



Finance Act 2015

2015 CHAPTER 11

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 3

CORPORATION TAX: GENERAL

25 Loan relationships: repeal of certain provisions relating to late interest etc

- (1) Part 5 of CTA 2009 (loan relationships) is amended as follows.
- (2) Omit the following provisions—
 - (a) section 374 (connection between debtor and person standing in position of creditor),
 - (b) section 377 (party to loan relationship having major interest in other party),
 - (c) section 407 (postponement until redemption of debits for connected companies' deeply discounted securities), and
 - (d) section 408 (companies connected for section 407).
- (3) In section 372 (introduction to Chapter 8), in subsection (3)—
 - (a) omit paragraph (a),
 - (b) at the end of paragraph (b), insert “and”, and
 - (c) omit paragraph (c) (including the “and” at the end).
- (4) In section 373 (late interest treated as not accruing until paid in some cases), in subsection (1)(b), for “374, 375, 377” substitute “375”.
- (5) In section 406 (introduction to provisions dealing with deeply discounted securities)—
 - (a) omit subsection (1)(a), and
 - (b) in subsections (2), (3) and (4), for “407” substitute “409”.

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- (6) Subsections (2)(a) and (b), (3) and (4) have effect—
- (a) in relation to debtor relationships entered into by a company on or after 3 December 2014, and
 - (b) in relation to debtor relationships entered into by a company before 3 December 2014, where the actual accrual period (within the meaning of Chapter 8 of Part 5 of CTA 2009) begins on or after 1 January 2016.
- (7) Subsections (2)(c) and (d) and (5) have effect—
- (a) in relation to debtor relationships entered into by a company on or after 3 December 2014, and
 - (b) in relation to debtor relationships entered into by a company before 3 December 2014, where the relevant period (within the meaning of section 407 of CTA 2009) begins on or after 1 January 2016.
- (8) Subsections (6)(b) and (7)(b) are subject to subsections (9) to (14).
- (9) In the case of a company which has an accounting period beginning before 1 January 2016 and ending on or after that date (“the straddling period”), so much of the straddling period as falls before that date, and so much of that period as falls on or after that date, are treated for the purposes of subsections (6)(b) and (7)(b) as separate accounting periods.
- (10) If a debtor relationship entered into by a company before 3 December 2014 is modified on or after 3 December 2014 and before 1 January 2016, subsections (2)(a) and (b), (3) and (4) have effect in relation to that debtor relationship where the actual accrual period (within the meaning of Chapter 8 of Part 5 of CTA 2009) begins on or after the date on which the modification takes effect.
- (11) For the purposes of subsection (10) a debtor relationship of a company is modified if—
- (a) there is a material change in the terms of the relationship, or
 - (b) there is a change in the person standing in the position of creditor.
- (12) If the terms of a deeply discounted security issued by a company before 3 December 2014 are modified on or after 3 December 2014 and before 1 January 2016, subsections (2)(c) and (d) and (5) have effect in relation to the debtor relationship represented by that security where the relevant period (within the meaning of section 407 of CTA 2009) begins on or after the day on which the modification takes effect.
- (13) For the purposes of subsection (12) the terms of a deeply discounted security are modified if—
- (a) there is a material change in the terms of the security, or
 - (b) there is a change in the person standing in the position of creditor.
- (14) Where subsection (10) or (12) applies, an accounting period is to be taken for the purposes of that subsection to end immediately before the day on which the modification takes effect, and a new accounting period is to be taken for those purposes to begin with that day.

26 Intangible fixed assets: goodwill etc acquired from a related party

- (1) Part 8 of CTA 2009 (intangible fixed assets) is amended as follows.
- (2) In section 746 (“non-trading credits” and “non-trading debits”), in subsection (2), omit the “and” at the end of paragraph (b) and after that paragraph insert—

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“(ba) sections 849C(3)(b) and 849D(3) (certain debits relating to goodwill etc acquired from a related individual or firm), and”.

