

## SCHEDULES

### SCHEDULE 2

Section 1180

#### TRANSITIONALS AND SAVINGS ETC

#### PART 1

#### GENERAL PROVISIONS

##### *Continuity of the law: general*

- 1 The repeal of provisions and their enactment in a rewritten form by this Act does not affect the continuity of the law.
- 2 Paragraph 1 does not apply to any change made by this Act in the effect of the law.
- 3 Any subordinate legislation or other thing which—
  - (a) has been made or done, or has effect as if made or done, under or for the purposes of a superseded enactment so far as it applied for relevant tax purposes, and
  - (b) is in force or effective immediately before the commencement of the corresponding rewritten provision,has effect after that commencement as if made or done under or for the purposes of the rewritten provision.
- 4 (1) Any reference (express or implied) in this Act, another enactment or an instrument or document to a rewritten provision is to be read as including, in relation to times, circumstances or purposes in relation to which any corresponding superseded enactment had effect for relevant tax purposes, a reference to the superseded enactment so far as applying for those relevant tax purposes.  
(2) Any reference (express or implied) in this Act, another enactment or an instrument or document to—
  - (a) things done under or for the purposes of a rewritten provision, or
  - (b) things falling to be done under or for the purposes of a rewritten provision,is to be read as including, in relation to times, circumstances or purposes in relation to which any corresponding superseded enactment had effect for relevant tax purposes, a reference to things done or falling to be done under or for the purposes of the superseded enactment so far as applying for those relevant tax purposes.
- 5 (1) Any reference (express or implied) in any enactment, instrument or document to a superseded enactment in its application for relevant tax purposes is to be read, so far as is required for those relevant tax purposes, as including, in relation to times, circumstances or purposes in relation to which any corresponding rewritten provision has effect, a reference to the rewritten provision.  
(2) Any reference (express or implied) in any enactment, instrument or document to—

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- (a) things done under or for the purposes of a superseded enactment in its application for relevant tax purposes, or
- (b) things falling to be done under or for the purposes of a superseded enactment in its application for relevant tax purposes,

is to be read, so far as is required for those relevant tax purposes, as including, in relation to times, circumstances or purposes in relation to which any corresponding rewritten provision has effect, a reference to things done or falling to be done under or for the purposes of the rewritten provision.

- 6 Paragraphs 1 to 5 have effect instead of section 17(2) of the Interpretation Act 1978 (but are without prejudice to any other provision of that Act).
- 7 Paragraphs 4 and 5 apply only so far as the context permits.

*General saving for old transitional provisions and savings*

- 8 (1) The repeal by this Act of a transitional or saving provision relating to the coming into force of a provision rewritten in this Act does not affect the operation of the transitional or saving provision, so far as it is not specifically rewritten in this Act but remains capable of having effect in relation to the corresponding provision of this Act.
- (2) The repeal by this Act of an enactment previously repealed subject to savings does not affect the continued operation of those savings.
- (3) The repeal by this Act of a saving on the previous repeal of an enactment does not affect the operation of the saving so far as it is not specifically rewritten in this Act but remains capable of having effect.

*Interpretation*

- 9 (1) In this Part—
  - “enactment” includes subordinate legislation (within the meaning of the Interpretation Act 1978),
  - “relevant tax purposes” means, in relation to a superseded enactment, tax purposes for which the enactment has been rewritten by this Act, and
  - “superseded enactment” means an earlier enactment which has been rewritten by this Act for certain tax purposes (whether it applied only for those purposes or for those and other tax purposes).
- (2) References in this Part to the repeal of a provision include references to its revocation and to its express or implied disapplication for corporation tax purposes.
- (3) References in this Part to tax purposes are not limited to corporation tax purposes.

**PART 2**

CHANGES IN THE LAW

- 10 (1) This paragraph applies if, in the case of any person—
  - (a) a thing is done or an event occurs before 1 April 2010, and

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- (b) because of a change in the law made by this Act, the corporation tax consequences of that thing or event for the relevant period are different from what they would otherwise have been.
- (2) This paragraph also applies if, in the case of any person—
  - (a) a thing is done or an event occurs before 6 April 2010, and
  - (b) because of a change in the law made by this Act, the income tax consequences of that thing or event for the relevant period are different from what they would otherwise have been.
- (3) If the person mentioned in sub-paragraph (1) or (2) so elects, this Act applies with such modifications as may be necessary to secure that the corporation tax or (as the case may be) income tax consequences for the relevant period are the same as they would have been if the change in the law had not been made.
- (4) In sub-paragraphs (1) to (3) “the relevant period” means—
  - (a) for corporation tax purposes, any accounting period beginning before and ending on or after 1 April 2010, and
  - (b) for income tax purposes, any period of account beginning before and ending on or after 6 April 2010.
- (5) If this paragraph applies in the case of two or more persons in relation to the same thing or event, an election made under this paragraph by any one of those persons is of no effect unless a corresponding election is made by the other or each of the others.
- (6) An election under this paragraph must be made—
  - (a) for corporation tax purposes, not later than two years after the end of the accounting period, and
  - (b) for income tax purposes, on or before the first anniversary of the normal self-assessment filing date for the tax year in which the period of account ends.

### PART 3

#### CURRENCY

##### *Sterling equivalent of certain losses carried back to an earlier period*

- 11 (1) This paragraph applies if—
- (a) a loss of a company (arising in an accounting period ending on or after 1 April 2010) (“the loss”) is required by section 7, 8 or 9 to be translated from a currency other than sterling into its sterling equivalent, and
  - (b) the loss is to be a carried-back amount that is to be carried back to an accounting period beginning before 29 December 2007.
- (2) Section 12 (sterling equivalents: carried-back amounts) does not have effect in relation to the loss.
- (3) The translation must be made by reference to—
- (a) the average exchange rate for the accounting period mentioned in sub-paragraph (1)(a), or
  - (b) the rate mentioned in sub-paragraph (4).
- (4) That rate is—

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- (a) if the amount to be translated relates to a single transaction, an appropriate spot rate of exchange for the transaction, or
  - (b) if the amount to be translated relates to more than one transaction, a rate of exchange derived on a just and reasonable basis from appropriate spot rates of exchange for those transactions.
- (5) In this paragraph “carried-back amount” has the same meaning as in Chapter 4 of Part 2 (see section 17(2)).

*Adjustment of certain sterling losses carried back to an earlier period*

- 12 (1) This paragraph applies if—
- (a) a loss arises in an accounting period ending on or after 1 April 2010,
  - (b) the loss is to be a carried-back amount that is to be carried back to an accounting period beginning before 29 December 2007, and
  - (c) apart from this paragraph section 14 would require the loss to be adjusted.
- (2) Section 14 does not have effect in relation to the loss.
- (3) In this paragraph “carried-back amount” has the same meaning as in Chapter 4 of Part 2 (see section 17(2)).

*Right of company to elect for alternative provision to apply*

- 13 (1) Paragraphs 14, 15 and 16 apply if a company—
- (a) makes an election under this paragraph, or
  - (b) has (before 1 April 2010) made an election under paragraph 13 of Schedule 18 to FA 2009.
- (2) An election by a company under this paragraph—
- (a) must be made before the end of the period of 30 days beginning with the first day of the first accounting period of the company beginning on or after 21 July 2009, and
  - (b) is irrevocable.

- 14 In relation to an accounting period beginning before 21 July 2009 (and ending on or after 1 April 2010), Chapter 4 of Part 2 has effect in relation to the company—
- (a) with the omission of sections 12 to 16,
  - (b) with the omission of section 17(2), (3) and (5),
  - (c) with the substitution of the following for section 10(2) and (3)—

“(2) The translation must be made by reference to the appropriate exchange rate.

(3) The appropriate exchange rate is—

- (a) the average exchange rate for the current accounting period, or
  - (b) an appropriate spot rate of exchange for the transaction in question.”, and
- (d) with the substitution of the following for section 11(2) to (4)—

“(2) The translation must be made by reference to the appropriate exchange rate.

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- (3) The appropriate exchange rate is—
- (a) the average exchange rate for the current accounting period, or
  - (b) an appropriate spot rate of exchange for the transaction in question.”
- 15 This Schedule has effect in relation to the company as if the following paragraphs were substituted for paragraphs 11 and 12—
- “11 (1) This paragraph applies if—
- (a) a loss of a company (arising in an accounting period ending on or after 1 April 2010) (“the loss”) is required by section 7, 8 or 9 to be translated from a currency other than sterling into its sterling equivalent,
  - (b) the translation is for the purpose of calculating a loss arising in an accounting period beginning on or after 21 July 2009, and
  - (c) the loss is to be a carried-back amount that is to be carried back to an accounting period beginning before 21 July 2009.
- (2) Section 12 (sterling equivalents: carried-back amounts) does not have effect in relation to the loss.
- (3) The translation must be made by reference to—
- (a) the average exchange rate for the accounting period mentioned in sub-paragraph (1)(b), or
  - (b) the rate mentioned in sub-paragraph (4).
- (4) That rate is—
- (a) if the amount to be translated relates to a single transaction, an appropriate spot rate of exchange for the transaction, or
  - (b) if the amount to be translated relates to more than one transaction, a rate of exchange derived on a just and reasonable basis from appropriate spot rates of exchange for those transactions.
- (5) In this paragraph “carried-back amount” has the same meaning as in Chapter 4 of Part 2 (see section 17(2)).
- 12 (1) This paragraph applies if—
- (a) a loss arises in an accounting period beginning on or after 21 July 2009 (and ending on or after 1 April 2010),
  - (b) the loss is to be a carried-back amount that is to be carried back to an accounting period beginning before 21 July 2009, and
  - (c) apart from this paragraph section 14 would require the loss to be adjusted.
- (2) Section 14 does not have effect in relation to the loss.
- (3) In this paragraph “carried-back amount” has the same meaning as in Chapter 4 of Part 2 (see section 17(2)).”
- 16 In relation to profits or losses arising in accounting periods of the company ending before 1 April 2010, an election under paragraph 13 has the effect that it would have

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had if it had been made under paragraph 13 of Schedule 18 to FA 2009 (assuming that that paragraph had not been repealed by this Act).

