter 1 of Part 13 insert –

"CHAPTER 1A

R&D EXPENDITURE CREDIT

Introductory

1042A Overview of Chapter

(1) This Chapter provides an entitlement to a credit (called an "R&D expenditure credit") in respect of certain expenditure on research and development.

(2) Section 1042B and 1042C make the basic provision setting out what the entitlement is and how it is to be realised.

(3) Sections 1042D to 1042F describe the expenditure by reference to which the entitlement arises.

(4) Section 1042G sets the percentage of that expenditure that is translated into the credit.

(5) Sections 1042H to 1042N make provision about what happens when a company obtains the credit (in particular, about how the credit is to be accounted for and applied or paid).

(6) Section 1042O makes provision about how the expenditure credit operates in the context of a basic life assurance and general annuity business carried on by an insurance company.

(7) This Chapter has to be read with Chapter 8, which limits the entitlement given by this Chapter in various respects.

Entitlement and claims

1042B Entitlement to credit

(1) A company is entitled to an R&D expenditure credit for an accounting period if it meets conditions A, B and C in this section.

(2) Condition A is that the company carries on a trade in the period.

(3) Condition B is that the company incurs expenditure that is both –

(a) allowable as a deduction in calculating for corporation tax purposes the profits of the trade for the period, and

(b) qualifying Chapter 1A expenditure by virtue of section 1042D, 1042E or 1042F.

(4) Condition C is that the company is not an ineligible company (see section 1142).

(5) The amount of the credit is the relevant percentage (see section 1042G) of the expenditure that satisfies condition B.

1042C Claiming the credit

(1) To obtain an R&D expenditure credit the company must make a claim (see Part 9A of Schedule 18 to the FA 1998).

(2) A company may not make the claim ("the RDEC claim") after the end of the claim notification period unless—

(a) the company has made an R&D claim during the period of three years ending with the last day of the claim notification period,

(b) the company makes a claim notification in respect of the RDEC claim within the claim notification period, or

(c) the accounting period in respect of which the RDEC claim is made falls within the same period of account as another accounting period in respect of which the company has made an R&D claim or a claim notification.

(3) For the purposes of subsection (2)(a), ignore any R&D claim for an accounting period beginning before 1 April 2023 that is included in the company's company tax return only by virtue of an amendment made on or after that date (see paragraph 83B(2) of Schedule 18 to FA 1998).

Qualifying expenditure

1042D Qualifying expenditure: in-house R&D

(1) Expenditure of a company is qualifying Chapter 1A expenditure if it meets each of conditions A to D in this section.

(2) Condition A is that the expenditure is attributable to relevant research and development undertaken by the company itself.

(3) Condition B is that the expenditure is—

(a) incurred on staffing costs (see section 1123),

(b) incurred on software, data licences, cloud computing services or consumable items (see section 1125),

(c) qualifying expenditure on externally provided workers (see section 1127), or

(d) incurred on relevant payments to the subjects of a clinical trial (see section 1140).

(4) Condition C is that the research and development is not contracted out to the company (see section 1133).

(5) Condition D is that the expenditure is not attributable to an exempt foreign permanent establishment (see section 1138B).

(6) See sections 1124, 1126 to 1126B and 1132 for provision about when expenditure within subsection (3)(a), (b) or (c) is attributable to relevant research and development.

1042E Qualifying expenditure: payments for contracted out R&D

(1) Expenditure of a company is qualifying Chapter 1A expenditure if it meets each of conditions A to D in this section.

(2) Condition A is that the expenditure is attributable to relevant research and development contracted out by the company (see section 1133).

(3) Condition B is that the research and development is not also contracted out to the company (see section 1133).

(4) Condition C is that the expenditure is incurred in making the qualifying element of a contractor payment (see sections 1133 to 1136).

(5) Condition D is that the expenditure is not attributable to an exempt foreign permanent establishment (see section 1138B).

(6) See sections 1124, 1126 to 1126B and 1132 for provision about when particular kinds of expenditure are attributable to relevant research and development.

1042F Qualifying expenditure: activity as contractor for irrelievable client

(1) Expenditure of a company is qualifying Chapter 1A expenditure if it meets conditions A, B and C in this section.

(2) Condition A is that the expenditure is attributable to relevant research and development contracted out to the company (see section 1133).

(3) Condition B is that subsection (4) is satisfied by each person by whom the research and development is contracted out to the company.

(4) A person satisfies this subsection if—

(a) the person is an ineligible company (see section 1142), or

(b) the person is not, in relation to the contracting out of the research and development by that person, acting in the course of a trade, profession or vocation within the charge to tax.

(5) Condition C is that the expenditure would, but for the fact that the research and development is contracted out to the company, be qualifying Chapter 1A expenditure by virtue of section 1042D or 1042E.

Rate of credit

1042G Percentage of qualifying expenditure translated into credit

(1) The relevant percentage for the purposes of section 1042B(5) is—

(a) 49%, in the case of a ring fence trade within the meaning given by section 277 of CTA 2010, or

(b) 20%, in any other case.

(2) The Treasury may by regulations replace the percentage for the time being specified in subsection (1)(a) or (b) with a different percentage.

Treatment of credit: main provisions

1042H Expenditure credit to count as taxable receipt

If a company is entitled to, and claims, an R&D expenditure credit for an accounting period, it must bring the amount of the credit into account as a receipt in calculating for corporation tax purposes the profits for the period of the trade concerned.

1042I Redemption of value of expenditure credit

If a company is entitled to, and claims, an R&D expenditure credit for an accounting period, the credit is to be dealt with as follows.

Step 1

The amount of the credit is to be applied in discharging any liability of the company to pay corporation tax for the accounting period.

Step 2

If there is a notional tax deduction (see section 1042K), it is to be applied to any amount remaining after step 1.

Step 3

If the amount remaining after step 2 exceeds the cap by reference to the company's PAYE and NIC liabilities for the accounting period (see section 1112B), the excess is to be deducted.

Step 4

Any amount remaining after step 3 is to be applied in discharging any liability of the company to pay corporation tax for any other accounting period.

Step 5

If the company is a member of a group, it may surrender the whole or part of any amount remaining after step 4 to any other member of the group (as to which see section 1042N).

Step 6

Any amount remaining after step 5 is to be applied in discharging any other liability of the company to pay a sum to the Commissioners for His Majesty's Revenue and Customs—

(a) under or by virtue of an enactment, or

(b) under an agreement made in connection with any person's liability to make a payment to the Commissioners under or by virtue of an enactment.

Step 7

Any amount remaining after step 6 is (subject to sections 1112F and 1112H) to be paid to the company by an officer of Revenue and Customs.

1042J Treatment of deduction to comply with PAYE and NIC limit

(1) This section applies if an amount is deducted under step 3 in section 1042I.

(2) The amount is to be added to the amount of R&D expenditure credit to which the company is entitled for its next accounting period (including where that amount would otherwise be nil).

Notional tax deduction

1042K Amount of notional tax deduction

(1) This section determines the amount of the notional tax deduction for the purposes of step 2 in section 1042I.

(2) The amount of the deduction is the amount (if any) by which the amount remaining after step 1 in section 1042I exceeds the amount produced by deducting the notional tax charge from the initial amount of the expenditure credit (that is, its amount before the application of that step).

(3) Subsections (4) and (5) apply if the trade concerned is not a ring fence trade.

(4) The notional tax charge is the amount of corporation tax that would be chargeable on the initial amount of the expenditure credit if it were an amount of profits for the accounting period on which corporation tax was chargeable at the applicable rate.

(5) The applicable rate is—

(a) the main rate, if the company has profits for the accounting period that—

(i) are chargeable to corporation tax at the main rate, and

(ii) would be so even if they did not include any amount brought into account under section 1042H;

(b) in any other case, the standard small profits rate.

(6) Subsections (7) and (8) apply if the trade concerned is a ring fence trade.

(7) The notional tax charge is the sum of—

(a) the amount of corporation tax that would be chargeable on the initial amount of the expenditure credit if it were an amount of ring fence profits for the accounting period on which corporation tax was chargeable at the applicable rate, and

(b) the amount of the supplementary charge that would be chargeable on the initial amount of the expenditure credit if it were an amount of adjusted ring fence profits for the accounting period (see Chapters 6 to 9 of Part 8 of CTA 2010).

(8) The applicable rate is—

(a) the main ring fence profits rate, if the company has profits for the accounting period that—

(i) are chargeable to corporation tax at the main ring fence profits rate, and

(ii) would be so even if they did not include any amount brought into account under section 1042H;

(b) in any other case, the small ring fence profits rate.

(9) For the purposes of this section, the initial amount of an expenditure credit is to be treated as excluding any amount added under section 1042J.

(10) In this section—

"adjusted ring fence profits" has the meaning given by section 330(2) of CTA 2010;

"main rate" means the rate referred to in section 3(1) of CTA 2010;

"main ring fence profits rate" means the rate referred to in section 279A(1) of CTA 2010;

"ring fence profits" has the meaning given by section 276 of CTA 2010;

"ring fence trade" has the meaning given by section 277 of CTA 2010;

"small ring fence profits rate" means the rate referred to in section 279A(3) of CTA 2010;

"standard small profits rate" means the rate referred to in section 18A(1) of CTA 2010.

1042L Treatment of notional tax deduction

(1) This section applies if an amount is deducted under step 2 in section 1042I.

(2) If the company is a member of a group, it may, in respect of the accounting period in which the expenditure credit arises, surrender the whole or part of the deducted amount to any other member of the group (as to which see section 1042N).

(3) To the extent that the deducted amount is not surrendered under subsection (2), it is to be applied in discharging any liability of the company to pay corporation tax for any subsequent accounting period.

1042M Priority of discharge

(1) An amount within subsection (2) is to be applied as described in that subsection before any amount within subsection (3) is applied as described in that subsection.

(2) An amount is within this subsection if it is to be applied under—

(a) section 1042L(3), or

(b) section 1042N(3) as it applies in relation to an amount surrendered under section 1042L(2),

in discharging the liability of a company to pay corporation tax for an accounting period.

(3) An amount is within this subsection if it is to be (or would but for subsection (1) be) applied under—

(a) step 4 in section 1042I, or

(b) section 1042N(3) as it applies in relation to an amount surrendered under step 5 in section 1042I,

in discharging the same liability as an amount within subsection (2).

Intra-group surrenders

1042N Amounts surrendered to other group companies

(1) Subsection (3) applies if an amount of expenditure credit is surrendered by the qualifying company to another member of its group under step 5 in section 1042I or under section 1042L(2).

(2) For the purposes of that subsection—

(a) the accounting period in respect of which the surrender is made is "the surrender AP";

(b) an accounting period of the other group member is an "overlapping AP" if it overlaps with the surrender AP to any extent.

(3) The surrendered amount is to be dealt with as follows.

Step 1

Select an overlapping AP.

Step 2

Calculate the proportion of the overlapping AP that overlaps with the surrender AP, and apply that proportion to the amount of corporation tax payable by the other group member for that overlapping AP.

Step 3

Calculate the proportion of the surrender AP that overlaps with the overlapping AP, and apply that proportion to the surrendered amount.

Step 4

The amount given by step 3 is to be applied in discharging the liability of the other group member to pay the corporation tax mentioned in step 2, up to the amount given by that step.

Step 5

Select another overlapping AP, if there is one, and repeat steps 2 to 4.

Step 6

If any of the surrendered amount remains after steps 2 to 4 have been taken in relation to each overlapping AP, the remainder is to be treated for the purposes of section 1042I or (as the case may be) section 1042L(2) as if it had not been surrendered as mentioned in subsection (1).

(4) A surrender to which subsection (3) applies is not to be—

(a) taken into account in determining, for corporation tax purposes, the profits or losses of the qualifying company or the other group member, or

(b) regarded for corporation tax purposes as the making of a distribution.

Basic life assurance and general annuity businesses

1042O Adaptation of entitlement for certain insurance businesses

(1) This section applies if—

(a) for an accounting period, an insurance company is charged to tax in respect of its basic life assurance and general annuity business in accordance with the I-E rules, and

(b) the calculation of the company's charge to tax for the period in respect of that business does not involve the calculation of any BLAGAB trade profit or loss of the company.

(2) The reference in section 1042B(3)(a) to expenditure that is allowable as a deduction in calculating the profits of the trade for an accounting period is to be read as a reference to expenditure that would be so allowable if the company were to calculate its BLAGAB trade profit or loss for the period.

(3) The reference in section 1042H to calculating the profits of the trade is to be read as a reference to calculating the I-E profit of the basic life assurance and general annuity business carried on by the company.

(4) Any receipt to be brought into account by virtue of this section is to be treated for the purposes of section 92 of FA 2012 (certain BLAGAB trading receipts to count as deemed I-E receipts) as if it had been taken into account in calculating the company's BLAGAB trade profit or loss for the period.

(5) In this section, "BLAGAB trade profit" and "BLAGAB trade loss" have the meanings given by section 136 of FA 2012."

6 (1) Chapter 2 of Part 13 (relief for SMEs on the cost of R&D) is amended as follows.

(2) For the heading substitute "Relief for loss-making, R&D-intensive SMEs".

(3) For section 1043 (overview of Chapter) substitute—

"1043 Overview of Chapter

(1) This Chapter provides relief for companies that are small or medium-sized enterprises, invest heavily in research and development, and do not make associated trading profits.

(2) Section 1044 provides relief in the form of an additional deduction where the investment is made in the course of a loss-making trade.

(3) Section 1045 provides relief in the form of a deemed trading loss where the investment is made the course of activities that do not yet amount to the carrying on of a trade.

(4) Section 1045ZA specifies the intensity of spending on research and development needed for a company to qualify for relief under section 1044 or 1045.

(5) Sections 1047 and 1048 make provision about the procedure for claiming, and the effect of, relief under section 1045.

(6) Section 1049 restricts consortium relief where relief under section 1044 or 1045 is claimed.

(7) Sections 1051 to 1053 describe the expenditure by reference to which the entitlement to relief under section 1044 or 1045 arises.

(8) Sections 1054 to 1062 provide further relief in the form of a payable credit (called an "R&D tax credit") in respect of trading losses increased or generated by relief under section 1044 or 1045.

(9) Section 1062A excludes certain insurance companies.

(10) This Chapter has to be read with Chapter 8, which limits the entitlements given by this Chapter in various respects."

(4) In section 1044 (additional deduction for trading companies)—

(a) in subsection (1), for "D" substitute "F";

(b) after subsection (2) insert—

"(2A) Condition B is that the company—

(a) meets the R&D intensity condition in the period, or

(b) obtained relief under this Chapter for its most recent prior accounting period of 12 months' duration, having met the R&D intensity condition in that period.";

(c) after subsection (5) insert—

"(5A) Condition E is that the company makes a loss in the trade in the period.

(5B) Condition F is that the company is not an ineligible company (see section 1142).";

(d) in subsection (6)—

(i) at the end of the first sentence insert "(see Part 9A of Schedule 18 to the FA 1998, and also sections 1045A and 1112F)";

(ii) omit the second sentence;

(e) in subsection (7), at the end insert—

"The deduction is, in particular, additional to any given under section 87.";

(f) omit subsection (9).

(5) In section 1045 (deemed trading loss for non-trading companies)—

(a) in subsection (1), for "conditions A and C" substitute "each of conditions A to D".

(b) after subsection (2) insert—

"(2A) Condition B is that the company—

(a) meets the R&D intensity condition in the period, or

(b) obtained relief under this Chapter for its most recent prior accounting period of 12 months' duration, having met the R&D intensity condition in that period.";

(c) after subsection (4) insert—

"(4A) Condition D is that the company is not an ineligible company (see section 1142).";

(d) in subsection (5)—

(i) at the end of the first sentence insert "(see section 1047, and also section 1112F)";

(ii) omit the second sentence;

(e) omit subsection (9).

(6) After section 1045 insert—

"1045ZA R&D intensity condition

(1) This section determines whether a company meets the R&D intensity condition in an accounting period for the purposes of sections 1044 and 1045.

(2) If the company is not connected with another company, the company meets the condition if its relevant R&D expenditure for the period amounts to at least 30% of its total relevant expenditure for the period.

(3) If the company is connected with at least one other company, the company meets the condition if the connected companies' relevant R&D expenditure for the period amounts to at least 30% of the connected companies' total relevant expenditure for the period.

(4) In subsection (3), "the connected companies" refers to the company to which this section is being applied and each company with which it is connected; and the references to their expenditure are to the aggregate of each of their expenditures.

(5) Expenditure forms part of a company's total relevant expenditure for an accounting period if—

(a) in accordance with generally accepted accounting practice, it is brought into account in calculating the profits for the period of any trade carried on by the company,

(b) it is expenditure in respect of which the company is, for the period, entitled to relief under section 1045, or

(c) in reliance on section 1308(2) (expenditure brought into account in determining value of intangible asset allowable as a deduction), it is brought into account in calculating the company's profits for the period for corporation tax purposes.

(6) But—

(a) expenditure of a company is to be ignored for the purposes of subsection (5) if it consists of a payment, or other transfer of value, to another company with which the company is connected, and

(b) where expenditure forms part of a company's total relevant expenditure by virtue of subsection (5)(c), a deduction brought into account as mentioned in subsection (5)(a) is to be ignored for the purposes of that provision to the extent that a corresponding deduction for corporation tax purposes is prevented by section 1308(5).

(7) Expenditure forms part of a company's relevant R&D expenditure for an accounting period if—

(a) it forms part of the company's total relevant expenditure for the period, or would do but for subsection (6)(a), and

(b) it is expenditure in respect of which the company would, assuming that it met the R&D intensity condition, be entitled to relief under this Chapter for the period.

(8) For the purposes of this section in its application to an accounting period, a company is to be treated as connected with another company if it is connected with that company on any day within the period."

(7) Omit section 1046 (relief only available to going concerns).

(8) In section 1051 (meaning of "qualifying Chapter 2 expenditure"), for the words from "means" to the end substitute "is such of its expenditure as is qualifying Chapter 2 expenditure by virtue of section 1052, 1053 or 1053A."

(9) For sections 1052 and 1053 (categories of qualifying Chapter 2 expenditure) substitute—

"1052 Qualifying expenditure: in-house R&D

(1) Expenditure of a company is qualifying Chapter 2 expenditure if it meets each of conditions A to D in this section.

(2) Condition A is that the expenditure is attributable to relevant research and development undertaken by the company itself.

(3) Condition B is that the expenditure is—

(a) incurred on staffing costs (see section 1123),

(b) incurred on software, data licences, cloud computing services or consumable items (see section 1125),

(c) qualifying expenditure on externally provided workers (see section 1127), or

(d) incurred on relevant payments to the subjects of a clinical trial (see section 1140).

(4) Condition C is that the research and development is not contracted out to the company (see section 1133).

(5) Condition D is that the expenditure is not attributable to an exempt foreign permanent establishment (see section 1138B).

(6) See sections 1124, 1126 to 1126B and 1132 for provision about when expenditure within subsection (3)(a), (b) or (c) is attributable to relevant research and development.

1053 Qualifying expenditure: payments for contracted out R&D

(1) Expenditure of a company is qualifying Chapter 2 expenditure if it meets each of conditions A to D in this section.

(2) Condition A is that the expenditure is attributable to relevant research and development contracted out by the company (see section 1133).

(3) Condition B is that the research and development is not also contracted out to the company (see section 1133).

(4) Condition C is that the expenditure is incurred in making the qualifying element of a contractor payment (see sections 1133 to 1136).

(5) Condition D is that the expenditure is not attributable to an exempt foreign permanent establishment (see section 1138B).

(6) See sections 1124, 1126 to 1126B and 1132 for provision about when particular kinds of expenditure are attributable to relevant research and development.

1053A Qualifying expenditure: activity as contractor for irrelievable client

(1) Expenditure of a company is qualifying Chapter 2 expenditure if it meets conditions A, B and C in this section.

(2) Condition A is that the expenditure is attributable to relevant research and development contracted out to the company (see section 1133).

(3) Condition B is that subsection (4) is satisfied by each person by whom the research and development is contracted out to the company.

(4) A person satisfies this subsection if—

(a) the person is an ineligible company (see section 1142), or

(b) the person is not, in relation to the contracting out of the research and development by that person, acting in the course of a trade, profession or vocation within the charge to tax.

(5) Condition C is that the expenditure would, but for the fact that the research and development is contracted out to the company, be qualifying Chapter 2 expenditure by virtue of section 1052 or 1053."

(10) In section 1054 (entitlement to R&D tax credit)—

(a) in subsection (2)—

(i) at the end of the first sentence insert "(see Part 9A of Schedule 18 to the FA 1998, and also sections 1054A and 1112F)";

(ii) omit the second sentence;

(b) in subsection (4), for "1060" substitute "1112H";

(c) omit subsection (5).

(11) Omit section 1057 (R&D tax credit only available to going concerns).

(12) In section 1058 (amount of R&D tax credit)—

(a) in subsection (1)—

(i) in paragraph (a), for "10%" substitute "14.5%";

(ii) for paragraph (aa) substitute—

"(aa) the amount of the cap by reference to the company's PAYE and NIC liabilities for the accounting period (see section 1112B).";

(b) omit subsections (1A) to (1C);

(c) in subsection (2), omit paragraphs (b) and (c);

(d) omit subsection (3).

(13) Omit sections 1058A to 1058D (provision in relation to PAYE and NIC liabilities).

(14) In section 1060 (payment of R&D tax credit)—

(a) for the heading substitute "Use of credit to pay corporation tax";
(b) omit subsections (4) to (7).

(15) After section 1062 insert—

"1062A Insurance company to be treated as large company

An insurance company that carries on life assurance business in an accounting period is not to be treated for the purposes of this Chapter as a small or medium-sized enterprise in relation to that period."

7 Omit Chapter 6 of Part 13 (further provision about Chapters 2 to 5).

8 For Chapter 8 of Part 13 (cap on aid for R&D) substitute—

"CHAPTER 8

RESTRICTIONS ON RELIEF UNDER THIS PART

Introductory

1112A Overview of Chapter

(1) This Chapter limits the entitlements given by Chapters 1A and 2.

(2) Sections 1112B to 1112E provide for the amount of R&D expenditure credit or R&D tax credit payable to a company to be capped by reference to certain liabilities of the company in connection with PAYE and national insurance, except in certain cases.

(3) Sections 1112F and 1112G provide that payment of an R&D expenditure credit, and relief under Chapter 2, are available only to companies that are going concerns.

(4) Section 1112H provides that an R&D expenditure credit or R&D tax credit does not have to be paid if a tax enquiry into the company is open or the company has outstanding PAYE or national insurance liabilities.

(5) Section 1112I provides for transactions aimed at obtaining or increasing an entitlement under Chapter 1A or 2 not to succeed in doing so.

(6) Section 1112J allows the Treasury to place additional limits on the amount of relief available under Chapter 2.

PAYE and NIC liabilities

1112B Cap by reference to PAYE and NIC liabilities

(1) This section determines, for the purposes of sections 1042I and 1058(1), the amount of the cap by reference to a company's PAYE and NIC liabilities for an accounting period.
But see section 1112E (which provides for there to be no cap in certain cases).

(2) The amount of the cap is the sum of—
(a) £20,000, and
(b) the amount produced by multiplying by three ("the multiplier") the amount of the company's relevant PAYE and NIC liabilities for payment periods ending in the accounting period (see section 1112C).

(3) If the accounting period is less than 12 months, the amount specified in subsection (2)(a) is to be proportionately reduced.

(4) If the company claims relief under both Chapters 1A and 2 for the period, the amount of the cap for the purposes of section 1042I is to be reduced by the amount of any R&D tax credit obtained by the company under Chapter 2.

(5) The Treasury may by regulations—
(a) replace the amount for the time being specified in subsection (2)(a) with a different amount;
(b) replace the multiplier for the time being specified in subsection (2)(b) with a different multiplier.

1112C Calculation of relevant PAYE and NIC liabilities

(1) This section determines the amount of a company's relevant PAYE and NIC liabilities for a payment period for the purposes of section 1112B.

(2) The amount is to be calculated as follows.

Step 1
Take the total amount of the company's PAYE and NIC liabilities for the payment period (see section 1112D).

Step 2
Add any amount produced by the application of subsection (4) or (6) to the company as company A.

Step 3
Deduct any amount produced by the application of subsection (4) or (6) to the company as company B.

(3) An amount is produced by subsection (4) where—

(a) two companies ("company A" and "company B") are connected,

(b) company A incurs expenditure in the payment period on externally provided workers (see sections 1127 and 1128), and

(c) company B incurs staffing costs in the payment period in providing any of those workers for company A.

(4) The amount produced is the sum of the amounts given, in relation to each worker in respect of whom subsection (3)(c) is satisfied, by—

$$X \times \frac{Y}{Z}$$

where—

X is the amount of expenditure that—

(a) has been incurred on staffing costs by company B in providing the worker for company A, and

(b) forms part of the total amount of company B's PAYE and NIC liabilities for the payment period (see section 1112D),

Y is the amount of company A's expenditure on the externally provided worker that has been taken into account in calculating the amount of company A's qualifying expenditure for the payment period, and

Z is the total amount of company A's qualifying expenditure on the externally provided worker (see section 1127) for the payment period.

(5) Subsection (6) produces an amount where—

(a) two companies ("company A" and "company B") are connected,

(b) company A incurs qualifying contractor expenditure in the payment period, and

(c) company B incurs staffing costs in the payment period in undertaking on behalf of company A any of the research and development to which that expenditure is attributable.

(6) That amount is such amount of those staffing costs as forms part of the total amount of company B's PAYE and NIC liabilities for the payment period (see section 1112D).

(7) In this section as it applies for the purposes of section 1042I—

"qualifying expenditure" (except in the expression "qualifying expenditure on the externally provided worker") means

expenditure that is qualifying Chapter 1A expenditure by virtue of section 1042D, 1042E or 1042F;

"qualifying contractor expenditure" means expenditure that is qualifying Chapter 1A expenditure by virtue of—

(a) section 1042E, or

(b) section 1042F as it applies by reference to section 1042E.

(8) In this section as it applies for the purposes of section 1058(1)—

"qualifying expenditure" (except in the expression "qualifying expenditure on the externally provided worker") means qualifying Chapter 2 expenditure (see section 1051);

"qualifying contractor expenditure" means qualifying expenditure that is qualifying Chapter 2 expenditure by virtue of—

(a) section 1053, or

(b) section 1053A as it applies by reference to section 1053.

1112D Total PAYE and NIC liabilities

(1) For the purposes of section 1112C, the total amount of a company's PAYE and NIC liabilities for a payment period is the sum of amount A and amount B.

(2) Amount A is the total amount of income tax for which the company is required to account to an officer of Revenue and Customs under PAYE regulations for the period.

(3) In calculating amount A, any deduction the company is authorised to make in respect of child tax credit or working tax credit is to be disregarded.

(4) Amount B is the total amount of Class 1 national insurance contributions for which the company is required to account to an officer of Revenue and Customs for the accounting period.

(5) In calculating amount B, any deduction the company is authorised to make in respect of any of the following is to be disregarded—

(a) statutory maternity pay,

(b) statutory adoption pay,

(c) statutory paternity pay,

(d) statutory shared parental pay,

(e) statutory parental bereavement pay;

(f) child tax credit, or

(g) working tax credit.

(6) Subsection (7) applies if—

(a) in determining under section 1112C the amount of a company's relevant PAYE and NIC liabilities for a payment period, it is necessary to determine the total amount of another company's PAYE and NIC liabilities for that period, and

(b) that period falls within, but is shorter than, a payment period of that other company.

(7) The amount produced by subsection (1) in its application to that other company is to be proportionately reduced.

1112E Exception for companies creating or managing intellectual property

(1) There is no cap by reference to a company's PAYE and NIC liabilities for an accounting period if the company meets conditions A and B.

(2) A company meets condition A for an accounting period if, during the period, the company is engaged in—

(a) taking, or preparing to take, steps in order that relevant intellectual property will be created by it,

(b) creating relevant intellectual property, or

(c) performing a significant amount of management activity in relation to relevant intellectual property it holds.

(3) For the purposes of subsection (2)—

(a) a company is only engaged in an activity mentioned in paragraph (a), (b) or (c) of subsection (2) if the activity is wholly or mainly undertaken by employees of the company;

(b) intellectual property is "relevant" intellectual property in relation to a company if the whole or the greater part (in terms of value) of it is created by the company;

(c) intellectual property is created by a company if it is created in circumstances in which the right to exploit it vests in the company (whether alone or jointly with others).

(4) For the purposes of this section—

"intellectual property" means—

(a) any patent, trade mark, registered design, copyright, design right or plant breeder's right,

(b) any rights under the law of a country or territory outside the United Kingdom which correspond or are similar to those falling within paragraph (a), or

(c) any information or technique not protected by a right within paragraph (a) or (b) but having industrial, commercial or other economic value;

"management activity", in relation to intellectual property, means formulating plans and making decisions in relation to the development or exploitation of the intellectual property.

(5) A company meets condition B for an accounting period if the amount (if any) given by subsection (6) does not exceed 15% of the company's qualifying expenditure for the period.

(6) The amount given by this subsection is the sum of the following incurred by the company in the period—

(a) qualifying expenditure on externally provided workers (see section 1127), where the company, the staff provider and (if different) the staff controller (or staff controllers)—

(i) are all connected, or

(ii) have jointly elected (under section 1130) that section 1129 is to apply to them as if they were all connected;

(b) qualifying contractor expenditure, where the company and the contractor—

(i) are connected, or

(ii) have jointly elected (under section 1135) that section 1134 is to apply to them as if they were connected.

(7) In subsection (6)(b), "qualifying contractor expenditure" has whichever of the meanings given by 1112C(7) corresponds to the purpose for which this section is being applied.

(8) The Treasury may by regulations replace the percentage for the time being specified in subsection (5) with a different percentage.

Going concerns

1112F Restriction of credit and relief to companies that are going concerns

(1) Subsection (2) applies if a company makes a claim under section 1042C (claims for R&D expenditure credit) at a time when it is not a going concern.

(2) No amount is to be paid to the company at step 7 in section 1042I as a result of the claim.

(3) Subsection (2) ceases to apply (and the company accordingly becomes entitled to be paid) if the company becomes a going concern on or before the last day on which it would be entitled to amend the claim in accordance with paragraph 83E of Schedule 18 to FA 1998.

(4) A company may not make—

(a) a claim under section 1044 (R&D relief by way of additional deduction),

(b) an election under section 1045 (R&D relief by way of deemed trading loss), or

(c) a claim under section 1054 (R&D tax credit),

at a time when it is not a going concern.

(5) If a company ceases to be a going concern after making a claim under section 1054, it is treated as if it had not made the claim (and accordingly there is treated as having been no payment of R&D tax credit to carry interest under section 826 of ICTA).

(6) Subsection (5) does not apply so far as the claim relates to an amount that was paid or applied before the company ceased to be a going concern.

1112G Meaning of "going concern"

(1) For the purposes of section 1112F, a company is a going concern if—

(a) its latest published accounts were prepared on a going concern basis, and

(b) nothing in those accounts indicates that they were prepared on that basis only because of an entitlement or expected entitlement to a credit or relief under this Part.

(2) But a company is not a going concern if it is in administration or liquidation.

(3) For the purposes of this section, a company is in administration if—

(a) it is in administration under Part 2 of the Insolvency Act 1986 or Part 3 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)), or

(b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company.

(4) For the purposes of this section, a company is in liquidation if—

(a) it is in liquidation within the meaning of section 247 of that Act or Article 6 of that Order, or

(b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company.

(5) If—

(a) a company transfers its trade and research and development to another company that is a member of the same group, and

(b) only by reason of that transfer, the company's accounts for the period of account in which the transfer took place are not prepared on a going concern basis,

the accounts are to be treated for the purposes of this section as if they were prepared on a going concern basis.

(6) Section 436(2) of the Companies Act 2006 (meaning of "publication" of documents) has effect for the purposes of this section.

Outstanding tax matters

1112H No credit payable if certain tax matters outstanding

(1) This section applies in relation to an amount that a company would, but for this section, be entitled to be paid—

(a) at step 7 in section 1042I (payment of R&D expenditure credit not applied for other purposes), or

(b) under section 1054 (payment of R&D tax credit).

(2) If the company's tax return for the accounting period in question is enquired into by an officer of Revenue or Customs—

(a) the amount does not have to be paid to the company, but

(b) an officer of Revenue and Customs may make a payment on a provisional basis of such amount as the officer thinks fit.

(3) If the company has outstanding PAYE or NIC liabilities for the accounting period in question, the amount does not have to be paid to the company.

(4) For the purposes of subsection (3), a company has outstanding PAYE or NIC liabilities for an accounting period if it has not paid to an officer of Revenue and Customs any amount that it is required to pay—

(a) under PAYE regulations, or

(b) in respect of Class 1 national insurance contributions,

for payment periods ending in the accounting period.

Artificially inflated claims

1112I Transactions aimed at obtaining credit or relief to be disregarded

(1) To the extent that a transaction is attributable to arrangements entered into for a disqualifying purpose, it is to be disregarded in ascertaining a company's entitlement to relief under this Part.

(2) Arrangements are entered into for a disqualifying purpose if their main purpose, or one of their main purposes, is to enable a company to obtain relief under this Part—

(a) to which it would not otherwise be entitled, or

(b) of greater amount than that to which it would otherwise be entitled.

Additional limits

1112J Power to further limit Chapter 2 relief

The Treasury may, by regulations, limit the availability of relief under Chapter 2 in respect of—

(a) companies (or groups of companies) of a prescribed description,

(b) research and development projects of a prescribed description, or

(c) expenditure of a prescribed description."

9 (1) Chapter 9 of Part 13 (supplementary provision) is amended as follows.

(2) In section 1126B (regulations about consumable items and research and development), omit subsection (3).

(3) In section 1128 (meaning of "externally provided worker"), in subsection (9), for "1131" substitute "1132A".

(4) In section 1129 (qualifying expenditure on externally provided workers: connected persons)—

(a) in subsection (3) omit the "and" at the end of paragraph (b);

(b) in that subsection, at the end of paragraph (c) insert ", and

(d) is attributable to qualifying earnings of externally provided workers."

(5) In section 1131 (qualifying expenditure on externally provided workers: other cases)—

(a) in subsection (2), for "65% of the staff provision payment" substitute "65% of so much of the staff provision payment as is attributable to qualifying earnings of externally provided workers";

(b) after subsection (3) insert—

"(4) Any apportionment of expenditure of the company necessary for the purposes of this section is to be made on a just and reasonable basis."

(6) After section 1132 insert—

"1132A "Qualifying earnings"

(1) This section determines what are "qualifying earnings" in relation to an externally provided worker for the purposes of this Part.

(2) The worker's earnings are qualifying earnings if either—

(a) the staff controller, or

(b) the company in relation to which the worker is an externally provided worker,

is, in respect of any part of those earnings, required to account to an officer of Revenue and Customs both for income tax under PAYE regulations and for Class 1 national insurance contributions.

(3) If subsection (2) does not apply, the worker's earnings are qualifying earnings if and to the extent that they are attributable to relevant research and development that is undertaken outside the United Kingdom and to which section 1138A applies.

(4) In this section, "the worker's earnings" means the worker's earnings under the contract mentioned in section 1128(7)."

(7) For section 1133 and the italic heading preceding it substitute—

"Contracting out

1133 Contracted out research and development

(1) This section applies for the purposes of this Part.

(2) A person "contracts out" research and development if—

(a) the person enters into a contract under which activities are to be undertaken for it (whether by another party to the contract or by a sub-contractor),

(b) the activities undertaken in order to meet the obligations owed to the person under the contract include research and development, and

(c) it is reasonable to assume, having regard to the terms of the contract and any surrounding circumstances, that the person intended or contemplated when entering into the contract that research and development of that sort would be undertaken in order to meet those obligations.

(3) The research and development that is "contracted out" is the research and development referred to in subsection (2)(b), to the extent that subsection (2)(c) is satisfied in relation to it.

(4) Research and development contracted out by a person is contracted out "to"—

(a) the party to the contract who undertakes the obligations referred to in subsection (2)(b), and

(b) any sub-contractor who undertakes contractual responsibility for the activities needed to meet those obligations.

(5) References to a sub-contractor include any sub-contractor at one or more removes from the contract referred to in subsection (2).

(6) A "contractor payment" is a payment made in respect of contracted out research and development to a person to whom it is contracted out.

(7) A payment that relates only partly to contracted out research and development is to be apportioned on a just and reasonable basis for the purposes of subsection (6).

(8) Sections 1134 to 1136 determine the "qualifying element" of a contractor payment."

(8) In section 1134 (qualifying element of sub-contractor payment made between connected persons)—

(a) in the heading, for "sub-contractor" substitute "contractor";

(b) in subsection (1), for paragraphs (a) and (b) (not including the following "and") substitute—

"(a) a company ("A") makes a contractor payment to another person ("B"),

(b) A and B are connected,";

(c) in subsection (1)(c)—

(i) omit "sub-contractor";

(ii) for "the sub-contractor's", in both places it appears, substitute "B's";

(d) in subsection (2)—

(i) in the words before paragraph (a), omit "sub-contractor";

(ii) in paragraph (b), for "the sub-contractor's" substitute "B's";

(e) in subsection (3)—

(i) in the words before paragraph (a), for "the sub-contractor" substitute "B";

(ii) in paragraph (a), for "the sub-contractor", in the first place it appears, substitute "B";

(iii) also in paragraph (a), omit "sub-contractor" in the second place it appears;

(iv) for paragraph (d) substitute—

(e) is incurred in respect of—

(i) research and development that is undertaken in the United Kingdom, or

(ii) research and development that is undertaken outside the United Kingdom and to which section 1138A applies.";

(f) in subsection (4)—

(i) in paragraph (a), for "the sub-contractor" substitute "B";

(ii) in paragraph (b), for "the company's", in both places it appears, substitute "A's";

(iii) also in paragraph (b), for "sub-contractor" substitute "contractor";

(g) for subsection (5) substitute—

"(5) In section 1123 (staffing costs) and sections 1127 to 1131 (qualifying expenditure on externally provided workers) as they apply for the purposes of subsection (3)(c), references to a company are to be read as references to B.";

(h) in subsection (6), for "the company or the sub-contractor" substitute "A or B".

(9) In section 1135 (election to be treated as connected for purpose of determining qualifying element)—

(a) in subsection (1), for "A company and a sub-contractor who are not connected" substitute "Where a company makes a contractor payment to a person with whom it is not connected, the company and that person";

(b) in subsection (2)—

(i) for "sub-contractor" substitute "contractor";

(ii) omit "other arrangement";

(c) in subsection (4), omit "or other arrangement".

(10) For section 1136 substitute—

"1136 Qualifying element of contractor payment: other cases

(1) This section applies to a contractor payment to which section 1134 does not apply.

(2) The qualifying element of the payment is 65% of the relevant portion of the payment.

(3) The relevant portion is the portion that is incurred in respect of—

(a) research and development that is undertaken in the United Kingdom, or

(b) research and development that is undertaken outside the United Kingdom and to which section 1138A applies.

(4) An apportionment of expenditure necessary for the purposes of this section is to be made on a just and reasonable basis."

(11) Omit section 1138 (meaning of "subsidised expenditure").

(12) In place of the omitted section 1138 insert –

"1138A Externally provided workers and contractors: R&D undertaken abroad

(1) This section applies to research and development undertaken outside the United Kingdom if –

(a) the research and development is undertaken in the circumstances described in subsection (2), or

(b) regulations made by the Treasury provide for this section to apply.

(2) The circumstances are that there are conditions necessary for the purposes of the research and development –

(a) that are not present in the United Kingdom,

(b) that are present in the location in which the research and development is undertaken, and

(c) that it would be wholly unreasonable for the company to replicate in the United Kingdom.

(3) In subsection (2) "conditions" –

(a) includes –

(i) geographical, environmental or social conditions;

(ii) legal or regulatory requirements as a result of which the research and development may not be undertaken in the United Kingdom, but

(b) does not include conditions so far as relating to –

(i) the cost of the research and development;

(ii) the availability of workers to carry out the research and development.

(4) The Treasury may by regulations make provision specifying things that are not conditions for the purposes of subsection (2).

1138B Exempt foreign permanent establishments

For the purposes of this Part in its application to an accounting period, a company's expenditure is "attributable to an exempt foreign permanent establishment" if –

(a) an election by the company under section 18A applies to the period, and

(b) the expenditure is brought into account in calculating a relevant profits amount or a relevant losses amount for the purposes of that section as it applies in relation to the period."

(13) After section 1140 insert—

"1140A Groups

For the purposes of this Part, a company is in the same group as another company if those companies are in the same group for the purposes of Part 5 of CTA 2010."

(14) In section 1142 (meaning of "qualifying body")—

(a) for the heading substitute "Ineligible companies";

(b) in subsection (1), in the words before paragraph (a), for ""qualifying body" means" substitute "a company is an "ineligible company" if it is";

(c) after subsection (4) insert—

"(5) Two companies that are in the same group may make a joint election the effect of which is that—

(a) in respect of any research and development contracted out by one of those companies to the other, the company contracting it out is to be treated for the purposes of this Part as an ineligible company, and

(b) in determining whether activity is research and development for the purposes of this Part, anything done by one of those companies further to a contract with the other is to be treated as if done by the other company, in any case where that results in activity that would not otherwise be research and development being regarded as such.

(6) Such an election—

(a) must be made by notice in writing to an officer of Revenue and Customs, and

(b) has effect until—

(i) it is revoked by either company by further such notice, or

(ii) the companies are no longer in the same group."

(15) In section 1142B (meaning of "R&D claim"), in paragraph (a), for "104A" substitute "1042C".

(16) After section 1142B insert—

"1142C Right to payment of credit inalienable

(1) The right of a company to be paid an amount of R&D expenditure credit or R&D tax credit may not be assigned.

(2) Accordingly, a purported assignment of such a right, or an agreement to assign such a right, is void.

(3) References to assignment in this section are to be read in Scotland as references to assignation."

(17) After section 1142C (inserted by sub-paragraph (16)) insert—

"1142D General rule against payments of credit to nominees

(1) Where an amount of R&D expenditure credit or R&D tax credit is owed to a company, an officer of Revenue and Customs may not pay the amount to a person other than the company (even on the instruction or at the request of the company).

(2) Subsection (1) does not apply if—

(a) the company requests that payment be made to a person connected with the company, or

(b) the officer is satisfied that exceptional circumstances make payment to the company impracticable or inconvenient."

(18) After section 1142D (inserted by sub-paragraph (17)) insert—

"1142E Orders and regulations: ancillary provision

Any order or regulations under this Part may—

(a) contain incidental, supplemental, consequential and transitional provision and savings;

(b) make different provision for different purposes or areas."

PART 2

CONSEQUENTIAL AMENDMENTS

FA 1998

10 (1) Schedule 18 to FA 1998 (company tax returns) is amended as follows.

(2) In paragraph 52(2A)(b) (application of provisions about discovery assessments to amounts paid by way of R&D expenditure credit), for "Chapter 6A of Part 3" substitute "Chapter 1A of Part 13".

(3) In paragraph 83A (application of Part 9A of the Schedule to claims for R&D relief), for the words from "to" to the end substitute "to claims for relief under Part 13 of the Corporation Tax Act 2009 (relief for research and development)."

(4) In paragraph 83E (deadlines for claiming R&D relief)—

(a) in sub-paragraph (2)(a), after "under" insert "Chapter 2 of";

(b) in sub-paragraph (3), for "Chapter 6A of Part 3" substitute "Chapter 1A of Part 13".

FA 2007

11 In Schedule 24 to FA 2007 (penalties for errors), in paragraph 28(fa)(ia) ("corporation tax credit" includes R&D expenditure credit), for "Chapter 6A of Part 3" substitute "Chapter 1A of Part 13".

CTA 2009

12 (1) CTA 2009 is amended as follows.

(2) In Part 14A (inserted by paragraph 1 of Schedule 2)—

(a) in section 1179DT (expenditure attracting R&D relief not eligible for audiovisual expenditure credit), omit paragraph (a);

(b) in section 1179FL (expenditure attracting R&D relief not eligible for video game expenditure credit), omit paragraph (a).

(3) In section 1195(3A) (expenditure attracting R&D relief or television relief not eligible for film tax relief)—

(a) in paragraph (a), for "Chapter 6A of Part 3" substitute "Chapter 1A of Part 13";

(b) in paragraph (b), for "Part 13 (additional relief for expenditure on research and development)" substitute "Chapter 2 of Part 13 (relief for loss-making, R&D-intensive SMEs)".

(4) In section 1216C(4) (expenditure attracting R&D relief not eligible for television relief)—

(a) in paragraph (a), for "Chapter 6A of Part 3" substitute "Chapter 1A of Part 13";

(b) in paragraph (b), for "Part 13 (additional relief for expenditure on research and development)" substitute "Chapter 2 of Part 13 (relief for loss-making, R&D-intensive SMEs)".

(5) In section 1217C(4) (expenditure attracting R&D relief not eligible for video game relief)—

(a) in paragraph (a), for "Chapter 6A of Part 3" substitute "Chapter 1A of Part 13";

(b) in paragraph (b), for "Part 13 (additional relief for expenditure on research and development)" substitute "Chapter 2 of Part 13 (relief for loss-making, R&D-intensive SMEs)".

(6) In section 1217JA(2) (expenditure attracting R&D relief not eligible for theatre relief)—

(a) omit paragraph (a);

(b) in paragraph (b), omit "additional".

(7) In section 1217RF(2) (expenditure attracting R&D relief or other creative sector relief not eligible for orchestra relief), omit paragraph (za) (inserted by paragraph 8 of Schedule 4).

(8) In section 1218ZCG(2) (expenditure attracting R&D relief or other creative sector relief not eligible for museum and gallery exhibition relief)—

(a) omit paragraph (a);

(b) in paragraph (b), omit "additional".

(9) In section 1310(4) (orders and regulations subject to affirmative procedure)—

(a) omit paragraph (zzza);

(b) after paragraph (zb) insert—

"(zc) section 1142(1)(e) (companies ineligible for R&D relief),".

(10) In Schedule 4 (index of defined expressions)—

(a) omit the following entries—

"capped R&D expenditure (in Chapter 6A of Part 3)";

"large company (in Chapter 6A of Part 3)";

"payment period (in Chapter 6A of Part 3";

"qualifying body (in Chapter 6A of Part 3)";

"qualifying body (in Part 13)";

"qualifying expenditure on sub-contracted R&D (in Chapter 6A of Part 3)";

"qualifying R&D expenditure (in Chapter 6A of Part 3)";

"relevant payment to the subject of a clinical trial (in Chapter 6A of Part 3)";

"relevant research and development (in Chapter 6A of Part 3)";

"research and development (in Chapter 6A of Part 3)";

"software, data licences, cloud computing services or consumable items (in Chapter 6A of Part 3)";

"staffing costs (in Chapter 6A of Part 3)";

"sub-contractor payment (and sub-contractor) (in Part 13)";

"subsidised expenditure (in Part 13)";

"subsidised qualifying expenditure (in Chapter 6A of Part 3)";

(b) at the appropriate places insert—

"contracted out (and related expressions) (in Part 13)	section 1133";
"contractor payment (in Part 13)	section 1133";
"group (in Part 13)	section 1140A";
"ineligible company (in Part 13)	section 1142".

CTA 2010

13 (1) CTA 2010 is amended as follows.

(2) In section 269DA(2) (meaning of banking company's "surcharge profits"), in the definition of "RDEC", for "Chapter 6A of Part 3 of CTA 2009 (trade profits: R&D expenditure credits)" substitute "Chapter 1A of Part 13 of CTA 2009 (R&D expenditure credit)".

(3) In Part 8A (profits from exploiting patents etc)—

(a) in section 357BJB(3) (R&D expenditure not to be routine deduction in calculating IP profits), in paragraph (a)(ii), for "Chapter 6A of Part 3 of CTA 2009" substitute "Chapter 1A of that Part";

(b) in section 357BLB(7)(e) (application of sections 1127 to 1131 of CTA 2009 for purpose of determining in-house R&D expenditure under Part 8A), at the end insert "as those provisions had effect before the amendments made by paragraph 9 of Schedule 1 to FA 2024,";

(c) in section 357CG(4)(a) (R&D expenditure credit to be deducted in calculating IP profits), for "Chapter 6A of Part 3" substitute "Chapter 1A of Part 13".

(4) In Chapter 9 of Part 8B (treatment of R&D credits and relief for purposes of Northern Ireland rate)—

(a) in section 357P(1) (overview of Chapter), for paragraphs (a) and (b) substitute—

"(a) Chapter 1A of Part 13 (R&D expenditure credit), and
(b) Chapter 2 of that Part (relief for loss-making, R&D-intensive SMEs).";

(b) in the italic heading before section 357PA, for "Chapter 6A of Part 3" substitute "Chapter 1A of Part 13";

(c) in section 357PA (R&D expenditure credit to form part of mainstream profits or losses)—

(i) in the heading, omit "under Chapter 6A of Part 3 of CTA 2009";

(ii) in subsection (1)(a), for "Chapter 6A of Part 3" substitute "Chapter 1A of Part 13";

(d) in section 357PD (amount of R&D tax credit for Northern Ireland company)—

(i) in subsections (2)(b), (3)(b) and (4)(b), for "given by section 1058(1A) of CTA 2009" substitute "of the cap by reference to the company's PAYE and NIC liabilities for the accounting period";

(ii) omit subsections (2A), (3A) and (4A);

(iii) after subsection (5) insert—

"(6) Sections 1112B to 1112E of CTA 2009 (determination of cap by reference to PAYE and NIC liabilities) apply for the purposes of subsections (2)(b), (3)(b) and (4)(b) as they apply for the purposes of section 1058(1) of CTA 2009."

TIOPA 2010

14 In the following provisions of TIOPA 2010, for "within the meaning of section 104A" substitute "under Chapter 1A of Part 13"—

(a) section 407(3)(a) (R&D expenditure credit not to be taken into account in determining tax-EBITDA);

(b) section 416(2A) (R&D expenditure credit not to be taken into account in determining worldwide group's profit before tax).

FA 2013

15 In Schedule 43C to FA 2013 (penalties in connection with the general anti-abuse rule), in paragraph 11(e)(ii) ("corporation tax credit" includes R&D expenditure credit), for "Chapter 6A of Part 3" substitute "Chapter 1A of Part 13".

PART 3

COMMENCEMENT AND TRANSITIONAL AND TRANSITORY PROVISION

General commencement of Parts 1 and 2

16 (1) The amendments made by this Schedule, except those made by sub-paragraphs (16) to (18) of paragraph 9, have effect in relation to accounting periods beginning on or after the appointed day.

(2) In this Part, the "appointed day" is a day appointed by the Treasury in regulations.

Assignments and nominations

17 (1) The amendment made by paragraph 9(16) does not have effect in relation to—

(a) an assignment made before 22 November 2023,

(b) an agreement made before that date, or

(c) an assignment made on or after that date to carry out an agreement made before that date.

(2) The amendment made by paragraph 9(17) has effect only in relation to claims made on or after 1 April 2024.

Avoidance of overlaps and gaps in entitlement during transition

18 (1) Sub-paragraphs (2) and (3) apply if, but for those sub-paragraphs—

(a) one company ("company A") would be entitled to old R&D relief, and

(b) another company ("company B") would be entitled to new R&D relief,

in respect of expenditure attributable to the same research and development.

(2) If company B would have been entitled to old R&D relief in respect of its expenditure had the Part 1 amendments not been made, only company B is entitled to the relief.

(3) In any other case, only company A is entitled to the relief.

(4) Sub-paragraph (5) applies if—

(a) a company incurs pre-commencement expenditure,

(b) the company is not entitled to old R&D relief in respect of the expenditure, and

(c) had the expenditure been post-commencement expenditure, it would have been—

(i) qualifying Chapter 1A expenditure by virtue of section 1042E of CTA 2009 or section 1042F of that Act as it refers to section 1042E, or

(ii) qualifying Chapter 2 expenditure by virtue of section 1053 of CTA 2009 (as it has effect after the Part 1 amendments) or section 1053A of that Act as it refers to section 1053.

(5) The company is to be treated as satisfying sections 1042F(4) and 1053A(4) of CTA 2009 for the purposes of ascertaining the entitlement of another company to new R&D relief in respect of expenditure attributable to the same research and development as the expenditure mentioned in sub-paragraph (4).

(6) Sub-paragraph (7) applies if—

(a) in respect of pre-commencement expenditure attributable to research and development, one company ("company C")—

(i) is not entitled to old R&D relief, but

(ii) would be so entitled if none of sections 104C(2), 104G(5), 104H(6), 104J(4), 104K(5), 104L(4), 1052(5) and 1053(4) of CTA 2009 (as they have effect before the Part 1 amendments) applied, and

(b) in respect of post-commencement expenditure attributable to the same research and development, another company ("company D") would, had the expenditure been pre-commencement expenditure, have been entitled to old R&D relief by virtue of section 1053 of CTA 2009 (as it has effect before the Part 1 amendments).

(7) For the purpose of ascertaining the entitlement of company D to new R&D relief, the research and development is to be treated as contracted out by company D within the meaning of section 1133 of CTA 2009 (as it has effect after the Part 1 amendments).

(8) In this paragraph—

"the new R&D provisions" means Part 13 of CTA 2009 as it has effect after the Part 1 amendments;

"new R&D relief" means relief under the new R&D provisions;

"the old R&D provisions" means Chapter 6A of Part 3 or Part 13 of CTA 2009 as that Chapter or Part has effect before the Part 1 amendments;

"old R&D relief" means relief under the old R&D provisions;

"the Part 1 amendments" means the amendments made by Part 1 of this Schedule;

"post-commencement expenditure" means expenditure incurred in an accounting period beginning on or after the appointed day;

"pre-commencement expenditure" means expenditure incurred in an accounting period beginning before the appointed day.

Transitional provision relating to claim notifications

19 The reference in section 1142B of CTA 2009 (as amended by paragraph 9(15)) to claims under section 1042C of that Act is to be read as including claims under section 104A of that Act before its repeal by paragraph 2.

Transitional provision relating to the R&D intensity condition

20 The references in sections 1044(2A)(b) and 1045(2A)(b) of CTA 2009 (inserted by paragraph 6(4) and (5)) to having met the R&D intensity condition in an accounting period—

(a) include having met the R&D intensity condition for the purposes of paragraph 21 in an accounting period to which that paragraph applies, but

(b) are not applicable to any other accounting period beginning before the appointed day.

Higher rate of payable credit for R&D-intensive SMEs from 1 April 2023

21 (1) Sub-paragraph (2) applies if, in an accounting period beginning before the appointed day but ending on or after 1 April 2023, a company—

(a) has a Chapter 2 surrenderable loss, and

(b) meets the R&D intensity condition.

(2) The amount of R&D tax credit to which the company is entitled for the period is to be determined as if the amendment made by section 4(3)(d) of FA 2023 (reduction in rate of credit from 14.5% to 10%) had not been made.

(3) Subsections (2) to (7) of section 1045ZA of CTA 2009, as inserted by paragraph 6(6), determine whether a company meets the R&D intensity condition in an accounting period for the purposes of sub-paragraph (1)(b).

(4) But subsections (2) and (3) of that section are to be read for the purposes of sub-paragraph (3) as if "40%" appeared instead of "30%".

(5) In this paragraph, "Chapter 2 surrenderable loss" and "R&D tax credit" have the same meanings as in Chapter 2 of Part 13 of CTA 2009 (see sections 1054 and 1055 of that Act).

SCHEDULE 2

Section 3

FILMS, TELEVISION PROGRAMMES AND VIDEO GAMES

PART 1

NEW REGIME FOR FILMS, TELEVISION PROGRAMMES AND VIDEO GAMES

1 After Part 14 of CTA 2009 insert—

"PART 14A

FILMS, TELEVISION PROGRAMMES AND VIDEO GAMES

CHAPTER 1

INTRODUCTION AND INTERPRETATION

Introduction to Part

1179A Overview of Part

(1) This Part—

(a) lays down special rules about the taxation of companies in relation to certain production activities in creative sectors, and

(b) provides an entitlement to a credit in respect of expenditure on those activities.

(2) In particular—

(a) this Chapter makes general provision about the application of Chapters 2 and 3 and about the interpretation of this Part;

(b) Chapter 2 lays down the special rules about taxation;

(c) Chapter 3 provides the entitlement to credit;

(d) Chapter 4 makes provision about the application of this Part to films and television programmes;

(e) Chapter 5 makes provision about the application of this Part to video games.

1179AA Qualifying companies and productions

(1) Chapters 2 and 3 apply where there is a qualifying production and a qualifying company for that production.

(2) The later Chapters supply the meanings of those terms.

(3) See in particular—

(a) section 1179D, in relation to films and television programmes;

(b) section 1179F, in relation to video games.

(4) Whether a company is the qualifying company for a qualifying production (including whether the production is a qualifying production) is to be assessed separately in relation to each accounting period of the company.

(5) The assessment is to be made by reference to the state of affairs at the end of that period.

(6) So far as future events are relevant to the assessment, it is to be made by reference to the reasonable expectations of the company at that time.

(7) Subsections (5) and (6) are subject to any provision of this Part that provides for a production no longer to be regarded as a qualifying production in an accounting period as a result of events after the end of that period.

(8) Once a qualifying company has made an election under section 1179B(1) in respect of a qualifying production, no other company can subsequently be the qualifying company for that production.

(9) In this Part, "production", except when contained in another defined term or used to refer to the act of producing something, means—

(a) a film (see section 1179DA),

(b) a television programme (see section 1179DD), or

(c) a video game.

Definitions and miscellaneous provision

1179AB UK expenditure

(1) In this Part, "UK expenditure" means expenditure on goods or services that are used or consumed in the United Kingdom.

(2) Any apportionment of expenditure for the purposes of this Part between expenditure that is and is not UK expenditure is to be made on a just and reasonable basis.

1179AC Company tax returns

(1) In this Part, "company tax return" has the same meaning as in Schedule 18 to FA 1998 (see paragraph 3(1)).

(2) Any amendment to a company tax return that must be made by virtue of this Part, and any assessment to give effect to such a requirement, can be made despite any limitation on the time within which such an amendment or assessment can normally be made.

1179AD Groups

For the purposes of this Part, a company is in the same group as another company if those companies are in the same group for the purposes of Part 5 of CTA 2010.

1179AE Regulations

(1) Regulations made by the Secretary of State under this Part are to be made by statutory instrument.

(2) An instrument containing such regulations is subject to annulment in pursuance of a resolution of either House of Parliament.

(3) A power to make regulations under this Part includes the power to make incidental, supplemental, consequential and transitional provision and savings.

CHAPTER 2

SPECIAL RULES ABOUT TAXATION

The separate production trade

1179B Election to tax qualifying production as separate trade

(1) The qualifying company for a qualifying production may elect in its company tax return for an accounting period for the production to be taxed as a separate trade.

(2) The effect of such an election is that the activities of the company in relation to the production are to be treated for corporation tax purposes as a trade separate from any other activities of the company (including activities in relation to other qualifying productions).

(3) In this Part—

(a) that trade is called "the separate production trade";

(b) the accounting period to which the return containing the election relates is called "the opt-in period".

1179BA Duration of separate trade

(1) When the qualifying company is treated as beginning to carry on the separate production trade is determined by—

(a) section 1179DW, in the case of a film or television programme;

(b) section 1179FO, in the case of a video game.

