



House of Commons

NOTICES OF AMENDMENTS

given up to and including

Monday 27 June 2016

New Amendments handed in are marked thus ★

☆ *Amendments which will comply with the required notice period at their next appearance*

Amendments tabled since the last publication: 6-135, NC7-NC9

PUBLIC BILL COMMITTEE

FINANCE BILL

(Except Clauses 7 to 18 and Schedules 2 and 3; Clauses 41 and 42; Clauses 43 and 44; Clauses 65 to 71; Clauses 72 to 81 and Schedules 11 to 14; Clause 129; Clauses 132 to 136; Clauses 144 to 154 and Schedules 18 to 22; any new Clauses or new Schedules relating to employment income, the subject matter of Clauses 41 to 44 and 65 to 71, capital gains tax, insurance premium tax, climate change levy, and tax avoidance and evasion)

NOTE

This document includes all amendments tabled to date and includes any withdrawn amendments at the end. The amendments have been arranged in the order to be proposed by Mr David Gauke.

Mr David Gauke

To move, That the Bill be considered in the following order, namely, Clauses 1 to 5, Schedule 1, Clause 6, Clause 19, Schedule 4, Clauses 20 to 22, Schedule 5, Clauses 23 to 39, Schedule 6, Clause 40, Clause 45, Schedule 7, Clauses 46 to 50, Schedule 8, Clauses 51 to 60, Schedule 9, Clauses 61 and 62, Schedule 10, Clauses 63 and 64, Clause 82, Schedule 15, Clauses 83 to 122, Schedule 16, Clauses 123 to 128, Clauses 130 and 131, Clauses 137 to 141, Schedule 17, Clauses 142 and 143, Clause 155, Schedule 23, Clauses 156 to 168, Schedule 24, Clauses 169 to 172, Schedule 25, Clauses 173 to 179, new Clauses, new Schedules, remaining proceedings on the Bill.

Finance Bill, *continued*

Mr David Gauke

To move, That, subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.

Rob Marris
John McDonnell
Richard Burgon
Rebecca Long-Bailey

6

★ Clause 1, page 1, line 9, at end insert—

- “(3) The Chancellor of the Exchequer shall, within three months of the passing of this Act, publish a report on the impact of setting the additional rate of income tax at 45% and at 50%.
- (4) The report must estimate the impact of setting the additional rate for 2016-17 at 45% on the amount of income tax currently paid by someone with a taxable income of—
- (a) £150,000 per year;
 - (b) £500,000 per year; and
 - (c) £1,000,000 per year.
- (5) The report must estimate the impact of setting the additional rate for 2016-17 at 50% on the amount of income tax currently paid by someone with a taxable income of—
- (a) £150,000 per year;
 - (b) £500,000 per year; and
 - (c) £1,000,000 per year.”

Roger Mullin

3

Clause 2, page 2, line 4, at end add—

- “(3) The Chancellor shall assess the effect on taxation revenue of increasing the basic rate limit in line with the Consumer Prices Index for 2017-18 and by no more than increases in that index until 2021-22.”
-

Roger Mullin
Caroline Lucas

4

Clause 5, page 8, line 28, at end add—

- “(12) The Chancellor of the Exchequer shall commission a review of how the changes to the tax on dividend income implemented by this Act affect directors of micro-business companies, to include—
- (a) the impacts across the distribution of directors’ net income;
 - (b) whether company failure rates have been affected; and

Finance Bill, continued

- (c) whether the law could be amended to minimise the impact on directors with low income.
- (13) The Chancellor shall report to Parliament about his findings within six months of the passing of this Act.”

Mr David Gauke

127

★ Schedule 1, page 259, line 20, at end insert—

“ In section 651 (meaning of “UK estate” and “foreign estate”)—

- (a) in subsection (4), for “680(3) or (4) (sums” substitute “664(2)(c) or (d) or 680(4) (sums not liable to tax and sums”, and
- (b) in subsection (5), for “680(3) or (4)” substitute “664(2)(c) or (d) or 680(4)”.

In section 657 (tax charged on estate income from foreign estates), for “680(3) or (4)”, in both places, substitute “680(4)”.

In section 663 (applicable rate for purposes of grossing-up under sections 656 and 657), after subsection (4) insert—

- “(5) The aggregate income of the estate, so far as it consists of income within section 664(2)(c) or (d), is treated for the purposes of this section as bearing income tax at 0%.”

In section 670 (applicable rate for purposes of Step 2 in section 665(1)), after subsection (4) insert—

- “(4A) The aggregate income of the estate, so far as it consists of income within section 664(2)(c) or (d), is treated for the purposes of this section as bearing income tax at 0%.”

In section 680 (income of an estate that is treated as bearing income tax)—

- (a) in subsection (2) omit “(3) or”, and
- (b) omit subsection (3) (sums treated as bearing tax at the dividend ordinary rate).

In section 680A (estate income treated as dividend income), in each of subsections (1)(a) and (4)(a), after “at the dividend ordinary rate” insert “or as bearing tax at 0% because of section 663(5)”.

Mr David Gauke

128

★ Schedule 1, page 259, line 20, at end insert—

“ In section 854(6) (carrying on by partner of notional business: meaning of “untaxed income”)—

- (a) omit the “or” at the end of paragraph (b), and
- (b) after paragraph (c) insert—
- “(d) income chargeable under Chapter 5 of Part 4 (stock dividends from UK resident companies), or
- (e) income chargeable under Chapter 6 of Part 4 (release of loan to participator in closed company).”

Finance Bill, *continued*

- Mr David Gauke **129**
- ★ Schedule 1, page 265, line 31, at end insert—
 “() in paragraph (b), for “680(3)(b) or (4)” substitute “680(4)”, and”
- Mr David Gauke **130**
- ★ Schedule 1, page 265, line 39, at end insert—
 “() In section 498 (discretionary payments by trustees: types of tax to be included in trustees’ tax pool)—
 (a) in subsection (1)—
 (i) in Type 1 (tax at special rates for trustees on income not attracting tax credits), omit “2, 3 or”, and
 (ii) omit Types 2 and 3 (tax at dividend trust rate on income attracting dividend tax credits), and
 (b) omit subsection (2) (interpretation of Types 2 and 3).”
- Mr David Gauke **131**
- ★ Schedule 1, page 269, line 8, at end insert—
 “() the amendments in section 854(6) of ITTOIA 2005,”
- Mr David Gauke **132**
- ★ Schedule 1, page 269, line 9, leave out “sections 425,” and insert “section 425 except the amendment in section 425(5)(b), and the amendments in sections 498,”
- Mr David Gauke **133**
- ★ Schedule 1, page 269, line 33, at end insert—
 “() The amendments in sections 651 to 680A of ITTOIA 2005 (but not the repeal of section 680(3)(a) of that Act) and the amendment in section 425(5)(b) of ITA 2007—
 (a) so far as they relate to income within section 664(2)(c) of ITTOIA 2005 (stock dividends), have effect in relation to stock dividend income treated as arising in the tax year 2016-17 or at any later time, and
 (b) so far as they relate to income within section 664(2)(d) of ITTOIA 2005 (release of loans), have effect in relation to amounts released or written off in the tax year 2016-17 or at any later time.”
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- Mr David Gauke **134**
- ★ Schedule 5, page 299, line 9, after “immediately”, insert “after”
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Finance Bill, *continued*

Rob Marris
John McDonnell
Richard Burgon
Rebecca Long Bailey

135

- ★ Clause 28, page 2, line 42, at end add—
- “(7) The Chancellor of the Exchequer shall, within one year of the passing of this Act, publish a report giving the Treasury’s assessment of the effect of excluding energy generation from EIS/SEIS/VCT schemes on—
- (a) the renewable energy sector,
 - (b) community energy projects, and
 - (c) the energy sector”.
-

Rob Marris
John McDonnell
Richard Burgon
Rebecca Long-Bailey

7

- ★ Clause 35, page 57, line 2, at end add—
- “(4) The Chancellor of the Exchequer shall, within one year of the passing of this Act, publish a report on the impact of this section on deterring tax avoidance during the procedure of distributions during a winding up.”
-

Rob Marris
John McDonnell
Richard Burgon
Rebecca Long-Bailey

8

- ★ Clause 37, page 58, line 26, leave out from “is” to end of subsection and insert “100%”

Mr David Gauke

43

- ★ Clause 37, page 67, line 45, leave out “value” and insert “amount”

Mr David Gauke

44

- ★ Clause 37, page 68, line 41, leave out “company” and insert “underlying scheme”

Mr David Gauke

45

- ★ Clause 37, page 68, line 43, leave out “a company” and insert “an underlying scheme”

Mr David Gauke

46

- ★ Clause 37, page 68, line 47, leave out “value” and insert “amount”

