



# Finance Act 2019

## 2019 CHAPTER 1

### PART 1

#### DIRECT TAXES

##### *Charge to tax*

**1 Income tax charge for tax year 2019-20**

Income tax is charged for the tax year 2019-20.

**2 Corporation tax charge for financial year 2020**

Corporation tax is charged for the financial year 2020.

##### *Income tax rates, allowances and limits*

**3 Main rates of income tax for tax year 2019-20**

For the tax year 2019-20 the main rates of income tax are as follows—

- (a) the basic rate is 20%;
- (b) the higher rate is 40%;
- (c) the additional rate is 45%.

**4 Default and savings rates of income tax for tax year 2019-20**

(1) For the tax year 2019-20 the default rates of income tax are as follows—

- (a) the default basic rate is 20%;
- (b) the default higher rate is 40%;
- (c) the default additional rate is 45%.

(2) For the tax year 2019-20 the savings rates of income tax are as follows—

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- (a) the savings basic rate is 20%;
- (b) the savings higher rate is 40%;
- (c) the savings additional rate is 45%.

## **5 Basic rate limit and personal allowance**

- (1) For the tax years 2019-20 and 2020-21, the amount specified in section 10(5) of ITA 2007 (basic rate limit) is “£37,500”.
- (2) For the tax years 2019-20 and 2020-21, the amount specified in section 35(1) of ITA 2007 (personal allowance) is “£12,500”.
- (3) In consequence of the amendment made by subsection (2), omit section 4 of F(No.2)A 2015 (which has effect only if the personal allowance is less than £12,500).
- (4) Omit the following (which relate to the link between the personal allowance and the national minimum wage)—
  - (a) sections 57(8), 57A and 1014(5)(b)(iia) of ITA 2007, and
  - (b) section 3 of F(No.2)A 2015.
- (5) In consequence of the provision made by this section—
  - (a) section 21 of ITA 2007 (indexation of basic rate limit and starting rate limit for savings) does not apply in relation to the basic rate limit, and
  - (b) section 57 of ITA 2007 (indexation of allowances) does not apply in relation to the amount specified in section 35(1) of that Act, for the tax years 2019-20 and 2020-21.

## **6 Starting rate limit for savings for tax year 2019-20**

Section 21 of ITA 2007 (indexation) does not apply in relation to the starting rate limit for savings for the tax year 2019-20 (so that the starting rate limit for savings remains at £5,000 for that tax year).

### *Employment and social security income*

## **7 Optional remuneration arrangements: arrangements for cars and vans**

- (1) ITEPA 2003 is amended as follows.
- (2) In section 120A (optional remuneration arrangements: benefit of a car)—
  - (a) in subsection (3)(b), for the words from “the amount” to “year is” substitute “the total foregone amount in connection with the car for the tax year is”, and
  - (b) after subsection (3) insert—
    - “(4) In this section, and in section 121A, the total foregone amount in connection with the car for a tax year is the total of—
      - (a) the amount foregone (see section 69B) with respect to the benefit of the car for that year, and
      - (b) the amount foregone (see section 69B) with respect to each other benefit that—
        - (i) is connected with the car,

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- (ii) is provided in that year for the employee, or a member of the employee's household, pursuant to optional remuneration arrangements, and
- (iii) is neither the provision of a driver nor the provision of fuel.”
- (3) In section 121A (optional remuneration arrangements: method of calculating relevant amount)—
- (a) in subsection (1), for step 1 substitute— “ *Step 1* Take the total foregone amount in connection with the car for the tax year (see section 120A(4)). ”, and
- (b) in subsection (2)—
- (i) for “ “amount foregone” under” substitute “ “total foregone amount” for the purposes of ”, and
- (ii) for “the benefit of the car” substitute “ a benefit mentioned in section 120A(4)(a) or (b) ”.
- (4) In section 132A (capital contributions by employee: optional remuneration arrangements)—
- (a) for subsection (3) substitute—
- “(3) The amount of the deduction allowed in any tax year is found by—
- (a) first multiplying the capped amount by the appropriate percentage, and
- (b) then multiplying the result by the availability factor.”, and
- (b) after subsection (4) insert—
- “(4A) For the purposes of subsection (3), “the availability factor” is given by the formula—
- $$\frac{Y - U}{Y}$$
- where—
- Y is the number of days in the tax year, and
- U is the number of days in the tax year on which the car is unavailable.
- (4B) For the purposes of subsection (4A), the car is unavailable on any day if the day—
- (a) falls before the first day on which the car is available to the employee,
- (b) falls after the last day on which the car is available to the employee, or
- (c) falls within a period of 30 days or more throughout which the car is not available to the employee.”
- (5) In section 154A (optional remuneration arrangements: benefit of a van)—
- (a) in subsection (2)(b), for the words from “the amount” to “section 69B)” substitute “ the total foregone amount in connection with the van ”,

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- (b) in subsection (3), for step 1 substitute— “ *Step 1* Take the total foregone amount in connection with the van for the tax year. ”,
- (c) in subsection (7), for “the benefit of the van” substitute “ a benefit mentioned in subsection (8)(a) or (b) ”, and
- (d) after subsection (7) insert—

“(8) In this section the total foregone amount in connection with the van for a tax year is the total of—

- (a) the amount foregone (see section 69B) with respect to the benefit of the van for that year, and
  - (b) the amount foregone (see section 69B) with respect to each other benefit that—
    - (i) is connected with the van,
    - (ii) is provided in that year for the employee, or a member of the employee's household, pursuant to optional remuneration arrangements, and
    - (iii) is neither the provision of a driver nor the provision of fuel.”
- (6) In section 239 (exemptions for payments and benefits relating to taxable cars, vans and exempt HGVs), in subsection (3)—
- (a) after “by virtue of” insert “ section 120A (optional remuneration arrangements: benefit of a car), ”, and
  - (b) before “or section 160” insert “ , section 154A (optional remuneration arrangements: benefit of a van) ”.
- (7) The amendments made by this section have effect for the tax year 2019-20 and subsequent tax years.