(2) If the result is that the separate production trade is treated as having been carried on in an accounting period before the opt-in period, any relevant company tax return must be amended so as to give effect to that treatment in that earlier accounting period.

(3) Once a company has made an election under section 1179B(1), the activities of the company in relation to the production are to continue to be treated as a separate trade in accordance with this Chapter even if—

(a) the production ceases to be a qualifying production, or

(b) the company ceases to be the qualifying company for it.

(4) That is the case even if the production ceases to be regarded as a qualifying production in the opt-in period as a result of events after the end of that period.

(5) In the following provisions of this Chapter, "qualifying production" and "qualifying company" are accordingly capable of including productions or companies that used to be so.

Accounting for the separate trade

1179BB Calculation of profits

(1) The profits of the separate production trade are to be calculated in accordance with this section.

(2) For the first period of account, the following are to be brought into account—

(a) as a debit, the costs of the qualifying production incurred by the qualifying company to date, and

(b) as a credit, the proportion of the qualifying company's estimated total income from the qualifying production that is treated as earned at the end of that period.

(3) For subsequent periods of account, the following are to be brought into account—

(a) as a debit, the difference between—

(i) the amount of the costs of the qualifying production incurred by the qualifying company to date, and

(ii) the corresponding amount for the previous period, and

(b) as a credit, the difference between—

(i) the proportion of the qualifying company's estimated total income from the qualifying production that is treated as earned at the end of that period, and

(ii) the corresponding amount for the previous period.

(4) The proportion of the qualifying company's estimated total income that is treated as earned at the end of a period of account is given by—

$$(C / T) \times I$$

where—

C is the total of the costs of the qualifying production incurred by the qualifying company to date,

T is the estimated total cost to the qualifying company of the qualifying production, and

I is the qualifying company's estimated total income from the qualifying production.

(5) What counts as costs of, and income from, the qualifying production is determined by—

(a) section 1179DX, in the case of a film or television programme;
(b) section 1179FP, in the case of a video game.

(See also section 1179CB.)

(6) But nothing in this Part, except section 1179BE, allows an amount to count as costs of the qualifying production if it would not generally be allowed as a deduction in calculating the profits of a trade for corporation tax purposes.

(7) Estimates for the purposes of this section must be made—
(a) as at the balance sheet date for each period of account, and
(b) on a just and reasonable basis taking into consideration all relevant circumstances.

(8) Subsection (9) applies if a period of account of the separate production trade does not coincide with an accounting period of the qualifying company.

(9) The expenditure and receipts brought into account for the period under this section, and the resulting profit or loss, are to be apportioned to accounting periods of the company for the purposes of this Part by reference to the number of days in the periods concerned.

1179BC When costs are to be taken as incurred

(1) For the purposes of section 1179BB, costs are incurred when they are represented in the state of completion of the work in progress.

(2) Accordingly—
(a) payments in advance for work to be done are to be ignored until the work has been carried out, and
(b) deferred payments are to be recognised to the extent that the work is represented in the state of completion.

(3) But an amount that has not been paid is not an incurred cost until there is an unconditional obligation to pay it.

(4) If an obligation is linked to income being earned from the qualifying production, no amount is to be brought into account in respect of the costs of the obligation unless an appropriate amount of income is or has been brought into account.

1179BD Preliminary expenditure

(1) This section applies if, before the qualifying company began to carry on the separate production trade, it incurred expenditure on the development of the qualifying production.

(2) The expenditure may be treated as expenditure of the separate production trade incurred immediately after the company began to carry on the trade.

(3) If expenditure so treated has previously been taken into account for other tax purposes, any relevant company tax return must be amended accordingly.

1179BE Treatment of certain capital amounts as revenue

(1) This section applies for corporation tax purposes in relation to the separate production trade.

(2) Expenditure that—

(a) counts as costs of the qualifying production, and

(b) would (apart from this subsection) be regarded as of a capital nature by reason only of being incurred on the creation of an asset in the form of the qualifying production,

is to be treated as expenditure of a revenue nature.
(As to other capital expenditure, see section 53 and section 1179BB(6).)

(3) Receipts that—

(a) count as income from the qualifying production, and

(b) would (apart from this subsection) be regarded as of a capital nature,

are to be treated as receipts of a revenue nature.

Losses in the separate trade

1179BF Carrying forward of production losses

(1) This section applies if a company makes a loss in the separate production trade in a pre-completion period (see sections 1179DY and 1179FQ).

(2) The loss is not available for loss relief, except as provided in subsections (3) and (5).

(3) The loss is not prevented from being carried forward under section 45B of CTA 2010 to be deducted from profits of the separate production trade in a subsequent period.

(4) If the loss is so carried forward and deducted, the deduction is to be ignored for the purposes of section 269ZB of CTA 2010.

(5) To the extent that the loss could be carried forward under section 45B of CTA 2010 to the completion period or a subsequent

accounting period, it may instead be treated for the purposes of section 37 and Part 5 of CTA 2010 as a loss made in that period.

(6) Subsection (5) does not apply to the extent that the loss is carried forward by virtue of section 1179BG.

(7) In this section, "loss relief" includes any means by which a loss might be used to reduce the amount in respect of which the company, or any other person, is chargeable to tax.

1179BG Transfer of terminal loss to other qualifying production

(1) This section applies if—

(a) a company ("the principal company") ceases to carry on the separate production trade in respect of a production,

(b) the principal company could, but for the cessation of that trade, carry an amount ("the terminal loss") forward under section 45A or 45B of CTA 2010 to an accounting period after that in which the cessation occurs,

(c) when the trade ceases, either the principal company or another company in the same group carries on another separate production trade under this Chapter ("the other trade"), and

(d) the ceased trade and the other trade both relate to productions that are or were qualifying productions by virtue of the same Chapter of this Part.

(2) If the other trade is carried on by the principal company, the company may, by making a claim, treat the terminal loss (or part of it) as a loss made in the other trade that is carried forward under section 45B of CTA 2010.

(3) If the other trade is carried on by another company—

(a) the principal company may surrender the terminal loss (or part of it) to the other company, and

(b) the other company may, by making a claim, elect for the surrendered amount to be treated as a loss made in the other trade that is carried forward under section 45B of CTA 2010.

(4) The carrying forward of a loss by virtue of subsection (2) or (3) is to the first accounting period beginning after the cessation of the ceased trade.

(5) If—

(a) the other trade is no longer carried on that accounting period,

(b) the company carrying on the other trade is not entitled to an expenditure credit under Chapter 3 for that accounting period in respect of the other trade, or

(c) in a case within subsection (3), the other company does not make the election in relation to that accounting period,

the claim under subsection (2) or the surrender under subsection (3) is to be treated as not having been made.

(6) The Treasury may, in relation to surrenders or elections under subsection (3), make provision by regulations corresponding, subject to such adaptations or modifications as appear to them to be appropriate, to that made by Part 8 of Schedule 18 to the FA 1998.

(7) A deduction made under section 45B of CTA 2010 by virtue of this section is to be ignored for the purposes of section 269ZB of CTA 2010.

(8) The principal company is not entitled to relief under section 45F of CTA 2010 in respect of an amount surrendered under subsection (3).

CHAPTER 3

EXPENDITURE CREDIT

The entitlement

1179C Entitlement to expenditure credit

(1) The qualifying company for a qualifying production is entitled to an expenditure credit for—

(a) the opt-in period, and

(b) (subject to subsection (2)) any subsequent accounting period in which it continues to carry on the separate production trade.

(2) If in any of those subsequent periods the production is no longer a qualifying production, or the company is no longer the qualifying company for it, the company is not entitled to an expenditure credit for the period.

(3) But that does not affect the entitlement of the company for any subsequent period in which the production is once again a qualifying production or the company is once again the qualifying company for it.

(4) If a production ceases to be regarded as a qualifying production in an accounting period as a result of events after the end of that period—

(a) the qualifying company is no longer entitled to an expenditure credit for that period, and

(b) any company tax return drawn up in reliance on such an entitlement must be amended so as to remove anything derived from that entitlement.

(5) An expenditure credit to which a company is entitled may be claimed by the company in accordance with Part 9D of Schedule 18 to FA 1998.

1179CA Amount of expenditure credit

(1) The amount of the expenditure credit to which a qualifying company is entitled for an accounting period is determined as follows.

Step 1

Ascertain the total of the company's relevant global expenditure (see subsection (2)) for all accounting periods up to and including the present one.

Step 2

Deduct from that total any expenditure that is not UK expenditure (see section 1179AB).

Step 3

If the amount remaining after step 2 exceeds 80% of the total ascertained at step 1, deduct the amount of the excess.
The remaining amount is the company's "qualifying expenditure to date".

Step 4

Deduct from the company's qualifying expenditure to date the amount (if any) that was the company's qualifying expenditure to date in the accounting period for which it was last entitled to, and claimed, an expenditure credit in respect of the qualifying production.
The remaining amount is the company's "qualifying expenditure for the period".

Step 5

The amount of the credit to which the company is entitled is the relevant percentage of the company's qualifying expenditure for the period.
The relevant percentage is determined by—

(a) section 1179DV, in the case of a film or television programme;

(b) section 1179FN, in the case of a video game.

(2) Expenditure is "relevant global expenditure" for an accounting period if—

(a) it is brought into account under section 1179BB in calculating the profits of the separate production trade for that period, and

(b) it counts as relevant production expenditure in relation to the qualifying production under—

(i) section 1179DR, in the case of a film or television programme;

(ii) section 1179FJ, in the case of a video game.

Treatment of credit

1179CB Expenditure credit to count as taxable receipt

(1) An expenditure credit under this Chapter is not to be treated as income for the purposes of section 1179BB.

(2) But if a company is entitled to, and claims, an expenditure credit under this Chapter for an accounting period, the profits of the separate production trade for that period must (having first been calculated in accordance with section 1179BB) be adjusted by bringing the amount of the expenditure credit into account as a credit.

1179CC Redemption of value of expenditure credit

If a company is entitled to, and claims, an expenditure credit under this Chapter for an accounting period, the credit is to be dealt with as follows.

Step 1

The amount of the credit is to be applied in discharging any liability of the company to pay corporation tax for the accounting period.

Step 2

Any amount remaining after step 1 is to be reduced, if necessary, to the amount given by—

$$A - B$$

where—

A is the initial amount of the credit (before step 1), and
B is the amount of corporation tax that would be chargeable on that amount if it were an amount of profits for the accounting period on which corporation tax was chargeable at the main rate.

For provision about the treatment of an amount deducted under this step, see section 1179CD.

Step 3

The amount remaining after step 2 is to be applied in discharging any liability of the company to pay corporation tax for any other accounting period.

Step 4

If the company is a member of a group, it may surrender the whole or part of any amount remaining after step 3 to any other member of the group (as to which see section 1179CE).

Step 5

Any amount remaining after step 4 is to be applied in discharging any other liability of the company to pay a sum to the Commissioners for His Majesty's Revenue and Customs—

(a) under or by virtue of an enactment, or

(b) under an agreement made in connection with any person's liability to make a payment to the Commissioners under or by virtue of an enactment.

Step 6

Any amount remaining after step 5 is (subject to sections 1179CG and 1179CH) to be paid to the company by an officer of Revenue and Customs.

1179CD Treatment of notional tax deduction

(1) This section applies if an amount is deducted under step 2 in section 1179CC from the amount of the qualifying company's expenditure credit.

(2) If the qualifying company is a member of a group, it may, in respect of the accounting period for which the expenditure credit arises, surrender the whole or part of the deducted amount to any other member of the group (as to which see section 1179CE).

(3) To the extent that the deducted amount is not surrendered under subsection (2), it is to be carried forward to the next accounting period of the qualifying company, and subsections (4) and (5) apply.

(4) The carried-forward amount is to be applied in discharging any liability of the qualifying company to pay corporation tax for the accounting period.

(5) If—

(a) any of the carried-forward amount remains after the application of subsection (4), and

(b) the qualifying company is a member of a group,

the qualifying company may, in respect of the accounting period, surrender the whole or part of the remaining amount to any other member of the group (as to which see section 1179CE).

(6) If any of the carried-forward amount remains after the application of subsections (4) and (5), it is to be carried forward to the next accounting period of the qualifying company, and those subsections apply again in relation to that accounting period.

1179CE Amounts surrendered to other group companies

(1) Subsection (3) applies if an amount of expenditure credit is surrendered by the qualifying company to another member of its group under step 4 in section 1179CC or under section 1179CD(2) or (5).

(2) For the purposes of that subsection—

(a) the accounting period in respect of which the surrender is made is "the surrender AP";

(b) an accounting period of the other group member is an "overlapping AP" if it overlaps to any extent with the surrender AP.

(3) The surrendered amount is to be dealt with as follows.

Step 1

Select an overlapping AP.

Step 2

Calculate the proportion of the overlapping AP that overlaps with the surrender AP, and apply that proportion to the amount of corporation tax payable by the other group member for that overlapping AP.

Step 3

Calculate the proportion of the surrender AP that overlaps with the overlapping AP, and apply that proportion to the surrendered amount.

Step 4

The amount given by step 3 is to be applied in discharging the liability of the other group member to pay the corporation tax mentioned in step 2, up to the amount given by that step.

Step 5

Select another overlapping AP, if there is one, and repeat steps 2 to 4.

Step 6

If any of the surrendered amount remains after steps 2 to 4 have been taken in relation to each overlapping AP, the remainder is to be treated for the purposes of section 1179CC or (as the case may be) section 1179CD as if it had not been surrendered as mentioned in subsection (1).

(4) A surrender to which subsection (3) applies is not to be—

(a) taken into account in determining, for corporation tax purposes, the profits of the qualifying company or the other group member, or

(b) regarded for corporation tax purposes as the making of a distribution.

1179CF Priority of discharge

(1) An amount within subsection (2) is to be applied as described in that subsection before any amount within subsection (3) is applied as described in that subsection.

(2) An amount is within this subsection if it is to be applied under—

(a) section 1179CD(4), or

(b) section 1179CE(3) as it applies in relation to an amount surrendered under section 1179CD(2) or (5),

in discharging the liability of a company to pay corporation tax for an accounting period.

(3) An amount is within this subsection if it is to be (or would but for subsection (1) be) applied under—

(a) section 1179CC, or

(b) section 1179CE(3) as it applies in relation to an amount surrendered under section 1179CC,

in discharging the same liability as an amount within subsection (2).

Restrictions on payment

1179CG No credit payable if company in administration or liquidation

(1) No amount may be paid to a company at step 6 of section 1179CC if, when the company claims the expenditure credit from which the amount is derived, the company is in administration or liquidation.

(2) For the purposes of this section, a company is in administration if—

(a) it is in administration under Part 2 of the Insolvency Act 1986 or Part 3 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)), or

(b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company.

(3) For the purposes of this section, a company is in liquidation if—

(a) it is in liquidation within the meaning of section 247 of that Act or Article 6 of that Order, or

(b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company.

1179CH No credit payable if certain tax matters outstanding

(1) Subsection (2) applies if—

(a) a company would (but for that subsection) be entitled to be paid an amount at step 6 of section 1179CC, and

(b) the company's tax return for the accounting period in question is enquired into by an officer of Revenue and Customs.

(2) The amount does not have to be paid to the company; but an officer of Revenue and Customs may make a payment on a provisional basis of such amount as the officer thinks fit.

(3) Subsection (4) applies if—

(a) a company would (but for that subsection) be entitled to be paid an amount at step 6 of section 1179CC, and

(b) the company has not paid to an officer of Revenue and Customs any amount that it is required to pay—

(i) under PAYE regulations,

(ii) under section 966 of ITA 2007 (visiting performers), or

(iii) in respect of Class 1 national insurance contributions,

for payment periods ending in the accounting period in question.

(4) The amount does not have to be paid to the company; but an officer of Revenue and Customs may make a payment of such amount as the officer thinks fit.

(5) For the purposes of subsection (3), a "payment period" is—

(a) in relation to PAYE regulations or Class 1 national insurance contributions, a period—

(i) which ends on the fifth day of a month, and

(ii) for which the company is liable to account for income tax and national insurance contributions to an officer of Revenue and Customs;

(b) in relation to section 966 of ITA 2007, a period for which the company is required to make a return as described in section 969(1)(b) of that Act.

Artificial arrangements

1179CI Disqualifying arrangements and non-commercial transactions

(1) Subsections (2) and (3) apply if, at any time, a company is party to disqualifying arrangements in relation to anything that is, was or becomes a qualifying production ("the production").

(2) The company is not entitled to an expenditure credit under this Chapter in respect of the production for any accounting period.

(3) Any relevant company tax return must be amended accordingly.

(4) Subsection (5) applies if a transaction—
(a) is attributable to arrangements (other than disqualifying arrangements) entered into otherwise than for genuine commercial reasons, and
(b) would result in a company obtaining a relevant advantage.

(5) The relevant advantage is to be counteracted by the making of just and reasonable adjustments to any amounts relevant to the calculation of the company's entitlement to an expenditure credit under this Chapter.

(6) Those adjustments may be made (for example) by way of amendment, assessment, or modification of an assessment.

(7) For the purposes of this section, arrangements are disqualifying arrangements if their main purpose, or one of their main purposes, is to enable the company to obtain a relevant advantage.

(8) But such arrangements are not disqualifying arrangements if the obtaining of that advantage as a result of the arrangements could reasonably be regarded as consistent with—
(a) the principles (whether expressed or implied) on which the provisions of this Part are based, and
(b) the policy objectives of those provisions.

(9) For the purposes of this section, a company would obtain a relevant advantage if it would become entitled to an expenditure credit under this Chapter—
(a) to which it would not otherwise be entitled, or
(b) of a greater amount than that to which it would otherwise be entitled.

(10) In this section, "arrangements" includes any scheme, agreement or understanding, whether or not legally enforceable.

CHAPTER 4

FILMS AND TELEVISION PROGRAMMES

General

1179D Application of Chapters 2 and 3 to films and television programmes

(1) For the purposes of this Part—

(a) a qualifying film (see section 1179DB) or qualifying television programme (see section 1179DE) is a qualifying production, and

(b) the production company for a qualifying film or a qualifying television programme (see section 1179DP) is the qualifying company for that film or programme.

(2) The following provisions of this Chapter apply for the purposes of this Part in relation to films and television programmes.

(3) Expenditure credit under Chapter 3 is called "audiovisual expenditure credit" when the entitlement to it arises in respect of a film or television programme.

Qualifying films

1179DA Meaning of "film"

(1) "Film" includes any record, however made, of a sequence of visual images that is capable of being used as a means of showing that sequence as a moving picture.

(2) Each part of a series of films is treated as a separate film, unless—

(a) the films form a series with not more than 26 parts,

(b) the combined playing time is not more than 26 hours, and

(c) the series constitutes a self-contained work or is a series of documentaries with a common theme,

in which case the films are treated as a single film.

(3) References to a film include the film soundtrack.

1179DB Qualifying films

A film is a qualifying film if it meets—

(a) the theatrical release condition (see section 1179DC),

(b) the British certification condition (see section 1179DJ), and
(c) the UK expenditure condition (see section 1179DO).

1179DC Theatrical release condition

(1) A film meets the theatrical release condition if—
(a) the film is intended for exhibition to the paying public at the commercial cinema, and
(b) a significant proportion of the earnings from the film is intended to be obtained by such exhibition.

(2) If the film does not meet that condition in an accounting period after the opt-in period, it cannot meet it in any subsequent accounting period (subject to section 1179E).

Qualifying television programmes

1179DD Meaning of "television programme"

(1) "Television programme" means any programme (with or without sounds) which—
(a) is produced to be seen on television or on the internet, and
(b) consists of moving or still images or of legible text or of a combination of those things.

(2) Two or more television programmes that are commissioned together under the same agreement are to be treated as a single television programme.

1179DE Qualifying television programmes

A television programme is a qualifying television programme if—
(a) it is of an eligible category (see section 1179DF),
(b) it is not an excluded programme (see section 1179DG),
(c) it meets the broadcast condition (see section 1179DH),
(d) in the case of a programme that is not an animation or a children's programme, it meets the slot length and hourly cost conditions (see section 1179DI),
(e) it meets the British certification condition (see section 1179DJ), and
(f) it meets the UK expenditure condition (see section 1179DO).

1179DF Categories of qualifying programme

(1) The eligible categories of television programme are—
(a) dramas,

(b) documentaries,
(c) animations, and
(d) children's programmes.

(2) A television programme is a drama if—
(a) it consists wholly or mainly of a depiction of events,
(b) the events are depicted wholly or mainly by one or more persons performing, and
(c) the whole or a major proportion of what is done by the person or persons performing, whether by way of speech, acting, singing or dancing, involves the playing of a role.

(Accordingly, "drama" may include a comedy.)

(3) A television programme is a documentary if—
(a) it depicts real events, places or circumstances,
(b) it is not a drama, and
(c) it is primarily intended to record or inform.

(4) A programme is a children's programme if, when 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) See section 1179EA(3) for the meaning of "animation".

1179DG Excluded programmes

(1) A television programme is an excluded programme if—
(a) it is an advertisement or other promotional programme,
(b) it is a news or current affairs programme or discussion programme,
(c) it is a quiz show, game show, panel show, variety show, chat show or similar entertainment,
(d) it consists of or includes a competition or contest, or the results of a competition or contest,
(e) it is a broadcast of a live event or of a theatrical or artistic performance given otherwise than for the purpose of being filmed, or
(f) it is produced for training purposes.

(2) But a children's programme is not an excluded programme by virtue of being a quiz show or game show, or falling within subsection (1)(d), if the prize total does not exceed £1,000.

(3) For that purpose 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 (2) for the purpose of increasing the amount of the money limit for the time being specified in that subsection.

1179DH Broadcast condition

(1) A television programme meets the broadcast condition if—

(a) it is intended for broadcast to the general public, and

(b) it is not a film that meets the theatrical release condition (see section 1179DC).

(2) If the television programme does not meet that condition in an accounting period after the opt-in period, it cannot meet it in any subsequent accounting period (subject to section 1179E).

1179DI Slot length and hourly cost conditions

(1) A television programme that consists of distinct episodes meets the slot length condition if the slot length of each episode is greater than 20 minutes.

(2) A television programme that does not consist of distinct episodes meets the slot length condition if the slot length of the programme is greater than 20 minutes.

(3) A television programme meets the hourly cost condition if the average core expenditure per hour of slot length in relation to the programme is at least £1 million.

(4) In this section, "slot length" means the period of time which the episode or (as the case may be) programme is commissioned to fill.

British certification condition

1179DJ British certification condition: provisional and final satisfaction

(1) In this section, references to a certificate are to be read—

(a) in relation to a film, as references to a certificate under Schedule 1 to the Films Act 1985, and

(b) in relation to a television programme, as references to a certificate under section 1179DM.

(2) A film or television programme meets the British certification condition in a pre-completion period (see section 1179DY) if—

(a) an interim certificate has effect in relation to it at the end of that period, and

(b) the production company's company tax return for that period is accompanied by the certificate.

(3) A film or television programme meets the British certification condition in the completion period (see section 1179DY) and any subsequent accounting period if—

(a) at the end of the completion period, either—

(i) a final certificate has effect in relation to the film or programme, or

(ii) the production company has abandoned production activities in relation to the film or programme and an interim certificate has effect in relation to it, and

(b) the production company's company tax return for that period is accompanied by the certificate.

(4) Subsections (2) and (3) are subject to subsections (5) and (6).

(5) If a film or television programme does not meet the British certification condition in the completion period, it is no longer to be regarded as having met the condition (nor, therefore, as being a qualifying film or qualifying television programme) in any pre-completion period.

(6) If, after the end of an accounting period, a certificate ceases to have effect in respect of that period, the film or programme in question is no longer to be regarded as having met the British certification condition (nor, therefore, as being a qualifying film or qualifying television programme) in that period in reliance on that certificate.

(7) Subsection (6) does not apply where an interim certificate ceases to have effect on being superseded by a final certificate.

(8) For the purposes of subsection (6), a certificate that ceases to have effect so ceases in respect of all accounting periods, except to the extent that a direction under paragraph 3 of Schedule 1 to the Films Act 1985 or section 1179DM provides otherwise.

1179DK Television programmes: test for certification

(1) The Secretary of State, with the approval of the Treasury, may by regulations specify conditions which must be met by a television programme before it may be certified as a British programme.

(2) Such regulations may—

(a) specify different conditions in relation to different descriptions of programme;
(b) provide that certain descriptions of programme may not be certified as a British programme;
(c) enable the Secretary of State to direct that any provision made by virtue of paragraph (b) does not apply to a programme that meets certain conditions.

1179DL Television programmes: applications for certification

(1) The production company for a television programme may apply to the Secretary of State for a certificate under section 1179DM in relation to the programme.

(2) An application may be for an interim certificate or a final certificate.

(3) An interim certificate is a certificate that—
(a) is granted before the programme is completed (see section 1179EB), and
(b) states that the programme, if completed in accordance with the proposals set out in the application, will be a British programme.

(4) A final certificate is a certificate that—
(a) is granted after the programme is completed, and
(b) states that the programme is a British programme.

(5) The Secretary of State may require an applicant to provide documents or information to assist the Secretary of State in determining the application.

(6) The Secretary of State may require information provided for the purposes of an application to be accompanied by a statutory declaration, made by the person providing it, as to the truth of the information.

(7) The Secretary of State may by regulations make provision supplementing this section, including—
(a) provision about the form of applications,
(b) provision about the particulars and evidence necessary for satisfying the Secretary of State that a programme meets any conditions that apply by virtue of section 1179DK, and
(c) provision that any statutory declaration which is required by subsection (6) to be made by any person may be made on the person's behalf by such person as is specified in the regulations.

1179DM Television programmes: certification and revocation

(1) If—

(a) an application is made in accordance with section 1179DL, and

(b) the Secretary of State is satisfied that the television programme concerned meets any conditions that apply by virtue of section 1179DK,

the Secretary of State must certify the programme accordingly.

(2) An interim certificate—

(a) may be given subject to conditions, and (unless the Secretary of State directs otherwise) is of no effect if the conditions are not met, and

(b) may be expressed to expire after a specified period, and (unless the Secretary of State directs otherwise) ceases to have effect at the end of that period.

(3) If it appears to the Secretary of State that a film or television programme certified under this section ought not to have been certified, the Secretary of State may revoke the certificate.

(4) Unless the Secretary of State directs otherwise, a certificate that is revoked is treated as never having had effect.

1179DN Disclosure of information for certification purposes

(1) Section 18(1) of the Commissioners for Revenue and Customs Act 2005 (restriction on disclosure by Revenue and Customs officials) does not prevent disclosure to the Secretary of State for the purposes of the Secretary of State's functions under—

(a) Schedule 1 to the Films Act 1985, or

(b) sections 1179DK to 1179DM.

(2) Information disclosed to the Secretary of State for those purposes may be disclosed by the Secretary of State to the British Film Institute.

(3) The Treasury may by regulations amend subsection (2)—

(a) so as to substitute for the person or body specified in that subsection a different person or body, or

(b) in consequence of a change in the name of the person or body so specified.

(4) A person to whom information is disclosed under subsection (1) or (2) may not otherwise disclose it except—

(a) for the purposes of the Secretary of State's functions under the provisions referred to in subsection (1),

(b) if the disclosure is authorised by an enactment,

(c) in pursuance of an order of a court,

(d) for the purposes of a criminal investigation or legal proceedings (whether criminal or civil) connected with the operation of this Part or Schedule 1 to the Films Act 1985,

(e) with the consent of the Commissioners for His Majesty's Revenue and Customs, or

(f) with the consent of each person to whom the information relates.

(5) Section 19 of the Commissioners for Revenue and Customs Act 2005 (offence of unlawful disclosure of revenue and customs information) applies in relation to a contravention of subsection (4) as it applies in relation to a contravention of the provisions referred to in subsection (1) of that section.

UK expenditure condition

1179DO UK expenditure condition: provisional and final satisfaction

(1) A film or television programme meets the UK expenditure condition in a pre-completion period (see section 1179DY) if—

(a) the production company's company tax return for the period states—

(i) the total amount of core expenditure that is expected to be incurred in relation to the film or programme, and

(ii) the amount of that expenditure that is expected to be UK expenditure, and

(b) the second of those amounts is at least 10% of the first.

(2) A film or television programme meets the UK expenditure condition in the completion period (see section 1179DY) and any subsequent accounting period if—

(a) the production company's company tax return for the completion period states—

(i) the total amount of core expenditure that has been incurred in relation to the film or programme, and

(ii) the amount of that expenditure that is UK expenditure, and

(b) the second of those amounts is at least 10% of the first.

(3) Subsection (1) is subject to subsections (4) and (5).

(4) If a film or television programme does not meet the UK expenditure condition in a pre-completion period, it is no longer to be regarded as having done so (nor, therefore, as being a qualifying film or

qualifying television programme) in any previous accounting period by virtue of subsection (1) as it applies to that previous period.

(5) If a film or television programme does not meet the UK expenditure condition in the completion period, it is no longer to be regarded as having done so (nor, therefore, as being a qualifying film or qualifying television programme) in any pre-completion period.

(6) References in this section to core expenditure are to core expenditure incurred—

(a) in the case of a film or programme other than a qualifying co-production, by the production company, or

(b) in the case of a qualifying co-production, by the co-producers.

(7) The Treasury may by regulations amend the percentage specified in subsection (1) or (2).

Production companies

1179DP Meaning of "production company"

(1) A company is the production company for a film or television programme that is not a qualifying co-production if—

(a) it is responsible for—

(i) pre-production, principal photography and post-production of the film or programme, and

(ii) delivery of the film or programme in completed form,

(b) it is actively engaged in production planning and decision-making during pre-production, principal photography and post-production,

(c) it directly negotiates, contracts and pays for rights, goods and services in relation to the film or programme, and

(d) it is more directly engaged in the matters described in paragraphs (a) to (c), taken as a whole, than any other company that satisfies those paragraphs.

(2) A company is the production company for a film or television programme that is a qualifying co-production if—

(a) the company is a co-producer of the co-production,

(b) the company makes an effective creative, technical and artistic contribution to the film or programme, and

(c) its creative, technical, and artistic contribution is greater than that of any other company that—

(i) is also a co-producer of the co-production, and

(ii) is chargeable to corporation tax on income it receives from the film or programme (or would be if it received any).

(3) Activities carried on in partnership are to be ignored in determining whether a company is the production company for a film or television programme.

1179DQ Qualifying co-productions and co-producers

(1) A film is a "qualifying co-production" if it falls to be treated as a national film in the United Kingdom under an international agreement.

(2) A television programme is a "qualifying co-production" if it is eligible to be certified under section 1179DM under an international agreement.

(3) A company is a "co-producer" of a qualifying co-production if it is regarded as such under the international agreement by virtue of which the film or television programme in question is a qualifying co-production.

(4) In this section, "international agreement" means an agreement between His Majesty's Government in the United Kingdom and any other government, international organisation or authority.

Qualifying expenditure and rate of credit

1179DR Expenditure that qualifies for credit

Expenditure incurred by the production company for a film or television programme counts as "relevant production expenditure" for the purposes of section 1179CA(2) if—

(a) it is core expenditure in relation to that film or television programme (see section 1179DS), and

(b) it is not excluded expenditure (see sections 1179DT and 1179DU).

1179DS Meaning of "core expenditure"

Expenditure is "core expenditure" in relation to a film or television programme if it is expenditure on the pre-production, principal photography or post-production of the film or programme.

1179DT Excluded expenditure: research and development

Expenditure is excluded expenditure to the extent that the production company would, in respect of the expenditure, be able to claim—

(a) an R&D expenditure credit under Chapter 6A of Part 3, or

(b) relief under Part 13 (relief for expenditure on research and development).

1179DU Excluded expenditure: non-arm's-length dealings with connected parties

(1) Expenditure is excluded expenditure to the extent that it represents connected party profit, unless subsection (3) applies.

(2) For the purposes of subsection (1), expenditure represents connected party profit—

(a) if it is a payment to a person ("C") in exchange for something supplied by that person,

(b) if the production company is connected with C, and

(c) if, and to the extent that, the amount of the payment exceeds the expenditure incurred by C in supplying that thing.

(3) This subsection applies if the amount of the payment is no more than would have been the case had the transaction been entered into at arm's length.

(4) A transaction would have been entered into "at arm's length" if it made "the arm's length provision" within the meaning of Part 4 of TIOPA 2010 (and for this purpose any limitation on the application of that Part is to be disregarded).

(5) Subsections (6) and (7) apply if—

(a) the supply by C to the production company is one of a sequence of transactions in which the thing supplied has been supplied by one person to another, and

(b) either—

(i) each transacting party in the sequence is connected to at least one other transacting party in the sequence, or

(ii) each transaction in the sequence is entered into in furtherance of a single scheme or arrangement (of whatever kind, and whether or not legally enforceable).

(6) The reference to C in subsection (2)(c) is to be read as a reference to the supplier in the first transaction in the sequence.

(7) The reference to the transaction in subsection (3) is to be read as including each transaction in the sequence.

(8) In this section, "payment" includes any transfer of value.

1179DV Percentage of qualifying expenditure translated into credit

(1) This section determines the relevant percentage for the purposes of step 5 in section 1179CA(1).

(2) In the case of—

(a) a qualifying film that is not an animation, or

(b) a qualifying television programme that is not an animation or a children's programme,

the relevant percentage is 34%.

(3) In the case of—

(a) a qualifying film that is an animation, or

(b) a qualifying television programme that is an animation or a children's programme,

the relevant percentage is, subject to the following subsections, 39%.

(4) Subsection (5) applies if, for any accounting period, the production company is entitled to, and claims, an audiovisual expenditure credit on the basis that the film or programme falls within subsection (2).

(5) In relation to any subsequent accounting period, the relevant percentage is 34%.

(6) The Treasury may by regulations replace the percentage for the time being specified in subsection (2), (3) or (5) with a different percentage.

Accounting for the separate trade

1179DW When the separate trade begins

For the purposes of section 1179B, the production company for a film or television programme is treated as beginning the separate production trade in respect of the film or programme—

(a) when pre-production of the film or programme begins,

(b) if earlier, when any income from the film or programme is received by the company.

1179DX Costs and income of separate trade

(1) This section applies for the purposes of section 1179BB as that section applies in relation to a film or television programme.

(2) Expenditure counts towards the costs of the film or programme if it is expenditure on—

(a) production activities in connection with the film or programme, or

(b) activities with a view to exploiting the film or programme.

(3) But an amount that has not been paid within the period of 4 months beginning with the first day after the final day of a period of account is not to count towards the costs incurred in that period.

(4) Receipts count towards the income from the film or programme if they are receipts in connection with the making or exploitation of the film or programme, including—

(a) receipts from the sale of the film or programme or rights in it,

(b) royalties or other payments for use of the film or programme, or aspects of it (for example, characters or music),

(c) payments for rights to produce games or other merchandise, and

(d) receipts by way of a profit share agreement.

1179DY Accounting periods

(1) A reference to an accounting period, in relation to a film or television programme, is a reference to an accounting period of the production company for the film or programme.

(2) A reference to the "completion period", in relation to a film or television programme, is a reference to the accounting period in which—

(a) the film or programme is completed (see section 1179EB), or

(b) the production company abandons production activities in relation to the film or programme.

(3) The production company for a film or television programme must, in its company tax return for the completion period, state whichever of those has occurred.

(4) A reference to a "pre-completion period", in relation to a film or television programme, is a reference to any accounting period before the completion period in relation to that film or programme.

(5) In this section, "production company" includes a company that is no longer the production company for the film or television programme but is still carrying on the separate production trade in relation to it.

Miscellaneous

1179DZ Effect of move out of higher-percentage category

(1) Subsection (2) applies if, for an accounting period, a production company is entitled to, and claims, an audiovisual expenditure credit—

(a) in respect of a film on the basis that it is an animation, or

(b) in respect of a television programme on the basis that it is an animation or a children's programme.

(2) The production company may not, for any subsequent accounting period, claim an audiovisual expenditure credit in respect of the film or programme on the basis that it is—

(a) a qualifying film other than an animation, or

(b) a qualifying television programme other than an animation or a children's programme.

(3) Subsection (2) ceases to apply if the company amends its company tax return for the accounting period referred to in subsection (1) to withdraw the claim for expenditure credit for that period.

(4) An amendment may be made for that purpose despite any limitation on the time within which the return could normally be amended.

1179E Production qualifying consecutively as film and television programme

(1) The same production may be a qualifying film in one accounting period and a qualifying television programme in a subsequent accounting period, or vice versa.

(2) Such a change does not interrupt the application of this Part in relation to the film or programme.

(3) Section 1179DC(2) does not apply to a failure to meet the theatrical release condition in an accounting period if, in that period, the film was a qualifying television programme.

(4) Section 1179DH(2) does not apply to a failure to meet the broadcast condition in an accounting period if, in that period, the television programme was a qualifying film.

(5) A certificate under Schedule 1 to the Films Act 1985 has effect for the purposes of this Part as it may apply to the certified film as a television programme.

(6) A certificate under section 1179DM has effect for the purposes of this Part as it may apply to the certified television programme as a film.

1179EA Meaning of "production activities", "principal photography" and "animation"

(1) "Production activities", in relation to a film or television programme, means the activities involved in development, pre-production, principal photography and post-production of the film or programme.

(2) "Principal photography", in relation to a film or television programme, includes the generation of images by a computer for inclusion in the film or programme.

(3) A film or television programme is an "animation" if (and only if)—

(a) the imagery of the completed film or programme includes animation, and

(b) the core expenditure on the completed animation constitutes at least 51% of the total core expenditure on the completed film or programme.

1179EB When film or programme is completed

(1) A film is "completed" when it is first in a form in which it can reasonably be regarded as ready for copies of it to be made and distributed for presentation to the general public.

(2) A television programme is "completed" when it is first in a form in which it can reasonably be regarded as ready for broadcast to the general public.

CHAPTER 5

VIDEO GAMES

General

1179F Application of Chapters 2 and 3 to video games

(1) For the purposes of this Part—

(a) a qualifying video game (see section 1179FA) is a qualifying production, and

(b) the development company for a qualifying video game (see section 1179FI) is the qualifying company for that video game.

(2) The following provisions of this Chapter apply for the purposes of this Part in relation to video games.

(3) Expenditure credit under Chapter 3 is called "video game expenditure credit" when the entitlement to it arises in respect of a video game.

Qualifying video games

1179FA Video games that are qualifying video games

(1) A video game is a qualifying video game if—
  (a) it is not an excluded game (see subsection (2)),
  (b) it meets the intended supply condition (see section 1179FB),
  (c) it meets the British certification condition (see section 1179FC), and
  (d) it meets the UK expenditure condition (see section 1179FH).

(2) A video game is an excluded game if it is produced for—
  (a) advertising or promotional purposes, or
  (b) the purposes of gambling, within the meaning of the Gambling Act 2005.

1179FB Intended supply condition

(1) A video game meets the intended supply condition if it is intended for supply to the general public.

(2) If the video game does not meet that condition in an accounting period after the opt-in period, it cannot meet it in any subsequent accounting period.

British certification condition

1179FC British certification condition: provisional and final satisfaction

(1) In this section, references to a certificate are to a certificate under section 1179FF.

(2) A video game meets the British certification condition in a pre-completion period (see section 1179FQ) if—
  (a) an interim certificate has effect in relation to it at the end of that period, and
  (b) the development company's company tax return for that period is accompanied by the certificate.

(3) A video game meets the British certification condition in the completion period (see section 1179FQ) and any subsequent accounting period if—
  (a) at the end of the completion period, either—

(i) a final certificate has effect in relation to the video game, or

(ii) the development company has abandoned development activities in relation to the video game and an interim certificate has effect in relation to it, and

(b) the development company's company tax return for that period is accompanied by the certificate.

(4) Subsections (2) and (3) are subject to subsections (5) and (6).

(5) If a video game does not meet the British certification condition in the completion period, it is no longer to be regarded as having done so (nor, therefore, as being a qualifying video game) in any pre-completion period.

(6) If, after the end of an accounting period, a certificate ceases to have effect in respect of that period, the video game in question is no longer to be regarded as having met the British certification condition (nor, therefore, as being a qualifying video game) in that period in reliance on that certificate.

(7) Subsection (6) does not apply where an interim certificate ceases to have effect on being superseded by a final certificate.

(8) For the purposes of subsection (6), a certificate that ceases to have effect so ceases in respect of all accounting periods, except to the extent that a direction under section 1179FF provides otherwise.

1179FD Test for certification

(1) The Secretary of State, with the approval of the Treasury, may by regulations specify conditions which must be met by a video game before it may be certified as a British video game.

(2) Such regulations may—

(a) specify different conditions in relation to different descriptions of video game;

(b) provide that certain descriptions of video game may not be certified as a British video game;

(c) enable the Secretary of State to direct that any provision made by virtue of paragraph (b) does not apply to a video game that meets certain conditions.

1179FE Applications for certification

(1) The development company for a video game may apply to the Secretary of State for a certificate under section 1179FF in relation to the programme.

(2) An application may be for an interim certificate or a final certificate.

(3) An interim certificate is a certificate that—

(a) is granted before the video game is completed (see section 1179FS), and

(b) states that the video game, if completed in accordance with the proposals set out in the application, will be a British video game.

(4) A final certificate is a certificate that—

(a) is granted after the video game is completed, and

(b) states that the video game is a British video game.

(5) The Secretary of State may require an applicant to provide documents or information to assist the Secretary of State in determining the application.

(6) The Secretary of State may require information provided for the purposes of an application to be accompanied by a statutory declaration, made by the person providing it, as to the truth of the information.

(7) The Secretary of State may by regulations make provision supplementing this section, including—

(a) provision about the form of applications,

(b) provision about the particulars and evidence necessary for satisfying the Secretary of State that a video game meets any conditions that apply by virtue of section 1179FD, and

(c) provision that any statutory declaration which is required by subsection (6) to be made by any person may be made on the person's behalf by such person as is specified in the regulations.

1179FF Certification and revocation

(1) If—

(a) an application is made in accordance with section 1179FE, and

(b) the Secretary of State is satisfied that the video game concerned meets any conditions that apply by virtue of section 1179FD,

the Secretary of State must certify the video game accordingly.

(2) An interim certificate—

(a) may be given subject to conditions, and (unless the Secretary of State directs otherwise) is of no effect if the conditions are not met, and

(b) may be expressed to expire after a specified period, and (unless the Secretary of State directs otherwise) ceases to have effect at the end of that period.

(3) If it appears to the Secretary of State that a video game certified under this section ought not to have been certified, the Secretary of State may revoke the certificate.

(4) Unless the Secretary of State directs otherwise, a certificate that is revoked is treated as never having had effect.

1179FG Disclosure of information for certification purposes

Section 1179DN (disapplication of section 18, and application of section 19, of the Commissioners for Revenue and Customs Act 2005) has effect in relation to the Secretary of State's functions under sections 1179FD to 1179FF as it has effect in relation to the Secretary of State's functions under sections 1179DK to 1179DM.

UK expenditure condition

1179FH UK expenditure condition

(1) A video game meets the UK expenditure condition in a pre-completion period (see section 1179FQ) if—

(a) the development company's company tax return for the period states—

(i) the total amount of core expenditure that is expected to be incurred in relation to the video game, and

(ii) the amount of that expenditure that is expected to be UK expenditure, and

(b) the second of those amounts is at least 10% of the first.

(2) A video game meets the UK expenditure condition in the completion period (see section 1179FQ) and any subsequent accounting period if—

(a) the development company's company tax return for the completion period states—

(i) the total amount of core expenditure that has been incurred in relation to the video game, and

(ii) the amount of that expenditure that is UK expenditure, and

(b) the second of those amounts is at least 10% of the first.

(3) Subsection (1) is subject to subsections (4) and (5).

(4) If a video game does not meet the UK expenditure condition in a pre-completion period, it is no longer to be regarded as having done

so (nor, therefore, as being a qualifying video game) in any previous accounting period by virtue of subsection (1) as it applies to that previous period.

(5) If a video game does not meet the UK expenditure condition in the completion period, it is no longer to be regarded as having done so (nor, therefore, as being a qualifying video game) in any pre-completion period.

(6) References in this section to core expenditure are to core expenditure incurred by the development company.

(7) The Treasury may by regulations amend the percentage specified in subsection (1) or (2).

Development companies

1179FI Meaning of "development company"

(1) A company is the development company for a video game if—

(a) it is responsible for designing, producing and testing the video game,

(b) it is actively engaged in planning and decision-making during the design, production and testing of the video game,

(c) it directly negotiates, contracts and pays for rights, goods and services in relation to the video game, and

(d) it is more directly engaged in the matters described in paragraphs (a) to (c), taken as a whole, than any other company that satisfies those paragraphs.

(2) Activities carried on in partnership are to be ignored in determining whether a company is the development company for a video game.

Qualifying expenditure and rate of credit

1179FJ Expenditure that qualifies for credit

Expenditure incurred by the development company for a video game counts as "relevant production expenditure" for the purposes of section 1179CA(2) if—

(a) it is core expenditure in relation to that video game (see section 1179FK), and

(b) it is not excluded expenditure (see sections 1179FL and 1179FM).

1179FK Meaning of "core expenditure"

(1) Expenditure is "core expenditure" in relation to a video game if it is expenditure on designing, producing or testing the video game.

(2) But core expenditure does not include expenditure on—

(a) designing the initial concept for a video game, or

(b) debugging, or carrying out maintenance in connection with, a completed video game.

1179FL Excluded expenditure: research and development

Expenditure is excluded expenditure to the extent that the development company would, in respect of the expenditure, be able to claim—

(a) an R&D expenditure credit under Chapter 6A of Part 3, or

(b) relief under Part 13 (relief in respect of expenditure on research and development).

1179FM Excluded expenditure: non-arm's-length dealings with connected parties

(1) Expenditure is excluded expenditure to the extent that it represents connected party profit, unless subsection (3) applies.

(2) For the purposes of subsection (1), expenditure represents connected party profit—

(a) if it is a payment to a person ("C") in exchange for something supplied by that person,

(b) if the development company is connected with C, and

(c) if, and to the extent that, the amount of the payment exceeds the expenditure incurred by C in supplying that thing.

(3) This subsection applies if the amount of the payment is no more than would have been the case had the transaction been entered into at arm's length.

(4) A transaction would have been entered into "at arm's length" if it made "the arm's length provision" within the meaning of Part 4 of TIOPA 2010 (and for this purpose any limitation on the application of that Part is to be disregarded).

(5) Subsections (6) and (7) apply if—

(a) the supply by C to the development company is one of a sequence of transactions in which the thing supplied has been supplied by one person to another, and

(b) either—

(i) each transacting party in the sequence is connected to at least one other transacting party in the sequence, or

(ii) each transaction in the sequence is entered into in furtherance of a single scheme or arrangement (of whatever kind, and whether or not legally enforceable).

(6) The reference to C in subsection (2)(c) is to be read as a reference to the supplier in the first transaction in the sequence.

(7) The reference to the transaction in subsection (3) is to be read as including each transaction in the sequence.

(8) In this section, "payment" includes any transfer of value.

1179FN Percentage of qualifying expenditure translated into credit

(1) In relation to a qualifying video game, the relevant percentage for the purposes of step 5 in section 1179CA(1) is 34%.

(2) The Treasury may by regulations replace the percentage for the time being specified in subsection (1) with a different percentage.

Accounting for the separate trade

1179FO When the separate trade begins

For the purposes of section 1179B, the development company for a video game is treated as beginning the separate production trade in respect of the video game—

(a) when the design of the video game begins,

(b) if earlier, when any income from the video game is received by the company.

1179FP Costs and income of separate trade

(1) This section applies for the purposes of section 1179BB as that section applies in relation to a video game.

(2) Expenditure counts towards the costs of the video game if it is expenditure on—

(a) development activities in connection with the video game, or

(b) activities with a view to exploiting the video game.

(3) But an amount that has not been paid within the period of 4 months beginning with the first day after the final day of a period of account is not to count towards the costs incurred in that period.

(4) Receipts count towards the income from the video game if they are receipts in connection with the production or exploitation of the video game, including—

(a) receipts from the sale of the video game or rights in it,

(b) royalties or other payments for use of the video game, or aspects of it (for example, characters or music),

(c) payments for rights to produce games or other merchandise, and

(d) receipts by way of a profit share agreement.

1179FQ Accounting periods

(1) A reference to an accounting period, in relation to a video game, is a reference to an accounting period of the development company for the video game.

(2) A reference to the "completion period", in relation to a video game, is a reference to the accounting period in which—

(a) the video game is completed (see section 1179FS), or

(b) the development company abandons development activities in relation to the video game.

(3) The development company for a video game must, in its company tax return for the completion period, state whichever of those has occurred.

(4) A reference to a "pre-completion period", in relation to a video game, is a reference to any accounting period before the completion period in relation to that video game.

(5) In this section, "development company" includes a company that is no longer the development company for the video game but is still carrying on the separate production trade in relation to it.

Miscellaneous

1179FR Meaning of "development activities"

"Development activities", in relation to a video game, means the activities involved in designing, producing and testing the video game.

1179FS When video game is completed

A video game is "completed" when it is first in a form in which it can reasonably be regarded as ready for copies of it to be made and made available to the general public."

PART 2

AMENDMENTS CONSEQUENTIAL ON PART 1

Films Act 1985

2 (1) The Films Act 1985 is amended as follows.

(2) In section 6 (certification of British films), after "purposes of" insert "audiovisual expenditure credit and".

(3) In Schedule 1 (certification of British films)—

(a) in the heading, after "purposes of" insert "audiovisual expenditure credit and";

(b) in paragraph 1(1), for the definition of "film production company" substitute—

""film production company", in relation to a film, means a company that is the production company for the film for the purposes of Part 14A of the Corporation Tax Act 2009 (see section 1179DP of that Act) or the film production company in relation to the film for the purposes of Part 15 of that Act (see section 1182 of that Act)."

FA 1998

3 (1) Schedule 18 to FA 1998 (company tax returns etc) is amended as follows.

(2) In paragraph 10 (certain claims and elections to be included in tax return)—

(a) in sub-paragraph (4), for the words from "for" to "or" substitute "under Parts 14A to";

(b) after sub-paragraph (4) insert—

"(4A) An election under section 1179B of the Corporation Tax Act 2009 (opting into Part 14A of that Act) can only be made by being included in a company tax return."

(3) In the heading of Part 9D, for the words from "for" to "or" substitute "under Parts 14A to".

(4) In paragraph 83S (application of Part 9D), for "the following reliefs—" substitute "—

(za) audiovisual expenditure credit or video game expenditure credit,".

FA 2007

4 In Schedule 24 to FA 2007 (penalties for errors), in paragraph 28(fa) (meaning of "corporation tax credit"), before paragraph (iv) insert—

"(iiia) an audiovisual expenditure credit or video game expenditure credit under Chapter 3 of Part 14A of

CTA 2009 (expenditure credit in respect of films, television programmes and video games),".

CTA 2009

5 (1) CTA 2009 is amended as follows.

(2) For sections 808 to 808E substitute—

"807A Assets representing expenditure on separate creative production trade

This Part does not apply to an intangible fixed asset held by a company treated as carrying on a separate trade under any of Parts 14A to 15E (production of films, television programmes, video games, theatrical productions, orchestral concerts and museum and gallery exhibitions), so far as the asset represents expenditure of that separate trade."

(3) In section 1040ZA (restrictions on claiming other reliefs where R&D relief given), before subsection (1) insert—

"(A1) For provision prohibiting audiovisual expenditure credit or video game expenditure credit being given where relief is available under this Part, see sections 1179DT and 1179FL."

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

"accounting period (in Part 14A)	sections 1179DY(1) (in relation to films and television programmes) and 1179FQ(1) (in relation to video games)";
"animation (in Part 14A)	section 1179EA(3)";
"audiovisual expenditure credit	section 1179D(3)";
"company tax return (in Part 14A)	section 1179AC";
"completed (in Part 14A)	sections 1179EB (in relation to films and television programmes) and 1179FS (in relation to video games)";
"completion period (in Part 14A)	sections 1179DY(2) (in relation to films and television programmes) and 1179FQ(2) (in relation to video games)";

"co-producer (of a qualifying co-production) (in Part 14A)	section 1179DQ";
"core expenditure	sections 1179DS (in relation to films and television programmes) and 1179FK (in relation to video games)";
"development activities	section 1179FR";
"development company (in Part 14A)	section 1179FI";
"film (in Part 14A)	section 1179DA";
"group (in Part 14A)	section 1179AD";
"opt-in period (in Part 14A)	section 1179B(3)";
"pre-completion period (in Part 14A)	sections 1179DY(4) (in relation to films and television programmes) and 1179FQ(4) (in relation to video games)";
"principal photography (in Part 14A)	section 1179EA(2)";
"production (in Part 14A)	section 1179AA(9)";
"production activities (in Part 14A)	section 1179EA(1)";
"production company (in Part 14A)	section 1179DP";
"qualifying company (in Part 14A)	sections 1179D(1) (in relation to films and television programmes) and 1179F(1) (in relation to video games); and see also section 1179BA(5)";
"qualifying co-production (in Part 14A)	section 1179DQ";

"qualifying film (in Part 14A)	section 1179DB";
"qualifying production (in Part 14A)	sections 1179D(1) (in relation to films and television programmes) and 1179F(1) (in relation to video games); and see also section 1179BA(5)";
"qualifying television programme (in Part 14A)	section 1179DE";
"qualifying video game (in Part 14A)	section 1179FA";
"the separate production trade (in Part 14A)	section 1179B(3)";
"television programme (in Part 14A)	section 1179DD";
"UK expenditure (in Part 14A)	section 1179AB";
"video game expenditure credit	section 1179F(3)".

CTA 2010

6 (1) CTA 2010 is amended as follows.

(2) In section 45A(3) (conditions for carrying forward trade loss against total profits), in paragraph (b)(ii), after "section" insert "1179BF,".

(3) In Part 8A (profits from exploiting patents etc)—

(a) in section 357BJB (deductions that are not routine deductions in calculating relevant IP profits)—

(i) in subsection (1), after paragraph (d) insert—

"(da) subsection (7A) (expenditure on the production of films, television programmes and video games),";

(ii) after subsection (7) insert—

"(7A) Head 4A is the amount of any expenditure in respect of which the company is entitled to an audiovisual

expenditure credit or video game expenditure credit under Part 14A of CTA 2009.";

(b) in section 357CG (adjustments in calculating relevant IP profits), in subsection (4), after paragraph (a) (but not the following "and") insert—

"(aa) the amount of any audiovisual expenditure credit or video game expenditure credit under Part 14A of CTA 2009 brought into account in calculating the profits of the trade for the accounting period,".

(4) In Part 8B (profits taxable at Northern Ireland rate), after Chapter 10 insert—

"CHAPTER 10A

FILMS, TELEVISION PROGRAMMES AND VIDEO GAMES QUALIFYING FOR EXPENDITURE CREDIT

Introduction

357QE Application and interpretation

(1) This Chapter makes provision about the interaction between this Part and Part 14A of CTA 2009 (films, television programmes and video games).

(2) This Chapter applies if—

(a) a company is a Northern Ireland company in an accounting period,

(b) the company is treated under Part 14A of CTA 2009 as carrying on a separate trade in that period (see 1179B of that Act), and

(c) that trade is a qualifying trade.

(3) References in this Chapter to "the Northern Ireland company", "the accounting period" and "the separate trade" are to be read accordingly.

Expenditure credit

357QF Expenditure credit to count towards mainstream profits or losses

(1) Subsection (2) applies if, under section 1179CB of CTA 2009 (expenditure credit under Part 14A of CTA 2009 to be taxable receipt), the Northern Ireland company brings an amount of audiovisual expenditure credit or video game expenditure credit into account in calculating the profits of the separate trade for the accounting period.

(2) The amount is to form part of the mainstream profits or mainstream losses of the trade for that period.

Losses of separate trade

357QG Carrying forward of production losses

(1) If the accounting period is a pre-completion period within the meaning of section 1179BF of CTA 2009 (carrying forward of production losses in separate trade), that section applies in relation to the separate trade and that accounting period subject to the following provisions.

(2) In subsection (1) of that section, the reference to a loss is to be read as a reference to—

(a) any Northern Ireland losses, or

(b) any mainstream losses;

and the rest of that section is to be read accordingly.

(3) Subsection (4) applies if the Northern Ireland company has in the accounting period—

(a) both Northern Ireland losses of the separate trade and mainstream profits of that trade, or

(b) both mainstream losses of the separate trade and Northern Ireland profits of that trade.

(4) The company may, despite section 1179BF(2) of CTA 2009, claim under section 37 (relief for trade losses against total profits) for—

(a) relief for those Northern Ireland losses against those mainstream profits, or

(b) relief for those mainstream losses against those Northern Ireland profits.

357QH Transfer of terminal loss

(1) Subsection (2) applies if—

(a) the Northern Ireland company ceases to carry on the separate trade in the accounting period,

(b) as a result, section 1179BG of CTA 2009 (transfer of terminal loss in separate production trade to other production or group company) applies, and

(c) the amount in respect of which it applies (see subsection (1)(b) of that section) represents a Northern Ireland loss.

(2) The references to a loss in subsections (2) and (3)(b) of that section are to be read as references to a Northern Ireland loss."

PART 3

REPEAL OF EXISTING REGIMES FOR FILMS, TELEVISION PROGRAMMES AND VIDEO GAMES

7 In CTA 2009, omit Parts 15 to 15B.

PART 4

AMENDMENTS CONSEQUENTIAL ON PART 3

Films Act 1985

8 (1) The Films Act 1985 is amended as follows.

(2) In section 6 (certification of British films) (as amended by paragraph 2), omit "and film tax relief".

(3) In Schedule 1 (certification of British films) (as amended by paragraph 2)—

(a) in the heading, omit "and film tax relief";

(b) in paragraph 1(1), in the definition of "film production company", omit the words from "or" to the end.

ICTA

9 (1) Section 826 of ICTA (interest on tax overpaid) is amended as follows.

(2) In subsection (1), omit paragraphs (f) to (fb).

(3) In subsection (3C), omit "film tax credit, television tax credit, video game tax credit,".

(4) In subsection (8A)(b)(ii), omit "or film tax credit or television tax credit or video game tax credit".

(5) In subsection (8BA), omit "or film tax credit or television tax credit or video game tax credit" in both places those words occur.

FA 1998

10 (1) Schedule 18 to FA 1998 (company tax returns etc) is amended as follows.

(2) In paragraph 10 (certain claims and elections to be included in tax return), omit sub-paragraphs (5) to (7).

(3) In paragraph 52 (recovery of excessive payments), in sub-paragraph (2B) (inserted by Schedule 6), omit paragraphs (b) to (d).

(4) In paragraph 83S (application of Part 9D), omit sub-paragraphs (a) to (c).

FA 2007

11 In Schedule 24 to FA 2007 (penalties for errors), in paragraph 28(fa) (meaning of "corporation tax credit"), omit paragraphs (iv) to (ivb).

CTA 2009

12 (1) CTA 2009 is amended as follows.

(2) In section 1040ZA (restrictions on claiming other reliefs where R&D relief given), omit subsections (1) to (3).

(3) In section 1310(4) (orders and regulations subject to affirmative procedure), omit paragraphs (a) to (ej).