(3) In section 844 (overview of Chapter 13), after subsection (2) insert—

“(2A) Sections 849B to 849D contain restrictions relating to debits in respect of goodwill and certain other assets acquired by a company from—

- (a) an individual who is a related party in relation to the company, or
- (b) a firm with a member who is an individual and a related party in relation to the company.”

(4) After section 849A insert—

“Transfers of goodwill etc to company by related individual or firm

849B Circumstances in which restrictions on debits in respect of goodwill etc apply

(1) This section applies if—

- (a) a company (“C”) acquires a relevant asset directly or indirectly from an individual or a firm (“the transferor”), and
- (b) at the time of the acquisition—
 - (i) if the transferor is an individual, the transferor is a related party in relation to C, or
 - (ii) if the transferor is a firm, any individual who is a member of the transferor is a related party in relation to C.

(2) “Relevant asset” means—

- (a) goodwill in a business, or part of a business, carried on by the transferor,
- (b) an intangible fixed asset that consists of information which relates to customers or potential customers of a business, or part of a business, carried on by the transferor,
- (c) an intangible fixed asset that consists of a relationship (whether contractual or not) that the transferor has with one or more customers of a business, or part of a business, carried on by the transferor,
- (d) an unregistered trade mark or other sign used in the course of a business, or part of a business, carried on by the transferor, or
- (e) a licence or other right in respect of an asset (“the licensed asset”) within any of paragraphs (a) to (d).

(3) “The relevant business or part”, in relation to a relevant asset, means—

- (a) in the case of a relevant asset within subsection (2)(e), the business, or part of a business, mentioned in the paragraph of subsection (2) within which the licensed asset falls, and
- (b) in any other case, the business, or part of a business, mentioned in the paragraph of that subsection within which the relevant asset falls.

(4) In a case in which the relevant asset is goodwill, section 849C applies if—

- (a) the transferor acquired all or part of the relevant business or part in one or more third party acquisitions as part of which the transferor acquired goodwill, and

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- (b) the relevant asset is acquired by C as part of an acquisition of all of the relevant business or part.
- (5) In a case in which the relevant asset is not goodwill, section 849C applies if—
- (a) the transferor acquired the relevant asset in a third party acquisition, and
 - (b) the relevant asset is acquired by C as part of an acquisition of all of the relevant business or part.
- (6) In a case not within subsection (4) or (5), section 849D applies.
- (7) The transferor acquires something in a “third party acquisition” if—
- (a) the transferor acquires it from a company and, at the time of that acquisition—
 - (i) if the transferor is an individual, the transferor is not a related party in relation to the company, or
 - (ii) if the transferor is a firm, no individual who is a member of the transferor is a related party in relation to the company, or
 - (b) the transferor acquires it from a person (“P”) who is not a company and, at the time of that acquisition—
 - (i) if the transferor is an individual, P is not connected with the transferor, or
 - (ii) if the transferor is a firm, no individual who is a member of the transferor is connected with P.

This is subject to subsection (9).

- (8) In subsection (7)(b) “connected” has the same meaning as in Chapter 12 (see section 842).
- (9) An acquisition is not a “third party acquisition” if its main purpose, or one of its main purposes, is for any person to obtain a tax advantage (within the meaning of section 1139 of CTA 2010).

849C Restrictions in a case within section 849B(4) or (5)

- (1) This section contains restrictions relating to certain debits in respect of a relevant asset in a case within section 849B(4) or (5) (and in this section terms defined in section 849B have the same meaning as they have in that section).
- (2) If a debit is to be brought into account by C for tax purposes, in respect of the relevant asset, under a provision of Chapter 3 (debts in respect of intangible fixed assets), the amount of that debit is—

$$D \times AM$$

where—

D is the amount of the debit that would be brought into account disregarding this section (and, accordingly, for the purposes of any calculation of the tax written-down value of the relevant asset needed to determine D, this section’s effect in relation to any debits previously brought into account is to be disregarded), and

AM is the appropriate multiplier (see subsection (6)).