Finance Bill, *continued*

- Mr David Gauke 47
- ★ Clause 37, page 70, line 15, leave out “company” and insert “underlying scheme”
- Mr David Gauke 48
- ★ Clause 37, page 70, line 21, leave out “value” and insert “amount”
- Mr David Gauke 49
- ★ Clause 37, page 70, line 34, at end insert “, or the acquisition of portfolios of investments from,”
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- Mr David Gauke 20
- ★ Clause 40, page 80, leave out lines 33 to 39 and insert—
““intellectual property royalty payment” means a payment referred to in section 906(2)(a) or (3)(a);”.
- Mr David Gauke 21
- ★ Clause 40, page 81, line 12, at end insert—
- “(3) In relation to payments made (under any such arrangements) on or after 17 March 2016 and on or before the day on which this Act is passed, section 917A of ITA 2007 as inserted by subsection (1) has effect as if the definition of “intellectual property royalty payment” in that section were as follows—
““intellectual property royalty payment” means—
- (a) a payment of a royalty or other sum in respect of the use of a patent,
 - (b) a payment specified in section 906(1)(a) (as originally enacted), or
 - (c) a payment which is a “qualifying annual payment” for the purposes of Chapter 6 by virtue of section 899(3)(a)(ii) (royalties etc from intellectual property);”.
- (4) In relation to payments made (under any such arrangements) on or after 28 June 2016 and on or before the day on which this Act is passed, section 917A of ITA 2007 as inserted by subsection (1) has effect as if “intellectual property royalty payment” also included (so far as it would not otherwise do so) any payments referred to in section 906(2)(a) or (3)(a) of ITA 2007 as substituted by section (*deduction of income tax at source: intellectual property*).”
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Finance Bill, *continued*

Rob Marris
John McDonnell
Richard Burgon
Rebecca Long-Bailey

- 10**
- ★ Schedule 7, page 305, line 9, leave out “the preceding provisions of this section” and insert “Part 4 of TIOPA 2010”
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Mr David Gauke

- 50**
- ★ Clause 60, page 94, line 16, at end insert “, or
“(b) the company elects to be treated as a new entrant for the purposes of this Part.”

Mr David Gauke

- 51**
- ★ Clause 60, page 94, line 38, leave out “either”

Mr David Gauke

- 52**
- ★ Clause 60, page 94, line 43, leave out “multi-IP” and insert “IP”

Mr David Gauke

- 53**
- ★ Clause 60, page 94, line 43, at end insert “, or
(c) a sub-stream consisting of income properly attributable to a particular kind of IP process (a “process sub-stream”)”

Mr David Gauke

- 54**
- ★ Clause 60, page 95, line 1, leave out from “See” to second “and” and insert “subsection (5) for the meaning of “IP item” and “IP process””

Mr David Gauke

- 55**
- ★ Clause 60, page 95, line 2, before “further” insert “see subsections (5A) and (6) for”

Mr David Gauke

- 56**
- ★ Clause 60, page 95, line 2, at end insert “and process sub-streams”

Mr David Gauke

- 57**
- ★ Clause 60, page 95, line 12, at end insert—
“But see section 357BIA (which provides that certain amounts allocated to a relevant IP income sub-stream at Step 3 are not to be deducted from the sub-stream at this Step).”

Finance Bill, *continued*

- Mr David Gauke 58
- ★ Clause 60, page 95, leave out lines 13 to 17
- Mr David Gauke 59
- ★ Clause 60, page 95, line 19, leave out from beginning to “deduct” in line 20
- Mr David Gauke 60
- ★ Clause 60, page 95, leave out lines 40 to 47 and insert—
- “(5) In this section—
- “IP item” means—
- (a) an item in respect of which a qualifying IP right held by the company has been granted, or
- (b) an item which incorporates one or more items within paragraph (a);
- “IP process” means—
- (a) a process in respect of which a qualifying IP right held by the company has been granted, or
- (b) a process which incorporates one or more processes within paragraph (a).
- (5A) For the purposes of this section two or more IP items, or two or more IP processes, may be treated as being of a particular kind if they are intended to be, or are capable of being, used for the same or substantially the same purposes.”
- Mr David Gauke 61
- ★ Clause 60, page 95, line 48, leave out “which is properly attributable to a multi-IP item”
- Mr David Gauke 62
- ★ Clause 60, page 95, line 49, after “sub-stream” insert “or process sub-stream”
- Mr David Gauke 63
- ★ Clause 60, page 96, line 5, at end insert—
- “() Any reference in this section to a qualifying IP right held by the company includes a reference to a qualifying IP right in respect of which the company holds an exclusive licence.”
- Mr David Gauke 64
- ★ Clause 60, page 98, line 2, leave out “357A” and insert “357A(1)”
- Mr David Gauke 65
- ★ Clause 60, page 98, line 21, after first “income” insert “, finance income”

Finance Bill, *continued*

Mr David Gauke

66

★ Clause 60, page 100, line 41, at end insert—

“357BIA Certain amounts not to be deducted from sub-streams at Step 4 of section 357BF

- (1) This section applies where a company enters into an arrangement with a person under which—
 - (a) the person assigns to the company a qualifying IP right or grants or transfers to the company an exclusive licence in respect of a qualifying IP right, and
 - (b) the company makes to the person an income-related payment.
- (2) A payment is an “income-related payment” for the purposes of subsection (1) if—
 - (a) the obligation to make the payment arises under the arrangement by reason of the amount of income the company has accrued which is properly attributable to the right or licence, or
 - (b) the amount of the payment is determined under the arrangement by reference to the amount of income the company has accrued which is so attributable.
- (3) If the amount of the income-related payment is allocated to a relevant IP income sub-stream at Step 3 of section 357BF(2), the amount is not to be deducted from the sub-stream at Step 4 of section 357BF(2) unless the payment will not affect the R&D fraction for the sub-stream.”

Mr David Gauke

67

★ Clause 60, page 104, line 6, leave out from beginning to end of line 31 on page 105

Mr David Gauke

68

★ Clause 60, page 108, line 13, at end insert—

“(3A) If an election made by the company under section 18A of CTA 2009 (election for exemption for profits or losses of company’s foreign permanent establishments) applies to the relevant period, expenditure incurred by the company during the period which meets conditions A and B—

- (a) is not “qualifying expenditure on relevant R&D undertaken in-house”, but
- (b) is “qualifying expenditure on relevant R&D sub-contracted to connected persons”,

so far as it is expenditure brought into account in calculating a relevant profits amount, or a relevant losses amount, aggregated at section 18A(4)(a) or (b) of CTA 2009 in calculating the company’s foreign permanent establishments amount for the period.”

Mr David Gauke

69

★ Clause 60, page 108, line 22, leave out “incorporated in a multi-IP item” and insert “_

- (i) to which income in the sub-stream is attributable, or
- (ii) which is incorporated in an item”

Finance Bill, *continued*

Mr David Gauke

70

- ★ Clause 60, page 108, line 23, at end insert “, or
- (c) in a case where the sub-stream is a process sub-stream, relates to a qualifying IP right granted in respect of any process—
- (i) to which income in the sub-stream is attributable, or
- (ii) which is incorporated in a process to which income in the sub-stream is attributable.”

Mr David Gauke

71

- ★ Clause 60, page 109, line 8, leave out “65% of any” and insert “the”

Mr David Gauke

72

- ★ Clause 60, page 109, leave out lines 10 to 15 and insert “in making payments within subsection (2).
- (2) A payment is within this subsection if—
- (a) it is made to a person in respect of relevant research and development contracted out by the company to the person, and
- (b) the company and the person are not connected (within the meaning given by section 1122).”

Mr David Gauke

73

- ★ Clause 60, page 109, line 15, at end insert—
- “(3) If an election made by the company under section 18A of CTA 2009 (election for exemption for profits or losses of company’s foreign permanent establishments) applies to the relevant period, expenditure incurred by the company during the period in making payments within subsection (2)—
- (a) is not “qualifying expenditure on relevant R&D sub-contracted to unconnected persons”, but
- (b) is “qualifying expenditure on relevant R&D sub-contracted to connected persons”,
- so far as it is expenditure brought into account in calculating a relevant profits amount, or a relevant losses amount, aggregated at section 18A(4)(a) or (b) of CTA 2009 in calculating the company’s foreign permanent establishments amount for the period.”

Mr David Gauke

74

- ★ Clause 60, page 109, line 23, after “means” insert “the total of—
- (a) any expenditure which is “qualifying expenditure on relevant R&D sub-contracted to connected persons” as a result of section 357BMB(3A) or 357BMC(3) (certain expenditure attributed to company’s foreign permanent establishments), and
- (b) ”

Mr David Gauke

75

- ★ Clause 60, page 109, line 23, leave out “65% of any” and insert “the”

Finance Bill, *continued*

Mr David Gauke

76

★ Clause 60, page 109, leave out lines 25 to 30 and insert “in making payments within subsection (2).

- (2) A payment is within this subsection if—
- (a) it is made to a person in respect of relevant research and development contracted out by the company to the person, and
 - (b) the company and the person are connected (within the meaning given by section 1122).”

Mr David Gauke

77

★ Clause 60, page 109, line 39, leave out from “company” to end of line 41 and insert “in making during the relevant period payments within any of subsections (1A), (1B) and (1C).

- (1A) A payment is within this subsection if it is made to a person in respect of the assignment by that person to the company of a relevant qualifying IP right.
- (1B) A payment is within this subsection if it is made to a person in respect of the grant or transfer by that person to the company of an exclusive licence in respect of a relevant qualifying IP right.
- (1C) A payment is within this subsection if—
- (a) it is made to a person in respect of the disclosure by that person to the company of any item or process, and
 - (b) the company applies for and is granted a relevant qualifying IP right in respect of that item or process (or any item or process derived from it).
- (1D) Where the company has incurred expenditure in making a series of payments to a person in respect of a single assignment, grant, transfer or disclosure, each of the payments in the series is to be treated for the purposes of this section as having been made on the date on which the first payment in the series was made.”