#### PART 4

##### LOSS RELIEF (OTHER THAN SHARE LOSS RELIEF)

###### *Carry forward loss reliefs*

- 17 (1) The repeal by this Act of the superseded carry forward provisions does not alter the effect of those provisions so far as they determine—
- (a) whether, and
  - (b) to what extent,
- relief for any loss made (or treated as made) in an accounting period ending on or before 31 March 2010 is to be given for an accounting period ending after that date.
- (2) But any relief for the loss (or any part of the loss) which is given for an accounting period ending after that date is to be given in accordance with the relevant provisions of Part 4 of this Act.
- (3) In this paragraph “the superseded carry forward provisions” means—
- (a) sections 392A, 392B, 393 and 396 of ICTA, and
  - (b) any provision inserting or amending, or affecting the application of, any of the above provisions.

###### *Trade loss relief against total profits*

- 18 (1) This paragraph applies for the purposes of section 37 if any of the accounting periods covered by subsection (3)(b) of that section (including, if relevant, as modified by section 39 or 40) ends on or before 31 March 2010.
- (2) Relief for the loss can be given for the accounting periods ending on or before that date.
- (3) If relief is to be given for those periods, the relief is given in the way in which it would have been given under section 393A(1) of ICTA ignoring this Act.
- 19 (1) This paragraph applies for the purposes of section 42 if any of the accounting periods covered by subsection (3) of that section ends on or before 31 March 2010.
- (2) Relief for the loss can be given for the accounting periods ending on or before that date.
- (3) If relief is to be given for those periods, the relief is given in the way in which it would have been given under section 393B of ICTA ignoring this Act.

###### *Transfers of trade to obtain relief*

- 20 Section 41 does not have effect in relation to cessations of a trade before 21 May 2009.

*Dealings in commodity futures*

- 21 Section 52(1)(c) does not cover arrangements made wholly before 6 April 1976.

*Leasing contracts and company reconstructions*

- 22 Section 53(1)(a) does not cover contracts entered into before 6 March 1973.

*Reliefs for limited partners not to exceed contribution to the firm*

- 23 The relief covered by section 56(4) includes—
- (a) relief given for a loss under section 338, 393A or 403 of ICTA, and
  - (b) any amount that, ignoring this Act, would have been included in the company's aggregate amount in relation to the trade for the purposes of section 118 of ICTA as a result of paragraph 23(3) of Schedule 2 to CAA 2001.

*Reliefs for members of LLPs not to exceed contribution to the LLP*

- 24 (1) The relief covered by section 59(4) includes relief given for a loss under section 338, 393A or 403 of ICTA.
- (2) In section 61—
- (a) the amounts of loss covered by subsection (1)(b) include amounts of loss which, as a result of section 118 of ICTA (as applied by section 118ZB of that Act), are not relieved under section 338, 393A or 403 of ICTA,
  - (b) in subsections (3) and (4) references to section 61 include references to section 118ZD of ICTA, and
  - (c) the relief covered by subsection (3)(b) includes relief under section 338, 393A or 403 of ICTA.

*Loss relief against miscellaneous income: Case VI losses under ICTA*

- 25 (1) This paragraph applies to any loss made by a company in a transaction if—
- (a) the transaction was of such a nature that, if any profits had arisen from it, the company would have been liable under ICTA to corporation tax in respect of the profits under Case VI of Schedule D (see section 18 of ICTA) for an accounting period ending before 1st April 2009, and
  - (b) the transaction—
    - (i) did not fall within section 34, 35 or 36 of ICTA (lease premiums etc), and
    - (ii) was not a disposal made after 31 March 2007 to which Chapter 5 of Part 17 of that Act (offshore funds) applied.
- (2) So far as relief for the loss has not been previously given, the loss is to be treated as a loss to be carried forward and relieved in accordance with section 91.

*Write-off of government investment*

- 26 Section 92(1) does not cover government investment written off before 6 April 1988.

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## PART 5

### LOSSES ON DISPOSAL OF SHARES

#### *Disposals of new shares*

- 27 (1) In relation to new shares issued before 1 April 2010, section 74(2) applies with the omission of “This is subject to section 87(3).”
- (2) In this paragraph “new shares” is to be read in accordance with section 87.

#### *Qualifying trading companies*

- 28 (1) In relation to shares issued before 17 March 2004, section 78(2)(a) applies with the omission of sub-paragraph (iv) and the “and” immediately before it.
- (2) In relation to shares issued before 7 March 2001, section 78(4)(b) applies with the substitution for “at the relevant time” of “throughout the relevant period”.
- (3) For the purposes of sub-paragraph (2), shares that were issued—
- (a) after 5 April 1998, but
  - (b) before 7 March 2001,
- are treated as having been issued on or after 7 March 2001 in respect of any part of the relevant period which falls on or after that date.
- (4) In relation to shares issued before 6 April 1998, section 78 applies with the substitution for subsections (2) to (5) of—
- “(2) Condition A is that the company either—
- (a) is a trading company on the date of the disposal, or
  - (b) has ceased to be a trading company at a time which is not more than 3 years before that date and has not since that time been an excluded company or an investment company.
- (3) Condition B is that the company either—
- (a) has been a trading company for a continuous period of 6 years ending on that date or at that time, or
  - (b) has been a trading company for a shorter continuous period ending on that date or at that time and has not before the beginning of that period been an excluded company or an investment company.
- (4) Condition C is that none of the shares in the company has been listed on a recognised stock exchange at any time in the period—
- (a) beginning with the incorporation of the company or, if later, 12 months before the date on which the shares in question were subscribed for, and
  - (b) ending with the date on which the shares are disposed of.
- (5) Condition D is that the company has been UK resident throughout the period from its incorporation until the date of the disposal.”



### *The trading requirement*

- 29 (1) In relation to shares issued before 6 April 2007, section 79 applies with the following modifications—
- (a) the omission of subsection (2),
  - (b) in subsection (5), the omission of paragraph (d)(ii) and the “or” immediately before it, and
  - (c) the omission of subsection (6).
- (2) In relation to shares issued before 6 April 2000, section 79 applies with the substitution for the definition of “research and development” in subsection (7) of—
- ““research and development” means any activity which is intended to result in a patentable invention (within the meaning of the Patents Act 1977) or in a computer program.”
- (3) Section 79 does not apply in relation to shares issued before 6 April 1998.

### *Ceasing to meet trading requirement because of administration or receivership*

- 30 (1) In relation to shares issued before 17 March 2004, section 80 applies with the following modifications—
- (a) in subsection (1), the omission of “merely” and the substitution for “the company or any of its subsidiaries” of “its”,
  - (b) in subsection (2)(b), the omission of “concerned”,
  - (c) in subsection (3)(a), the omission of “or any of its subsidiaries”,
  - (d) in subsection (3)(b), the omission of “or any of its subsidiaries”, and
  - (e) in subsection (4), the omission of “is”, in the second place where it occurs.
- (2) In relation to an administration order the petition for which was presented before 15 September 2003, section 80(2) applies with the substitution for paragraph (a) of—
- “(a) the making of the order in question, and”.
- (3) In relation to shares issued before 21 March 2000, section 80 applies with the omission of subsections (1) and (2).
- (4) Section 80 does not apply in relation to shares issued before 6 April 1998.

### *The control and independence requirement*

- 31 (1) In relation to shares issued before 6 April 2007, section 81(1)(a) applies with the omission of “of the company”.
- (2) In relation to shares issued before 21 March 2000, section 81 applies with the following modifications—
- (a) the substitution for subsections (1) to (3) of—
- “(1) The control element of the requirement is that—
- (a) the company must not control (or together with any person connected with it control) another company or have a 51% subsidiary, and
  - (b) no arrangements must be in existence by virtue of which the company could fail to meet paragraph (a).
- (2) The independence element of the requirement is that—

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- (a) the company must not be under the control of another company (or another company and any other person connected with that company) or be a 51% subsidiary of another company, and
  - (b) no arrangements must be in existence by virtue of which the company could fail to meet paragraph (a).
- (3) This section is subject to section 87(3); and nothing in subsection (1) prevents the company having one or more qualifying subsidiaries.”, and
- (b) in subsection (4) the omission of the definition of “arrangements” and, in the definition of “control”, the omission of “, in subsection (1)(a),” and the words “(but see section 1124 for the meaning of “control” in subsection (2) (a)(ii))”.

(3) Section 81 does not apply in relation to shares issued before 6 April 1998.

*The qualifying subsidiaries requirement*

32 Section 82 does not apply in relation to shares issued before 6 April 1998.

*The property managing subsidiaries requirement*

33 Section 83 does not apply in relation to shares issued before 17 March 2004.

*The gross assets requirement*

- 34 (1) In relation to shares issued before 6 April 2006, section 84 applies with the substitution in subsections (1) and (2)—
- (a) of “£15 million” for “£7 million”, and
  - (b) of “£16 million” for “£8 million”.
- (2) For the purposes of sub-paragraph (1) shares issued on or after 6 April 2006 to a company which subscribed for them before 22 March 2006 are treated as having been issued before 6 April 2006.
- (3) Section 84 does not apply in relation to shares issued before 6 April 1998.

*The unquoted status requirement*

- 35 (1) In relation to shares issued before 7 March 2001, section 85 applies with the following modifications—
- (a) the substitution for subsection (1) of—
    - “(1) The unquoted status requirement is that the company must be an unquoted company throughout the relevant period.”,
  - (b) the substitution for subsection (2) of—
    - “(2) If the company is an unquoted company at the time when any shares are issued, it is not treated for the purposes of this section as ceasing to be an unquoted company in relation to those shares at any subsequent time merely because any shares, stocks, debentures or other securities of the company are at that time—

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- (a) listed on an exchange designated by an order made for the purposes of section 184(3)(b) of ITA 2007, or
  - (b) dealt in by any means designated by an order made for the purposes of section 184(3)(c) of ITA 2007, if the order was made after the shares were issued.”, and
  - (c) in subsection (3) the substitution for the definition of “arrangements” of—
    - ““the relevant period” means the period—
    - (a) beginning with the incorporation of the company or, if later, the date one year before the issue of the shares in question, and
    - (b) ending with the date of the disposal.”
- (2) For the purposes of sub-paragraph (1)(a) and (c), shares that were issued—
- (a) after 5 April 1998, but
  - (b) before 7 March 2001,
- are treated as having been issued on or after 7 March 2001 in respect of any part of the relevant period which falls on or after that date.
- (3) Section 85 does not apply in relation to shares issued before 6 April 1998.