(4) In Schedule 4 (index of defined expressions), omit the following entries—

"company tax return (in Part 15)";
"company tax return (in Part 15A)";
"company tax return (in Part 15B)";
"the completion period (in Chapter 5 of Part 15)";
"the completion period (in Chapter 5 of Part 15A)";
"the completion period (in Chapter 5 of Part 15B)";
"co-producer (in Part 15)";
"co-producer (in Part 15A)";
"core expenditure (in Part 15)";
"core expenditure (in Part 15A)";
"core expenditure (in Part 15B)";
"costs of the film (in Chapter 2 of Part 15)";
"costs of the relevant programme (in Chapter 2 of Part 15A)";
"costs of the video game (in Chapter 2 of Part 15B)";
"European expenditure (in Part 15B)";
"film (in Part 15)";
"film-making activities (in Part 15)";
"film production company (in Part 15)";
"film tax relief (in Part 15)";
"final certificate (in Chapter 5 of Part 15)";
"final certificate (in Chapter 5 of Part 15A)";
"final certificate (in Chapter 5 of Part 15B)";
"income from the film (in Chapter 2 of Part 15)";
"income from the relevant programme (in Chapter 2 of Part 15A)";
"income from the video game (in Chapter 2 of Part 15B)";
"interim accounting period (in Chapter 5 of Part 15)";
"interim accounting period (in Chapter 5 of Part 15A)";
"interim accounting period (in Chapter 5 of Part 15B)";
"principal photography (in Part 15)";
"principal photography (in Part 15A)";
"production expenditure (in Part 15)";
"production expenditure (in Part 15A)";
"qualifying co-production (in Part 15)";

"qualifying co-production (in Part 15A)";
"qualifying expenditure (in Chapter 3 of Part 15)";
"qualifying expenditure (in Chapter 3 of Part 15A)";
"qualifying expenditure (in Chapter 3 of Part 15B)";
"relevant programme (in Part 15A)";
"the separate film trade (in Chapters 2, 3 and 5 of Part 15)";
"the separate programme trade (in Chapters 2, 3 and 5 of Part 15A)";
"the separate video game trade (in Chapters 2, 3 and 5 of Part 15B)";
"special film relief (in Chapter 5 of Part 15)";
"special television relief (in Chapter 5 of Part 15A)";
"special video games relief (in Chapter 5 of Part 15B)";
"television production activities (in Part 15A)";
"television production company (in Part 15A)";
"television programme (in Part 15A)";
"television tax relief (in Part 15A)";
"UK expenditure (in Part 15)";
"UK expenditure (in Part 15A)";
"video game (in Part 15B)";
"video games development activities (in Part 15B)";
"video games development company (in Part 15B)";
"video games tax relief (in Part 15B)".

FA 2009

13 In paragraph 2 of Schedule 54A to FA 2009 (amounts of overpaid repayment interest recoverable as late payment interest), omit paragraphs (e) to (g).

CTA 2010

14 (1) CTA 2010 is amended as follows.

(2) In section 45A(3) (conditions for carrying forward trade loss against total profits), in paragraph (b)(ii), omit "1209, 1216DA, 1217DA,".

(3) In section 45B(1) (cases in which trade loss carried forward against trade profits)—

(a) in paragraph (d), omit ", 2";

(b) omit Case 2.

(4) In section 357BI (excluded debits under Part 8A), omit paragraphs (c) and (d) (but not the following "and").

(5) In section 357BJB (deductions that are not routine deductions under Part 8A), omit subsections (1)(e) and (f), (8) and (9).

(6) In section 357CG (adjustments in calculating relevant IP profits under Part 8A)—

(a) in subsection (3), omit paragraphs (c) and (d);
(b) omit subsection (5A);
(c) in subsection (6)—
(i) for "subsections (5) and (5A)" substitute "subsection (5)";
(ii) omit the following definitions—
"qualifying expenditure";
"the separate programme trade";
"the separate video game trade";
"television production company";
"theatrical production";
"video games development company".

(7) Omit section 357CHA (deemed shortfall in television or video game expenditure for purposes of adjusting relevant IP profits).

(8) In Part 8B (profits taxable at Northern Ireland rate), omit Chapters 11 to 13.

FA 2016

15 In Schedule 24 to FA 2016 (tax advantages constituting the grant of state aid), in Part 1, in the table headed "Creative tax reliefs", omit the entries for film tax relief, television tax reliefs and video games tax relief.

PART 5

COMMENCEMENT AND TRANSITIONAL PROVISION

General commencement

16 (1) No election under section 1179B(1) of CTA 2009 may be made in a company tax return for an accounting period ending before 1 January 2024.

(2) The amendments made by Parts 3 and 4 of this Schedule have effect in relation to accounting periods beginning on or after 1 April 2027.

Closure of existing regimes to new productions

17 A company is not to be treated as carrying on a separate trade under Part 15, 15A or 15B of CTA 2009 if the trade would be treated under that Part as beginning on or after 1 April 2025.

Opting into new regime during transitional period

18 (1) If a company makes an election under section 1179B(1) of CTA 2009 in its company tax return for an accounting period beginning before 1 January 2024—

(a) Part 14A of CTA 2009 applies further to that election only in respect of the portion of the accounting period that falls on or after that date, and

(b) the relevant existing regime applies in respect of the portion of the accounting period that falls before that date.

(2) If a company makes an election under section 1179B(1) of CTA 2009 in its company tax return for an accounting period beginning on or after 1 January 2024, the relevant existing regime does not apply in relation to that accounting period or any subsequent accounting period, subject to sub-paragraphs (3) and (4).

(3) If a company makes an election under section 1179B(1) of CTA 2009 in its company tax return for an accounting period beginning on or before but ending after the relevant closure date, it may further elect in the return for sub-paragraph (4) to apply.

(4) If it does so—

(a) Part 14A of CTA 2009 applies further to the election under section 1179B(1) of CTA 2009 only in respect of the portion of the accounting period that falls after the relevant closure date, and

(b) the relevant existing regime applies in respect of the portion of the accounting period that falls on or before that date.

(5) Where, by virtue of this paragraph, different Parts of CTA 2009 apply in respect of different portions of an accounting period, the portions are to be treated as separate accounting periods for the purposes of—

(a) those Parts, and

(b) paragraphs 19 to 24 (but not for other corporation tax purposes).

(6) For the purposes of this paragraph—

(a) the "relevant existing regime" means—

(i) Part 15 of CTA 2009, if the election under section 1179B(1) of that Act relates to a film;

(ii) Part 15A of CTA 2009, if the election under section 1179B(1) of that Act relates to a television programme;

(iii) Part 15B of CTA 2009, if the election under section 1179B(1) of that Act relates to a video game;

(b) references to the application of the relevant existing regime are to its application in relation to that film, television programme or video game;

(c) the "relevant closure date" is—

(i) 31 March 2025, in the case of a film or television programme whose principal photography has not begun, or a video game whose production has not begun, by the end of that date;

(ii) 31 March 2027, in any other case.

(7) Nothing in this paragraph expands the circumstances in which the relevant existing regime can apply (except by making it apply in respect of a portion of an accounting period).

Productions not moving into new regime

19 (1) Sub-paragraphs (2) and (3) apply if, but for this paragraph, Part 15, 15A or 15B of CTA 2009 would apply to a company in relation to a film, television programme or video game in respect of an accounting period beginning on or before but ending after the relevant closure date.

(2) The company is to be treated for the purposes of the Part in question as if, at the end of the relevant closure date, it—

(a) ceased the separate trade that it is treated as carrying on under that Part, and

(b) abandoned its activities in relation to the film, television programme or video game.

(3) No election under section 1179B(1) of CTA 2009 may be made in relation to the film, television programme or video game.

(4) The date that is the relevant closure date for the purposes of paragraph 18 is also the relevant closure date for the purposes of this paragraph.

Continuity between regimes: taxation as separate trade

20 (1) Sub-paragraphs (2) to (5) apply if—

(a) a company is treated as carrying on a separate trade under Part 15, 15A or 15B of CTA 2009 in an accounting period ("AP1"),

(b) in the next accounting period ("AP2"), the company is treated as carrying on a separate trade under Part 14A of CTA 2009, and

(c) both trades relate to the same film, television programme or video game.

(2) The separate trade that the company is treated as carrying on in AP2 is to be treated as a continuation of the separate trade that the company was treated as carrying on in AP1.

(3) Accordingly, section 1179BA(2) of CTA 2009 does not apply.

(4) If a new period of account does not begin when AP2 begins, a new period of account is to be treated as beginning at that time for the purposes of—

(a) section 1189, 1216BA or 1217BA of CTA 2009 (as it applies in relation to AP1), and

(b) section 1179BB of CTA 2009 (as it applies in relation to AP2).

(5) For the purposes of section 1179BB(3) of CTA 2009 as it applies in relation to AP2, the references to the corresponding amounts for the previous period are to be read as references to the corresponding amounts brought into account under section 1189, 1216BA or 1217BA of that Act for AP1.

Continuity between regimes: calculation of expenditure credit

21 (1) Sub-paragraphs (3) and (4) apply if—

(a) a company is entitled to audiovisual expenditure credit or video game expenditure credit under Chapter 3 of Part 14A of CTA 2009 for an accounting period, and

(b) in respect of an earlier accounting period, the company was entitled to, and claimed—

(i) film tax relief under Chapter 3 of Part 15 of CTA 2009,

(ii) television tax relief under Chapter 3 of Part 15A of that Act, or

(iii) video games tax relief under Chapter 3 of Part 15 of that Act, and

(c) both entitlements relate to the same film, television programme or video game.

(2) In those sub-paragraphs, the earliest accounting period within sub-paragraph (1)(a) is "AP2" and the latest accounting period within sub-paragraph (1)(b) is "AP1".

(3) For the purposes of step 1 in section 1179CA(1) of CTA 2009 as it applies in relation to AP2, the reference to relevant global expenditure includes the amount that was "qualifying expenditure incurred to date" for the purposes of section 1200(1) or (2), 1216CG(1) or (2) or 1217CG(1) or (2) of that Act in relation to AP1.

(4) For the purposes of step 4 in section 1179CA(1) of CTA 2009 as it applies in relation to AP2, the reference to the company's qualifying expenditure to date in the accounting period for which it was last entitled to, and claimed, an expenditure credit is to be read as a reference to the amount taken as 'E' for the purposes of section 1200(1) or (2), 1216CG(1) or (2) or 1217CG(1) or (2) of that Act in relation to AP1.

Continuity between regimes: British certification

22 (1) Regulations made before the passing of this Act under a provision of CTA 2009 specified in the first column of the following table—

(a) have effect for the purposes of Part 14A of CTA 2009 as if made under the provision of that Part specified in the corresponding entry in the second column of the table, and

(b) are for those purposes to be read subject to any necessary modifications.

TABLE

Existing provision in Part 15A or 15B of CTA 2009	New provision in Part 14A of CTA 2009
Section 1216CB(2)	Section 1179DK(1)

Existing provision in Part 15A or 15B of CTA 2009	New provision in Part 14A of CTA 2009
Section 1216CC(7)	Section 1179DL(7)
Section 1217CB(2)	Section 1179FD(1)
Section 1217CC(7)	Section 1179FE(7)

(2) A certificate issued under section 1216CD or 1217CD of CTA 2009 continues to have effect for the purposes of Part 14A of that Act as if it were a certificate issued under section 1179DM or (as the case may be) 1179FF in that Part.

(3) In relation to such a certificate, the references to revocation or ceasing to be in force in sections 1216EA and 1217EA of CTA 2009 (as they continue to apply in relation to accounting periods beginning before 1 April 2027) include revocation or ceasing to be in force under section 1179DM or (as the case may be) 1179FF of that Act.

(4) The repeal of Parts 15, 15A and 15B of CTA 2009 does not affect the requirement in section 1213(3), 1216EA(3) or 1217EA(3) of that Act so far as it relates to entitlements in accounting periods beginning before 1 April 2027 (even if the "completion period" begins on or after that date).

(5) In sections 1216EA(3) and (5) and 1217EA(3) and (5) of CTA 2009 (as they continue to apply in relation to accounting periods beginning before 1 April 2027), the references to a final certificate include reference to a final certificate issued under section 1179DM or (as the case may be) 1179FF of that Act.

Continuity between regimes: UK expenditure (films and television programmes)

23 The repeal of Parts 15 and 15A of CTA 2009 does not affect the requirement in section 1214(3) or 1216EB(3) of that Act, so far as it relates to entitlements in accounting periods beginning before 1 April 2027 (even if the "completion period" begins on or after that date).

Transition of video games from European expenditure condition to UK expenditure condition

24 (1) Sub-paragraphs (3) and (4) apply if—

(a) a company makes an election under section 1179B(1) in relation to a video game in its company tax return for an accounting period ("the opt-in period"),

(b) no earlier accounting period was the completion period, and

(c) in an earlier accounting period, the company was entitled to, and claimed, special video games relief in respect of that video game.

(2) In this paragraph, "special video games relief" and "completion period" have the meanings given by section 1217E(1) of CTA 2009.

(3) Subsections (3) and (4) of section 1217EB of CTA 2009 apply as if the video game had been completed at the end of the accounting period preceding the opt-in period (and, accordingly, as if that period were the completion period).

(4) In section 1179FH of CTA 2009 as it applies in relation to the video game, the references to core expenditure are to be read as limited to core expenditure incurred in or after the opt-in period.

Transfer of terminal losses between productions in existing and new regimes

25 (1) In section 1179BG(1)(a) of CTA 2009, the reference to the separate production trade is to be read as including reference to a separate trade carried on under Part 15, 15A or 15B of CTA 2009.

(2) Section 1179BG(1)(d) of CTA 2009 is to be taken as satisfied where—

(a) the ceased trade was carried on under Part 15 or 15A of CTA 2009 and the other trade relates to a film or television programme, or

(b) the ceased trade was carried on under Part 15B of CTA 2009 and the other trade relates to a video game.

(3) Paragraphs (a) and (b) of section 1211(1) of CTA 2009 are to be taken as satisfied where a company ceases to carry on a separate production trade under Part 14A of CTA 2009 in relation to a film (and that company and that trade are respectively "company A" and "trade X" in the resulting application of section 1211).

(4) Paragraphs (a) and (b) of section 1216DC(1) of CTA 2009 are to be taken as satisfied where a company ceases to carry on a separate production trade under Part 14A of CTA 2009 in relation to a television programme (and that company and that trade are respectively "company A" and "trade X" in the resulting application of section 1216DC).

(5) Paragraphs (a) and (b) of section 1217DC(1) of CTA 2009 are to be taken as satisfied where a company ceases to carry on a separate production trade under Part 14A of CTA 2009 in relation to a video game (and that company and that trade are respectively "company A" and "trade X" in the resulting application of section 1217DC).

SCHEDULE 3

Section 4

THEATRICAL PRODUCTIONS

PART 1

AMENDMENTS OF PART 15C OF CTA 2009

Introduction

1 Part 15C of CTA 2009 (theatrical productions) is amended as follows.

Meaning of "theatrical production"

2 (1) Section 1217FA (meaning of "theatrical production") is amended as follows.

(2) In subsection (2)—

(a) in the words before paragraph (a), for "relevant" substitute "other";

(b) for paragraph (a) substitute—

"(a) the primary focus of the play, opera, musical or dramatic piece is the depiction of a story, or a number of related or unrelated stories, through the playing of roles by performers (whether actors, singers, dancers or others),";

(c) after paragraph (ba) (but before the following "and") insert—

"(bb) it is reasonable to expect that the main purpose of the audience members will be to observe the performance (rather than, for example, to undertake tasks facilitated or accompanied by the performance),".

(3) Omit subsection (3A).

(4) Those amendments have effect in relation to a theatrical production the production phase of which begins on or after 1 April 2024.

Meaning of "core expenditure"

3 (1) In section 1217GC(2) (expenditure that is not "core expenditure" on theatrical production), in paragraph (a), for "or storage" substitute ", storage, or the provision of incidental goods or services to members of the audience".

(2) That amendment has effect in relation to expenditure incurred on or after 1 April 2024.

Provision to emphasise that capital expenditure does not generally qualify for relief

4 In section 1217IC (costs of theatrical production), in subsection (3), at the end insert—

"(As to other capital expenditure, see section 53 and subsection (2).)"

UK expenditure threshold to replace EEA expenditure threshold

5 (1) In section 1217GB (European expenditure condition)—

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

(b) in subsection (1)—

(i) for "European" (in both places it occurs) substitute "UK";

(ii) for "25%" substitute "10%";

(c) for subsection (2) substitute—

"(2) In this Part "UK expenditure" means expenditure on goods or services that are used or consumed in the United Kingdom.";

(d) in subsection (3), for "European and non-European expenditure" substitute "expenditure that is and is not UK expenditure";

(e) in subsection (5), for "European" substitute "UK".

(2) In each of the following provisions, for "European" (in each place it occurs) substitute "UK"—

(a) section 1217G(1)(b) (conditions for production to qualify for relief);

(b) section 1217N(2) (provisional satisfaction of European expenditure condition);

(c) section 1217NA(1), (2) and (3) (European expenditure condition provisionally satisfied not later satisfied).

(3) In section 1217OB (defined terms)—

(a) omit the definitions of "European expenditure" and "European expenditure condition";

(b) at the end insert—

""UK expenditure" has the meaning given by section 1217GB;

"UK expenditure condition" has the meaning given by section 1217GB."

(4) In Schedule 4 (index of defined expressions)—

(a) omit the entries for "European expenditure (in Part 15C)" and "European expenditure condition (in Part 15C)";

(b) at the appropriate places insert—

"UK expenditure (in Part 15C)	section 1217GB(2)";
"UK expenditure condition (in Part 15C)	section 1217GB(1)".

(5) For transitional provision in relation to this paragraph, see paragraph 11.

EEA expenditure not to qualify for relief

6 (1) In section 1217J(2) and (3) (amount of relief for theatrical production), for "European" substitute "UK".

(2) For transitional provision in relation to this paragraph, see paragraph 12.

Profit element of non-arm's-length payments to connected parties not to qualify for relief

7 (1) Section 1217JA (expenditure on theatrical productions that qualifies for relief) is amended as follows.

(2) In subsection (1)(b), after "(2)" insert "or (3)".

(3) After subsection (2) insert—

"(3) Expenditure is excluded to the extent that it represents connected party profit, unless subsection (5) applies.

(4) For the purposes of subsection (3), expenditure represents connected party profit—

(a) if it is a payment to a person ("C") in exchange for something supplied by that person,

(b) if the company is connected with C, and

(c) if, and to the extent that, the amount of the payment exceeds the expenditure incurred by C in supplying that thing.

(5) This subsection applies if the amount of the payment is no more than would have been the case had the transaction been entered into at arm's length.

(6) A transaction would have been entered into "at arm's length" if it made "the arm's length provision" within the meaning of Part 4 of TIOPA 2010 (and for this purpose any limitation on the application of that Part is to be disregarded).

(7) Subsections (8) and (9) apply if—

(a) the supply by C to the production company is one of a sequence of transactions in which the thing supplied has been supplied by one person to another, and

(b) either—

(i) each transacting party in the sequence is connected to at least one other transacting party in the sequence, or

(ii) each transaction in the sequence is entered into in furtherance of a single scheme or arrangement (of whatever kind, and whether or not legally enforceable).

(8) The reference to C in subsection (4)(c) is to be read as a reference to the supplier in the first transaction in the sequence.

(9) The reference to the transaction in subsection (5) is to be read as including each transaction in the sequence.

(10) In this section, "payment" includes any transfer of value."

(4) Those amendments have effect in relation to expenditure incurred on or after 1 April 2024.

Amendment of R&D exclusion

8 (1) In section 1217JA (expenditure qualifying for theatre relief), for subsection (2) substitute—

(a) in paragraph (a), for "is entitled to" substitute "would be able to claim";

(b) in paragraph (b), for "has obtained" substitute "would be able to claim".

(2) Those amendments have effect in relation to expenditure incurred on or after 1 April 2024.

Restriction where tax liabilities outstanding: meaning of "payment period"

9 In section 1217KB (payment in respect of theatre tax credit), after subsection (4) insert—

"(4A) For the purposes of subsection (4), a "payment period" is—

(a) in relation to PAYE regulations or Class 1 national insurance contributions, a period—

(i) which ends on the fifth day of a month, and

(ii) for which the company is liable to account for income tax and national insurance contributions to an officer of Revenue and Customs;

(b) in relation to section 966 of ITA 2007, a period for which the company is required to make a return as described in section 969(1)(b) of that Act."

Relief not to be available for companies in insolvency

10 (1) After section 1217KC insert—

"Companies in insolvency

1217KD No claim if company in administration or liquidation

(1) A company may not make a claim under section 1217H or section 1217K at a time when it is in administration or liquidation.

(2) For the purposes of this section, a company is in administration if—

(a) it is in administration under Part 2 of the Insolvency Act 1986 or Part 3 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)), or

(b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company.

(3) For the purposes of this section, a company is in liquidation if—

(a) it is in liquidation within the meaning of section 247 of that Act or Article 6 of that Order, or

(b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company."

(2) That amendment has effect in relation to claims made on or after 1 April 2024.

PART 2

CHANGES FROM EUROPEAN TO UK EXPENDITURE: TRANSITIONAL PROVISION

Transitional provision in relation to paragraph 5

11 (1) This paragraph makes transitional provision in connection with paragraph 5.

(2) The amendments made by that paragraph do not apply in relation to a theatrical production if—

(a) it has entered production before 1 April 2024, and

(b) the separate theatrical trade in respect of it ceases before 1 April 2025.

(3) Sub-paragraph (4) applies if—

(a) a theatrical production has entered production before 1 April 2024,

(b) the separate theatrical trade in respect of the production continues on or after 1 April 2025,

(c) the production company's company tax return for the first accounting period that ends on or after 1 April 2025 is accompanied

by a statement of the amount of the core expenditure on the theatrical production incurred before 1 April 2025 that is European expenditure, and

(d) that statement shows that, in respect of core expenditure incurred before 1 April 2025, the European expenditure condition is met.

(4) The company's entitlement to—

(a) an additional deduction under section 1217H of CTA 2009, or

(b) a tax credit under section 1217K of that Act,

is unaffected by a failure to meet the UK expenditure condition so far as the entitlement derives from expenditure incurred before 1 April 2025.

(5) For the purposes of sub-paragraph (4), an entitlement to a tax credit under section 1217H of CTA 2009 derives from expenditure incurred before 1 April 2025 to the extent that it would arise if only costs incurred and income received before that date were taken into account in calculating the surrenderable loss of the company for the purposes of section 1217KA of that Act.

(6) Sub-paragraph (7) applies in relation to a theatrical production in respect of which the separate theatrical trade continues on or after 1 April 2025.

(7) The reference in section 1217NA(1) of CTA 2009, as amended by paragraph 5, to a statement having been made under section 1217N(2) of that Act includes reference to a statement having been made in relation to the European expenditure condition under that provision before it was amended by paragraph 5.

(8) But the application of section 1217NA(1) of CTA 2009 as so amended is subject to sub-paragraph (4) (where that sub-paragraph applies).

(9) In this paragraph—

"theatrical production", "separate theatrical trade", "production company" and "core expenditure" have the same meanings as in Part 15C of CTA 2009;

"UK expenditure condition" has the same meaning as in that Part after the amendments made by paragraph 5;

"European expenditure" and "European expenditure condition" have the same meanings as in that Part before the amendments made by paragraph 5.

(10) For the purposes of this paragraph, a theatrical production "enters production" when core expenditure is first incurred on it.

Transitional provision in relation to paragraph 6

12 (1) This paragraph makes transitional provision in relation to paragraph 6.

(2) The amendments made by that paragraph have effect in relation to accounting periods ending on or after 1 April 2024.

(3) Sub-paragraph (4) applies in a case where expenditure incurred before 1 April 2024 is to be taken into account as qualifying expenditure for the purposes of section 1217J of CTA 2009 (amount of relief for theatrical production).

(4) The references in subsections (2) and (3) of that section (as amended by paragraph 6) to so much of the qualifying expenditure incurred to date as is UK expenditure are to be read as references to so much of the qualifying expenditure incurred to date as—

(a) has been incurred before 1 April 2024 and is European expenditure, or

(b) has been incurred on or after that date and is UK expenditure.

(5) But if the theatrical production in relation to which sub-paragraph (4) applies has entered production before 1 April 2024, the production company may elect for that sub-paragraph to have effect in relation to that production as if "2025" were substituted for "2024".

(6) In this paragraph—

"theatrical production", "production company" and "core expenditure" have the same meanings as in Part 15C of CTA 2009;

"UK expenditure" has the same meaning as in that Part after the amendments made by paragraph 5;

"European expenditure" has the same meaning as in that Part before the amendments made by paragraph 5.

(7) For the purposes of sub-paragraph (5), a theatrical production "enters production" when core expenditure is first incurred on it.

SCHEDULE 4

Section 5

ORCHESTRAL CONCERTS

PART 1

AMENDMENTS OF PART 15D OF CTA 2009

Introduction

1 Part 15D of CTA 2009 (orchestra tax relief) is amended as follows.

Time of election for orchestral concerts to be treated as a series

2 (1) In section 1217QA (election for orchestral concerts to be treated as a series), in subsection (1), after "Customs" insert "—

(a) before the date on which the company first delivers a company tax return for a period in relation to which a

concert in the series falls to be treated in accordance with section 1217Q, or

(b) if later,".

(2) That amendment has effect in relation to a series of concerts the first concert in which takes place on or after 1 April 2024.

Meaning of "core expenditure"

3 (1) In section 1217RC(3) (expenditure that is not "core expenditure" on orchestral concert), in paragraph (a), for "or storage" substitute ", storage, or the provision of incidental goods or services to members of the audience".

(2) That amendment has effect in relation to expenditure incurred on or after 1 April 2024.

Provision to emphasise that capital expenditure does not generally qualify for relief

4 In section 1217QD (costs of orchestral concert), in subsection (3), at the end insert—

"(As to other capital expenditure, see section 53 and subsection (2).)"

UK expenditure threshold to replace EEA expenditure threshold

5 (1) In section 1217RB (European expenditure condition)—

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

(b) in subsection (1)—

(i) for "European" (in both places it occurs) substitute "UK";

(ii) for "25%" substitute "10%";

(c) for subsection (2) substitute—

"(2) In this Part "UK expenditure" means expenditure on goods or services that are used or consumed in the United Kingdom.";

(d) in subsection (3), for "European and non-European expenditure" substitute "expenditure that is and is not UK expenditure";

(e) in subsection (5), for "European" substitute "UK".

(2) In each of the following provisions, for "European" (in each place it occurs) substitute "UK"—

(a) section 1217RA(2)(d) and (4)(d) (need to meet European expenditure condition to qualify for relief);

(b) section 1217T(2) (provisional satisfaction of European expenditure condition);

(c) section 1217TA(1), (2) and (3) (European expenditure condition provisionally satisfied not later satisfied).

(3) In section 1217U (defined terms)—

(a) omit the definitions of "European expenditure" and "European expenditure condition";

(b) at the end insert—

""UK expenditure" has the meaning given by section 1217RB(2);

"UK expenditure condition" has the meaning given by section 1217RB(1)."

(4) In Schedule 4 (index of defined expressions)—

(a) omit the entries for "European expenditure (in Part 15D)" and "European expenditure condition (in Part 15D)";

(b) at the appropriate places insert—

"UK expenditure (in Part 15D)	section 1217RB(2)";
"UK expenditure condition (in Part 15D)	section 1217RB(1)".

(5) For transitional provision in relation to this paragraph, see paragraph 11.

EEA expenditure not to qualify for relief

6 (1) In section 1217RE(2) and (3) (amount of relief for orchestral concert), for "European" substitute "UK".

(2) For transitional provision in relation to this paragraph, see paragraph 12.

Profit element of non-arm's-length payments to connected parties not to qualify for relief

7 (1) Section 1217RF (expenditure that qualifies for orchestra tax relief) is amended as follows.

(2) In subsection (1)—

(a) omit the "and" after paragraph (a);

(b) after paragraph (b) insert ", and

(c) is not excluded by subsection (3)."

(3) After subsection (2) insert—

"(3) Expenditure is excluded to the extent that it represents connected party profit, unless subsection (5) applies.

(4) For the purposes of subsection (3), expenditure represents connected party profit—

(a) if it is a payment to a person ("C") in exchange for something supplied, transferred or done by that person,

(b) if the company is connected with C, and

(c) if, and to the extent that, the amount of the payment exceeds the expenditure incurred by C in supplying, transferring or doing that thing.

(5) This subsection applies if the amount of the payment is no more than would have been the case had the transaction been entered into at arm's length.

(6) A transaction would have been entered into "at arm's length" if it made "the arm's length provision" within the meaning of Part 4 of TIOPA 2010 (and for this purpose any limitation on the application of that Part is to be disregarded).

(7) Subsections (8) and (9) apply if—

(a) the supply by C to the company is one of a sequence of transactions in which the thing supplied has been supplied by one person to another, and

(b) either—

(i) each transacting party in the sequence is connected to at least one other transacting party in the sequence, or

(ii) each transaction in the sequence is entered into in furtherance of a single scheme or arrangement (of whatever kind, and whether or not legally enforceable).

(8) The reference to C in subsection (4)(c) is to be read as a reference to the supplier in the first transaction in the sequence.

(9) The reference to the transaction in subsection (5) is to be read as including each transaction in the sequence.

(10) In this section, "payment" includes any transfer of value."

(4) Those amendments have effect in relation to expenditure incurred on or after 1 April 2024.

Amendment of exclusion for other reliefs

8 (1) In section 1217RF(2) (exclusion of expenditure eligible for other creative sector relief)—

(a) in the words before paragraph (a), for the words from "(assuming" to the end substitute "the company would be able to claim";

(b) before paragraph (a) insert—

"(za) an R&D expenditure credit under Chapter 6A of Part 3,

(zb) relief under Part 13 (relief for expenditure on research and development),".

(2) Those amendments have effect in relation to expenditure incurred on or after 1 April 2024.

Restriction where tax liabilities outstanding: meaning of "payment period"

9 In section 1217RI (payment in respect of orchestra tax credit), after subsection (4) insert—

"(4A) For the purposes of subsection (4), a "payment period" is—

(a) in relation to PAYE regulations or Class 1 national insurance contributions, a period—

(i) which ends on the fifth day of a month, and

(ii) for which the company is liable to account for income tax and national insurance contributions to an officer of Revenue and Customs;

(b) in relation to section 966 of ITA 2007, a period for which the company is required to make a return as described in section 969(1)(b) of that Act."

Relief not to be available for companies in insolvency

10 (1) After section 1217RK insert—

"Companies in insolvency

1217RKA No claim if company in administration or liquidation

(1) A company may not make a claim under section 1217RD or section 1217RG at a time when it is in administration or liquidation.

(2) For the purposes of this section, a company is in administration if—

(a) it is in administration under Part 2 of the Insolvency Act 1986 or Part 3 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)), or

(b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company.

(3) For the purposes of this section, a company is in liquidation if—

(a) it is in liquidation within the meaning of section 247 of that Act or Article 6 of that Order, or

(b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company."

(2) That amendment has effect in relation to claims made on or after 1 April 2024.

PART 2

CHANGES FROM EUROPEAN TO UK EXPENDITURE: TRANSITIONAL PROVISION

Transitional provision in relation to paragraph 5

11 (1) This paragraph makes transitional provision in relation to paragraph 5.

(2) The amendments made by that paragraph do not apply in relation to an orchestral concert or concert series if—

(a) it has entered production before 1 April 2024, and

(b) the separate orchestral trade in respect of it ceases before 1 April 2025.

(3) Sub-paragraph (4) applies if—

(a) an orchestral concert or concert series has entered production before 1 April 2024,

(b) the separate orchestral trade in respect of the concert or series continues on or after 1 April 2025,

(c) the production company's company tax return for the first accounting period that ends on or after 1 April 2025 is accompanied by a statement of the amount of the core expenditure on the concert or series incurred before 1 April 2025 that is European expenditure, and

(d) that statement shows that, in respect of core expenditure incurred before 1 April 2025, the European expenditure condition is met.

(4) The company's entitlement to—

(a) an additional deduction under section 1217RD of CTA 2009, or

(b) a tax credit under section 1217RG of that Act,

is unaffected by a failure to meet the UK expenditure condition so far as the entitlement derives from expenditure incurred before 1 April 2025.

(5) For the purposes of sub-paragraph (4), an entitlement to a tax credit under section 1217RG of CTA 2009 derives from expenditure incurred before 1 April 2025 to the extent that it would arise if only costs incurred and income received before that date were taken into account in calculating the surrenderable loss of the company for the purposes of section 1217RH of that Act.

(6) Sub-paragraph (7) applies in relation to an orchestral concert or concert series in respect of which the separate orchestral trade continues on or after 1 April 2025.

(7) The reference in section 1217TA(1) of CTA 2009, as amended by paragraph 5(2)(c), to a statement having been made under section 1217T(2) of that Act includes reference to a statement having been made under that provision in relation to the European expenditure condition.

(8) But the application of section 1217TA(1) of CTA 2009 as so amended is subject to sub-paragraph (4) (where that sub-paragraph applies).

(9) In this paragraph—

"orchestral concert", "concert series", "separate orchestral trade", "production company" and "core expenditure" have the same meanings as in Part 15D of CTA 2009;

"UK expenditure condition" has the same meaning as in that Part after the amendments made by paragraph 5;

"European expenditure" and "European expenditure condition" have the same meanings as in that Part before the amendments made by paragraph 5.

(10) For the purposes of this paragraph, an orchestral concert or concert series "enters production" when core expenditure is first incurred on it.

Transitional provision in relation to paragraph 6

12 (1) This paragraph makes transitional provision in relation to paragraph 6.

(2) The amendments made by that paragraph have effect in relation to accounting periods ending on or after 1 April 2024.

(3) Sub-paragraph (4) applies in a case where expenditure incurred before 1 April 2024 is to be taken into account as qualifying expenditure for the purposes of section 1217RE of CTA 2009 (amount of relief for orchestral concert).

(4) The references in subsections (2) and (3) of that section (as amended by paragraph 6) to so much of the qualifying expenditure incurred to date as is UK expenditure are to be read as references to so much of the qualifying expenditure incurred to date as—

(a) has been incurred before 1 April 2024 and is European expenditure, or

(b) has been incurred on or after that date and is UK expenditure.

(5) But if the orchestral concert or concert series in relation to which sub-paragraph (4) applies has entered production before 1 April 2024, the production company may elect for that sub-paragraph to have effect in relation to that concert or series as if "2025" were substituted for "2024".

(6) In this paragraph—

"orchestral concert", "concert series", "production company" and "core expenditure" have the same meanings as in Part 15D of CTA 2009;

"UK expenditure" has the same meaning as in that Part after the amendments made by paragraph 5;

"European expenditure" has the same meaning as in that Part before the amendments made by paragraph 5.

(7) For the purposes of sub-paragraph (5), an orchestral concert or concert series "enters production" when core expenditure is first incurred on it.

SCHEDULE 5

Section 6

MUSEUM AND GALLERY EXHIBITIONS

PART 1

AMENDMENTS OF PART 15E OF CTA 2009

Introduction

1 Part 15E of CTA 2009 (museum and gallery exhibition tax relief) is amended as follows.

Museum and gallery exhibitions not to be wholly remote

2 (1) In section 1218ZAA (meaning of "exhibition"), after subsection (4) insert—

"(4A) "Admitted" means admitted in person to the venue where the objects or works are displayed."

(2) That amendment has effect in relation to an exhibition only where the production phase begins on or after 1 April 2024.

Meaning of "core expenditure"

3 (1) In section 1218ZCD(7) (expenditure that is not "core expenditure" on museum or gallery exhibition), in paragraph (a), for "and promotional events" substitute ", promotional events, and the provision of incidental goods or services to visitors".

(2) That amendment has effect in relation to expenditure incurred on or after 1 April 2024.

UK expenditure threshold to replace European expenditure threshold

4 (1) In section 1218ZCC (European expenditure condition)—

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

(b) in subsection (1)—

(i) for "European" (in both places it occurs) substitute "UK";

(ii) for "25%" substitute "10%";

(c) for subsection (2) substitute—

"(2) In this Part "UK expenditure" means expenditure on goods or services that are used or consumed in the United Kingdom.";

(d) in subsection (3), for "European and non-European expenditure" substitute "expenditure that is and is not UK expenditure";

(e) in subsection (5), for "European" substitute "UK".

(2) In each of the following provisions, for "European" (in each place it occurs) substitute "UK"—

(a) section 1218ZCA(5) (need to meet European expenditure condition to qualify for relief);

(b) section 1218ZE(2) (provisional satisfaction of European expenditure condition);

(c) section 1218ZEA(1), (2) and (3) (European expenditure condition provisionally satisfied not later satisfied).

(3) In section 1218ZFA (defined terms)—

(a) omit the definitions of "European expenditure" and "European expenditure condition";

(b) at the end insert—

""UK expenditure" has the meaning given by section 1218ZCC(2);
"UK expenditure condition" has the meaning given by section 1218ZCC(1)."

(4) In Schedule 4 (index of defined expressions)—

(a) omit the entries for "European expenditure (in Part 15E)" and "European expenditure condition (in Part 15E)";

(b) at the appropriate places insert—

"UK expenditure (in Part 15E)	section 1218ZCC(2)";
"UK expenditure condition (in Part 15E)	section 1218ZCC(1)".

(5) For transitional provision in relation to this paragraph, see paragraph 10.

EEA expenditure not to qualify for relief

5 (1) In section 1218ZCF(2) and (3) (amount of relief for museum or gallery exhibition), for "European" substitute "UK".

(2) For transitional provision in relation to this paragraph, see paragraph 11.

Profit element of non-arm's-length payments to connected parties not to qualify for relief

6 (1) Section 1218ZCG (expenditure that qualifies for museums and galleries exhibition tax relief) is amended as follows.

(2) In subsection (1), after paragraph (b) (but before the following "and") insert—

"(ba) is not excluded by subsection (2A),".

(3) After subsection (2) insert—

"(2A) Expenditure is excluded to the extent that it represents connected party profit, unless subsection (2C) applies.

(2B) For the purposes of subsection (2A), expenditure represents connected party profit—

(a) if it is a payment to a person ("C") in exchange for something supplied, transferred or done by that person,

(b) if the company is connected with C, and

(c) if, and to the extent that, the amount of the payment exceeds the expenditure incurred by C in supplying, transferring or doing that thing.

(2C) This subsection applies if the amount of the payment is no more than would have been the case had the transaction been entered into at arm's length.

(2D) A transaction would have been entered into "at arm's length" if it made "the arm's length provision" within the meaning of Part 4 of TIOPA 2010 (and for this purpose any limitation on the application of that Part is to be disregarded).

(2E) Subsections (2F) and (2G) apply if—

(a) the supply by C to the company is one of a sequence of transactions in which the thing supplied has been supplied by one person to another, and

(b) either—

(i) each transacting party in the sequence is connected to at least one other transacting party in the sequence, or

(ii) each transaction in the sequence is entered into in furtherance of a single scheme or arrangement (of whatever kind, and whether or not legally enforceable).

(2F) The reference to C in subsection (2B)(c) is to be read as a reference to the supplier in the first transaction in the sequence.

(2G) The reference to the transaction in subsection (2C) is to be read as including each transaction in the sequence.

(2H) In this section, "payment" includes any transfer of value."

(4) Those amendments have effect in relation to expenditure incurred on or after 1 April 2024.

Amendment of exclusion for R&D relief and other creative sector reliefs

7 (1) In section 1218ZCG(2) (exclusion of expenditure eligible for R&D relief or other creative sector relief), in the words before paragraph (a), for the words from "(assuming" to the end substitute "the company would be able to claim".

(2) That amendment has effect in relation to expenditure incurred on or after 1 April 2024.

Restriction where tax liabilities outstanding: meaning of "payment period"

8 In section 1218ZCJ (payment in respect of museums and galleries exhibition tax credit), after subsection (4) insert—

"(4A) For the purposes of subsection (4), a "payment period" is—

(a) in relation to PAYE regulations or Class 1 national insurance contributions, a period—

(i) which ends on the fifth day of a month, and

(ii) for which the company is liable to account for income tax and national insurance contributions to an officer of Revenue and Customs;

(b) in relation to section 966 of ITA 2007, a period for which the company is required to make a return as described in section 969(1)(b) of that Act."

Relief not to be available for companies in insolvency

9 (1) After section 1218ZCL insert—

"Companies in insolvency

1218ZCLA No claim if company in administration or liquidation

(1) A company may not make a claim under section 1218ZCE or section 1218ZCH at a time when it is in administration or liquidation.

(2) For the purposes of this section, a company is in administration if—

(a) it is in administration under Part 2 of the Insolvency Act 1986 or Part 3 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)), or

(b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company.

(3) For the purposes of this section, a company is in liquidation if—

(a) it is in liquidation within the meaning of section 247 of that Act or Article 6 of that Order, or

(b) a corresponding situation under the law of a country or territory outside the United Kingdom exists in relation to the company."

(2) That amendment has effect in relation to claims made on or after 1 April 2024.

PART 2

CHANGES FROM EUROPEAN TO UK EXPENDITURE: TRANSITIONAL PROVISION

Transitional provision in relation to paragraph 4

10 (1) This paragraph makes transitional provision in relation to paragraph 4.

(2) The amendments made by that paragraph do not have effect in relation to an exhibition if—

(a) it has entered production before 1 April 2024, and

(b) the separate exhibition trade in respect of it ceases before 1 April 2025.

(3) Sub-paragraph (4) applies if—

(a) an exhibition has entered production before 1 April 2024,

(b) the separate exhibition trade in respect of the exhibition continues on or after 1 April 2025,

(c) the production company's company tax return for the first accounting period that ends on or after 1 April 2025 is accompanied by a statement of the amount of the core expenditure on the exhibition incurred before 1 April 2025 that is European expenditure, and

(d) that statement shows that, in respect of core expenditure incurred before 1 April 2025, the European expenditure condition is met.

(4) The company's entitlement to—

(a) an additional deduction under section 1218ZCE of CTA 2009, or

(b) a tax credit under section 1218ZCH of that Act,

is unaffected by a failure to meet the UK expenditure condition so far as the entitlement derives from expenditure incurred before 1 April 2025.

(5) For the purposes of sub-paragraph (4), an entitlement to a tax credit under section 1218ZCH of CTA 2009 derives from expenditure incurred before 1 April 2025 to the extent that it would arise if only costs incurred and income received before that date were taken into account in calculating the surrenderable loss of the company for the purposes of section 1218ZCI of that Act.

(6) Sub-paragraph (7) applies in relation to an exhibition in respect of which the separate exhibition trade continues on or after 1 April 2025.

(7) The reference in section 1218ZEA(1) of CTA 2009, as amended by paragraph 4(2)(c), to a statement having been made under section 1218ZE(2) of that Act includes reference to a statement having been made under that provision in relation to the European expenditure condition.

(8) But the application of section 1218ZEA(1) of CTA 2009 as so amended is subject to sub-paragraph (4) (where that sub-paragraph applies).

(9) In this paragraph—

"exhibition", "separate exhibition trade", "production company" and "core expenditure" have the same meanings as in Part 15E of CTA 2009;

"UK expenditure" and "UK expenditure condition" have the same meanings as in that Part after the amendments made by paragraph 4;

"European expenditure" and "European expenditure condition" have the same meanings as in that Part before the amendments made by paragraph 4.

(10) For the purposes of this paragraph, an exhibition "enters production" when core expenditure is first incurred on it.

Transitional provision in relation to paragraph 5

11 (1) This paragraph makes transitional provision in relation to paragraph 5.

(2) The amendments made by that paragraph have effect in relation to accounting periods ending on or after 1 April 2024.

(3) Sub-paragraph (4) applies in a case where expenditure incurred before 1 April 2024 is to be taken into account as qualifying expenditure for the purposes of section 1218ZCF of CTA 2009 (amount of relief for museum or gallery exhibition).

(4) The references in subsections (2) and (3) of that section (as amended by paragraph 5) to so much of the qualifying expenditure incurred to date as is UK expenditure are to be read as references to so much of the qualifying expenditure incurred to date as—

(a) has been incurred before 1 April 2024 and is European expenditure, or

(b) has been incurred on or after that date and is UK expenditure.

(5) But if the exhibition in relation to which sub-paragraph (4) applies has entered production before 1 April 2024, the production company may elect for that sub-paragraph to have effect in relation to that exhibition as if "2025" were substituted for "2024".

(6) In this paragraph—

"exhibition", "production company" and "core expenditure" have the same meanings as in Part 15E of CTA 2009;

"UK expenditure" has the same meaning as in that Part after the amendments made by paragraph 4;

"European expenditure" has the same meanings as in that Part before the amendments made by paragraph 4.

(7) For the purposes of sub-paragraph (5), an exhibition "enters production" when core expenditure is first incurred on it.

SCHEDULE 6

Section 7

ADMINISTRATION OF CREATIVE SECTOR RELIEFS

Power to recover overpayments

1 (1) Paragraph 52 of Schedule 18 to FA 1998 (recovery of excessive payments) is amended as follows.

(2) In sub-paragraph (1), in the words before paragraph (a), for "paragraph" substitute "sub-paragraph".

(3) In sub-paragraph (2)—

(a) for "This paragraph" substitute "Sub-paragraph (1)";

(b) omit paragraphs (bd) to (bi).

(4) In sub-paragraph (2A), after paragraph (c) insert ", or

(d) creative sector credit,".

(5) After sub-paragraph (2A) insert—

"(2B) In this paragraph, "creative sector credit" means—

(a) audiovisual expenditure credit or video game expenditure credit under Chapter 3 of Part 14A of the Corporation Tax Act 2009,

(b) film tax credit under Part 15 of that Act,

(c) television tax credit under Part 15A of that Act,

(d) video game credit under Part 15B of that Act,

(e) theatre tax credit under Part 15C of that Act,

(f) orchestra tax credit under Part 15D of that Act, or

(g) museums and galleries exhibition credit under Part 15E of that Act."

(6) In sub-paragraph (5)—

(a) omit paragraphs (ae) and (ag) to (ak);

(b) before paragraph (b) insert—

"(al) an amount of creative sector credit paid to a company for an accounting period, or";

(c) in the words after paragraph (b), for the words from "the" to the end substitute "that accounting period".

(7) Those amendments have effect in relation to accounting periods beginning on or after 1 April 2024.

Time limit for claims

2 (1) In paragraph 83W(1) of Schedule 18 to FA 1998 (time limits for claims under Parts 15 to 15E of CTA 2009), for the words from "first" to the end substitute "end of the period of—

(a) two years beginning with the last day of the period of account to which the claim relates, in a case where that period is not longer than 18 months, or

(b) 42 months beginning with the first day of the period of account to which the claim relates, in any other case."

(2) That amendment has effect in relation to accounting periods beginning on or after 1 April 2024.

Supporting information

3 (1) After paragraph 83W of Schedule 18 to FA 1998 insert—

"Additional information to be provided in relation to claim

83WA The Commissioners for His Majesty's Revenue and Customs may by regulations specify, in relation to a claim to which this Part of this Schedule applies—

(a) information to be provided by the claimant company;

(b) the form and manner in which, and the time by which, the information is to be provided;

(c) the consequences of failing to provide the information as required (which may include the total or partial invalidity of the claim or a reduction of the claimed relief)."

(2) That amendment has effect in relation to claims made on or after 1 April 2024.

SCHEDULE 7

Section 8

REAL ESTATE INVESTMENT TRUSTS

Amendment of CTA 2010

1 CTA 2010 is amended in accordance with paragraphs 2 to 10.

CoACS to be institutional investors

2 In Section 528 (conditions for company), in subsection (4A), after paragraph (b) insert—

"(ba) a person acting on behalf of an authorised contractual scheme (within the meaning given by section 237(3) of FISMA 2000)

which is a co-ownership scheme (within the meaning given by section 235A of that Act) that meets the genuine diversity of ownership condition or the non-close condition;".

Non-close condition

3 (1) Section 528 is amended as follows.

(2) In subsection (4)—

(a) in the words before paragraph (a), after "company" insert "meets the non-close condition.", and

(b) omit paragraphs (a) and (b).

(3) After subsection (4B) insert—

"(4C) The non-close condition is met—

(a) in relation to a company, if—

(i) it is not a close company, or

(ii) it is a close company but only because it has an institutional investor as a direct or indirect participator, and

(b) in relation to a person or scheme other than a company, if it would fall within paragraph (a)(i) or (ii) if—

(i) the person's business or the scheme were a company, and

(ii) the interests of persons in the business or scheme were shares in the company."

(4) In subsection (5), for "subsection (4)(a)" substitute "determining whether the non-close condition is met".

(5) After subsection (5A) (as inserted by paragraph 4) insert—

"(5B) For the purposes of subsection (4C)(a)(ii)—

(a) a person is a "direct participator" if the person is a participator for the purposes of Part 10 of CTA 2010 (see section 454), and

(b) a person is an "indirect" participator in a company if the person has a share or interest in the capital or income of the company through another body corporate or other bodies corporate.

(5C) In determining whether a person is an indirect participator—

(a) reference to having a share or interest in the capital or income of a company through a body corporate is to be read in accordance with sub-paragraphs (9) and (10) of paragraph 46 of Schedule 5AAA to TCGA 1992 (meaning of direct or indirect participator), and

(b) a person is regarded for the purposes of those sub-paragraphs, and for the purposes of subsection (5B)(b)

of this section, as having a share or interest in the capital or income of a company if the person would be a participator in the company as a result of section 454(2) of CTA 2010."

(6) Section 528 has effect, and is to be deemed always to have had effect, with the amendments made by this paragraph.

Certain institutional investors required to meet GDO or non-close condition

4 (1) Section 528 is further amended as follows.

(2) In subsection (4A)—

(a) in paragraph (a)—

(i) in sub-paragraph (i), after "2000)" insert "that meets the genuine diversity of ownership condition (see section 528ZB(2)) or the non-close condition", and

(ii) in sub-paragraph (ii), after "Act)" insert "and that meets the genuine diversity of ownership condition or the non-close condition",

(b) in paragraph (b)—

(i) in sub-paragraph (i), after "Act" insert "and that meets the genuine diversity of ownership condition or the non-close condition",

(ii) in sub-paragraph (ii), for "and" substitute "that", and

(iii) in that sub-paragraph, after "2000)" insert "and that meets the genuine diversity of ownership condition or the non-close condition",

(c) in paragraph (c), after "2000)" insert "that meets the genuine diversity of ownership condition or the non-close condition", and

(d) in paragraph (e), after "who" insert "meets the non-close condition and who".

(3) After subsection (4C) (as inserted by paragraph 3) insert—

"(4D) But for the purposes of applying the non-close condition for the purpose of any of paragraphs (a) to (c) of subsection (4A), subsection (4C) has effect as if—

(a) paragraph (a)(ii) were omitted, and

(b) in paragraph (b), in the words before sub-paragraph (i), "or (ii)" were omitted."

(4) In subsection (5) (as amended by paragraph 3)—

(a) the words from "a company" to the end become paragraph (a),

(b) after that paragraph insert ", and

(b) ignore paragraph (a) of section 442 (non-UK resident companies deemed not to be close)."

(5) After subsection (5) insert—

"(5A) But subsection (5)(a) does not apply for the purpose of determining whether a person acting in the course of a long term insurance business meets the non-close condition."

(6) After subsection (5C) (as inserted by paragraph 3) insert—

"(5D) In determining whether a company is a close company for the purposes of the non-close condition—

(a) the rights and powers of a person ("A") are not to be attributed to another person ("P") merely because A is a partner of P for the purposes of any attribution under section 451(4) (rights of a person's associates to be attributed to the person etc in determining "control"), and

(b) a company ("C") is not to be regarded as a close company only because a person possesses or is entitled to acquire 50% or more of the voting power in C as a result of being—

(i) a manager of a collective investment vehicle (within the meaning of Schedule 5AAA to TCGA 1992), or

(ii) a general partner in a limited partnership which is a collective investment scheme."

(7) In section 528ZA, in subsection (7), for the words from "which" to the end substitute "if a person acting on behalf of it would be an institutional investor as a result of section 528(4A)(c)".

(8) In section 528ZB—

(a) for the heading substitute "Genuine diversity of ownership condition",

(b) omit subsection (1),

(c) omit subsection (5), and

(d) in subsection (7), after "section" insert "—

"collective investment scheme" has the meaning it has in section 235 of FISMA 2000;".

(9) In consequence of the other amendments made by this paragraph, in Schedule 5AAA to TCGA 1992, in paragraph 46(3)(a), for "section 528(4A)(a), (b), (c), (i) or (j)" substitute "section 528(4A)(i) or (j)".

Paragraph 4: transitional provision

5 (1) Sub-paragraph (2) applies where—

(a) immediately before the day on which this Act is passed, a company that is a company UK REIT or the principal member of a group UK REIT, met the conditions in section 528 of CTA 2010, and

(b) the company ceases to meet one or more of those conditions on that day as a result of one or more persons ceasing to be regarded as

institutional investors as a result of the amendments made by paragraph 4.

(2) Part 12 of CTA 2010 has effect in relation to such a person for the purposes of determining whether the company meets those conditions as if the amendments made by paragraph 4 had not been made for so long as the person's interest in the company as a proportion of all interests in the company—

(a) does not increase as a result of the acquisition by the person of further interests in the company, and

(b) continuously remains relevant to the question of whether those conditions are met.

(3) Sub-paragraph (4) applies where—

(a) immediately before the day on which this Act is passed, a collective investment vehicle, or a company that is not a collective investment vehicle, ("the reliant entity") relied on its having a qualifying investor as a direct or indirect participator for the purpose of any provision of Schedule 5AAA to TCGA 1992 ("a qualifying purpose"), and

(b) the qualifying investor ("the former qualifying investor") ceased to be a qualifying investor a result of the amendments made by paragraph 4.

(4) That Schedule has effect in relation to the former qualifying investor for a qualifying purpose as if the amendments made by paragraph 4 had not been made for so long as—

(a) the investor's interest in the reliant entity as a proportion of all interests in the entity does not increase as a result of the acquisition by the investor of further interests in the reliant entity, and

(b) the investor being a direct or indirect participator in the reliant entity continuously remains relevant for at least one qualifying purpose.

(5) Sub-paragraph (6) applies when determining whether a collective investment scheme constituted before the day on which this Act is passed meets the genuine diversity of ownership condition for the purposes of any of paragraphs (a) to (c) of section 528(4A).

(6) Regulation 75(2) of the Offshore Funds (Tax) Regulations 2009 (including as it applies for the purposes of regulation 75(5) of those Regulations) has effect, for those purposes, as if it referred to a statement prepared by the manager of the scheme (instead of the documents referred to in that paragraph) which—

(a) is available to HMRC,

(b) specifies the intended categories of investor when the scheme was marketed,

(c) confirms that the interests in the scheme were made widely available, and

(d) confirms that interests in the scheme were marketed and made available in accordance with the requirements of regulation 75(4)(a) of those Regulations (and that provision is to be read accordingly).

Insurance companies may be included in group UK REIT

6 (1) Section 606 (meaning of group) is amended as follows.

(2) In subsection (2), omit paragraphs (b) and (c) (but not the "or" at the end of paragraph (c)).

(3) In subsection (5), omit the definitions of "insurance company" and "insurance subsidiary".

Property financing costs

7 (1) Section 544 (meaning of "property profits" and "property financing costs") is amended as follows.

(2) In subsection (3)(a), for "property rental business of members of the group" substitute "the group's property rental business in the United Kingdom".

(3) After subsection (3) insert—

"(3A) The reference in subsection (3)(a) to the group's property rental business in the United Kingdom is a reference to—

(a) property rental business of UK members of the group, and

(b) UK property rental business of other members."

(4) Section 544 has effect, and is to be deemed always to have had effect, with the amendments made by sub-paragraphs (2) and (3).

(5) After subsection (4) insert—

"(4A) But property financing costs do not (for the purposes of section 543) include any expense for which a deduction would not be allowed in calculating profits in accordance with section 599, other than an expense which is disallowed only as a result of the application of Part 10 of TIOPA 2010 (corporate interest restriction)."

(6) The amendment made by sub-paragraph (5) has effect for accounting periods ending on or after 1 April 2023.

Single property rule

8 In section 529 (conditions as to property rental business)—

(a) in subsection (2A)—

(i) after "is" insert ", or was at any time from the relevant time,",

(ii) for "exceeds" substitute "in excess of", and

(iii) omit "at the relevant time", and

(b) in subsection (2B)—

(i) in the words before paragraph (a), after "means" insert "the later of"

(ii) for paragraphs (a) and (b) substitute—

"(a) entry, and

(b) when the property was acquired."

Disposal of rights or interests in UK property rich funds

9 (1) Section 535A (disposals of rights or interests in UK property rich companies) is amended as follows.

(2) After subsection (7) insert—

"(7A) Any such reference also includes the disposal of a right or interest in a fund (a "relevant fund") that—

(a) is an authorised contractual scheme (within the meaning given by section 237(3) of FISMA 2000) which is a co-ownership scheme (within the meaning given by section 235A of that Act), and

(b) is UK property rich as determined in accordance with paragraph 3 of Schedule 5AAA to TCGA (UK property rich collective investment vehicles etc)."

(3) In subsection (8) after "subsection (7)" insert "or (7A)".

Holders of excessive rights

10 (1) In section 551 (tax consequences of distribution to holder of excessive rights), in subsection (1)(a), for "(as" substitute "that is not an excluded holder (both as".

(2) In section 553 (meaning of "holder of excessive rights")—

(a) in the heading, after "rights"" insert "and "excluded holder",

(b) in subsection (1), omit the words after paragraph (b), and

(c) after subsection (4) insert—

"(4A) For the purposes of section 551, a holder of excessive rights is an "excluded holder" if—

(a) in accordance with double taxation arrangements (within the meaning of section 2(4) of TIOPA 2010), the holder is taxed at a particular rate, or not taxed at all, on distributions from a UK REIT, unless the sole reason for that treatment is the size of the holder's interest in the UK REIT, or

(b) the holder is a person to whom a payment of a distribution must be made without deduction of income tax in accordance with regulation 7 of the Real Estate Investment Trusts (Assessment and

Recovery of Tax) Regulations 2006 (S.I. 2006/2867) (gross payment of distributions)."

Corporate interest restriction and disposal of interests in UK property rich companies

11 (1) Section 452 of TIOPA 2010 (corporate interest restriction: REITs) is amended as follows.

(2) In subsection (1)(b), after "(5)" insert ", or section 535A(2),".

(3) In subsection (4)(b), after "(5)" insert ", or section 535A(2),".

SCHEDULE 8

Section 9

TONNAGE TAX

Introduction

1 Schedule 22 to FA 2000 (tonnage tax) is amended as follows.

Qualifying companies to include companies managing qualifying ships

2 (1) In paragraph 16 (qualifying companies and groups), in sub-paragraph (1)(b), after "operates" insert "or manages".

(2) After paragraph 18 insert—

"Meaning of managing a qualifying ship

18A A company is regarded for the purposes of this Schedule as managing a qualifying ship if—

(a) the ship is a qualifying ship operated by a tonnage tax company ("the operator"),

(b) the company carries on activities in relation to the ship that would be tonnage tax activities of the operator if the operator carried them on, and

(c) those activities as carried on by the company represent a significant contribution to the operation of the ship."

Daily profits of managed ships

3 (1) Paragraph 4 (tonnage tax profits: method of calculation) is amended as follows.

(2) In sub-paragraph (1), after "operated" insert "or managed".

