



Finance (No. 2) Act 2005

CHAPTER 22

FINANCE (NO. 2) ACT 2005

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Status: This is the original version (as it was originally enacted).

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SCHEDULE 1 — Disclosure of value added tax avoidance schemes

- 1 Introduction
- 2 Interpretative provisions
- 3 For paragraph 2 substitute— (1) For the purposes of this Schedule, a taxable person...
- 4 After paragraph 2 insert— Meaning of “non-deductible tax” (1) In this Schedule “non-deductible tax”, in relation to a...
- 5 Duty to notify Commissioners
- 6 In paragraph 7 (exemptions from duty to notify) in the...
- 7 Amount of penalty
- 8 Penalty assessments

SCHEDULE 2 — Employee securities: anti-avoidance

- 1 Introductory
- 2 Rights under certain insurance contracts to be securities
- 3 Restricted securities
- 4 (1) Section 424 (employment-related securities which are not restricted securities...
- 5 (1) In section 428 (amount of charge under section 426),...
- 6 (1) In section 429 (exception from charge under section 426...
- 7 (1) After section 431A insert— Securities acquired for purpose of...
- 8 Convertible securities

- 9 (1) In section 436(a) (meaning of “convertible securities”), for “immediate...
- 10 (1) In section 440 (amount of charge under section 438),...
- 11 (1) In section 443 (exception from charge under section 438...
- 12 Securities acquired for less than market value
- 13 (1) In section 446R (exception from Chapter for certain company...
- 14 (1) In section 446U(1) (discharge of notional loan), insert at...
- 15 (1) After section 446U insert— Pre-acquisition avoidance cases (1)
Sections 446S to 446U do not apply if the...
- 16 (1) Section 698 (PAYE: special charges on employment-related securities) is...
- 17 Post-acquisition benefits from securities
- 18 (1) Section 447 (charge on other chargeable benefits from securities)...
- 19 (1) In section 449 (exception from charge under section 447...
- 20 Corporation tax relief: minor and consequential amendments

SCHEDULE 3 — Qualifying scheme

Part 1 — INTRODUCTORY

- 1 For the purposes of section 24 a scheme is a...

Part 2 — SCHEMES INVOLVING HYBRID ENTITIES

- 2 A scheme falls within this Part if a party to...

- 3 (1) An entity is a hybrid entity if—

Part 3 — SCHEMES INVOLVING HYBRID EFFECT

- 4 Schemes involving hybrid effect
- 5 Instruments of alterable character
- 6 Shares subject to conversion
- 7 Securities subject to conversion
- 8 Debt instruments treated as equity

Part 4 — SCHEMES INVOLVING HYBRID EFFECT AND CONNECTED PERSONS

- 9 Schemes involving hybrid effect and connected persons
- 10 Scheme including issue of shares not conferring a qualifying beneficial entitlement
- 11 Scheme including transfer of rights under a security
- 12 Interpretation

SCHEDULE 4 — Chargeable gains: location of assets etc

Part 1 — LOCATION OF ASSETS

- 1 Exceptions from sections 713 and 714 of ICTA
- 2 Foreign securities: delayed remittances
- 3 Designated international organisations
- 4 Location of assets: general
- 5 Location of certain intangible assets
- 6 Location of assets: interests of co-owners

Part 2 — MINOR AMENDMENTS: NON-RESIDENT COMPANY WITH UK PERMANENT ESTABLISHMENT

- 7 Computation of losses
- 8 Reallocation within group of gain or loss accruing under section 179
- 9 Exemptions for disposals by companies with substantial shareholding

Part 3 — COMMENCEMENT

- 10 Commencement

SCHEDULE 5 — Chargeable gains: options

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Part 1 — APPLICATION OF MARKET VALUE RULE IN CASE OF EXERCISE OF OPTION

- 1 Application of market value rule in case of exercise of option
- 2 Application of market value rule in case of exercise of option: exception

Part 2 — MISCELLANEOUS AMENDMENTS RELATING TO SHARE OPTIONS ETC

- 3 Shares acquired on same day: election for alternative treatment
- 4 Employment-related securities options
- 5 Interpretation of TCGA 1992

Part 3 — COMMENCEMENT

- 6 Commencement

SCHEDULE 6 — Accounting practice and related matters

- 1 Adjustment on change of accounting basis
- 2 (1) In section 227 of ITTOIA 2005 (adjustment on change...)
- 3 Meaning of “statutory insolvency arrangement”
- 4 Minor corrections
- 5 Deemed release of liability on impaired debt becoming held by connected company
- 6 Adjustment on change to international accounting standards: bad debt debits formerly disallowed
- 7 Loan relationships with embedded derivatives
- 8 (1) In section 116(8A) of TCGA 1992 (reorganisations, conversions and...)
- 9 Exchange gains and losses
- 10 In section 103 of FA 1996 (loan relationships: general interpretation),...
- 11 In paragraph 54 of Schedule 26 to FA 2002 (derivative...)