*Power to amend requirements by Treasury order*

36 Section 86 does not apply in relation to shares issued before 6 April 1998.

*Relief after an exchange of shares for shares in another company*

- 37 (1) In relation to new shares issued before 1 April 2010, section 87 applies with the omission of subsection (3)(a).
- (2) In relation to new shares issued before 6 April 2007, section 87 applies with the substitution for subsection (1)(e) of—
- “(e) before the issue of the new shares, the Commissioners for Her Majesty’s Revenue and Customs have, on the application of the new company or the old company, notified that company that the exchange of shares—
  - (i) will be effected for genuine commercial reasons, and
  - (ii) will not form part of any such scheme or arrangement as is mentioned in section 137(1) of TCGA 1992.”
- (3) Section 87 does not apply in relation to shares issued before 6 April 1998.

*Substitution of new shares for old shares*

38 Section 88 does not apply in relation to shares issued before 6 April 1998.

*Interpretation of Chapter*

- 39 (1) In relation to shares issued before 1 April 2010, the definition of “investment company” in section 90(1) is to be read as including (so as to be within the meaning of the definition) a relevant savings bank.
- (2) In relation to shares issued before 6 April 2010, the definition of “investment company” in section 151(1) of ITA 2007, as amended by Schedule 1 to this Act, is

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to be read as including (so as to be within the meaning of the definition) a relevant savings bank.

- (3) In this paragraph a “relevant savings bank” means, subject to sub-paragraph (4), a savings bank or other bank for savings (other than any such bank that is a successor or further successor to a trustee savings bank for the purposes of the Trustee Savings Banks Act 1985).
- (4) A savings bank or other bank for savings that is the holding company of a trading group is not a “relevant savings bank” for the purposes of this paragraph.
- 40 In relation to shares issued before 6 April 1998, section 90 applies with the following modifications—
- (a) in the definition of “excluded company” in subsection (1), the substitution for “in land, in commodities or futures or in shares, securities or other financial instruments” of “in shares, securities, land, trades or commodity futures”,
  - (b) in subsection (6), the insertion after “excluded company” of “or is a non-UK resident”.

*Meaning of “qualifying 90% subsidiary”*

- 41 (1) This paragraph applies in relation to shares issued before 6 April 2007.
- (2) Section 83 has effect in relation to a relevant time or a relevant period as if subsections (1A) to (1C) of section 190 of ITA 2007 (as applied for the purposes of the definition of “qualifying 90% subsidiary” by section 83(2) of this Act) were omitted.
- (3) For the purposes of sub-paragraph (2)—
- (a) a “relevant time” is any time relevant for the purposes of condition A in section 78(2) falling before 6 April 2007, and
  - (b) a “relevant period” is any period relevant for the purposes of condition B in section 78(3) ending before that date (but see also sub-paragraph (4)).
- (4) In the case of a period relevant for the purposes of condition B in section 78(3) that ends on or after 6 April 2007 but begins before that date, the part of the period falling before that date is a “relevant period” for the purposes of sub-paragraph (2).

*Meaning of “qualifying subsidiary”*

- 42 In relation to shares issued before 17 March 2004, section 191 of ITA 2007 (as applied by sections 79(7), 81(4), 82(2) and 84(4) of this Act) applies with the following modifications—
- (a) in subsection (1), the insertion at the end of “and, except as provided by subsection (3), continue to be met until the time that is relevant for the purposes of section 78(2) of CTA 2010”,
  - (b) in subsection (2), the substitution for paragraph (a) of—
    - “(a) the relevant company, or another of its subsidiaries, possesses at least 75% of the issued share capital of, and at least 75% of the voting power in, the subsidiary,”
    - “(aa) the relevant company, or another of its subsidiaries, would in the event of a winding up of the subsidiary, or in any other circumstances, be beneficially entitled to receive at least 75% of the assets of the subsidiary which would then

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- be available for distribution to the equity holders of the subsidiary.”
- “(ab) the relevant company, or another of its subsidiaries, is beneficially entitled to at least 75% of any profits of the subsidiary which are available for distribution to the equity holders of the subsidiary,”
- (c) in paragraph (c) of subsection (2), the substitution for “either of the conditions in paragraphs (a) and (b)” of “any of the conditions in paragraphs (a), (aa), (ab) and (b)”
- (d) in subsection (3), the substitution for “any other company” of “the relevant company” and the substitution for the words from “the winding up or dissolution” to the end of that subsection of—
- “(a) the winding up or dissolution is for genuine commercial reasons, and not part of a scheme or arrangement the main purpose or one of the main purposes of which is the avoidance of tax, and
- (b) the net assets, if any, of the subsidiary or, as the case may be, the relevant company are distributed to its members, or dealt with as bona vacantia, before the time that is relevant for the purposes of section 78(2) of CTA 2010 or, in the case of a winding up, the end (if later) of 3 years from the commencement of the winding up.”
- (e) the omission of subsection (4),
- (f) in subsection (5), the substitution for “arrangements are in existence for” of “of” and the insertion after “another subsidiary” of “within the continuous period that is relevant for the purposes of section 78(3) of CTA 2010”,
- (g) in subsection (5)(a), the omission of “to be”,
- (h) in subsection (5)(b), the substitution for “is not to be” of “not”, and
- (i) after subsection (5), the insertion of—
- “(6) The persons who are equity holders of a subsidiary, and the percentage of the assets of a subsidiary to which an equity holder would be entitled, are to be determined in accordance with Chapter 6 of Part 5 of CTA 2010, taking references in that Chapter to a winding up as including references to any other circumstances in which assets of the subsidiary are available for distribution to its equity holders.”

#### *Meaning of “excluded activities”*

- 43 (1) In relation to shares issued before 6 April 2008, section 192 of ITA 2007 (as applied by section 79(7) of this Act) applies with the omission of the following—
- (a) in subsection (1), paragraphs (ia), (ib) and (ic), and
- (b) in subsection (2), paragraphs (da), (db) and (dc).
- (2) In relation to shares issued before 7 March 2001, section 192(1) of ITA 2007 (as applied by section 79(7) of this Act) applies with the insertion after paragraph (c) of—
- “(ca) oil extraction activities (within the meaning of Part 8 of CTA 2010),”.

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*Excluded activities: wholesale and retail distribution*

- 44 In relation to shares issued before 6 April 2007, section 193(5)(b) of ITA 2007 (as applied by section 79(7) of this Act) applies with the following modifications—
- (a) the insertion after “held” of “by the company”, and
  - (b) the substitution for “the trader” of “a vendor”.

*Excluded activities: leasing of ships*

- 45 (1) In relation to shares issued before 6 April 2007, section 194 of ITA 2007 (as applied by the definition of “non-qualifying activities” in section 79(7) of this Act) applies with the omission of subsection (7).
- (2) In relation to shares issued before 6 April 2004, section 194 of ITA 2007 (as applied by section 79(7) of this Act) applies with the following modifications—
- (a) in subsection (1), the substitution for “offshore installations” of “oil rigs”,
  - (b) in subsection (2), the substitution for “offshore installation” of “oil rig”, and
  - (c) in subsection (8), the insertion after “this section” of—
    - ““oil rig” means any ship which is an offshore installation for the purposes of the Mineral Workings (Offshore Installations) Act 1971,”.

*Excluded activities: receipt of royalties and licence fees*

- 46 (1) Sub-paragraph (3) applies, in the circumstances mentioned in sub-paragraph (2), for the purpose of modifying the effect of section 195 of ITA 2007 (as applied for the purposes of the definition of “excluded activities” by section 79(7) of this Act) in relation to a relevant time or a relevant period.
- (2) Sub-paragraph (3) applies if—
- (a) shares in or securities of a company (“the company”) were issued before 6 April 2007,
  - (b) immediately before that date—
    - (i) the right to exploit an intangible asset (“the asset”) was vested in the company or a subsidiary of it (in either case, whether alone or jointly with others), and
    - (ii) the asset was a relevant intangible asset,
  - (c) at any time on or after that date, an activity carried on by the company or a subsidiary of it would be an excluded activity by reason only of the receipt of royalties or licence fees attributable to the exploitation of the asset, and
  - (d) the activity would not be an excluded activity if the amendments made by Part 3 of Schedule 16 to FA 2007 had not been made.
- (3) The activity is to be treated, in relation to those shares or securities, as not being an excluded activity at that time.
- (4) For the purposes of sub-paragraph (1)—
- (a) a “relevant time” is any time relevant for the purposes of condition A in section 78(2) falling on or after 6 April 2007, and
  - (b) a “relevant period” is any period relevant for the purposes of condition B in section 78(3) beginning on or after that date (but see also sub-paragraph (5)).