## **8 Exemption for benefit in form of vehicle-battery charging at workplace**

- (1) In Chapter 3 of Part 4 of ITEPA 2003 (employment income: travel-related exemptions), after section 237 insert—

### **“237A Vehicle-battery charging**

- (1) No liability to income tax arises in respect of the provision, at or near an employee's workplace, of facilities for charging a battery of a vehicle used by the employee (including a vehicle used by the employee as a passenger).
- (2) Subsection (1) applies only if the facilities are made available generally to the employer's employees at that workplace.
- (3) In this section—
  - “facilities”—
    - (a) includes electricity, but
    - (b) does not include workplace parking,
  - “taxable”, in relation to a car or van, has the meaning given by section 239(6),
  - “vehicle” means a vehicle—
    - (a) to which Chapter 2 applies (see section 235), and

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(b) which is neither a taxable car nor a taxable van, and  
“workplace parking” has the meaning given by section 237(3).”

(2) The amendment made by subsection (1) has effect for the tax year 2018-19 and subsequent tax years.

## **9 Exemptions relating to emergency vehicles**

(1) Section 248A of ITEPA 2003 (emergency vehicles) is amended in accordance with subsections (2) and (3).

(2) In subsection (1)—

- (a) in paragraph (a), for “for the person's private use” substitute “mainly for use for the person's business travel”;
- (b) in paragraph (b), omit “engaged in on-call”.

(3) In subsection (8)—

- (a) in the opening words, omit “engaged in on-call”;
- (b) in paragraph (a), for “it” substitute “the vehicle”;
- (c) omit paragraph (b) (and the “and” before it).

(4) In section 205 of ITEPA 2003 (cost of the benefit: asset made available without transfer), after subsection (4) insert—

“(5) Where the asset is an emergency vehicle, the expense of providing fuel for it in a tax year is not an additional expense by virtue of subsection (4) so long as—

- (a) the person incurring that expense incurs no expense in that tax year in the provision of fuel for the vehicle which is used for the employee's private travel (“private fuel expense”), or
- (b) all private fuel expense that the person does incur in that tax year is made good by the employee on or before 6 July following the tax year.

(6) For the purposes of this section—

“emergency vehicle” has the same meaning as in section 248A;  
“fuel” includes electrical energy;  
“private travel” means travelling the expenses of which, if incurred and paid by the employee, would not be deductible under Chapter 2 or 5 of Part 5.”

(5) The amendments made by subsections (1) to (4) have effect for the tax year 2017-18 and subsequent tax years.

(6) For the tax year 2017-18, the tax year 2018-19 and the tax year 2019-20, sections 205 and 205A of ITEPA 2003 (taxable benefits: assets made available without transfer) have effect, where the asset mentioned in section 205(1)(a) is an emergency vehicle, with the modifications in subsections (7) and (8).

(7) Section 205(1C) has effect as if—

- (a) in paragraph (a), at the beginning, there were inserted “the private use proportion of”;
- (b) after paragraph (b), and on a new line, there were inserted—

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“The private use proportion is the proportion (by miles) of travel by the employee by the emergency vehicle in the tax year that is private travel.”

- (8) Section 205A(2) has effect as if paragraphs (c) and (d) were omitted.
- (9) For the purposes of subsection (6), “emergency vehicle” has the same meaning as in section 248A of ITEPA 2003.

## **10 Exemption for expenses related to travel**

- (1) Section 289A of ITEPA 2003 (exemption for paid or reimbursed expenses) is amended as follows.

- (2) After subsection (2) insert—

“(2A) No liability to income tax arises in respect of an amount paid or reimbursed by a person (“the payer”) to an employee (whether or not an employee of the payer) for expenses in the course of qualifying travel if—

- (a) the amount has been calculated and paid or reimbursed in accordance with regulations made by the Commissioners for Her Majesty's Revenue and Customs,
- (b) the payment or reimbursement is not provided pursuant to relevant salary sacrifice arrangements, and
- (c) condition C is met.”

- (3) After subsection (4) insert—

“(4A) Condition C is that—

- (a) the payer or another person operates a system for checking that the employee has undertaken the qualifying travel in relation to which the amount is paid or reimbursed, and
- (b) neither the payer nor any other person operating the system knows or suspects, or could reasonably be expected to know or suspect, that the travel was not undertaken.”

- (4) In subsection (5)—

- (a) for ““Relevant” substitute “In this section “relevant”, and
- (b) before “in respect of” insert “ for or ”.

- (5) After subsection (5) insert—

“(5A) In this section “qualifying travel” means travel for which a deduction from the employee's earnings would be allowed under Chapter 2 or 5 of Part 5.”

- (6) In subsection (6), for “this section” substitute “ subsection (2) ”.

- (7) In subsection (7), after “subsection” insert “ (2A)(a) or ”.