Mr David Gauke

78

★ Clause 60, page 110, line 2, leave out “incorporated in a multi-IP item” and insert “—

- (i) to which income in the sub-stream is attributable, or
- (ii) which is incorporated in an item”

Mr David Gauke

79

★ Clause 60, page 110, line 4, at end insert “, or

- (c) in a case where the sub-stream is a process sub-stream, a qualifying IP right granted in respect of a process—
- (i) to which income in the sub-stream is attributable, or
 - (ii) which is incorporated in a process to which income in the sub-stream is attributable.”

Mr David Gauke

80

★ Clause 60, page 110, line 22, leave out “357BME” and insert “357BMD”

Finance Bill, *continued*

Mr David Gauke

81

- ★ Clause 60, page 111, leave out from beginning of line 8 to “, and” in line 11 and insert “in each of subsections (1A), (1B) and (1C) the word “relevant” were omitted”

Mr David Gauke

82

- ★ Clause 60, page 112, line 25, leave out “357A” and insert “357A(1)”

Mr David Gauke

83

- ★ Clause 60, page 112, line 46, at end insert—

“Small claims treatment

357BNA Small claims treatment

- (1) This section applies where—
 - (a) a company carries on only one trade during an accounting period,
 - (b) section 357BF applies for the purposes of determining the relevant IP profits of the trade for the accounting period, and
 - (c) the qualifying residual profit of the trade for the accounting period does not exceed whichever is the greater of—
 - (i) £1,000,000, and
 - (ii) the relevant maximum for the accounting period.
- (2) The company may make any of the following elections for the accounting period—
 - (a) a notional royalty election (see section 357BNB),
 - (b) a small claims figure election (see section 357BNC), and
 - (c) a global streaming election (see section 357BND).

This is subject to subsections (3) and (4).
- (3) The company may not make a notional royalty election, a small claims figure election or a global streaming election for the accounting period if—
 - (a) the qualifying residual profit of the trade for the accounting period exceeds £1,000,000,
 - (b) section 357BF applied for the purposes of determining the relevant IP profits of the trade for any previous accounting period beginning within the relevant 4-year period, and
 - (c) the company did not make a notional royalty election, a small claims figure election or (as the case may be) a global streaming election for that previous accounting period.
- (4) The company may not make a small claims figure election for the accounting period if—
 - (a) the qualifying residual profit of the trade for the accounting period exceeds £1,000,000,
 - (b) section 357C or 357DA applied for the purposes of determining the relevant IP profits of the trade for any previous accounting period beginning within the relevant 4-year period, and
 - (c) the company did not make an election under section 357CL for small claims treatment for that previous accounting period.
- (5) In subsections (3) and (4) “the relevant 4-year period” means the period of 4 years ending with the beginning of the accounting period mentioned in subsection (1)(a).

Finance Bill, continued

- (6) For the purposes of this section, the “qualifying residual profit” of a trade of a company for an accounting period is the amount which (assuming the company did not make an election under this section) would be equal to the aggregate of the relevant IP income sub-streams established at Step 2 in section 357BF(2) in determining the relevant IP profits of the trade for the accounting period, following the deductions from those sub-streams required by Step 4 in section 357BF(2) (ignoring the amount of any sub-stream which is not greater than nil following those deductions).
- (7) For the purposes of this section, the “relevant maximum” for an accounting period of a company is—
- (a) in a case where no company is a related 51% group company of the company in the accounting period, £3,000,000;
 - (b) in a case where one or more companies are related 51% group companies of the company in the accounting period, the amount given by the formula—

$$\frac{\pounds 3,000,000}{1 + N}$$
 where N is the number of those related 51% group companies in relation to which an election under section 357A(1) has effect for the accounting period.
- (8) For an accounting period of less than 12 months, the relevant maximum is proportionally reduced.

357BNB Notional royalty election

- (1) Subsection (2) applies where a company has made a notional royalty election for an accounting period under section 357BNA(2)(a).
- (2) In its application for the purposes of determining the relevant IP profits of the trade of the company for the accounting period, section 357BHA (notional royalty) has effect as if—
 - (a) in subsection (2) for “the appropriate percentage” there were substituted “75%”, and
 - (b) subsections (3) to (6) were omitted.

357BNC Small claims figure election

- (1) Subsection (2) applies where a company has made a small claims figure election for an accounting period under section 357BNA(2)(b).
- (2) In its application for the purposes of determining the relevant IP profits of the trade of the company for the accounting period, section 357BF(2) (steps for calculating relevant IP profits) has effect as if in Step 6—
 - (a) for “marketing assets return figure” there was substituted “small claims figure”, and
 - (b) for “(see section 357BL)” there was substituted “(see section 357BNC(3))”.
- (3) Subsections (4) to (9) apply for the purpose of calculating the small claims figure for a relevant IP income sub-stream established at Step 2 in section 357BF(2) in determining the relevant IP profits of a trade of a company for an accounting period.
- (4) If 75% of the qualifying residual profit of the trade for the accounting period is lower than the small claims threshold, the small claims figure for the sub-stream is 25% of the amount of the sub-stream following Step 4 in section 357BF(2).

Finance Bill, continued

- (5) If 75% of the qualifying residual profit of the trade for the accounting period is higher than the small claims threshold, the small claims figure for the sub-stream is the amount given by—

$$A - \left(\frac{A}{\text{QRP}} \times \text{SCT} \right)$$

where—

A is the amount of the sub-stream following the deductions required by Step 4 in section 357BF(2),

QRP is the qualifying residual profit of the trade of the company for the accounting period, and

SCT is the small claims threshold.

- (6) If no company is a related 51% group company of the company in the accounting period, the small claims threshold is £1,000,000.
- (7) If one or more companies are related 51% group companies of the company in the accounting period, the small claims threshold is—

$$\frac{\text{£1,000,000}}{1 + N}$$

where N is the number of those related 51% group companies in relation to which an election under section 357A(1) has effect for the accounting period.

- (8) For an accounting period of less than 12 months, the small claims threshold is proportionately reduced.
- (9) Subsection (6) of section 357BNA (meaning of “qualifying residual profit”) applies for the purposes of subsection (4) and (5) of this section.

357BND Global streaming election

- (1) Subsection (2) applies where a company has made a global streaming election for an accounting period under section 357BNA(2)(c).
- (2) In its application for the purpose of determining the relevant IP profits of the trade of the company for the accounting period, this Chapter has effect with the following modifications.
- (3) In subsection (2) of section 357BF (relevant IP profits)—
- (a) omit Step 2,
 - (b) in Step 3 for “each of the relevant IP income sub-streams” substitute “the relevant IP income stream”,
 - (c) in Step 4—
 - (i) in the words before paragraph (a), for “each” substitute “the”,
 - (ii) for “sub-stream”, in each place it occurs, substitute “stream”,
 - (d) in Step 6—
 - (i) at the beginning insert “If the relevant IP income stream is greater than nil following Step 4,”,
 - (ii) for the words from “each” to “Step 4” substitute “the stream”,
 - (iii) for “sub-stream”, in the second place it occurs, substitute “stream”,
 - (e) in Step 7—
 - (i) for “each relevant IP income sub-stream” substitute “the relevant IP income stream”,
 - (ii) for “sub-stream”, in the second place it occurs, substitute “stream”,
 - (f) omit Step 8, and

Finance Bill, continued

- (g) in Step 9 for “given by Step 8” substitute “of the relevant IP income stream following Step 7”.
- (4) In subsection (3) of that section for “given by” substitute “of the relevant IP income stream following the Steps in”.
- (5) In subsection (4) of that section for “given by” substitute “of the relevant IP income stream following the Steps in”.
- (6) Omit subsections (5), (5A) and (6) of that section.
- (7) In section 357BIA(3) (certain amounts not to be deducted from sub-streams at Step 4 of section 357BF)—
- (a) for “a relevant IP income sub-stream” substitute “the relevant IP income stream”;
 - (b) for “sub-stream”, in the second and third places it occurs, substitute “stream”.
- (8) In section 357BJ (routine return figure)—
- (a) for “sub-stream”, in each place it occurs, substitute “stream”, and
 - (b) in subsection (1) for “Step 2” substitute “Step 1”.
- (9) In section 357BL (marketing asset return figure) for “sub-stream”, in each place it occurs, substitute “stream”.
- (10) In section 357BLA (notional marketing royalty)—
- (a) for “sub-stream”, in each place it occurs, substitute “stream”, and
 - (b) in subsection (1) for “Step 2” substitute “Step 1”.
- (11) In section 357BLB (actual marketing royalty) for “sub-stream”, in each place it occurs, substitute “stream”.
- (12) In section 357BM (R&D fraction: introduction)—
- (a) for “sub-stream” (in each place it occurs) substitute “stream”, and
 - (b) in subsection (1) for “Step 2” substitute “Step 1”.
- (13) In section 357BMA(1) (R&D fraction) for “sub-stream” substitute “stream”.
- (14) In section 357BMB(4) (qualifying expenditure on relevant R&D undertaken in-house) for the words after “1138” substitute “which relates to a qualifying IP right to which income in the stream is attributable”.
- (15) In section 357BME(2) (qualifying expenditure on acquisition of relevant qualifying IP rights) for the words from “means” to the end substitute “means a qualifying IP right to which income in the stream is attributable”.
- (16) In section 357BMG (cases where the company is a new entrant with insufficient information about pre-enactment expenditure) for “sub-stream”, in each place it occurs, substitute “stream”.
- (17) In section 357BMH (R&D fraction: increase for exceptional circumstances) for “sub-stream”, in each place it occurs, substitute “stream”.
- (18) In section 357BNC (small claims figure election)—
- (a) for “sub-stream”, in each place it occurs, substitute “stream”;
 - (b) in subsection (3) for “Step 2” substitute “Step 1”.