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- (5) In the case of a period that begins before 6 April 2007 but ends on or after that date, the part of the period falling on or after that date is a “relevant period” for the purposes of sub-paragraph (1).
- (6) In sub-paragraph (2), “intangible asset” and “relevant intangible asset” have the same meanings as in section 195 of ITA 2007.
- 47 (1) This paragraph applies in relation to shares issued on or after 6 April 2000 but before 6 April 2007.
- (2) Section 79 has effect in relation to a relevant time or a relevant period as if the following modifications were made to section 195 of ITA 2007 (as applied for the purposes of the definition of “excluded activities” by section 79(7) of this Act)—
- (a) in subsection (4), the substitution for paragraphs (a) and (b) of—
    - “(a) by the company carrying on the trade, or
    - (b) by a company which at all times during which it created the intangible asset was—
      - (i) the holding company of the company carrying on the trade, or
      - (ii) a qualifying subsidiary of that holding company.”,
  - (b) in subsection (6), the insertion of the following definition—
    - ““holding company” means a company that—
      - (a) has one or more 51% subsidiaries, but
      - (b) is not itself a 51% subsidiary of another company,”
  - (c) the omission of subsection (7).
- (3) In a case where section 79 has effect as if the modifications in sub-paragraph (2) were made to section 195 of ITA 2007—
- (a) section 79 of this Act applies with the omission of subsection (9), and
  - (b) section 88 applies with the omission of subsection (3).
- (4) For the purposes of sub-paragraph (2)—
- (a) a “relevant time” is any time relevant for the purposes of condition A in section 78(2) falling before 6 April 2007, and
  - (b) a “relevant period” is any period relevant for the purposes of condition B in section 78(3) ending before 6 April 2007 (but see also sub-paragraph (5)).
- (5) In the case of a period relevant for the purposes of condition B in section 78(3) that ends on or after 6 April 2007 but begins before that date, the part of the period falling before that date is a “relevant period” for the purposes of sub-paragraph (2).
- 48 In relation to shares issued before 6 April 2000, section 79 has effect as if, for the purposes of the definition of “excluded activities” in section 79(7), the following section was substituted for section 195 of ITA 2007—

**“195 Excluded activities: receipt of royalties and licence fees**

- (1) This section supplements section 192(1)(e) (receipt of royalties and licence fees).
- (2) A trade is not to be regarded as consisting in the carrying on of excluded activities within section 192(1)(e) as a result only of it consisting to a substantial extent in the receiving of royalties or licence fees if—

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- (a) the company carrying on the trade is engaged throughout the relevant period in—
    - (i) the production of films, or
    - (ii) the production of films and the distribution of films produced by it in the relevant period, and
  - (b) all royalties and licence fees received by it in the relevant period are in respect of films produced by it in that period or sound recordings in relation to such films or other products arising from such films.
- (3) A trade is not to be regarded as consisting in the carrying on of excluded activities within section 192(1)(e) as a result only of it consisting to a substantial extent in the receiving of royalties or licence fees if—
- (a) the company carrying on the trade is engaged in research and development throughout the relevant period, and
  - (b) all royalties and licence fees received by it in the relevant period are attributable to research and development which it has carried out.
- (4) In this section “the relevant period” means the continuous period that is relevant for the purposes of section 78(3) of CTA 2010.”

*Excluded activities: provision of services or facilities for another business*

- 49 In relation to shares issued before 6 April 2007, section 199 of ITA 2007 (as applied by section 79(7) of this Act) applies with the following modifications—
- (a) in subsections (1) to (4), the substitution of “trade” for “business”, wherever it occurs, and
  - (b) in subsection (5) the substitution for paragraph (b) of—
    - “(b) references to a trade, in relation to the provider of the services or facilities, are to be read without regard to the definition of “trade” in section 989, and
    - (c) “trade”, in relation to the other person, includes any business, profession or vocation”.

*Meaning of a company being “in administration”*

- 50 (1) Sub-paragraph (2) applies in relation to—
- (a) an administration order under Part 3 of the Insolvency (Northern Ireland) Order 1989 ([S.I. 1989/2405 \(N.I.19\)](#)) the petition for which was presented before 6 April 2007, or
  - (b) any corresponding order under the law of a country or territory outside the United Kingdom the proceedings for which were instituted before that date.
- (2) Section 252 of ITA 2007 (as it applies for the purposes of Chapter 5 of Part 4 of this Act) applies with the substitution for subsection (2) of—
- “(2) A company is “in administration” if—
- (a) it is in administration within the meaning of Schedule B1 to the Insolvency Act 1986, or
  - (b) there is in force in relation to it—
    - (i) an administration order under Part 3 of the Insolvency (Northern Ireland) Order 1989, or



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- (ii) any corresponding order under the law of a country or territory outside the United Kingdom.”
- (3) For the purposes of sub-paragraph (2), section 252 of ITA 2007 applies for the purposes of Chapter 5 of Part 4 of this Act in any case where—
- (a) it is applied by section 80(5) of this Act,
  - (b) it applies for the purposes of section 190 of ITA 2007 as applied by section 83(2) of this Act, or
  - (c) it applies for the purposes of section 191 of ITA 2007 as applied by section 79(7), 81(4), 82(2) or 84(4) of this Act.
- (4) In relation to an administration order under Part 2 of the Insolvency Act 1986 the petition for which was presented before 15 September 2003, section 252 of ITA 2007 (as applied by section 80(5) of this Act) applies with the substitution for subsection (2) of—
- “(2) A company is “in administration” if there is in force in relation to it—
- (a) an administration order under Part 2 of the Insolvency Act 1986 or Part 3 of the Insolvency (Northern Ireland) Order 1989, or
  - (b) any corresponding order under the law of a country or territory outside the United Kingdom.”
- (5) Section 252 of ITA 2007 (as applied by section 80(5) of this Act) does not apply in relation to shares issued before 21 March 2000.

*Application in relation to corresponding bonus shares*

- 51 (1) For the purposes of this Part of this Schedule, if—
- (a) any shares (“the original shares”) have been issued to a company before a particular date, or are treated under this paragraph as having been issued to the company before a particular date, and
  - (b) any corresponding bonus shares are issued to the company on or after that date,
- the bonus shares are treated as having been issued at the time the original shares were issued to the company or are treated as having been so issued.
- (2) In this paragraph “bonus shares” and “corresponding bonus shares” have the same meaning as in Chapter 5 of Part 4.

**PART 6**

GROUP RELIEF

- 52 In section 127 “arrangements” covers only—
- (a) arrangements made on or after 20 February 2006, or
  - (b) arrangements made before that date if—
    - (i) the amount (or part) would (apart from that section) first qualify for group relief on or after that date, or (as the case may be)
    - (ii) the amount (or part) arises on or after that date.

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- 53 Section 175 has effect in relation to an accounting period of company B (see section 165(1) or 166(1)) where either of the following events occurs in that period or occurred in a previous period—
- (a) shares or securities of company B are issued on or after 15 November 1991 in circumstances where they carry both rights referred to in section 170(1) and rights referred to in section 171(2), or
  - (b) shares or securities of company B issued before 15 November 1991 begin to carry on or after that date both rights referred to in section 170(1) and rights referred to in section 171(2) (whether or not they previously carried rights referred to in one of those sections).
- 54 Sections 173 to 178 do not have effect where the option arrangements concerned are made before 15 November 1991.
- 55 (1) Sub-paragraph (2) applies in relation to shares issued by a company—
- (a) before 18 December 2008, or
  - (b) on or after that date under an agreement entered into before that date, if the company has made an election in relation to those shares under paragraph 6 of Schedule 9 to FA 2009.
- (2) Chapter 6 of Part 5 of this Act has effect in relation to those shares with the following modifications—
- (a) in section 160, the substitution for subsection (6) of—
    - “(6) Condition D is that the shares do not carry any right to dividends other than dividends which—
    - (a) are of a fixed amount or are at a fixed percentage rate of the nominal value of the shares, and
    - (b) represent no more than a reasonable commercial return on the new consideration mentioned in subsection (3).”, and
  - (b) the omission of section 161.

## PART 7

### CHARITABLE DONATIONS RELIEF

#### *Condition as to repayment*

- 56 Section 192, and the words “(but see section 192)” in section 191(3), do not apply in relation to a payment to a charity made before 1 April 2010.

#### *Restrictions on associated benefits*

- 57 (1) This paragraph applies if—
- (a) a payment is made in an accounting period ending on or after 1 April 2010, and
  - (b) a benefit associated with the payment—
    - (i) is received in an accounting period ending before that date, or
    - (ii) relates (wholly or partly) to an accounting period ending before that date.

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- (2) Step 2 of the calculation in section 198(8) is to be read as if the words “(and neither condition C nor condition D is met in relation to it)” were omitted.

*Enactment of extra-statutory concession*

- 58 (1) This paragraph applies if the Enactment of Extra-Statutory Concessions (No.2) Order, a draft of which was laid before the House of Commons for approval on 10 November 2009, is not made so as to come into force on 1 April 2010 in a form which, so far as concerns article 5 of the draft Order, equates to the form of the draft Order.
- (2) This Act is treated as having had effect at all times after the beginning of the day on which it is passed as if the following provisions were omitted—
- (a) the words “(but see section 192)” in section 191(3),
  - (b) section 192, and
  - (c) paragraph 56 of this Schedule.

**PART 8**

CITR

- 59 (1) Sub-paragraph (2) applies in relation to any time after the commencement of the repeal by this Act of Schedule 16 to FA 2002.
- (2) Regulations made, or having effect as if made, under paragraph 4 of that Schedule are to be treated as made under Chapter 2 of Part 7 of ITA 2007.

**PART 9**

OIL ACTIVITIES

*Regional development grants*

- 60 In relation to accounting periods beginning before 1 April 2011—
- (a) section 289(3)(b) has effect as if—
    - (i) “, 3” were inserted after “Part 2”, and
    - (ii) “, industrial buildings” were inserted after “machinery”, and
  - (b) section 290(3) and (7) have effect as if “, 3” were inserted after “Part 2”.