- (8) After subsection (7) insert—

“(8) Regulations made under subsection (2A)(a) may contain provision about calculating amounts that is framed by reference to rates (for expenses) published from time to time by the Commissioners for Her Majesty's Revenue and Customs.”

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- (9) The amendments made by this section have effect for the tax year 2019-20 and subsequent tax years.
- (10) For the tax year 2019-20 and subsequent tax years, the Income Tax (Approved Expenses) Regulations 2015 (S.I. 2015/1948)—
- (a) have effect as if made under section 289A(2A)(a) of ITEPA 2003 (and may be revoked, or amended, accordingly), and
  - (b) have effect as if in regulation 2(1)—
    - (i) the reference to section 289A of ITEPA 2003 were to section 289A(2A)(a) of that Act,
    - (ii) for the words “in an approved way” there were substituted “in accordance with these regulations”, and
    - (iii) the words “purchased by the employee” were omitted.

## **11 Beneficiaries of tax-exempt employer-provided pension benefits**

- (1) In section 307(2) of ITEPA 2003 (“death or retirement benefit” is a benefit for employee or others on employee's retirement or death), for “or a member of the employee's family or household” substitute “, or paid or given in respect of the employee to any other individual or to a charity,”.
- (2) The amendment made by subsection (1) has effect for the tax year 2019-20 and subsequent tax years.

## **12 Tax treatment of social security income**

- (1) Part 10 of ITEPA 2003 (social security income) is amended as follows.
- (2) In Table A in section 660 (taxable UK benefits), at the appropriate place insert—

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“Carer's allowance supplement	SS(S)A 2018	Sections 24 and 28”.
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(3) In section 658 (amount charged to tax), in subsection (4), after “carer's allowance,” insert “ carer's allowance supplement,”.

(4) In section 661 (taxable social security income), in subsection (1), after “carer's allowance,” insert “ carer's allowance supplement,”.

(5) In Part 1 of Table B in section 677(1) (UK social security benefits wholly exempt from tax: benefits payable under primary legislation), insert each of the following at the appropriate place—

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“Best start grant	SS(S)A 2018	Sections 24 and 32”
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“Discretionary housing payment	SS(S)A 2018	Section 88”
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“Discretionary support award	DSR(NI) 2016	Regulation 2”
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“Funeral expense assistance	SS(S)A 2018	Sections 24 and 34”
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“Flexible support fund payment	ETA 1973	Section 2”
“Payment under a council tax reduction scheme: England	LGFA 1992	Section 13A(2)”
“Young carer grant	SS(S)A 2018	Sections 24 and 28”.
<p>(6) In the heading of Part 1 of Table B in section 677(1), after “Northern Ireland welfare supplementary payments” insert “ etc ”.</p> <p>(7) In Part 2 of Table B in section 677(1) (UK social security benefits wholly exempt from tax: benefits payable under regulations), insert each of the following at the appropriate place—</p>		
“Discretionary housing payment	CSPSSA 2000	Section 69”
“Payment under a council tax reduction scheme: Wales	LGFA 1992	Section 13A(4)”.
<p>(8) In Part 1 of Schedule 1 to ITEPA 2003 (abbreviations of Acts and instruments), insert each of the following at the appropriate place—</p>		
“LGFA 1992	Local Government Finance Act 1992”	
“CSPSSA 2000	Child Support, Pensions and Social Security Act 2000”	
“DSR(NI) 2016	Discretionary Support Regulations (Northern Ireland) 2016 (S.R. (N.I.) 2016 No. 270)”	
“SS(S)A 2018	Social Security (Scotland) Act 2018”.	

*Chargeable gains: interests in UK land etc*

**13 Disposals by non-UK residents etc**

- (1) Schedule 1 substitutes a new Part 1 of TCGA 1992 which—
- extends the cases in which gains accruing to persons not resident in the United Kingdom are chargeable to tax, and
  - abolishes the specific charge to tax on ATED-related chargeable gains.
- (2) Schedule 1 also—
- repeals other provisions contained in the previous version of Part 1 of TCGA 1992 or in Part 2 of that Act and restates their effect in rewritten form (whether in the new Part 1 or elsewhere),
  - makes provision in relation to collective investment vehicles that (directly or indirectly) hold interests in land in the United Kingdom, and



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- (c) makes provision connected with the matters mentioned in subsection (1) or this subsection.

#### **14 Disposals of UK land etc: payments on account of capital gains tax**

- (1) Schedule 2 makes provision for the purposes of capital gains tax requiring returns, and payments on account of that tax, to be made where there is—
  - (a) any direct or indirect disposal of UK land which meets the non-residence condition (whether or not a gain accrues), or
  - (b) any other direct disposal of UK land on which a residential property gain accrues.
- (2) Subsection (1) is to be read as if contained in Part 1 of that Schedule.

#### *International matters*

#### **15 Offshore receipts in respect of intangible property**

Schedule 3 contains provision about offshore receipts in respect of intangible property.

#### **16 Avoidance involving profit fragmentation arrangements**

Schedule 4 contains provision about profit fragmentation arrangements.

#### **17 Non-UK resident companies carrying on UK property businesses etc**

Schedule 5 contains provision for non-UK resident companies to be chargeable to corporation tax on—

- (a) profits of UK property businesses,
- (b) profits consisting of other UK property income, and
- (c) profits arising from certain loan relationships and derivative contracts.

#### **18 Diverted profits tax**

Schedule 6 contains provision about diverted profits tax.