SCHEDULE 7 — Avoidance involving financial arrangements

- 1 Rent factoring
- 2 Section 730: restriction to income consisting of distributions in respect of company shares etc
- 3 Change in ownership of company with investment business
- 4 Transfers of rights to receive annual payments
- 5 Disposals and acquisitions of company loan relationships with or without interest
- 6 Manufactured interest and the accrued income scheme
- 7 Consideration due after time of disposal: creditor relationships etc
- 8 Corporate strips: manipulation of price: associated payment giving rise to loss
- 9 Transactions within a group: shares subject to third party obligations
- 10 Shares treated as loan relationships
- 11 Related transactions in relation to right to receive manufactured interest
- 12 Money debts etc not arising from lending of money: discounts and profits from transactions
- 13 Meaning of “commercial rate of interest”
- 14 Capital redemption policies: removal of exclusion from loan relationships computations
- 15 Deemed disposal of assets and liabilities on company ceasing to be resident in UK etc
- 16 Transactions not at arm’s length: exceptions relating to groups of companies
- 17 Continuity of treatment of groups etc: treatment of transferee company

- 18 Transferee leaving group after replacing transferor as party to loan relationship
- 19 Avoidance involving repos or stock lending
- 20 Capital redemption policies: computations on the I minus E basis
- 21 Relevant discounted securities: corporate strips
- 22 Transactions within groups: treatment of transferee company
- 23 Transactions within groups: fair value accounting
- 24 Transferee leaving group after replacing transferor as party to derivative contract
- 25 Deeply discounted securities: corporate strips

SCHEDULE 8 — Financing of companies etc: transfer pricing and loan relationships

- 1 Amendments of Schedule 28AA to ICTA
- 2 Amendments of Schedule 9 to FA 1996
- 3 (1) Paragraph 18 of that Schedule (discounted securities of close...)
- 4 Commencement and transitional provisions

SCHEDULE 9 — Insurance companies etc

- 1 Expenses of insurance companies
- 2 Interpretative provisions relating to insurance companies
- 3 Amendment of Chapter 1 of Part 12 of ICTA etc
- 4 Apportionment of income and gains
- 5 Section 432B apportionment: participating funds
- 6 Transfers of business: deemed periodical return
- 7 Transfers of business: modification of section 444AC of ICTA
- 8 Transfers of business: transferor shares are assets of transferee's long-term insurance fund etc
- 9 Equalisation reserves for general business
- 10 Unappropriated surplus on valuation
- 11 Relevant financial reinsurance contracts
- 12 Receipts to be taken into account
- 13 Meaning of "brought into account"
- 14 Changes in recognised accounts: attribution of amounts carried forward under s.432F of ICTA
- 15 Charge of certain receipts of basic life assurance business
- 16 Corporation tax: policy holders' fraction of profits
- 17 Overseas life insurance companies
- 18 Meaning of "pension business"
- 19 Miscellaneous references to "class" of business
- 20 Transfers of business: references to accounting period ending with day of transfer

SCHEDULE 10 — Stamp duty land tax: miscellaneous amendments

Part 1 — AMENDMENTS COMING INTO FORCE IN ACCORDANCE WITH PARAGRAPH 16

- 1 Introduction
- 2 Transfer of rights: exclusion of transaction to which alternative finance provisions apply
- 3 Group relief
- 4 In paragraph 3 of Schedule 7 (withdrawal of group relief)—...
- 5 In paragraph 4 of Schedule 7 (cases in which group...)
- 6 After paragraph 4 of Schedule 7 insert— Withdrawal of group...

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- 7 In Schedule 17A (further provisions relating to leases) in paragraph...
 - 8 Reconstruction and acquisition reliefs
 - 9 In paragraph 9 of Schedule 7 (withdrawal of reconstruction or...
 - 10 Withdrawal of money etc from partnership after transfer of chargeable interest
 - 11 Grant of lease to bare trustee
 - 12 In paragraph 11 of Schedule 17A (cases where assignment of...
 - 13 Variation of lease
 - 14 Loan or deposit in connection with grant or assignment of lease
 - 15 In section 80 (adjustment where contingency ceases or consideration is...
 - 16 Commencement
 - Part 2 — AMENDMENTS COMING INTO FORCE IN ACCORDANCE WITH PARAGRAPH 22
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 - Part 5 — MISCELLANEOUS MATTERS