Mr David Gauke

84

★ Clause 60, page 113, line 17, at end insert—

“() Where section 357BF applies by reason of this section for the purposes of determining the relevant IP profits of a trade of a company for an accounting period, the company may not make a global streaming election for the accounting period under section 357BNA(2)(c).”

Finance Bill, *continued*

- Mr David Gauke 85
- ★ Clause 60, page 113, leave out lines 34 to 44 and insert—
- “(a) the company and the person who assigned the right or granted the licence were connected at the time of the assignment or grant,
 - (b) the main purpose, or one of the main purposes, of the assignment of the right or the grant of the licence was the avoidance of a foreign tax,
 - (c) the person who assigned the right or granted the licence was not within the charge to corporation tax at the time of the assignment or grant, and
 - (d) the person who assigned the right or granted the licence was not liable at the time of the assignment or grant to a foreign tax which is designated for the purposes of this section by regulations made by the Treasury.”
- Mr David Gauke 86
- ★ Clause 60, page 114, line 1, leave out “(9)(b)” and insert “(8)(d)”
- Mr David Gauke 87
- ★ Clause 60, page 114, line 4, at end insert—
- “() Regulations may not be made under subsection (8)(d) after 31 December 2016.”
- Mr David Gauke 88
- ★ Clause 60, page 114, line 21, leave out “(b)” and insert “(c)”
- Mr David Gauke 89
- ★ Clause 60, page 114, line 24, leave out “and each product sub-stream” and insert “, each product sub-stream and each process sub-stream”
- Mr David Gauke 90
- ★ Clause 60, page 114, line 32, leave out “and product sub-streams” and insert “, each of the product sub-streams and each of the process sub-streams”
- Mr David Gauke 91
- ★ Clause 60, page 114, line 42, leave out “a multi-IP item” and insert “an IP item or IP process”
- Mr David Gauke 92
- ★ Clause 60, page 114, line 44, after “sub-stream” insert “or process sub-stream”
- Mr David Gauke 93
- ★ Clause 60, page 114, line 45, leave out “multi-IP item” and insert “IP item or IP process”

Finance Bill, *continued*

- Mr David Gauke **94**
★ Clause 60, page 115, line 1, after “item” insert “or process”
- Mr David Gauke **95**
★ Clause 60, page 115, line 4, after “item” insert “or process”
- Mr David Gauke **96**
★ Clause 60, page 115, line 8, leave out “multi-IP item” and insert “IP item or IP process”
- Mr David Gauke **97**
★ Clause 60, page 115, line 9, leave out “item or items” and insert “items or processes”
- Mr David Gauke **98**
★ Clause 60, page 115, line 11, leave out “multi-IP item” and insert “IP item or IP process”
- Mr David Gauke **99**
★ Clause 60, page 115, line 13, leave out “multi-IP item” and insert “IP item or IP process”
- Mr David Gauke **100**
★ Clause 60, page 115, line 17, after “sub-stream” insert “or process sub-stream”
- Mr David Gauke **101**
★ Clause 60, page 115, line 18, leave out “multi-IP item” and insert “IP item or IP process”
- Mr David Gauke **102**
★ Clause 60, page 115, line 20, leave out “multi-IP item” and insert “IP item or IP process”
- Mr David Gauke **103**
★ Clause 60, page 115, line 24, after “sub-stream” insert “or process sub-stream”
- Mr David Gauke **104**
★ Clause 60, page 115, line 26, leave out “multi-IP item” and insert “IP item or IP process”

Finance Bill, *continued*

- Mr David Gauke **105**
★ Clause 60, page 115, line 27, after “sub-stream” insert “or process sub-stream”
- Mr David Gauke **106**
★ Clause 60, page 115, line 27, leave out “multi-IP item” and insert “IP item or IP process”
- Mr David Gauke **107**
★ Clause 60, page 115, line 29, after “items” insert “or processes”
- Mr David Gauke **108**
★ Clause 60, page 115, line 31, leave out “a multi-IP” and insert “an IP item or IP process”
- Mr David Gauke **109**
★ Clause 60, page 115, line 35, after “items” insert “or processes”
- Mr David Gauke **110**
★ Clause 60, page 115, line 35, leave out “multi-IP item” and insert “IP item or IP process”
- Mr David Gauke **111**
★ Clause 60, page 115, line 38, after “items” insert “or processes”
- Mr David Gauke **112**
★ Clause 60, page 115, line 38, leave out “multi-IP item” and insert “IP item or IP process”
- Mr David Gauke **113**
★ Clause 60, page 115, line 40, at end insert—
 “() In section 357FB (tax advantage schemes)—
 (a) in subsection (2)(b) (list of ways by which deductions can be inflated)—
 (i) omit “or” at the end of sub-paragraph (ii), and
 (ii) after sub-paragraph (iii) insert “, or
 (iv) an R&D fraction (see subsection (4A))
 being greater than it would be but for
 the scheme.”, and
 (b) after subsection (4) insert—
 “(4A) The reference in subsection (2)(b)(iv) to an R&D fraction is a
 reference to such a fraction as is mentioned at Step 7 of section
 357BF(2).””

Finance Bill, continued

Mr David Gauke

114

★ Clause 60, page 115, line 40, at end insert—

“() After section 357GC insert—

*“Transferred trades***357GCA Application of this Part in relation to transferred trades**

- (1) Where—
 - (a) a company (“the transferor”) ceases to carry on a trade which involves the exploitation of a qualifying IP right (“the relevant qualifying IP right”),
 - (b) the transferor assigns the relevant qualifying IP right, or grants or transfers an exclusive licence in respect of it, to another company (“the transferee”), and
 - (c) the transferee begins to carry on the trade,the following provisions apply in determining under this Part the relevant IP profits of the trade carried on by the transferee.
- (2) The transferee is to be treated as not being a new entrant if—
 - (a) an election under section 357A(1) has effect in relation to the transferor on the date of the assignment, grant or transfer mentioned in subsection (1)(b) (“the transfer date”), and
 - (b) the first accounting period of the transferor for which that election had effect began before 1 July 2016.
- (3) The relevant qualifying IP right is to be treated as being an old qualifying IP right in relation to the transferee if by reason of section 357BP it is an old qualifying IP right in relation to the transferor.
- (4) Expenditure incurred prior to the transfer date by the transferor which is attributable to relevant research and development undertaken by the transferor is to be treated for the purposes of section 357BMB as if it is expenditure incurred by the transferee which is attributable to relevant research and development undertaken by the transferee.
- (5) Expenditure incurred prior to the transfer date by the transferor in making a payment to a person in respect of relevant research and development contracted out by the transferor to that person is to be treated for the purposes of sections 357BMC and 357BMD as if it is expenditure incurred by the transferee in making a payment to that person in respect of relevant research and development contracted out by the transferee to that person.
- (6) Expenditure incurred prior to the transfer date by the transferor in making a payment in connection with the relevant qualifying IP right which is within subsection (1A), (1B) or (1C) of section 357BME is to be treated for the purposes of that section as if it is expenditure incurred by the transferee in making a payment in connection with that right which is within one of those subsections.
- (7) Expenditure incurred by the transferee in making a payment to the transferor in respect of the assignment, grant or transfer mentioned in subsection (1)(b) is to be ignored for the purposes of section 357BME.

Finance Bill, *continued*

- (8) In this section—
 “trade” includes part of a trade, and
 “relevant research and development” means research and development which relates to the relevant qualifying IP right.
- (9) For the purposes of this section research and development “relates” to the relevant qualifying IP right if—
- (a) it creates, or contributes to the creation of the invention,
 - (b) it is undertaken for the purpose of developing the invention,
 - (c) it is undertaken for the purpose of developing ways in which the invention may be used or applied, or
 - (d) it is undertaken for the purpose of developing any item or process incorporating the invention.”

Mr David Gauke

115

- ★ Clause 60, page 116, line 9, for “357A” substitute “357A(1)”.
-

Mr David Gauke

116

- ★ Schedule 9, page 330, line 30, at end insert—
 “1A In section 357B (meaning of “qualifying company”), in subsection (3)(b)(ii), for “section 357A” substitute “section 357A(1)”.”

Mr David Gauke

117

- ★ Schedule 9, page 331, line 20, at end insert—
 “() In subsection (6), in paragraph (a)(ii) of the definition of “relevant accounting period”, for “section 357A” substitute “section 357A(1)”.”

Mr David Gauke

118

- ★ Schedule 9, page 331, line 24, leave out paragraph 9 and insert—
 “9 (1) Section 357CL (companies eligible to elect for small claims treatment) is amended as follows.
 (2) In subsection (1) for “elect” substitute “make an election under this section”.
 (3) In subsection (6) for “section 357A” substitute “section 357A(1)”.”

Mr David Gauke

119

- ★ Schedule 9, page 332, line 16, at end insert—
 “13A In section 357EB (allocation of set-off amount within a group) in subsection (3)(a) for “section 357A” substitute “section 357A(1)”.
 13B In section 357ED (company ceasing to carry on trade etc) in subsection (2)(c) for “section 357A” substitute “section 357A(1)”.

