Finance (No. 2) Act 2010

2010 CHAPTER 31

PART 1

RATES ETC

Corporation tax

1 Main rate of corporation tax for financial year 2011

In section 2(2)(a) of FA 2010 (main corporation tax rate for financial year 2011 on profits other than ring fence profits), for "28%" substitute " 27% ".

Capital gains tax

2 Rates of capital gains tax

Schedule 1 contains provision in relation to the rates at which capital gains tax is charged.

Value added tax

3 Rate of value added tax

(1) In section 2(1) of VATA 1994 (rate of VAT), for "17.5 per cent" substitute " 20 per cent ".

(2) In section 21(4) of that Act (restriction on value of imported goods), for "28.58 per cent" substitute " 25 per cent ".

(3) The amendment made by subsection (1) has effect in relation to any supply made on or after 4 January 2011 and any acquisition or importation taking place on or after that date.

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(4) The amendment made by subsection (2) has effect in relation to goods imported on or after 4 January 2011.

(5) Schedule 2 contains provision for a supplementary charge to value added tax on supplies spanning the date of the VAT change.

Insurance premium tax

4 Rates of insurance premium tax

(1) In section 51(2) of FA 1994 (rates of insurance premium tax)—

(a) in paragraph (a) (higher rate), for "17.5 per cent" substitute " 20 per cent ", and

(b) in paragraph (b) (standard rate), for "5 per cent" substitute " 6 per cent ".

(2) The amendments made by subsection (1) have effect in relation to a premium falling to be regarded for the purposes of Part 3 of FA 1994 as received under a taxable insurance contract by an insurer on or after 4 January 2011.

(3) In the application of sections 67A and 67C of FA 1994 (announced increase in rate) in relation to the increases made by this section—

(a) the announcement for the purposes of section 67A(1) is to be taken to have been made on 22 June 2010, and

(b) the date of the change is 4 January 2011.

(4) In FA 1999, omit section 125; and the repeal of that section comes into force in accordance with the provision made by this section for the coming into force of the amendments made by subsection (1).

PART 2

OTHER PROVISIONS

Pensions

5 Power to repeal high income excess relief charge

(1) The Treasury may by order made by statutory instrument repeal section 23 of, and Schedule 2 to, FA 2010 (high income excess relief charge).

(2) No order may be made under subsection (1) after 31 December 2010.

(3) Section 1014 of ITA 2007 (orders and regulations under Income Tax Acts) does not apply to the power under subsection (1).

6 Treatment of persons at age 75

Schedule 3 contains provision about the treatment of persons who reach the age of 75 on or after 22 June 2010.

Income tax

7 Expenses paid to MPs etc

Schedule 4 contains provision about expenses and allowances paid to members of the House of Commons and other representatives.

Corporation tax

8 Amounts not fully recognised for accounting purposes

Schedule 5 contains amendments of sections 311, 312 and 599A of CTA 2009 (loan relationships and derivative contracts: treatment of amounts not fully recognised for accounting purposes).

9 Insurance companies: business transfers involving excess assets

(1) In Chapter 1 of Part 12 of ICTA (insurance companies etc), after section 432CA insert—

"432CB Transfers of business involving excess assets

(1) This section applies where, under an insurance business transfer scheme, there is a transfer of long-term business—

(a) from a non-profit fund of an insurance company ("the transferor") which is not a non-profit company in relation to the relevant period of account,

(b) to another insurance company ("the transferee") to constitute or form part of a non-profit fund of the transferee ("the transferee's non-profit fund"),

("the transfer") and conditions A and B are met.

(2) Condition A is that the fair value of the assets transferred by the transfer exceeds by an amount ("the chargeable excess") the amount of the relevant liabilities transferred by the transfer.

For this purpose "relevant" liabilities are liabilities of a type shown (or treated as shown) in any of lines 14, 17, 21 to 23 and 31 to 38 of Form 14 of a periodical return of an insurance company.