#### **19 Hybrid and other mismatches: scope of Chapter 8 and “financial instrument”**

- (1) Part 6A of TIOPA 2010 (hybrid and other mismatches) is amended as follows.
- (2) In section 259HA (circumstances in which Chapter 8 applies)—
  - (a) for subsection (5) substitute—
    - “(5) Condition C is that—
      - (a) the payer is within the charge to corporation tax for the payment period, or
      - (b) the multinational company—
        - (i) is UK resident for the payment period, and
        - (ii) under the law of the parent jurisdiction, is regarded as carrying on a business in the PE jurisdiction through

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a permanent establishment in that territory but, under the law of the PE jurisdiction, is not regarded as doing so.”, and

(b) in subsection (9)(a), for “company” substitute “payee”.

(3) For section 259HC (counteraction of the multinational payee deduction/non-inclusion mismatch) substitute—

**“259HC Counteraction of the multinational payee deduction/non-inclusion mismatch**

For corporation tax purposes—

- (a) if paragraph (b) of Condition C in subsection (5) of section 259HA is met, an amount equal to the multinational payee deduction/non-inclusion mismatch mentioned in subsection (6) of that section is to be treated as income arising to the multinational company in the United Kingdom (and nowhere else) for the payment period, and
- (b) in any other case, the relevant deduction that may be deducted from the payer's income for that period is to be reduced by that amount.”

(4) In section 259N (meaning of “financial instrument”)—

- (a) in subsection (3), for paragraph (b) substitute—
  - “(b) anything of a description specified in regulations made by the Treasury.”, and
- (b) omit subsection (4).

(5) The amendments made by subsections (2)(a) and (3) have effect in relation to—

- (a) payments made on or after 1 January 2020, and
- (b) quasi-payments in relation to which the payment period begins on or after that date.

(6) For the purposes of subsection (5)(b), where a payment period begins before 1 January 2020 and ends after that date (“the straddling period”)—

- (a) so much of the straddling period as falls before that date, and so much of it as falls on or after that date, are to be treated as separate taxable periods, and
- (b) if it is necessary to apportion an amount for the straddling period to the two separate taxable periods, it is to be apportioned—
  - (i) on a time basis according to the respective length of the separate taxable periods, or
  - (ii) if that would produce a result that is unjust or unreasonable, on a just and reasonable basis.

(7) The amendment made by subsection (2)(b) is to be regarded as always having had effect.

(8) The first regulations under section 259N(3)(b) may have effect in relation to times before they come into force, but not times before 1 January 2019.

(9) Until those regulations come into force section 259N continues to have effect (other than for the purposes of making those regulations) as if—

- (a) the amendments made by subsection (4) had not been made, and
- (b) the Taxation of Regulatory Capital Securities Regulations 2013 (S.I. 2013/3209) had not been revoked by paragraph 1 of Schedule 20 to this Act.

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## **20 Controlled foreign companies: finance company exemption and control**

- (1) Part 9A of TIOPA 2010 (controlled foreign companies) is amended as follows.
- (2) In section 371IA (exemptions for profits from qualifying loan relationships), in subsection (4), for the words from “the profits” to the end substitute  
“so much of the profits of all its qualifying loan relationships taken together as are non-trading finance profits which—
  - (a) fall within section 371EC (capital investment from the UK), and
  - (b) do not fall within section 371EB (UK activities).”
- (3) In section 371RA (overview of Chapter 18), in subsection (2), for “Section 371RC sets” substitute “ Sections 371RC and 371RG set ”.
- (4) After section 371RF insert—

### **“371RG Companies in which a UK resident company has more than a 50% investment**

- (1) If a UK resident company (whether alone or together with any associated enterprises) directly or indirectly has more than a 50% investment in a non-UK resident company, the non-UK resident company is to be taken to be a CFC (if it would not otherwise be).
- (2) A person (“P”) is an “associated enterprise” in relation to a UK resident company if—
  - (a) P directly or indirectly has a 25% investment in the company (or vice versa), or
  - (b) another person directly or indirectly has a 25% investment in each of P and the company.
- (3) Section 259ND (meaning of “50% investment” and “25% investment”) applies for the purposes of determining for the purposes of this section—
  - (a) whether a person has “more than a 50% investment” in another person, and
  - (b) whether a person has a “25% investment” in another person, and, accordingly, references in section 259ND to “X%” are to be read as references to more than 50% or to 25% (as appropriate) and references in that section to “X% or more” are to be read as references to more than 50% or to 25% or more (as appropriate).”
- (5) The amendments made by this section have effect in relation to accounting periods of CFCs beginning on or after 1 January 2019.
- (6) For the purposes of subsection (5), if a CFC has an accounting period beginning before, and ending on or after, that date (“the straddling period”)—
  - (a) so much of the straddling period as falls before that date, and so much of it as falls on or after that date, are treated as separate accounting periods, and
  - (b) if it is necessary to apportion an amount for the straddling period to the two separate periods, it is to be apportioned—
    - (i) on a time basis according to the respective length of the separate periods, or

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(ii) if that would produce a result that is unjust or unreasonable, on a just and reasonable basis.

(7) In this section “CFC” has the same meaning as in Part 9A of TIOPA 2010.

## **21 Permanent establishments: preparatory or auxiliary activities**

(1) Section 1143 of CTA 2010 (permanent establishments: preparatory or auxiliary activities) is amended as follows.

(2) In subsection (2), at the end insert “ and are not part of a fragmented business operation ”.