(3) In sub-paragraph (2), for Step One substitute—

"Step One

Determine the daily profit for each qualifying ship operated by the company and each qualifying ship managed by the company by reference to the following table and the net tonnage of the ship—

Net tonnage	**Daily Profit**	
	Operated ship	*Managed ship*
For each 100 tons up to 1,000 tons	£0.60	£0.12
For each 100 tons between 1,000 and 10,000 tons	£0.45	£0.09
For each 100 tons between 10,000 and 25,000 tons	£0.30	£0.06
For each 100 tons above 25,000 tons	£0.15	£0.03".

Tonnage tax activities include activities in managing ships

4 In paragraph 46 (core qualifying activities)—

(a) in sub-paragraph (1)—

(i) in paragraph (a), after "operating" insert "or managing", and

(ii) in paragraph (b), after "operating" insert "or managing", and

(b) after sub-paragraph (2) insert—

"(3) A company's activities in managing qualifying ships means its participation in the activities mentioned in that paragraph by virtue of which the ship is a qualifying ship."

Effect of temporarily ceasing to manage or operate qualifying ships

5 In paragraph 17 (effect of temporarily ceasing to operate qualifying ships)—

(a) in sub-paragraph (1) after "operate", in both places it occurs, insert "or manage",

(b) in sub-paragraph (2), in paragraph (a), after "operating" insert "or managing",

(c) in that sub-paragraph, in the words after paragraph (b)—

(i) after "operate" insert "or manage",

(ii) after "operated" insert "or managed", and

(d) in sub-paragraph (4)—

(i) in paragraph (a), after "operating" insert "or managing", and

(ii) in paragraph (b), after "operates" insert "or manages".

Training requirement

6 In paragraph 23 (the training requirement), after sub-paragraph (2) insert—

"(3) The condition mentioned in sub-paragraph (1) does not apply to—

(a) a company that does not operate any qualifying ships, or

(b) a group that does not have any members that operate one or more qualifying ships."

Disapplication of 75% limit for ship managers

7 (1) In paragraph 37 (75% charter limit)—

(a) in sub-paragraph (1), in the words before paragraph (a), after "of" insert "a relevant company or group", and

(b) after sub-paragraph (5) insert—

"(6) For the purposes of sub-paragraph (1)—

(a) a company is "relevant" if it operates one or more qualifying ships, and

(b) a group is "relevant" if it has one or more members that operate one or more qualifying ships."

(2) In paragraph 49 (distributions of oversea shipping companies), in sub-paragraph (2), in paragraph (c), after "that" insert ", where the overseas company operates qualifying ships,".

Commencement

8 The amendments made by this Schedule have effect in relation to tonnage tax elections made on or after 1 April 2024.

SCHEDULE 9

Section 14

PENSIONS

PART 1

ABOLITION OF LIFETIME ALLOWANCE CHARGE

1 Part 4 of FA 2004 (pension schemes etc) is amended as follows.

2 In section 204 (tax charges: authorised pensions and lump sums), after subsection (2) insert—

"(3) For further provision, in addition to that contained in this Chapter, about the taxation of pensions and lump sums which are authorised to be paid by this Part, see—

(a) Chapter 5A of Part 9 of ITEPA 2003 (pensions under registered pension schemes);
(b) Chapter 15A of that Part of that Act (lump sums under registered pension schemes)."

3 Omit sections 214 to 226 (lifetime allowance charge) and the italic heading before those sections.

4 (1) Section 232 (annual allowance charge: cash balance arrangements: adjustments of closing value) is amended as follows.

(2) In subsection (8A)(c)—
(a) omit "or, but for paragraph 15A of Schedule 32, would occur";
(b) for "lifetime allowance excess lump sum" substitute "pension commencement excess lump sum".

(3) In subsection (8D)—
(a) in paragraph (a) omit "or benefit crystallisation event 5, 5A or 5B occurs in relation to the individual and the pension scheme";
(b) in paragraph (b) omit "or the benefit crystallisation event occurs".

(4) After subsection (8D) insert—

"(8E) Schedule 32 contains provision about the meaning of references in this section to benefit crystallisation events."

5 (1) Section 236 (annual allowance charge: defined benefits arrangements: adjustments of closing value) is amended as follows.

(2) In subsection (8A)(c) for "lifetime allowance excess lump sum" substitute "pension commencement excess lump sum".

(3) In subsection (8D)—
(a) in paragraph (a) omit "or benefit crystallisation event 5, 5A or 5B occurs in relation to the individual and the pension scheme";
(b) in paragraph (b) omit "or the benefit crystallisation event occurs".

(4) After subsection (8D) insert—

"(8E) Schedule 32 contains provision about the meaning of references in this section to benefit crystallisation events."

6 In section 237B (annual allowance: liability of scheme administrator), in subsection (6) omit the words from "or benefit crystallisation event 5" to the end.

7 In section 255 (assessments under Part 4 of FA 2004), in subsection (1) omit paragraph (c).

8 Omit section 267 (discharge of liability of scheme administrator to lifetime allowance charge).

9 (1) Section 269 (appeal against decision on discharge of liability) is amended as follows.

(2) In subsection (1)—
  (a) in paragraph (a) omit "section 267(2) (discharge of liability to lifetime allowance charge)";
  (b) omit paragraph (b) (and the "or" before it).

(3) In subsection (6) omit "lifetime allowance charge,".

(4) Omit subsections (9) to (11).

10 In section 272A (liabilities of independent trustee), in subsection (7) omit paragraph (b).

11 In section 280 (abbreviations and general index), in the table in subsection (2) omit the entries for the following—

active membership period;
amount crystallised;
available (in relation to a person's lifetime allowance);
benefit crystallisation event;
lifetime allowance (in relation to a person);
lifetime allowance charge;
lifetime allowance enhancement factors;
lifetime allowance excess lump sum;
overseas arrangement active membership period;
recognised overseas scheme arrangement;
relevant overseas individual;
standard lifetime allowance;
transitional 2013/14 lump sum;
winding-up lump sum death benefit.

12 In Schedule 28 (pension rules and pension death benefit rules), in Part 2 (pension death benefit rules), in paragraph 16AA omit sub-paragraph (a).

13 (1) Schedule 32 (meaning of expressions relating to benefit crystallisation events) is amended as follows.

(2) In the shoulder note, for "Section 216" substitute "Sections 232 and 236".

(3) In the heading omit "- supplementary".

(4) Before paragraph 1 and the italic heading before it insert—

"Introduction

A1 (1) This Schedule applies for the purposes of sections 232 and 236.

(2) In this Schedule—
  (a) paragraph A2 sets out the events that are benefit crystallisation events in relation to an individual;
  (b) subsequent paragraphs give the meaning of expressions used in paragraph A2.

The benefit crystallisation events

A2 (1) Benefit crystallisation event 1 occurs in relation to an individual if sums or assets held for the purposes of a money purchase arrangement under any of the relevant pension schemes are designated as available for the payment of drawdown pension to the individual.

(2) Benefit crystallisation event 2 occurs in relation to an individual if the individual becomes entitled to a scheme pension under any of the relevant pension schemes.

(3) Benefit crystallisation event 3 occurs in relation to an individual if the individual, having become so entitled, becomes entitled to payment of the scheme pension, otherwise than in excepted circumstances, at an increased annual rate which—

(a) exceeds the threshold annual rate, and

(b) exceeds by more than the permitted margin the rate at which it was payable on the day on which the individual became entitled to it.

(4) Benefit crystallisation event 4 occurs in relation to an individual if the individual becomes entitled to a lifetime annuity purchased under a money purchase arrangement under any of the relevant pension schemes.

(5) Benefit crystallisation event 6 occurs in relation to an individual if the individual becomes entitled to a relevant lump sum under any of the relevant pension schemes."

(5) In paragraph 1 (meaning of "the relevant pension schemes")—

(a) for "For the purposes of the benefit crystallisation events" substitute "In this Schedule";

(b) omit the words from "(or in the case of" to the end.

(6) Omit the following paragraphs and the italic headings before them—

(a) paragraph 2A (avoiding double counting of refunded amounts of overseas transfer charge);

(b) paragraphs 2B, 3 and 4 (BCEs 1, 2 and 4: prevention of overlap);

(c) paragraph 5 (BCEs 1 and 5: hybrid arrangements);

(d) paragraph 6 (BCEs 2, 3 and 5: meaning of "RVF");

(7) In paragraph 7 (BCEs 2 and 4: early lifetime annuities) omit sub-paragraphs (4) and (5).

(8) Omit the following paragraphs and the italic headings before them—

(a) paragraph 9 (BCE 2: meaning of "P");

(b) paragraph 13 (BCE 3: meaning of "XP");

(c) paragraph 14 (BCE 5: meaning of "DP" and "DSLS");

(d) paragraph 14ZA (BCEs 5 and 5B: hybrid arrangements);

(e) paragraph 14ZB (BCE 5A: meaning of "amounts crystallised by BCE 1");

(f) paragraph 14A (BCE 5B: meaning of "remaining unused funds");

(g) paragraph 14B (BCEs 5C and 5D: meaning of "relevant two-year period");

(h) paragraph 14C (BCEs 5C and 5D: meaning of "relevant unused uncrystallised funds").

(9) In paragraph 15 (BCE 6: meaning of "relevant lump sum"), in sub-paragraph (c), for "lifetime allowance excess lump sum" substitute "pension commencement excess lump sum".

(10) Omit the following paragraphs and the italic headings before them—

(a) paragraph 15A (BCE 6: prevention of overlap);

(b) paragraph 16 (BCE 7: meaning of "relevant lump sum death benefit");

(c) paragraph 17 (BCE 8: prevention of overlap).

14 In Schedule 34 (non-UK schemes: application of certain charges) omit paragraphs 13 to 19 (lifetime allowance charge) and the italic heading before those paragraphs.

PART 2

TAXATION OF LUMP SUMS

Amendments of Part 4 of FA 2004 (pension schemes etc)

15 Part 4 of FA 2004 (pension schemes etc) is amended as follows.

16 In section 164 (authorised member payments), in subsection (2)(c), for the words from "for the purposes of" to the end substitute "as a relevant benefit crystallisation event for the purposes of section 637Q or 637S of ITEPA 2003 (availability of individual's lump sum allowance and lump sum and death benefit allowance)."

17 (1) Section 166 (lump sum rule) is amended as follows.

(2) In subsection (1), in the lump sum rule—

(a) after paragraph (a) insert—

"(aa) a pension commencement excess lump sum,";

(b) at the end of paragraph (e) insert ", or";

(c) omit paragraphs (g) and (h).

(3) In subsection (2)—

(a) omit paragraph (za);

(b) in paragraph (a), for "any other pension commencement lump sum" substitute "a pension commencement lump sum or a pension commencement excess lump sum".

18 In section 168 (lump sum death benefit rule), in subsection (1), in the lump sum death benefit rule—

(a) at the end of paragraph (f) insert ", or";

(b) omit paragraph (i) (and the "or" before it).

19 In section 227G (when pension rights are first flexibly accessed) omit subsection (11).

20 (1) Section 228ZA (tapered reduction of annual allowance: high-income individual) is amended as follows.

(2) In subsection (4) (definition of "adjusted income"), for paragraph (e) substitute—

"(e) the amount of any lump sum death benefit which is subject to the charge to tax on pension income under Part 9 of ITEPA 2003 (pension income) in the tax year."

(3) In subsection (5) (definition of "threshold income"), for paragraph (d) substitute—

"(d) the amount of any lump sum death benefit which is subject to the charge to tax on pension income under Part 9 of ITEPA 2003 (pension income) in the tax year."

21 In section 264 (false statements etc), in subsection (1)(a), for "under this Part, or" substitute "under this Part or under Part 9 of ITEPA 2003 (pension income) on pension income to which—

"(i) any provision of Chapter 15A of that Part of that Act (lump sums under registered pension schemes) applies, or

(ii) section 579A of that Act (pension income under registered pension schemes) applies by virtue of any provision of that Chapter, or"

22 (1) Section 265 (winding-up to facilitate payment of lump sums) is amended as follows.

(2) In subsection (2) omit "or winding-up lump sum death benefits (or both)".

(3) In subsection (4) omit paragraph (b) (and the "and" before it).

23 After section 278 (market value) insert—

"278A Disqualifying pension credits

(1) For the purposes of this Part, a pension credit is "disqualifying" if, when the member becomes entitled to it, the person subject to the corresponding pension debit has an actual (rather than a prospective) right to payment of a pension under the relevant arrangement.

(2) The "relevant arrangement" is the arrangement to which the pension sharing order, or provision by virtue of which the member becomes entitled to the pension credit, relates.

278B Annuities and scheme pensions: meaning of "related to"

(1) For the purposes of this Part, a dependants' annuity is "related to" a lifetime annuity payable to a member of a registered pension scheme if—

(a) they are purchased either in the form of a joint life annuity or separately in circumstances in which the day on which the one is purchased is no earlier than seven days before, and no later than seven days after, the day on which the other is purchased, and

(b) the dependants' annuity will be payable to a dependant of the member.

(2) For the purposes of this Part, a nominees' annuity is "related to" a lifetime annuity payable to a member of a registered pension scheme if—

(a) they are purchased either in the form of a joint life annuity or separately in circumstances in which the day on which the one is purchased is no earlier than seven days before, and no later than seven days after, the day on which the other is purchased, and

(b) the nominees' annuity will be payable to a nominee of the member.

(3) For the purposes of this Part, a dependants' scheme pension is "related to" a scheme pension payable to a member of a registered pension scheme if—

(a) the day on which one is purchased or sums or assets are applied for its provision is no earlier than seven days before, and no later than seven days after, the day on which the other is purchased or sums or assets are applied for its provision, and

(b) the dependants' scheme pension will be payable to a dependant of the member."

24 In section 280 (abbreviations and general index), in the table in subsection (2)—

(a) at the appropriate places add—

"pension commencement excess lump sum	paragraph 3C of Schedule 29";

(b) in the entry for "related dependants' annuity" for "paragraph 3(4A) of Schedule 29" substitute "section 278B(1)";

(c) in the entry for "related nominees' annuity" for "paragraph 3(4B) of Schedule 29" substitute "section 278B(2)";

(d) in the entry for "related dependants' scheme pension" for "paragraph 3(7C) of Schedule 29" substitute "section 278B(3)".

25 Schedule 29 (authorised lump sums - supplementary) is amended in accordance with paragraphs 26 to 37.

26 (1) Paragraphs 1 to 3A (pension commencement lump sums) are amended as follows.

(2) In paragraph 1 (pension commencement lump sum)—

(a) in sub-paragraph (1)—

(i) in paragraph (b) for the words from "lifetime allowance" to the end substitute "lump sum allowance is available, and all or part or the member's lump sum and death benefit allowance is available (see paragraph 12A),";

(ii) in sub-paragraph (f) for "sub-paragraphs (4) and (4A)" substitute "sub-paragraph (4A)";

(b) omit sub-paragraphs (3A), (4) and (6).

(3) Omit paragraphs 1A and 1B (which modify the definition of "pension commencement lump sum" in relation to certain lump sums paid before 6 April 2015 and are therefore no longer of practical utility).

(4) For paragraph 2 (definition of "the permitted maximum") substitute—

"2 In paragraph 1 "the permitted maximum", in relation to a lump sum, means the lowest of the following amounts—

(a) the applicable amount in relation to the relevant pension (see paragraphs 2A to 2D);

(b) so much of the member's lump sum allowance as is available on the individual becoming entitled to the lump sum (see paragraph 12A);

(c) so much of the member's lump sum and death benefit allowance as is available on the individual becoming entitled to the lump sum (see paragraph 12A)."

(5) For paragraph 3 (definition of "the applicable amount") substitute—

"2A(1) This paragraph defines "the applicable amount" in relation to a relevant pension in a case in which the relevant pension is income withdrawal.

(2) The applicable amount is one third of the scheme pension capital value.

(3) The scheme pension capital value is (subject to sub-paragraph (4)) the aggregate of—

(a) the sums designated as available for the payment of drawdown pension on that occasion, and

(b) the market value of the assets so designated.

(4) There is to be deducted from the amount determined under sub-paragraph (3) so much (if any) of the sums and assets designated as mentioned in sub-paragraph (3)(a) or (b) as represent rights attributable to a disqualifying pension credit.

2B (1) This paragraph defines "the applicable amount" in relation to a relevant pension in a case in which the relevant pension is a lifetime annuity.

(2) The applicable amount is one third of the annuity purchase price.

(3) The annuity purchase price is (subject to sub-paragraph (4)) the aggregate of—

(a) such of the sums held for the purposes of the pension scheme, and

(b) the market value of such of the assets held for the purposes of the pension scheme,

as are applied in (or in connection with) the purchase of the lifetime annuity and any related dependants' annuity and any related nominees' annuity.

(4) There is to be deducted from the amount determined under sub-paragraph (3)—

(a) if the sums or assets applied in (or in connection with) the purchase of the annuity or any related dependants' annuity or any related nominees' annuity consist of, or include, sums or assets representing the whole or part of the member's drawdown pension fund or of the member's flexi-access drawdown fund, the aggregate of those sums and the market value of those assets, and

(b) in any case, so much (if any) of the sums or assets applied in (or in connection with) the purchase of the annuity or any related dependants' annuity or any related nominees' annuity as represents rights which are attributable to a disqualifying pension credit.

2C (1) This paragraph defines "the applicable amount" in relation to a relevant pension in a case in which the relevant pension is—

(a) a scheme pension under a defined benefits arrangement, or

(b) a collective money purchase arrangement.

(2) The applicable amount is (subject to sub-paragraph (3))—

$$\frac{A + (B \times C) - D}{4}$$

where—

A is the amount of the lump sum;

B is the relevant revaluation factor (see section 276);

C is the amount of the pension which will be payable to the member in the period of 12 months beginning with the day on which the member becomes entitled to the

pension (assuming that it remains payable throughout that period at the rate at which it is payable on that day);

D is so much (if any) of A or C as represents rights which are attributable to a disqualifying pension credit.

(3) In determining C for the purposes of subsection (2) in a case in which the pension is under a public service pension scheme, any abatement of the pension is to be left out of account.

2D (1) This paragraph defines "the applicable amount" in relation to a relevant pension in a case in which the relevant pension is a scheme pension under a money purchase arrangement that is not a collective money purchase arrangement.

(2) The applicable amount is one third of the scheme pension purchase price.

(3) The scheme pension purchase price is (subject to sub-paragraph (4)) the aggregate of—

(a) such of the sums held for the purposes of the pension scheme, and

(b) the market value of such of the assets held for the purposes of the pension scheme,

as are applied in (or in connection with) the purchase or provision of the scheme pension and any related dependants' scheme pension.

(4) There is to be deducted from the amount determined under sub-paragraph (3)—

(a) if the scheme pension is funded (in whole or in part) by the application of sums or assets representing the whole or part of the member's drawdown pension fund or of the member's flexi-access drawdown fund, the aggregate of those sums and the market value of those assets, and

(b) in any case, so much (if any) of the sums and assets referred to in sub-paragraph (3)(a) and (b) as represent rights which are attributable to a disqualifying pension credit."

(6) Before paragraph 3A (anti-avoidance rule to prevent recycling of pension commencement lump sum) insert the following heading—

"Pension commencement lump sums: anti-avoidance".

(7) In paragraph 3A(5), for paragraphs (a) and (b) substitute "the amount of the lump sum".

(8) After paragraph 3A insert—

"3B (1) Sub-paragraph (2) applies if—

(a) sums or assets held for the purposes of, or representing accrued rights under, a money purchase arrangement

relating to the member under a registered pension scheme ("member money purchase funds") are subject to a relevant surrender or a relevant transfer,

(b) the sole or main purpose of the relevant surrender or relevant transfer is to increase the applicable amount for the purposes of paragraph 2 on the member becoming entitled to a scheme pension, and

(c) the member becomes entitled to a scheme pension under a relevant defined benefits arrangement.

(2) The pension scheme under which the relevant defined benefits arrangement is an arrangement is to be treated as making an unauthorised payment to the member of the amount by which—

(a) the applicable amount in relation to the relevant defined benefits arrangement (as determined under paragraph 2C), exceeds

(b) what would be the applicable amount (as determined under paragraph 2D) if the arrangement were a money purchase arrangement.

(3) For the purposes of sub-paragraph (1)—

(a) member money purchase funds are subject to a "relevant surrender" if they are surrendered and, in consequence of the surrender, there is a corresponding increase in the sums or assets held for the purposes of, or representing rights under, a defined benefits arrangement relating to the member under the pension scheme (or such an arrangement is established), and

(b) member money purchase funds are subject to a "relevant transfer" if they are transferred so as to become held for the purposes of, or to represent rights under, a defined benefits arrangement relating to the member under any other registered pension scheme.

(4) In this paragraph "relevant defined benefits arrangement" means—

(a) the defined benefits arrangement mentioned in paragraph (a) or (b) of sub-paragraph (3), or

(b) any other defined benefits arrangement relating to the member (under the pension scheme or any other registered pension scheme) in the case of which any of the sums or assets held for the purposes of, or representing accrued rights under, the arrangement directly or indirectly represent sums or assets previously held for the purposes of, or representing accrued rights under, the defined benefits arrangement so mentioned."

(9) After paragraph 3B (as inserted by sub-paragraph (8)) insert—

"Pension commencement excess lump sum

3C (1) For the purposes of this Part a lump sum is a pension commencement excess lump sum if—

(a) the member becomes entitled to it in connection with becoming entitled to a relevant pension (or dies after becoming entitled to it but before becoming entitled to the relevant pension in connection with which it was anticipated that the member would become entitled to it);

(b) it is paid when none of the member's lump sum allowance is available (see paragraph 12A);

(c) it is paid within the period beginning six months before, and ending one year after, the day on which the member becomes entitled to it;

(d) it does not reduce the rate of payment of any pension to which the member has become (actually) entitled, or extinguish the member's entitlement to payment of any such pension;

(e) it is paid when the member has reached normal minimum pension age (or the ill-health condition is met); and

(f) it is not an excluded lump sum (see sub-paragraph (4)).

(2) But if a lump sum falling within sub-paragraph (1) exceeds the permitted maximum, the excess is not a pension commencement excess lump sum.

(3) In this paragraph "the permitted maximum", in relation to a lump sum, means—

$$(A \times 4) - B$$

where—

"A" is the applicable amount in relation to the relevant pension (see paragraphs 2A to 2D);

"B" is the amount of the member's lump sum and death benefit allowance that is available on the payment of the lump sum (see paragraph 12A).

(4) A lump sum is an "excluded lump sum" if—

(a) it would, apart from this paragraph, be permitted to be paid under the lump sum rule in section 166, or

(b) the pension in connection with which the member becomes entitled to it is a CMP-derived drawdown pension.

(5) In determining for the purposes of this paragraph—

(a) whether any of a member's lump sum allowance is available on the payment of a lump sum, or

(b) the amount of a member's lump sum and death benefit allowance that is available on the payment of a lump sum,

the member is treated as having already become entitled to any pension commencement lump sum that is paid to the member in connection with becoming entitled to the relevant pension."

27 (1) Paragraph 4 (serious ill-health lump sum) is amended as follows.

(2) In sub-paragraph (1)—

(a) at the end of paragraph (a) insert "and";

(b) omit paragraph (b).

(3) In sub-paragraph (2) for "in respect of which there has been no previous benefit crystallisation event" substitute "under which the member has not previously become entitled to any pension or lump sum".

(4) Omit sub-paragraph (3).

28 (1) Paragraph 4A (uncrystallised funds pension lump sum) is amended as follows.

(2) In sub-paragraph (1) omit paragraph (b).

(3) Omit sub-paragraph (2).

29 (1) Paragraph 5 (short service refund lump sum) is amended as follows.

(2) In sub-paragraph (1), for paragraph (c) substitute—

"(c) the member has not previously become entitled to any pension or lump sum under the pension scheme,".

30 (1) In paragraph 7 (trivial commutation lump sum), in sub-paragraph (1)(c), for "lifetime allowance is available" substitute "lump sum allowance is available (see paragraph 12A)".

(2) In paragraph 8 (trivial commutation lump sum: value of member's relevant crystallised pension rights on the nominated date), in sub-paragraph (1), for paragraph (b) substitute—

"(b) the amount given by the formula—

$$((A - B) \times 4) + C$$

where—

"A" is the member's lump sum allowance;

"B" is the amount of the member's lump sum allowance that is available (see paragraph 12A) on the payment of the lump sum in question;

"C" is the amount of any serious ill health lump sum already paid to the member so far as it was not chargeable to income tax."

31 In paragraph 10 (winding-up lump sum), in sub-paragraph (1)(d), for "lifetime allowance is available" substitute "lump sum allowance is available (see paragraph 12A)".

32 Omit paragraph 11 (lifetime allowance excess lump sum) and the italic heading before it.

33 Omit paragraph 11A (transitional 2013/14 lump sum) and the italic heading before it.

34 In the italic heading before paragraph 12 omit "of Part 1".

35 (1) Paragraph 12 (interpretation) is amended as follows.

(2) Omit sub-paragraphs (1A) to (4).

(3) In sub-paragraph (5), for "4A(2)" substitute "3C(2)".

36 After paragraph 12 insert—

"12A(1) In this Part of this Schedule, a reference to the amount of an individual's lump sum allowance that is available on the individual becoming entitled to a lump sum, or being paid a lump sum, is to the amount of that allowance that would be so available on the following assumption.

(2) The assumption is that the individual becoming entitled to or (as the case may be) being paid the lump sum was a relevant benefit crystallisation event within the meaning of section 637Q of ITEPA 2003 (availability of individual's lump sum allowance).

(3) In this Part of this Schedule, a reference to the amount of an individual's lump sum and death benefit allowance that is available on the individual becoming entitled to a lump sum, or being paid a lump sum, is to the amount of that allowance that would be so available on the following assumption.

(4) The assumption is that the individual becoming entitled to or (as the case may be) being paid the lump sum was a relevant benefit crystallisation event within the meaning of section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance)."

37 (1) In paragraph 13 (defined benefits lump sum death benefit) sub-paragraph (1)(d) is amended as follows.

(2) After "pension protection lump sum death benefit," insert "or".

(3) Omit "or winding-up lump sum death benefit."

Amendments of Part 9 of ITEPA 2003

38 Part 9 of ITEPA 2003 (pension income) is amended as follows.

39 In section 565 (structure of Part 9), for the paragraph relating to Chapter 15A substitute –

"Chapter 15A –

(a) provides for certain amounts paid under registered pension schemes in the form of lump sums to be subject to the charge to tax on pension income, and

(b) deals with exemptions from the charge to tax (whether under this Part or any other provision) in relation to certain other amounts paid under registered pension schemes in the form of lump sums."

40 (1) Section 566 (nature of charge to tax on pension income and relevant definitions) is amended as follows.

(2) In subsection (3), for "16" substitute "15A".

(3) In the table in subsection (4) –

(a) after the entry for section 633 insert –

"Section 637B	Pensions treated as arising from payment of pension commencement excess lump sums under registered pension schemes	Chapter 15A"

(b) in the entry for section 636B, in the first column, for "636B" substitute "637G".

(c) in the entry for section 636C –

(i) in the first column, for "636C" substitute "637N";

(ii) in the second column omit "and winding-up lump sum death benefits".

41 For Chapter 15A substitute –

"CHAPTER 15A

LUMP SUMS UNDER REGISTERED PENSION SCHEMES

Introduction

637 Introduction

(1) This Chapter makes provision about the income tax treatment of authorised lump sums and authorised lump sum death benefits.

(2) In this Chapter –

(a) "authorised lump sum" means a lump sum permitted by the lump sum rule in section 166 of FA 2004 to be paid by a registered pension scheme to a member of the scheme;

(b) "authorised lump sum death benefit" means a lump sum death benefit permitted by the lump sum death benefit rule in section 168 of that Act to be paid by a registered pension scheme in respect of a member of the scheme.

(3) Expressions used in this Chapter and Part 4 of FA 2004 (pensions etc) have the same meaning in this Chapter as in that Part.

Tax treatment of authorised lump sums

637A Pension commencement lump sums

No liability to income tax arises on a pension commencement lump sum paid under a registered pension scheme.

637B Pension commencement excess lump sums

A person to whom a pension commencement excess lump sum is paid under a registered pension scheme is treated as having taxable pension income for the tax year in which the payment is made equal to the amount of the lump sum.

637C Serious ill-health lump sums

(1) Subject to subsections (2) and (4), no liability to income tax arises on a serious ill-health lump sum paid under a registered pension scheme.

(2) If—

(a) a serious ill-health lump sum is paid under a registered pension scheme to a member who (at the time of the payment) is under 75, and

(b) the lump sum exceeds the permitted maximum,

section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.

(3) In subsection (2) "the permitted maximum", in relation to a serious ill-health lump sum paid to a member, means so much of the member's lump sum and death benefit allowance as is available immediately before the member becomes entitled to the lump sum (see section 637S).

(4) If a serious ill-health lump sum is paid under a registered pension scheme to a member who (at the time of the payment) is 75 or over, section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

637D Uncrystallised funds pension lump sums

(1) Subject to subsection (2), where an uncrystallised funds pension lump sum is paid under a registered pension scheme—

(a) no liability to income tax arises on 25% of the lump sum, and

(b) section 579A (pensions) applies in relation to the remainder of the lump sum as it applies to any pension under a registered pension scheme.

(2) If—

(a) an uncrystallised funds pension lump sum is paid under a registered pension scheme, and

(b) 25% of the lump sum is an amount that exceeds the permitted maximum,

section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.

(3) In subsection (2) "the permitted maximum", in relation to an uncrystallised funds pension lump sum paid to a member, means the lower of the following amounts—

(a) so much of the member's lump sum allowance as is available immediately before the member becomes entitled to the lump sum (see section 637Q);

(b) so much of the member's lump sum and death benefit allowance as is available immediately before the member becomes entitled to the lump sum (see section 637S).

637E Short service refund lump sum

A short service refund lump paid under a registered pension scheme is subject to income tax in accordance with section 205 of FA 2004 (charge to tax on scheme administrator in respect of such a lump sum) but not otherwise.

637F Refund of excess contributions lump sums

No liability to income tax arises on a refund of excess contributions lump sum paid under a registered pension scheme.

637G Trivial commutation lump sums and winding-up lump sums

(1) Subject to subsection (2), a member of a registered pension scheme to whom—

(a) a trivial commutation lump sum, or

(b) a winding-up lump sum,

is paid under the scheme is treated as having taxable pension income for the tax year in which the payment is made equal to the amount of the lump sum.

(2) If, immediately before the lump sum is paid, the member has uncrystallised rights under any one or more arrangements under the pension scheme, the amount of the taxable pension income is reduced by the tax-free element (if any).

(3) In subsection (2) "the tax-free element" means 25% of the value of any uncrystallised rights extinguished by the lump sum.

(4) In this section "uncrystallised rights" has the same meaning as in section 212 of FA 2004; and the value for the purposes of this section of any uncrystallised rights is to be calculated in accordance with that section.

Tax treatment of authorised lump sum death benefits

637H Defined benefits lump sum death benefits

(1) Subject to subsections (2) to (6), no liability to income tax arises on a defined benefits lump sum death benefit paid under a registered pension scheme.

(2) If—

(a) a defined benefits lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,

(b) the lump sum is paid before the end of the relevant two year period, and

(c) the lump sum exceeds the permitted maximum,

section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.

(3) If—

(a) a defined benefits lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,

(b) the lump sum is not paid before the end of the relevant two year period, and

(c) the lump sum is paid to a qualifying person,

section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

(4) If—

(a) a defined benefits lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,

(b) the lump sum is not paid before the end of the relevant two year period, and

(c) the lump sum is paid to a non-qualifying person,

the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.

(5) If a defined benefits lump sum death benefit under a registered pension scheme is paid—

(a) in respect of a member who, on death, is 75 or over, and

(b) to a qualifying person,

section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

(6) If a defined benefits lump sum death benefit under a registered pension scheme is paid—

(a) in respect of a member who, on death, is 75 or over, and

(b) to a non-qualifying person,

the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.

(7) In this section—

"non-qualifying person" has the same meaning as in section 206 of FA 2004;

"the permitted maximum", in relation to a defined benefits lump sum death benefit paid in respect of a member, means so much of the member's lump sum and death benefit allowance as is available immediately before the lump sum is paid (see section 637S);

"qualifying person" means a person who is not a non-qualifying person;

"the relevant two year period" means the period of two years beginning with the day on which the scheme administrator of the scheme first knew of the member's death or (if earlier) the day on which the scheme administrator could first reasonably have been expected to have known of it.

637I Pension protection lump sum death benefits

(1) Subject to subsections (2), (3) and (4) no liability to income tax arises on a pension protection lump sum death benefit paid under a registered pension scheme.

(2) If—

(a) a pension protection lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75, and

(b) the lump sum exceeds the permitted maximum,

section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.

(3) If a pension protection lump sum death benefit under a registered pension scheme is paid—

(a) in respect of a member who, on death, is 75 or over, and

(b) to a qualifying person,

section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

(4) If a pension protection lump sum death benefit under a registered pension scheme is paid—

(a) in respect of a member who, on death, is 75 or over, and

(b) to a non-qualifying person,

the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.

(5) In this section—

"non-qualifying person" has the same meaning as in section 206 of FA 2004;

"the permitted maximum", in relation to a pension protection lump sum death benefit paid in respect of a member, means so much of the member's lump sum and death benefit allowance as is available immediately before the lump sum is paid (see section 637S);

"qualifying person" means a person who is not a non-qualifying person.

637J Uncrystallised funds lump sum death benefits

(1) Subject to subsections (2) to (6), no liability to income tax arises on an uncrystallised funds lump sum death benefit paid under a registered pension scheme.

(2) If—

(a) an uncrystallised funds lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,

(b) the lump sum is paid before the end of the relevant two year period, and

(c) the lump sum exceeds the permitted maximum,

section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.

(3) If—

(a) an uncrystallised funds lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,

(b) the lump sum is not paid before the end of the relevant two year period, and

(c) the lump sum is paid to a qualifying person,

section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

(4) If—

(a) an uncrystallised funds lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,

(b) the lump sum is not paid before the end of the relevant two year period, and

(c) the lump sum is paid to a non-qualifying person,

the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.

(5) If an uncrystallised funds lump sum death benefit under a registered pension scheme is paid—

(a) in respect of a member who, on death, is 75 or over, and

(b) to a qualifying person,

section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

(6) If an uncrystallised funds lump sum death benefit under a registered pension scheme is paid—

(a) in respect of a member who, on death, is 75 or over, and

(b) to a non-qualifying person,

the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.

(7) In this section—

"non-qualifying person" has the same meaning as in section 206 of FA 2004;

"the permitted maximum", in relation to an uncrystallised funds lump sum death benefit paid in respect of a member, means so much of the member's lump sum and death benefit allowance as is available immediately before the lump sum is paid (see section 637S);

"qualifying person" means a person who is not a non-qualifying person;

"the relevant two year period" means the period of two years beginning with the day on which the scheme administrator of the scheme first knew of the member's death or (if earlier) the day on which the scheme administrator could first reasonably have been expected to have known of it.

637K Annuity protection lump sum death benefits

(1) Subject to subsections (2), (3) and (4), no liability to income tax arises on an annuity protection lump sum death benefit paid under a registered pension scheme.

(2) If—

(a) an annuity protection lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75, and

(b) the lump sum exceeds the permitted maximum,

section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.

(3) If an annuity protection lump sum death benefit under a registered pension scheme is paid—

(a) in respect of a member who, on death, is 75 or over, and

(b) to a qualifying person,

section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

(4) If an annuity protection lump sum death benefit under a registered pension scheme is paid—

(a) in respect of a member who, on death, is 75 or over, and

(b) to a non-qualifying person,

the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.

(5) In this section—

"non-qualifying person" has the same meaning as in section 206 of FA 2004;

"the permitted maximum", in relation to an annuity protection lump sum death benefit paid in respect of a member, means so much of the member's lump sum and death benefit allowance as is available immediately before the lump sum is paid (see section 637S);

"qualifying person" means a person who is not a non-qualifying person.

637L Drawdown pension fund lump sum death benefits

(1) Subject to subsections (2) to (6), no liability to income tax arises on a drawdown pension lump sum death benefit paid under a registered pension scheme.

(2) If—

(a) a drawdown pension lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,

(b) the lump sum is paid before the end of the relevant two year period, and

(c) the lump sum exceeds the permitted maximum,

section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.

(3) If—

(a) a drawdown pension lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,

(b) the lump sum is not paid before the end of the relevant two year period, and

(c) the lump sum is paid to a qualifying person,

section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

(4) If—

(a) a drawdown pension lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,

(b) the lump sum is not paid before the end of the relevant two year period, and

(c) the lump sum is paid to a non-qualifying person,

the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.

(5) If a drawdown pension lump sum death benefit under a registered pension scheme is paid—

(a) in respect of a member who, on death, is 75 or over, and

(b) to a qualifying person,

section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

(6) If a drawdown pension lump sum death benefit under a registered pension scheme is paid—

(a) in respect of a member who, on death, is 75 or over, and

(b) to a non-qualifying person,

the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.

(7) A reference in this section to a "member", in relation to a drawdown pension lump sum death benefit under paragraph 17(2) of Schedule 29 to FA 2004 (lump sum payable on death of dependant of deceased member), is a reference to the dependant on whose death the lump sum is payable.

(8) In this section –

"non-qualifying person" has the same meaning as in section 206 of FA 2004;

"the permitted maximum", in relation to a drawdown pension lump sum death benefit paid in respect of a member, means so much of the member's lump sum and death benefit allowance as is available immediately before the lump sum is paid (see section 637S);

"qualifying person" means a person who is not a non-qualifying person;

"the relevant two year period" means the period of two years beginning with the day on which the scheme administrator of the scheme first knew of the member's death or (if earlier) the day on which the scheme administrator could first reasonably have been expected to have known of it.

637M Flexi-access drawdown lump sum death benefits

(1) Subject to subsections (2) to (6), no liability to income tax arises on a flexi-access drawdown lump sum death benefit paid under a registered pension scheme.

(2) If –

(a) a flexi-access drawdown lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,

(b) the lump sum is paid before the end of the relevant two year period, and

(c) the lump sum exceeds the permitted maximum,

section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.

(3) If –

(a) a flexi-access drawdown lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,

(b) the lump sum is not paid before the end of the relevant two year period, and

(c) the lump sum is paid to a qualifying person,

section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

(4) If—

(a) a flexi-access drawdown lump sum death benefit under a registered pension scheme is paid in respect of a member who, on death, is under 75,

(b) the lump sum is not paid before the end of the relevant two year period, and

(c) the lump sum is paid to a non-qualifying person,

the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.

(5) If a flexi-access drawdown lump sum death benefit under a registered pension scheme is paid—

(a) in respect of a member who, on death, is 75 or over, and

(b) to a qualifying person,

section 579A (pensions) applies to the lump sum as it applies to any pension under a registered pension scheme.

(6) If a flexi-access drawdown lump sum death benefit under a registered pension scheme is paid—

(a) in respect of a member who, on death, is 75 or over, and

(b) to a non-qualifying person,

the lump sum is subject to income tax under section 206 of FA 2004 (special lump sum death benefits charge on scheme administrator) but not otherwise.

(7) A reference in this section to a "member"—

(a) in relation to a flexi-access drawdown lump sum death benefit under paragraph 17A(2) of Schedule 29 to FA 2004 (lump sum payable on death of dependant of deceased member), is a reference to the dependant on whose death the lump sum is payable;

(b) in relation to a flexi-access drawdown lump sum death benefit under paragraph 17A(3) or (4) of Schedule 29 to FA 2004 (lump sum payable on death of nominee or successor of deceased member), is a reference to the nominee or successor on whose death the lump sum is payable.

(8) In this section—

"non-qualifying person" has the same meaning as in section 206 of FA 2004;

"the permitted maximum", in relation to a flexi-access drawdown lump sum death benefit paid in respect of a member, means so much of the member's lump sum and death benefit allowance as is available immediately before the lump sum is paid (see section 637S);

"qualifying person" means a person who is not a non-qualifying person;

"the relevant two year period" means the period of two years beginning with the day on which the scheme administrator of the scheme first knew of the member's death or (if earlier) the day on which the scheme administrator could first reasonably have been expected to have known of it.

637N Trivial commutation lump sum death benefits

A person to whom a trivial commutation lump sum death benefit is paid under a registered pension scheme is treated as having taxable pension income for the tax year in which the payment is made equal to the amount of the lump sum.

Allowances

637P Individual's lump sum allowance

An individual's "lump sum allowance" is £268,275.

637Q Availability of individual's lump sum allowance

(1) This section is about the availability of an individual's lump sum allowance on the occurrence of a relevant benefit crystallisation event ("the current event").

(2) In this section—

(a) "relevant benefit crystallisation event", in relation to an individual, means the individual becoming entitled to a relevant lump sum;

(b) "relevant lump sum" means—

(i) a pension commencement lump sum, or

(ii) an uncrystallised funds pension lump sum.

(3) If no relevant benefit crystallisation event has occurred in relation to the individual before the current event, the whole of the individual's lump sum allowance is available.

(4) Otherwise, the amount of the individual's lump sum allowance that is available is—

(a) so much of that allowance as is left after deducting the previously-used amount, or

(b) if none is left after deducting that amount, nil.

(5) For this purpose "the previously-used amount" is the aggregate of the non-taxable amounts in relation to each relevant benefit crystallisation event that has occurred in relation to the individual before the current event.

(6) In subsection (5) "non-taxable amount", in relation to a relevant benefit crystallisation event, means so much (if any) of the relevant lump sum to which the event relates as is exempt from the charge to income tax by virtue of any provision of this Chapter.

(7) A reference in this section to a relevant benefit crystallisation event is to a relevant benefit crystallisation event occurring on or after 6 April 2024.

(8) For transitional provision under which the amount of an individual's lump sum allowance available on the occurrence of a relevant benefit crystallisation event may be reduced as a result of events occurring before 6 April 2024, see paragraph 125 of Schedule 9 to FA 2024.

637R Individual's lump sum and death benefit allowance

An individual's "lump sum and death benefit allowance" is £1,073,100.

637S Availability of individual's lump sum and death benefit allowance

(1) This section is about the availability of an individual's lump sum and death benefit allowance on the occurrence of a relevant benefit crystallisation event ("the current event").

(2) In this section—

(a) "relevant benefit crystallisation event", in relation to an individual, means—

(i) the individual becoming entitled to a relevant lump sum, or

(ii) a person being paid a relevant lump sum death benefit in respect of the individual;

(b) "relevant lump sum" means—

(i) a pension commencement lump sum,

(ii) a serious ill-health lump sum, or

(iii) an uncrystallised funds pension lump sum;

(c) "relevant lump sum death benefit" means any authorised lump sum death benefit other than—

(i) a charity lump sum death benefit, or

(ii) a trivial commutation lump sum death benefit.

(3) If no relevant benefit crystallisation event has occurred in relation to the individual before the current event, the whole of the individual's lump sum and death benefit allowance is available.

(4) Otherwise, the amount of the individual's lump sum and death benefit allowance that is available is—

(a) so much of that allowance as is left after deducting the previously-used amount, or

(b) if none is left after deducting that amount, nil.

(5) For this purpose "the previously-used amount" is the aggregate of the non-taxable amounts in relation to each relevant benefit crystallisation event that has occurred in relation to the individual before the current event.

(6) In subsection (5) "non-taxable amount", in relation to a relevant benefit crystallisation event, means so much (if any) of the relevant lump sum, or relevant lump sum death benefit, to which the event relates as is exempt from the charge to income tax by virtue of any provision of this Chapter.

(7) Where more than one relevant benefit crystallisation event within subsection (2)(a)(i) occurs in relation to an individual on the same day, it is for the individual to decide the order in which they are to be treated as occurring for the purposes of this section.

(8) Where more than one relevant benefit crystallisation event within subsection (2)(a)(ii) occurs in relation to an individual, they are to be treated for the purposes of this section as occurring—

(a) immediately before the individual's death,

(b) immediately after any pension commencement lump sum to which the individual becomes entitled immediately before death by virtue of section 166(2) of FA 2004 (lump sum rule), and

(c) in such order as may be decided by the individual's personal representatives.

(9) A reference in this section to a relevant benefit crystallisation event is to a relevant benefit crystallisation event occurring on or after 6 April 2024.

(10) For transitional provision under which the amount of an individual's lump sum and death benefit allowance available on the occurrence of a relevant benefit crystallisation event may be reduced as a result of events occurring before 6 April 2024, see paragraph 126 of Schedule 9 to FA 2024.

(11) For further transitional provision that may affect the operation of this section, see paragraph 20 of Schedule 36 to FA 2004 (pensions in payment before commencement of Part 4 of FA 2004)."

Amendments of the Registered Pension Schemes (Authorised Payments) Regulations 2009

42 (1) The Registered Pension Schemes (Authorised Payments) Regulations 2009 (S.I. 2009/1171) are amended as follows.

(2) Omit regulation 3A (which relates to payments made before 6 April 2015 and is therefore no longer of practical utility).

(3) In regulation 7 (meaning of "relevant accretion") omit paragraphs (3) and (3A).

(4) In regulation 16 (payments of arrears of pension after death) omit paragraphs (5) and (6).

(5) In regulation 17 (pension commencement lump sums based on pension errors) omit paragraphs (4) and (5).

(6) In regulation 18 (pension commencement lump sums paid in error: money purchase arrangements) omit paragraphs (4) and (5).

(7) In regulation 19 (pension commencement lump sums paid after death) omit paragraphs (2) and (3).

(8) In regulation 20 (part refund payments relating to short service), in paragraph (1) for sub-paragraph (b) substitute—

"(b) the member has not previously become entitled to any pension or lump sum under the pension scheme;".

PART 3

NON-UK SCHEMES

Amendments of Part 4 of FA 2004

43 Part 4 of FA 2004 (pension schemes etc) is amended as follows.

44 In section 244 (non-UK schemes: application of certain charges), after "under this Part" insert ", and under Part 9 of ITEPA 2003 (pension income),".

45 For section 244A (overseas transfer charge) substitute—

"244AA Overseas transfer charge: introduction

A charge to income tax, to be known as the overseas transfer charge, arises under the following sections—

(a) section 244AC (overseas transfer charge: transfers where no exclusion applies);

(b) section 244IA (overseas transfer charge: transfers exceeding available allowance).

244AB Overseas transfer charge: interpretation

(1) In this section and in sections 244AC to 244N—

"former QROPS" means a scheme that has at any time been a QROPS;

"onward transfer" means (subject to subsection (3)) a transfer of sums or assets held for the purposes of, or representing accrued rights under, an arrangement under a QROPS or a former QROPS in relation to a member so as to become held for the purposes of, or to represent rights under, an arrangement under another QROPS in relation to that person as a member of that other QROPS;

"original transfer", in relation to an onward transfer, means (subject to subsection (3))—

(a) the recognised transfer or relieved relevant non-UK scheme transfer in respect of which the following conditions are met—

(i) it is from a registered pension scheme or a relieved relevant non-UK scheme to a QROPS,

(ii) the sums and assets transferred by the onward transfer directly or indirectly derive from those transferred by it, and

(iii) it is more recent than any other recognised transfer or relieved relevant non-UK scheme transfer in respect of which the conditions in sub-paragraphs (i) and (ii) are met, or

(b) where there is no such recognised transfer or relieved relevant non-UK scheme transfer, the relevant transfer (see paragraph 1(6) of Schedule 34) in respect of which the following conditions are met—

(i) it is from a relevant non-UK scheme (see paragraph 1(5) of Schedule 34),

(ii) it is a transfer of the whole or part of the UK tax-relieved fund (see paragraph 3 of Schedule 34) of a member of the scheme,

(iii) it is to a QROPS, and

(iv) the sums and assets transferred by the onward transfer directly or indirectly derive from those transferred by it;

"QROPS" means a qualifying recognised overseas pension scheme;

"recognised transfer" has the meaning given by section 169;

"the relevant period" means—

(a) in the case of a recognised transfer or a relieved relevant non-UK scheme transfer made on 6 April in

any year, the five years beginning with the date of that transfer,

(b) in the case of any other recognised transfer or relieved relevant non-UK scheme transfer, the period consisting of the combination of—

(i) the period beginning with the date of the transfer and ending immediately before the next 6 April, and

(ii) the five years beginning at the end of that initial period,

(c) in the case of an onward transfer, the period—

(i) beginning with the date of the transfer, and

(ii) ending at the end of the relevant period for the original transfer (see paragraphs (a) and (b) or, as the case may be, paragraphs (d) and (e)),

(d) in the case of a relevant transfer that—

(i) is made on 6 April in any year, and

(ii) is the original transfer for an onward transfer,

the five years beginning with the date of the relevant transfer, and

(e) in the case of a relevant transfer that—

(i) is made otherwise than on 6 April in any year, and

(ii) is the original transfer for an onward transfer,

the period consisting of the combination of: the period beginning with the date of the relevant transfer and ending immediately before the next 6 April; and the five years beginning at the end of that initial period;

"relieved relevant non-UK scheme" means a pension scheme that is a relevant non-UK scheme within the meaning of sub-paragraph (5) of paragraph 1 of Schedule 34 in respect of which at least one of paragraphs (a) to (c) of that sub-paragraph applies;

"relieved relevant non-UK scheme transfer" means a transfer, other than a block transfer, of sums or assets held for the purposes of, or representing accrued rights under, an arrangement under a relieved relevant non-UK scheme in relation to a relieved member of the scheme so as to become held for the purposes of, or to represent rights under, an arrangement under a QROPS in relation to that person as a member of that QROPS;

"ring-fenced transfer fund", in relation to a QROPS or former QROPS, has the meaning given by paragraph 1 of Schedule 34.

(2) For the purposes of the definition of "relieved relevant non-UK scheme transfer"—

(a) a transfer is "a block transfer" in relation to a member of a pension scheme if it involves the transfer, in a single transaction, of all the sums and assets held for the purposes of, or representing accrued rights under, the arrangements under the scheme which relate to the member and at least one other member of the scheme;

(b) an individual is "a relieved member" of a relieved relevant non-UK scheme if—

(i) any of the contributions in respect of which relief has been given as mentioned in paragraph (a) or (b) of the definition of "relevant non-UK scheme" in paragraph 1(5) of Schedule 34 were contributions paid by or on behalf of, or in respect of, the individual, or

(ii) the individual is the member, or one of the members, who has been exempt from liability to tax as mentioned in paragraph (c) of that definition.

(3) Where, apart from this subsection, there would be different original transfers for different parts of an onward transfer, each such part of the onward transfer is to be treated as a separate onward transfer for the purposes of this section and sections 244AC to 244N.

244AC Overseas transfer charge: transfers where no exclusion applies

(1) The overseas transfer charge arises where—

(a) a transfer within subsection (2) is made to a QROPS, and

(b) the transfer is not excluded from the charge by or under any of sections 244B to 244H.

(2) A transfer to a QROPS is within this subsection if it is—

(a) a recognised transfer,

(b) a relieved relevant non-UK scheme transfer, or

(c) an onward transfer that is made during the relevant period for the original transfer.

(3) Sections 244B to 244H are subject to section 244I (circumstances in which exclusions do not apply)."

46 (1) Section 244B (exclusion: member and receiving scheme in same country) is amended as follows.

(2) In subsection (1)—

(a) in the words before paragraph (a)—

(i) after "recognised transfer to a QROPS" insert "or a relieved relevant non-UK scheme transfer";

(ii) after "overseas transfer charge" insert "under section 244AC";

(b) in paragraph (a), after "the QROPS" insert "to which the transfer is made";

(c) in paragraph (b), in sub-paragraph (i), after "recognised transfer" insert "or relieved relevant non-UK scheme transfer".

(3) In subsection (3), in the words before paragraph (a), after "overseas transfer charge" insert "under section 244AC".

47 (1) Section 244C (exclusion: receiving scheme in EEA state or Gibraltar, and member resident in UK or EEA state) is amended as follows.

(2) In subsection (2)—

(a) in the words before paragraph (a)—

(i) after "recognised transfer" insert "or a relieved relevant non-UK scheme transfer";

(ii) after "overseas transfer charge" insert "under section 244AC".

(b) in paragraph (b), in sub-paragraph (i), after "recognised transfer" insert "or relieved relevant non-UK scheme transfer".

(3) In subsection (3), in the words before paragraph (a), after "recognised transfer" insert "or relieved relevant non-UK scheme transfer".

(4) In subsection (4), in the words before paragraph (a), after "overseas transfer charge" insert "under section 244AC".

48 In section 244D (exclusion: receiving scheme is an occupational pension scheme), in the words before paragraph (a), after "overseas transfer charge" insert "under section 244AC".

49 In section 244E (exclusion: receiving scheme set up by international organisation), in subsection (1), in the words before paragraph (a), after "overseas transfer charge" insert "under section 244AC".

50 In section 244F (exclusion: receiving scheme is an overseas public service scheme), in subsection (1), in the words before paragraph (a), after "overseas transfer charge" insert "under section 244AC".

51 (1) Section 244G (exclusions: avoidance of double charge, and transitional protections) is amended as follows.

(2) In subsection (2), in the words before paragraph (a), after "overseas transfer charge" insert "under section 244AC".

(3) In subsection (3), after "overseas transfer charge" insert "under section 244AC".

(4) After subsection (4) insert—

"(5) An onward transfer is excluded from the overseas transfer charge under section 244AC where—

(a) the overseas transfer charge under section 244IA(1) arose in relation to the original transfer, and

(b) none of the member's overseas transfer allowance was available on the making of the original transfer."

52 In section 244H (power to provide for further exclusions)—

(a) for "or an onward transfer," substitute "a relieved relevant non-UK scheme transfer or an onward transfer";

(b) after "overseas transfer charge" insert "under section 244AC".

53 In section 244I (circumstances in which exclusions do not apply), in subsection (1)—

(a) for "or an onward transfer," substitute "a relieved relevant non-UK scheme transfer or an onward transfer";

(b) after "overseas transfer charge" insert "under section 244AC".

54 After section 244I insert—

"244IA Overseas transfer charge: transfers exceeding available allowance

(1) The overseas transfer charge arises where—

(a) a transfer to a QROPS is made that is—

(i) within section 244AC(2)(a) or (b), or

(ii) an onward transfer within section 244AC(2)(c) in relation to which the original transfer is a transfer within paragraph (b) of the definition of "original transfer" (see section 244AB(1)),

(b) the transfer is excluded from the charge under section 244AC by or under any of sections 244B to 244H, and

(c) the transferred value (determined in accordance with section 244K) exceeds the amount of the member's overseas transfer allowance that is available on the making of the transfer.

(2) The overseas transfer charge also arises where—

(a) a transfer of the kind mentioned in subsection (1)(a) is made to a QROPS,

(b) a charge under section 244AC ("the original charge") arises in relation to the transfer,

(c) a person liable to the original charge becomes entitled under section 244M to a repayment in respect of the original charge, and

(d) the transferred value (determined in accordance with section 244K) exceeds the amount of the member's overseas transfer allowance that is available on the making of the transfer.

244IB Member's overseas transfer allowance

A member's "overseas transfer allowance" is an amount equal to the member's lump sum and death benefit allowance.

244IC Availability of member's overseas transfer allowance

(1) This section is about the availability of a member's overseas transfer allowance on the making of a transfer of the kind mentioned in section 244IA(1)(a) ("the current overseas transfer").

(2) If no transfer of the kind mentioned in section 244IA(1)(a) has been made in relation to the member before the current overseas transfer, the whole of the member's overseas transfer allowance is available.

(3) Otherwise, the amount of the member's overseas transfer allowance that is available is—

(a) so much of that allowance as is left after deducting the previously-used amount, or

(b) if none is left after deducting that amount, nil.

(4) For this purpose "the previously-used amount" is the aggregate of the transferred value (determined in accordance with section 244K) of each transfer (if any) of the kind mentioned in section 244IA(1)(a) that has been made in relation to the member before the current overseas transfer.

(5) A reference in this section to a transfer of the kind mentioned in section 244IA(1)(a) is to a transfer made on or after 6 April 2024."

55 (1) Section 244J (persons liable to charge) is amended as follows.

(2) After subsection (1) insert—

"(1A) In the case of a relieved relevant non-UK scheme transfer, the member is liable to the overseas transfer charge."

(3) In subsection (4), in the words before paragraph (a), for "transfer" substitute "recognised transfer to a QROPS or an onward transfer".

56 After section 244J insert—

"244JA Amount of charge

(1) Where the overseas transfer charge arises under section 244AC in relation to a transfer, the charge is—

(a) in a case where the transfer is an onward transfer and the overseas transfer charge under section 244IA(1) arose in relation to the original transfer, 25% of so much of the transferred value of the original transfer as did not exceed the amount of the member's overseas transfer allowance that was available on the making of the original transfer;

(b) in any other case, 25% of the transferred value.

(2) Where the overseas transfer charge arises under section 244IA in relation to a transfer, the charge is 25% of so much of the transferred value as exceeds the amount of the member's overseas transfer allowance that is available on the making of the transfer."

57 (1) Section 244K (amount of charge) is amended as follows.

(2) For the heading substitute "Meaning of "transferred value"".

(3) For subsection (1) substitute—

"(1A) The transferred value, in relation to a transfer within section 244AC(2), is to be determined in accordance with this section."

(4) In subsection (2), in the words after paragraph (b), for "(5)" substitute "(6)".

(5) In subsection (3), in the words after paragraph (b), for "(5)" substitute "(6)".

(6) After subsection (3) insert—

"(3A) If the transfer is a transfer from a relieved relevant non-UK scheme, the transferred value is the total of—

(a) the amount of any sums transferred that are attributable to the member's UK tax-relieved fund (see paragraph 3 of Schedule 34), and

(b) the value of any assets transferred that are attributable to that fund,

but this is subject to subsections (6) to (9)."

(7) In subsection (4), in the words after paragraph (b), for "(5)" substitute "(6)".

(8) Omit subsections (5) and (10).

58 In section 244M (repayments of charge on subsequent excluding events), in subsection (1), in paragraph (a), for "overseas transfer charge" substitute "the overseas transfer charge under section 244AC".

59 (1) Schedule 33 (overseas pension schemes: migrant member relief) is amended as follows.

(2) In paragraph 4 (meaning of "relevant migrant member")—

(a) in sub-paragraph (1)(d), after "events that are" insert "relevant";

(b) after sub-paragraph (3) insert—

"(4) In this paragraph "relevant benefit crystallisation event" has the same meaning as in section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance)."

(3) In paragraph 5 (meaning of "qualifying" overseas pension scheme)—

(a) in sub-paragraph (2), for "events that are benefit crystallisation" substitute "relevant";

(b) for sub-paragraph (2A) substitute—

"(2A) In sub-paragraph (2) "relevant events" means—

(a) relevant benefit crystallisation events, or

(b) occasions that are, or could (depending on their timing) be, occasions on which an individual first

flexibly accesses pension rights for the purposes of sections 227B to 227F.";

(c) after sub-paragraph (5) insert—

"(6) In this paragraph "relevant benefit crystallisation event" has the same meaning as in section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance)."

60 (1) Schedule 34 (non-UK schemes: application of certain charges) is amended as follows.