Finance Bill, continued

Mr David Gauke

120

- ★ Schedule 9, page 332, line 18, at end insert—
- “14A In section 357FB (tax advantage schemes) in subsection (4)(b) for “section 357A” substitute “section 357A(1)”.
- 14B (1) Section 357G (making an election under section 357A) is amended as follows.
- (2) In the heading, for “section 357A” substitute “section 357A(1) or (11)(b)”.
- (3) In subsection (1) for “section 357A” substitute “section 357A(1) or (11)(b)”.
- 14C (1) Section 357GA (revocation of election made under section 357A) is amended as follows.
- (2) In the heading, for “section 357A” substitute “section 357A(1)”.
- (3) In subsection (1) for “section 357A” substitute “section 357A(1)”.
- (4) In subsection (5) for “section 357A” substitute “section 357A(1)”.”

Mr David Gauke

121

- ★ Schedule 9, page 332, line 28, at end insert—
- “16A In section 357GE (other interpretation), in subsection (1), at the appropriate place insert—
- “payment” includes payment in money’s worth,.”

Rob Marris
John McDonnell
Richard Burgon
Rebecca Long-Bailey

11

- ★ Page 138, line 4, leave out Clause 82

Mr David Gauke

13

- ★ Schedule 15, page 440, line 45, leave out “section 8H(4A) to (4F)” and insert “sections 8H(4A) to (4F) and 8HA”

Mr David Gauke

14

- ★ Schedule 15, page 441, line 39, leave out “section 8H(4A) to (4F)” and insert “sections 8H(4A) to (4F) and 8HA”

Mr David Gauke

15

- ★ Schedule 15, page 445, leave out lines 26 to 37 and insert—
- “(4B) Where—
- (a) the person—
- (i) disposes of a residential property interest in the nominated dwelling-house at a post-occupation time, or

Finance Bill, *continued*

- (ii) disposes of two or more residential property interests in the nominated dwelling-house at the same post-occupation time or at post-occupation times on the same day, and
 - (b) the person does not otherwise dispose of residential property interests in the nominated dwelling-house at post-occupation times,
- the interest disposed of is, or the interests disposed of are, a qualifying former residential interest in relation to the person.
- (4C) Where—
- (a) the person disposes of residential property interests in the nominated dwelling-house at post-occupation times on two or more days, and
 - (b) the person’s personal representatives nominate one (and only one) of those days,
- the interest or interests disposed of at post-occupation times on the nominated day is or are a qualifying former residential interest in relation to the person.”

Mr David Gauke

16

- ★ Schedule 15, page 445, line 37, at end insert—

“() For the purposes of subsections (4A) to (4C)—

- (a) a person is to be treated as not disposing of a residential property interest in a dwelling-house where the person disposes of an interest in the dwelling-house by way of gift and the interest is, in relation to the gift and the donor, property subject to a reservation within the meaning of section 102 of the Finance Act 1986 (gifts with reservation), and
- (b) a person is to be treated as disposing of a residential property interest in a dwelling-house if the person is treated as making a potentially exempt transfer of the interest as a result of the operation of section 102(4) of that Act (property ceasing to be subject to a reservation).”

Mr David Gauke

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- ★ Schedule 15, page 445, line 43, after “be” insert “, or be included in,”

Mr David Gauke

18

- ★ Schedule 15, page 446, line 3, at end insert “, and
- (c) before the person dies.”

Mr David Gauke

19

- ★ Schedule 15, page 446, line 6, at end insert—

“8HA “Qualifying former residential interest”: interests in possession

- (1) This section applies for the purposes of determining whether certain interests may be, or be included in, a qualifying former residential interest in relation to a person (see section 8H(4A) to (4C)).
- (2) This section applies where—
 - (a) a person (“P”) is beneficially entitled to an interest in possession in settled property, and
 - (b) the settled property consists of, or includes, an interest in a dwelling-house.

Finance Bill, *continued*

- (3) Subsection (4) applies where—
 - (a) the trustees of the settlement dispose of the interest in the dwelling-house to a person other than P,
 - (b) P's interest in possession in the settled property subsists immediately before the disposal, and
 - (c) P's interest in possession—
 - (i) falls within subsection (7) throughout the period beginning with P becoming beneficially entitled to it and ending with the disposal, or
 - (ii) falls within subsection (8).
- (4) The disposal is to be treated as a disposal by P of the interest in the dwelling-house to which P is beneficially entitled as a result of the operation of section 49(1).
- (5) Subsection (6) applies where—
 - (a) P disposes of the interest in possession in the settled property, or P's interest in possession in the settled property comes to an end in P's lifetime,
 - (b) the interest in the dwelling-house is, or is part of, the settled property immediately before the time when that happens, and
 - (c) P's interest in possession—
 - (i) falls within subsection (7) throughout the period beginning with P becoming beneficially entitled to it and ending with the time mentioned in paragraph (b), or
 - (ii) falls within subsection (8).
- (6) The disposal, or (as the case may be) the coming to an end of P's interest in possession, is to be treated as a disposal by P of the interest in the dwelling-house to which P is beneficially entitled as a result of the operation of section 49(1).
- (7) An interest in possession falls within this subsection if—
 - (a) P became beneficially entitled to it before 22 March 2006 and section 71A does not apply to the settled property; or
 - (b) P becomes beneficially entitled to it on or after 22 March 2006 and the interest is—
 - (i) an immediate post-death interest,
 - (ii) a disabled person's interest, or
 - (iii) a transitional serial interest.
- (8) An interest in possession falls within this subsection if P becomes beneficially entitled to it on or after 22 March 2006 and it falls within section 5(1B)."

Rob Marris
John McDonnell
Richard Burgon
Rebecca Long-Bailey

12

Finance Bill, *continued*

Mr David Gauke

122

- ★ Clause 86, page 143, line 6, after “as if”, insert “—
- (a) after subsection (3) there were inserted—
- “(3A) But where the value of any objects is chargeable with estate duty under subsection (2A) of the said section forty (loss of objects), no estate duty shall be chargeable under this section on that value.”; and
- (b) ”

Mr David Gauke

123

- ★ Clause 86, page 144, line 2, at end insert—
- “(5A) In section 35 of IHTA 1984 (conditional exemption on death before 7th April 1976), in subsection (2), for paragraphs (a) and (b) substitute—
- “(a) tax shall be chargeable under section 32 or 32A (as the case may be), or
- (b) tax shall be chargeable under Schedule 5, as the Board may elect.””

Mr David Gauke

124

- ★ Clause 86, page 144, line 9, at end insert “, and
- (b) in sub-paragraph (4), after “40(2)” insert “or (2A)”.”

Mr David Gauke

125

- ★ Clause 86, page 144, line 10, leave out “Subsection (6) has” and insert “Subsections (5A) and (6) have”

Mr David Gauke

126

- ★ Clause 86, page 144, line 11, after “referred to in”, insert “section 35(2) of or”
-

Mr David Gauke

22

- ★ Clause 88, page 144, line 32, leave out “any of sections 90 to” and insert “section”

Mr David Gauke

23

- ★ Clause 88, page 144, line 33, leave out “of £15,000”

Finance Bill, *continued*

Mr David Gauke

24

★ Clause 88, page 144, line 33, at end insert—

“() The amount of the levy allowance is £15,000 (except where section 90 or 91 provides otherwise).”

Mr David Gauke

25

★ Clause 90, page 145, line 33, leave out subsections (1) to (3) and insert—

- “(1) Two or more companies which are not charities form a “company unit” for a tax year (and are the “members” of that unit) if—
- (a) they are connected with one another at the beginning of the tax year, and
 - (b) each of them is entitled to a levy allowance for the tax year.
- (2) The members of a company unit must determine what amount of levy allowance each of them is to be entitled to for the tax year (and the determination must comply with subsections (3) and (3A)).
But see subsections (3C) and (3H).
- (3) A member’s levy allowance for a tax year may be zero (but not a negative amount).
- (3A) The total amount of the levy allowances to which the members of a company unit are entitled for a tax year must equal £15,000.
- (3B) A determination made under subsection (2) (with respect to a tax year) cannot afterwards be altered by the members concerned (but this does not prevent the correction of a failure to comply with subsection (3A)).
- (3C) If subsection (3E) applies—
- (a) HMRC must determine in accordance with subsection (3D) what amount of levy allowance each of the relevant members (see subsection (3E)(a)) of the unit concerned is to be entitled to for the tax year, and
 - (b) accordingly subsection (2) is treated as never having applied in relation to that company unit and that tax year.
- (3D) The determination is to be made by multiplying the amount of levy allowance set out in each relevant return (see subsection (3E)(a)) by—

$$\frac{15,000}{T}$$

where T is the total of the amounts of levy allowance set out in the relevant returns.

The result is, in each case, the amount of the levy allowance to which the relevant member in question is entitled for the tax year (but amounts may be rounded up or down where appropriate provided that subsection (3A) is complied with).