(3) After subsection (2) insert—

“(2A) Activities are “part of a fragmented business operation” if—

- (a) they are carried on (whether at the same place or at different places in the same territory) by the company or a person closely related to the company,
- (b) they constitute complementary functions that are part of a cohesive business operation, and
- (c) subsection (2B) applies.

(2B) This subsection applies if—

- (a) the overall activity resulting from the combination of the functions mentioned in subsection (2A)(b) is not activity that is only of a preparatory or auxiliary character, or
- (b) the company or a person closely related to the company has a permanent establishment in the territory by reason of carrying on any of those functions.

(2C) A person who is not a company is to be treated for the purposes of subsection (2B)(b) as having a permanent establishment in a territory if, were the person a company, the person would have a permanent establishment in the territory.

(2D) For the purposes of this section, one person (“A”) is closely related to another person (“B”) if—

- (a) A is able to secure that B acts in accordance with A's wishes (or vice versa),
- (b) B can reasonably be expected to act, or typically acts, in accordance with A's wishes (or vice versa),
- (c) a third person is able to secure that A and B act in accordance with the third person's wishes,
- (d) A and B can reasonably be expected to act, or typically act, in accordance with a third person's wishes, or
- (e) the 50% investment condition is met in relation to A and B.

(2E) The 50% investment condition is met in relation to A and B if—

- (a) A has a 50% investment in B (or vice versa), or
- (b) a third person has a 50% investment in each of A and B,

and section 259ND of TIOPA 2010 (meaning of “50% investment”) applies for the purposes of determining whether a person has a “50% investment”.

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- (4) In subsection (3), for “For this purpose” substitute “ In this section ”.
- (5) The amendments made by this section have effect in relation to accounting periods beginning on or after 1 January 2019.
- (6) For the purposes of subsection (5), if a company has an accounting period beginning before, and ending on or after, that date (“the straddling period”)—
  - (a) so much of the straddling period as falls before that date, and so much of it as falls on or after that date, are treated as separate accounting periods, and
  - (b) if it is necessary to apportion an amount for the straddling period to the two separate periods, it is to be apportioned—
    - (i) on a time basis according to the respective length of the separate periods, or
    - (ii) if that would produce a result that is unjust or unreasonable, on a just and reasonable basis.

## **22 Payment of CGT exit charges**

Schedule 7 contains provision about CGT exit charge payment plans.

## **23 Corporation tax exit charges**

Schedule 8—

- (a) amends provisions concerning CT exit charge payment plans,
- (b) repeals certain provisions that enable the postponement of exit charges, and
- (c) contains amendments concerning the treatment of assets that are the subject of EU exit charges.

## **24 Group relief etc: meaning of “UK related” company**

- (1) In section 134 of CTA 2010 (group relief: meaning of “UK related” company) in paragraph (b) for the words from “carrying on” to the end substitute “ within the charge to corporation tax ”.
- (2) In section 188CJ of CTA 2010 (group relief for carried-forward losses: meaning of “UK related” company) in paragraph (b) for the words from “carrying on” to the end substitute “ within the charge to corporation tax ”.
- (3) The amendments made by this section have effect for the purpose of determining whether a company is a UK related company at any time on or after 5 July 2016.
- (4) In its application in relation to a claim for group relief or group relief for carried-forward losses made in reliance on this section, paragraph 74 of Schedule 18 to FA 1998 (time limit for claims) has effect as if the list of dates in sub-paragraph (1) of that paragraph included 31 December 2019.

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*Corporation tax: miscellaneous*

**25 Intangible fixed assets: restrictions on goodwill and certain other assets**

Schedule 9 contains provision about the debits to be brought into account for corporation tax purposes in respect of goodwill and certain other assets.

**26 Intangible fixed assets: exceptions to degrouping charges etc**

- (1) Part 8 of CTA 2009 (intangible fixed assets) is amended as follows.
- (2) In section 780 (deemed realisation etc on company leaving group) in subsection (5) (exceptions) after paragraph (a) insert—
  - “(aa) section 782A (company leaving group because of relevant share disposal),”.
- (3) After section 782 insert—

**“782A Company leaving group because of relevant share disposal**

- (1) Section 780 does not apply if a company ceases to be a member of a group because of a relevant disposal of shares by another company.
- (2) A disposal of shares by a company is “relevant” if—
  - (a) the company would not be chargeable to corporation tax in respect of any gain accruing on the disposal by reason of the exemption conferred by paragraph 1 of Schedule 7AC to TCGA 1992 (assuming the company was within the charge to corporation tax), and
  - (b) the disposal is not part of an arrangement under which the recipient of the shares is to dispose of any of them to another person.
- (3) For the purposes of subsection (2)(a) ignore paragraph 6 of Schedule 7AC to TCGA 1992 (cases in which exemptions do not apply).”
- (4) In section 785 (principal company becoming member of another group)—
  - (a) in subsection (2)(b) for the words from “both” to “effective 51%” substitute “a relevant”, and
  - (b) after subsection (2) insert—
    - “(2A) For the purposes of subsection (2)(b) the transferee is a “relevant subsidiary” of a member of the second group (“A”) if, but for sections 767 to 770, the transferee would be a member of another group of which A would be the principal company.
    - (2B) Subsection (2) does not apply if the transferee ceases to meet the qualifying condition by reason of a relevant disposal of shares by another company (within the meaning given by section 782A(2)).”
- (5) The amendments made by this section have effect in relation to a company that ceases to be a member of a group or ceases to meet the condition in section 785(2)(b) of CTA 2009 (as amended by subsection (4)) on or after 7 November 2018.
- (6) In its application in relation to a company that ceases to be a member of a group or ceases to meet the condition in section 785(2)(b) of CTA 2009 before 21 December

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2018, section 782A of CTA 2009 has effect as if subsection (3) of that section was omitted.