(3) Condition B is that the main purpose, or one of the main purposes, of the transferor or the transferee (or both) in entering into any part of the transfer scheme arrangements is to secure a reduction in tax as a result of section 432C having effect in the case of the transferee, rather than the transferor, in relation to the business transferred by the transfer.

(4) The chargeable excess is to be brought into account by the transferor as mentioned in section 83(2)(b) of the Finance Act 1989 for the relevant period of account.

(5) Where there is no amount shown in relation to the transferee's non-profit fund in column 1 of line 51 of Form 14 of the periodical return of the transferee for the first period of account of the transferee ending on or after the transfer

date ("the first post-transfer period of account"), the chargeable excess is to be brought into account by the transferee as mentioned in section 83(2) of the Finance Act 1989 as a decrease in the value of non-linked assets for the first post-transfer period of account.

(6) Where—

(a) there is an amount shown in relation to the transferee's non-profit fund in column 1 of line 51 of Form 14 of the periodical return of the transferee for the first post-transfer period of account, and

(b) the amount so shown in column 1 of line 51 of Form 14 of the periodical return of the transferee for that period of account, or for any other period of account of the transferee ending after the transfer date, (an "affected period of account") is less than the total chargeable excess amount,

the relevant amount is to be brought into account by the transferee as mentioned in section 83(2) of the Finance Act 1989 as a decrease in the value of non-linked assets for the affected period of account.

(7) For this purpose "the relevant amount" is the amount by which—

(a) the amount shown in relation to the transferee's non-profit fund in column 1 of line 51 of Form 14 of the periodical return of the transferee for the affected period of account, is less than

(b) the total chargeable excess amount less any amount brought into account by the transferee as mentioned in section 83(2) of the Finance Act 1989 as a decrease in the value of non-linked assets for any earlier period of account by virtue of the operation of this section in relation to the transferee's non-profit fund.

(8) In subsections (6) and (7) "the total chargeable excess amount" means the aggregate of—

(a) the chargeable excess, and

(b) any amount which is the chargeable excess in relation to any other transfer of business to the transferee's non-profit fund.

(9) In this section "the relevant period of account" means—

(a) the period of account of the transferor ending immediately before the transfer date, or

(b) if no period of account of the transferor so ends, the period of account of the transferor covering the transfer date.

(10) In this section "the transfer scheme arrangements" means the insurance business transfer scheme and any relevant associated operations; and for this purpose "relevant associated operations" means—

(a) any other insurance business transfer scheme,

(b) any contract of reinsurance, or

(c) any reconstruction or amalgamation involving the transferor, a dependant of the transferor which is an insurance undertaking or the transferee,

which is effected in connection with the insurance business transfer scheme.

(11) In subsection (10)—

"dependant", and

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"insurance undertaking",

have the same meaning as in the Insurance Prudential Sourcebook.

(12) In this section "the transfer date" means the date on which the insurance business transfer scheme takes effect.

(13) For the purposes of this section an insurance company which has elected under section 83YA(9) of the Finance Act 1989 (changes in value of assets brought into account: non-profit companies) to be treated as a non-profit company in relation to a period of account is to be regarded as a non-profit company in relation to the period of account."

(2) The amendment made by subsection (1) has effect in relation to transfers of business taking place on or after 24 March 2010.

Final provisions

10 Interpretation

(1) In this Act—

"CTA 2009" means the Corporation Tax Act 2009;
"CTA 2010" means the Corporation Tax Act 2010;
"ICTA" means the Income and Corporation Taxes Act 1988;
"ITA 2007" means the Income Tax Act 2007;
"ITEPA 2003" means the Income Tax (Earnings and Pensions) Act 2003;
"TCGA 1992" means the Taxation of Chargeable Gains Act 1992;
"VATA 1994" means the Value Added Tax Act 1994.

(2) In this Act "FA", followed by a year, means the Finance Act of that year.

11 Short title

This Act may be cited as the Finance (No.2) Act 2010.

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