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- (3) If, but for this section, a debit would be brought into account by C for tax purposes, in respect of the relevant asset, under a provision of Chapter 4 (realisation of intangible fixed assets), two debits are to be brought into account under that provision instead—
- (a) a debit determined in accordance with subsection (4), and
 - (b) a debit determined in accordance with subsection (5), which is to be treated for the purposes of Chapter 6 as a non-trading debit (“the non-trading debit”).

- (4) The amount of the debit determined in accordance with this subsection is—

$$D \times AM$$

where—

D is the amount of the debit that would be brought into account under Chapter 4 disregarding this section (and, accordingly, for the purposes of any calculation of the tax written-down value of the relevant asset needed to determine D, this section’s effect in relation to any debits previously brought into account is to be disregarded), and

AM is the appropriate multiplier (see subsection (6)).

- (5) The amount of the non-trading debit is—

$$D - TD$$

where—

D is the amount of the debit that would be brought into account under Chapter 4 disregarding this section (but, for the purposes of any calculation of the tax written-down value of the relevant asset needed to determine D, this section’s effect in relation to any debits previously brought into account is not to be disregarded), and

TD is the amount of the debit determined in accordance with subsection (4).

- (6) The appropriate multiplier is the lesser of 1 and—

$$\frac{RAVTPA}{CEA}$$

where—

RAVTPA is the relevant accounting value of third party acquisitions (see subsections (7) to (9)), and

CEA is the expenditure incurred by C for, or in connection with, the acquisition of the relevant asset that is—

- (a) capitalised by C for accounting purposes, or
- (b) recognised in determining C’s profit or loss without being capitalised for accounting purposes,

subject to any adjustments under this Part or Part 4 of TIOPA 2010.

- (7) In a case in which this section applies by virtue of subsection (4) of section 849B, the relevant accounting value of third party acquisitions is the notional accounting value of the goodwill mentioned in paragraph (a) of that subsection (“the previously acquired goodwill”).

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- (8) In a case in which this section applies by virtue of subsection (5) of section 849B, the relevant accounting value of third party acquisitions is the notional accounting value of the relevant asset.
- (9) The “notional accounting value” of the previously acquired goodwill, or of the relevant asset, is what its accounting value would have been in GAAP-compliant accounts drawn up by the transferor—
 - (a) immediately before the relevant asset was acquired by C, and
 - (b) on the basis that the relevant business or part was a going concern.

849D Restrictions in a case within section 849B(6)

- (1) This section contains restrictions relating to certain debits in respect of a relevant asset in a case within section 849B(6) (and in this section terms defined in section 849B have the same meaning as they have in that section).
- (2) No debits are to be brought into account by C for tax purposes, in respect of the relevant asset, under Chapter 3 (debts in respect of intangible fixed assets).
- (3) Any debit brought into account by C for tax purposes, in respect of the relevant asset, under Chapter 4 (realisation of intangible fixed assets) is treated for the purposes of Chapter 6 as a non-trading debit.”
- (5) The amendments made by this section—
 - (a) have effect in relation to accounting periods beginning on or after 3 December 2014, and
 - (b) apply in relation to a relevant asset acquired by C on or after that date, unless C acquires the asset in pursuance of an obligation, under a contract, that was unconditional before that date.
- (6) If the relevant asset is acquired by C—
 - (a) before 24 March 2015, or
 - (b) in pursuance of an obligation, under a contract, that was unconditional before that date,
 section 849B of CTA 2009 has effect as if in subsection (1)(a) of that section “directly or indirectly” were omitted.
- (7) For the purposes of subsection (5)(a), an accounting period beginning before, and ending on or after, 3 December 2014 is to be treated as if so much of the period as falls before that date, and so much of the period as falls on or after that date, were separate accounting periods.
- (8) For the purposes of subsections (5)(b) and (6)(b), an obligation is “unconditional” if it may not be varied or extinguished by the exercise of a right (whether under the contract or otherwise).