(2) In paragraph 1 (member payment charges)—

(a) in sub-paragraph (3), at the end of paragraph (d) insert "and";

(b) in sub-paragraph (3), for paragraphs (da), (db) and (e) substitute—

"(e) the charge to tax under Part 9 of ITEPA 2003 (pension income) on pension income to which—

(i) any provision of Chapter 15A of that Part of that Act (lump sums under registered pension schemes) applies, or

(ii) section 579A of that Act (pension income under registered pension schemes) applies by virtue of any provision of that Chapter.";

(c) in sub-paragraph (4), for paragraph (b) substitute—

"(b) Chapter 15A of Part 9 of ITEPA 2003 (lump sums under registered pension schemes)."

(3) After paragraph 5 insert—

"5ZA(1) The provisions of Chapter 15A of Part 9 of ITEPA 2003 (lump sums under registered pension schemes) do not apply in relation to—

(a) a serious ill-health lump sum paid to a transfer member of a relevant non-UK scheme, or

(b) an authorised lump sum death benefit paid in respect of a transfer member of a relevant non-UK scheme who (at the time of the payment) is under 75.

(2) In this paragraph "authorised lump sum death benefit" means a lump sum death benefit permitted by the lump sum death benefit rule in section 168 of this Act to be paid in respect of a member of a registered pension scheme."

(4) Omit paragraphs 13 to 19 (lifetime allowance charge).

Amendments of Chapter 4 of Part 9 of ITEPA 2003

61 (1) In Chapter 4 of Part 9 of ITEPA 2003 (foreign pensions), section 574A ("pension": relevant lump sums) is amended as follows.

(2) After subsection (2) insert—

"(2A) A lump sum is not "a relevant lump sum" by virtue of subsection (2) if it is within paragraph 5ZA(1)(a) or (b) of Schedule 34 to FA 2004 (which specify certain lump sums paid to or in respect of transfer members of relevant non-UK schemes)."

(3) In subsection (3), in Step 3—

(a) in paragraph (a) for "section 636B(3)" substitute "section 637G(2)";

(b) in paragraph (b), for "all or part of the member's lifetime allowance is available" substitute "all of the member's lump sum allowance is available".

Amendments of the Pension Schemes (Application of UK Provisions to Relevant Non-UK Schemes) Regulations 2006

62 (1) The Pension Schemes (Application of UK Provisions to Relevant Non-UK Schemes) Regulations 2006 (S.I. 2006/207) are amended as follows.

(2) In regulation 1(2) (interpretation) omit the definition of "benefit crystallisation event 8".

(3) In regulation 3 (computation of a member's relevant transfer fund)—

(a) the existing text becomes paragraph (1);

(b) in sub-paragraph (a) of that paragraph—

(i) omit "by virtue of benefit crystallisation event 8";

(ii) after "registered" insert "pension";

(c) after that paragraph insert—

"(2) For the purposes of this regulation, the "amount crystallised" on a transfer from a UK registered scheme to a relevant non-UK scheme is the aggregate of the amount of any sums transferred and the market value of any assets transferred."

(4) In regulation 3A (computation of a member's taxable asset transfer fund)—

(a) in paragraph (1)(a) omit "by virtue of benefit crystallisation event 8";

(b) after paragraph (2) insert—

"(3) For the purposes of this regulation, the "amount crystallised" on a transfer from a UK registered pension scheme to a relevant non-UK scheme is the aggregate of the amount of any sums transferred and the market value of any assets transferred."

(5) In regulation 4ZB (payment and crystallisation valuation), in paragraph (9), for "paragraph 3(7C) of Schedule 29" substitute "section 278B".

(6) In regulation 15 (modification of Schedule 29 (authorised lump sums: definitions etc))—

(a) after paragraph (1) insert—

"(1A) In paragraph 3C (pension commencement excess lump sum)—

(a) in sub-paragraph (1), after paragraph (c) insert—

"(ca) it is not paid from the relevant transfer fund of a qualifying recognised overseas pension scheme;

(cb) it is not paid from the UK tax-relieved fund of a relevant non-UK scheme.";

(b) after sub-paragraph (4) insert—

"(5) Expressions used in sub-paragraph (1)(ca) and (cb) have the same meaning as in Schedule 34 (non-UK schemes: application of certain charges)."

(1B) In paragraph 4 (serious ill-health lump sum)—

(a) in sub-paragraph (1)(a)—

(i) for "scheme administrator" substitute "scheme manager";

(ii) after "registered medical practitioner" insert "or a recognised medical practitioner";

(b) at the end insert—

"(4) In sub-paragraph (1) "recognised medical practitioner" means a medical practitioner practising outside the United Kingdom who is authorised, licensed or registered to practise medicine in the country or territory, outside the United Kingdom, in which either the scheme or the member is resident."

(1C) In paragraph 12A (references to availability of allowances) after sub-paragraph (4) insert—

"(5) Sub-paragraph (6) applies in any case in which it is necessary to determine, for the purposes of—

(a) paragraph 1 (pension commencement lump sum),

(b) paragraph 7 (trivial commutation lump sum), or

(c) paragraph 10 (winding-up lump sum),

whether all or part of a transfer member's lump sum allowance or lump sum and death benefit allowance is available when a lump sum is paid by a recognised overseas pension scheme.

(6) Sections 637Q and 637S of ITEPA 2003 (availability of allowances) have effect as if references in those sections to relevant benefit crystallisation events were only to relevant benefit crystallisation events—

(a) occurring in relation to the recognised overseas pension scheme, and

(b) in respect of lump sums referable to the member's relevant transfer fund (within the meaning given by paragraph 4 of Schedule 34 to FA 2004).

(7) In sub-paragraph (5) "transfer member" has the meaning given by paragraph 1(8) of Schedule 34 (non-UK schemes).""";

(b) omit paragraphs (2) to (10).

(7) In regulation 17 (modification of Schedule 34 (non-UK schemes: application of certain charges)), in the inserted paragraph 19A (Revenue and Customs discretion)—

(a) in sub-paragraph (1)—

(i) at the end of paragraph (a)(ii) insert "and";

(ii) omit paragraph (c) and the "and" before it;

(b) in sub-paragraph (3)(b), for "to (c)" substitute "and (b)";

(c) in sub-paragraph (4)(b), for "by" the first time it occurs substitute "be".

(8) For regulation 18 (modification of section 636A(1B) (taxation of uncrystallised funds pension lump sum paid to member who is 75 or over)) substitute—

"Modifications of Chapter 15A of ITEPA 2003 in respect of relevant non-UK schemes

18—(1) Paragraph (2) applies where an uncrystallised funds pension lump sum is paid to a transfer member of a recognised overseas pension scheme.

(2) In determining the amount of "the permitted maximum" for the purposes of section 637D of ITEPA 2003 (income tax treatment of uncrystallised funds pension lump sums), sections 637Q and 637S of that Act (availability of allowances) have effect as if references to relevant benefit crystallisation events were only to relevant benefit crystallisation events—

(a) occurring in relation to the recognised overseas pension scheme, and

(b) in respect of lump sums referable to the member's relevant transfer fund (within the meaning given by paragraph 4 of Schedule 34 to FA 2004).

(3) In sub-paragraph (1) "transfer member" has the meaning given by paragraph 1(8) of Schedule 34 to FA 2004 (non-UK schemes)."

PART 4

TRANSITIONAL PROTECTIONS

Amendments of Schedule 29 to FA 2004

63 (1) In Schedule 29 to FA 2004 (registered pension schemes: authorised lump sums: supplementary), paragraph 4A (uncrystallised funds pension lump sum) is amended as follows.

(2) In sub-paragraph (1)—

(a) at the end of paragraph (e) insert "and";

(b) omit the "and" at the end of paragraph (f);

(c) omit paragraph (g).

(3) Omit sub-paragraphs (3) to (6).

(4) At the end insert—

"(8) For further provision about circumstances in which a lump sum is not an uncrystallised funds pension lump sum, see the following provisions of Part 2 of Schedule 36 (transitional provision and saving: pre-commencement rights: enhancement of allowances)—

(a) paragraph 7(8) (enhancement of allowances: primary protection);

(b) paragraph 12(3H) (enhancement of allowances: enhanced protection);

(c) paragraph 18(7) (enhancement of allowances: pre-commencement pension credits);

(d) paragraph 20A(8) (pension credits from previously crystallised rights);

(e) paragraph 20B(8) (individuals who are not always relevant UK individuals);

(f) paragraph 20E(9) (transfers from recognised overseas pension schemes)."

Amendments of Schedule 34 to FA 2004

64 (1) Schedule 34 to FA 2004 (non-UK schemes: application of certain charges) is amended as follows.

(2) In the heading, at the end insert "and protections etc".

(3) After paragraph 12 (application of annual allowance provisions) insert—

"Enhancement of allowances

12A(1) The provisions of Schedule 36 relating to the enhancement of an individual's lump sum allowance and lump sum and death benefit allowance ("the enhancement of allowances provisions") apply

in relation to an individual who is a relieved member of a relieved non-UK pension scheme as if the relieved non-UK pension scheme were a registered pension scheme.

(2) A pension scheme is a relieved non-UK pension scheme if—

(a) relief from tax has been given in respect of contributions paid under the pension scheme by virtue of Schedule 33 (overseas pension schemes: migrant member relief),

(b) relief from tax has been so given at any time after 5th April 2006 under double tax arrangements, or

(c) a member of the pension scheme has been, or members of the pension scheme have been, exempt from liability to tax by virtue of section 307 of ITEPA 2003 (exemption for provision made by employer for retirement or death benefit) in respect of provision made under the pension scheme at any time after 5th April 2006 when the pension scheme was an overseas pension scheme.

(3) An individual is a relieved member of a relieved non-UK pension scheme if—

(a) any of the contributions in respect of which relief has been given as mentioned in sub-paragraph (2)(a) or (b) were contributions paid by or on behalf of, or in respect of, the individual, or

(b) the individual is the member, or one of the members, who has been exempt from liability to tax as mentioned in sub-paragraph (2)(c)."

Amendments of Part 2 of Schedule 36 to FA 2004

65 Part 2 of Schedule 36 to FA 2004 (transitional provision and saving: pre-commencement rights: lifetime allowance charge) is amended as follows.

66 In the heading, for "lifetime allowance charge" substitute "enhancement of allowances etc".

67 Before paragraph 7 and the italic heading before it insert—

"Enhancement of lump sum allowance and lump sum and death benefit allowance

6A (1) Sub-paragraph (2) applies, in relation to a relevant benefit crystallisation event occurring in relation to an individual, other than the individual becoming entitled to a pension commencement lump sum or an uncrystallised funds pension lump sum, where one or more lump sum and death benefit allowance enhancement factors operate in relation to the relevant benefit crystallisation event.

(2) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the

individual as if the amount specified in section 637R of that Act (individual's lump sum and death benefit allowance) were an amount equal to—

$$A + (A \times B)$$

where—

A is—

(a) in the case of an individual in relation to whom a relevant protection provision applies (see sub-paragraph (3)), the individual's protected lump sum and death benefit allowance (see sub-paragraph (4));

(b) in any other case, £1,073,100;

B is the aggregate of the lump sum and death benefit allowance enhancement factors that operate in relation to the relevant benefit crystallisation event.

(3) The following provisions are "relevant protection provisions"—

(a) paragraph 7 of this Schedule (primary protection);

(b) paragraph 14 of Schedule 18 to FA 2011 (fixed protection);

(c) paragraph 1 of Schedule 22 to FA 2013 ("fixed protection 2014");

(d) paragraph 1 of Schedule 6 to FA 2014 ("individual protection 2014");

(e) paragraph 1 of Schedule 4 to FA 2016 ("fixed protection 2016");

(f) paragraph 9 of that Schedule ("individual protection 2016").

(4) In the case of an individual in relation to whom a relevant protection provision applies, the individual's "protected lump sum and death benefit allowance" is the amount treated as specified in section 637R of ITEPA 2003 in relation to the individual by virtue of the relevant protection provision.

(5) The following paragraphs make provision for the operation of lump sum and death benefit enhancement factors—

paragraphs 7 to 11A (primary protection);

paragraph 18 (pre-commencement pension credits);

paragraph 20A (pension credits from previously crystallised rights);

paragraphs 20B to 20D (individuals who are not always relevant UK individuals);

paragraphs 20E to 20G (transfers from recognised overseas pension schemes).

(6) Paragraphs 7 and 18 also make provision enhancing the amount of an individual's lump sum allowance.

(7) In this paragraph "relevant benefit crystallisation event" has the same meaning as in section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance)."

68 For paragraph 7 (primary protection) substitute—

"7 (1) This paragraph applies in the case of an individual where—

(a) the amount of the relevant pre-commencement pension rights of the individual exceeds £1,500,000, and

(b) notice of intention to rely on this paragraph is given to His Majesty's Revenue and Customs in accordance with regulations made by the Commissioners for His Majesty's Revenue and Customs.

(2) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect—

(a) in relation to a relevant benefit crystallisation event within the meaning of section 637Q of ITEPA 2003 (availability of individual's lump sum allowance) occurring in relation to the individual, as if the amount specified in section 637P of ITEPA 2003 (individual's lump sum allowance) were £375,000;

(b) in relation to a relevant benefit crystallisation event within the meaning of section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance) occurring in relation to the individual, as if the amount specified in section 637R of ITEPA 2003 (individual's lump sum and death benefit allowance) were £1,800,000.

(3) A lump sum and death benefit allowance enhancement factor operates in relation to the relevant benefit crystallisation event mentioned in paragraph 6A(1).

(4) The lump sum and death benefit allowance enhancement factor is the primary protection factor.

(5) The primary protection factor is—

$$\frac{RR - £1,500,000}{£1,500,000}$$

where RR is the amount of the relevant pre-commencement pension rights of the individual (see sub-paragraph (6)).

(6) The amount of the relevant pre-commencement rights of the individual is the aggregate of—

(a) the value of the individual's relevant uncrystallised pension rights on 5th April 2006 (calculated in accordance with paragraphs 8 and 9), and

(b) the value of the individual's relevant crystallised pension rights on that date (calculated in accordance with paragraph 10).

(7) Sub-paragraph (5) is subject to paragraph 11 (pension debit on or after 6th April 2006) and paragraph 11A (pension debit on or after 6th April 2006: lump sum death benefits).

(8) Where this paragraph applies in the case of an individual, for the purposes of this Part a lump sum is not an uncrystallised funds pension lump sum (see paragraph 4A of Schedule 29) if—

(a) the lump sum condition (see paragraphs 24(2) and (3), 25 and 26 of this Schedule) is met in relation to the individual, or

(b) immediately before the lump sum is paid, the amount given by the formula in sub-paragraph (9) is less than 25% of the lump sum.

(9) The formula is—

$$\frac{£1,800,000 - A}{4}$$

where A is the amount that would be the previously-used amount within the meaning of section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance) if a relevant benefit crystallisation event within the meaning of that section had occurred immediately before the lump sum is paid."

69 (1) Paragraph 11 (primary protection: pension debit on or after 6th April 2006) is amended as follows.

(2) In sub-paragraph (1)(a), for "makes provision for the operation of a lifetime allowance enhancement factor" substitute "applies".

(3) In sub-paragraphs (2) and (3), for "paragraph 7(3)" substitute "paragraph 7(5)".

(4) In sub-paragraph (4), for "benefit crystallisation event" substitute "relevant benefit crystallisation event".

(5) After that sub-paragraph insert—

"(5) In this paragraph "relevant benefit crystallisation event" has the same meaning as in section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance)."

70 (1) Paragraph 11A (primary protection: pension debit on or after 6th April 2006: lump sum death benefits) is amended as follows.

(2) In sub-paragraph (1)(a), for "makes provision for the operation of a lifetime allowance enhancement factor" substitute "applies".

(3) In paragraphs (a) and (b) of sub-paragraph (4), for "benefit crystallisation event" substitute "relevant benefit crystallisation event".

(4) After that sub-paragraph insert—

"(5) In this paragraph "relevant benefit crystallisation event" has the same meaning as in section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance)."

71 (1) Paragraph 12 (enhanced protection) is amended as follows.

(2) For sub-paragraph (3) substitute—

"(3A) Where this paragraph applies in the case of an individual, Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) and Part 4 of FA 2004 (pensions etc) have effect in relation to the individual with the modifications in sub-paragraphs (3B) to (3F).

(3B) For the purposes of determining the income tax treatment of a lump sum or a lump sum death benefit—

(a) section 637C of that Act (serious ill-health lump sums) has effect as if, in subsection (3) of that section (which defines the permitted maximum), for the words from "so much of" to the end there were substituted "the maximum amount of a serious ill-health lump sum that could have been paid to the individual on 5 April 2024 under the arrangement pursuant to which the individual becomes entitled to the serious ill-health lump sum";

(b) section 637D of that Act (uncrystallised funds pension lump sums) has effect as if—

(i) in subsection (3) of that section (which defines the permitted maximum), for paragraph (b) there were substituted—

"(b) the maximum amount of an uncrystallised funds pension lump sum that could have been paid to the individual with no liability to income tax on 5 April 2024 under the arrangement pursuant to which the entitlement to the uncrystallised funds pension lump sum arises in respect of the individual.";

(ii) after that subsection there were inserted—

"(4) But in a case where the individual has previously become entitled to a serious ill-health lump sum—

(a) subsection (3) does not apply, and

(b) in subsection (2) "the permitted maximum", in relation to an uncrystallised funds pension lump sum paid to the member, is nil.";

(c) section 637H of that Act (defined benefits lump sum death benefits) has effect as if, in subsection (7) of that section, in the definition of "the permitted maximum", for the words from "so much of" to the end there were substituted "—

(a) the maximum amount of a defined benefits lump sum death benefit that could have been paid in respect of the individual on 5 April 2024 under the arrangement pursuant to which the entitlement to the defined benefits lump sum death benefit arises in respect of the individual, less

(b) the aggregate of the non-taxable amounts within the meaning given by section 637S(6) of each authorised lump sum death benefit (if any) previously paid in respect of the individual under that arrangement after that date;

or, if that produces a negative result, nil.";

(d) section 637I of that Act (pension protection lump sum death benefits) has effect as if, in subsection (5) of that section, in the definition of "the permitted maximum", for the words from "so much of" to the end there were substituted "—

(a) the maximum amount of a pension protection lump sum death benefit that could have been paid in respect of the individual on 5 April 2024 under the arrangement pursuant to which the entitlement to the pension protection lump sum death benefit arises in respect of the individual, less

(b) the aggregate of the non-taxable amounts within the meaning given by section 637S(6) of each authorised lump sum death benefit (if any) previously paid in respect of the

individual under that arrangement after that date;

or, if that produces a negative result, nil.";

(e) section 637J of that Act (uncrystallised funds lump sum death benefits) has effect as if, in subsection (7), in the definition of "the permitted maximum", for the words from "so much of" to the end there were substituted "—

(a) the maximum amount of an uncrystallised funds lump sum death benefit that could have been paid in respect of the individual on 5 April 2024 under the arrangement pursuant to which the entitlement to the uncrystallised funds lump sum death benefit arises in respect of the individual, less

(b) the aggregate of the non-taxable amounts within the meaning given by section 637S(6) of each authorised lump sum death benefit (if any) previously paid in respect of the individual under that arrangement after that date;

or, if that produces a negative result, nil.";

(f) section 637K of that Act (annuity protection lump sum death benefits) has effect as if, in subsection (5), in the definition of "the permitted maximum", for the words from "so much of" to the end there were substituted "—

(a) the maximum amount of an annuity protection lump sum death benefit that could have been paid in respect of the individual on 5 April 2024 under the arrangement pursuant to which the entitlement to the annuity protection lump sum death benefit arises in respect of the individual, less

(b) the aggregate of the non-taxable amounts within the meaning given by section 637S(6) of each authorised lump sum death benefit (if any) previously paid in respect of the individual under that arrangement after that date;

or, if that produces a negative result, nil.";

(g) section 637L of that Act (drawdown pension fund lump sum death benefits) has effect as if, in subsection (8), in

the definition of "the permitted maximum", for the words from "so much of" to the end there were substituted "—

(a) the maximum amount of a drawdown pension fund lump sum death benefit that could have been paid in respect of the individual on 5 April 2024 under the arrangement pursuant to which the entitlement to the drawdown pension fund lump sum death benefit arises in respect of the individual, less

(b) the aggregate of the non-taxable amounts within the meaning given by section 637S(6) of each authorised lump sum death benefit (if any) previously paid in respect of the individual under that arrangement after that date;

or, if that produces a negative result, nil.";

(h) section 637M of that Act (flexi-access drawdown lump sum death benefits) has effect as if, in subsection (8), in the definition of "the permitted maximum", for the words from "so much of" to the end there were substituted "—

(a) the maximum amount of a flexi-access drawdown lump sum death benefit that could have been paid in respect of the individual on 5 April 2024 under the arrangement pursuant to which the entitlement to the flexi-access drawdown lump sum death benefit arises in respect of the individual, less

(b) the aggregate of the non-taxable amounts within the meaning given by section 637S(6) of each authorised lump sum death benefit (if any) previously paid in respect of the individual under that arrangement after that date;

or, if that produces a negative result, nil.";

(i) Schedule 29 to FA 2004 (pension commencement lump sum: definition of "permitted maximum") has effect as if—

(i) in paragraph 2, sub-paragraph (c) were omitted;

(ii) after paragraph 2 there were inserted—

"2ZA In the case of an individual who has previously become entitled to a serious ill-health lump sum—

(a) paragraph 2 does not apply, and

(b) in paragraph 1 "the permitted maximum", in relation to a lump sum, is nil."

(3C) For the purposes of the modifications made by sub-paragraph (3B), the maximum amount of a serious ill-health lump sum or a lump sum death benefit that could have been paid in respect of an individual on 5 April 2024 under an arrangement that is a defined benefits arrangement is an amount equal to the appropriate limit, determined under paragraph 15(4), in relation to payment of the serious ill-health lump sum or the lump sum death benefit.

(3D) For the purposes of the modifications made by sub-paragraph (3B) "authorised lump sum death benefit" means a lump sum death benefit authorised to be paid by the lump sum death benefit rule.

(3E) Section 637P of ITEPA 2003 (individual's lump sum allowance) applies as if the amount specified in that section were £375,000.

(3F) Section 637R of ITEPA 2003 (individual's lump sum and death benefit allowance) applies as if the amount specified in that section were an amount equal to the value of the individual's uncrystallised pension rights on 5 April 2024.

(3G) The Commissioners for His Majesty's Revenue and Customs may by regulations make provision about how the value of the individual's uncrystallised pension rights on 5 April 2024 is to be determined for the purposes of sub-paragraph (3F).

(3H) Where this paragraph applies in the case of an individual, for the purposes of this Part a lump sum is not an uncrystallised funds pension lump sum (see paragraph 4A of Schedule 29) if the lump sum condition (see paragraphs 24(2) and (3), 25 and 26 of this Schedule) is met in relation to the individual."

72 In paragraph 13 (enhanced protection: relevant benefit accrual), in sub-paragraph (b), for "a benefit crystallisation event or" substitute "the individual becomes entitled to any pension or lump sum or a".

73 (1) Paragraph 15 (enhanced protection: relevant benefit accrual: interpretation) is amended as follows.

(2) In sub-paragraph (2), in the words before paragraph (a)—

(a) after "relevant event is a" insert "relevant";

(b) omit "which is not a benefit crystallisation event".

(3) After sub-paragraph (2) insert—

"(2A) In sub-paragraph (2) "relevant permitted transfer" means a permitted transfer that is not a transfer of sums or assets held for the purposes of, or representing accrued rights under, any of

the relevant pension schemes so as to become held for the purposes of, or to represent rights under, a qualifying recognised overseas pension scheme in connection with the individual's membership of that pension scheme."

74 In paragraph 16 (post-commencement earnings limit), in subsection (3), for the words from "7.5%" to the end substitute "£135,000."

75 For paragraph 18 (pre-commencement pension credits) substitute—

"18 (1) This paragraph applies in the case of an individual where—

(a) before 6th April 2006, the individual has acquired rights under a pension scheme within paragraph 1(1) by virtue of having become entitled to a pension credit,

(b) notice of intention to rely on this paragraph is given to His Majesty's Revenue and Customs in accordance with regulations made by the Commissioners for His Majesty's Revenue and Customs, and

(c) paragraph 7 (primary protection) does not apply in relation to the individual.

(2) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect, in relation to a relevant benefit crystallisation event within the meaning of section 637Q of ITEPA 2003 (availability of individual's lump sum allowance) occurring in relation to the individual, as if the amount specified in section 637P of ITEPA 2003 (individual's lump sum allowance) were the lower of—

(a) an amount equal to £268,275 increased by the pre-commencement pension credit factor calculated under sub-paragraph (5), and

(b) £375,000.

(3) A lump sum and death benefit allowance enhancement factor operates in relation to the relevant benefit crystallisation event mentioned in paragraph 6A(1).

(4) The lump sum and death benefit allowance enhancement factor is the pre-commencement pension credit factor calculated under sub-paragraph (5).

(5) The pre-commencement pension credit factor is—

$$\frac{A}{£1,500,000}$$

where A is the amount which is the appropriate amount for the purposes of section 29(1) of WRPA 1999 or Article 26(1) of WRP(NI)O 1999 in relation to the pension credit, as increased by the percentage specified in sub-paragraph (6).

(6) The percentage is the percentage by which the retail prices index for April 2006 is greater than that for the month in which the rights were acquired.

(7) Where this paragraph applies in the case of an individual, for the purposes of this Part a lump sum is not an uncrystallised funds pension lump sum (see paragraph 4A of Schedule 29) if, immediately before the lump sum is paid, the amount given by the formula in sub-paragraph (8) is less than 25% of the lump sum.

(8) The formula is—

$$\frac{A - B}{4}$$

where—

A is—

(a) in the case of an individual in relation to whom a relevant protection provision applies, the individual's protected lump sum and death benefit allowance (see paragraph 6A(4));

(b) in any other case, £1,073,100;

B is the amount that would be the previously-used amount within the meaning of section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance) if a relevant benefit crystallisation event within the meaning of that section had occurred immediately before the lump sum is paid."

76 (1) Paragraph 19 (individuals permitted to take pension before normal minimum pension age) is amended as follows.

(2) In sub-paragraph (1), in the words before paragraph (a), for "benefit crystallisation event" substitute "relevant benefit crystallisation event".

(3) After that paragraph insert—

"(1A) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual with the modifications in sub-paragraphs (1B) and (2).

(1B) Where the relevant benefit crystallisation event is the individual becoming entitled to a pension commencement lump sum, section 637P of ITEPA 2003 (individual's lump sum allowance) applies as if the amount specified in that section were £268,275 reduced by the relevant percentage (see sub-paragraph (4)."

(4) For sub-paragraph (2) substitute—

"(2) Where the event is a relevant benefit crystallisation event, section 637R of ITEPA 2003 (individual's lump sum and death benefit

allowance) applies as if the amount specified in that section were the amount determined under sub-paragraph (2A) reduced by the relevant percentage (see sub-paragraph (4).

(2A) That amount is—

(a) £1,073,100, or

(b) in a case where, disregarding sub-paragraph (2), section 637R of ITEPA 2003 (individual's lump sum and death benefit allowance) would apply in relation to the individual as if it specified any other amount, that amount."

(5) In sub-paragraphs (3) and (4), for "benefit crystallisation event" substitute "relevant benefit crystallisation event".

(6) Omit sub-paragraphs (5) and (6).

(7) At the end insert—

"(7) In this paragraph "relevant benefit crystallisation event" has the same meaning as in section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance)."

77 (1) Paragraph 20 (pre-commencement pensions) is amended as follows.

(2) In sub-paragraph (1)—

(a) the words from "has an actual (rather than a prospective) right" to the end become paragraph (a);

(b) after that paragraph insert ", and

(b) during the period beginning on 5th April 2006 and ending on 5th April 2024, no benefit crystallisation event within the meaning of section 216 as that provision had effect at the end of that period has occurred in relation to the individual."

(3) After sub-paragraph (1) insert—

"(1A) Section 637Q of ITEPA 2003 (availability of individual's lump sum allowance) applies as if, immediately before the first relevant benefit crystallisation event occurring in relation to the individual on or after 6th April 2024—

(a) a relevant benefit crystallisation event within the meaning of that section had occurred in relation to the individual, and

(b) the amount of the lump sum to which the relevant benefit crystallisation event relates was an amount equal to 25% of the value of the individual's pre-commencement pension rights immediately before the relevant benefit crystallisation event."

(4) In sub-paragraph (2)—

(a) in the words before paragraph (a)—

(i) for "Section 219 (availability of individual's lifetime allowance)" substitute "Section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance)";

(ii) for "benefit crystallisation event" substitute "relevant benefit crystallisation event";

(b) in paragraph (a), for "benefit crystallisation event" substitute "relevant benefit crystallisation event within the meaning of that section";

(c) in paragraph (b)—

(i) for "amount crystallised was" substitute "amount of the lump sum or lump sum death benefit to which the relevant benefit crystallisation event relates was 25% of";

(ii) for "benefit crystallisation event" substitute "relevant benefit crystallisation event".

78 After paragraph 20 insert—

"Pension credits from previously crystallised rights

20A(1) This paragraph applies in relation to a relevant benefit crystallisation event occurring in relation to an individual where—

(a) the individual has (at any time after 5th April 2006 but before 6th April 2024) acquired rights under a registered pension scheme by reason of having become entitled to a pension credit,

(b) the pension credit derived from the same or another registered pension scheme,

(c) the rights under the registered pension scheme which became subject to the corresponding pension debit consisted of, or included, rights to a post-commencement pension in payment, and

(d) notice of intention to rely on this paragraph is given to His Majesty's Revenue and Customs in accordance with regulations made by the Commissioners for His Majesty's Revenue and Customs.

(2) "Post-commencement pension in payment" means a pension to which a person became entitled on or after 6th April 2006.

(3) A lump sum and death benefit allowance enhancement factor operates in relation to the relevant benefit crystallisation event mentioned in paragraph 6A(1).

(4) The lump sum and death benefit allowance enhancement factor is the pension credit factor.

(5) The pension credit factor is—

$$\frac{A}{£1,000,000}$$

where A is the post-commencement pension in payment portion of the amount which is the appropriate amount for the purposes of section 29(1) of WRPA 1999 or Article 26(1) of WRP(NI)O 1999 in relation to the pension credit.

(6) The post-commencement pension in payment portion of the appropriate amount referred to in the definition of A—

(a) in a case where the appropriate amount is arrived at under section 29(2) or (3)(b) of WRPA 1999 or Article 26(2) or (3)(b) of WRP(NI)O 1999, is so much of that amount as is attributable to rights to a post-commencement pension in payment;

(b) in a case where the appropriate amount is arrived at under section 29(3)(a) of WRPA 1999 or Article 26(3)(a) of WRP(NI)O 1999, is so much of that amount as is just and reasonable.

(7) In this paragraph and in paragraphs 20B to 20G, "relevant benefit crystallisation event" has the same meaning as in section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance).

(8) Where this paragraph applies, for the purposes of this Part a lump sum is not an uncrystallised funds pension lump sum (see paragraph 4A of Schedule 29) if, immediately before the lump sum is paid, the amount given by the formula in sub-paragraph (9) is less than 25% of the lump sum.

(9) The formula is—

$$\frac{A - B}{4}$$

where—

A is—

(a) in the case of an individual in relation to whom a relevant protection provision applies, the individual's protected lump sum and death benefit allowance (see paragraph 6A(4));

(b) in any other case, £1,073,100;

B is the amount that would be the previously-used amount within the meaning of section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance) if a relevant benefit crystallisation event within

the meaning of that section had occurred immediately before the lump sum is paid.

Non-residence: general

20B (1) This paragraph applies in relation to a relevant benefit crystallisation event occurring in relation to an individual where—

(a) during any part of the period that is the active membership period in relation to an arrangement relating to the individual under a registered pension scheme, the individual is a relevant overseas individual, and

(b) notice of intention to rely on this paragraph is given to His Majesty's Revenue and Customs in accordance with regulations made by the Commissioners for His Majesty's Revenue and Customs.

(2) A lump sum and death benefit allowance enhancement factor operates in relation to the relevant benefit crystallisation event mentioned in paragraph 6A(1).

(3) Paragraph 20C provides the lump sum and death benefit allowance enhancement factor in the case of an arrangement that is a money purchase arrangement.

(4) Paragraph 20D provides the lump sum and death benefit allowance enhancement factor in the case of any other arrangement.

(5) For the purposes of this Part an individual is a relevant overseas individual at any time if, at that time, the individual either is not a relevant UK individual or—

(a) is a relevant UK individual by virtue only of paragraph (c) of section 189(1) (individuals resident in UK at some time in previous five tax years), and

(b) is not employed by a person resident in the United Kingdom.

(6) In this paragraph and in paragraphs 20C and 20D "the active membership period", in relation to an arrangement relating to the individual, is the period—

(a) beginning with the date on which the benefits first began to accrue to or in respect of the individual under the arrangement or, if later, 6th April 2006, and

(b) ending on 5th April 2024.

(7) But if benefits ceased to accrue to or in respect of the individual under the arrangement at a time before 5th April 2024, the active membership period is to be treated as having ended at that time.

(8) Where this paragraph applies, for the purposes of this Part a lump sum is not an uncrystallised funds pension lump sum (see

paragraph 4A of Schedule 29) if, immediately before the lump sum is paid, the amount given by the formula in sub-paragraph (9) is less than 25% of the lump sum.

(9) The formula is—

$$\frac{A - B}{4}$$

where—

A is—

(a) in the case of an individual in relation to whom a relevant protection provision applies, the individual's protected lump sum and death benefit allowance (see paragraph 6A(4));

(b) in any other case, £1,073,100;

B is the amount that would be the previously-used amount within the meaning of section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance) if a relevant benefit crystallisation event within the meaning of that section had occurred immediately before the lump sum is paid.

Non-residence: money purchase arrangements

20C(1) This paragraph applies in the case of an arrangement that is a money purchase arrangement.

(2) The lump sum and death benefit allowance enhancement factor is—

(a) if the arrangement is a cash balance arrangement, the cash balance arrangement non-residence factor (see sub-paragraphs (3) to (5)), and

(b) in any other case, the other money purchase arrangement non-residence factor (see sub-paragraphs (6) and (7)).

(3) The cash balance arrangement non-residence factor is—

(a) the factor arrived at by the application of sub-paragraph (4) in relation to the part of the active membership period during which the individual was a relevant overseas individual, or

(b) if there have been two or more parts of that period during which the individual was a relevant overseas individual, the aggregate of the factors arrived at by the application of sub-paragraph (4) in relation to each of those parts of that period.

(4) The factor arrived at by the application of this subsection in relation to any part of the active membership period is—

$$\frac{A - B}{£1,000,000}$$

where—

A is the closing value of the individual's rights under the arrangement;

B is the opening value of the individual's rights under the arrangement.

(5) For the purposes of sub-paragraph (4)—

(a) the closing value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of that part of that period, and

(b) the opening value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the beginning of that part of that period.

(6) The other money purchase arrangement non-residence factor is—

(a) the factor arrived at by the application of sub-paragraph (7) in relation to the part of the active membership period during which the individual was a relevant overseas individual, or

(b) if there have been two or more parts of that period during which the individual was a relevant overseas individual, the aggregate of the factors arrived at by the application of sub-paragraph (7) in relation to each of those parts of that period.

(7) The factor arrived at by the application of this sub-paragraph in relation to any part of the active membership period is—

$$\frac{C}{£1,000,000}$$

where C is the amount of the contributions made under the arrangement by or in respect of the individual in any part of the active membership period during which the individual is a relevant overseas individual.

Non-residence: other arrangements

20D(1) This paragraph applies in the case of an arrangement that is not a money purchase arrangement.

(2) The lump sum and death benefit allowance enhancement factor is—

(a) if the arrangement is a defined benefits arrangement, the defined benefits arrangement non-residence factor (see sub-paragraphs (3) and (4)), and

(b) if the arrangement is a hybrid arrangement, the hybrid arrangement non-residence factor (see sub-paragraphs (5) to (7)).

(3) The defined benefits arrangement non-residence factor is—

(a) the factor arrived at by the application of sub-paragraph (4) in relation to the part of the active membership period during which the individual was a relevant overseas individual, or

(b) if there have been two or more parts of that period during which the individual was a relevant overseas individual, the aggregate of the factors arrived at by the application of sub-paragraph (4) in relation to each of those parts of that period.

(4) The factor arrived at by the application of this sub-paragraph in relation to any part of the active membership period is—

$$\frac{(A \times B + C) - (A \times D + E)}{£1,000,000}$$

where—

A is the relevant valuation factor (see section 276);

B is the amount of the annual rate of the pension which would, on the valuation assumptions (see section 277), be payable to the individual under the arrangement if the individual became entitled to payment of it at the end of that part of that period;

C is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement t (otherwise than by commutation of pension) if the individual became entitled to payment of it at the end of that part of that period;

D is the amount of the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the beginning of that part of that period;

E is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the beginning of that part of that period.

(5) The hybrid arrangement non-residence factor is the greater or greatest of such of—

(a) what would be the cash balance arrangement non-residence factor (under section 222) if the arrangement were a cash balance arrangement,

(b) what would be the other money purchase arrangement non-residence factor (under that section) if the arrangement were a collective money purchase arrangement,

(c) what would be the other money purchase arrangement non-residence factor (under that section) if the arrangement were a money purchase arrangement other than a cash balance arrangement or a collective money purchase arrangement, and

(d) what would be the defined benefits arrangement non-residence factor (undersub-paragraphs (3) and (4)) if the arrangement were a defined benefits arrangement,

as are relevant factors in relation to the arrangement.

(6) A factor is a relevant factor in relation to a hybrid arrangement if, in any circumstances, the benefits that may be provided to or in respect of the individual under the arrangement may be benefits linked to that factor.

(7) For the purposes of sub-paragraph (6)—

(a) cash balance benefits are linked to the cash balance arrangement non-residence factor;

(b) other money purchase benefits are linked to the other money purchase arrangement non-residence factor;

(c) defined benefits are linked to the defined benefits arrangement non-residence factor.

Transfers from recognised overseas pension scheme: general

20E(1) This paragraph applies in relation to a relevant benefit crystallisation event occurring in relation to an individual where—

(a) at any time after 5th April 2006 but before 6th April 2024, there has been a recognised overseas scheme transfer, and

(b) notice of intention to rely on it is given to His Majesty's Revenue and Customs in accordance with regulations made by the Commissioners for His Majesty's Revenue and Customs.

(2) There is a "recognised overseas scheme transfer" if any sums or assets—

(a) held for the purposes of an arrangement under a recognised overseas pension scheme, or

(b) representing accrued rights under such an arrangement,

are transferred so as to become held for the purposes of, or to represent rights under, an arrangement under a registered pension scheme relating to the individual.

(3) The arrangement specified in sub-paragraph (2)(a) or (b) is referred to in this paragraph and in paragraphs 20F and 20G as the "recognised overseas scheme arrangement".

(4) A lump sum and death benefit allowance enhancement factor operates in relation to the relevant benefit crystallisation event mentioned in paragraph 6A(1).

(5) The lump sum and death benefit allowance enhancement factor is the recognised overseas scheme transfer factor.

(6) The recognised overseas scheme transfer factor is—

$$\frac{A - B}{£1,000,000}$$

where—

A is the aggregate of the amount of any sums transferred, and the market value of any assets transferred, on the recognised overseas scheme transfer;

B is the relevant relievable amount (see paragraphs 20F and 20G).

(7) In this paragraph and in paragraphs 20F and 20G "the overseas arrangement active membership period" is the period—

(a) beginning with the date on which the benefits first began to accrue to or in respect of the individual under the recognised overseas scheme arrangement or, if later, 6th April 2006, and

(b) ending on 5th April 2024.

(8) But if benefits ceased to accrue to or in respect of the individual under the recognised overseas scheme arrangement at a time before 5th April 2024, the overseas arrangement active membership period is to be treated as having ended at that time.

(9) Where this paragraph applies, for the purposes of this Part a lump sum is not an uncrystallised funds pension lump sum (see paragraph 4A of Schedule 29) if, immediately before the lump sum is paid, the amount given by the formula in sub-paragraph (10) is less than 25% of the lump sum.

(10) The formula is—

$$\frac{A - B}{4}$$

where—

A is—

(a) in the case of an individual in relation to whom a relevant protection provision applies, the individual's protected lump sum and death benefit allowance (see paragraph 6A(4));

(b) in any other case, £1,073,100;

B is the amount that would be the previously-used amount within the meaning of section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance) if a relevant benefit crystallisation event within the meaning of that section had occurred immediately before the lump sum is paid.

Overseas scheme transfers: money purchase arrangements

20F (1) This paragraph applies in the case of a recognised overseas scheme arrangement that was a money purchase arrangement.

(2) The relevant relievable amount is—

(a) if the recognised overseas scheme arrangement was a cash balance arrangement, the cash balance relevant relievable amount (see sub-paragraphs (3) to (5)), and

(b) if the recognised overseas scheme arrangement was any other sort of money purchase arrangement, the other money purchase relevant relievable amount (see sub-paragraphs (6) and (7)).

(3) The cash balance relevant relievable amount is—

(a) the amount arrived at by the application of sub-paragraph (4) in relation to the part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual, or

(b) if there have been two or more parts of that period during which the individual was not a relevant overseas individual, the aggregate of the amounts arrived at by the application of sub-paragraph (4) in relation to each of those parts of that period.

(4) The amount arrived at by the application of this subsection in relation to any part of the overseas arrangement active membership period is—

$$A - B$$

where—

A is the closing value of the individual's rights under the arrangement, and

B is the opening value of the individual's rights under the arrangement.

(5) For the purposes of sub-paragraph (4)—

(a) the closing value of the individual's rights under the recognised overseas scheme arrangement is the amount which would, on the valuation assumptions (see section 277), be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the end of that part of that period, and

(b) the opening value of the individual's rights under the arrangement is the amount which would, on the valuation assumptions, be available for the provision of benefits to or in respect of the individual under the arrangement if the individual became entitled to the benefits at the beginning of that part of that period.

(6) The other money purchase relevant relievable amount is—

(a) the amount arrived at by the application of sub-paragraph (7) in relation to the part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual, or

(b) if there have been two or more parts of that period during which the individual was not a relevant overseas individual, the aggregate of the amounts arrived at by the application of sub-paragraph (7) in relation to each of those parts of that period.

(7) The amount arrived at by the application of this sub-paragraph in relation to any part of the overseas arrangement active membership period is the amount of the contributions made under the arrangement by or in respect of the individual in any part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual.

Overseas scheme transfers: other arrangements

20G (1) This section applies in the case of a recognised overseas scheme arrangement that was not a money purchase arrangement.

(2) The relevant relievable amount is—

(a) if the recognised overseas scheme arrangement was a defined benefits arrangement, the defined benefits relevant relievable amount (see sub-paragraphs (3) and (4)), and

(b) if the recognised overseas scheme arrangement was a hybrid arrangement, the hybrid relevant relievable amount (see sub-paragraph (5) to (7)).

(3) The defined benefits relevant relievable amount is—

(a) the amount arrived at by the application of sub-paragraph (4) in relation to the part of the overseas arrangement active membership period during which the individual was not a relevant overseas individual, or

(b) if there have been two or more parts of that period during which the individual was not a relevant overseas individual, the aggregate of the amounts arrived at by the application of sub-paragraph (4) in relation to each of those parts of that period.

(4) The amount arrived at by the application of this subsection in relation to any part of the overseas arrangement active membership period is—

$$(A \times B + C) - (A \times D + E)$$

where—

A is the relevant valuation factor (see section 276);

B is the annual rate of the pension which would, on the valuation assumptions (see section 277), be payable to the individual under the recognised overseas scheme arrangement if the individual became entitled to payment of it at the end of that part of that period;

C is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the end of that part of that period;

D is the annual rate of the pension which would, on the valuation assumptions, be payable to the individual under the arrangement if the individual became entitled to payment of it at the beginning of that part of that period;

E is the amount of the lump sum to which the individual would, on the valuation assumptions, be entitled under the arrangement (otherwise than by commutation of pension) if the individual became entitled to payment of it at the beginning of that part of that period.

(5) The hybrid relevant relievable amount is the greater or greatest of such of—

(a) what would be the cash balance relevant relievable amount (under section 225) if the recognised overseas scheme arrangement had been a cash balance arrangement,

(b) what would be the other money purchase relevant relievable amount (under that section) if that arrangement had been a collective money purchase arrangement,

(c) what would be the other money purchase relevant relievable amount (under that section) if that arrangement had been a money purchase arrangement other than a cash balance arrangement or a collective money purchase arrangement, and

(d) what would be the defined benefits relevant relievable amount (under sub-paragraph (3) and (4)) if that arrangement had been a defined benefits arrangement,

as are relevant to that arrangement.

(6) An amount is relevant to a hybrid arrangement if, in any circumstances, the benefits that may be provided to or in respect of the individual under the arrangement may be benefits linked to that amount.

(7) For the purposes of sub-paragraph (6)—

(a) cash balance benefits are linked to the cash balance relevant relievable amount;

(b) other money purchase benefits are linked to the other money purchase relevant relievable amount;

(c) defined benefits are linked to the defined benefits relevant relievable amount."

Amendments of Part 3 of Schedule 36 to FA 2004

79 Part 3 of Schedule 36 to FA 2004 (transitional provision and saving: pre-commencement benefit rights) is amended as follows.

80 Omit paragraph 23A (pre-commencement benefit rights: lump sums before normal minimum pension age) and the italic heading before it.

81 (1) In paragraph 24 (pre-commencement benefit rights: lump sum rights exceeding £375,000: primary and enhanced protection), sub-paragraph (1) is amended as follows.

(2) In paragraph (a), after "Schedule 29" insert "and paragraph 12 of this Schedule".

(3) For paragraph (b) substitute—

"(b) paragraph 29A (which makes provision modifying the value of the individual's lump sum allowance),".

82 For paragraph 27 (pre-commencement benefit rights: enhanced protection: permitted maximum) substitute—

"27 If (and for so long as) paragraph 12 (enhanced protection) applies in relation to the individual, that paragraph has effect as if, for paragraph (i) of sub-paragraph (3B) there were substituted—

"(i) paragraph 2 of Schedule 29 to FA 2004 (pension commencement lump sum: definition of "permitted maximum") has effect as if, for sub-paragraphs (b) and (c), there were substituted—

"(b) an amount equal to—

(i) the maximum amount of a pension commencement lump sum that could have been paid to the individual on 5 April 2023 under the arrangement pursuant to which the individual becomes entitled to the relevant pension mentioned in paragraph 1(1)(aa), less

(ii) the aggregate of the amounts of any pension commencement lump sums to which the member has previously become entitled under that arrangement after that date."""

83 (1) Paragraph 28 (pre-commencement benefit rights: no enhanced protection: permitted maximum) is amended as follows.

(2) In sub-paragraph (1) omit "paragraph 2 of".

(3) In sub-paragraph (2), after "paragraph 2" insert "of Schedule 29".

(4) For sub-paragraph (3) substitute—

"(3) Otherwise, for paragraph 2 of Schedule 29 substitute—

"2 (1) In paragraph 1 "the permitted maximum", in relation to a lump sum, means an amount equal to—

$$A - B$$

where—

A is the value of the individual's relevant uncrystallised lump sum rights on 5 April 2006 (calculated in accordance with paragraphs 25 and 26), as adjusted under sub-paragraph (2);

B is the aggregate of the amounts of each pension commencement lump sum to which the individual has previously become entitled, as adjusted under sub-paragraph (3) (or, if the individual has not previously become entitled to a pension commencement lump sum, is nil).

(2) The adjustment referred to in the definition of A is the multiplication of the value of the individual's relevant uncrystallised lump sum rights on 5th April 2006 by 1.2 (being £1,800,000 divided by £1,500,000).

(3) The adjustment of the amount of a pension commencement lump sum to which the individual has previously become entitled referred to in the definition of B is the multiplication of the amount by—

$$\frac{£1,800,000}{C}$$

where C is—

(a) if the individual became entitled to the lump sum before 6th April 2012, the standard lifetime allowance at that time;

(b) otherwise, £1,800,000.""

84 For paragraph 29 (pre-commencement benefit rights: enhanced protection: applicable amount) substitute—

"29 (1) If (and for so long as) paragraph 12 (enhanced protection) applies in relation to the individual, paragraphs 2A to 2D of Schedule 29 (meaning of "the applicable amount" in relation to a relevant pension) apply with the following modifications.

(2) Paragraph 2A of that Schedule (meaning of "the applicable amount" where the relevant pension is income withdrawal) applies as if, for sub-paragraphs (2) to (4), there were substituted—

"(2) The applicable amount is—

$$\frac{A}{B} \times (C + D)$$

where—

A is the value of the individual's relevant uncrystallised lump sum rights on 5 April 2006, calculated in accordance with paragraphs 25 and 26 of Schedule 36;

B is the value of the individual's uncrystallised pension rights on 5 April 2006, calculated in accordance with paragraphs 8 and 9 of that Schedule;

C is the pension commencement lump sum paid;

D is—

(a) the aggregate of the sums, and the market value of the assets, designated as available for the payment of drawdown pension on that occasion, less

(b) so much (if any) of that amount as represents rights which are attributable to a disqualifying pension credit."

(3) Paragraph 2B of that Schedule (meaning of "the applicable amount" where the relevant pension is a lifetime annuity) applies as if, for sub-paragraph (2) there were substituted—

"(2) The applicable amount is (subject to sub-paragraph (4))—

$$\frac{A}{B} \times (C + D - E)$$

where—

A is the value of the individual's relevant uncrystallised lump sum rights on 5 April 2006, calculated in accordance with paragraphs 25 and 26 of Schedule 36 to FA 2004;

B is the value of the individual's uncrystallised pension rights on 5 April 2006, calculated in accordance with paragraphs 8 and 9 of that Schedule;

C is the pension commencement lump sum paid;

D is the annuity purchase price;

E is—

(a) if the annuity is purchased (in whole or in part) by the application of sums or assets representing the whole or part of the member's drawdown pension fund or flexi-access drawdown fund, the aggregate of the amount of those sums and the market value of those assets;

(b) otherwise, so much (if any) of the aggregate of the lump sum and the annuity purchase price as represents the rights which are attributable to a disqualifying pension credit."

(4) Paragraph 2C of that Schedule (meaning of "the applicable amount" where the relevant pension is a defined benefits arrangement or a collective money purchase arrangement) applies as if—

(a) for sub-paragraph (2) there were substituted—

"(2) The applicable amount is (subject to sub-paragraph (3))—

$$\frac{A}{B} \times (C + D)$$

where—

A is the value of the individual's relevant uncrystallised lump sum rights on 5 April 2006, calculated in accordance with paragraphs 25 and 26 of Schedule 36;

B is the value of the individual's uncrystallised pension rights on 5 April 2006, calculated in accordance with paragraphs 8 and 9 of that Schedule;

C is the pension commencement lump sum paid;

D is an amount equal to the value of the pension rights crystallised by reason of the individual becoming entitled to the pension (see sub-paragraph (4)).";

(b) after sub-paragraph (3) there were inserted—

"(4) The Commissioners for His Majesty's Revenue and Customs may by regulations make provision about how the value of the pension rights crystallised by reason of the individual becoming entitled to the pension is to be determined for the purposes of sub-paragraph (2)."

(5) Paragraph 2D of that Schedule (meaning of "the applicable amount" where the relevant pension is a money purchase arrangement) applies as if, for sub-paragraph (2), there were substituted—

"(2) The applicable amount is—

$$\frac{A}{B} \times (C + D)$$

where—

A is the value of the individual's relevant uncrystallised lump sum rights on 5 April 2006, calculated in accordance with paragraphs 25 and 26 of Schedule 36;

B is the value of the individual's uncrystallised pension rights on 5 April 2006, calculated in accordance with paragraphs 8 and 9 of that Schedule;

C is the pension commencement lump sum paid;

D is the scheme pension purchase price.""

85 After paragraph 29 (substituted by paragraph 84) insert—

"29A Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual as if the amount specified in section 637P of ITEPA 2003 (individual's lump sum allowance) were an amount equal to the maximum amount of a pension commencement lump sum that could have been paid to the member on 5th April 2023."

86 Omit paragraph 30 (pre-commencement benefit rights: exemption for pension commencement lump sum exceeding permitted maximum from being scheme chargeable).

87 For paragraph 34 (pre-commencement benefit rights: application of Schedule 29 to FA 2004 where paragraph 31 applies) substitute—

"34 (1) Paragraph 2 of Schedule 29 (pension commencement lump sums: definition of "permitted maximum") applies as if the permitted maximum were—

$$(A \times 1.2) + B$$

where—

A is the value of the individual's uncrystallised lump sum rights under the pension scheme on 5th April 2006, calculated in accordance with paragraph 32;

B is the additional lump sum amount.

(2) The additional lump sum amount is—

$$\frac{C + (D \times 4) - (E \times 0.7154)}{4}$$

where—

C is the pension commencement lump sum paid;

D is the applicable amount in relation to the relevant pension (see paragraphs 2A to 2D of Schedule 29);

E is the value of the individual's uncrystallised rights under the pension scheme on 5th April 2006, calculated in accordance with paragraph 33.

(3) For the purposes of section 637Q of ITEPA 2003 (availability of individual's lump sum allowance), the "non-taxable amount" of a pension commencement lump sum paid to the individual is to be treated as an amount equal to the applicable amount in relation to the relevant pension.

(4) Any part of what would otherwise be D or E which represents rights attributable to a disqualifying pension credit is to be disregarded."

88 Omit paragraph 35 (pre-commencement benefit rights: winding-up lump sums paid by former approved superannuation funds) and the italic heading before it.

Amendment of Part 4 of Schedule 36 to FA 2004

89 In Part 4 of Schedule 36 to FA 2004 (transitional provisions and savings: other provisions), in paragraph 51 (individuals with pre-commencement entitlement to corresponding relief), in sub-paragraph (4), for "events that are benefit crystallisation events in relation to the individual" substitute "an event that is the individual becoming entitled to a benefit under a pension scheme".

Amendments of Schedule 18 to FA 2011

90 (1) In Schedule 18 to FA 2011 (lifetime allowance charge), in Part 2 (commencement and transitional provision), paragraph 14 (fixed protection) is amended as follows.

(2) In sub-paragraph (1)(b), for "make provision for a lifetime allowance enhancement factor" substitute "apply on that date".

(3) In sub-paragraph (1A)(b), for "make provision for a lifetime allowance enhancement factor" substitute "apply on that date".

(4) For sub-paragraph (3) substitute—

"(3) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual as if—

(a) the amount specified in section 637P of that Act (individual's lump sum allowance) were £450,000, and

(b) the amount specified in section 637R of that Act (individual's lump sum and death benefit allowance) were £1,800,000."

Amendments of Schedule 22 to FA 2013

91 (1) In Schedule 22 to FA 2013 (transitional provision relating to reduction in standard lifetime allowance etc), in Part 1 ("fixed protection 2014"), paragraph 1 is amended as follows.

(2) In sub-paragraph (1)(b), for "make provision for a lifetime allowance enhancement factor" substitute "apply on that date".

(3) For sub-paragraph (2) substitute—

"(2) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual as if—

(a) the amount specified in section 637P of that Act (individual's lump sum allowance) were £375,000, and

(b) the amount specified in section 637R of that Act (individual's lump sum and death benefit allowance) were £1,500,000."

Amendments of Schedule 6 to FA 2014

92 (1) In Schedule 6 to FA 2014 (transitional provision relating to new standard lifetime allowance for the tax year 2014-15 etc), in Part 1 ("individual protection 2014"), paragraph 1 (the protection) is amended as follows.

(2) In sub-paragraph (1)(c), for "make provision for a lifetime allowance enhancement factor" substitute "apply on that date".

(3) For sub-paragraph (2) substitute—

"(2) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual as if—

(a) the amount specified in section 637P of that Act (individual's lump sum allowance) were the lower of—

(i) 25% of the individual's relevant amount;

(ii) £375,000, and

(b) the amount specified in section 637R of that Act (individual's lump sum and death benefit allowance) were the lower of—

(i) the individual's relevant amount;

(ii) £1,500,000."

Amendments of Schedule 4 to FA 2016

93 (1) Schedule 4 to FA 2016 (pensions: lifetime allowance: transitional provision) is amended as follows is amended as follows.

(2) In the heading, for "lifetime allowance" substitute "lump sum allowance and lump sum and death benefit allowance".

(3) In Part 1 ("fixed protection 2016") –

(a) in paragraph 1 (the protection), for sub-paragraph (2) substitute –

"(2) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual as if –

(a) the amount specified in section 637P of that Act (individual's lump sum allowance) were £312,500, and

(b) the amount specified in section 637R of that Act (individual's lump sum and death benefit allowance) were £1,250,000.";

(b) in paragraph 2 (the initial conditions), in paragraph (b), for "make provision for a lifetime allowance enhancement factor" substitute "apply on 6 April 2016".

(4) In Part 2 ("individual protection 2016"), in paragraph 9 (the protection) –

(a) in sub-paragraph (1)(c), for "make provision for a lifetime allowance enhancement factor" substitute "apply on 6 April 2016";

(b) for sub-paragraph (2) substitute –

"(2) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect in relation to the individual as if –

(a) the amount specified in section 637P of that Act (individual's lump sum allowance) were the lower of –

(i) 25% of the individual's relevant amount;

(ii) £312,500, and

(b) the amount specified in section 637R of that Act (individual's lump sum and death benefit allowance) were the lower of –

(i) the individual's relevant amount;

(ii) £1,250,000."

(5) In Part 3 (reference numbers etc), in paragraph 14 (issuing of reference numbers for fixed or individual protection 2016), in sub-paragraph (3)(b), at the end insert "but before 6 April 2025".

Amendments of the Registered Pension Schemes (Enhanced Lifetime Allowance) Regulations 2006

94 (1) The Registered Pension Schemes (Enhanced Lifetime Allowance) Regulations 2006 (S.I. 2006/131) are amended as follows.

(2) In the title, for "Lifetime Allowance" substitute "Allowances".

(3) In regulation 1 (citation and commencement), for "Lifetime Allowance" substitute "Allowances".

(4) In regulation 2(1) (interpretation)—

(a) for the entry for "relevant lump sum death benefit" substitute—

""relevant lump sum death benefit" means—

(a) a defined benefits lump sum death benefit, other than one paid after the end of the relevant two-year period by a registered pension scheme in respect of a member of the scheme who had not reached the age of 75 at the date of the member's death, or

(b) an uncrystallised funds lump sum death benefit, other than one paid after the end of the relevant two-year period by a registered pension scheme in respect of a member of the scheme who had not reached the age of 75 at the date of the member's death;";

(b) in the appropriate places insert—

""relevant benefit crystallisation event" has the same meaning as in section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance);"

""the relevant two-year period", in relation to a member of a registered pension scheme, means the period of two years beginning with the earlier of the day on which the scheme administrator of the scheme first knew of the member's death and the day on which the scheme administrator could first reasonably have been expected to have known of it;".

(5) In regulation 3 (reliance on paragraph 7 of Schedule 36 (lifetime allowance enhancement: "primary protection")), in the heading, for "lifetime allowance enhancement" substitute "enhancement of allowances".

(6) In regulation 3A (reliance on paragraph 11A of Schedule 36 (lifetime allowance enhancement: "primary protection": taking account of death benefit))—

(a) in the heading, for "lifetime allowance enhancement" substitute "enhancement of allowances";

(b) in paragraph (6), for "section 217(2)" substitute "section 579C of ITEPA 2003".