## **27 Corporation tax relief for carried-forward losses**

Schedule 10 makes provision about corporation tax relief for losses and other amounts that are carried forward.

## **28 Corporate interest restriction**

Schedule 11 contains provision amending Part 10 of TIOPA 2010 (corporate interest restriction).

## **29 Debtor relationships of company where money lent to connected companies**

Schedule 12 makes provision for preventing a mismatch for corporation tax purposes in a case where—

- (a) a company has a debtor relationship which is dealt with in its accounts on the basis of fair value accounting, and
- (b) the money it receives under that relationship is wholly or mainly used to lend money to companies that are connected with it (and, accordingly, those creditor relationships are required to be dealt with for corporation tax purposes on an amortised cost basis of accounting).

### *Capital allowances*

## **30 Construction expenditure on buildings and structures**

- (1) The Treasury may by regulations amend CAA 2001 so as to provide for allowances under that Act to be available where—
  - (a) expenditure has been incurred, on or after 29 October 2018, on the construction of a building,
  - (b) the building is in qualifying use, and
  - (c) the expenditure incurred on the construction of the building, or other expenditure, is qualifying expenditure.
- (2) Regulations under this section (“the regulations”) must—
  - (a) specify what is qualifying use;
  - (b) specify what is qualifying expenditure;
  - (c) provide for a writing-down allowance to be available at an annual rate of 2% of the qualifying expenditure;
  - (d) specify the persons to whom allowances may be made;
  - (e) make provision about how effect is to be given to allowances.
- (3) The regulations must secure that—
  - (a) allowances are not available for expenditure on the acquisition of land or rights in or over land;
  - (b) qualifying use is restricted to use for prescribed business purposes.
- (4) The regulations may provide for allowances not to be available or to be restricted—

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- (a) in the case of a building that is wholly or partly used as a dwelling-house or for purposes that are ancillary to the purposes of a dwelling-house;
  - (b) in respect of a building that is used wholly or partly for holiday or overnight accommodation of a prescribed kind;
  - (c) in respect of a building that is only partly in qualifying use or in respect of periods when a building is not in qualifying use;
  - (d) in prescribed cases or circumstances.
- (5) The regulations may provide that if a person incurs expenditure for the purposes of a qualifying activity before (but not more than 7 years before) the date on which the person starts to carry on that activity, the expenditure is to be treated as if it were incurred by the person on that date.
- (6) The regulations may provide that if—
- (a) allowances have been available to a person (A) in respect of expenditure on the construction of a building, and
  - (b) A sells A's interest in the building to another person (B),
- allowances are available to B in respect of the residue of the qualifying expenditure.
- (7) The regulations may make provision about leases, including provision for the grant of a lease to be treated in prescribed circumstances in the same way as the sale of the grantor's interest.
- (8) The regulations may make—
- (a) provision under which expenditure is apportioned;
  - (b) provision for balancing adjustments (and about how effect is to be given to them);
  - (c) provision for qualifying expenditure to be written off;
  - (d) special provision about highway undertakings;
  - (e) provision about additional VAT liability and additional VAT rebate (within the meaning given by section 547 of CAA 2001);
  - (f) anti-avoidance provision;
  - (g) supplementary or incidental provision;
  - (h) consequential provision (including provision amending enactments other than CAA 2001).
- (9) The regulations may make transitional provision, including provision under which expenditure incurred on or after 29 October 2018 is treated as incurred before that date—
- (a) where the expenditure is associated or connected with expenditure incurred before that date,
  - (b) where the expenditure relates to a contract entered into before that date, or
  - (c) in other prescribed cases.
- (10) Subsections (2) to (9) are not to be read as limiting subsection (1).
- (11) A statutory instrument containing the regulations may not be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.
- (12) A reference in this section to expenditure on the construction of a building includes a reference to capital expenditure—



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- (a) on repairs to the building, or
- (b) on the renovation or conversion of the building.

(13) In this section—

- “building” includes structure;
- “dwelling-house” has the meaning given by the regulations;
- “prescribed” means prescribed by the regulations.

### **31 Special rate expenditure on plant and machinery**

- (1) Part 2 of CAA 2001 (plant and machinery allowances) is amended as follows.
- (2) In section 104D(1) (writing-down allowances in respect of special rate expenditure) for “8%” substitute “6%”.
- (3) Accordingly, in—
  - (a) section 56(2)(a),
  - (b) the heading of section 104D, and
  - (c) section 104E(1)(a),for “8%” substitute “6%”.
- (4) The amendments made by subsections (2) and (3) have effect in relation to chargeable periods beginning on or after the relevant day.
- (5) In relation to a chargeable period that begins before and ends on or after the relevant day, section 104D(1) of CAA 2001 has effect as if the reference to 8% was a reference to X%.
- (6) For the purposes of subsection (5), X is—

$$\left( 8 \times \frac{\text{BRD}}{\text{CP}} \right) + \left( 6 \times \frac{\text{ARD}}{\text{CP}} \right)$$

where—

BRD is the number of days in the chargeable period before the relevant day,

ARD is the number of days in the chargeable period on or after the relevant day, and

CP is the number of days in the chargeable period.