27 Amount of relief for expenditure on research and development

- (1) CTA 2009 is amended as follows.
- (2) In Chapter 6A of Part 3 (trade profits: R&D expenditure credits), in section 104M (amount of R&D expenditure credit), in subsection (3), for “10%” substitute “11%”.
- (3) In Chapter 2 of Part 13 (relief for SMEs: cost of R&D incurred by SME)—

- (a) in section 1044 (additional deduction in calculating profits of trade), in subsection (8), for “125%” substitute “130%”,
 - (b) in section 1045 (alternative treatment for pre-trading expenditure: deemed trading loss), in subsection (7), for “225%” substitute “230%”, and
 - (c) in section 1055 (tax credit: meaning of “Chapter 2 surrenderable loss”), in subsection (2)(b), for “225%” substitute “230%”.
- (4) In consequence of subsection (3), in Schedule 3 to FA 2012, omit paragraph 2(2) to (4).
- (5) The amendments made by this section have effect in relation to expenditure incurred on or after 1 April 2015.

28 Expenditure on research and development: consumable items

- (1) CTA 2009 is amended as follows.
- (2) In Part 13 (additional relief for expenditure on research and development), in section 1126 (software or consumable items: attributable expenditure), after subsection (6) insert—
- “(7) This section is subject to sections 1126A and 1126B.”
- (3) After section 1126 insert—

“1126A Attributable expenditure: special rules

- (1) Expenditure on consumable items is not to be treated as attributable to relevant research and development if—
- (a) the relevant research and development relates to an item that is produced in the course of the research and development,
 - (b) the consumable items form part of the item produced,
 - (c) the item produced is transferred by a relevant person for consideration in money or money’s worth, and
 - (d) the transfer is made in the ordinary course of the relevant person’s business.
- (2) Expenditure on consumable items is not to be treated as attributable to relevant research and development if—
- (a) the relevant research and development relates to a process of producing an item,
 - (b) the consumable items form part of an item produced in the course of that research and development,
 - (c) the item produced is transferred by a relevant person for consideration in money or money’s worth, and
 - (d) the transfer is made in the ordinary course of the relevant person’s business.
- (3) If—
- (a) the item produced as described in subsection (1) or (2) may be divided, and
 - (b) only a proportion (“the appropriate proportion”) of that item is transferred by a relevant person as described in subsection (1)(c) and (d) or (2)(c) and (d),

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the appropriate proportion of the expenditure on the consumable items is not to be treated as attributable to the relevant research and development.

(4) If—

- (a) a number of items are produced in the course of the relevant research and development described in subsection (2), and
- (b) only a proportion (“the appropriate proportion”) of those items is transferred by a relevant person as described in subsection (2)(c) and (d),

the appropriate proportion of the expenditure on the consumable items is not to be treated as attributable to the relevant research and development.

(5) A reference in this section to producing an item includes a reference to preparing an item for transfer.

(6) For the purposes of this section a consumable item forms part of an item produced if—

- (a) it is incorporated into the item produced, or
- (b) it is turned into, or it and other materials are turned into, the item produced or a part of the item produced.

(7) A reference in this section to the transfer of an item is a reference to—

- (a) the transfer of ownership of an item to another person (whether by sale or otherwise), or
- (b) the transfer of possession of an item to another person (whether by letting on hire or otherwise),

and a reference to the transfer of an item includes, where the item is incorporated into another item, the transfer of that other item.

(8) For the purposes of this section the provision of information obtained in testing an item is not to be regarded as consideration for the transfer of that item.

(9) For the purposes of this section a transfer of an item produced in the course of research and development is not to be regarded as a transfer in the ordinary course of business if the item being transferred is waste.

