



Finance Act 2012

2012 CHAPTER 14

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 2

INCOME TAX: GENERAL

Anti-avoidance

10 Property loss relief against general income: tax-generated agricultural expenses

- (1) Chapter 4 of Part 4 of ITA 2007 (losses from property businesses) is amended as follows.
- (2) In section 117(3) (overview of Chapter), for “section 127A” substitute “sections 127A and 127B”.
- (3) In section 120(7) (deduction of property losses from general income), at the end insert “and section 127B (no relief for tax-generated agricultural expenses)”.
- (4) After section 127A insert—

“127B No relief for tax-generated agricultural expenses

- (1) This section applies if—
 - (a) in a tax year a person makes a loss in a UK property business or overseas property business (whether carried on alone or in partnership),
 - (b) the business has a relevant agricultural connection for the purposes of section 120 (see section 123(3) to (7)), and

Status: This is the original version (as it was originally enacted).

- (c) any allowable agricultural expenses deducted in calculating the loss arise directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements.
- (2) No property loss relief against general income may be given to the person for so much of the applicable amount of the loss as is attributable to expenses falling within subsection (1)(c).
- (3) For the purposes of subsection (2), the applicable amount of the loss is to be treated as attributable to expenses falling within subsection (1)(c) before anything else.
- (4) In subsection (1) “relevant tax avoidance arrangements” means arrangements—
 - (a) to which the person is a party, and
 - (b) the main purpose, or one of the main purposes, of which is the obtaining of a reduction in tax liability by means of property loss relief against general income.
- (5) In subsection (4) “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).
- (6) In this section “the applicable amount of the loss” has the meaning given by section 122 and “allowable agricultural expenses” has the meaning given by section 123.”
- (5) The amendments made by this section have effect in relation to expenses arising directly or indirectly in consequence of, or otherwise in connection with—
 - (a) arrangements which are entered into on or after 13 March 2012, or
 - (b) any transaction forming part of arrangements which is entered into on or after that date.
- (6) But those amendments do not have effect where the arrangements are, or any such transaction is, entered into pursuant to an unconditional obligation in a contract made before that date.
- (7) “An unconditional obligation” means an obligation which may not be varied or extinguished by the exercise of a right (whether under the contract or otherwise).