**PART 10**

LEASING PLANT OR MACHINERY

*Disapplication of Chapter 2 of Part 9*

- 61 (1) Chapter 2 of Part 9 (long funding leases of plant or machinery)—
- (a) does not apply to any lease in relation to which condition A, B or C is met,
  - (b) does not apply in the case of the relevant lessor (see sub-paragraph (6)) to any lease in relation to which condition D is met, and

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- (c) does not apply in the case of the relevant lessee (see sub-paragraph (7)) to any lease in relation to which condition E is met.
- (2) But sub-paragraph (1) does not apply in relation to a lease in the case of a lessor (and accordingly Chapter 2 of Part 9 applies) if an election under regulations made under paragraph 16 of Schedule 8 to FA 2006 (election for lease to be treated as long funding lease for tax purposes)—
- (a) is in force in the case of the lease, and
  - (b) has effect in the case of the lessor.
- (3) Condition A is that—
- (a) the lease was finalised before 21 July 2005, and
  - (b) on 17 May 2006 the lessor was within the charge to corporation tax.
- (4) Condition B is that—
- (a) the commencement of the term of the lease was before 1 April 2006, and
  - (b) the plant or machinery is brought into use for the purposes of a qualifying activity carried on by the person concerned before that date.
- (5) Condition C is that—
- (a) the lease is an excepted lease, and
  - (b) the commencement of the term of the lease is on or after 1 April 2006.
- (6) Condition D is that—
- (a) Chapter 2 of Part 9 and the amendments of CAA 2001 made by Schedule 8 to FA 2006 do not apply to a lease (“the old lease”) in the case of a lessor (“the old lessor”),
  - (b) there is a transfer of plant or machinery,
  - (c) immediately before the transfer the old lessor is within the charge to tax,
  - (d) the transfer is in such circumstances that, if the amendments of CAA 2001 made by Schedule 8 to FA 2006 did apply to the old lease, section 70W(4)(b) of CAA 2001 (transfers, assignments etc by lessor) would have effect, in relation to the person who would be the new lessor if that section applied (“P”), to treat the lease that would be the new lease in that case as a lease that is not a long funding lease;
- and P is the relevant lessor for the purposes of sub-paragraph (1)(b).
- (7) Condition E is that—
- (a) Chapter 2 of Part 9 and the amendments of CAA 2001 made by Schedule 8 to FA 2006 do not apply to a lease (“the old lease”) in the case of a lessee (“the old lessee”),
  - (b) there is a transfer of plant or machinery,
  - (c) immediately before the transfer the old lessee is within the charge to tax,
  - (d) the transfer is in such circumstances that, if the amendments of CAA 2001 made by Schedule 8 to FA 2006 did apply to the old lease, section 70X(4)(b) of CAA 2001 (transfers, assignments etc made by lessee) would have effect, in relation to the person who would be the new lessee if that section applied (“Q”), to treat the lease that would be the new lease in that case as a lease that is not a long funding lease;
- and Q is the relevant lessee for the purposes of sub-paragraph (1)(c).

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- (8) In the application of section 70W(4)(b) of CAA 2001 for the purposes of sub-paragraph (6)(d) and the application of section 70X(4)(b) of that Act for the purposes of sub-paragraph (7)(d), the old lease is to be treated as a lease that is not a long funding lease.
- (9) Paragraphs 17 to 27 of Schedule 8 to FA 2006 (interpretational and supplemental provisions) apply for the purposes of this paragraph as they apply for the purposes of Part 4 of that Schedule.
- (10) See, in particular—
  - (a) paragraphs 17 and 26 of that Schedule for the meaning of “excepted lease”,
  - (b) paragraph 23 of that Schedule for when a lease is “finalised”, and
  - (c) paragraph 27 of that Schedule for general interpretation.
- (11) See also paragraph 21 of that Schedule, which—
  - (a) deems a separate long funding lease that is an excepted lease to exist in some cases where a person incurred expenditure before 19 July 2006 on the provision of plant or machinery for leasing under a long funding lease that is not itself excepted, and
  - (b) provides for rentals under the actual lease to be apportioned to the deemed lease.

*Disapplication of sections 360 and 361 and modification of section 360 in some cases*

- 62
- (1) If at the beginning of 13 December 2007—
    - (a) a company carrying on a trade was the lessee of any plant or machinery under a lease that is not a long funding lease (“lease A”), and
    - (b) the company was the lessor of any of that plant or machinery under a lease that is a long funding finance lease (“lease B”),sub-paragraphs (2) to (11) apply in respect of lease B.
  - (2) Section 360 (lessor under long funding finance lease: rental earnings) does not apply to a period of account within sub-paragraph (3).
  - (3) A period of account is within this sub-paragraph if—
    - (a) it begins on or after 13 December 2007, and
    - (b) no rentals that were due under lease B before 13 December 2007 are (wholly or in part) in respect of any part of the period.
  - (4) For the purpose of calculating the profits of the lessor under lease B for a period of account ending on or after 13 December 2007 that is not within sub-paragraph (3), the lessor is treated as receiving for that period income attributable to lease B of an amount equal to the relevant amount.
  - (5) The relevant amount is an amount equal to so much of the rentals that—
    - (a) become due on or after 13 December 2007, and
    - (b) are wholly or partly in respect of the period of account,as would not reasonably be regarded as reflected in the rental earnings for that period.
  - (6) For the purposes of sub-paragraph (5) the rental earnings for a period of account are determined in accordance with section 360(3) and (4).

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- (7) If any rental is paid for a period (“the rental period”) which begins before 13 December 2007 or is not wholly within the period of account, for the purposes of sub-paragraph (6) the amount of that rental is treated as equal to the amount apportioned (on a time basis) in respect of so much of the rental period as falls on or after 13 December 2007 and within the period of account.
- (8) The income treated as received as a result of sub-paragraph (4) is in addition to any amount brought into account under section 360(2).
- (9) Section 361 (lessor under long funding finance lease: exceptional items) does not apply to any profit or loss arising on or after 13 December 2007.
- (10) If section 362 (lessor making termination payment) applies in respect of the termination of lease B on or after 13 December 2007, a deduction is allowed (in calculating the profits of the lessor) in respect of any sum calculated by reference to the sum paid to the lessee.
- (11) The amount of the deduction is (if it would otherwise exceed that amount) limited to the total amount brought into account in respect of the lease as a result of sub-paragraph (2) or (4).
- (12) If lease A becomes a long funding lease as a result of section 70H of CAA 2001 (and does not cease to be such a lease), this paragraph is treated as never having applied in relation to lease B.
- (13) Chapter 6A of Part 2 of CAA 2001 (interpretation of provisions about long funding leases) applies for the purposes of this paragraph.

*Disapplication of provisions about cases where sections 360 to 369 do not apply*

- 63 (1) Sections 370 and 371 do not apply if—
  - (a) expenditure is incurred before 9 October 2007, or
  - (b) a company becomes entitled to a deduction in calculating its profits or losses for corporation tax purposes as a result of any plant or machinery forming part of its trading stock before that date.
- (2) Section 372 does not apply if the lease referred to as “lease B” in subsection (1)(c) of that section is entered into before 13 December 2007.
- (3) Sections 373 to 375 do not apply in relation to arrangements entered into before 9 October 2007.
- 64 (1) Section 376 (films) does not apply if the inception of the long funding lease is before 13 November 2008.
- (2) Sub-paragraphs (3) to (10) apply in respect of a long funding finance lease of a film—
  - (a) whose inception is before that date, and
  - (b) which has not terminated before that date.
- (3) Section 360 (lessor under long funding finance lease: rental earnings) does not apply to a period of account within sub-paragraph (4).
- (4) A period of account is within this sub-paragraph if—
  - (a) it begins on or after 13 November 2008, and

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- (b) no rentals due (wholly or partly) in respect of any part of the period of account were due under the lease before that date.
- (5) For the purpose of calculating the profits of the lessor under the lease for a period of account that—
  - (a) ends on or after 13 November 2008, and
  - (b) is not within sub-paragraph (4),the lessor is treated as receiving for that period of account income attributable to the lease of an amount equal to the relevant amount (in addition to any amount brought into account under section 360(2)).
- (6) The “relevant amount” is an amount equal to so much of the rentals as—
  - (a) become due on or after 13 November 2008, and
  - (b) are due wholly or partly in respect of the period of account.
- (7) If any rental is paid for a period (“the rental period”) that—
  - (a) begins before 13 November 2008, or
  - (b) is not wholly within the period of account,for the purposes of sub-paragraph (6) the amount of that rental is treated as equal to the amount apportioned (on a time basis) in respect of so much of the rental period as falls on or after 13 November 2008 and within the period of account.
- (8) Section 361 (lessor under long funding finance lease: exceptional items) does not apply to any profit or loss arising on or after 13 November 2008.
- (9) If section 362 (lessor making termination payment) applies in respect of the termination of the lease on or after 13 November 2008, a deduction is allowed (in calculating the profits of the lessor) in respect of any sum calculated by reference to the termination value paid to the lessee.
- (10) The amount of the deduction is (if it would otherwise exceed that amount) limited to the total amount brought into account in respect of the lease as a result of sub-paragraph (3) or sub-paragraphs (5) to (7).
- (11) For the purposes of this paragraph—
  - (a) “film” has the same meaning as in Part 15 of CTA 2009 (see section 1181 of that Act),
  - (b) the amount of the rental earnings for a period of account is determined in accordance with section 360(3) and (4), and
  - (c) Chapter 6A of Part 2 of CAA 2001 (interpretation of provisions about long funding leases) applies (see section 70YI(1), in particular, for the meaning of “inception”).

*Relief for expenses otherwise carried forward: losses incurred in accounting periods ending before 22 April 2009*

- 65 (1) In relation to losses incurred in accounting periods ending before 22 April 2009, section 386 (relief for expense under section 383 otherwise giving rise to carried forward loss) applies with the following modifications.
- (2) In subsection (1)—
    - (a) in paragraph (c) omit “or a later accounting period”,
    - (b) in paragraph (d) omit “after the accounting period in which the loss is made”,

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- (c) omit paragraph (e), and
  - (d) in paragraph (f) for “5 years beginning immediately after” substitute “12 months beginning with”.
- (3) For subsection (2) substitute—
- “(2) So much of the carried forward loss as derives from the expense under section 383 is instead of being carried forward to be treated for corporation tax purposes as an expense.”
- (4) In subsection (4) omit “or an expense within subsection (1)(e)(ii)”.
- 66 (1) In relation to losses incurred in accounting periods ending before 22 April 2009, section 419 (relief for expense under section 417(5) otherwise giving rise to carried forward loss) applies with the following modifications.
- (2) In subsection (1)—
- (a) in paragraph (b) omit “or a later accounting period”,
  - (b) in paragraph (c) omit “after the accounting period in which the loss is made”,
  - (c) omit paragraph (d), and
  - (d) in paragraph (e) for “5 years” substitute “12 months”.
- (3) For subsection (2) substitute—
- “(2) So much of the carried forward loss as derives from the expense under section 417(5) is instead of being carried forward to be treated for corporation tax purposes as an expense.”
- (4) In subsection (4) omit “or an expense within subsection (1)(d)(ii)”.
- 67 (1) In relation to losses incurred in accounting periods ending before 22 April 2009, section 428 (relief for expense under section 425 otherwise giving rise to carried forward loss) applies with the following modifications.
- (2) In subsection (1)—
- (a) in paragraph (c) omit “or a later accounting period”,
  - (b) in paragraph (d) omit “after the accounting period in which the loss is made”,
  - (c) omit paragraph (e), and
  - (d) in paragraph (f) for “5 years beginning immediately after” substitute “12 months beginning with”.
- (3) For subsection (2) substitute—
- “(2) So much of the carried forward loss as derives from the expense under section 425 is instead of being carried forward to be treated for corporation tax purposes as an expense.”
- (4) In subsection (4) omit “or an expense within subsection (1)(e)(ii)”.