(10) In this section—

“item” includes any substance;

“relevant person”, in relation to relevant research and development, means—

- (a) the company that incurs the cost of the research and development, whether it is undertaken by itself or contracted out,
- (b) the company to which the research and development is contracted out, whether it is undertaken by itself or contracted out,
- (c) the person (other than a company) who contracts out the research and development to a company and incurs the cost of the research and development,
- (d) the person (other than a company) to whom the research and development is contracted out, or

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- (e) a person who is connected to a company or person described in paragraph (a), (b), (c) or (d).

1126B Attributable expenditure: further provision

- (1) The Treasury may by regulations make provision for the purpose of identifying when expenditure on consumable items is attributable to relevant research and development, including provision modifying the effect of section 1126 or 1126A.
- (2) Regulations under this section may include provision about—
- (a) the circumstances in which expenditure on consumable items employed directly in relevant research and development is, or is not, to be treated as attributable to that relevant research and development;
 - (b) the circumstances in which consumable items are, or are not, to be treated as employed directly in relevant research and development.
- (3) Regulations under this section may—
- (a) make different provision for different purposes;
 - (b) make incidental, consequential, supplementary or transitional provision or savings.
- (4) Regulations under this section may amend—
- (a) section 1126;
 - (b) section 1126A;
 - (c) any other provision of this Act, if that is appropriate in consequence of provision made under paragraph (a) or (b).
- (5) Regulations under this section may make provision that has effect in relation to expenditure incurred before the making of the regulations, provided that it does not increase any person's liability to tax.”
- (4) In each of the following, after “1126” insert “to 1126B”—
- (a) section 104D(5);
 - (b) section 104E(5);
 - (c) section 104G(6);
 - (d) section 104H(7);
 - (e) section 104J(6);
 - (f) section 104K(7);
 - (g) section 1052(7);
 - (h) section 1053(6);
 - (i) section 1066(5);
 - (j) section 1067(5);
 - (k) section 1071(7);
 - (l) section 1072(8);
 - (m) section 1077(6);
 - (n) section 1078(7);
 - (o) section 1101(7);
 - (p) section 1102(6).
- (5) In section 104Y(2), for “and 1126” substitute “to 1126B”.

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- (6) In section 1310(4) (orders and regulations subject to affirmative procedure), after paragraph (za) insert—
- “(zb) section 1126B (provision about when expenditure on consumable items is attributable to relevant research and development).”
- (7) The amendments made by this section have effect in relation to expenditure incurred on or after 1 April 2015.

29 Film tax relief

- (1) Part 15 of CTA 2009 (film production) is amended as follows.
- (2) In section 1184 (definitions of terms including “limited-budget film”)—
- (a) omit subsections (2) and (3), and
- (b) in the heading for that section omit “and “limited-budget film””.
- (3) For section 1200(3) (film tax relief: amount of additional deduction: rate of enhancement) substitute—
- “(3) The rate of enhancement is 100%.”
- (4) In section 1202 (surrendering of loss and amount of film tax credit)—
- (a) in subsection (2) for “R is the payable credit rate (see subsection (3))” substitute “R is 25%”, and
- (b) omit subsection (3).
- (5) Omit section 1215 (film tax relief on basis that film is limited-budget film).
- (6) In Schedule 4 (index of defined expressions) omit the entry for “limited-budget film”.
- (7) In consequence of subsection (4), in section 32 of FA 2014—
- (a) omit subsection (3),
- (b) in subsection (4) for “amendments made by subsections (2) and (3) have” substitute “amendment made by subsection (2) has”,
- (c) omit subsection (5), and
- (d) in subsection (7) for “sections 1198(1) and 1202(2) and (3)” substitute “section 1198(1)”.
- (8) The amendments made by this section have effect in relation to films the principal photography of which is not completed before such day as the Treasury may specify by regulations.
- (9) The specified day may be before the day on which the regulations are made, but may not be before 1 April 2015.
- (10) Section 1171(4) of CTA 2010 (orders and regulations subject to negative resolution procedure) does not apply in relation to any regulations made under subsection (8).