(3E) This subsection applies if—

(a) HMRC is aware—

- (i) that two or more members of a company unit (“the relevant members”) have made apprenticeship levy returns (“the relevant returns”) on the basis mentioned in subsection (3F), and

Finance Bill, continued

- (ii) that those returns, together, imply that the total mentioned in subsection (3A) is greater than £15,000,
 - (b) HMRC has notified the relevant members in writing that HMRC is considering taking action under subsection (3C), and
 - (c) the remedial action specified in the notice has not been taken within the period specified in the notice.
- (3F) The basis in question is that the member making the return is entitled to a levy allowance (whether or not of zero) for the tax year concerned.
- (3G) If any member of the company unit mentioned in subsection (3E)(a) is not a relevant member, that member is entitled to a levy allowance of zero for the tax year.
- (3H) If subsection (3J) applies—
- (a) HMRC must determine in accordance with subsection (3I) what amount of levy allowance each of the members of the unit concerned is to be entitled to for the tax year, and
 - (b) accordingly subsection (2) is treated as never having applied in relation to that company unit and that tax year.
- (3I) Each member of the unit is to be entitled to a levy allowance for the tax year equal to—

$$\frac{\pounds 15,000}{N}$$

where N is the number of the members of the company unit for the tax year.

Amounts determined in accordance with the formula in this subsection may be rounded up or down where appropriate provided that subsection (3A) is complied with.

- (3J) This subsection applies if—
- (a) the total amount paid by the members of a company unit in respect of apprenticeship levy for a tax year or any period in a tax year is less than the total of the amounts due and payable by them for the tax year or other period concerned,
 - (b) either the members of the unit have made no apprenticeship levy returns for any period in the tax year concerned or the returns that have been made do not contain sufficient information to enable HMRC to determine how the whole of the £15,000 mentioned in subsection (3A) is to be used by the members of the unit for the tax year,
 - (c) HMRC has notified all the members of the unit in writing that HMRC is considering taking action under subsection (3H), and
 - (d) the remedial action specified in the notice has not been taken within the period specified in the notice.
- (3K) Subsection (3A) is to be taken into account in calculating the total of the amounts due and payable as mentioned in subsection (3J)(a).
- (3L) The Commissioners may by regulations provide that in circumstances specified in the regulations the members of a company unit may alter a determination made under subsection (2) (despite subsection (3B)).
- (3M) In this section “apprenticeship levy return” means a return under regulations under section 94(4).”

Finance Bill, *continued*

Mr David Gauke

26

- ★ Clause 90, page 146, line 1, leave out “section” and insert “Part”
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Mr David Gauke

27

- ★ Clause 91, page 146, line 5, leave out subsections (1) to (3) and insert—
- “(1) Two or more charities form a “charities unit” for a tax year (and are the “members” of that unit) if—
- (a) they are connected with one another at the beginning of the tax year, and
 - (b) each of them is entitled to a levy allowance for the tax year.
- (2) The members of a charities unit must determine what amount of levy allowance each of them is to be entitled to for the tax year (and the determination must comply with subsections (3) and (3A)).
But see subsections (3C) and (3H).
- (3) A member’s levy allowance for a tax year may be zero (but not a negative amount).
- (3A) The total amount of the levy allowances to which the members of a charities unit are entitled for a tax year must equal £15,000.
- (3B) A determination made under subsection (2) (with respect to a tax year) cannot afterwards be altered by the members concerned (but this does not prevent the correction of a failure to comply with subsection (3A)).
- (3C) If subsection (3E) applies—
- (a) HMRC must determine in accordance with subsection (3D) what amount of levy allowance each of the relevant members (see subsection (3E)(a)) of the unit concerned is to be entitled to for the tax year, and
 - (b) accordingly subsection (2) is treated as never having applied in relation to that charities unit and that tax year.
- (3D) The determination is to be made by multiplying the amount of levy allowance set out in each relevant return (see subsection (3E)(a)) by—

$$\frac{15,000}{T}$$

where T is the total of the amounts of levy allowance set out in the relevant returns.

The result is, in each case, the amount of the levy allowance to which the relevant member in question is entitled for the tax year (but amounts may be rounded up or down where appropriate provided that subsection (3A) is complied with).

- (3E) This subsection applies if—
- (a) HMRC is aware—
 - (i) that two or more members of a charities unit (“the relevant members”) have made apprenticeship levy returns (“the relevant returns”) on the basis mentioned in subsection (3F), and
 - (ii) that those returns, together, imply that the total mentioned in subsection (3A) is greater than £15,000,

Finance Bill, continued

- (b) HMRC has notified the relevant members in writing that HMRC is considering taking action under subsection (3C), and
 - (c) the remedial action specified in the notice has not been taken within the period specified in the notice.
- (3F) The basis in question is that the member making the return is entitled to a levy allowance (whether or not of zero) for the tax year concerned.
- (3G) If any member of the charities unit mentioned in subsection (3E)(a) is not a relevant member, that member is entitled to a levy allowance of zero for the tax year.
- (3H) If subsection (3J) applies—
- (a) HMRC must determine in accordance with subsection (3I) what amount of levy allowance each of the members of the unit concerned is to be entitled to for the tax year, and
 - (b) accordingly subsection (2) is treated as never having applied in relation to that charities unit and that tax year.
- (3I) Each member of the unit is to be entitled to a levy allowance for the tax year equal to—

$$\frac{\pounds 15,000}{N}$$

where N is the number of the members of the charities unit for the tax year. Amounts determined in accordance with the formula in this subsection may be rounded up or down where appropriate provided that subsection (3A) is complied with.

- (3J) This subsection applies if—
- (a) the total amount paid by the members of a charities unit in respect of apprenticeship levy for a tax year or any period in a tax year is less than the total of the amounts due and payable by them for the tax year or other period concerned,
 - (b) either the members of the unit have made no apprenticeship levy returns for any period in the tax year concerned or the returns that have been made do not contain sufficient information to enable HMRC to determine how the whole of the £15,000 mentioned in subsection (3A) is to be used by the members of the unit for the tax year,
 - (c) HMRC has notified all the members of the unit in writing that HMRC is considering taking action under subsection (3H), and
 - (d) the remedial action specified in the notice has not been taken within the period specified in the notice.
- (3K) Subsection (3A) is to be taken into account in calculating the total of the amounts due and payable as mentioned in subsection (3J)(a).
- (3L) The Commissioners may by regulations provide that in circumstances specified in the regulations the members of a charities unit may alter a determination made under subsection (2) (despite subsection (3B)).
- (3M) In this section “apprenticeship levy return” means a return under regulations under section 94(4).”

Finance Bill, *continued*

- Mr David Gauke 28
- ★ Clause 109, page 155, line 35, at end insert—
 ““company” has the meaning given by section 90(5);”
-
- Roger Mullin 1
- Clause 115, page 162, line 8, leave out from “liners” to end of line 9
- Roger Mullin 2
- Clause 115, page 162, line 10, at end insert—
 “(d) products that are designed, and marketed, as being solely for use for
 absorbing breastmilk”.
- Paula Sherriff 5
- Clause 115, page 162, line 14, after “after” insert “1 April 2017, or on any prior”
-
- Mr David Gauke 29
- ★ Clause 117, page 167, line 20, leave out from beginning to “at”
- Mr David Gauke 30
- ★ Clause 117, page 167, line 21, at end insert “meet conditions A, B and C”
- Mr David Gauke 31
- ★ Clause 117, page 167, line 22, leave out “Condition A is that the portion” and insert
 “A purchased dwelling meets condition A if the amount”
- Mr David Gauke 32
- ★ Clause 117, page 167, line 25, leave out “Condition B is that” and insert “A
 purchased dwelling meets condition B if”
- Mr David Gauke 33
- ★ Clause 117, page 167, line 30, at end insert—
- “(4) A purchased dwelling meets condition C if it is not subsidiary to any of the
 other purchased dwellings.
 - (5) One of the purchased dwellings (“dwelling A”) is subsidiary to another of the
 purchased dwellings (“dwelling B”) if—
 - (a) dwelling A is situated within the grounds of, or within the same
 building as, dwelling B, and

Finance Bill, continued

- (b) the amount of the chargeable consideration for the transaction which is attributable on a just and reasonable basis to dwelling B is equal to, or greater than, two thirds of the amount of the chargeable consideration for the transaction which is attributable on a just and reasonable basis to the following combined—
- (i) dwelling A,
 - (ii) dwelling B, and
 - (iii) each of the other purchased dwellings (if any) which are situated within the grounds of, or within the same building as, dwelling B.”

Mr David Gauke

- ★ Clause 117, page 167, line 36, leave out from beginning to “one” and insert “only” 34

Mr David Gauke

- ★ Clause 117, page 167, line 37, after “dwellings” insert “meets conditions A, B and C” 35

Mr David Gauke

- ★ Clause 117, page 167, line 38, leave out from “dwelling” to “is” in line 39 and insert “which meets those conditions” 36

Mr David Gauke

- ★ Clause 117, page 167, line 48, at end insert— 37
- “() Sub-paragraphs (2) to (5) of paragraph 5 apply for the purposes of sub-paragraph (1)(c) of this paragraph as they apply for the purposes of sub-paragraph (1)(c) of that paragraph.”

Mr David Gauke

- ★ Clause 117, page 168, line 9, leave out from beginning to “at” 38

Mr David Gauke

- ★ Clause 117, page 168, line 10, at end insert “meets conditions A and B. () Sub-paragraphs (2) and (3) of paragraph 5 apply for the purposes of sub-paragraph (1)(c) of this paragraph as they apply for the purposes of sub-paragraph (1)(c) of that paragraph.” 39

Mr David Gauke

- ★ Clause 117, page 171, line 8, at end insert— 40

“Alternative finance arrangements

- 14A (1) This paragraph applies in relation to a chargeable transaction which is the first transaction under an alternative finance arrangement entered into between a person and a financial institution.