*Modifications of sales of lessors Chapters in Part 9 where the relevant date is before 22 April 2009*

- 68 (1) If the relevant date for the purposes of any provision in Chapter 3, 4 or 5 of Part 9 is before 22 April 2009, that Part applies for the purposes of that provision with the following modifications.



- (2) In section 389 (provision supplementing section 388)—
  - (a) in subsection (5)(b) for “acquired any plant or machinery in circumstances in which this paragraph applies” substitute “acquires any plant or machinery directly or indirectly from a person who is connected with the company”, and
  - (b) omit subsection (6).
- (3) In section 392 (“qualifying change of ownership”) omit subsection (5).
- (4) Omit section 396 (no qualifying change of ownership where principal company’s interest in consortium company unchanged).
- (5) In section 401 (provisions supplementing section 400)—
  - (a) in subsection (5)(b) for “acquired any plant or machinery in circumstances in which this paragraph applies” substitute “acquires any plant or machinery directly or indirectly from a person who is connected with the company”, and
  - (b) omit subsection (6).
- (6) In section 412 (provision supplementing section 411)—
  - (a) in subsection (5)(b) for “acquired any plant or machinery in circumstances in which this paragraph applies” substitute “acquires any plant or machinery directly or indirectly from a person who is connected with the partnership”, and
  - (b) omit subsection (6).
- (7) In section 417 (partner company’s income and other companies’ matching expense) omit subsection (8).
- (8) Omit section 420 (exception: companies carrying on business ceasing to share in its profits).
- (9) In section 424 (the amount of expense)—
  - (a) in subsection (1)(c) for “is greater at the end than at the start of” substitute “increases at any time on”,
  - (b) in subsection (1)(d) after “the increase”, in both places, insert “at any time”, and
  - (c) for subsection (3) substitute—
    - “(3) The appropriate percentage is the percentage of the other company’s percentage share in the profits or loss of the business immediately after the change that is wholly attributable to the change.”

## PART 11

### CLOSE COMPANIES

#### *Exceptions to the charge under section 455*

- 69 (1) The reference in section 456(4)(b) to other outstanding loans and advances does not include a loan or advance made before 31 March 1971 unless it was made for the purpose of purchasing a dwelling which was or was to be the borrower’s only or main residence.

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- (2) Condition A in section 456(4) is not to be treated as met if such of the other outstanding loans and advances within section 456(4)(b) as were made before 31 March 1971 together exceed £10,000.
- (3) The reference in section 456(7) to a loan or advance does not include one made before 31 March 1971.

## PART 12

### CHARITABLE COMPANIES ETC

#### *Transactions in deposits*

- 70 The repeal by this Act of section 56(3)(c) of ICTA (exemption from corporation tax for profits and gains arising to charitable company from transactions in deposits) does not affect the application of that provision in relation to the disposal or exercise of—
- (a) a right to receive an amount stated in a certificate of deposit (as defined by section 56(5) of ICTA), or interest on such an amount, or
  - (b) a right under an arrangement of a kind mentioned in section 56A(1) of ICTA,
- if the right was in existence before 1 April 1996.

#### *Exemption for investment income*

- 71 In relation to distributions paid before 1 July 2009 section 486 has effect as if subsection (2) provided as follows—
- “(2) The income referred to in subsection (1) is—
- (a) profits which are charged to tax under section 299 of CTA 2009 (non-trading profits from loan relationships),
  - (b) a dividend of a non-UK resident company, and
  - (c) income treated for the purposes of Chapter 5 of Part 10 of CTA 2009 (distributions from unauthorised unit trusts) as received by a unit trust holder from a scheme to which section 972 of that Act applies (unauthorised unit trust schemes).”

#### *Exemption for certain miscellaneous income*

- 72 (1) In relation to distributions paid before 1 July 2009 section 488 has effect as if the income mentioned in subsection (3) included relevant foreign distributions.
- (2) In this paragraph “relevant foreign distribution” means a distribution of a non-UK resident company which is not chargeable under Chapter 2 of Part 10 of CTA 2009 (dividends of non-UK resident companies).

#### *Transactions with substantial donors*

- 73 Section 496(1)(e) and (f) and sections 502 to 510 (non-charitable expenditure: transactions with substantial donors) do not have effect in relation to—
- (a) a transaction occurring before 22 March 2006, or

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- (b) a transaction entered into in pursuance of a contract made before 22 March 2006 (otherwise than in pursuance of a variation on or after that date).
- 74 For the purposes of section 502 a person may meet the definition of “substantial donor” by reference to gifts made at a time before this Act comes into force.
- 75 In relation to times before 23 April 2009, section 502(2)(b) has effect with the substitution of “£100,000” for “£150,000”.
- 76 Until paragraph 15 of Schedule 9 to the Housing and Regeneration Act 2008 comes into force, section 508 (donors: exceptions) has effect as if subsection (2)(a) and the “or” immediately after it were omitted.

#### *Non-charitable expenditure*

- 77 (1) This paragraph applies if, as a result of sections 515 to 517, an amount of expenditure for an accounting period ending after 31 March 2010 or any subsequent accounting period (“the carry back accounting period”) is treated as non-charitable expenditure for an accounting period beginning before 22 March 2006 or any earlier accounting period.
- (2) The amount of relief or exemption to be disallowed in respect of the accounting period beginning before 22 March 2006 or any earlier accounting period is not to exceed the amount which would have been disallowed in respect of that period if—
- (a) sections 515 to 517 had not applied in relation to the carry back accounting period, and
  - (b) the amount of expenditure for the carry back accounting period to be treated as non-charitable expenditure for an earlier accounting period had instead been calculated in accordance with the provisions mentioned in subparagraph (3).
- (3) Those provisions are—
- (a) sections 505 and 506 of ICTA, and
  - (b) Part 3 of Schedule 20 to that Act,
- as those provisions would have had effect in relation to the carry back accounting period if the amendments made to them by section 55 of FA 2006 had not been made and the amendments made to them by this Act had not been made.

## **PART 13**

### **REAL ESTATE INVESTMENT TRUSTS**

#### *Notice under section 523 or 524*

- 78 (1) This paragraph applies in relation to accounting periods beginning before 22 April 2009.
- (2) Section 525 has effect as if for subsections (2) to (9) there were substituted—
- “(2) Subsection (3) applies if the company giving the notice—
- (a) does not expect to meet condition D in section 528 on the first day of accounting period 1, merely because the company’s shares have

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not been listed and dealt with on a recognised stock exchange within the preceding 12 months, but

- (b) reasonably expects to meet that condition throughout the rest of accounting period 1 in reliance on section 446(1)(b).

(3) If this subsection applies—

- (a) subsection (1)(c) does not apply, but  
(b) the notice must be accompanied by a statement by the company containing the assertions specified in subsection (4).

(4) Those assertions are—

- (a) that conditions A, B, E and F in section 528 are reasonably expected to be met in relation to the company throughout accounting period 1,  
(b) that condition C in that section is reasonably expected to be met in relation to the company for at least a part of the first day of accounting period 1, and throughout the remainder of the period, and  
(c) that condition D in that section is reasonably expected to be met in relation to the company throughout all of accounting period 1 apart from the first day.

(5) For the meaning of “accounting period 1”, see section 609.”

(3) Section 577(7)(b) has effect as if “or (5) to (7)” were omitted.

*Property rental business: excluded business*

79 (1) In relation to any time before 6 July 2009, section 604 has effect with the following modifications.

(2) In subsection (2) for class 3 substitute—

“Class 3	Letting of property if conditions A and B are met. Condition A is that the property is let— (a) by one member of a group to another, or (b) by a member of a group to a company the shares in which are stapled to the shares of a member of the group (see subsection (3)).”
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(3) For subsection (3) substitute—

“(3) For the purposes of paragraph (b) of condition A in class 3, shares of one company (company A) are stapled to shares of another (company B) if, in consequence of the nature of the rights attaching to the shares of company A (including any terms or conditions attaching to the right to transfer the shares) it is necessary or advantageous for a person who has, disposes of or acquires shares of company A also to have, dispose of or acquire a holding of shares of company B.

(3A) For the purposes of condition B in class 3, ignore the fact that a property may fall to be described as owner-occupied merely because of the provision by the company of services to an occupant who—

- (a) is in exclusive occupation of the property, and  
(b) is not connected with a member of the group.”

## PART 14

### CO-OPERATIVE HOUSING ASSOCIATIONS AND SELF-BUILD SOCIETIES

#### *Concurrent exercise of functions*

- 80 So far as any function of the Welsh Ministers under section 488 of ICTA (co-operative housing associations) was immediately before 1 April 2010 exercisable by the Welsh Ministers concurrently with the Secretary of State, the corresponding function of the Welsh Ministers under section 644, 645 or 649 is exercisable concurrently with the Secretary of State.
- 81 So far as any function of the Welsh Ministers under section 489 of ICTA (self-build societies) was immediately before 1 April 2010 exercisable by the Welsh Ministers concurrently with the Secretary of State, the corresponding function of the Welsh Ministers under section 653 or 657 is exercisable concurrently with the Secretary of State.

#### *Delegation of functions to the Regulator of Social Housing*

- 82 Until paragraph 13 of Schedule 9 to the Housing and Regeneration Act 2008 comes into force, section 646 has effect as if the following were substituted for subsection (1)—
- “(1) In the case of a body registered as a social landlord in the register maintained by the Housing Corporation under Part 1 of the Housing Act 1996, the Secretary of State may delegate to the Housing Corporation any of the Secretary of State’s functions under section 644 or 645.”
- 83 Until paragraph 14 of Schedule 9 to the Housing and Regeneration Act 2008 comes into force, section 654 has effect with the substitution, in subsection (1), of “the Housing Corporation” for “the Regulator of Social Housing”.