- (7) Where X would be a figure with more than 2 decimal places it is to be rounded up to the nearest second decimal place.
- (8) In this section “the relevant day” is—
  - (a) for corporation tax purposes, 1 April 2019, and
  - (b) for income tax purposes, 6 April 2019.

### **32 Temporary increase in annual investment allowance**

- [<sup>F1</sup>(1) In relation to expenditure incurred during [<sup>F2</sup>the period beginning with 1 January 2019 and ending with 31 March 2023], section 51A of CAA 2001 (entitlement to annual

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investment allowance) has effect as if in subsection (5) the amount specified as the maximum allowance were £1,000,000.

- (2) Schedule 13 contains provision about chargeable periods which straddle 1 January 2019 or [F3 1 April 2023].]

#### Textual Amendments

- F1** S. 32 ceases to have effect (in relation to chargeable periods beginning before 1.4.2023 and ending on or after that date) by virtue of [Finance \(No. 2\) Act 2023 \(c. 30\), s. 8\(2\)\(b\)\(3\)\(b\)](#)
- F2** Words in s. 32(1) substituted (24.2.2022) by [Finance Act 2022 \(c. 3\), s. 12\(1\)](#)
- F3** Words in s. 32(2) substituted (24.2.2022) by [Finance Act 2022 \(c. 3\), s. 12\(2\)\(a\)](#)

### 33 First-year allowances and first-year tax credits

- (1) In Part 2 of CAA 2001 (plant and machinery allowances), the following provisions are repealed—

- (a) sections 45A to 45C (energy-saving plant or machinery),
- (b) sections 45H to 45J (environmentally beneficial plant or machinery), and
- (c) section 262A and Schedule A1 (first-year tax credits).

- (2) In consequence of subsection (1)—

- (a) in TMA 1970, in the second column of the Table in section 98, in the entry relating to requirements imposed by provisions of CAA 2001, omit “45B(5) and (6),” and “, 45I(5) and (6),”
- (b) in CAA 2001—
  - (i) in section 2(3), for “262A” substitute “ 262 ”,
  - (ii) in section 3—
    - (a) in subsection (1), omit “, and no first-year tax credit is to be paid under Schedule A1,” and
    - (b) omit subsection (2B),
  - (iii) in the list in section 39, omit—
    - (a) the entry relating to section 45A, and
    - (b) the entry relating to section 45H,
  - (iv) in section 46—
    - (a) in the list in subsection (1), omit the entry relating to section 45A and the entry relating to section 45H, and
    - (b) omit subsections (5) and (6), and
  - (v) in the table in section 52(3), omit—
    - (a) the entry relating to expenditure qualifying under section 45A, and
    - (b) the entry relating to expenditure qualifying under section 45H, and
- (c) the following provisions are repealed—
  - (i) in FA 2001, section 65 and Schedule 17,
  - (ii) in FA 2003, paragraphs 2(c), 3, 4(1)(c) and (2) and 5 to 7 of Schedule 30,
  - (iii) in FA 2006, paragraph 11 of Schedule 9,
  - (iv) in FA 2008, section 79 and Schedule 25,

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- (v) in CTA 2009, paragraph 521 of Schedule 1,
  - (vi) in CTA 2010, paragraph 364 of Schedule 1,
  - (vii) in FA 2011, paragraph 12(16) of Schedule 14,
  - (viii) in the Welfare Reform Act 2012—
    - (a) paragraph 14 of Schedule 3, and
    - (b) in the table in Part 1 of Schedule 14, the entry relating to CAA 2001,
  - (ix) in FA 2012—
    - (a) section 45(2) and (3), and
    - (b) paragraph 106 of Schedule 16,
  - (x) in FA 2013—
    - (a) section 67,
    - (b) section 68(2), and
    - (c) paragraph 6 of Schedule 18,
  - (xi) in FA 2014, paragraph 7 of Schedule 4,
  - (xii) in FA 2016, paragraph 7 of Schedule 8,
  - (xiii) in F(No.2)A 2017—
    - (a) paragraph 126 of Schedule 4, and
    - (b) paragraph 7 of Schedule 6, and
  - (xiv) in FA 2018, section 29.
- (3) The following orders were made under powers contained in provisions repealed by subsection (1) and are therefore revoked—
- (a) the Capital Allowances (Environmentally Beneficial Plant and Machinery) Order 2003 (S.I. 2003/2076), and
  - (b) any instrument amending that order.
- (4) The Capital Allowances (Energy-saving Plant and Machinery) Order 2018 (S.I. 2018/268) is revoked.
- (5) The amendments made by this section have effect in relation to expenditure incurred on or after—
- (a) for corporation tax purposes, 1 April 2020, and
  - (b) for income tax purposes, 6 April 2020.

### **34 First-year allowance: expenditure on electric vehicle charge points**

In section 45EA of CAA 2001 (expenditure on plant or machinery for electric vehicle charging point), in subsection (3) (the relevant period) for “2019”, in both places it occurs, substitute “2023”.

### **35 Qualifying expenditure: buildings, structures and land**

- (1) Chapter 3 of Part 2 of CAA 2001 (qualifying expenditure) is amended as follows.
- (2) In each of sections 21 and 22 (buildings, structures, assets and works), at the end of subsection (4) insert “ (but any reference in list C in subsection (4) of that section to “plant” does not include anything where expenditure on its provision is excluded by this section) ”.