Finance Bill, continued

- (2) The person (rather than the institution) is to be treated for the purposes of this Schedule as the purchaser in relation to the transaction.
- (3) In this paragraph—
- “alternative finance arrangement” means an arrangement of a kind mentioned in section 71A(1) or 73(1);
- “financial institution” has the meaning it has in those sections (see section 73BA);
- “first transaction”, in relation to an alternative finance arrangement, has the meaning given by section 71A(1)(a) or (as the case may be) section 73(1)(a)(i).”

Mr David Gauke

41

- ★ Clause 117, page 173, line 23, at end insert—

“Power to modify this Schedule

- 18 (1) The Treasury may by regulations amend or otherwise modify this Schedule for the purpose of preventing certain chargeable transactions from being higher rates transactions for the purposes of paragraph 1.
- (2) The provision which may be included in regulations under this paragraph by reason of section 114(6)(c) includes incidental or consequential provision which may cause a chargeable transaction to be a higher rates transaction for the purposes of paragraph 1.”

Mr David Gauke

42

- ★ Clause 117, page 174, line 7, at end insert—

“() Paragraph 14A of Schedule 4ZA to FA 2003 does not apply in relation to a land transaction of which the effective date is, or is before, the date on which this Act is passed if the effect of its application would be that the transaction is a higher rates transaction for the purposes of paragraph 1 of that Schedule.”

NEW CLAUSES

Mr David Gauke

NC7

- ★ To move the following Clause—

“Receipts from intellectual property: diverted profits tax

- (1) Part 3 of FA 2015 (diverted profits tax) is amended as follows.
- (2) In section 79 (charge to tax), at the end insert—
- “(6) But banking surcharge profits and notional banking surcharge profits, to the extent that they are determined by reference to notional PE profits (or what would have been notional PE profits) for an accounting period, do not include any amount which is (or would have been) included in notional PE profits for that period by virtue of section 88(5)(b).”

Finance Bill, *continued*

- (3) In section 88 (which relates to the calculation of taxable diverted profits), for subsection (5) substitute—
- “(5) “Notional PE profits”, in relation to an accounting period, means an amount equal to the sum of—
- (a) the amount of profits (if any) which would have been the chargeable profits of the foreign company for that period, attributable (in accordance with sections 20 to 32 of CTA 2009) to the avoided PE, had the avoided PE been a permanent establishment in the United Kingdom through which the foreign company carried on the trade mentioned in section 86(1)(b), and
 - (b) an amount equal to the total of royalties or other sums which are paid by the foreign company during that period in connection with that trade in circumstances where the payment avoids the application of section 906 of ITA 2007 (duty to deduct tax).
- (5A) For the purposes of subsection (5)(b) a payment of a royalty or other sum avoids the application of section 906 of ITA 2007 if—
- (a) that section does not apply in relation to the payment, but
 - (b) that section would have applied in relation to the payment had the avoided PE been a permanent establishment in the United Kingdom through which the foreign company carried on the trade mentioned in section 86(1)(b).”
- (4) In section 100 (credit for UK or foreign tax on same profits), for the heading substitute “Credits for tax on the same profits”.
- (5) In section 100, after subsection (2) insert—
- “(2A) Subsection (2)(b) does not allow a credit against a liability to diverted profits tax if or to the extent that the liability arises by virtue of section 88(5)(b) (payments of royalties etc).”
- (6) In section 100, after subsection (4) insert—
- “(4A) Subsection (4B) applies where—
- (a) a company’s notional PE profits for an accounting period include an amount under section 88(5)(b) determined by reference to a royalty or other sum,
 - (b) the company’s liability to diverted profits tax for the accounting period is determined by reference to taxable diverted profits calculated under section 91(4) or (5), and
 - (c) those taxable diverted profits include an amount of relevant taxable income referred to in section 91(4)(b) or (5)(b) determined by reference to the same royalty or other sum.
- (4B) A credit equal to the company’s liability to diverted profits tax for that accounting period which arises by virtue of section 88(5)(b) in respect of the royalty or other sum, to the extent that it is included in relevant taxable income for the purposes of section 91(4)(b) or (5)(b), is allowed against the company’s total liability to diverted profits tax for that period.
- (4C) Subsection (4D) applies where—
- (a) by reason of the payment of a royalty or other sum a company’s liability to diverted profits tax for an accounting period includes liability arising by virtue of section 88(5)(b),
 - (b) the royalty or other sum is paid to a person who is resident in a country or territory outside the United Kingdom, and

Finance Bill, continued

- (c) under any relevant provision relief would have been due to that person had the avoided PE been a permanent establishment in the United Kingdom through which the company carried on the trade mentioned in section 86(1)(b).
- (4D) Such credit as is just and reasonable having regard to the amount of the relief referred to in subsection (4C)(c) is allowed against the company's liability to diverted profits tax.
- (4E) In subsection (4C)(c) "relevant provision" means—
- (a) the provision of a double taxation arrangement (as defined by section 2(4) of TIOPA 2010), or
 - (b) section 758 of ITTOIA 2005 (exemption for certain interest and royalty payments)."
- (7) The amendments made by this section have effect in relation to accounting periods ending on or after 28 June 2016.
- (8) For the purposes of section 88(5)(b) of FA 2015 as inserted by this section, a royalty or other sum which would not otherwise be regarded as paid during an accounting period ending on or after 28 June 2016 is to be regarded as so paid if—
- (a) for the purposes of section 906 of ITA 2007 it is regarded as paid on a date during that period by virtue of section (*deduction of income tax at source: intellectual property*)(6), or
 - (b) for the purposes of section 577A(1) of ITTOIA 2005 it is regarded as paid on a date during that period by virtue of section (*receipts from intellectual property: territorial scope*)(5)."

Mr David Gauke

NC8

- ★ To move the following Clause—

“Deduction of income tax at source: intellectual property

- (1) Part 15 of ITA 2007 (deduction from other payments connected with intellectual property) is amended as specified in subsections (2) and (3).
- (2) In section 906 (certain royalties etc where usual place of abode of owner is abroad), for subsections (1) to (3) substitute—
 - “(1) This section applies to any payment made in a tax year where condition A or condition B is met.
 - (2) Condition A is that—
 - (a) the payment is a royalty, or a payment of any other kind, for the use of, or the right to use, intellectual property (see section 907),
 - (b) the usual place of abode of the owner of the intellectual property is outside the United Kingdom, and
 - (c) the payment is charged to income tax or corporation tax.
 - (3) Condition B is that—
 - (a) the payment is a payment of sums payable periodically in respect of intellectual property,
 - (b) the person entitled to those sums (“the assignor”) assigned the intellectual property to another person,

Finance Bill, continued

- (c) the usual place of abode of the assignor is outside the United Kingdom, and
 - (d) the payment is charged to income tax or corporation tax.”
- (3) For section 907 substitute—

“907 Meaning of “intellectual property”

- (1) In section 906 “intellectual property” means—
 - (a) copyright of literary, artistic or scientific work,
 - (b) any patent, trade mark, design, model, plan, or secret formula or process,
 - (c) any information concerning industrial, commercial or scientific experience, or
 - (d) public lending right in respect of a book.
- (2) In this section “copyright of literary, artistic or scientific work” does not include copyright in—
 - (a) a cinematographic film or video recording, or
 - (b) the sound-track of a cinematographic film or video recording, except so far as it is separately exploited.”
- (4) The amendments made by subsections (2) and (3) have effect in respect of payments made on or after 28 June 2016.
- (5) In determining whether section 906 of ITA 2007 applies to a payment, no regard is to be had to any arrangements the main purpose of which, or one of the main purposes of which, is to avoid the effect of the amendments made by this section.
- (6) Where arrangements are disregarded under subsection (5) in relation to a payment which—
 - (a) is made before 28 June 2016, and
 - (b) is due on or after that day,
 the payment is to be regarded for the purposes of section 906 of ITA 2007 as made on the date on which it is due.
- (7) In determining the date on which a payment is due for the purposes of subsection (6), disregard the arrangements referred to in that subsection.
- (8) In this section “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable and whether entered into before, or on or after, 28 June 2016).”

Mr David Gauke

NC9

- ★ To move the following Clause—

“Receipts from intellectual property: territorial scope

- (1) In section 577 of ITTOIA 2005 (territorial scope of Part 5 charges), at the end insert—
 - “(5) See also section 577A (territorial scope of Part 5 charges: receipts from intellectual property).”