## PART 15

### TRANSACTIONS IN SECURITIES

#### *Transactions in securities: general*

- 84 (1) Part 15 (transactions in securities), so far as relating to the counteraction of corporation tax advantages, applies—
- (a) whether or not the transaction or transactions in consequence of which, or of the combined effect of which, the tax advantage has been or will be obtained occur on or after 1 April 2010, and
  - (b) whether or not that advantage relates to an accounting period ending on or after that date.
- (2) Sub-paragraph (1) does not affect section 746(5) (under which no assessments may be made as a result of a counteraction notice later than 6 years after the accounting period to which the tax advantage relates).
- (3) No notification under section 703(9) of ICTA (notification that the Commissioners for Her Majesty’s Revenue and Customs have reason to believe that section 703

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applies to a company in respect of one or more specified transactions) may be given on or after 1 April 2010.

- (4) If notification under section 703(9) of ICTA has been given before that date, Chapter 1 of Part 17 of that Act (cancellation of corporation tax advantages from certain transactions in securities) continues to apply in relation to the cancellation of any tax advantage resulting from the transaction or transactions specified in the notification, regardless of the date on which any accounting period to which the tax advantage relates ends.
- (5) This paragraph is to be interpreted as if it were part of Part 15.

*Transactions in securities: meaning of relevant companies for the purposes of sections 737 and 738*

- 85 (1) In its application to a transaction in securities that took place before 29 April 1996 or two or more transactions in securities the first of which took place before that date, section 739(1)(b)(i) (meaning of “relevant company”) applies with the substitution for the words “included in the official UK list” of the words “authorised to be dealt in on the Stock Exchange”.
- (2) In its application to a transaction in securities that took place before 1 January 1997 or two or more transactions in securities the first of which took place before that date, section 739(1) applies as if the companies referred to in paragraph (b) included companies none of whose shares or stocks are dealt in on the Unlisted Securities Market regularly or from time to time.
- (3) In this paragraph “companies” and “transaction in securities” have the same meaning as in Part 15 (see section 751).

## PART 16

### FACTORING OF INCOME ETC

*Transfers of income streams*

- 86 Chapter 1 of Part 16 does not have effect in relation to transfers before 22 April 2009.

*Application of Chapter 2 of Part 16 (finance arrangements) to pre-6 June 2006 arrangements*

- 87 Chapter 2 of Part 16 has no effect in relation to an arrangement made before 6 June 2006 so far as section 43B or 43D of ICTA applies to the arrangement (sections 43B and 43D of ICTA contain provision about rent factoring: their repeal by paragraph 1 of Schedule 6 to FA 2006 does not apply in relation to pre-6 June 2006 transactions).

*Application of section 771 (finance arrangements: exceptions)*

- 88 (1) In relation to a transfer before 22 April 2009, section 771 has effect as if after subsection (1) there were inserted—
- “(1A) For the purposes of subsection (1) the effect of section 785A of ICTA (rent factoring of leases of plant or machinery) is to be disregarded.”

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- (2) If the arrangement mentioned in section 771 came into force before 1 October 2007, subsection (5)(b) of that section applies as if for “Schedule 13 to FA 2007 or Chapter 10 of Part 6 of CTA 2009” there were substituted “paragraph 15 of Schedule 9 to FA 1996”.
- (3) Paragraph 14(6) of Schedule 13 to FA 2007 (when an arrangement is in force) applies for the purposes of sub-paragraph (2) of this paragraph as for those of that Schedule.
- (4) In the case of plant or machinery which is the subject of a sale and finance leaseback (as defined in section 221 of CAA 2001) where the date of the transaction (within the meaning of that section) is before 9 October 2007, section 771(8) has effect as if at the end there were inserted “, but in applying that section it is to be assumed that the words “and which are not a long funding lease in the case of the lessor” were omitted from section 219(1)(b) of that Act (meaning of “finance lease”)”.
- (5) In relation to transactions referred to in section 228A(2)(a) of CAA 2001 (as substituted by paragraph 12 of Schedule 20 to FA 2008) and entered into before 9 October 2007, section 771(9) has effect as if at the end there were inserted “with the modifications contained in section 228F of that Act”.

*Application of section 779 (income-transfer under loan or credit transaction)*

- 89 In relation to a transfer before 22 April 2009, section 779(4) has effect as if—
- (a) after “if it” there were inserted “assigns,” and
  - (b) after “forgoes it” there were inserted “(without a sale or transfer of the property)”.

## PART 17

### MANUFACTURED PAYMENTS AND REPOS

*Manufactured dividends and manufactured overseas dividends: distributions paid before 1 July 2009*

- 90 (1) In relation to distributions paid before 1 July 2009, Chapters 2 and 3 of Part 17 have effect with the following modifications.
- (2) Section 783 is omitted.
  - (3) The following is substituted for section 784—

**“784 Manufactured dividends on shares**

- (1) This section applies if a person pays a manufactured dividend to another person.
- (2) The Corporation Tax Acts apply in relation to—
  - (a) the recipient of the manufactured dividend, and
  - (b) companies claiming title through or under the recipient,as if the manufactured dividend were a dividend on the shares.

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- (3) If the payer is a UK resident company, the Corporation Tax Acts apply in relation to the payer as if the manufactured dividend were a dividend of the company.
- (4) Subsection (1) is subject to—
  - (a) section 786 (treatment of recipient: Real Estate Investment Trusts),
  - (b) section 796 (manufactured dividends: amounts exceeding underlying payments), and
  - (c) section 803 (power to deal with special cases)."
- (4) In section 786(1) "(instead of section 784(2))" is substituted for "(instead of section 784(1))".
- (5) Section 787 is omitted.
- (6) In section 788(6)(a) "section 784(2)" is substituted for "section 784(1)".
- (7) The following is substituted for section 791—

**“791 Treatment of payer of manufactured overseas dividend**

- (1) This section applies if a person (“the payer”) pays another person a manufactured overseas dividend.
  - (2) If—
    - (a) the payer is a company carrying on a trade, and
    - (b) the manufactured overseas dividend relates to the trade,
 the manufactured overseas dividend is treated as an expense of the trade.
  - (3) If—
    - (a) the payer is a company with an investment business, and
    - (b) the manufactured overseas dividend relates to the business,
 the manufactured overseas dividend is treated as expenses of management within Part 16 of CTA 2009 (companies with investment business).
  - (4) Subsection (5) applies if the payer is a company carrying on life assurance business.
  - (5) So far as the manufactured overseas dividend is referable to basic life assurance and general annuity business, the manufactured overseas dividend is treated for the purposes of section 76 of ICTA (expenses of insurance companies) as if it were an expense payable falling to be brought into account at step 3 of section 76(7) of ICTA (amount of expenses deduction).
  - (6) The manufactured overseas dividend is to be treated as so referable so far as the overseas dividend of which it is representative—
    - (a) is treated under section 432A of ICTA (apportionment of income and gains) as so referable, or
    - (b) would be so treated if received by the payer.”
  - (8) Section 795 is omitted.
- 91 Accordingly, in relation to distributions paid before 1 July 2009—



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- (a) the paragraph of Schedule 1 that amends section 577 of ITA 2007 has effect as if in sub-paragraph (4) of that paragraph the words after “substitute” were ““section 784(2) of CTA 2010”.”, and
- (b) section 1221(1)(i) of CTA 2009 (as inserted by Schedule 1) has effect with the substitution of “section 791(3) of CTA 2010” for “section 791(4) of CTA 2010”.

*Manufactured overseas dividends: overseas dividends paid before 22 April 2009*

92 (1) In relation to overseas dividends paid before 22 April 2009, Chapter 3 of Part 17 has effect with the following modifications (in addition to any modifications that may apply under paragraph 90).

(2) The following is substituted for section 792—

**“792 Treatment of recipient of manufactured overseas dividend**

- (1) This section applies if—
  - (a) a person pays a manufactured overseas dividend, and
  - (b) the condition in subsection (2) is met.
- (2) The condition is that—
  - (a) in a case within section 922(1) of ITA 2007 (manufactured overseas dividends: payments by UK residents etc), the amount required to be deducted as a result of that section has been deducted, or
  - (b) in a case within section 923(1) of that Act (foreign payers of manufactured overseas dividends: the reverse charge), the amount of income tax required to be accounted for and paid as a result of that section has been accounted for and paid.
- (3) Subsections (4) and (5) apply in relation to the recipient, and companies claiming title through or under the recipient, for all purposes of the Corporation Tax Acts except Part 5 of CTA 2009 (loan relationships).
- (4) The manufactured overseas dividend is treated as if it were—
  - (a) an overseas dividend of an amount equal to the gross amount of the manufactured overseas dividend, but
  - (b) paid after the withholding from it, on account of overseas tax, of the amount deducted as a result of section 922 of ITA 2007 or, as the case may be, accounted for and paid as a result of section 923 of that Act.
- (5) The amount so deducted or so accounted for and paid is accordingly to be treated as an amount withheld on account of overseas tax instead of as an amount on account of income tax.
- (6) Subsections (3) and (4) are subject to—
  - (a) section 797 (manufactured overseas dividends: amounts exceeding underlying payments), and
  - (b) section 798 (manufactured overseas dividends less than underlying payments).”

(3) Sections 793 and 794 are omitted.

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- (4) In this paragraph “overseas dividend” has the same meaning as in Part 17.

*Deemed manufactured payments: stock lending arrangements*

- 93 In relation to any dividend or interest on securities paid before 22 April 2009, section 812 has effect with the omission of subsections (4) and (5).
- 94 Section 812 does not apply if the arrangement mentioned in subsection (1)(a) of that section was made on or after 1 July 1997.