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- (3) The amendments made by this section—
- (a) are treated as always having had effect, but
  - (b) do not have effect in relation to claims for capital allowances made before 29 October 2018.

### *Leases*

## **36 Changes to accounting standards etc**

Schedule 14 contains provision relating to the taxation of leases.

### *Oil activities and petroleum revenue tax*

## **37 Oil activities: transferable tax history**

Schedule 15 makes provision for a company which sells an interest in an oil licence and a company which buys that interest to make a joint election for an amount of the seller's profits to be treated, in accordance with the provisions of the Schedule, as if it were an amount of the purchaser's profits.

## **38 Petroleum revenue tax: post-transfer decommissioning expenditure**

- (1) Schedule 3 to OTA 1975 (petroleum revenue tax: miscellaneous provisions) is amended in accordance with this section.
- (2) After paragraph 11 insert—

### **11A “Transfers of interests in oil fields: post-transfer decommissioning expenditure**

- (1) This paragraph applies if—
  - (a) there is, for the purposes of Schedule 17 to FA 1980, a transfer by a participator in an oil field of the whole or part of an interest in the field, and
  - (b) on or after 1 November 2018, the OGA gives consent for the transfer.
- (2) Paragraph 8(1) (certain subsidised expenditure to be disregarded) does not apply to any decommissioning expenditure that—
  - (a) is incurred by the new participator, and
  - (b) has been, or is to be, met directly or indirectly out of a payment made by the old participator.
- (3) Sub-paragraph (4) applies if, at the end of the transfer period, the old participator is no longer a licensee or a participator in respect of any licensed area wholly or partly included in the oil field.
- (4) Decommissioning expenditure that is incurred by the old participator, after the end of the transfer period, is to be treated for the purposes of this Act as having been incurred by the new participator (and paragraph 8(1) does not apply to any such expenditure).

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- (5) If the old participator has transferred the whole or part of another interest in the oil field to the new participator, but the condition in sub-paragraph (1)(b) was not met in respect of the transfer, references in sub-paragraphs (2) and (4) to decommissioning expenditure are references to such proportion of that expenditure as is just and reasonable.
- (6) In this paragraph—
- (a) “decommissioning expenditure” means—
    - (i) expenditure that is incurred, in relation to the oil field mentioned in sub-paragraph (1)(a), for a purpose within section 3(1)(i) or (j) (decommissioning or restoration), and
    - (ii) is allowable under that section;
  - (b) “the old participator”, “the new participator” and “the transfer period” have the same meaning as in Schedule 17 to FA 1980 (see paragraph 1(3) of that Schedule).
- (7) If there is, for the purposes of Schedule 17 to FA 1980, a subsequent transfer of the whole or part of an interest in the oil field mentioned in sub-paragraph (1) (a), references in this paragraph to “the old participator” include references to each participator whose interest, or part of it, in the oil field is the subject of a transfer to which this paragraph applies.”
- (3) In paragraph 8, at the end insert—
- “(3) This paragraph is subject to paragraph 11A (transfers of interests in oil fields: post-transfer decommissioning expenditure).”

#### *Miscellaneous reliefs*

### **39 Entrepreneurs' relief**

Schedule 16 contains provision amending Part 5 of TCGA 1992 (transfer of business assets, entrepreneurs' relief and investors' relief) in connection with entrepreneurs' relief.

### **40 Gift aid etc: restrictions on associated benefits**

- (1) In section 418 of ITA 2007 (gifts to charities by individuals: restrictions on associated benefits) in subsection (2) (the variable limit) for paragraphs (a) to (c) substitute—
- “(a) in a case where the amount of the gift is £100 or less, 25% of that amount, and
  - (b) in a case where the amount of the gift exceeds £100, the sum of £25 and 5% of the amount of the excess.”
- (2) The amendment made by subsection (1) has effect in relation to gifts made on or after 6 April 2019.
- (3) In section 197 of CTA 2010 (payments to charities by companies: restrictions on associated benefits) in subsection (2) (the variable limit) for paragraphs (a) to (c) substitute—
- “(a) in a case where the amount of the payment is £100 or less, 25% of that amount, and

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- (b) in a case where the amount of the payment exceeds £100, the sum of £25 and 5% of the amount of the excess.”
- (4) The amendment made by subsection (3) has effect in relation to payments made on or after 6 April 2019.

#### **41 Charities: exemption for small trades etc**

- (1) In section 528 of ITA 2007 (exemption for small trades of charitable trust: condition that trading incoming resources etc do not exceed requisite limit) in subsection (6)(b) (the requisite limit)—
  - (a) for “£5,000” substitute £8,000”, and
  - (b) for “£50,000” substitute “ £80,000 ”.
- (2) The amendments made by subsection (1) have effect for the tax year 2019-20 and subsequent tax years.
- (3) Section 482 of CTA 2010 (exemption for small trades of charitable company: condition that trading incoming resources etc do not exceed requisite limit) is amended as follows.
- (4) In subsection (6)(b) (the requisite limit)—
  - (a) for “£5,000” substitute “ £8,000 ”, and
  - (b) for “£50,000” substitute “ £80,000 ”.
- (5) In subsection (7)—
  - (a) for “£5,000” substitute £8,000”, and
  - (b) for “£50,000” substitute “ £80,000 ”.
- (6) The amendments made by subsections (3) to (5) have effect in relation to accounting periods beginning on or after 1 April 2019.

**Changes to legislation:**

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