(7) In regulation 4 (reliance on paragraph 12 of Schedule 36 (lifetime allowances: "enhanced protection")), in the heading, for "lifetime allowances" substitute "enhancement of allowances".

(8) In regulation 4A (reliance on paragraph 15A of Schedule 36 (lifetime allowances: "enhanced protection": taking account of death benefit))—

(a) in the heading, for "lifetime allowances" substitute "enhancement of allowances";

(b) in paragraph (6), for "section 217(2)" substitute "section 579C of ITEPA 2003".

(9) In regulation 5 (reliance on paragraph 18 of Schedule 36 (lifetime allowance enhancement: pre-commencement pension credits)—

(a) in the heading, for "lifetime allowance enhancement" substitute "enhancement of allowances";

(b) in paragraph (1)—

(i) for "benefit crystallisation event" substitute "relevant benefit crystallisation event";

(ii) for "paragraph 18(1)" substitute "paragraph 18(1)(a)".

(10) In regulation 6 (reliance on section 220 (lifetime allowance enhancement: registration of pension credits))—

(a) in the heading—

(i) for "section 220" substitute "paragraph 20A of Schedule 36";

(ii) for "lifetime allowance enhancement" substitute "enhancement of allowances";

(b) in paragraph (1), for "section 220(1)" substitute "paragraph 20A(1) of Schedule 36";

(c) in paragraph (2), for "section 220" substitute "paragraph 20A of Schedule 36";

(d) in paragraph (3), for "section 220" substitute "paragraph 20A of Schedule 36";

(e) after paragraph (3) insert—

"(3A) The closing date is the earlier of—

(a) the relevant date found under paragraph (4), and

(b) 5 April 2025.";

(f) in paragraph (4)—

(i) in the words before the first rule, for "closing date" substitute "relevant date";

(ii) in the words after the second rule, for "closing date" substitute "relevant date";

(g) in paragraph (6), in the words before sub-paragraph (a), for "section 220" substitute "paragraph 20A of Schedule 36";

(h) in paragraph (8), in the words before sub-paragraph (a), for "section 220" substitute "paragraph 20A of Schedule 36".

(11) In regulation 7 (reliance on section 221 (lifetime allowance enhancement: relevant overseas individuals))—

(a) in the heading—

(i) for "section 221" substitute "paragraph 20B of Schedule 36";

(ii) for "lifetime allowance enhancement" substitute "enhancement of allowances";

(b) in paragraph (2), for "section 221" substitute "paragraph 20B of Schedule 36";

(c) in paragraph (3), for "section 221" substitute "paragraph 20B of Schedule 36";

(d) after paragraph (3) insert—

"(3A) The closing date is the earlier of—

(a) the relevant date found under paragraph (4), and

(b) 5 April 2025.";

(e) in paragraph (4)—

(i) in the words before the first rule, for "closing date" substitute "relevant date";

(ii) in the words after the second rule, for "closing date" substitute "relevant date";

(f) in paragraph (6), in the words before sub-paragraph (a), for "section 221" substitute "paragraph 20B of Schedule 36";

(g) in paragraph (8), in the words before sub-paragraph (a), for "section 221" substitute "paragraph 20B of Schedule 36".

(12) In regulation 8 (reliance on section 224 (lifetime allowance enhancement: transfer from recognised overseas pension scheme))—

(a) in the heading—

(i) for "section 224" substitute "paragraph 20E of Schedule 36";

(ii) for "lifetime allowance enhancement" substitute "enhancement of allowances";

(b) in paragraph (1), for "section 224(1)" substitute "paragraph 20E(1)";

(c) in paragraph (2), for "section 224" substitute "paragraph 20E of Schedule 36";

(d) in paragraph (3), for "section 224" substitute "paragraph 20E of Schedule 36";

(e) after paragraph (3) insert—

"(3A) The closing date is the earlier of—

(a) the relevant date found under paragraph (4), and

(b) 5 April 2025.";

(f) in paragraph (4)—

(i) in the words before the first rule, for "closing date" substitute "relevant date";

(ii) in the words after the second rule, for "closing date" substitute "relevant date";

(g) in paragraph (6), in the words before sub-paragraph (a), for "section 224" substitute "paragraph 20E of Schedule 36";

(h) in paragraph (8), in the words before sub-paragraph (a), for "section 224" substitute "paragraph 20E of Schedule 36".

(13) In regulation 15 (certificates: general), in paragraph (3), for "benefit crystallisation event" substitute "relevant benefit crystallisation event".

Amendments of the Taxation of Pension Schemes (Transitional Provisions) Order 2006

95 (1) The Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572) is amended as follows.

(2) In article 25A (conditions to be met by stand-alone lump sums), in paragraph (3), for "benefit crystallisation event" substitute "relevant benefit crystallisation event".

(3) In article 25B (circumstances in which stand-alone lump sums are paid), in paragraph (2), for "paragraph 2 of Schedule 29" substitute "Chapter 15A of Part 9 of ITEPA 2003".

(4) In article 25C (payment of stand-alone lump sums: tax consequences), for paragraphs (2) and (3A) substitute—

"(1A) Articles 25CA to 25CC apply for the purposes of determining the tax treatment of a stand-alone lump sum."

(5) After article 25C insert—

"Circumstance A: tax treatment of stand-alone lump sums

25CA.—(1) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect with the following modifications for the purposes of determining the income tax treatment of a stand-alone lump sum paid to a member of a pension scheme in circumstances where article 25B(2) (circumstance A) applies.

(2) That Chapter has effect as if, after section 637G (trivial commutation lump sums and winding-up lump sums) there were inserted—

"637GA Stand-alone lump sums

(1) Subject to subsection (2), no liability to income tax arises on a stand-alone lump sum paid under a registered pension scheme.

(2) If the amount of the stand-alone lump sum exceeds the permitted maximum, section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.

(3) In subsection (2) "the permitted maximum", in relation to a stand-alone lump sum, means the lower of—

(a) the maximum amount of a stand-alone lump sum that could have been paid to the individual with no liability to income tax on 5 April 2023, and

(b) so much of the individual's lump sum and death benefit allowance as is available immediately before the individual becomes entitled to the lump sum (see section 637S)."

(3) Section 637Q of ITEPA 2003 (availability of individual's lump sum allowance) has effect as if, in the definition of "relevant lump sum" in

subsection (2)(b) of that section, there were included a reference to a stand-alone lump sum.

(4) Section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance) has effect as if, in the definition of "relevant lump sum" in subsection (2)(b) of that section, there were included a reference to a stand-alone lump sum.

Circumstance B: tax treatment of stand-alone lump sums

25CB. —(1) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect with the following modifications for the purposes of determining the income tax treatment of a stand-alone lump sum paid to a member of a pension scheme in circumstances where article 25B(3) (circumstance B) applies.

(2) That Chapter has effect as if, after section 637G (trivial commutation lump sums and winding-up lump sums) there were inserted—

"637GA Stand-alone lump sums

(1) Subject to subsection (2), no liability to income tax arises on a stand-alone lump sum paid under a registered pension scheme.

(2) If the amount of the stand-alone lump sum exceeds the permitted maximum, section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.

(3) In subsection (2) "the permitted maximum", in relation to a stand-alone lump sum, means—

(a) the amount of a stand-alone lump sum that could have been paid to the individual with no liability to income tax on 5 April 2023 under the arrangement pursuant to which the entitlement to the stand-alone lump sum arises in respect of the individual, less

(b) the aggregate of the amounts of any stand-alone lump sums and pension commencement lump sums previously paid to the individual under that arrangement after that date."

(3) Section 637Q of ITEPA 2003 (availability of individual's lump sum allowance) has effect as if, in the definition of "relevant lump sum" in subsection (2)(b) of that section, there were included a reference to a stand-alone lump sum.

(4) Section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance) has effect as if, in the definition of "relevant lump sum" in subsection (2)(b) of that section, there were included a reference to a stand-alone lump sum.

Circumstance C: tax treatment of stand-alone lump sums

25CC. – (1) Chapter 15A of Part 9 of ITEPA 2003 (pension income: lump sums under registered pension schemes) has effect with the following modifications for the purposes of determining the income tax treatment of a stand-alone lump sum paid to a member of a pension scheme in circumstances where article 25B(4) (circumstance C) applies.

(2) That Chapter has effect as if, after section 637G (trivial commutation lump sums and winding-up lump sums) there were inserted—

"637GA Stand-alone lump sums

(1) Subject to subsection (2), no liability to income tax arises on a stand-alone lump sum paid under a registered pension scheme.

(2) If the amount of the stand-alone lump sum exceeds the permitted maximum, section 579A (pensions) applies to the excess as it applies to any pension under a registered pension scheme.

(3) In subsection (2) "the permitted maximum", in relation to a stand-alone lump sum, means the lower of—

(a) the maximum amount of a stand-alone lump sum that could have been paid to the individual with no liability to income tax on 5 April 2023, and

(b) so much of the individual's lump sum and death benefit allowance as is available immediately before the individual becomes entitled to the lump sum (see section 637S)."

(3) Section 637Q of ITEPA 2003 (availability of individual's lump sum allowance), has effect as if, in the definition of "relevant lump sum" in subsection (2)(b) of that section, there were included a reference to a stand-alone lump sum.

(4) For the purposes of that section, the "non-taxable amount" of a stand-alone lump sum is to be treated as being an amount equal to 25% of the lump sum.

(5) Section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance), in the definition of "relevant lump sum" in subsection (2)(b) of that section, there were included a reference to a stand-alone lump sum."

(6) In article 25D (stand-alone lump sums: further provisions)—

(a) in paragraph (2)—

(i) for "VULSR – APCLS" substitute "A – B";

(ii) omit the words from ", in the modified sub-paragraph (6)" to the end;

(b) in paragraph (3), for "in the modified sub-paragraph (6) of paragraph 2 of Schedule 29, the term "APCLS"" substitute "the term "B"".

Amendments of the Registered Pension Schemes (Lifetime Allowance Transitional Protection) Regulations 2011

96 (1) The Registered Pension Schemes (Lifetime Allowance Transitional Protection) Regulations 2011 (S.I. 2011/1752) are amended as follows.

(2) In the title, for "Lifetime Allowance" substitute "Enhanced Allowances".

(3) In regulation 1 (citation and commencement), for "Lifetime Allowance" substitute "Enhanced Allowances".

(4) In regulation 4 (the paragraph 14 notice), in paragraph (1)(c), for "make provision for a lifetime allowance enhancement factor" substitute "apply".

(5) In regulation 13 (preservation of documents), in paragraph (1), for "benefit crystallisation event" substitute "relevant benefit crystallisation event within the meaning of section 637S of ITEPA 2003".

Amendments of the Registered Pension Schemes and Relieved Non-UK Pension Schemes (Lifetime Allowance Transitional Protection) (Notification) Regulations 2013

97 (1) The Registered Pension Schemes and Relieved Non-UK Pension Schemes (Lifetime Allowance Transitional Protection) (Notification) Regulations 2013 (S.I. 2013/1741) are amended as follows.

(2) In the title, for "Lifetime Allowance" substitute "Enhanced Allowances".

(3) In regulation 1 (citation and commencement), for "Lifetime Allowance" substitute "Enhanced Allowances".

(4) In regulation 4 (the paragraph 1 notice), in paragraph (1)—

(a) in sub-paragraph (c), for "make provision for a lifetime allowance enhancement factor" substitute "apply";

(b) in sub-paragraph (e), for "(transitional provision relating to new standard lifetime allowance for the tax year 2012-13)" substitute "(fixed protection)".

(5) In regulation 13 (preservation of documents), in paragraph (1), for "benefit crystallisation event" substitute "relevant benefit crystallisation event within the meaning of section 637S of ITEPA 2003".

Amendments of the Registered Pension Schemes and Relieved Non-UK Pension Schemes (Lifetime Allowance Transitional Protection) (Individual Protection 2014 Notification) Regulations 2014

98 (1) The Registered Pension Schemes and Relieved Non-UK Pension Schemes (Lifetime Allowance Transitional Protection) (Individual Protection 2014 Notification) Regulations 2014 (S.I. 2014/1842) are amended as follows.

(2) In the title, for "Lifetime Allowance" substitute "Enhanced Allowances".

(3) In regulation 1 (citation and commencement), for "Lifetime Allowance" substitute "Enhanced Allowances".

(4) In regulation 4 (the paragraph 1 notice), in paragraph (1), in sub-paragraph (f), for "make provision for a lifetime allowance enhancement factor" substitute "apply".

(5) In regulation 13 (preservation of documents), in paragraph (2), for "benefit crystallisation event" substitute "relevant benefit crystallisation event within the meaning of section 637S of ITEPA 2003".

PART 5

PROVISION OF INFORMATION

Amendments of Part 4 of FA 2004

99 Part 4 of FA 2004 (pension schemes etc) is amended as follows.

100 (1) Section 256 (enhanced lifetime allowance regulations) is amended as follows.

(2) In the heading omit "lifetime".

(3) In subsection (1)—

(a) omit paragraphs (a) to (c);

(b) in paragraph (d), for "lifetime allowance enhancement" substitute "enhancement of allowances";

(c) in paragraph (e)—

(i) omit "lifetime allowance";

(ii) omit the "and" at the end;

(d) in paragraph (f)—

(i) for "paragraph 18(6)" substitute "paragraph 18(1)(b)";

(ii) for "lifetime allowance enhancement" substitute "enhancement of allowances";

(e) after paragraph (f) insert—

"(g) paragraph 20A(1)(d) of that Schedule (enhancement factor: pension credits from previously crystallised rights),

(h) paragraph 20B(1)(b) of that Schedule (enhancement factor: non-residence), and

(i) paragraph 20E(1)(b) of that Schedule (enhancement factor: transfers from recognised overseas pension scheme)."

(4) In subsection (2) omit "lifetime".

(5) In subsection (3)—

(a) in the words before paragraph (a) omit "lifetime";

(b) omit paragraph (a).

(6) In subsection (4), in the words before paragraph (a) omit "lifetime".

101 (1) Section 261 (enhanced lifetime allowance regulations: documents and information) is amended as follows.

(2) In the heading omit "lifetime".

(3) In subsection (1)(a) omit "lifetime".

(4) In subsection (2)—

(a) in paragraph (a), for "lifetime allowance" substitute "lump sum allowance or lump sum and death benefit allowance";

(b) in paragraph (b), after "pension commencement lump sums" insert "or the uncrystallised funds pension lump sums".

(5) In subsection (4), in the words before paragraph (a)—

(a) for "lifetime allowance" substitute "lump sum and death benefit allowance";

(b) for the words "whichever is the higher of" to the end of paragraph (b) substitute "the actual amount of the individual's lump sum and death benefit allowance at that time."

(6) In subsection (5)(a)—

(a) for "a benefit crystallisation event" substitute "a relevant benefit crystallisation event within the meaning of section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance)";

(b) for "the benefit crystallisation event" substitute "the relevant benefit crystallisation event".

(7) In subsection (6), in paragraphs (a) and (b), after "pension commencement lump sums" insert "or the uncrystallised funds pension lump sums".

102 (1) Section 262 (enhanced lifetime allowance regulations: failures to comply) is amended as follows.

(2) In the heading omit "lifetime".

(3) In paragraphs (a), (b) and (c) omit "lifetime".

103 (1) Section 263 (lifetime allowance enhanced protection: benefit accrual) is amended as follows.

(2) In the heading omit "Lifetime allowance".

(3) In subsection (1)(a), for "lifetime allowance charge" substitute "enhancement of allowances".

Amendments of the Registered Pension Schemes (Provision of Information) Regulations 2006

104 The Registered Pension Schemes (Provision of Information) Regulations 2006 (S.I. 2006/567) are amended as follows.

105 In regulation 2 (interpretation), in paragraph (1)—

(a) at the appropriate places insert—

""relevant benefit crystallisation event"—

(a) in relation to a member's lump sum allowance, has the same meaning as in section 637Q of ITEPA 2003 (availability of individual's lump sum allowance) in relation to the member;

(b) in relation to a member's lump sum and death benefit allowance, has the same meaning as in section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance) in relation to the member;"

""relevant reference number", in relation to a member, means a reference number given by or on behalf of the Commissioners in respect of the member under—

(a) the Registered Pension Schemes (Enhanced Allowances) Regulations 2006 (S.I. 2006/131) (where the member relies on any provision of Schedule 36 to FA 2004);

(b) the Registered Pension Schemes (Enhanced Allowances Transitional Protection) Regulations 2011 (S.I. 2011/1752) (where the member relies on fixed protection under Schedule 18 to FA 2011);

(c) the Registered Pension Schemes and Relieved Non-UK Pension Schemes (Enhanced Allowances Transitional Protection) (Notification) Regulations 2013 (S.I. 2013/1741) (where the member relies on fixed protection 2014 under Schedule 22 to FA 2013);

(d) the Registered Pension Schemes and Relieved Non-UK Pension Schemes (Enhanced Allowances Transitional Protection) (Individual Protection 2014 Notification) Regulations 2014 (S.I. 2014/1842) (where the member relies on individual protection 2014 under Schedule 6 to FA 2014);

(e) paragraph 14 of Schedule 4 to the Finance Act 2016 (where the member relies on fixed or individual protection 2016 under that Schedule);"

(b) in the definition of "relevant lump sum death benefit", for the words from "means" to the end substitute "has the meaning given by section 637S(2)(c) of ITEPA 2003 (availability of individual's lump sum and death benefit allowance)".

106 (1) In regulation 3 (provision of information by scheme administrator to the Commissioners for His Majesty's Revenue and Customs), in paragraph (1), the Table is amended as follows.

(2) Omit the entries for the following reportable events—

(a) payments exceeding 50% of standard lifetime allowance;

(b) benefit crystallisation events and non-standard lifetime allowances;

(c) pension commencement lump sum;

(d) pension commencement lump sum: primary and enhanced protection provisions of Schedule 36;

(e) stand-alone lump sum.

(3) At the end insert—

"**24 Payment of lump sum or lump sum death benefit in relation to relevant benefit crystallisation event**

In relation to a relevant benefit crystallisation event, the scheme pays— (a) a lump sum to the member of the scheme in relation to whom the relevant benefit crystallisation event occurs, or (b) a lump sum death benefit to a person in respect of the death of that member.	The information is— (a) the member's name and national insurance number, (b) the nature and amount of the lump sum or lump sum death benefit giving rise to the relevant benefit crystallisation event, (c) the date of the relevant benefit crystallisation event, (d) confirmation of whether or not the payment of the lump sum or lump sum death benefit has resulted in the member's lump sum allowance or lump sum and death benefit allowance being exceeded, (e) so far as the payment of the lump sum or lump sum death benefit has resulted in the member's lump sum allowance or lump sum and death benefit allowance being exceeded, confirmation that any amount of tax due on the excess as a result of the charge to tax on pension income under Part 9 of ITEPA 2003 has been paid, and

(f) each relevant reference number (if any)."

107 (1) Regulation 7 (percentage of standard lifetime allowance expended on the happening of a benefit crystallisation event) is amended as follows.

(2) For the heading substitute "Relevant benefit crystallisation events: amount of member's allowances expended".

(3) For paragraphs (1) and (2) substitute—

"(1) The amount of a member's lump sum allowance or lump sum and death benefit allowance expended on the happening of a relevant benefit crystallisation event is the non-taxable amount in relation to the lump sum to which the member becomes entitled, or the lump sum death benefit which a person is paid in respect of the member."

(4) In paragraph (3)(a) omit ", (2A), (2B)".

(5) For paragraph (4) substitute—

"(4) The total amount of a member's lump sum allowance or lump sum and death benefit allowance expended is the sum of the amounts calculated in accordance with paragraph (1) in respect of each relevant benefit crystallisation event that has occurred in relation to the member."

(6) After paragraph (4) insert—

"(5) In this regulation "non-taxable amount"—

(a) in relation to a member's lump sum allowance, has the meaning given by section 637Q(6) of ITEPA 2003;

(b) in relation to a member's lump sum and death benefit allowance, has the meaning given by section 637S(6) of ITEPA 2003."

108 (1) Regulation 8 (death: provision of information by scheme administrator to personal representatives) is amended as follows.

(2) In paragraph (1) omit ", (2A), (2B)".

(3) In paragraph (2)—

(a) for "percentage of standard lifetime allowance" substitute "amount of the member's lump sum and death benefit allowance";

(b) for "relevant lump sum death benefit" substitute "defined benefits lump sum death benefit or an uncrystallised funds lump sum death benefit".

(4) Omit paragraphs (2A) and (2B).

(5) In paragraph (3)—

(a) in the words before sub-paragraph (a), for "percentage of standard lifetime allowance" substitute "amount of the member's lump sum and death benefit allowance";

(b) in sub-paragraph (a), in the words before paragraph (i), for "benefit crystallisation event" substitute "relevant benefit crystallisation event";

(c) in sub-paragraph (b), in the words before paragraph (i), for "benefit crystallisation event" substitute "relevant benefit crystallisation event";

(d) in the words after sub-paragraph (b)—

(i) for "percentage" substitute "amount";

(ii) for "relevant lump sum death benefit" substitute "defined benefits lump sum death benefit or any uncrystallised funds lump sum death benefit";

(iii) omit the words from "and any amount" to the end.

109 (1) Regulation 9 (death: provision of information by insurance company to personal representatives) is amended as follows.

(2) In paragraph (2)—

(a) in the words before sub-paragraph (a), for "percentage of standard lifetime allowance" substitute "amount of the member's lump sum and death benefit allowance";

(b) in sub-paragraph (a), in the words before paragraph (i), for "benefit crystallisation event" substitute "relevant benefit crystallisation event";

(c) in sub-paragraph (b), in the words before paragraph (i), for "benefit crystallisation event" substitute "relevant benefit crystallisation event".

110 (1) Regulation 10 (death: provision of information by personal representatives to the Commissioners for His Majesty's Revenue and Customs) is amended as follows.

(2) In paragraph (1), in sub-paragraph (b)—

(a) omit ", or any benefit crystallisation event 5C or 5D,";

(b) for "a lifetime allowance charge" substitute "the member's lump sum and death benefit allowance being exceeded".

(3) Omit paragraphs (1A) and (1B).

(4) In paragraph (2)—

(a) after paragraph (a) insert—

"(aa) the name of each other pension scheme (if any) of which the deceased member was a member, and the name and address of the scheme administrator of each such scheme;";

(b) in paragraph (b), after "name" insert ", date of birth, date of death and national insurance number";

(c) after paragraph (b) insert—

"(ba) each relevant reference number (if any) in relation to the deceased member;

(bb) the name, address, date of birth and national insurance number of the individual to whom the relevant lump sum death benefit is paid;";

(d) in sub-paragraph (d), for "the chargeable amount in respect of which a lifetime allowance charge is payable" substitute "the amount by which the member's lump sum and death benefit allowance is exceeded".

(5) Omit paragraphs (2A) and (2B).

(6) In paragraphs (3) and (5) omit ", (1A) or (1B)".

111 (1) Regulation 11 (information provided by member to scheme administrator: protections) is amended as follows.

(2) In the heading, for "enhanced lifetime allowance" substitute "enhanced allowances".

(3) In paragraph (1)—

(a) in the words before paragraph (a), for "the member" substitute "a member";

(b) in paragraph (a) omit "lifetime";

(c) for the words after paragraph (d) substitute "the member must give to the scheme administrator the reference number issued by or on behalf of the Commissioners under any of the provisions mentioned in paragraph (1A) in respect of that entitlement."

(4) After paragraph (1) insert—

"(1A) The provisions are—

(a) the Registered Pension Schemes (Enhancement of Allowances) Regulations 2006 (S.I. 2006/131);

(b) the Registered Pension Schemes (Enhanced Allowances Transitional Protection) Regulations 2011 (S.I. 2011/1752);

(c) the Registered Pension Schemes and Relieved Non-UK Pension Schemes (Enhanced Allowances Transitional Protection) (Notification) Regulations 2013 (S.I. 2013/1741);

(d) Schedule 4 to the Finance Act 2016 (pensions: lump sum allowance and lump sum and death benefit allowance: transitional provision)."

(5) In paragraph (2)(a), for "Lifetime Allowance" substitute "Enhanced Allowances".

112 Omit regulation 11B (information provided by members to scheme administrators: pension commencement lump sums).

113 In regulation 11BA (information provided by members to scheme administrators: recognised transfers), in paragraph (2), after paragraph (ac) insert—

"(ad) a statement of the nature and transferred value of any transfers that have previously been made in relation to the member—

(i) from any registered pension scheme or relieved relevant non-UK scheme of which the member is, or was at any time after 6 April 2006, a member, and

(ii) to a qualifying recognised overseas pension scheme."

114 In regulation 11BB (information provided by members to scheme administrators: overseas transfers), in paragraph (1)(b)—

(a) in paragraph (i), for "the" substitute "an";

(b) in paragraph (ii)—

(i) for "required" substitute "excluded from the overseas transfer charge under section 244AC";

(ii) omit the words from "to be" to the end.

115 Omit regulation 12 (information about scheme administrator's liability for a lifetime allowance charge).

116 (1) Regulation 12A (provision of information about liability for overseas transfer charge) is amended as follows.

(2) In the heading, at the end insert "etc".

(3) In paragraph (1)—

(a) in the words before sub-paragraph (a), for "the overseas transfer charge" substitute "an overseas transfer charge";

(b) for sub-paragraph (b) substitute—

"(b) whether the overseas transfer charge arises under section 244AC or 244IA in the case of the transfer,".

(4) In paragraph (2)—

(a) in the words before sub-paragraph (a), after "the overseas transfer charge" insert "under section 244AC";

(b) in sub-paragraph (b), at the end insert "under section 244AC";

(c) after sub-paragraph (b) insert—

"(ba) the transferred value of the transfer,".

(5) In paragraph (3), in the words before sub-paragraph (a), for "overseas transfer charge" substitute "an overseas transfer charge under section 244AC".

117 (1) Regulation 14 (information provided to members by scheme administrators about benefit crystallisation events) is amended as follows.

(2) In the heading, for "benefit crystallisation events" substitute "relevant benefit crystallisation events".

(3) In paragraph (1)(b), for "benefit crystallisation event" substitute "relevant benefit crystallisation event".

(4) In paragraph (2)(c) omit "(2A) or (2B)".

(5) In paragraph (3)—

(a) in the words before sub-paragraph (a), for "percentage of standard lifetime allowance" substitute "amount of the member's lump sum allowance, and the amount of the member's lump sum and death benefit allowance,";

(b) in sub-paragraph (a), for "benefit crystallisation events" substitute "relevant benefit crystallisation events";

(c) in sub-paragraph (b), in the words before paragraph (i), for "benefit crystallisation event" substitute "relevant benefit crystallisation event".

118 In regulation 14ZCA (further information provided by scheme administrators on recognised transfers to overseas schemes), in paragraph (2)—

(a) in sub-paragraph (a), for "the overseas transfer charge" substitute "an overseas transfer charge";

(b) for sub-paragraph (b) substitute—

"(b) in a case where an overseas transfer charge arose in the case of the transfer, stating—

(i) the transferred value of the transfer,

(ii) whether the charge arose under section 244AC or 244IA, and

(iii) the amount of the charge, and

(c) in a case where the transfer is excluded from the overseas transfer charge under section 244AC by or under any of sections 244B to 244H, the section under which it is so excluded."

119 (1) Regulation 15 (information between scheme administrators) is amended as follows.

(2) In paragraph (2)—

(a) in the words before paragraph (a), for "total percentage of the standard lifetime allowance" substitute "total amount of the member's lump sum allowance, and the total amount of the member's lump sum and death benefit allowance,";

(b) in sub-paragraph (a), for "benefit crystallisation events" substitute "relevant benefit crystallisation events";

(c) in sub-paragraph (b), in the words before paragraph (i), for "benefit crystallisation event" substitute "relevant benefit crystallisation event".

120 (1) Regulation 16 (pensions and annuities in payment: information provided to and by insurance companies) is amended as follows.

(2) In paragraph (2), for "total percentage of standard lifetime allowance" substitute "total amount of the member's lump sum allowance, and the total amount of the member's lump sum and death benefit allowance,".

(3) In paragraph (3), for "percentage of the standard lifetime allowance" substitute "total amount of the member's lump sum allowance, and the total amount of the member's lump sum and death benefit allowance,".

(4) In paragraph (4)(a), for "benefit crystallisation event" substitute "relevant benefit crystallisation event".

121 (1) Regulation 17 (payments to insurance companies from drawdown pension funds) is amended as follows.

(2) In paragraph (2), for "percentage of standard lifetime allowance" substitute "amount of the member's lump sum allowance, and the amount of the member's lump sum and death benefit allowance,".

(3) In paragraph (3)—

(a) for "percentage of the standard lifetime allowance" substitute "amount of the member's lump sum allowance, and the amount of the member's lump sum and death benefit allowance,";

(b) for "percentage expended" substitute "amount expended".

(4) In paragraph (5)—

(a) in sub-paragraph (a)—

(i) in the words before paragraph (i), for "percentages of standard lifetime allowance" substitute "amounts of the member's lump sum allowance, and the sum of the amounts of the member's lump sum and death benefit allowance,";

(ii) in paragraph (i), for "benefit crystallisation events" substitute "relevant benefit crystallisation events";

(iii) in paragraph (ii), for "benefit crystallisation event" substitute "relevant benefit crystallisation event";

(b) in sub-paragraph (b), in the words before paragraph (i), for "percentages of standard lifetime allowance" substitute "amounts of the member's lump sum allowance, and the sum of the amounts of the member's lump sum and death benefit allowance,".

(5) In paragraph (7)—

(a) in sub-paragraph (a)—

(i) in the words before paragraph (i), for "percentages of standard lifetime allowance" substitute "amounts of the member's lump sum allowance, and the sum of the amounts of the member's lump sum and death benefit allowance,";

(ii) in paragraph (i), for "benefit crystallisation events" substitute "relevant benefit crystallisation events";

(iii) in paragraph (ii), for "benefit crystallisation events" substitute "relevant benefit crystallisation events";

(b) in sub-paragraph (b), in the words before paragraph (i), for "percentages of standard lifetime allowance" substitute "amounts of the member's lump sum allowance, and the sum of the amounts of the member's lump sum and death benefit allowance,".

122 Omit regulations 19 (lump sums to which paragraph 1B of Schedule 29 applies) and 20 (lump sums to which paragraph 1B of Schedule 29 fails to apply).

Amendments of the Registered Pension Schemes and Overseas Pension Schemes (Electronic Communication of Returns and Information) Regulations 2006

123 (1) The Registered Pension Schemes and Overseas Pension Schemes (Electronic Communication of Returns and Information) Regulations 2006 (S.I. 2006/570) are amended as follows.

(2) In regulation 2 (interpretation), in paragraph (2), for the entry for "the ELA regulations" substitute—

> ""the EA regulations" means the Pension Schemes (Enhanced Allowances) Regulations 2006 (S.I. 2006/131);"

(3) In Schedule 2 (information which may be supplied either to or by HM Revenue & Customs by an approved method of electronic communications)—

(a) in the entry relating to an application under section 267 or 268 of FA 2004 omit paragraph (a) (which relates to an application under section 267 of that Act);

(b) in the entry relating to a notification by an individual under regulation 3, 4, 5, 6, 7 or 8 of the Pension Schemes (Enhanced Lifetime Allowance) Regulations 2006 (S.I. 2006/131) ("the 2006 regulations"), for "the ELA regulations" substitute "the EA regulations";

(c) in the entry relating to a requirement by an individual under regulation 12 of the 2006 regulations, for "the ELA regulations" substitute "the EA regulations";

(d) in the entry relating to a requirement by an individual under regulation 14 of the 2006 regulations, for "the ELA regulations" substitute "the EA regulations";

(e) in the entry relating to a requirement by an individual under regulation 16 of the 2006 regulations, for "the ELA regulations" substitute "the EA regulations";

(f) in the entry relating to a notice given by an individual under regulation 17 of the 2006 regulations, for "the ELA regulations" substitute "the EA regulations";

(g) in the entry relating to a notice given by an individual under regulation 18 of the 2006 regulations, for "the ELA regulations" substitute "the EA regulations";

(h) in the entry relating to a notice by His Majesty's Revenue and Customs under regulation 24 of the 2006 regulations, for "the ELA regulations" substitute "the EA regulations";

(i) in the entry relating to a certificate by His Majesty's Revenue and Customs under the 2006 regulations, for "the ELA regulations" substitute "the EA regulations";

(j) in the final entry, relating to a notice of appeal against the imposition of a penalty under certain provisions—

(i) in paragraph (e) omit "lifetime";

(ii) in paragraph (f) omit "lifetime";

(iii) in paragraph (g) omit "lifetime allowance".

PART 6

COMMENCEMENT AND TRANSITIONAL PROVISION ETC

Commencement

124 The amendments made by section 14 and this Schedule have effect for the tax year 2024-25 and subsequent tax years.

Availability of individual's lump sum allowance

125 (1) This paragraph applies where—

(a) one or more benefit crystallisation events within the meaning of Part 4 of FA 2004 occurred in relation to an individual before 6 April 2024, and

(b) a relevant benefit crystallisation event within the meaning of section 637Q of ITEPA 2003 (availability of individual's lump sum allowance) occurs in relation to the individual on or after that date.

(2) Where the individual's lifetime allowance previously-used amount is equal to or greater than the individual's lifetime allowance, none of the individual's lump sum allowance is available on the occurrence of the relevant benefit crystallisation event.

(3) Otherwise, the amount of the individual's lump sum allowance that is available on the occurrence of the relevant benefit crystallisation event is—

(a) the amount of that allowance that is available in accordance with section 637Q of ITEPA 2003 on the occurrence of that event, less

(b) an amount equal to 25% of the individual's lifetime allowance previously-used amount;

or, if that produces a negative result, nil.

(4) But sub-paragraphs (2) and (3) do not apply if, on the occurrence of the relevant benefit crystallisation event, a transitional tax-free amount certificate is in force in relation to the individual.

(5) In such a case, the amount of the individual's lump sum allowance that is available on the occurrence of the relevant benefit crystallisation event is—

(a) the amount of that allowance that is available in accordance with section 637Q of ITEPA 2003 on the occurrence of that event, less

(b) the individual's lump sum transitional tax-free amount;

or, if that produces a negative result, nil.

(6) For provision about the meaning of expressions used in this paragraph, see paragraph 129.

Availability of individual's lump sum and death benefit allowance

126 (1) This paragraph applies where—

(a) one or more benefit crystallisation events within the meaning of Part 4 of FA 2004 occurred in relation to an individual before 6 April 2024, and

(b) a relevant benefit crystallisation event within the meaning of section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance) occurs in relation to the individual on or after that date.

(2) Where the individual's lifetime allowance previously-used amount is equal to or greater than the individual's lifetime allowance, none of the individual's lump sum and death benefit allowance is available on the occurrence of the relevant benefit crystallisation event.

(3) Otherwise, the amount of the individual's lump sum and death benefit allowance that is available on the occurrence of the relevant benefit crystallisation event is—

(a) the amount of that allowance that is available in accordance with section 637S of ITEPA 2003 on the occurrence of that event, less

(b) an amount equal to the appropriate percentage of the individual's lifetime allowance previously-used amount;

or, if that produces a negative result, nil.

(4) In sub-paragraph (3) "the appropriate percentage" means—

(a) 100% in a case in which—

(i) the individual becomes entitled to a serious ill-health lump sum before 6 April 2024 and is under the age of 75 at the time of the payment, or

(ii) the individual dies before 6 April 2024 under the age of 75 and before that date a person is paid a lump sum death benefit in respect of the individual;

(b) 25% in any other case.

(5) But sub-paragraphs (2) to (4) do not apply if, on the occurrence of the relevant benefit crystallisation event, a transitional tax-free amount certificate is in force in relation to the individual.

(6) In such a case, the amount of the individual's lump sum and death benefit allowance that is available on the occurrence of the relevant benefit crystallisation event is—

(a) the amount of that allowance that is available in accordance with section 637S of ITEPA 2003 on the occurrence of that event, less

(b) the individual's lump sum and death benefit transitional tax-free amount;

or, if that produces a negative result, nil.

(7) For provision about the meaning of expressions used in this paragraph, see paragraph 129.

Transitional tax-free amount certificates

127 (1) A "transitional tax-free amount certificate" is a certificate relating to an individual that—

(a) is issued by a registered pension scheme on an application made in accordance with this paragraph, and

(b) certifies that the scheme administrator of the scheme is satisfied as to—

(i) the amount of the individual's lump sum transitional tax-free amount, and

(ii) the amount of the individual's lump sum and death benefit transitional tax-free amount.

(2) An application for a certificate in relation to an individual—

(a) may be made by the individual or, if the individual is deceased, the individual's personal representatives;

(b) may be made to any registered pension scheme of which the individual is a member or, if the individual is deceased, of which the individual was a member immediately before death;

(c) must be accompanied by complete evidence as to the amount of the individual's lump sum and death benefit transitional tax-free amount;

(d) may not be made after the occurrence, in relation to the individual, of a relevant benefit crystallisation event within the meaning of section 637S of ITEPA 2003 (availability of individual's lump sum and death benefit allowance).

(3) The scheme administrator of a registered pension scheme to which an application is made must, before the end of the period of three months beginning with the date on which the scheme receives the application, determine the application by—

(a) issuing the applicant with a certificate, or

(b) notifying the applicant that the application is refused.

(4) A certificate must (in addition to certifying the matter mentioned in sub-paragraph (1)(b)) contain the following information—

(a) the individual's name, address and national insurance number,

(b) the individual's lifetime allowance previously-used amount expressed as a percentage of the standard lifetime allowance,

(c) the amount that the scheme administrator is satisfied is the individual's lump sum transitional tax-free amount, and

(d) the amount that the scheme administrator is satisfied is the individual's lump sum and death benefit transitional tax-free amount.

(5) A certificate may be in such form as the scheme administrator may determine and may, in particular, be incorporated into any other document that is given to the applicant by the scheme.

(6) If at any time it appears to the scheme administrator of a registered pension scheme that the amount specified on a certificate under sub-paragraph (4)(c) or (d) does not accurately reflect the individual's lump sum transitional tax-free amount or (as the case may be) lump sum and death benefit transitional tax-free amount, they must cancel the certificate by giving notice of the cancellation to the applicant or, if the applicant is deceased, the applicant's personal representatives.

(7) A certificate—

(a) comes into force when it is issued, and

(b) ceases to be in force on the giving of a notice under sub-paragraph (6).

(8) The Commissioners for His Majesty's Revenue and Customs may by regulations—

(a) amend sub-paragraph (3) by substituting a different period for that for the time being specified there, or

(b) make further provision about transitional tax-free certificates.

(9) For provision about the meaning of expressions used in this paragraph, see paragraph 129.

(10) In the second column of the Table in section 98 of TMA 1970 (penalty for failure to give certificates etc), at the appropriate place insert—

"Paragraph 127 of Schedule 9 to the Finance Act 2024".

Provision of information by scheme administrators to members

128 (1) A reference in the Provision of Information Regulations to a relevant benefit crystallisation event is, in relation to times before 6 April 2024, a reference to a benefit crystallisation event within the meaning of Part 4 of FA 2004.

(2) Sub-paragraph (3) applies where—

(a) one or more benefit crystallisation events within the meaning of Part 4 of FA 2004 occurred in relation to a member of a registered pension scheme before 6 April 2024, and

(b) it is necessary to determine, for the purposes of any provision of the Provision of Information Regulations as that provision has effect for the tax year 2024-25 or a subsequent tax year, the amount of the

member's lump sum allowance that has been expended by the events mentioned in paragraph (a).

(3) For those purposes, the amount of the member's lump sum allowance that has been expended by the events mentioned in sub-paragraph (2)(a) is—

(a) if a transitional tax-free amount certificate is in force in relation to the member, so much of the member's lump sum transitional tax-free amount as is referable to those events;

(b) otherwise, an amount equal to 25% of so much of the member's lifetime allowance previously-used amount as is referable to those events.

(4) Sub-paragraph (5) applies where—

(a) one or more benefit crystallisation events within the meaning of Part 4 of FA 2004 occurred in relation to a member of a registered pension scheme before 6 April 2024, and

(b) it is necessary to determine, for the purposes of any provision of the Provision of Information Regulations as it has effect for the tax year 2024-25 or a later tax year, the amount of the member's lump sum and death benefit allowance that has been expended by the events mentioned in paragraph (a).

(5) For those purposes, the amount of the member's lump sum and death benefit allowance that has been expended by the events mentioned in sub-paragraph (4)(a) is—

(a) if a transitional tax-free amount certificate is in force in relation to the member, so much of the member's lump sum and death benefit transitional tax-free amount as is referable to those events;

(b) otherwise, an amount equal to the appropriate percentage of so much of the member's lifetime allowance previously-used amount as is referable to those events.

(6) In sub-paragraph (5)(b) "the appropriate percentage" means—

(a) 100% in a case in which—

(i) the member becomes entitled to a serious ill-health lump sum under the scheme before 6 April 2024 and is under the age of 75 at the time of the payment, or

(ii) the member dies before 6 April 2024 under the age of 75 and before that date a person is paid a lump sum death benefit under the scheme in respect of the individual;

(b) 25% in any other case.

(7) In this paragraph "the Provision of Information Regulations" means the Registered Pension Schemes (Provision of Information) Regulations (S.I. 2006/567).

(8) For further provision about the meaning of expressions used in this paragraph, see paragraph 129.

Paragraphs 125 to 128: interpretation

129 (1) "Lump sum transitional tax-free amount", in relation to an individual, means the total of—

(a) each pension commencement lump sum (if any) to which the individual has, before 6 April 2024, become entitled under a registered pension scheme, and

(b) each uncrystallised funds pension lump sum (if any) to which the individual has, before 6 April 2024, become entitled under a registered pension scheme, so far as no charge to income tax under Part 9 of ITEPA 2003 or Part 4 of FA 2004 arises in respect of it.

(2) "Lump sum and death benefit transitional tax-free amount", in relation to an individual, means the total of—

(a) each relevant lump sum (if any) to which the individual has, before 6 April 2024, become entitled under a registered pension scheme, so far as no charge to income tax under Part 9 of ITEPA 2003 or Part 4 of FA 2004 arises in respect of it, and

(b) each relevant lump sum death benefit (if any) paid before 6 April 2024 by a registered pension scheme in respect of the individual so far as no charge to income tax under Part 9 of ITEPA 2003 or Part 4 of FA 2004 arises in respect of it.

(3) For the purposes of sub-paragraph (2)—

(a) a lump sum is "relevant" if the individual becoming entitled to it constituted a benefit crystallisation event within the meaning of Part 4 of FA 2004;

(b) a lump sum death benefit is "relevant" if its payment constituted a benefit crystallisation event within the meaning of Part 4 of FA 2004.

(4) "Complete evidence", in relation to an individual's lump sum and death benefit transitional tax-free amount, means evidence of—

(a) each lump sum (if any) to which the individual has become entitled, and

(b) each lump sum death benefit (if any) that has been paid in respect of the individual,

that is comprised, or any part of which is comprised, in the individual's lump sum and death benefit transitional tax-free amount.

(5) In paragraphs 125 to 128 and this paragraph—

"complete evidence" has the meaning given by sub-paragraph (4);

"lifetime allowance" has the same meaning as in Part 4 of FA 2004;

"lifetime allowance previously-used amount" means the amount that would have been the previously-used amount for the purposes of section 219 of FA 2004 (availability of individual's lifetime allowance) if a benefit crystallisation event (within the meaning of that section) had occurred immediately before 6 April 2024;

"lump sum and death benefit transitional tax-free amount" has the meaning given by sub-paragraphs (2) and (3);

"lump sum death benefit" has the same meaning as in Part 4 of FA 2004;

"lump sum transitional tax-free amount" has the meaning given by sub-paragraph (1);

"pension commencement lump sum" has the same meaning as in Part 4 of FA 2004;

"the Provision of Information Regulations" means the Registered Pension Schemes (Provision of Information) Regulations (S.I. 2006/567);

"scheme administrator" has the same meaning as in Part 4 of FA 2004;

"serious ill-health lump sum" has the same meaning as in Part 4 of FA 2004;

"standard lifetime allowance", in relation to an individual, has the same meaning as in Part 4 of FA 2004 as that Part has effect in relation to the individual;

"transitional tax-free amount certificate" means a certificate under paragraph 127;

"uncrystallised funds pension lump" has the same meaning as in Part 4 of FA 2004.

(6) A reference in any of paragraphs 125 to 128 or this paragraph to a provision of FA 2004 is to that provision as it had effect immediately before 6 April 2024.

Statements for certain members who would not otherwise receive one in the tax year 2024-25

130 (1) The scheme administrator of a registered pension scheme must provide a statement to each relevant person before the end of the tax year 2024-25.

(2) In sub-paragraph (1) "relevant person" means—

(a) any member of the scheme—

(i) in relation to whom one or more benefit crystallisation events occurred before 6 April 2024, and

(ii) who on that date does not have an actual (as opposed to prospective) entitlement to be paid a pension, or

(b) the personal representatives of a member within paragraph (a) who has died.

(3) The statement must contain the information that would have been required to be provided under regulation 14(1) of the Provision of Information Regulations (information provided by scheme administrators about benefit crystallisation events) if such a requirement had arisen in relation to a benefit crystallisation event occurring immediately before 6 April 2024.

(4) In this paragraph—

"benefit crystallisation event" means a benefit crystallisation event within the meaning of Part 4 of FA 2004, as that Part had effect immediately before 6 April 2024;

"the Provision of Information Regulations" means the Registered Pension Schemes (Provision of Information) Regulations (S.I. 2006/567);

"scheme administrator" has the same meaning as in Part 4 of FA 2004.

Lump sum death benefits paid on or after 6 April 2024 that crystallised before that date

131 In section 637S (availability of individual's lump sum and death benefit allowance) "relevant lump sum death benefit" does not include a lump sum death benefit if and to the extent that it is paid in respect of rights that, before 6 April 2024, crystallised under section 216 of FA 2004.

References in scheme rules to lifetime allowance excess lump sums

132 A rule of a registered pension scheme relating to a member's entitlement to a lifetime allowance excess lump sum has effect, in relation to entitlements arising on or after 6 April 2024, and so far as possible, as a rule relating to the member's entitlement to a pension commencement excess lump sum.

Power to make further transitional provision

133 (1) The Treasury may make transitional, transitory or saving provision (in addition to that contained in paragraphs 126 to 132) in connection with the coming into force of any amendment made by section 14 or this Schedule.

(2) Regulations under this paragraph may—

(a) insert provision into this Part of this Schedule;

(b) amend any provision of paragraphs 126 to 132;

(c) make different provision for different purposes.

Power to make further provision in connection with the abolition of lifetime allowance charge

134 (1) The Treasury may by regulations make further provision (in addition to that contained in Parts 1 to 5 of this Schedule) in consequence of, or otherwise in connection with, the provision made by sections 18, 19 and 23 of F(No.2)A 2023.

(2) Regulations under this paragraph may—

(a) amend any provision of the Income Tax Acts (including any provision of, or amendment made by, this Schedule);

(b) if made after 5 April 2024, be made so as to have effect for the tax year in which they are made;

(c) make different provision for different purposes;

(d) include transitional, transitory or saving provision.

(3) Regulations under this paragraph that increase any person's liability to tax may not be made unless a draft of the statutory instrument containing them has been laid before, and approved by a resolution of, the House of Commons.

(4) No regulations under this paragraph may be made after 5 April 2026.

(5) In sub-paragraph (2) "amend" includes repeal or revoke.

SCHEDULE 10

Section 16

CALCULATION OF TRADE PROFITS ETC

PART 1

MAIN PROVISIONS

Introduction of cash basis default

1 Chapter 3 of Part 2 of ITTOIA 2005 (trade profits: basic rules) is amended as follows.

2 After section 24 insert—

"Basis of accounting

24A Cash basis to apply by default

(1) The profits of a trade for a tax year must be calculated on the cash basis, unless—

(a) the trade is an excluded trade in relation to the tax year (see section 25B), or

(b) an election under section 25C(1) has effect in relation to the trade for the tax year.

(2) In this Part—

(a) references to calculating the profits of a trade on the cash basis are references to doing so in accordance with this section, and

(b) references to a trade in relation to which the cash basis applies are to a trade the profits of which are required by virtue of subsection (1) to be calculated on the cash basis.

(3) Chapter 3A contains provision about the calculation of profits on the cash basis and the application of the rest of this Part in relation to the cash basis.

(4) Where the cash basis applies in relation to a trade, sections 27, 28 and 30 do not apply in relation to the calculation of the profits of the trade.

(5) This section does not affect provisions of the Income Tax Acts relating to the calculation of the profits of Lloyd's underwriters."

3 In section 25 (generally accepted accounting practice)—

(a) in subsection (1), after "trade" insert "to which the cash basis does not apply";

(b) omit subsection (3).

4 Omit section 25A (cash basis for small businesses).

5 Before section 26 insert—

"25C Election for profits to be calculated in accordance with GAAP

(1) A person who is or has been carrying on a trade, other than an excluded trade, may elect for the profits of the trade to be calculated in accordance with generally accepted accounting practice (instead of on the cash basis).

(2) An election made in relation to a trade under subsection (1) has effect—

(a) for the tax year for which it is made, and

(b) for every subsequent tax year (subject to subsection (3)).

(3) An election made in relation to a trade under subsection (1) ceases to have effect if—

(a) the trade is an excluded trade in relation to a tax year, or

(b) the person who is or has been carrying on the trade, other than an excluded trade, elects to calculate its profits for a subsequent tax year on the cash basis.

(4) Subsection (3) does not prevent an election being made under subsection (1) for any subsequent tax year.

(5) For the meaning of "excluded trade", see section 25B."

Removal of turnover restrictions etc

6 In Chapter 3A of Part 2 of ITTOIA 2005 (trade profits: cash basis) omit—

(a) section 31A (conditions to be met for profits to be calculated on cash basis) and the italic heading before it,

(b) section 31B (relevant maximum), and

(c) section 31D (effect of election under section 25A) and the italic heading before it.

Removal of interest payments restriction

7 In Part 2 of ITTOIA 2005—

(a) in Chapter 4 (trade profits: rules restricting deductions) omit section 51A (cash basis: interest payments on loans), and

(b) in Chapter 5 (trade profits: rules allowing deductions) omit section 57B (cash basis: interest payments on loans) and the italic heading before it.

Removal of loss restrictions

8 In ITA 2007—

(a) in Chapter 2 of Part 4 (loss relief: trade losses) omit section 74E (no relief where cash basis used to calculate losses) and the italic heading before it, and

(b) in Chapter 1 of Part 8 (relief for interest payments), in section 384B(1) (restriction on relief where cash basis applies)—

(i) for the words from "has made" to "profits of" substitute "carried on";

(ii) for "carried on by the partnership" substitute "the profits of which".

PART 2

MINOR AND CONSEQUENTIAL AMENDMENTS

CHAPTER 1

AMENDMENTS OF ITTOIA 2005

Other amendments of Chapter 3 of Part 2

9 Chapter 3 of Part 2 of ITTOIA 2005 (trade profits: basic rules) is amended as follows.

10 Before section 24 insert the following italic heading—

"Professions and vocations".

11 Before section 25C (inserted by paragraph 5 of this Schedule) insert —

"25B Excluded trades

(1) A trade is an excluded trade in relation to a tax year if the trade meets any of conditions A to G.

(2) Condition A is that—

(a) the person who is or has been carrying on the trade is a firm, and

(b) one or more of the persons who have been partners in the firm at any time during the tax year was not an individual at that time.

(3) Condition B is that the person who is or has been carrying on the trade was a limited liability partnership at any time during the tax year.

(4) Condition C is that an election under Chapter 8 (trade profits: herd basis rules) has effect in relation to the trade for the tax year.

(5) Condition D is that a claim under Chapter 16 (claim for averaging of fluctuating profits) has been made in relation to the trade for the tax year.

(6) Condition E is that, at any time within the period of 7 years ending immediately before the tax year, the person who is or has been carrying on the trade obtained an allowance under Part 3A of CAA 2001 (business premises renovation allowances) in relation to the trade.

(7) Condition F is that the trade is or was at any time during the tax year a mineral extraction trade within the meaning of Part 5 of CAA 2001 (see section 394(2) of that Act).

(8) Condition G is that—

(a) at any time before the beginning of the tax year the person who is or has been carrying on the trade obtained an allowance under Part 6 of CAA 2001 (research and development allowances) in respect of qualifying expenditure incurred by the person in relation to the trade, and

(b) the person owns an asset representing the expenditure.

In this subsection "qualifying expenditure" has the same meaning as in Part 6 of CAA 2001.

(9) The Treasury may by regulations amend this section.

(10) A statutory instrument containing regulations under subsection (9) that restricts the circumstances in which an election may be made under section 25C may not be made unless a draft of the instrument containing the regulations has been laid before, and approved by a resolution of, the House of Commons."

12 Before section 27 insert the following italic heading—

"Rules relating to calculation of profits".

13 Before section 30 insert the following italic heading—

"Animals kept for trade purposes".

14 Before section 31 insert the following italic heading—

"Rules relating to deductions".

Amendments of other provisions

15 ITTOIA 2005 is amended as follows.

16 Omit section 31C (excluded persons) (but see paragraph 11, which inserts substantially similar provision).

17 In section 32A (application of Chapter 4 of Part 2 to the cash basis), in subsection (2)—

(a) omit "the following—", and

(b) omit the words from "section 51A" to the end.

18 In section 56A (application of Chapter 5 of Part 2 to the cash basis), omit subsection (2).

19 In section 58 (incidental costs of obtaining finance), in subsection (5) omit paragraph (a) (including the "and" at the end).

20 In section 94E (excluded vehicles), in subsection (3)(b), for "25A" substitute "24A".

21 (1) Section 96A (capital receipts under, or after leaving, cash basis) is amended as follows.

(2) In subsection (3), for "an election under section 25A (cash basis for trades) has effect" substitute "the cash basis applies".

(3) In subsection (3A), in paragraph (b), for the words "for which no election under section 25A had effect" substitute "in which the cash basis did not apply".

(4) In subsection (3C)—

(a) in paragraph (a), for "no election under section 25A has effect" substitute "the cash basis does not apply";

(b) in paragraph (b), for "such an election had had effect" substitute "the cash basis did apply".

(5) In subsection (3D)—

(a) in paragraph (a), for "an election under section 25A had effect" substitute "the cash basis applied";

(b) in paragraph (c), for "an election under section 25A had not had effect" substitute "the cash basis had not applied".

(6) In subsection (3E), in paragraph (a), for "for which no election under section 25A had effect" substitute "in which the cash basis did not apply".

22 Section 96B (section 96A: supplementary provision), in subsection (3)—

(a) in paragraph (a), for "an election under section 25A has effect" substitute "the cash basis applies";

(b) in paragraph (b), for "no such election had effect" substitute "the cash basis did not apply".

23 In section 97A (cash basis: value of trading stock on cessation of trade), in subsection (1)(b), for "an election under section 25A (cash basis for small business) has effect" substitute "the cash basis applies".

24 In section 97B (cash basis: value of work in progress on cessation of profession or vocation), in subsection (1)(b), for "an election under section 25A (cash basis for small business) has effect" substitute "the cash basis applies".

25 In section 227A (application of Chapter 17 of Part 2 where cash basis used), in subsection (1)—

(a) for paragraph (a) substitute—

"(a) the cash basis does apply in relation to a trade for a tax year but does not apply in relation to the trade for the following tax year."

(b) for paragraph (b) substitute—

"(b) the cash basis does not apply in relation to a trade for a tax year but does apply in relation to the trade for the following tax year."

26 In section 227B (cash basis treatment: full relief under Chapter 1 of Part 6A (trading allowance)), in subsection (2), for "an election under section 25A is to be treated as having effect" substitute "the cash basis is to be treated as not applying".

27 In section 239A (spreading on leaving cash basis), in subsection (1)—

(a) in paragraph (a), for "an election under section 25A (cash basis for small businesses) has effect" substitute "the cash basis applies";

(b) in paragraph (b), for "no such election has effect" substitute "the cash basis does not apply".

28 In section 240B (meaning of "entering the cash basis")—

(a) in paragraph (a), for "an election under section 25A has effect" substitute "the cash basis applies";

(b) in paragraph (b), for "such an election does not have effect" substitute "the cash basis does not apply".

29 In section 246 (basic meaning of "post-cessation receipt"), in subsection (2A), for "an election under section 25A (cash basis for small businesses) has effect" substitute "the cash basis applies".

30 In section 254 (allowable deductions), for subsection (2A) substitute—

"(2A) If, immediately before the person permanently ceases to carry on the trade, the cash basis applies in relation to the trade, assume for the purposes of subsection (2) that the cash basis applies in relation to the trade."

31 In section 783AE (full relief: introduction), in subsection (3)—

(a) for paragraph (a) substitute—

"(a) the cash basis applies for the tax year in relation to one or more of the trades mentioned in subsection (2)(a);";

(b) in paragraph (b)—

(i) for "25A" substitute "25C(1)";

(ii) at the end insert "in relation to one or more of the trades mentioned in paragraph (a)";

(c) omit paragraphs (c) and (d).

32 In section 786 (meaning of "rent-a-room receipts"), in subsection (5), for paragraph (b) substitute—

"(b) the profits of the trade are required under section 24A to be calculated on the cash basis."

33 In section 805 (meaning of "qualifying care receipts"), in subsection (4), for paragraph (b) substitute—

"(b) the profits of the trade are required under section 24A to be calculated on the cash basis."

34 In section 820 (periods of account not ending on 5 April), in subsection (2), for "an election under section 25A (cash basis for small businesses) has effect in relation to the trade" substitute "the profits of the trade are required under section 24A to be calculated on the cash basis".

35 In Part 2 of Schedule 4 (index of defined expressions), in the entry for "the cash basis (in Part 2)", for "section 25A" substitute "section 24A".

CHAPTER 2

AMENDMENTS OF OTHER ACTS

TMA 1970

36 In section 42(7)(e) of TMA 1970 (procedure for making claims etc), for "25A" substitute "25C".

TCGA 1992

37 In section 41(9)(a) of TCGA 1992 (restriction of losses by reference to capital allowances and renewals allowances), for the words from "calculating", in

the second place it occurs, to "effect" substitute "be construed in accordance with Part 2 of ITTOIA 2005 (see section 24A of that Act)".

CAA 2001

38 CAA 2001 is amended as follows.

39 (1) Section 1A (capital allowances and charges: cash basis) is amended as follows.

(2) In subsection (9)—

(a) in paragraph (a), for "an election under section 25A of ITTOIA 2005 (cash basis for trades) has effect" substitute "the cash basis applies";

(b) in paragraph (b), for "no such election has effect" substitute "the cash basis did not apply".

(3) In subsection (11)—

(a) before paragraph (a) insert—

"(za) references to a trade, profession or vocation in relation to which the cash basis applies are to a trade, profession or vocation the profits of which are required by virtue of section 24A(1) of ITTOIA 2005 to be calculated on the cash basis,";

(b) in paragraph (a), for the words from "calculating", in the second place it occurs, to "effect" substitute "doing so in accordance with section 24A of ITTOIA 2005".

40 In section 4(2ZA)(a) (capital expenditure)—

(a) for "an election under section 25A of ITTOIA 2005 has effect" substitute "the cash basis applies";

(b) at the end insert "(see section 24A of ITTOIA 2005)".