Finance Bill, continued

(2) After that section insert—

“577A Territorial scope of Part 5 charges: receipts from intellectual property

- (1) References in section 577 to income which is from a source in the United Kingdom include income arising where—
 - (a) a royalty or other sum is paid in respect of intellectual property by a person who is non-UK resident, and
 - (b) the payment is made in connection with a trade carried on by that person through a permanent establishment in the United Kingdom.
- (2) Subsection (3) applies where a royalty or other sum is paid in respect of intellectual property by a person who is non-UK resident in connection with a trade carried on by that person only in part through a permanent establishment in the United Kingdom.
- (3) The payment referred to in subsection (2) is to be regarded for the purposes of subsection (1)(b) as made in connection with a trade carried on through a permanent establishment in the United Kingdom to such extent as is just and reasonable, having regard to all the circumstances.
- (4) In determining for the purposes of section 577 whether income arising is from a source in the United Kingdom, no regard is to be had to arrangements the main purpose of which, or one of the main purposes of which, is to avoid the effect of the rule in subsection (1).
- (5) In this section—

“arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);

“intellectual property” has the same meaning as in section 579;

“permanent establishment”—

 - (d) in relation to a company, is to be read (by virtue of section 1007A of ITA 2007) in accordance with Chapter 2 of Part 24 of CTA 2010, and
 - (e) in relation to any other person, is to be read in accordance with that Chapter but as if references in that Chapter to a company were references to that person.”
- (3) The amendments made by subsections (1) and (2) have effect in relation to royalties or other sums paid in respect of intellectual property on or after 28 June 2016.
- (4) It does not matter for the purposes of subsection (4) of section 577A of ITTOIA 2005 (as inserted by this section) whether the arrangements referred to in that subsection are entered into before, or on or after, 28 June 2016.
- (5) Where arrangements are disregarded under subsection (4) of section 577A of ITTOIA 2005 (as inserted by this section) in relation to a payment of a royalty or other sum which—
 - (a) is made before 28 June 2016, but
 - (b) is due on or after that day,

the payment is to be regarded for the purposes of subsection (1) of that section as made on the date on which it is due.
- (6) In determining the date on which a payment is due for the purposes of subsection (5), disregard the arrangements referred to in that subsection.

Finance Bill, *continued*

- (7) Where—
- (a) an intellectual property royalty payment within the meaning of section 917A of ITA 2007 is made on or after 28 June 2016,
 - (b) the payment is made under arrangements (within the meaning of that section) entered into before that day,
 - (c) the arrangements are not DTA tax avoidance arrangements for the purposes of that section,
 - (d) it is reasonable to conclude that the main purpose, or one of the main purposes, of the arrangements was to obtain a tax advantage by virtue of any provisions of a foreign double taxation arrangement, and
 - (e) obtaining that tax advantage is contrary to the object and purpose of those provisions,
- the arrangements are to be regarded as DTA tax avoidance arrangements for the purposes of section 917A of ITA 2007 in relation to the payment.
- (8) In subsection (7)—
- “foreign double taxation arrangement” means an arrangement made by two or more territories outside the United Kingdom with a view to affording relief from double taxation in relation to tax chargeable on income (with or without other tax relief);
 - “tax advantage” is to be construed in accordance with section 208 of FA 2013 but as if references in that section to “tax” were references to tax chargeable on income under the law of a territory outside the United Kingdom.
- (9) Where—
- (a) a royalty is paid on or after 28 June 2016,
 - (b) the right in respect of which the royalty is paid was created or assigned before that day,
 - (c) section 765(2) of ITTOIA 2005 does not apply in relation to the payment, and
 - (d) it is reasonable to conclude that the main purpose, or one of the main purposes, of any person connected with the creation or assignment of the right was to take advantage, by means of that creation or assignment, of the law of any territory giving effect to Council Directive 2003/49/EC of 3rd June 2003 on a common system of taxation applicable to interest and royalty payments made between associated companies of different member States,
- section 758 of ITTOIA 2005 does not apply in relation to the payment.”

Roger Mullin

NC1

To move the following Clause—

“VAT treatment of the Scottish Police Authority and the Scottish Fire and Rescue Service

The Chancellor of the Exchequer must commission a review of the VAT treatment of the Scottish Police Authority and the Scottish Fire and Rescue Service, including but not limited to an analysis of the impact on the financial position of Police Scotland and the Scottish Fire and Rescue Service arising from their VAT treatment and an estimate of the change to their financial position were

Finance Bill, *continued*

they eligible for a refund of VAT under section 33 of the VAT Act 1994, and must publish the report of the review within six months of the passing of this Act.”

Roger Mullin

NC2

To move the following Clause—

“Review of the Apprenticeship Levy

The provisions of this Act relating to the Apprenticeship Levy shall not come into force until the Chancellor of the Exchequer has laid before Parliament a report on how the levy will be implemented, including but not limited to information on how equitable treatment of the different parts of the UK will be assured in its implementation.”

Roger Mullin

NC3

To move the following Clause—

“Corporation tax treatment of the oil and gas industry

The Chancellor of the Exchequer shall, within six months of the passing of this Act, commission a comprehensive review of the corporation tax rates and investment allowances applicable to companies producing oil and gas in the UK or on the UK continental shelf, and publish the report of the review.”

Roger Mullin

NC4

To move the following Clause—

“Fuel duty regulator regime

The Chancellor of the Exchequer shall undertake a review of fuel duty to establish the form of fuel duty regulator regime which would best ensure stability of pricing, and report to Parliament within six months of the passing of this Act.”

Finance Bill, *continued*

Roger Mullin

NC5

To move the following Clause—

“Taxation of allowances payable to members of the House of Lords

The Chancellor of the Exchequer shall undertake a review of the tax-free status of allowances payable to members of the House of Lords and report to Parliament within six months of the passing of this Act.”

Roger Mullin

NC6

To move the following Clause—

“Oil and gas: decommissioning contracts

- (1) The Chancellor of the Exchequer shall commission a review of the ways in which the tax regime could be changed to increase the competitiveness of UK-registered companies in bidding for supply chain contracts associated with the decommissioning of oil and gas infrastructure.
 - (2) In undertaking the review, the Chancellor shall consult the Department for Business, Innovation and Skills, the Oil and Gas Authority; Scottish Ministers; and any other stakeholders that the Chancellor thinks appropriate.
 - (3) The Chancellor shall report to Parliament on the results of his review within six months of the passing of this Act.”
-

ORDER OF THE HOUSE [11 APRIL 2016]

That the following provisions shall apply to the Finance (No. 2) Bill:

Committal

1. The following shall be committed to a Committee of the whole House—
 - (1) Clauses 7 to 18 and Schedules 2 and 3 (employment income);
 - (2) Clauses 41 and 42 (corporation tax: charge and rates);
 - (3) Clauses 43 and 44 (corporation tax: research and development);
 - (4) Clauses 65 to 71 (capital allowances, trade and property business profits);
 - (5) Clauses 72 to 81 and Schedules 11 to 14 (capital gains tax);
 - (6) Clause 129 (insurance premium tax);
 - (7) Clauses 132 to 136 (climate change levy);
 - (8) Clauses 144 to 154 and Schedules 18 to 22 (tax avoidance and evasion);
 - (9) any new Clauses or new Schedules relating to—
 - (a) employment income,
 - (b) the subject matter of Clauses 41 to 44 and 65 to 71,
 - (c) capital gains tax,
 - (d) insurance premium tax,
 - (e) climate change levy, and
 - (f) tax avoidance and evasion.
2. The remainder of the Bill shall be committed to a Public Bill Committee.

Finance Bill, continued*Proceedings in committee*

3. Proceedings in Committee of the whole House shall be completed in two days.
4. Those proceedings shall be taken on each of those days as shown in the first column of the following Table and in the order so shown.
5. Each part of the proceedings shall (so far as not previously concluded) be brought to a conclusion at the time specified in relation to it in the second column of the Table.
6. Standing Order No. 83B (programming committees) shall not apply to proceedings in Committee of the whole House.

TABLE

<i>Proceedings</i>	<i>Time for conclusion of proceedings</i>
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First day

Clauses 7 to 12, Schedule 2, Clauses 13 to 16, Schedule 3, Clauses 17 and 18, new clauses and new Schedules relating to employment income	Two hours from commencement of proceedings on the Bill on the first day
Clauses 132 to 136, new clauses and new Schedules relating to climate change levy	Four hours from commencement of proceedings on the Bill on the first day
Clause 129 and new clauses and new Schedules relating to insurance premium tax	Six hours from commencement of proceedings on the Bill on the first day

*Proceedings**Time for conclusion of proceedings**Second day*

Clauses 144 to 147, Schedule 18, Clauses 148 and 149, Schedule 19, Clause 150, Schedule 20, Clause 151, Schedule 21, Clauses 152 and 153, Schedule 22, Clause 154, new clauses and new Schedules relating to tax avoidance and evasion	Two hours from commencement of proceedings on the Bill on the second day
Clauses 41 to 44, Clauses 65 to 71, new clauses and new Schedules relating to the subject matter of those clauses	Four hours from commencement of proceedings on the Bill on the second day
Clause 72, Schedules 11 and 12, Clauses 73 to 75, Schedule 13, Clause 76, Schedule 14, Clauses 77 to 81, new Clauses and new Schedules relating to capital gains tax	Six hours from commencement of proceedings on the Bill on the second day

Finance Bill, continued*Proceedings in Public Bill Committee etc*

7. Proceedings in the Public Bill Committee shall (so far as not previously concluded) be brought to a conclusion on 14 July.
8. The Public Bill Committee shall have leave to sit twice on the first day on which it meets.
9. When the provisions of the Bill considered, respectively, by the Committee of the whole House and by the Public Bill Committee have been reported to the House, the Bill shall be proceeded with as if it had been reported as a whole to the House from the Public Bill Committee.

Consideration and Third Reading

10. Proceedings on Consideration, any proceedings in Legislative Grand Committee and proceedings on Third Reading shall be completed in two days.
 11. Proceedings on Consideration and proceedings in Legislative Grand Committee shall (so far as not previously concluded) be brought to a conclusion one hour before the moment of interruption on the second day of proceedings on Consideration.
 12. Proceedings on Third Reading shall (so far as not previously concluded) be brought to a conclusion at the moment of interruption on that day.
 13. Standing Order No. 83B (programming committees) shall not apply to proceedings on Consideration and up to and including Third Reading.
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