## PART 18

### SALE AND LEASE-BACK ETC

*New lease of land after assignment or surrender: right to new lease existed pre-22 June 1971*

- 95 (1) Sub-paragraphs (2) and (3) apply if—
- (a) each of conditions A to D in section 850 of this Act, or each of conditions A to D in section 681BA of ITA 2007, is met (new lease granted to, or to person linked with, lessee under assigned or surrendered lease),
  - (b) condition E in that section is not met (condition that no right to new lease existed before 22 June 1971), and
  - (c) the rent under the new lease is payable by a person within the charge to corporation tax.
- (2) No part of the rent paid under the new lease is to be treated as a payment of capital.
- (3) Any provision of CTA 2009 or ICTA providing for deductions or allowances by way of corporation tax relief in respect of payments of rent applies in relation to the rent under the new lease.
- (4) Section 862 of this Act (meaning of “rent” etc) applies for the purposes of this paragraph.

## PART 19

### TAX AVOIDANCE INVOLVING LEASING PLANT OR MACHINERY

*Relevant capital payments: pre-12 March 2008 payments and obligations*

- 96 (1) Chapter 2 of Part 20 does not apply as a result of section 890(1)(a) in relation to cases where there is first an obligation of the kind mentioned in that section before 13 December 2007.
- (2) If that Chapter applies as a result of section 890(1)(a) in relation to cases where there is first an obligation of the kind mentioned in that section on or after 13 December 2007 but before 12 March 2008, that Chapter applies with the modifications in sub-paragraphs (3) and (4).
- (3) Omit section 891 (apportionments for leases of plant or machinery and other property).

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- (4) In section 894 (interpretation of that Chapter) for subsections (3) to (5) substitute—
- “(3) Lease of plant or machinery” includes an equipment lease within the meaning of Chapter 14 of Part 2 of CAA 2001, but subject to that does not include a lease of plant or machinery and other property.”

*Relevant capital payments: leases whose inception is before 22 April 2009*

- 97 (1) In relation to payments made under leases whose inception is before 13 November 2008, section 893 of this Act (“capital payment”, “relevant capital payment” etc) and section 809ZE of ITA 2007 (which is inserted by Schedule 1 to this Act and makes provision corresponding to section 893 for income tax purposes) apply with the modifications in sub-paragraphs (2) to (4).
- (2) In subsection (3) for “subsections (6) and (7)” substitute “subsection (6)”.
- (3) In subsection (6) at the end of paragraph (b) insert “, or
- (c) it would fall (or falls) to be brought into account by the lessor as a disposal receipt within the meaning of Part 2 of CAA 2001 (see section 60(1) of that Act).”
- (4) Omit subsection (7).
- (5) In relation to payments made under leases whose inception is before 22 April 2009 but not before 13 November 2008, section 893(7) of this Act and section 809ZE(7) of ITA 2007 apply with the substitution for the words following paragraph (b) of “the capital payment is not “relevant””.
- (6) In this paragraph “inception” has the meaning given in section 70YI(1) of CAA 2001.

## **PART 20**

### LEASING ARRANGEMENTS: FINANCE LEASES AND LOANS

*Old bad debts*

- 98 So far as it applies in relation to a period of account of the lessor beginning before 1 January 2005, the definition of “bad debt deduction” in section 911(6) applies with the substitution for “the total” onwards of “the total of any sums falling within sub-paragraph (i), (ii) or (iii) of section 74(1)(j) of ICTA in respect of amounts in respect of rents from the lease of the asset which are deductible as expenses for that period”.

## **PART 21**

### TRANSFERS OF TRADE WITHOUT A CHANGE IN OWNERSHIP

- 99 Section 945 does not apply if the transfer of the transferred trade occurs before 19 March 1986.
- 100 Section 949 does not apply if the transfer of the transferred trade occurs on or before 31 March 1987.

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## PART 22

### USE OF DIFFERENT ACCOUNTING PRACTICES WITHIN A GROUP

- 101 Section 996 does not have effect in relation to periods of account beginning before 1 January 2005.

## PART 23

### COMPANY DISTRIBUTIONS

#### *Amount of principal secured: non-commercial securities*

- 102 Section 1006 applies only to securities issued after 5 April 1972.

#### *Meaning of “special securities”*

- 103 (1) Securities do not meet Condition A in section 1015 if they were issued—
- (a) before 6 April 1965 in respect of shares, or
  - (b) before 6 April 1972 in respect of securities.
- (2) Securities do not fall within section 1015(3)(a)(ii) if they were issued before 6 April 1972.

#### *Amount of principal secured: special securities*

- 104 Section 1018(1) applies only to securities issued after 5 April 1972.

#### *Bonus issue following repayment of share capital*

- 105 (1) Section 1022(3) (amount paid up on bonus share capital treated as a distribution) does not apply if the share capital mentioned in section 1022(1)(a) was repaid before 7 April 1965.
- (2) Section 1023(3) (which limits the cases in which section 1022(3) applies) applies only if the preference shares were issued after 6 April 1965 (but see subparagraph (3)).
- (3) Section 1022(3) (amount paid up on bonus share capital treated as a distribution) does not apply if the repaid share capital referred to in section 1022(1) consists of fully paid preference shares and—
- (a) those shares existed as issued and fully paid preference shares on 6 April 1965, and
  - (b) throughout the period from that date until the repayment those shares continued to be fully paid preference shares.
- (4) In order for section 1023(1) to apply the issue of share capital there mentioned must take place after 5 April 1973 (as well as more than 10 years after the repayment of share capital in question).

#### *Share capital issued as paid up otherwise than by receipt of new consideration*

- 106 (1) In relation to share capital issued before 7 April 1973—

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- (a) section 1026(1)(b) applies with the substitution of “distribution” for “qualifying distribution”, and
  - (b) section 1027(2)(b) applies with the substitution of “distributions” for “qualifying distributions”.
- (2) Section 1026 does not apply if the share capital mentioned in subsection (1) of that section was issued before 7 April 1965.
- (3) The reference in section 1027(2)(a) to amounts paid up on shares does not include amounts paid up before 7 April 1965.

#### *Interest etc paid in respect of certain securities*

- 107 (1) Section 1032(1) does not apply in the case of any interest or other distribution which is paid in respect of a security of the borrower that meets Condition C in section 1015 (securities under which the consideration for the use of the principal secured is dependent on the results of the company’s business) if—
- (a) the principal secured does not exceed £100,000,
  - (b) the borrower is under an obligation to repay the principal and interest before the end of the period of 5 years beginning on the date on which the principal was paid to the borrower,
  - (c) that obligation was entered into before 9 March 1982 or was entered into before 1 July 1982 in pursuance of negotiations which were in progress on 9 March 1982, and
  - (d) where the period for repayment of either principal or interest is extended after 8 March 1982 (but paragraph (b) still applies), the interest or other distribution is paid within the period applicable immediately before that date.
- (2) For the purposes of sub-paragraph (1)(c) negotiations are not regarded as having been in progress on 9 March 1982 unless, before that date, the borrower—
- (a) had applied to the lender for a loan, and
  - (b) had supplied the lender with any documents required by the lender to support the application.

#### *Stock dividends*

- 108 (1) This paragraph applies if—
- (a) share capital is issued by a UK resident company in respect of shares in the company issued before 6 April 1975 (“the old shares”),
  - (b) the old shares confer on the holder a right to convert them into, or exchange them for, shares of a different class, and
  - (c) the case falls within section 410(2), (3) or (4) of ITTOIA 2005 (whether or not that section in fact applies).
- (2) Section 1049 (stock dividends) does not apply to the protected part of any bonus share capital issued by the company after 5 April 1976 in connection with an exercise of the right mentioned in sub-paragraph (1)(b).
- (3) For the purposes of sub-paragraph (2), the protected part of the bonus share capital is however much of it (if any) would have been issued if the right had been exercised so as to bring about the conversion or exchange of the shares on the earliest possible date after 5 April 1975.

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- 109 Section 1050 does not apply in relation to a conversion or exchange of share capital for shares occurring before 6 April 1975.

*Exempt distributions*

- 110 Paragraph 8(1) (saving for certain provisions repealed by this Act that relate to the commencement of provisions rewritten in this Act) does not have effect in relation to the repeal by this Act of regulation 1(3) of the Corporation Tax (Implementation of the Mergers Directive) Regulations 2009 (S.I. 2009/2797).

*Eligibility for tax credits*

- 111 In relation to a distribution paid before 1 July 2009 section 1109 has effect as if in subsection (1) the words “if a UK resident company makes a qualifying distribution” stood in place of the words “if a company makes a qualifying distribution which is exempt for the purposes of Part 9A of CTA 2009 (qualifying distributions)”.

*Recovery of overpaid tax credits etc*

- 112 Section 1110(5) and (6) and section 1111(1) do not apply to payments of tax credit claimed in respect of accounting periods ending before 1 October 1993.

## PART 24

### CORPORATION TAX ACTS DEFINITIONS ETC

- 113 (1) Section 1139 has effect as if in subsection (4)(b) the words “or 397A(1)” were omitted in relation to—
- (a) qualifying distributions arising before 22 April 2009,
  - (b) cash dividends paid over to a person under paragraph 68(4) of Schedule 2 to ITEPA 2003 before 22 April 2009,
  - (c) dividends treated under section 407 of ITTOIA 2005 as paid to a person before 22 April 2009, and
  - (d) manufactured overseas dividends that are representative of a distribution within paragraph (a), (b) or (c).
- (2) In sub-paragraph (1)—
- “manufactured overseas dividend” has the same meaning as in Chapter 2 of Part 11 of ITA 2007, and
- “qualifying distribution” has the meaning given in section 989 of ITA 2007.
- 114 (1) In relation to shares and securities issued before 17 April 2002, section 1164(1) has effect—
- (a) as if in subsection (1) “or amalgamation” were inserted after “scheme of reconstruction”, and
  - (b) as if section 1165(2) were omitted.
- (2) In sub-paragraph (1) “shares” has the same meaning as in Chapter 4 of Part 24.
- 115 If an order under paragraph 13(2) of Schedule 22 to FA 2009 relating to paragraph 11(2) of that Schedule is made before 1 April 2010 so as to come into force on or

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after that date, the order is to have effect as if any reference to paragraph 11(2) were a reference to that provision as substituted by this Act.