41 In section 66A(6) (persons leaving cash basis)—

(a) in paragraph (a), for "an election under section 25A had effect" substitute "the cash basis applied";

(b) in paragraph (b), for "such an election does not have effect" substitute "the cash basis does not apply".

42 (1) Section 431D (persons leaving cash basis) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (b), for "an election under section 25A of ITTOIA 2005 (cash basis for trades) has effect" substitute "the cash basis applies";

(b) in paragraph (d), for "an election under section 25A of that Act had not had effect" substitute "the cash basis had not applied".

(3) In subsection (4)—

(a) in paragraph (a), for "an election under section 25A of ITTOIA 2005 had effect" substitute "the cash basis applied";

(b) in paragraph (b), for "such an election does not have effect" substitute "the cash basis does not apply".

(4) After subsection (4) insert—

"(4A) Subsection (11)(za) of section 1A (capital allowances and charges: cash basis) applies for the purposes of this section as it applies for the purposes of that section."

43 (1) Section 462A (persons leaving cash basis) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (b), for "an election under section 25A of ITTOIA 2005 (cash basis for trades) has effect" substitute "the cash basis applies";

(b) in paragraph (d), for "an election under section 25A of that Act had not had effect" substitute "the cash basis had not applied".

(3) In subsection (5)—

(a) in paragraph (a), for "an election under section 25A of ITTOIA 2005 had effect" substitute "the cash basis applied";

(b) in paragraph (b), for "such an election does not have effect" substitute "the cash basis does not apply".

(4) After subsection (4) insert—

"(4A) Subsection (11)(za) of section 1A (capital allowances and charges: cash basis) applies for the purposes of this section as it applies for the purposes of that section."

44 (1) Section 477A (persons leaving cash basis) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (b), for "an election under section 25A of ITTOIA 2005 (cash basis for trades) has effect" substitute "the cash basis applies";

(b) in paragraph (d), for "an election under section 25A of that Act had not had effect" substitute "the cash basis had not applied".

(3) In subsection (5)—

(a) in paragraph (a), for "an election under section 25A of ITTOIA 2005 had effect" substitute "the cash basis applied";

(b) in paragraph (b), for "such an election does not have effect" substitute "the cash basis does not apply".

(4) After subsection (5) insert—

"(5A) Subsection (11)(za) of section 1A (capital allowances and charges: cash basis) applies for the purposes of this section as it applies for the purposes of that section."

ITA 2007

45 (1) ITA 2007 is amended as follows—

(2) In section 64(8) (deduction of losses from general income), omit paragraph (bb).

(3) In section 72(5) (relief for individuals for losses in first 4 years of trade), omit paragraph (bb).

Consequential repeals

46 In consequence of the repeals made by this Schedule, omit the following provisions (which insert or amend provisions repealed by this Schedule)—

(a) in Part 1 of Schedule 4 to FA 2013, paragraphs 3, 4, 10, 14, 15 and 39(3),

(b) in Part 2 of that Schedule, paragraphs 44 and 54, and

(c) paragraph 6 of Chapter 3A of Part 1 of Schedule 1 to FA 2022.

PART 3

COMMENCEMENT AND TRANSITIONAL PROVISION

Commencement

47 The amendments made by this Schedule have effect for the tax year 2024-25 and subsequent tax years.

Transitional provision

48 (1) This paragraph has effect for the purposes of construing references in the Income Tax Acts to the cash basis in relation to the calculation of the profits of a trade (but not a property business) for a tax year before 2024-25.

(2) Any reference to calculating the profits of a trade on the cash basis is to be read as a reference to doing so in accordance with section 25A of ITTOIA 2005.

(3) Any reference to the cash basis applying (or not applying) in relation to a trade for the tax year is to be read as a reference to an election under section 25A of ITTOIA 2005 having effect (or not having effect) in relation to the trade for the tax year.

49 (1) This paragraph has effect for the purposes of construing references in the Income Tax Acts to a change in the basis of calculation of the profits of a trade (but not a property business) for the tax year 2024-25.

(2) A person carrying on a trade "enters the cash basis" in relation to the trade in the tax year 2024-25 if—

(a) the cash basis applies in relation to the trade for the tax year 2024-25, and

(b) no election under section 25A of ITTOIA 2005 had effect in relation to the trade for the tax year 2023-24,

and related expressions are to be construed accordingly.

(3) A person carrying on a trade "leaves the cash basis" in relation to the trade in the tax year 2024-25 if—

(a) an election under section 25A of ITTOIA 2005 had effect in relation to the trade for the tax year 2023-24, and

(b) the cash basis does not apply in relation to the trade for the tax year 2024-25,

and related expressions are to be construed accordingly.

(4) For the purposes of this paragraph, the cash basis applies to a trade in relation to a tax year if the profits of the trade for the tax year are required by virtue of section 24A(1) of ITTOIA 2005 to be calculated in accordance with that section.

50 Paragraphs 48 and 49 apply to professions and vocations as they apply to trades.

SCHEDULE 11

section 20

CAPITAL-RAISING ARRANGEMENTS ETC

PART 1

DEPOSITARY RECEIPTS AND CLEARANCE SERVICES

Introduction

1 FA 1986 is amended as follows.

Stamp duty

2 In section 67 (stamp duty: depositary receipts)—

(a) in the heading, at the end insert "1.5% charge";

(b) in subsection (1) omit "(other than a bearer instrument)";

(c) after that subsection insert—

"(1A) For the purposes of subsection (1) "instrument" does not include—

(a) a bearer instrument (see subsection (9A));

(b) an exempt capital-raising instrument (see section 72ZA);

(c) an exempt listing instrument (see section 72ZB).";

(d) after subsection (9) insert—

"(9ZA) Where an instrument transfers shares in a company which are held by the company (whether in accordance with section 724 of the Companies Act 2006 (treasury shares) or

otherwise), subsections (2) to (5) do not apply and stamp duty is not chargeable on the instrument."

3 In section 69 (depositary receipts: supplementary), in subsection (1), in the words before paragraph (a), for "sections 67 and 68 above" substitute "sections 67, 68 and 72ZB".

4 In section 70 (stamp duty: clearance services)—

(a) in the heading, at the end insert "1.5% charge";

(b) in subsection (1) omit "(other than a bearer instrument)";

(c) after that subsection insert—

"(1A) For the purposes of subsection (1) "instrument" does not include—

(a) a bearer instrument (see subsection (9A));

(b) an exempt capital-raising instrument (see section 72ZA);

(c) an exempt listing instrument (see section 72ZB).";

(d) after subsection (9) insert—

"(9ZA) Where an instrument transfers shares in a company which are held by the company (whether in accordance with section 724 of the Companies Act 2006 (treasury shares) or otherwise), subsections (2) to (5) do not apply and stamp duty is not chargeable on the instrument."

5 After section 72 (clearance services: supplementary) insert—

"Meaning of "exempt capital-raising instrument" and "exempt listing instrument"

72ZA Meaning of "exempt capital-raising instrument"

(1) For the purposes of sections 67 and 70, an instrument is an "exempt capital-raising instrument" if the instrument transfers relevant securities in the course of capital-raising arrangements.

(2) In this section, "capital-raising arrangements" means arrangements pursuant to which relevant securities are issued by a company for the purpose of raising new capital.

(3) An instrument is not prevented from being an exempt capital-raising instrument by reason only of a delay in transferring relevant securities where—

(a) a person ("the transferor") acquires the relevant securities—

(i) before capital-raising arrangements are entered into, or

(ii) in the course of capital-raising arrangements,

(b) the transferor is subject to a restriction that has the effect of preventing the transfer of the relevant securities in the course of the capital-raising arrangements, and

(c) the instrument transfers the relevant securities as soon as reasonably practicable after the time at which the restriction ceases to have effect.

72ZB Meaning of "exempt listing instrument"

(1) For the purposes of sections 67 and 70, an instrument is an "exempt listing instrument" if—

(a) the instrument transfers relevant securities of a company in the course of qualifying listing arrangements, and

(b) those arrangements do not affect the beneficial ownership of the relevant securities.

(2) In this section, "listing arrangements" means arrangements pursuant to which relevant securities, or depositary receipts for relevant securities, are listed on a recognised stock exchange.

(3) For the purposes of this section, listing arrangements are "qualifying" if, immediately before the first transfer of relevant securities in the course of the listing arrangements, no relevant securities in the company or depositary receipts for relevant securities in the company are listed on the recognised stock exchange to which the listing arrangements relate.

(4) An instrument is not prevented from being an exempt listing instrument by reason only of a delay in transferring relevant securities where—

(a) a person ("the transferor") acquires the relevant securities before qualifying listing arrangements are entered into,

(b) the transferor is subject to a restriction that has the effect of preventing the transfer of the relevant securities in the course of the qualifying listing arrangements, and

(c) the instrument transfers the relevant securities as soon as reasonably practicable after the time at which the restriction ceases to have effect.

(5) Section 1005 of the Income Tax Act 2007 (meaning of "recognised stock exchange", "listed" etc) applies in relation to this section as it applies in relation to the Income Tax Acts."

Stamp duty reserve tax

6 (1) Section 90 (section 87: other exceptions) is amended as follows.

(2) In subsection (3C)—

(a) at the end of paragraph (a) insert "and";

(b) omit paragraph (b).

(3) In subsection (3E) omit paragraph (b).

(4) In subsection (4)—

(a) the words from "falling within" to the end become paragraph (a);

(b) after that paragraph insert ", or

(b) which would fall within section 93(1) or section 96(1) if the references in section 93 or section 96 (as the case may be) to the transfer of chargeable securities included the issue of chargeable securities."

7 (1) In the italic heading before section 93 (SDRT: depositary receipts), at the end insert ": depositary receipts".

(2) In section 93—

(a) in the heading, at the end insert ": 1.5% charge";

(b) in subsection (1)—

(i) in the words before paragraph (a) omit "Subject to subsection (7) below and section 95 below,";

(ii) in paragraph (b) omit "or issued";

(c) after that subsection insert—

"(1A) The following provisions contain exceptions to the charge to stamp duty reserve tax under this section—

(a) subsection (7) of this section (exception so far as stamp duty is chargeable);

(b) section 95 (general exceptions);

(c) section 95A (replacement securities);

(d) section 97AB (exempt capital-raising transfers);

(e) section 97AC (exempt listing transfers);

(f) section 97AD (exception for transfers of shares held by issuing company);

(g) section 97B (transfers between depositary receipt system and clearance system).";

(d) in subsection (4) omit paragraph (a);

(e) omit subsection (10).

8 In section 94 (depositary receipts: supplementary), in subsection (1), in the words before paragraph (a), for "section 93 above" substitute "sections 93 and 97AC".

9 In section 95 (depositary receipts: exceptions)—

(a) in subsection (1), in the words after paragraph (b) omit "subject to section 97C,";

(b) in subsection (2), in the words before paragraph (a) omit ", issue";

(c) omit subsections (3) to (5);

(d) omit subsection (7).

10 In section 95A (depositary receipts: exception for replacement securities)—

(a) in subsection (1) omit ", issue";

(b) in subsection (3)—

(i) in paragraph (a), in the words before sub-paragraph (i) omit ", issue";

(ii) in paragraph (b) omit "or (3)";

(c) in subsection (4), in paragraph (a) omit ", issued".

11 (1) Before section 96 (SDRT: clearance services) insert—

"Other charges: clearance services".

(2) In section 96—

(a) in the heading, at the end insert ": 1.5% charge";

(b) in subsection (1)—

(i) in the words before paragraph (a) omit "Subject to subsection (5) below and sections 97 and 97A below,";

(ii) in paragraph (b) omit "or issued";

(c) after that subsection insert—

"(1A) The following provisions contain exceptions to the charge to stamp duty reserve tax under this section—

(a) subsection (5) of this section (exception so far as stamp duty is chargeable);

(b) section 97 (general exceptions);

(c) section 97ZA (exception for replacement securities);

(d) section 97A (election for alternative system of charge);

(e) section 97AB (exempt capital-raising transfers);

(f) section 97AC (exempt listing transfers);

(g) section 97AD (exception for transfers of shares held by issuing company);

(h) section 97B (transfers between depositary receipt system and clearance system).";

(d) in subsection (2) omit paragraph (a);

(e) omit subsection (8).

12 (1) Section 97 (clearance services: exceptions) is amended as follows.

(2) In subsection (1), in the words after paragraph (b) omit "subject to section 97C,".

(3) In subsection (3), in the words before paragraph (a) omit "or issue".

(4) Omit subsections (4) to (6).

13 (1) Section 97AA (clearance services: further exception) is renumbered section 97ZA.

(2) In that section—

(a) in the heading, for "further exception" substitute "exception for replacement securities";

(b) in subsection (1) omit "or issue";

(c) in subsection (3)—

(i) in paragraph (a), in the words before sub-paragraph (i) omit "or issue";

(ii) in paragraph (b) omit "or (4)";

(d) in subsection (4), in paragraph (a) omit "or issued".

14 (1) Section 97A (clearance services: election for alternative system of charge) is amended as follows.

(2) In subsection (3), in paragraph (a) omit "or issue".

(3) In subsection (4), in both places omit ", issue".

15 After section 97A insert—

"Depositary receipts and clearance services: further exceptions

97AB Exempt capital-raising transfers

(1) There is to be no charge to tax under section 93 or 96 in respect of an exempt capital-raising transfer.

(2) For the purposes of subsection (1), a transfer of chargeable securities is an "exempt capital-raising transfer" if the transfer is in the course of capital-raising arrangements.

(3) In this section, "capital-raising arrangements" means arrangements pursuant to which chargeable securities are issued by a company for the purpose of raising new capital.

(4) A transfer of chargeable securities is not prevented from being an exempt capital-raising transfer by reason only of a delay in transferring the chargeable securities where—

(a) a person ("the transferor") acquires the chargeable securities—

(i) before capital-raising arrangements are entered into, or

(ii) in the course of capital-raising arrangements,

(b) the transferor is subject to a restriction that has the effect of preventing the transfer of the chargeable securities in the course of the capital-raising arrangements, and

(c) the transfer is made as soon as reasonably practicable after the time at which the restriction ceases to have effect.

97AC Exempt listing transfers

(1) There is to be no charge to tax under section 93 or 96 in respect of an exempt listing transfer.

(2) For the purposes of subsection (1), a transfer of chargeable securities issued by a company is an "exempt listing transfer" if—

(a) it is a transfer in the course of qualifying listing arrangements, and

(b) those arrangements do not affect the beneficial ownership of the chargeable securities.

(3) In this section, "listing arrangements" means arrangements pursuant to which chargeable securities, or depositary receipts for chargeable securities, are listed on a recognised stock exchange.

(4) For the purposes of this section, listing arrangements are "qualifying" if, immediately before the first transfer of chargeable securities in the course of the listing arrangements, no chargeable securities in the company or depositary receipts for chargeable securities in the company are listed on the recognised stock exchange to which the listing arrangements relate.

(5) A transfer of chargeable securities is not prevented from being an exempt listing transfer by reason only of a delay in transferring the chargeable securities where—

(a) a person ("the transferor") acquires the chargeable securities before qualifying listing arrangements are entered into,

(b) the transferor is subject to a restriction that has the effect of preventing the transfer of the chargeable securities in the course of the qualifying listing arrangements, and

(c) the transfer is made as soon as reasonably practicable after the time at which the restriction ceases to have effect.

(6) Section 1005 of the Income Tax Act 2007 (meaning of "recognised stock exchange", "listed" etc) applies in relation to this section as it applies in relation to the Income Tax Acts.

97AD Exception for transfers of shares held by issuing company

There is to be no charge to tax under section 93 or 96 in respect of a transfer of shares in a company which are held by the company (whether in accordance with section 724 of the Companies Act 2006 (treasury shares) or otherwise)."

16 In section 97B (transfer between depositary receipt system and clearance system) omit subsection (1A).

17 Omit section 97C (transfers to non-EU depositary receipt and clearance services systems).

PART 2

BEARER INSTRUMENTS

18 In section 79 of FA 1986 (stamp duty: loan capital: new provisions), in subsection (2)—

(a) omit "on the issue of an instrument which relates to loan capital or";

(b) for "such an instrument" substitute "an instrument which relates to loan capital".

19 (1) Schedule 15 to FA 1999 (stamp duty: bearer instruments) is amended as follows.

(2) Omit paragraph 1 (charge on issue of instrument) and the italic heading before it.

(3) In paragraph 2 (charge on transfers of stock by means of instrument), in the words before paragraph (a) omit "duty was not chargeable under paragraph 1 on the issue of the instrument and".

(4) In paragraph 4 (1.5% rate of duty) omit "or 6".

(5) Omit paragraph 7 (ascertainment of market value for charge on issue of instrument).

(6) In paragraph 17 (exemption for issue of instruments relating to non-sterling stock), in sub-paragraph (1)—

(a) in the words before paragraph (a) omit "the issue of";

(b) omit the words after paragraph (b).

(7) Omit the italic heading before paragraph 21.

(8) Omit paragraph 21 (procedure for stamping instruments where duty chargeable on issue).

(9) Omit paragraph 22 (consequences of default in complying with procedure for stamping).

PART 3

MINOR AND CONSEQUENTIAL AMENDMENTS

20 In section 131 of FA 1976 (Inter-American Development Bank), in subsection (3) omit "on the issue of any instrument by the Bank or".

21 (1) In section 126 of FA 1984 (tax exemptions in relation to designated international organisations), subsection (3) is amended as follows.

(2) In paragraph (c) omit "on the issue of any instrument by the organisation or".

(3) Omit paragraph (d).

22 In section 99 of FA 1986 (interpretation), in subsection (10), in the words before paragraph (a), for "97AA" substitute "97ZA".

23 (1) Section 50 of FA 1987 (warrants to purchase Government stock etc) is amended as follows.

(2) In subsection (2)—

(a) omit paragraph (a);

(b) in paragraph (b), for "such an instrument" substitute "an instrument which relates to an interest, right or option within subsection (1)".

(3) In subsection (3)—

(a) omit paragraph (b);

(b) in paragraph (c), for "under that Schedule" substitute "under Schedule 15 to the Finance Act 1999 (stamp duty: bearer instruments)".

24 (1) Section 143 of FA 1988 (stamp duty: paired shares) is amended as follows.

(2) Omit subsections (2) and (3).

(3) In subsection (5), in paragraph (a), for "such as is mentioned in subsection (3)(a) above" substitute "for sale of such units to the public made at the same time and at a broadly equivalent price in a country other than the United Kingdom or the foreign country".

PART 4

COMMENCEMENT AND TRANSITIONAL PROVISION

Commencement

25 The amendments made by this Schedule have effect—

(a) as they apply for the purposes of stamp duty, in relation to instruments executed on or after 1 January 2024;

(b) as they apply for the purposes of stamp duty reserve tax, in relation to—

(i) agreements to transfer chargeable securities made on or after that day;

(ii) the transfer or issue of chargeable securities on or after that day.

Transitional provision: depositary receipts: exception from SDRT for replacement securities

26 (1) This paragraph applies for the purposes of section 95A of FA 1986 (depositary receipts: exception for replacement securities) where the securities mentioned in subsection (3)(a) of that section were issued before 1 January 2024.

(2) The amendments made by paragraphs 7 and 10 are to be disregarded.

Transitional provision: clearance services: exception from SDRT for replacement securities

27 (1) This paragraph applies for the purposes of section 97ZA of FA 1986 (clearance services: exception for replacement securities) where the securities mentioned in subsection (3)(a) of that section were issued before 1 January 2024.

(2) The amendments made by paragraphs 11 and 13 are to be disregarded.

Transitional provision: bearer instruments

28 (1) Sub-paragraph (2) applies in relation to bearer instruments issued before 1 January 2024—

(a) in the United Kingdom, or

(b) outside the United Kingdom by or on behalf of a UK company.

(2) The amendment made by paragraph 19(3) is to be disregarded.

(3) In sub-paragraph (1) "bearer instrument" and "UK company" have the same meaning as in Schedule 15 to FA 1999 (see paragraphs 3 and 11 of that Schedule).

(4) Sub-paragraph (5) applies in relation to UK bearer instruments within the meaning of section 99(1A) of FA 1986 issued before 1 January 2024.

(5) The amendments made by paragraph 6(2) and (3) are to be disregarded.

Transitional provision: warrants to purchase Government stock etc

29 (1) This paragraph applies in relation to securities constituted by or transferable by means of an instrument issued before 1 January 2024.

(2) The amendments made by paragraph 23 are to be disregarded.

SCHEDULE 12

Section 22

PILLAR TWO

PART 1

INTRODUCTION

1 (1) F(No.2)A 2023 is amended in accordance with Parts 2 to 4 of this Schedule.

(2) The amendments made by those Parts have effect for accounting periods beginning on or after 31 December 2023.

PART 2

MULTINATIONAL TOP-UP TAX

Partnerships

2 (1) In section 122 (chargeable persons)—

(a) in subsection (1)(a)(ii), omit "that is not a body corporate",

(b) in subsection (2)(c)(ii), omit "that is not a body corporate", and

(c) omit subsections (4) to (6).

(2) After section 232, insert—

"232A Partnerships

(1) A partnership is to be regarded for the purposes of this Part as continuing to be the same partnership regardless of a change in membership, provided that a person who was a member before the change remains a member after the change.

(2) Where—

(a) ownership interests in a partnership are transferred to more than one individual or entity, and

(b) the result is a partnership of which none of the original partners are members,

that new partnership is to be treated as if it were the same partnership as the old partnership.

(3) Where a partnership is otherwise dissolved in an accounting period—

(a) the partnership is to be treated as a continuing entity for the purpose of dealing with its rights and obligations under this Part in respect of that accounting period and previous accounting periods, and

(b) for the purposes of Schedule 14 (administration) each person who was a partner in that accounting period (before the partnership's dissolution) is to be treated as a partner of the continuing entity.

(4) The reference in subsection (2) to a transfer of ownership interests includes any series of transactions having the effect of a transfer (including by way of the cancellation of interests and the issue of corresponding interests)."

(3) In section 259 (other definitions), in subsection (1) at the appropriate place insert—

""partnership" does not include anything that is a body corporate;"

(4) After section 268 insert—

"268A Partnerships

Section 232A (partnerships) applies for the purposes of this Part as it applies for the purposes of Part 3."

(5) In section 269 (chargeable persons for domestic top-up tax)—

(a) in subsection (1)—

(i) in paragraph (a), omit "that is not a body corporate", and

(ii) in paragraph (b), omit "that is not a body corporate" in the second place it occurs, and

(b) omit subsections (4) to (6).

(6) In Schedule 14 (administration of multinational top-up tax)—

(a) in paragraph 3—

(i) in paragraph (a) of sub-paragraph (2), omit "or a limited liability partnership",

(ii) in that sub-paragraph, omit paragraph (c), and

(iii) for sub-paragraph (3) substitute—

"(3) In this Schedule—

(a) "limited partnership" includes an entity established under the law of a territory outside the United Kingdom that is equivalent to a limited partnership, and

(b) "general partner" includes a partner of such an entity that corresponds to a general partner.

(4) See also section 232A, which contains provision about the continuity of partnerships which is relevant to this paragraph.

(5) Where an obligation of a partnership may be met by one of its partners and the partnership does not comply with that obligation—

(a) an officer of Revenue and Customs may by notice require any such partner to meet the obligation, and

(b) that partner is to be treated for that purpose as the filing member (and accordingly may be subject to any penalty for a failure to comply).",

(b) after paragraph 37 insert—

"Partnership payment notices

37A(1) An officer of Revenue and Customs may issue a partnership payment notice if an amount of multinational top-up tax payable by a member of a multinational group that is a partnership (including any interest on that amount) is not paid by the end of the period of three months beginning with the relevant date (see paragraph 34(7) to (9)).

(2) A partnership payment notice may be issued to any person (wherever in the world they are located) who—

(a) is a partner, or

(b) was a partner at any time in the accounting period to which the amount payable relates.

(3) A partnership payment notice is a notice requiring the recipient to pay an outstanding amount of multinational top-up tax payable by a member of the group that is a partnership by a date specified in the notice.

(4) Sub-paragraphs (4) to (9) of paragraph 34 and paragraph 36 apply to a partnership payment notice as they apply to a group payment notice.

(5) In this paragraph and in paragraph 37B, reference to a partner, in the case of a limited partnership, is to a general partner.

Recovery of partnership payment and effect for tax purposes etc

37B (1) This paragraph applies where a partner of a member of a multinational group that is a partnership (the "payer") makes a payment in respect of the liability to pay multinational top-up tax of the partnership (whether or not in consequence of a partnership payment notice).

(2) The payer may recover the amount from the other partners.

(3) In calculating the payer's income, profits or losses for tax purposes—

(a) the payment is not allowed as a deduction, and

(b) the reimbursement of any such payment is not to be regarded as a receipt.

(4) The payment or its reimbursement—

(a) is not (otherwise) to be taken into account in calculating the profits or losses of for corporation tax or income tax purposes of either the payer or the other partners, and

(b) is not to be regarded as a distribution for income tax or corporation tax purposes.

(5) The amount paid by the payer is to be taken into account in calculating—

(a) the amount of multinational top-up tax unpaid by the partnership, and

(b) the amount due by virtue of a partnership payment notice relating to the amount unpaid.

(6) Similarly, any payment by the partnership or by any of the other partners of any of the amount unpaid is to be taken into account in calculating the amount due by virtue of a partnership payment notice (or by virtue of any other partnership payment notice relating to the amount unpaid).

(7) In this paragraph, "for tax purposes" means for the purposes of income tax, corporation tax, multinational top-up tax or domestic top-up tax.", and

(c) in paragraph 39—

(i) omit the "or" after paragraph (a) in sub-paragraph (1),

(ii) after that paragraph insert—

"(aa) a partner of a partnership makes a payment on behalf of the partnership or another partner, or", and

(iii) in sub-paragraph (2), after paragraph (a) insert—

"(aa) deeming a payment made by a partner of a partnership to have been made by the partnership or another partner;".

(7) In Schedule 17 (index of defined expressions), in the table, at the appropriate places insert—

"general partner (in Schedule 14)	paragraph 3(3) of Schedule 14";
"limited partnership (in Schedule 14)	paragraph 3(3) of Schedule 14";
"partnership	section 259(1);".

Qualifying non-profit subsidiaries

3 In section 127 (excluded entities), in subsection (5)—

(a) for paragraph (b) substitute—

"(b) the revenue (see section 129(5)) of the multinational group of which the entity is a member, excluding the revenues of each member that is a non-profit organisation, a qualifying service entity or a qualifying exempt income entity—

(i) would not exceed the threshold set out in section 129(4), and

(ii) is less than 25% of the total revenue of the group, and", and

(b) omit paragraph (c) (and the "and" after it).

Charging permanent establishments of intermediate/partially-owned parent members

4 (1) Section 128 (responsible members) is amended as follows.

(2) In subsection (3), for paragraph (c) substitute—

"(c) at least one member of the group in which it has an ownership interest, or a permanent establishment for which

it is the main entity, has a top-up amount or an additional top-up amount."

(3) In subsection (4), after "for" insert "—

"(a) every permanent establishment for which it is the main entity, and

(b)".

(4) In subsection (5), for paragraph (b) substitute—

"(b) at least one member of the group in which it has an ownership interest, or a permanent establishment for which it is the main entity, has a top-up amount or an additional top-up amount."

(5) In subsection (6), after "for" insert "—

"(a) every permanent establishment for which it is the main entity, and

(b)".

(6) In section 232, after subsection (3) insert—

"(3A) But an entity with a permanent establishment is not to be taken as having ownership interests in that permanent establishment."

De-merged groups

5 (1) Section 131 (whether de-merged groups meet the revenue threshold) is amended as follows.

(2) In subsection (1), omit "if" in the second place it occurs (immediately following "A de-merged group meets condition A").

(3) For subsection (2) substitute—

"(2) In this section "qualifying de-merger" means the separation of members of a relevant multinational group into two or more consolidated groups in an accounting period of the relevant multinational group, such that those members cease to all be consolidated by the same ultimate parent.

(3) A multinational group is relevant in an accounting period if—

(a) it meets condition A in section 129(2) for that period (revenue threshold exceeded in at least 2 of previous 4 accounting periods), and

(b) Pillar Two rules apply to any member of the group for that period."

Adjustment for changes in accounting policies and prior period errors

6 In section 146 (adjustment for changes in accounting policies and prior period errors), in paragraph (b), for the words from "correction", in the

second place it occurs, to the end substitute "error results in a recalculation under section 217(5) (post filing adjustments of covered taxes)".

Pension expense

7 For section 147 (accrued pension expense) substitute—

"147 Accrued pension expense

(1) This section applies in an accounting period where a member of a multinational group—

(a) has made contributions to a pension fund in the period,

(b) has received amounts from the pension fund in the period, or

(c) otherwise has amounts of income or expense relating to the pension fund reflected in its underlying profits.

(2) Take the amount of income or expense (expressed as a negative number where expense) that has arisen directly in respect of the fund as reflected in the member's underlying profits and—

(a) add the sum of contributions made to the fund by the member in the period, and

(b) subtract any amount received by the member from the fund in the period.

(3) If the result of subsection (2)—

(a) is more than nil, reduce the underlying profits by that result, or

(b) is less than nil, increase the underlying profits by that result (as expressed a positive number)."

Tax credits

8 (1) After section 147 insert—

"147A Treatment of tax credits

(1) The underlying profits of a member of a multinational group, and the covered tax balance of that member (see Chapter 5), are to be adjusted (if necessary) to secure that—

(a) qualifying refundable tax credits are accounted for as income rather than as tax expense,

(b) tax credits that are marketable transferable tax credits in relation to the member are accounted for as income rather than as tax expense, and

(c) other tax credits are accounted for as tax expense rather than as income.

(2) Section 148 sets out when tax credits are qualifying refundable tax credits.

(3) Section 148A sets out the meaning of "transferable tax credit" and "marketable transferable tax credit".

(4) Sections 148B and 148C set out rules about the value of marketable transferable tax credits.

(5) Sections 176A to 176C (in Chapter 5) set out rules about the value of tax credits that are not marketable transferable tax credits but which are transferable or were transferred (and which as a result of subsection (1)(c) are generally to be accounted for as tax expense).

(6) See also sections 176D to 176F which contain special rules for tax credits received in under a tax equity partnership arrangement."

(2) In section 148 (treatment of qualifying refundable tax credits)—

(a) in the heading, for "Treatment" substitute "Meaning",

(b) omit subsection (1), and

(c) in subsection (4)(b), omit "tax".

(3) After that section insert—

"148A Transferable tax credits

(1) A tax credit is a transferable tax credit in relation to a member of a multinational group if—

(a) the member is—

(i) the person to whom the credit was originally granted ("the originator"), or

(ii) a person ("a purchaser") who has acquired the credit (whether from the originator or anyone else), and

(b) the transferability condition is met in relation to the member.

(2) A transferable tax credit is a marketable transferable tax credit in relation to a member of a multinational group if—

(a) it is a transferable tax credit, and

(b) the marketable condition is met in relation to the member.

(3) Those conditions are met differently depending on whether the member is the originator or a purchaser.

(4) The transferability condition is met—

(a) in relation to the originator if, under the law of the territory in which the credit was granted, credits of that type may be transferred to a person or entity that is not connected with originator before the end of 15 months after the end of the accounting period in which the credit is granted, and

(b) in relation to a purchaser if, under the law of that territory, credits of that type may be transferred to a person or entity that is not connected with the purchaser—

(i) under the same or similar conditions as would apply to the originator, and

(ii) before the end of the accounting period in which it was transferred to the purchaser.

(5) The marketable condition is met—

(a) in relation to the originator, if—

(i) the credit is transferred to a person or entity that is not connected with the originator before the end of 15 months of the accounting period in which the credit was granted at a price equal to or in excess of 80% of its net present value, or

(ii) similar credits are traded between persons or entities that are not connected to each other before the end of 15 months of the accounting period in which they are granted, and are typically traded at a price equal to or in excess of 80% of their net present value, and

(b) in relation to a purchaser, if the purchaser acquired the credit from a person or entity that is not connected to the purchaser at a price equal to or in excess of 80% of its net present value.

(6) Subsections (7) and (8) apply for the purposes of determining the net present value of a tax credit.

(7) In making that determination, assume that the entity that holds it will be able to use it in the accounting periods in which it may be used.

(8) The discount rate to be used in making that determination is to be determined by reference to the return on debt instruments that are issued by the government of the territory in which the credit was granted—

(a) that have—

(i) the same, or a similar, maturity to the period over which the credit is to be used, or

(ii) in a case in which the credit is to be used over a period exceeding 5 years, a maturity of 5 years, and

(b) that are issued—

(i) in relation to a credit that has been transferred, in the accounting period in which the credit was transferred, or

(ii) in relation to a credit held that has not been transferred, in the accounting period in which it was granted.

(9) References in subsections (6) and (8) to an accounting period are—

(a) in relation to determining net present value in connection with determining whether the marketable condition is met

by the originator, an accounting period of the originator, and

(b) in relation to determining net present value in connection with determining whether the marketable condition is met by a purchaser, an accounting period of the purchaser.

(10) Where a transferable tax credit is also a qualifying refundable tax credit, it is to be treated as not being a transferable tax credit for the purposes of this Part.

148B Value of marketable transferable tax credits: originator

(1) The underlying profits of a member of a multinational group that is the originator in relation to a marketable transferable tax credit are to be adjusted to secure that the value of marketable transferable tax credits it holds, and has held, as originator are reflected as follows.

(2) Where the credit is not transferred before the end of 15 months after the end of the accounting period in which it was granted, the full value of the credit is to be recognised as income.

(3) Where the credit is subsequently transferred for consideration which is less than the value of the credit, the difference between the value of the credit and the consideration received for its transfer is to be recognised as a loss in the accounting period in which it is transferred.

(4) Where the credit is transferred before the end of 15 months after the end of the accounting period in which the credit is granted, the consideration for the transfer (rather than the value of the credit) is to be recognised as income.

(5) Where the credit has not been transferred, and was not fully used, before its expiry, the value of so much of the credit as has not been used is to be reflected as a loss in the accounting period in which the credit expired.

148C Value of marketable transferable tax credits: purchaser

(1) The underlying profits of a member of a multinational group that is the purchaser in relation to a marketable transferable tax credit are to be adjusted to secure that the value of marketable transferable tax credits it holds, and has held, as purchaser are reflected as follows.

(2) On using an amount of the credit in an accounting period, the amount given by subsection (3) is to be recognised as income.

(3) That amount is the amount given by multiplying—

(a) the amount used divided by the full value of the credit, by

(b) the amount given by subtracting the purchase price of the credit from the full value of the credit.

(4) On transferring the credit, the amount in subsection (5) is to be reflected in the underlying profits for the accounting period in which the transfer occurred—

(a) if positive, as a gain, or

(b) if negative, as a loss.

(5) That amount is the amount given by subtracting—

(a) the sum of—

(i) the purchase price of the credit, and

(ii) any amounts recognised as income in accordance with subsection (2) (whether in that accounting period or a previous accounting period), from

(b) the sum of—

(i) the amount of the credit that has been used, and

(ii) the consideration for the transfer.

(6) Where the credit has not been transferred, and was not fully used, before its expiry, the amount in subsection (7) is to be reflected as a loss in the accounting period in which the credit expired.

(7) That amount is the amount given by subtracting—

(a) the amount of the credit that was used, from

(b) the sum of the purchase price of the credit and any amounts recognised in accordance with subsection (2)."

(4) In section 175 (amounts excluded from covered tax balance), in subsection (2), in paragraph (c), after "credit", in the second place it occurs, insert ", or in respect of a marketable transferable tax credit,".

(5) In section 176 (amounts to be reflected in covered tax balance), in subsection (2)—

(a) in paragraph (d), in sub-paragraph (i), after "credit" insert "or a marketable transferable tax credit", and

(b) in paragraph (e), after "credit" insert "or a marketable transferable tax credit".

(6) After section 176 insert—

"Transferable tax credits

176A Meaning of "non-marketable transferable tax credits"

(1) Sections 176B and 176C make provision about "non-marketable transferable tax credits".

(2) A tax credit held by a member of a multinational group that is the originator of the credit is a non-marketable transferable tax credit if—

(a) it may be transferred to another person or entity, and

(b) it is neither a marketable transferable tax credit nor a qualifying refundable tax credit.

(3) A tax credit held by a member of a multinational group as a purchaser of the credit is a non-marketable transferable tax credit if it is neither a marketable transferable tax credit nor a qualifying refundable tax credit.

(4) In this section and in sections 176B and 176C "originator" and "purchaser" are to be construed in accordance with section 148A(1)(a).

176B Value of non-marketable transferable tax credits: originator

(1) The covered tax balance of a member of a multinational group that holds a non-marketable transferable tax credit as originator is to be adjusted to secure that the value of the credit is reflected as follows.

(2) The value of the tax credit is to be reflected as it is used.

(3) If the credit is transferred (after the end of the period of 15 months after the accounting period in which the credit is granted), the consideration for the transfer is to be reflected as a credit in the accounting period in which the transfer occurred.

176C Value of non-marketable transferable tax credits: purchaser

(1) The covered tax balance of a member of a multinational group that holds a non-marketable transferable tax credit as purchaser is to be adjusted to secure that the value the credit is reflected as follows.

(2) On using an amount of the credit, the amount given by subsection (3) is to be reflected as a credit in the covered tax balance for the accounting period in which it is used.

(3) That amount is the amount given by multiplying—

(a) the amount used divided by the full value of the credit, by

(b) the amount given by subtracting the purchase price of the credit from the full value of the credit.

(4) On transferring the credit, the amount in subsection (5) is—

(a) if positive, to be reflected as a credit in the covered tax balance for the accounting period in which the transfer occurred, or

(b) if negative, to be reflected as a loss in the underlying profits of the member for that period.

(5) That amount is the amount given by subtracting—

(a) the sum of—

(i) the purchase price of the credit, and

(ii) any amounts recognised reflected in the covered tax balance in accordance with subsection (2) (whether in that accounting period or a previous accounting period), from

(b) the sum of—

(i) the amount of the credit that has been used, and

(ii) the consideration for the transfer.

(6) Where the credit has not been transferred, and was not fully used, before its expiry, the amount in subsection (7) is to be reflected as a loss in the underlying profits of the member for the accounting period in which the credit expired.

(7) That amount is the amount given by subtracting—

(a) the amount of the credit that was used, from

(b) the sum of the purchase price of the credit and any amounts recognised in accordance with subsection (2)."

Adjustments for companies in distress

9 (1) Section 151 (adjustments for companies in distress) is amended as follows.

(2) In subsection (1)—

(a) in the words before paragraph (a), after "group" insert "for an accounting period",

(b) omit the "and" after paragraph (a),

(c) after that paragraph insert—

"(aa) that release is reflected in the underlying profits of the member for that period,", and

(d) after paragraph (b) insert ", and

(c) the filing member of the group elects that this section should apply to the member for that period."

(3) In subsection (6)(c) for "deferred tax assets" substitute "local tax attributes".

(4) After subsection (6) insert—

"(6A) For the purposes of subsection (6)(c) "local tax attributes" means any tax attributes (which may include foreign tax credits) of the member that are recognised under the law of the territory in which the member is located (whether or not such tax attributes are excluded from the member's covered tax balance)."

(5) For subsection (7) substitute—

"(7) Where more than one debt is released at the same time, the debts released are to be treated as a single aggregate amount for the purpose of assessing whether conditions in this section are met (for example, whether the member's assets exceed its liabilities at any time)."

(6) After that subsection insert—

"(8) Paragraph 2 of Schedule 15 (annual elections) applies to an election under subsection (1)(c)."

Adjustments where life assurance business carried on

10 (1) Section 152 is amended as follows.

(2) In subsection (2), for "formed part of the member's tax expense amount" substitute "been included in the member's covered tax balance".

(3) For subsection (4) substitute—

"(4) In this section "life assurance business" means—

(a) a life assurance business within the meaning of section 56 of FA 2012, or

(b) a business regulated as a life assurance business under the law of a territory outside the United Kingdom."

Exclusion of certain insurance reserve movement expense

11 In section 153 (exclusion of certain insurance reserve movement expense), in subsection (1) after "excluded dividends" insert "falling within section 141(2)(b)".

Permanent establishment income and expense attribution

12 (1) Section 159 (permanent establishment income and expense attribution) is amended as follows.

(2) In subsection (1), for the words from "only" to the end substitute "—

(a) reflect all amounts of income and expense that are attributable to it in accordance with the tax treaty under which it is treated as a permanent establishment, and

(b) do not reflect amounts attributable to its main entity in accordance with that treaty."

(3) In subsection (2), for the words from "only" to the end substitute "—

(a) reflect all amounts of income and expense that are attributable to it in accordance with the law of the territory in which the member is located, and

(b) do not reflect amounts attributable to its main entity in accordance with the law of that territory."

(4) In subsection (3), for the words from "only" to the end substitute "—

(a) reflect all amounts of income and expense that would be attributed to it in accordance with Article 7 of the OECD tax model, and

(b) do not reflect amounts that would be attributed to its main entity in accordance with the OECD tax model."

(5) After that subsection insert—

"(4) Amounts are to be reflected (or, as the case may be, not reflected) in the underlying profits of a permanent establishment in accordance with subsections (1) to (3) whether or not—

(a) in the case of an amount of income, it is subject to tax or not, or

(b) in the case of an amount of expense, it is deductible or not."

Election to spread certain capital gains

13 (1) Section 163 (election to spread capital gains over five years) is amended as follows.

(2) In subsection (1), for "collectively" substitute "and those preceding periods are referred to collectively as".

(3) In subsection (2)—

(a) for Step 1 substitute—

"Step 1

For each standard member of the group in the territory in the first accounting period of the look-back period ("the carry-back period"), determine whether it has net losses in respect of the disposal of local tangible assets (ignoring any losses in relation to which these steps have previously been carried out).", and

(b) for Steps 9 to 11 substitute—

"Step 9

Determine which of the standard members of the group ("current gain members") located in the territory have net gains from the disposal of local tangible assets in the election period.

A current gain member is not to be regarded as a current gain member in any accounting period in which—

(a) it is not a standard member of the group, or

(b) it is not located in the territory.

Step 10

For the election period and each accounting period that is in the look-back period, adjust the underlying profits for that period ("the

adjustment period") of each current gain member by adding the amount given by multiplying—

(a) the result of Step 8, by

(b) the amount given by dividing—

(i) the net gains of the current gain member from the disposal of local tangible assets in the election period, by

(ii) the sum of net gains from the disposal of local tangible assets in the election period of all current gain members in the adjustment period.

Step 11

Where there are no current gain members in an accounting period in the look-back period, adjust the underlying profits for that period of each standard member located in the territory for that period by adding the amount given by multiplying—

(a) the result of Step 8, by

(b) the amount given by dividing 1 by the number of standard members of the group in the territory in that accounting period.

Step 12

Where there are no standard members of the group in the territory in one or more accounting periods in the look-back period, further adjust the underlying profits for the election period of each current gain member by adding the amount given by multiplying—

(a) the result of Step 8 multiplied by the number of accounting periods in the look-back period in which no standard members of the group were located in the territory, by

(b) the amount given by dividing—

(i) the net gains of the current gain member from the disposal of local tangible assets in the election period, by

(ii) the sum of net gains from the disposal of local tangible assets in the election period of all current gain members."

(4) In subsection (3), omit "standard".

Transparent entities etc

14 (1) Section 168 (underlying profits of transparent and reverse hybrid entities) is amended in accordance with sub-paragraphs (2) to (8).

(2) In subsection (2), in paragraph (b), after territory insert "as a result of being tax resident in that territory".

(3) In subsection (3), after "entity" insert "or individual".

(4) In subsection (6), in paragraph (a), after "is" insert "an entity that is"

(5) For subsection (9) substitute—

"(9) Where underlying profits of M—

(a) are allocated to an individual or an entity that is not a member of the group of which M is a member, or

(b) would be allocated to such an individual or entity if M were regarded as tax transparent in the territory in which the individual or entity is located,

those profits are to be excluded from the adjusted profits of M."

(6) In subsection (10), after "entity" insert "or an individual".

(7) In subsection (11), in the words before paragraph (a), for "is located" substitute "was created, R is not tax resident in any territory".

(8) After that subsection insert—

"(12) For the purposes of applying this section in relation to a multinational group whose ultimate parent is a flow-through entity, the ultimate parent is to be treated as if it were not regarded as tax transparent in the territory in which it is located."

(9) In section 170 (adjustments for ultimate parent that is a flow-through entity)—

(a) in subsection (2), for "an ownership interest (direct or indirect)" substitute "a direct ownership interest", and

(b) after that subsection insert—

"(2A) Where profits are allocated to the ultimate parent as a result of section 168 (underlying profits of transparent and reverse hybrid entities), those profits are to be regarded, for the purposes of this section, as profits to which holders of ownership interests in the ultimate parent are entitled (to each in proportion to the proportion of those profits to which they would have been entitled had those profits actually accrued to the ultimate parent)."

(10) In section 238 (tax transparency of entities)—

(a) for "if" substitute "to the extent that", and

(b) for "and", in both places it occurs, substitute "or".

Covered taxes

15 In section 173 (covered taxes), in subsection (1)(c) for "of the member" substitute "in which the tax is imposed".

Tax equity partnerships

16 (1) After section 176C (as inserted by paragraph 8), insert—

"Tax equity partnerships

176D Tax credits etc allocated under tax equity partnerships

(1) Where—

(a) a member of a multinational group is an investor in a tax equity partnership arrangement, and

(b) an election under section 165 (excluded equity gains and losses included) applies in relation to the member for an accounting period,

qualifying flow-through tax benefits provided to the member under that arrangement in that period are to be excluded from the covered tax balance of that member for that period.

(2) "Flow-through tax benefits" means tax credits, other than qualifying refundable tax credits, and the value of amounts of tax deductible losses made available to be used by an investor in a tax equity partnership arrangement under that arrangement (whether or not those credits or losses are used by the investor).

(3) Section 176E (proportional amortisation method) applies for the purposes of determining the extent to which flow-through tax benefits are "qualifying" where—

(a) in determining the underlying profits of the investor, the proportional amortisation method is used to account for the arrangement, or

(b) the filing member of the multinational group of which the investor is a member has elected that section 176D should apply for those purposes in relation to the member.

(4) Otherwise, section 176F (subtraction method) applies for those purposes.

(5) For the purposes of this Part, a member of a multinational group is an investor in a tax equity partnership arrangement if—

(a) the member has made an investment in an entity that is tax transparent in the territory in which the member is located,

(b) the investment is treated as an equity interest for tax purposes in the territory in which the member is located,

(c) the investment would, under an authorised accounting standard of the territory in which the entity operates, be treated as an equity interest,

(d) the entity is not a member of the multinational group, and

(e) it is reasonable to expect, at the time of making the investment, that the return on the investment would be negative in the absence of the provision of flow-through tax benefits.

(6) But a member of a multinational group is not to be regarded as an investor in a tax equity partnership arrangement if—

(a) the investment in the entity does not represent a genuine economic interest in that entity such that the member is exposed to the possibility of a loss on the investment, or

(b) the territory in which the member is located limits the use of tax equity partnership arrangements to arrangements that involve a multinational group subject to multinational top-up tax or its equivalent under the law of a territory outside the United Kingdom.

(7) Flow-through tax benefits provided to a member of a multinational group in an accounting period that are not qualifying are to be reflected as a credit in the covered tax balance for that period.

(8) Flow-through tax benefits (whether qualifying or not) provided to a member of a multinational group are not to be reflected in the underlying profits of that member, even if that would be the effect of the election under section 165.

(9) For the purposes of subsection (3)(a), the "proportional amortisation method" means a method of accounting under which—

(a) the initial capital investment in the arrangement is amortised over the term of the investment with the amortisation expense for an accounting period based on the proportion of the flow-through tax benefits expected to be provided over the term of the arrangement that are expected to be provided in that period, and

(b) the difference between the flow-through tax benefits received in an accounting period and that amortisation expense for that period is reflected as tax expense.

(10) For the purposes of this section and sections 176E and 176F, the value of an amount of tax deductible losses made available to be used by an investor is given by multiplying the amount multiplied by the tax rate that applies to the investor.

(11) Paragraph 2 of Schedule 15 (annual elections) applies to an election under subsection (3)(b).

176E Flow-through tax benefits: proportional amortisation method

(1) Where this section applies, to determine the extent to which flow-through tax benefits provided to an investor in an accounting

period under a tax equity partnership arrangement are qualifying, take the following steps—

Step 1

Determine the amount of capital investment provided by the investor to the arrangement at its commencement.

Step 2

Divide the flow-through through tax benefits provided under the arrangement in the accounting period by the total flow-through tax benefits expected to be provided over the whole term of the arrangement.

Step 3

Multiply the result of Step 1 by the result of Step 2.

Step 4

Add the following together—

(a) the amounts, if any, of tax credits made available to be used by the investor under the arrangement in the accounting period;

(b) the value of the amounts, if any, of tax deductible losses made available to be used by the investor under the arrangement in the accounting period;

(c) the amounts, if any, of distributions made to the investor in the accounting period;

(d) the amounts, if any, received by the investor for the sale of any part of its investment in the arrangement in the accounting period.

Step 5

If the result of Step 3 is equal to or greater than the result of Step 4, all of the flow-through tax benefits provided under the arrangement in the accounting period are qualifying.
Otherwise proceed to Step 6.

Step 6

Subtract the result of Step 3 from the result of Step 4.

Step 7

The amount of the flow-through benefits provided under the arrangement in the accounting period that is qualifying is the amount given by reducing the amount of those benefits (but not below nil) by the result of Step 6.

(2) Accordingly, the amount by which those benefits are reduced in accordance with Step 7 represents non-qualifying flow-through tax benefits which are to be reflected as a credit in the investor's covered tax balance.

176F Flow-through tax benefits: subtraction method

Where this section applies, to determine the extent to which flow-through tax benefits provided to an investor in an accounting period under a tax equity partnership arrangement are qualifying, take the following steps—

Step 1

Determine the amount of capital investment provided by the investor to the arrangement at its commencement.

Step 2

Subtract the following from that amount—

(a) the amounts, if any, of tax credits made available to be used by the investor under the arrangement since the commencement of the arrangement, other than tax credits that are not qualifying refundable tax credits that were made available in the accounting period;

(b) the value of the amounts, if any, of tax deductible losses made available to be used by the investor under the arrangement since its commencement, other than losses made available in the accounting period;

(c) the amounts, if any, of distributions made to the investor since the arrangement's commencement;

(d) the amounts, if any, received by the investor for the sale of any part of its investment in the arrangement.

Step 3

If the result of Step 2 is nil or less, no flow-through tax benefits provided under arrangement in the accounting period are qualifying.
If the result of that step is more than nil, proceed to Step 4.

Step 4

Subtract the flow-through tax benefits provided to the investor in the accounting period under the arrangement from the result of Step 2.

Step 5

If the result of Step 4 is nil or greater, all of the flow-through tax benefits provided under the arrangement in the accounting period are qualifying.
Otherwise, the amount of those benefits that is qualifying is the amount of those benefits that when subtracted from the result of Step 2 would give a result of nil."

(2) In Schedule 15 (elections), in paragraph 2(1), before paragraph (a) insert—

"(za) section 176D(3)(b);".

Reallocation of tax expense

17 (1) In section 177 (permanent establishments), in subsection (1), after "establishment", in the second place it occurs, insert "(and is to be regarded as qualifying current tax expense of the permanent establishment for the purposes of applying section 175(2)(a))".

(2) Section 178 (reallocation of tax expense) is amended as follows.

(3) In subsection (1), in the words after paragraph (b) after "qualifying" insert "current".

(4) After subsection (1) insert—

"(1A) Where—

(a) a member of a multinational group has an amount of qualifying current tax expense,

(b) that amount is in respect of profits not included in the member's underlying profits, and

(c) if those profits had been included in the member's underlying profits, a corresponding amount of adjusted profits would have been allocated to another member of the group ("O") under section 167 or 168,

that qualifying current tax expense is to be allocated to O (and is to be regarded as qualifying current tax expense of O for the purposes of applying section 175(2)(a)).

(1B) Section 175(2)(a) (exclusion of amounts relating to income or gains not included in adjusted profits) applies to an amount of qualifying current tax expense allocated in accordance with subsection (1) as if—

(a) the reference to the member's adjusted profits were to the adjusted profits of the member from whom the amount of qualifying current tax expense was allocated, and

(b) profits allocated from that member to O under section 167 or 168 were not excluded from the adjusted profits of that member."

(5) In subsection (2), in the words before Step 1, after "O" insert "(under subsections (1) and (1A))".

(6) After subsection (4) insert—

"(5) Where an amount of qualifying current tax expense would have been allocated to O, but the amount allocated is limited as a result of subsection (2) the amount not allocated remains with the member from whom it otherwise would have been allocated.

(6) But if an amount would, ignoring this subsection, remain with the member from whom it would have otherwise been allocated, and that amount relates to income or gains that are not included in the

adjusted profits of O, that amount is to be excluded from the covered tax balance of both the member and O."

(7) In section 179 (controlled foreign company tax regimes)—

(a) after subsection (1) insert—

"(1A) Qualifying current tax expense allocated to F is to be regarded as qualifying current tax expense of F for the purposes of applying section 175(2)(a)."

(b) after subsection (3) insert—

"(3A) Where an amount of qualifying current tax expense would have been allocated to F but the amount allocated is limited as a result of subsection (2), the amount not allocated remains with C.

(3B) But if an amount would, ignoring this subsection, remain with C and that amount relates to income or gains that are not included in the adjusted profits of F, that amount is to be excluded from the covered tax balance of both C and F."

Controlled foreign company tax regimes

18 (1) Section 179 (controlled foreign company tax regimes) is amended as follows.

(2) In subsection (1), in paragraph (b), for "controlled foreign company" substitute "CFC entity".

(3) In subsection (4), after the definition of "controlled foreign company tax regime" insert—

""CFC entity", in relation to a member of a multinational group who is subject to a controlled foreign company tax regime, means—

(a) a controlled foreign company in relation to that member,

(b) a permanent establishment of such a controlled foreign company, or

(c) an entity whose profits are treated, for the purposes of the regime, as the profits of such a controlled foreign company;".

(4) In section 180 (blended CFC regimes)—

(a) in subsection (2)(b), omit "blended",

(b) in subsection (4), omit "blended" in the third place it occurs,

(c) in subsection (5)—

(i) in the words before paragraph (a), omit "blended" in the second place it occurs, and

(ii) in paragraph (b), omit "blended",

(d) in subsection (6)(a), omit "blended",

(e) in subsection (8)—

(i) in the words before paragraph (a), omit "blended", and

(ii) in paragraph (b), in the words before sub-paragraph (i), omit "blended", and

(f) omit subsection (10).

(5) In Schedule 17 (index of defined expressions), in the table, at the appropriate place insert—

"CFC entity section 179(4)".

Blended CFC regimes

19 (1) Section 180 (blended CFC regimes) is amended as follows.

(2) In subsection (5)(a), after "C" insert "in relation to the CFC entity".

(3) In subsection (7)—

(a) after "C" insert "in relation to a CFC entity in which C has an ownership interest", and

(b) for "F" substitute "the entity".

(4) In subsection (8)(b) for sub-paragraph (ii) substitute—

"(ii) the result of Step 2 in section 132(1) for those entities were the aggregate of their profits (and losses) before tax as shown in their financial accounts,

(iia) the combined covered tax balance for those entities were the aggregate of the taxes shown in their financial accounts,".

Qualifying foreign tax credits (substitute loss carry forward assets)

20 (1) Section 183 (substitute loss carry forward assets) is amended as follows.

(2) In subsection (3), in paragraph (b), for "in respect of which the foreign tax was calculated" substitute "in the territory in which the member is located".

(3) In subsection (4), after "qualifying" insert "foreign".

(4) In subsection (5), after "section" insert "and in section 183A"

(5) After section 183 insert—

"183A Alternative to section 183 where carry forward of credits not permitted

(1) A special foreign tax asset of a member of a multinational group is to be used to increase its covered tax balance in accordance with this section.

(2) Subsection (3) applies where—

(a) the territory in which a member of a multinational group is located requires that domestic losses are offset against

relevant foreign income before foreign tax credits can be applied against tax on foreign income,

(b) the territory limits the extent to which foreign tax credits can be applied against tax in a taxable period,

(c) the territory allows foreign tax credits to be used to a greater extent where a domestic loss has been used to offset (in whole or in part) relevant foreign income in a prior period, and

(d) the member has used a domestic loss to offset (in whole or in part) relevant foreign income.

(3) Where this subsection applies, the member has a special foreign tax asset arising in the accounting period in which the loss was used.

(4) The amount of that special foreign tax asset is the amount of the domestic loss used to offset relevant foreign income multiplied by the lesser of—

(a) the nominal rate of tax in the member's territory for the taxable period in which it was used, and

(b) 15%.

(5) Where a member of a multinational group has a special foreign tax asset that arose in any previous accounting period, the member is to use that amount to increase its covered tax balance.

(6) The amount of the special foreign tax asset that is to be used in an accounting period is the lesser of—

(a) the amount of the asset, and

(b) so much of the amount of foreign tax credits credited against tax in the taxable period corresponding to that accounting period as is capable of being credited only as a result of the prior use of the domestic loss.

Any remainder continues to be a special foreign tax asset (and is available for use in subsequent account periods where subsection (5) applies)."

Substance based income exclusion: inter-jurisdictional employees and assets

21 (1) In section 196 (eligible payroll costs)—

(a) in subsection (1), in paragraph (c) for "those activities are substantially performed" substitute "at least some of the work is carried out", and

(b) after that subsection insert—

"(1A) But where—

(a) an employee carries out the work in the period both in the territory in which the member is located and outside that territory, and

(b) the proportion of the time spent carrying out the work in that territory in the period is 50% or less,

the payroll costs in respect of the employee are to be multiplied by that proportion to determine how much of those costs are eligible payroll costs."

(2) In section 197 (eligible tangible asset amounts) after subsection (6) insert—

"(6A) Where an asset falling within paragraph (a), (c) or (d) of subsection (6) is only located in the same territory as the member for part of the period—

(a) it is to be regarded for the purposes of this section as located in that territory for the whole period, but

(b) where the proportion of the period in which the asset (or in the case of a right, the asset to which the right relates) is located in the territory is 50% or less, the carrying values for the purposes of subsection (1)(a) and (b) are to be multiplied by that proportion."

Substance based income exclusion: inclusion of payroll costs and assets voluntary

22 (1) In section 196, in subsection (1)—

(a) omit the "and" after paragraph (c), and

(b) at the end of paragraph (d) insert ", and,

(e) the filing member chooses to include those costs in calculating the substance based income exclusion for the period."

(2) In section 197, in subsection (5)—

(a) in the words before paragraph (a), omit "it is",

(b) in paragraph (a), at the beginning insert "it is",

(c) omit the "and" after that paragraph,

(d) in paragraph (b), at the beginning insert "it is", and

(e) at the end of that paragraph insert "and,

(c) the filing member chooses to include the asset in calculating the substance based income exclusion for the period."

Substance based income exclusion: impairment losses

23 In section 197(4)—

(a) omit the "and" after paragraph (b), and

(b) after paragraph (c) insert—

"(d) any impairment loss, and

(e) so much of the reversal of a previous impairment loss as does not cause the carrying value to exceed

the value it would have been had the impairment loss not been recognised,".