30 Reliefs for makers of children’s television programmes

- (1) Part 15A of CTA 2009 (television production reliefs) is amended as follows.

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

- (2) In section 1216AB(2) (programmes that are not animation can be relevant programmes only if conditions C and D are met in addition to conditions A and B) for “not animation” substitute “neither animation nor a children’s programme”.
- (3) In section 1216AB(3) (condition A: types of programme that can be relevant programmes)—
 - (a) omit the “or” after paragraph (b), and
 - (b) after paragraph (c) insert “, or
 - (d) a children’s programme.”
- (4) In section 1216AC (types of programme: definitions) after subsection (2) insert—

“(2A) A programme is a children’s programme if, when television production activities begin, it is reasonable to expect that the persons who will make up the programme’s primary audience will be under the age of 15.”
- (5) In section 1216AD(1) (meaning of “excluded programme”) after “For the purposes of this Part” insert “, but subject to section 1216ADA,”.
- (6) After section 1216AD insert—

“1216ADA Certain children’s programmes not to be excluded programmes

- (1) A children’s programme is not an excluded programme for the purposes of this Part if—
 - (a) the programme falls within—
 - (i) sub-head 3A set out in subsection (2), or
 - (ii) Head 4 set out in section 1216AD(5), and
 - (b) the prize total (see subsection (3)) does not exceed £1,000.
- (2) Sub-head 3A is any quiz show or game show.
- (3) “The prize total” for a programme is the total of—
 - (a) the amount of each relevant prize that is a money prize, and
 - (b) the amount spent on each other relevant prize by, or on behalf of, its provider,and here “relevant prize” means a prize offered in connection with participation in a quiz, game, competition or contest in, or promoted by, the programme.
- (4) The Treasury may by regulations amend subsection (1)(b) for the purpose of increasing the amount of the money limit for the time being specified in subsection (1)(b).”
- (7) The amendments made by this section have effect in relation to accounting periods beginning on or after 1 April 2015.
- (8) Subsections (9) and (10) apply where—
 - (a) a company has an accounting period beginning before, and ending on or after, 1 April 2015 (“the straddling period”),

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- (b) in the part of the straddling period beginning with 1 April 2015 and ending with the end of the straddling period, the company carries on activities in relation to a television programme that—
 - (i) is within the definition of “children’s programme” given by the new section 1216AC(2A), but
 - (ii) is not a relevant programme for the purposes of Part 15A of CTA 2009, and
 - (c) if that part of the straddling period were a separate accounting period, in that separate accounting period—
 - (i) the programme would be a relevant programme for the purposes of Part 15A of CTA 2009,
 - (ii) the company would for those purposes be the television production company in relation to the programme, and
 - (iii) the conditions for television tax relief (see section 1216C(2) of CTA 2009) would be met in relation to the programme.
- (9) For the purposes of calculating for corporation tax purposes the company’s profits or losses for the straddling period of its activities in relation to the programme—
- (a) so much of the straddling period as falls before 1 April 2015, and
 - (b) so much of that period as falls on or after that date,
- are to be treated as separate accounting periods.
- (10) Any amounts brought into account for the purposes of calculating for corporation tax purposes the company’s profits or losses for the straddling period of its activities in relation to the programme are to be apportioned to the two separate accounting periods on such basis as is just and reasonable.

31 Television tax relief

- (1) In section 1216CE(1) of CTA 2009 (television tax relief: UK expenditure condition) for “25%” substitute “10%”.
- (2) The amendment made by subsection (1) has effect in relation to relevant programmes the principal photography of which is not completed before 1 April 2015.

32 Restrictions applying to certain deductions made by banking companies

Schedule 2 contains provision restricting the amount of deductions which banking companies may make in respect of certain losses carried forward from previous accounting periods.

33 Tax avoidance involving carried-forward losses

Schedule 3 contains provision restricting the circumstances in which companies may make a deduction in respect of certain losses carried forward from previous accounting periods.