Substance based income exclusion: dual use assets

24 In section 197, after subsection (7) insert—

"(7A) Where part of an asset comprising property is held by a member of a multinational group for lease, but another part of that property is retained for use by the member—

(a) the parts are to be treated as separate assets for the purposes of this section and section 197A, and

(b) the carrying value of the asset is to be allocated between the separate parts on a just and reasonable basis."

Substance based income exclusion: leases

25 (1) In section 195 (calculation of substance based income exclusion), after subsection (7) insert—

"(7A) Section 197A sets out the treatment of operating leases."

(2) After section 197 insert—

"197A Operating leases

(1) Subsection (2) applies where—

(a) a member of a multinational group holds property located in the same territory as the member in an accounting period,

(b) that property is held for lease by the member, and

(c) the lease is accounted for in the underlying profits accounts of the member as an operating lease for that period.

(2) The operating lease is to be regarded as an eligible tangible asset of the member for that period (despite the exclusion in section 197(7)(a)).

(3) But where the property is not a short-term rental asset for that period, any carrying value of the operating lease recorded at the start or the end of the period is to be reduced by the right-of-use amount for the property at that time for the purposes of carrying out the calculation in section 197(1).

(4) In a case where the lessee is a member of the same multinational group as the lessor, the right-of-use amount in relation to the property at the start or the end of the period is the carrying value of the lessee's right-of-use asset in relation to the property recorded at that time.

(5) Where the lessee is not a member of the same multinational group as the lessor, the right-of-use amount in relation to the property at

the start or end of the period is the undiscounted value of any outstanding payments under the lease at that time.

(6) In determining the value of those outstanding payments—

(a) apply the accounting standard used in determining the underlying profits of the member,

(b) include the value of any outstanding payments that would be due under any extension to the lease that would fall to be accounted for in accordance with that standard.

(7) For the purposes of this section, property held for lease is a short-term rental asset in an accounting period if—

(a) the property was leased regularly during that period to different lessees, and

(b) the average length of the periods for which it was leased does not exceed 30 days."

Substance based income exclusion: power to make further provision

26 After section 198 insert—

"198A Power to make provision about treatment of payroll costs and assets

(1) The Treasury may by regulations make provision about the treatment of payroll costs and tangible assets in specified circumstances.

(2) Regulations may, in particular, provide that in determining the substance based income exclusion for a territory—

(a) specified eligible tangible assets or eligible payroll costs are to be treated as having a different value;

(b) specified eligible tangible assets or eligible payroll costs are to be attributed to a different member of a multinational group or to a different territory;

(c) specified eligible tangible assets or eligible payroll costs are to be excluded from that determination;

(d) specified assets that are not eligible tangible assets are to be treated as eligible tangible assets;

(e) specified costs that are not eligible payroll costs are to be treated as eligible payroll costs.

(3) In this section "specified" means specified or described in regulations."

Transfer of assets or liabilities to a member of a multinational group

27 In section 211 (transfer of assets or liabilities to a member of a multinational group)—

(a) for subsection (1) substitute—

"(1) Subsection (1A) applies where there has been a transfer of assets or liabilities to a member of a multinational group and—

(a) the transfer forms part of a qualifying reorganisation (see section 212), or

(b) the transferor is a member of the group and—

(i) the transferee is located in the same territory as the transferor,

(ii) the transferee and transferor are included in the same tax consolidation group in that territory (within the meaning of section 164(5)), and

(iii) an election under section 164 (election to exclude intra-group transactions) has effect in relation to those members at the time of the transfer.

(1A) The value of the assets or liabilities is, for the purpose of determining the adjusted profits of the member, the carrying value of the assets or liabilities in the hands of the transferor immediately before the transfer.

(1B) Subsection (1C) applies where there has been a transfer of assets or liabilities to a member of a multinational group and subsection (1A) does not apply.

(1C) The value of the assets or liabilities is, for the purpose of determining the adjusted profits of the member, the carrying value of the assets or liabilities immediately after the transfer as determined under the accounting standard used in determining the underlying profits of the member for the purposes of this Part and subject to the adjustments to those profits made in accordance with Chapter 4.", and

(b) in subsection (2)(a), for "subsection (1)(b) applies" substitute "subsection (1C) applies in relation".

Investment entity tax transparency election

28 In section 213 (investment entity tax transparency election), after subsection (6) insert—

"(6A) Where, ignoring the election, profits and amounts of qualifying tax expense would be allocated to M in accordance with sections 168 and 178 to 181, those profits and amounts are to be allocated—

(a) first to M, and then

(b) to O in proportion to the direct ownership interests O is treated as having in M."

Meaning of country-by-country report

29 (1) After section 251 insert—

"251A Meaning of country-by-country report

(1) In this Part "country-by-country report" means a country-by-country report in respect of a multinational group that is prepared and filed in accordance with legislation implementing the OECD's guidance on country-by-country reporting.

(2) But where the legislation of a territory permits the preparation and filing of a partial country-by country report, such a partial report is not to be regarded as country-by-country report for the purposes of this Part.

(3) Reference to a country-by-country report in respect of a multinational group that is a multi-parent group is to a report in respect of all of the constituent groups.

(4) "The OECD's guidance on country-by-country reporting" means the guidance on country-by-country reporting contained in the Organisation for Economic Co-operation and Development ("OECD") Guidance on Transfer Pricing Documentation and Country-by-Country Reporting, published in 2014, as modified, supplemented or replaced from time to time."

(2) In Schedule 16 (transitional provision), in paragraph 3, for sub-paragraphs (7) and (8) substitute—

"(7) For the purposes of this Part of this Schedule, a country-by-country report in relation to a territory is "qualifying" if the information relating to the territory is prepared on the basis of qualified financial statements of the multinational group (see paragraph 4).

(8) Where there is no requirement under the law of any territory for a country-by-country report to be prepared and filed in respect of a multinational group, the filling member may include, in the information return in which the election is made, the information that would have been in such a report—

(a) prepared in accordance with legislation implementing the OECD's guidance on country-by-country reporting under the law of the territory of the ultimate parent, or

(b) where there is no such legislation, prepared in accordance with that guidance.

(9) Where such information has been included in that information return, that information is to be treated as if it were a country-by-country report in relation to the territory for the purposes of this Chapter (and where that information complies

with sub-paragraph (7), the condition in sub-paragraph (2)(b) is to be treated as met)."

(3) In section 276(b)(i) (application of transitional provision for domestic top-up tax purposes), for "and (8)" substitute "to (9)".

Joint ventures

30 In section 227 (application of Part to joint venture groups), in subsection (2) for "the multinational group" substitute "each multinational group".

Insurance investment entities

31 (1) Section 236 (investment funds and investment entities) is amended as follows.

(2) In subsection (2)—

(a) omit paragraph (b),

(b) for paragraph (c) substitute—

"(c) the income or gains the entity is designed to generate are intended to offset liabilities under insurance or annuity contracts;", and

(c) for paragraph (e) substitute—

"(e) regulated entities hold 100% of the ownership interests in it (see section 244 for how to calculate this)."

(3) After that subsection insert—

"(2A) An entity is a regulated entity if—

(a) the entity is subject to a regulatory regime in the territory in which it is established or managed, and

(b) that regime is specific to persons engaged in the business of entering into insurance or annuity contracts or of performing activities ancillary to such business."

Location of entities

32 (1) In section 239(6)—

(a) in paragraph (c), omit "(3) or", and

(b) in the words after paragraph (d), for "and 126" substitute ", 128 and 129".

(2) In section 240 (location of flow-through entities), for subsection (1) substitute—

"(1) Where a flow-through entity would be a responsible member of a multinational group if the entity were located in the territory in which it is created, it is located in that territory."

Currency

33 (1) For section 254 (use of currency) substitute—

"254 Use of currency

(1) Calculations under this Part in relation to a multinational group, or any member of such a group, are to be carried out in the currency of the consolidated financial statements of the ultimate parent ("the CFS currency").

(2) Where it is necessary to convert an amount into the CFS currency, that conversion is to be made in accordance with the authorised accounting standard—

(a) that was used in preparing the consolidated financial statements of the ultimate parent, or

(b) where no such statements were prepared, that is used as the basis for the statements that would have been prepared.

(3) For the purpose of comparing an amount to a figure expressed in this Part in euros, the amount is to be converted to euros for that purpose (from the CFS currency) by reference to the average exchange rate for the month of December that preceded the beginning of the accounting period to which the amount relates.

(4) Where the European Central Bank publishes exchange rates for the CFS currency, use those rates for the purposes of the conversion under subsection (3) and any conversion under step 4 in section 123 (amount charged by reference to top-up amounts).

(5) Otherwise—

(a) where the Bank of England publishes exchange rates for the CFS currency, use those rates for the purposes of that conversion, or

(b) where the Bank of England does not publish exchange rates for that currency, use such a rate as appears, on a just and reasonable basis, to reflect the average exchange rate for the period in question."

(2) In section 123 (amount charged by reference to "top-up amounts"), for Step 4 substitute—

"Step 4

Convert the result of Step 3 (which in accordance with section 254 will be expressed in the CFS currency) to sterling using the average exchange rate for the accounting period (if the CFS currency is not sterling)."

Application of Pillar Two rules to members of a group

34 (1) In section 255 (meaning of Pillar Two rules)—

(a) after subsection (2) insert—

"(2A) Pillar Two rules apply to a member of a multinational group ("the relevant member") in an accounting period if conditions A, B and C are met.",

(b) in subsection (3)—

(i) for the words before paragraph (a) substitute "Condition A is met if—",

(ii) in paragraph (a), after "multinational group" insert "for the accounting period", and

(iii) in paragraph (b), after "multinational group" insert "for the accounting period", and

(c) after that subsection insert—

"(4) Condition B is that—

(a) the ultimate parent is subject to Pillar Two IIR tax for the accounting period and is not located in the same territory as the relevant member,

(b) an intermediate parent member of the group is subject to Pillar Two IIR tax for the accounting period, is not located in the same territory as the relevant member and has an ownership interest in—

(i) the relevant member, or

(ii) a member of the group located in the same territory as the relevant member, or

(c) any member of the group is located in a territory in which a qualifying undertaxed profits tax is in force for the accounting period.

(5) Condition C is that no transitional safe harbour election applies to the relevant member for that period.

(6) For the purposes of this Part "transitional safe harbour election" means—

(a) an election under paragraph 3(1) (transitional safe harbour), or

(b) an election corresponding to that election for the purposes of a tax imposed by a Pillar Two territory that is equivalent to multinational top-up tax so far as it relates to top-up tax under the IIR (within the meaning of the Pillar Two rules)."

(2) In paragraph 2 of Schedule 16 (intra-group transfers before entry into regime)—

(a) in sub-paragraph (1), for paragraph (b) substitute—

"(b) the Pillar Two rules do not apply to the transferor for the accounting period in which the transfer takes

place (but in determining this, section 255(4) has effect as if sub-paragraph (ii) of paragraph (b) were omitted),

(ba) a qualifying domestic top-up tax does not apply in relation to the transferor for that period, and",

(b) in sub-paragraph (4)(b)—

(i) in the words before sub-paragraph (i), after "which" insert "the Pillar Two rules apply to the transferee.", and

(ii) omit sub-paragraphs (i) and (ii),

(c) in sub-paragraph (6), in paragraph (a) of Step 2, for paragraph (a) substitute—

"(a) the ultimate parent had been located in the United Kingdom and the accounting period commenced on or after 31 December 2023, and", and

(d) in sub-paragraph (11)—

(i) the words from ""a transfer" to the end become paragraph (a), and

(ii) after that paragraph insert—

"(b) a qualifying domestic top-up tax is not to be taken as applying to a member of a multinational group if provision for a QDMTT Safe Harbour (within the meaning of the Pillar Two rules) applies to it."

(3) In paragraph 3 of that Schedule—

(a) in sub-paragraph (2)(c)(ii), for "applied to members" substitute "would, ignoring any transitional safe harbour election, have applied to any member", and

(b) omit sub-paragraph (4).

Qualifying domestic top-up tax not treated as accruing

35 (1) After section 256 insert—

"256A Qualifying domestic top-up tax treated as not accruing where contested etc

(1) Subsection (2) applies for the purposes of sections 194(2) to (7), 203(3) to (7) and 206(4) to (8) (application of QDT credits in determination of top-up amounts).

(2) An amount of qualifying domestic tax accruing to a member of a multinational group is to be treated as not accruing to the member where the enforceability of the amount is in question.

(3) For the purposes of this section, the enforceability of an amount of qualifying domestic top-up tax accruing to a member of a multinational group is in question if—

(a) the member disputes its enforceability on any of the grounds set out in subsection (4), or

(b) the tax authority of the territory in which the qualifying domestic top-up tax is imposed considers the amount unenforceable on the basis of any of those grounds.

(4) Those grounds are that—

(a) the amount is unenforceable on constitutional grounds or as a result of other superior law applying in the territory in which the qualifying domestic top-up tax is imposed, or

(b) the amount is unenforceable as a result of a specific agreement with the government of that territory as to the tax liability of the member or the group.

(5) Subsection (2) ceases to apply where the enforceability of an amount of qualifying domestic top-up tax ceases to be in question.

(6) Where the enforceability of an amount of qualifying domestic top-up tax was in question, it ceases to be in question where—

(a) the amount has been paid, and

(b) the enforceability of the amount may no longer be disputed as a result of—

(i) a settlement,

(ii) the time for any appeal having passed and there being no reasonable prospect of the time being extended, or

(iii) the exhaustion of any rights to appeal."

(2) In section 194 (total top-up amount for a territory), in subsection (3), for "section 256" substitute "sections 256 and 256A".

Consistency with Pillar Two rules

36 In section 262 (power to amend to ensure consistency with Pillar Two) after subsection (1) insert—

"(1A) The provision that may be made by regulations under subsection (1) includes provision designed to secure the effective implementation of the Pillar Two rules including—

(a) provision to ensure consistency with commentaries or guidance published by the OECD that has effect from a time before the commentary or guidance was published;

(b) provision that the Treasury consider necessary to secure the effective operation of multinational top-up tax or domestic top-up tax (see Part 4) where—

(i) the provision does not, at the time of making it, reflect the Pillar Two rules, but

(ii) it is reasonable for the Treasury to believe that changes will be made to the rules that are consistent with, or are similar to, the provision.

(1B) Provision made by regulations under subsection (1) may not have effect—

(a) in the case of provision falling within subsection (1A)(a), in relation to accounting periods ending before the commentary or guidance was published, or

(b) in the case of any other provision, in relation to accounting periods ending before the regulations are made.

(1C) Provision that has effect in relation to accounting periods that begin before the regulations are made may only be made if the Treasury consider that the provision is generally beneficial to—

(a) persons affected by the implementation of the Pillar Two rules, or

(b) persons affected by the provision.

(1D) The reference in subsection (1C) to provision being generally beneficial includes the provision being beneficial by reference to it—

(a) simplifying, or reducing the costs of, compliance with—

(i) multinational top-up tax or domestic top-up tax, or

(ii) taxes imposed under the law of a territory outside the United Kingdom that correspond to multinational top-up tax or domestic top-up tax;

(b) generally (but not necessarily in every case) resulting in a reduction or elimination of a liability to—

(i) multinational top-up tax or domestic top-up tax, or

(ii) taxes imposed under the law of a territory outside the United Kingdom that correspond to multinational top-up tax or domestic top-up tax."

Overpaid tax

37 (1) Schedule 14 is amended as follows.

(2) In paragraph 51 (claims in relation to overpaid tax)—

(a) in sub-paragraph (5)—

(i) omit the words from "otherwise" to "paragraph,", and

(ii) after "due" insert "otherwise than—

(a) pursuant to a claim under this paragraph, or

(b) in accordance with another provision of this Schedule.", and

(b) omit sub-paragraphs (6) and (7).

(3) After paragraph 33 insert—

"33A(1) Where a person has paid an amount that has been paid by way of multinational top-up tax but the amount is not due, the amount incurs interest at the rate provided for in regulations made under section 178 of FA 1989 from the later of—

(a) the day after the latest day (under paragraph 32) by which the amount paid would have been required to be paid as multinational top-up tax if it were due, and

(b) the day on which the amount was paid.

(2) See paragraph 51 for provision about making claims for the repayment of an amount that is not tax that was due (but see also paragraph 52 which, for example, prevents such a claim being made where an amendment to an assessment can be, or could have been, made)."

Intragroup transfers before entry into regime

38 (1) Paragraph 2 of Schedule 16 (intra-group transfers before entry into regime) is amended as follows.

(2) In sub-paragraph (3)(b), after "limited to" insert "the lesser of the cap amount and the sum of—

(i) the value of deferred tax assets that arose in relation to the assets before their transfer, and

(ii)".

(3) After that sub-paragraph insert—

"(3A) For the purposes of determining the value of a deferred tax asset under sub-paragraph (3)(b)(i)—

(a) if the rate of tax in relation to that asset is greater than 15%, the value is to be adjusted so that it reflects the value it would be if the rate had been 15%, and

(b) exclude the impact of any valuation adjustments or accounting recognition adjustments."

(4) In sub-paragraph (5)(b), for "is" substitute ", and the value of deferred tax assets that arose in relation to the assets before their transfer, are".

(5) For sub-paragraph (7) substitute—

"(7) In determining the tax expense of the transferor in relation to the transfer of the assets—

(a) where any loss arising in the accounting period in which the transfer took place is offset against any taxable gain arising on the transfer, ignore that offsetting, and

(b) exclude the impact of any valuation adjustments or accounting recognition adjustments."

(6) In sub-paragraph (9)—

(a) for ", ignoring sub-paragraph (7)," substitute "the sum of",

(b) for "in relation to the transfer of assets would exceed" substitute "and the value of deferred tax assets that arose in relation to the assets before their transfer is greater than", and

(c) omit "in relation to it".

(7) In sub-paragraph (11), for "substantially the same economic effect as" substitute "a similar effect for accounting purposes to".

(8) After sub-paragraph (11) insert—

"(12) Where assets are transferred from one member of a multinational group to another member of that group as a result of a series of transfers that—

(a) fall within sub-paragraph (1), but

(b) do not fall within sub-paragraph (2),

that series is to be treated as a single transfer of assets that falls within sub-paragraph (1).

(13) This paragraph applies to that single transfer as if—

(a) the reference to the transferor in sub-paragraph (3)(a) were to the transferor in relation to the first transfer in the series,

(b) the references in sub-paragraph (3)(b) to the cap amount, the value of deferred tax assets that arose in relation to the assets before their transfer and the tax paid amount were to the aggregate of each such amount or value as determined for the purpose of each transfer that makes up the series,

(c) the reference to the date of the transfer in sub-paragraph (4)(a) were to the date of the last transfer in the series, and

(d) the references to the transferee in sub-paragraph (4)(b) were to the transferee in relation to the last transfer in the series."

Transitional safe harbour

39 (1) Part 2 of Schedule 16 (transitional safe harbour) is amended as follows.

(2) In paragraph 3, for sub-paragraph (1) substitute—

"(1) The filing member of a multinational group may make a transitional safe harbour election for an accounting period in respect of a territory.

(1A) The effect of the election is that all of the standard members of the group located in the territory are to be treated as not having top-up amounts or additional top-up amounts for the purpose of determining the liability of any member of the group to multinational top-up tax."

(3) In paragraph 4—

(a) in sub-paragraph (3)—

(i) omit the "and" after paragraph (b), and

(ii) after paragraph (c) insert ", and

(d) qualified substance based income amount (see paragraph 9(2))."., and

(b) in sub-paragraph (5), in the words before paragraph (a), for "(c)" substitute "(d)".

(4) In paragraph 6(6), for "if" substitute "unless".

Transitional reporting election

40 (1) In Schedule 16 (transitional provision), at the end insert—

"PART 3

TRANSITIONAL REPORTING ELECTION

Transitional reporting election

13 (1) HMRC may publish a notice that provides for alternative requirements for the information that must be contained in an information return in respect of members of a multinational group to which an election under sub-paragraph (3) applies.

(2) Where—

(a) HMRC have published a notice under paragraph (1) containing alternative requirements, and

(b) an election under sub-paragraph (3) applies to members of a multinational group for an accounting period,

paragraph 10 of Schedule 14 applies to the filing member of the group for that period subject to the notice.

(3) An election under this sub-paragraph—

(a) is to be made in respect of all of the members of a multinational group in a territory,

(b) is to be made by the filing member of the group,

(c) may only have effect in relation to an accounting period that begins on or before 31 December 2028 and ends before 1 July 2030, and

(d) may only be made if condition A, B or C is met.

(4) Condition A is that none of the members in the territory have top-up amounts or additional top-up amounts for the accounting period to which the election is to apply.

(5) Condition B is that—

(a) there is only one responsible member responsible for all of the members in the territory for the accounting period to which the election is to apply, and

(b) the sum of amounts attributed under Chapter 7 of Part 3 to that responsible member for that period in respect of those members' top-up amounts and additional top-up amounts is equal to the sum of the members' top-up amount and additional top-up amounts.

(6) Condition C is that—

(a) there is more than one responsible member responsible for the members of the group in the territory for the accounting period to which the election is to apply, and

(b) each responsible member is responsible for every member of the group in the territory and has the same inclusion ratio for each member it is responsible for.

(7) Paragraph 2 of Schedule 15 (annual elections) applies to an election under this paragraph."

(2) In Schedule 15 (elections), in paragraph 2(1), after paragraph (j) insert—

"(k) paragraph 14 of Schedule 16;".

Qualifying domestic top-up tax safe harbour

41 (1) After Schedule 16 insert—

"SCHEDULE 16A

Section 260

MULTINATIONAL TOP-UP TAX: SAFE HARBOURS

PART 1

QUALIFYING DOMESTIC TOP-UP TAX SAFE HARBOUR

CHAPTER 1

QUALIFYING DOMESTIC TOP-UP TAX SAFE HARBOUR ELECTION

Election for qualifying domestic top-up tax safe harbour

1 (1) The filing member of a multinational group may make a qualifying domestic top-up tax safe harbour election for an accounting period in respect of a territory.

(2) The effect of the election is that all of the standard members of the group located in the territory are to be treated as not having top-up amounts or additional top-up amounts for the purpose of determining the liability of any member of the group to multinational top-up tax.

(3) An election may only be made for an accounting period if—

(a) a qualifying domestic top-up tax applies in that territory for that period,

(b) that tax is accredited for the purposes of the election (see paragraph 2), and

(c) none of the disqualifying conditions in paragraph 3 apply for that period.

(4) Paragraph 2 of Schedule 15 (annual elections) applies to an election under this paragraph.

Accredited qualifying domestic top-up tax

2 A qualifying domestic top-up tax is accredited for the purposes of an election under paragraph 1 if that tax is specified as such in regulations made by the Treasury.

Disqualifying conditions

3 (1) Conditions A to D are disqualifying conditions for the purposes of paragraph 1(3)(c) in relation to a multinational group and a territory.

(2) Condition A is that—

(a) the ultimate parent is located in the territory,

(b) the ultimate parent is a flow-through entity, and

(c) the qualifying domestic top-up tax applying in the territory—

(i) does not generally impose a charge on the ultimate parent as a result of it being a flow-through entity, and

(ii) does not include provision for a charge to be imposed on the ultimate parent in circumstances where there would otherwise be an amount of tax that was not charged to any member of the group in that territory.

(3) Condition B is that—

(a) a responsible member of the group is located in the territory,

(b) the member is not the ultimate parent of the group,

(c) the member is a flow-through entity, and

(d) the qualifying domestic top-up tax applying in the territory—

(i) does not generally impose a charge on the member as a result of it being a flow-through entity, and

(ii) does not include provision for a charge to be imposed on the member in circumstances where there would otherwise be an amount of tax that was not charged to any member of the group in that territory.

(4) Condition C is that—

(a) the qualifying domestic top-up tax applying in the territory provides that it does not apply to a multinational group in the initial phase of the group's international expansion,

(b) that provision is not limited in application to circumstances where the members of a multinational group in the territory are not subject to Pillar Two rules, and

(c) that provision applies to the group.

(5) Condition D is that the enforceability of an amount of qualifying domestic top-up tax accruing to a standard member of the group is in question.

(6) Subsections (3), (4) and (6) of section 256A (qualifying domestic top-up tax treated as not accruing where contested) apply for the purpose of determining whether the enforceability of an amount of qualifying domestic top-up tax is in question.

CHAPTER 2

APPLICATION TO NON-STANDARD MEMBERS OF A MULTINATIONAL GROUP

Application in the case of joint venture group

4 (1) For the purpose of applying Chapter 1 of this Part of this Schedule to a joint venture group (see section 227 which applies this Schedule generally, with modifications, to joint venture groups), that Chapter has effect as if in paragraph 3—

(a) in sub-paragraph (1), for "Conditions A to D" there were substituted "Conditions A to E",

(b) after sub-paragraph (6), there were inserted—

"(7) Condition E is that the qualifying domestic top-up tax applying in the territory—

(a) does not generally impose a charge on members of the group that are members of a joint venture group, and

(b) does not include provision for a charge to be imposed on such members in

circumstances where there would otherwise be an amount of tax that was not charged to any member of the group in that territory."

(2) For that purpose ignore section 227(1)(a) (reference to ultimate parent treated as reference to joint venture parent).

(3) Accordingly, the filing member of a multinational group may make a separate qualifying domestic top-up tax safe harbour election in respect of joint venture members of a joint venture group in a territory.

Application in the case of investment entities

5 (1) Chapter 1 of this Part of this Schedule to applies to investment entities and has effect for that purpose as if—

(a) references to standard members of a multinational group were to members of the group that are investment entities, and

(b) in paragraph 3—

(i) in sub-paragraph (1), for "Conditions A to D" there were substituted "Conditions A to E",

(ii) after sub-paragraph (6), there were inserted—

"(7) Condition E is that the qualifying domestic top-up tax applying in the territory—

(a) does not generally impose a charge on members of the group that are investment entities, and

(b) does not include provision for a charge to be imposed on such members in circumstances where there would otherwise be an amount of tax that was not charged to any member of the group in that territory."

(2) Accordingly, the filing member of a multinational group may make a separate qualifying domestic top-up tax safe harbour election in respect of members of the group that are investment entities.

Application in the case of minority owned members

6 (1) Chapter 1 of this Part of this Schedule to applies to minority owned members of a multinational group and has effect for that purpose as if references to standard members of a multinational

group were to members of the group that are minority owned members.

(2) Accordingly, the filing member of a multinational group may make a separate qualifying domestic top-up tax safe harbour election in respect of minority owned members of the group."

(2) In section 227 (application of Part to joint venture groups), in subsection (1), in the words before paragraph (a), for "Schedule 16" substitute "Schedules 16 and 16A".

(3) For section 260 (transitional provision) substitute—

"260 Transitional provision and safe harbours

(1) Schedule 16 contains transitional provision and provision about a general transitional safe harbour.

(2) Schedule 16A contains provision about other safe harbours."

(4) In Schedule 15 (elections), in paragraph 2(1), after paragraph (k) (as inserted by paragraph 40(2) of this Schedule) insert—

"(l) paragraph 1 of Schedule 16A."

PART 3

DOMESTIC TOP-UP TAX

Securitisation entities

42 (1) In section 267 (DTT excluded entities)—

(a) after subsection (3) insert—

"(3A) A securitisation company that is not a member of a group for the purposes of domestic top-up tax is a DTT excluded entity (and see section 267A)."

(b) in subsection (4)—

(i) the words from ""qualifying" to the end become the first definition, and

(ii) after that definition insert—

""securitisation company" has the meaning it has in the Taxation of Securitisation Companies Regulations 2006 (see regulation 4)."

(2) After section 267 insert—

"267A Securitisation companies in a group treated as not consolidated

(1) Subsection (2) applies to a securitisation company that is a member of a group.

(2) The company is only to be regarded as a member of the group for the purposes of applying Condition C in section 266 in relation to other members of the group (revenue threshold for group).

(3) Otherwise, the company is to be treated as not being a member of any group for the purposes of domestic top-up tax."

(3) After section 272 insert—

"272A Treatment of covered bond vehicles

(1) This section applies where—

(a) a covered bond vehicle that is a member of a group would, ignoring this section, have a top-up amount or an additional top-up amount for an accounting period, and

(b) at least one of the other members of the group in that period—

(i) is located in the United Kingdom, and

(ii) is not a covered bond vehicle.

(2) For domestic purposes, section 193 (calculation of top-up amounts) has effect for the purpose of determining the top-up amounts (and additional top-up amounts) of—

(a) the covered bond vehicle, and

(b) the other members of the group that are located in the United Kingdom,

as if the adjusted profits of the covered bond vehicle were nil.

(3) But subsection (4) applies if none of the members of the group that are located in the United Kingdom, and are not covered bond vehicles, have made a profit for that period (and accordingly will not, ignoring that subsection, have top-up amounts).

(4) Each of those members has a top-up amount equal to the amount given by dividing—

(a) the sum of the top-up amounts and additional top-up amounts that, ignoring subsection (2), each covered bond vehicle located in the United Kingdom would otherwise have, by

(b) the number of those members.

(5) For the purposes of this section "covered bond vehicle" has the meaning given by paragraph 53(7) of Schedule 19 to FA 2011."

Investment entities

43 (1) In section 267—

(a) in subsection (2), after "subsection (1)" insert "or (3B)(b)", and

(b) after subsection (3A) (as inserted by paragraph 42) insert—

"(3B) An investment entity is a DTT excluded entity if—

(a) it is not a member of a group, or

(b) it is a member of group that is comprised only of members located in the United Kingdom.

(3C) An investment entity that is a member of a group that is not comprised only of members located in the United Kingdom—

(a) is not to be regarded as a qualifying entity, but

(b) top-up amounts of that entity are to be determined under sections 220 to 224 (see also section 272(8)(e) which has the effect of attributing those amounts to standard members of the group that are qualifying entities and are located in the same territory as the investment entity).

(3D) An investment entity that falls within subsection (3C) is not to be regarded as a member of any group for any purpose other than for the purposes of—

(a) determining the top-up amounts of that entity under those sections,

(b) applying Condition C in section 266 in relation to other members of the group (revenue threshold for group), and

(c) subsections (8)(e) (9), (10) and (11) of section 272."

(2) In consequence of the amendments made by sub-paragraph (1), in section 266(1) (qualifying entities) omit "or an investment entity".

(3) In section 272 (determining top-up amounts of entity that is a member of a group)—

(a) in subsection (8), in paragraph (e)—

(i) after "effect" insert "in relation to a qualifying entity that is a standard member of a group" and

(ii) after "of" insert "qualifying", and

(b) after that subsection insert—

"(9) An investment entity is a qualifying investment entity in relation to a qualifying entity if it is

(a) a member of the same group as the qualifying entity, and

(b) located in United Kingdom.

(10) Subsection (11) applies to qualifying entities that are standard members of a group for an accounting period where—

(a) the total top-up amount referred to in section 193 for that period is greater than nil as a result of the

modification of that section set out in subsection (8)(e), and

(b) none of those members have made a profit for that period (and accordingly will not, ignoring subsection (11), have top-up amounts).

(11) Where this subsection applies, each of those members has a top-up amount (for the purposes of domestic top-up tax) equal to the total top-up amount divided by the number of qualifying entities that are standard members of the group."

Treatment of qualifying refundable tax credits

44 (1) In section 272(8), after paragraph (d) insert—

"(da) in section 182(2)(e), after "credits", in the first place it occurs, there were inserted "other than qualifying refundable tax credits";".

(2) In section 273(3) (determining top-up amounts of entity that is not a member of a group), after paragraph (b) insert—

"(ba) in section 182(2)(e), after "credits", in the first place it occurs, there were inserted "other than qualifying refundable tax credits";".

Effect of becoming subject to Pillar Two rules

45 (1) After section 273 insert—

"273A References to Pillar Two rules

(1) The provisions mentioned in subsection (2) apply to a qualifying entity, for domestic or domestic entity purposes, as if the references to the first accounting period for which the Pillar Two rules apply were to the first accounting period for which the entity is a qualifying entity.

(2) Those provisions are—

(a) section 185;

(b) section 187;

(d) sub-paragraph (4) of paragraph 2 of Schedule 16 (but see also section 276(c)(iii) which omits that paragraph in the case of a qualifying entity that is not a member of a group).

273B Effect of becoming subject to Pillar Two rules

(1) This section applies where the Pillar Two rules did not apply to a qualifying entity for one or more accounting periods (each a "pre-Pillar Two period").

(2) Where—

(a) the entity has a recaptured deferred tax liability arising as a result of section 184 (recaptured deferred tax liabilities),

(b) the initial period, in relation to that liability, is a pre-Pillar Two period, and

(c) the first accounting period in which the Pillar Two rules apply to the entity is earlier than the sixth accounting period after the initial period,

section 184(2) (recalculation in initial period taking account of recaptured deferred tax liability) does not apply in relation to that recaptured deferred tax liability.

(3) Where an election under section 187 (election for losses to be treated as special loss deferred tax assets) applied to the entity in a pre-Pillar Two period—

(a) the election ceases to have effect for the first accounting period in which the Pillar Two rules apply, and

(b) subsection (2)(b) of section 187 does not apply to prevent the making of an election under section 187 that applies to the entity and that has effect for that period, but

(c) no remaining amount of special loss deferred tax assets that arose in a pre-Pillar Two period may be used in that first accounting period or any subsequent accounting period.

(4) Subsection (5) or (6) (as the case may be) applies where—

(a) a deferred tax asset arises to the entity in a pre-Pillar Two period,

(b) section 185(7)—

(i) applies to that asset for the purposes of multinational top-up tax, or

(ii) would, ignoring subsection (5) below, apply to that asset for those purposes, and

(c) the asset is reflected in a collective additional amount for the purposes of domestic top-up tax.

(5) Where—

(a) an election has been made under section 205 (election to carry forward) in relation to the collective additional amount,

(b) the subtraction required by subsection (2)(a) of that section has not occurred in a pre-Pillar Two period,

the amount to be subtracted as a result of that subsection is to be reduced by so much of that amount as reflects the asset.

(6) Otherwise, section 185(7) does not apply to the asset for the purposes of multinational top-up tax to the extent it was reflected in a collective additional amount for the purposes domestic top-up tax."

(2) In section 276 (application of transitional provision)—

(a) after paragraph (a) insert—

"(aa) where a qualifying member is a member of a group, for paragraph 3(2)(c) there were substituted—

"(c) the election has been made in respect of the territory for each preceding accounting period that commenced on or after 31 December 2023—

(i) in which the Pillar Two rules would, ignoring any transitional safe harbour election, have applied to any member of the group in the territory, and

(ii) in which any member of the group is a qualifying entity for the purposes of domestic top-up tax,",", and

(b) in paragraph (c), after sub-paragraph (iii) insert—

"(iiia) for paragraph 3(2)(c) there were substituted—

"(c) the election has been made in respect of the territory for each preceding accounting period that commenced on or after 31 December 2023 in which the member was a qualifying entity for the purposes of domestic top-up tax,",".

Dividends from protected cell companies

46 After section 273B (as inserted by paragraph 45) insert—

"273C Dividends from protected cell companies

(1) This section applies to a dividend or other distribution made by a protected cell company that is received or accrued by—

(a) a qualifying entity that is not a member of a group, or

(b) a member of a group that has no members located outside of the United Kingdom.

(2) A dividend or other distribution to which this section applies is to be treated as an excluded dividend (see section 141) for domestic purposes and domestic entity purposes."

Consistency with Pillar Two rules

47 (1) In section 262(1) (power to amend to ensure consistency with Pillar Two)—
(a) in paragraph (a), for "or of Schedule 14 to Schedule 16" substitute ", Part 4 or any of Schedules 14 to 16A and 18", and
(b) in paragraph (b), for "or Schedule 14 to Schedule 17" substitute ", Part 4 or any of Schedules 14 to 18".

(2) In consequence of the amendments made by sub-paragraph (1), omit section 274 (application of section 262).

PART 4

MINOR AND TECHNICAL CHANGES

Chapter 2 of Part 3 (qualifying multinational groups and their members)

48 (1) In section 127(12) (excluded entities) for "pensions service" substitute "pension services".

(2) In section 128 (responsible members)—
(a) in subsection (2)—
(i) for "its members" substitute "the members of the group", and
(ii) for "it" substitute "the ultimate parent", and
(b) in subsection (7)—
(i) in the words before paragraph (a), after "tax" insert "for an accounting period",
(ii) in paragraph (a), at the beginning insert "the period commences on or after 31 December 2023 and", and
(iii) in paragraph (b), in sub-paragraph (i), after "force" insert "for the period".

(3) In section 130 (change in composition of multinational group), in subsection (5)—
(a) after "in" insert "all, or substantially all, of the members of", and
(b) after "becoming" insert "members of".

Chapter 3 of Part 3 (effective tax rate)

49 (1) In section 132(2) (effective tax rate), in the words after paragraph (c) for "164" substitute "174".

Chapter 4 of Part 3 (calculation of adjusted profits)

50 (1) In section 138(1) (profits adjusted to be before tax), omit "its".

(2) In section 140 (profits adjusted to be profits before certain purchase accounting adjustments)—

(a) in subsection (2), for "shares" substitute "ownership interests", and

(b) in subsection (3)—

(i) for "shares" substitute "ownership interests", and

(ii) for the words from "it" to the end substitute "the members of the group do not have sufficient records to identify the adjustment made with reasonable accuracy."

(3) In section 142 (excluded equity gain or loss), in subsection (2)(b) omit "other than an interest to which subsection (3) applies,".

(4) In section 149 (arm's length requirement for certain transactions), in subsection (6) for "the member" substitute "both that member and the other member".

(5) In section 150 (tax treatment of transactions between members of a multinational group)—

(a) in subsection (6)—

(i) in paragraph (a), for "in the territory in which the member is located" substitute "that applies to the member", and

(ii) in paragraph (b), for "that territory" substitute "the territory in which the member is located", and

(b) after that subsection insert—

"(6A) But—

(a) for the purposes of subsection (6)(b), ignore any accounting period in which there was no standard member of the group in that territory to which the Pillar Two rules applied, and

(b) a standard member of a multinational group is always to be regarded as a high tax member for an accounting period if a transitional safe harbour election applies to it for that period."

(6) In section 165 (election to have excluded equity gains and losses included), in subsection (2)—

(a) after the words before paragraph (a) insert—

"(a) either—",

(b) the existing paragraphs (a) and (b) become sub-paragraphs (i) and (ii) of the paragraph (a) inserted above, and

(c) at the end of sub-paragraph (ii) insert ", and

(b) in the case of gains or losses falling within section 142(2)(b), the gains or losses are not in respect of an interest to which section 142(3) applies."

Chapter 5 of Part 3 (covered tax balance)

51 (1) In section 185(2)(a) (inclusion of existing deferred tax assets and liabilities on entry into regime), after "asset" insert "or liability".

(2) In section 186 (deferred tax assets recorded at less than minimum rate)—

(a) for subsection (2) substitute—

"(2) But this section only applies in relation to a deferred tax asset of the member falling within subsection (1) if the filing member accounts for all such assets of the member in accordance with this section in an information return submitted to HMRC or a qualifying authority (see paragraph 10(5) of Schedule 14).", and

(b) omit subsection (8).

(3) In section 187 (election for losses to be treated as special loss deferred tax assets), in subsection (6)—

(a) for paragraph (b) substitute—

"(b) the result of Step 2 in section 132(1) multiplied by 15%.", and

(b) in the words after paragraph (b), for "where subsection (5) applies" substitute "in which the election has effect".

Chapter 6 of Part 3 (calculation of top-up amounts)

52 (1) In section 194 (total top-up amount for a territory), in subsection (3), for "in", in the third place it occurs, substitute "for".

(2) In section 196 (eligible payroll costs), in subsection (3), for ""Employee"" substitute "In this section "employee"".

(3) In section 197 (eligible tangible asset amount)—

(a) for subsection (1) substitute—

"(1) To determine the eligible tangible asset amount of a member of a multinational group for an accounting period—

(a) add together—

(i) the sum of the recorded carrying values of each eligible tangible asset held by the member at the start of the period, and

(ii) the sum of the recorded carrying values of each eligible tangible asset held by the member at the end of the period, and

(b) divide the result of paragraph (a) by 2.", and

(b) omit subsection (2).

Chapter 7 of Part 3 (allocating top-up amounts)

53 (1) Section 201 (inclusion ratio) is amended as follows.

(2) In subsection (1), in Step 2, after "held by" insert "individuals and".

(3) In subsection (2)—

(a) after "held by" insert "individuals and", and
(b) after "such" insert "individuals and".

Chapter 8 of Part 3 (further adjustments)

54 (1) In section 205 (election to carry forward and reduce collective additional amount)—
(a) in subsection (1), after "amount" insert "under section 203",
(b) in subsection (2)(a)—
(i) after "amount", in the second place it occurs, insert "under section 203", and
(ii) for "those members" substitute "the members of the group in the relevant territory",
(c) in subsection (2)(b), after "amount", in the first place it occurs, insert "under section 203", and
(d) in subsection (3), after "amount", in the second place it occurs, insert "under section 203".

(2) In section 217(8) (post filing adjustments of covered taxes), in paragraph (a), at the beginning insert "the reduction of the covered tax balance of the member for the prior period resulting from".

Chapter 9 of Part 3 (special provision for investment entities etc)

55 (1) In section 220(3) (top-up amount of investment entity) for "section 33(2)" substitute "that Chapter".

(2) In section 221(4) (substance based income exclusion for investment entity), for "Schedule 12" substitute "Schedule 14".

(3) In section 229(3) (multi-parent groups), for "section 127(3)" substitute "section 128(3)".

Chapter 10 of Part 3 (definitions etc)

56 (1) In section 231(1) (meaning of entity)—
(a) after paragraph (a), insert "or",
(b) omit paragraphs (b) and (c), and
(c) in paragraph (d)—
(i) omit "other", and
(ii) after "the arrangement" insert "(such as a partnership or trust)".

(2) In section 232(1)(a) (permanent establishments treated as entities), for "of the main entity" substitute "in which the main entity is located".

(3) In section 235(1)(b) (pension funds and pension services entities), at the beginning insert "it is".

(4) In section 244 (calculating percentage ownership interests of a class), in subsection (2)(a), after "by" insert "an individual or by".

(5) In section 245 (calculating percentage ownership interests: excluded entities), in subsection (2), after "Where" insert "an individual or".

(6) In section 246(1)(b)(ii) (calculating percentage direct and indirect ownership interests) for "E" substitute "F".

(7) In section 248 (exclusion of indirect interests held through ultimate parent), after "entity" insert "or individual".

(8) In section 249(2) (consolidated financial statements)—
(a) for "an" substitute "the", and
(b) after "standard" insert "that is used as the basis for the statements that would have been prepared".

(9) In section 252(3) (application to sovereign wealth funds), for "government" substitute "governmental".

(10) In section 253 (refundable imputation taxes)—
(a) in subsection (1)(a)(i)—
(b) for "in respect of a dividend made by the member and is" substitute "as a result of a dividend made by the member,", and
(c) in subsection (2)(b)—
(i) in sub-paragraph (v), for the words from ", a resident pension fund" to the end substitute "or a resident pension fund",
(ii) omit the "or" after that sub-paragraph, and
(iii) after that sub-paragraph insert—

"(va) a resident investment entity that is not a member of the group, or".

(11) In section 259 (other definitions), in subsection (1)—
(a) at the appropriate place insert—

""deemed distribution" has the meaning given by section 215(4)(c);", and
(b) in the definition of "tax treaty", for "agreement for" substitute "international agreement for, or provision of an international agreement concerned with,".

Part 4 (domestic top-up tax)

57 (1) In section 271 (election to make one member of a group liable for amounts charged)—
(a) in subsection (1) for "responsible" substitute "elected",
(b) in subsection (2) for "responsible", in both places it occurs, substitute "elected", and
(c) in subsection (3) for "responsible" substitute "elected".

(2) In section 272 (determining top-up amounts of entity that is a member of a group), in subsection (8)(c)(i) for "after subsection (1) there were inserted" substitute "for subsection (1A) there were substituted".

(3) In section 273 (determining top-up amounts of entity that is not a member of a group), in subsection (4)—

(a) in the words before paragraph (a), after "domestic" insert "entity",

(b) in paragraph (e), for "subsection (2)(c)" substitute "subsection (3)(c)",

(c) after paragraph (p), insert—

"(pa) in section 173 (covered taxes), subsection (1)(b);".

Schedules 14 to 17

58 (1) In Schedule 14 (administration)—

(a) in paragraph 6 (registration), after sub-paragraph (1) insert—

"(1A) The reference to a multinational group in sub-paragraph (1) does not include a group exclusively comprised of excluded entities (who are only regarded as members of the group for certain purposes in accordance with section 127(2))."

(b) in paragraph 34 (group payment notices)—

(i) in sub-paragraph (2), for "the time the liability to tax arose" substitute "any time in the accounting period to which the amount payable relates",

(ii) after that sub-paragraph insert—

"(2A) The references to a member of a group in sub-paragraph (2) do not include a member of a group that is—

(a) a securitisation company (within the meaning given by section 267(4)),

(b) a covered bond vehicle (within the meaning given by section 272A(5)), or

(c) an investment entity.",

(c) in paragraph 35(1), for "ring-fenced entity", in the second place it occurs, substitute "member of a ring-fenced body sub-group that the entity is a member of",

(d) in paragraph 36(3), for the words from "person" to the end substitute "recipient is not a person to whom the notice can be given (see paragraphs 34(2) and (2A) and 35(1)).", and

(e) in paragraph 37—

(i) in sub-paragraph (4)(b), after "for" insert "income tax or", and

(ii) in sub-paragraph (6), for "payer" substitute "payee".

(2) In Schedule 15 (elections)—

(a) in paragraph 1(1), after paragraph (a) insert—

"(aa) section 141(7);", and

(b) in paragraph 2(1)—

(i) after paragraph (e) insert—

"(ea) section 199;", and

(ii) after paragraph (f) insert—

"(fa) section 216;".

(3) In Schedule 16 (multinational top-up tax: transitional provision), in paragraph 10—

(a) the existing words become sub-paragraph (1),

(b) in the words before paragraph (a) of that sub-paragraph—

(i) for "section 226" substitute "section 227", and

(ii) after "groups)" insert ", that Chapter has effect as if",

(c) in paragraph (a) of that sub-paragraph, for "3(2)(c)" substitute "3(2)(b)", and

(d) after that sub-paragraph insert—

"(2) For that purpose ignore section 227(1)(a) (reference to ultimate parent treated as reference to joint venture parent).

(3) Accordingly, the filing member of a multinational group may make a separate transitional safe harbour election in respect of joint venture members of a joint venture group in a territory."

(4) In Schedule 17 (index of defined expressions), in the table—

(a) in the definition of "government entity", for "government" substitute "governmental",

(b) in the definition of "pensions services entity" for "pensions" substitute "pension", and

(c) at the appropriate places insert—

"CFS currency	section 254(1)";
"country-by-country report	section 251A";
"covered bond vehicle	section 272A(5)";
"domestic purposes (in Part 4)	section 272(1)";
"domestic entity purposes (in Part 4)	section 273(1)";
"securitisation company	section 267(4)";
"tax equity partnership arrangement	section 176D(5)";
"transitional safe harbour election	section 255(6)".

SCHEDULE 13

Section 33

PROMOTION OF TAX AVOIDANCE SCHEMES

Disqualification for promoting tax avoidance

1 In CDDA 1986, after section 8ZE insert—

"Disqualification for promoting tax avoidance

8ZF Disqualification following winding up under s.85 of Finance Act 2022

(1) The court must make a disqualification order against a person if, on an application under this section, it is satisfied—

(a) that the person has at any time after the coming into force of this section been a director of a company while the company was a relevant body within the meaning of section 85(4) of the Finance Act 2022 (winding up of promoters of tax avoidance schemes), and

(b) that a court has made a winding-up order in respect of the company under section 85(3) of that Act (whether while the person was a director or subsequently).

(2) An officer of Revenue and Customs may make an application to the court for a disqualification order against a person under this section if it appears to the officer that it is expedient in the public interest for such an order to be made.

(3) Except with the permission of the court, an application under subsection (2) may not be made after the end of the period of 3 years beginning with the day on which the winding-up order in question is made.

(4) Under this section the minimum period of disqualification is 2 years, and the maximum is 15 years.

(5) An officer of Revenue and Customs may accept a disqualification undertaking if it appears to the officer—

(a) that the conditions mentioned in subsection (1) are satisfied in relation to the person who has offered to give the disqualification undertaking, and

(b) that it is expedient in the public interest that the officer should accept the undertaking (instead of applying, or proceeding with an application, for a disqualification order).

(6) In this section—

"company" includes overseas company;

"court" means—

(a) the court having jurisdiction for the purposes of the Insolvency Act 1986, or

(b) the High Court in Northern Ireland;

"director" includes a shadow director.

8ZG Disqualification on finding of unfitness: promoters of tax avoidance

(1) The court may make a disqualification order against a person if, on an application under this section, it is satisfied—

(a) that the person—

(i) is a director of a company that carries on business as a promoter within the meaning of Part 5 of the Finance Act 2014 (promoters of tax avoidance schemes), or

(ii) after the coming into force of this section, was a director of a company at a time at which it did so, and

(b) that the person's conduct in relation to the company (either taken alone or taken together with the person's conduct as a director of one or more other companies) makes the person unfit to be concerned in the management of a company.

(2) For the purposes of subsection (1)(a)(i), Part 5 of the Finance Act 2014 has effect as if, in section 234 of that Act—

(a) references to "tax" included value added tax and other indirect taxes, and

(b) the definition of "tax advantage" also included a tax advantage as defined for VAT in paragraph 6, and for other indirect taxes in paragraph 7, of Schedule 17 to the Finance (No. 2) Act 2017 (disclosure of tax avoidance schemes: VAT and other indirect taxes).

(3) References in subsection (1)(b) to a person's conduct include conduct occurring before, as well as after, the coming into force of this section.

(4) An officer of Revenue and Customs may make an application to the court for a disqualification order against a person under this section if it appears to the officer that it is expedient in the public interest for such an order to be made.

(5) The maximum period of disqualification under this section is 15 years.

(6) An officer of Revenue and Customs may accept a disqualification undertaking if it appears to the officer—

(a) that the conditions mentioned in subsection (1) are satisfied in relation to the person who has offered to give the disqualification undertaking, and

(b) that it is expedient in the public interest that the officer should accept the undertaking (instead of applying, or proceeding with an application, for a disqualification order).

(7) In this section—

"company" includes overseas company;

"the court" means—

(a) in England and Wales, the High Court;

(b) in Scotland, the Court of Session;

(c) in Northern Ireland, the High Court in Northern Ireland;

"director" includes a shadow director;

"indirect tax" has the same meaning as in Schedule 17 to the Finance (No. 2) Act 2017 (see paragraph 2(1) of that Schedule)."

Minor and consequential amendments

2 (1) CDDA 1986 is amended as follows.

(2) In section 1 (disqualification orders: general)—

(a) in subsection (1), after "6" insert ", 8ZF";

(b) in subsection (2), for "and 8ZA" substitute ", 8ZA and 8ZF".

(3) In section 1A (disqualification undertakings: general)—

(a) in subsection (1)—

(i) for "and 8ZE" substitute ", 8ZE, 8ZF and 8ZG", and

(ii) for "Secretary of State" substitute "appropriate authority";

(b) in subsection (2), for "or 8ZC" substitute ", 8ZC or 8ZF";

(c) in subsection (4), for "Secretary of State" substitute "appropriate authority";

(d) after subsection (4) insert—

"(5) In this section "the appropriate authority" means—

(a) in relation to an undertaking under section 8ZF or 8ZG, an officer of Revenue and Customs;

(b) in any other case, the Secretary of State."

(4) In section 8A (variation etc. of disqualification undertaking)—

(a) after subsection (2) insert—

"(2ZA) Subsection (2) does not apply to an application in the case of an undertaking given under section 8ZF or 8ZG, and in such a case on the hearing of the application an officer of Revenue and Customs—

(a) must appear and call the attention of the court to any matters which appear to the officer to be relevant;

(b) may give evidence or call witnesses.";

(b) in subsection (3), in paragraph (b), for "or 8" substitute ", 8, 8ZF or 8ZG".

(5) In section 12A (Northern Irish disqualification orders), in the words before paragraph (a), after "2002" insert "or made by the High Court of Northern Ireland under section 8ZF or 8ZG".

(6) In section 12B (Northern Irish disqualification undertakings), in the words before paragraph (a), after "undertaking" insert "under section 8ZF or 8ZG so far as they extend to Northern Ireland or".

(7) In section 12C (determining unfitness etc: matters to be taken into account)—

(a) in subsection (1)—

(i) in paragraph (b), after "8" insert ", 8ZG", and

(ii) in paragraph (c), after "6" insert "or 8ZF";

(b) after subsection (3) insert—

"(3A) This section also applies where an officer of Revenue and Customs must determine—

(a) whether a person's conduct as a director of one or more companies or overseas companies makes the person unfit to be concerned in the management of a company;

(b) whether to exercise any discretion the officer has to accept a disqualification undertaking under section 8ZF or 8ZG.";

(c) in subsection (4), after "Secretary of State" insert "or the officer (as the case may be)".

(8) In section 16(4) (application for disqualification order: parties), after paragraph (b) insert—

"(ba) an officer of Revenue and Customs;".

(9) In section 17 (application for leave under an order or undertaking)—

(a) after subsection (3ZB) insert—

"(3ZC) Where a person is subject to a disqualification undertaking accepted at any time under section 8ZF or 8ZG, any application for leave for the purposes of section 1A(1)(a) must be made to any court to which, if an officer of Revenue and Customs had applied for a disqualification order under the section in question at that time, the application could have been made.";

(b) after subsection (5) insert—

"(5A) Subsection (5) does not apply to an application for leave—

(a) for the purposes of section 1(1)(a) if the application for the disqualification order was made by an officer of Revenue and Customs, or

(b) for the purposes of section 1A(1)(a) if the disqualification undertaking was accepted by an officer of Revenue and Customs.

(5B) In such a case, on the hearing of the application an officer of Revenue and Customs—

(a) must appear and call the attention of the court to any matters which appear to the officer to be relevant;

(b) may give evidence or call witnesses."

(10) In section 18(2A) (disqualification undertakings to be included in register), after paragraph (a) insert—

"(aa) disqualification undertakings accepted by an officer of Revenue and Customs under section 8ZF or 8ZG;".

(11) In section 20 (admissibility in evidence of statements)—

(a) in subsection (1), after "1986" insert "or under the 1989 Order";

(b) in subsection (3)—

(i) omit the "or" at the end of paragraph (c);

(ii) at the end of paragraph (d), insert "; or

(e) an offence under Article 10 of the Perjury (Northern Ireland) Order 1979 (S.I. 1979/1714 (N.I. 19)) (false statements made otherwise than on oath).";

(c) after subsection (4) insert—

"(5) In subsection (1), "the 1989 Order" means the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19))."

(12) In section 21 (interaction with Insolvency Act 1986)—

(a) in the heading, after "1986" insert "etc";

(b) after subsection (4) insert—

"(5) Sections 8ZF and 8ZG and the other provisions of this Act so far as relating to applications and orders made, and undertakings accepted, under those provisions in Northern Ireland, are deemed included in Parts 2 to 7 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)) for the purposes of the following Articles of that Order—

Article 359 (power to make insolvency rules);

Article 361 (fees orders)."

(13) In section 22 (interpretation), after subsection (2A) insert—

"(2B) So far as this Act extends to Northern Ireland, subsections (2) and (2A) do not apply and instead—

"company" means—

(a) a company registered under the Companies Act 2006 in Northern Ireland, or

(b) a company that may be wound up under Part 6 of the Insolvency (Northern Ireland) Order 1989 (S.I. 1989/2405 (N.I. 19)) (unregistered companies), and

"overseas company" means a company which is incorporated or formed outside Northern Ireland."

(14) In section 22H (application of Act to protected cell companies)—

(a) in subsection (1)(a), at the beginning, insert "so far as this section extends to England and Wales and Scotland,",

(b) after subsection (1)(a) insert—

"(aa) so far as this section extends to Northern Ireland, "protected cell company" means a protected cell company incorporated under Part 4 of the Risk Transformation Regulations 2017 which has its registered office in Northern Ireland;"

(c) in subsection (4)(j), at the beginning insert "so far as this section extends to England and Wales and Scotland,";

(d) after subsection (4)(j), insert—

"(k) so far as this section extends to Northern Ireland, references to an overseas company include references to a protected cell company incorporated under the Risk Transformation Regulations 2017 which has its registered office in England and Wales (or Wales) or Scotland."

(15) In section 24 (extent), after subsection (2) insert—

"(3) For provision extending this Act (other than sections 13 to 15) to Northern Ireland so far as relating to applications and orders made, and undertakings accepted, under section 8ZF or 8ZG, see paragraph 4 of Schedule 13 to the Finance Act 2024."

3 In the Company Directors Disqualification (Northern Ireland) Order 2002 (S.I. 2002/3150 (N.I. 4)), in the heading of Article 17, for "in Great Britain" substitute "under the Company Directors Disqualification Act 1986".

Extent

4 (1) The amendments made by paragraph 1 extend to England and Wales, Scotland and Northern Ireland.

(2) The amendments made by paragraph 2 extend to—

(a) England and Wales and Scotland, and

(b) Northern Ireland, so far as relating to applications and orders made, and undertakings accepted, under sections 8ZF or 8ZG of CDDA 1986 (inserted by paragraph 1).

(3) The other provisions of CDDA 1986, except for sections 13 to 15 (consequences of contravention), extend to Northern Ireland (as well as England and Wales and Scotland) so far as relating to applications and orders made, and undertakings accepted, under section 8ZF or 8ZG.

Practice and procedure

5 (1) The procedural rules for applications under section 8 of CDDA 1986 apply to HMRC disqualification applications as they apply to applications by the Secretary of State, subject to any necessary modifications.

(2) The procedural rules for applications under Article 11 of the Company Directors Disqualification (Northern Ireland) Order 2002 (S.I. 2002/3150 (N.I. 4)) apply to HMRC disqualification applications as they apply to applications by the Department for the Economy in Northern Ireland, subject to any necessary modifications.

(3) Sub-paragraphs (1) and (2) apply only if, and to the extent that, there are not otherwise procedural rules for HMRC disqualification applications.

(4) In this paragraph—

(a) the "procedural rules" for applications of a particular kind are the rules, regulations or practice directions for the time being governing the practice and procedure (including fees) in respect of applications of that kind, and

(b) an "HMRC disqualification application" is an application by an officer of Revenue and Customs under section 8ZF or 8ZG of CDDA 1986.

Interpretation

6 In this Schedule, "CDDA 1986" means the Company Directors Disqualification Act 1986.

Printed and published in the UK by The Stationery Office Limited under the authority and superintendence of Jeff James, Controller of His Majesty's Stationery Office and King's Printer of Acts of Parliament.

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Published by TSO (The Stationery Office), a Williams Lea company, and available from:

Online
www.tsoshop.co.uk

Mail, Telephone & E-mail
TSO
PO Box 29, Norwich, NR3 1GN
Telephone orders/General enquiries: 0333 202 5070
E-mail: customer.services@tso.co.uk
Textphone: 0333 202 5077

ISBN 978-0-10-570246-7

9 780105 702467