

Finance Bill

EUROPEAN CONVENTION ON HUMAN RIGHTS

Lord Deighton has made the following statement under section 19(1)(a) of the Human Rights Act 1998:

In my view the provisions of the Finance Bill are compatible with the Convention rights.

AMENDMENTS

The following amendments should be read together with House of Commons Bill 10 – I and 10 – II to which they relate. These amendments have been made by the House of Commons to that Bill.

After Clause 35

1 Insert the following new Clause –

“Tax relief for theatrical production

Schedule (*Tax relief for theatrical production*) contains provision about relief in respect of theatrical productions.”

After Clause 38

2 Insert the following new Clause –

“Determination of beneficial entitlement for purposes of group relief

- (1) CTA 2010 is amended as follows.
- (2) In section 169 (interpretation of provisions to determine proportion of beneficial entitlement) –
 - (a) in subsection (2), for the definition of “arrangements” substitute –
““arrangements” –
 - (a) means arrangements of any kind (whether or not in writing), but
 - (b) does not include a condition or requirement imposed by, or agreed with, a Minister of the Crown, the Scottish Ministers, a Northern Ireland department or a statutory body,”
 - (b) after that subsection insert –

- “(3) In subsection (2) “statutory body” means a body (other than a company as defined by section 1(1) of the Companies Act 2006) established by or under a statutory provision for the purpose of carrying out functions conferred on it by or under a statutory provision, except that the Treasury may, by order, specify that a body is or is not to be a statutory body for this purpose.”
- (3) In section 188 (other definitions for Part 5), in subsection (1), in the definition of “company” for “section 156(2A)” substitute “sections 156(2A) and 169(3)”.
- (4) The amendments made by this section have effect in relation to accounting periods ending on or after 1 January 2015.”

After Clause 40

- 3 Insert the following new Clause –

“Pension flexibility: further amendments

Schedule (*Pension flexibility: further amendments*) makes further provision in connection with pension flexibility.”

After Clause 52

- 4 Insert the following new Clause –

“Exclusion of incentivised electricity or heat generation activities

- (1) ITA 2007 is amended as follows.
- (2) In section 192 (EIS: meaning of “excluded activities”) –
- (a) in subsection (1), omit the “and” at the end of paragraph (ka) and after that paragraph insert –
- “(kb) the subsidised generation of heat or subsidised production of gas or fuel, and”, and
- (b) in subsection (2), omit the “and” at the end of paragraph (f) and after paragraph (g) insert “, and
- (h) section 198B (subsidised generation of heat and subsidised production of gas or fuel).”
- (3) In section 198A (excluded activities: subsidised generation or export of electricity) –
- (a) for subsection (3) substitute –
- “(3) The generation of electricity is “subsidised” if –
- (a) a person receives a FIT subsidy in respect of the electricity generated,
- (b) a renewables obligation certificate is issued in connection with the generation of the electricity, or
- (c) a scheme established in a territory outside the United Kingdom, and corresponding to that set out in a renewables obligation order under section 32 of

- the Electricity Act 1989, operates to incentivise the generation of the electricity.”,
- (b) in subsection (6), omit the “or” after paragraph (c) and after paragraph (d) insert “, or
 - (e) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.”, and
 - (c) in subsection (9), at the end insert –
 - ““renewables obligation certificate” means a certificate issued under section 32B of the Electricity Act 1989 or Article 54 of the Energy (Northern Ireland) Order 2003.”
- (4) After that section insert –
- “198B Excluded activities: subsidised generation of heat and subsidised production of gas or fuel**
- (1) This section supplements section 192(1)(kb).
 - (2) The generation of heat, or production of gas or fuel, is “subsidised” if a payment is made, or another incentive is given, under –
 - (a) a scheme established by regulations under section 100 of the Energy Act 2008 or section 113 of the Energy Act 2011 (renewable heat incentives), or
 - (b) a similar scheme established in a territory outside the United Kingdom,
 in respect of the heat generated, or gas or fuel produced.
 - (3) But the generation of heat, or production of gas or fuel, is not to be taken to fall within section 192(1)(kb) if Condition A or B is met.
 - (4) Condition A is that the generation or production is carried on by –
 - (a) a community interest company,
 - (b) a co-operative society,
 - (c) a community benefit society,
 - (d) a NI industrial and provident society, or
 - (e) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.
 - (5) Condition B is that the plant used for the generation of the heat, or production of the gas or fuel, relies wholly or mainly on anaerobic digestion.
 - (6) Section 198A(9) (definitions) applies for the purposes of this section as for the purposes of section 198A.”
- (5) In section 303 (VCTs: meaning of “excluded activities”) –
- (a) in subsection (1), omit the “and” at the end of paragraph (ka) and after that paragraph insert –
 - “(kb) the subsidised generation of heat or subsidised production of gas or fuel, and”, and
 - (b) in subsection (2), omit the “and” at the end of paragraph (f) and after paragraph (g) insert “, and

- (h) section 309B (subsidised generation of heat and subsidised production of gas and fuel).”
- (6) In section 309A (excluded activities: subsidised generation or export of electricity) –
- (a) for subsection (3) substitute –
- “(3) The generation of electricity is “subsidised” if –
- (a) a person receives a FIT subsidy in respect of the electricity generated,
- (b) a renewables obligation certificate is issued in connection with the generation of the electricity, or
- (c) a scheme established in a territory outside the United Kingdom, and corresponding to that set out in a renewables obligation order under section 32 of the Electricity Act 1989, operates to incentivise the generation of the electricity.”,
- (b) in subsection (6), omit the “or” after paragraph (c) and after paragraph (d) insert “, or
- (e) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.”, and
- (c) in subsection (9), at the end insert –
- ““renewables obligation certificate” means a certificate issued under section 32B of the Electricity Act 1989 or Article 54 of the Energy (Northern Ireland) Order 2003.”
- (7) After that section insert –
- “309B Excluded activities: subsidised generation of heat and subsidised production of gas or fuel**
- (1) This section supplements section 303(1)(kb).
- (2) The generation of heat, or production of gas or fuel, is “subsidised” if a payment is made, or another incentive is given, under –
- (a) a scheme established by regulations under section 100 of the Energy Act 2008 or section 113 of the Energy Act 2011 (renewable heat incentives), or
- (b) a similar scheme established in a territory outside the United Kingdom,
- in respect of the heat generated or gas or fuel produced.
- (3) But the generation of heat, or production of gas or fuel, is not to be taken to fall within section 303(1)(kb) if Condition A or B is met.
- (4) Condition A is that the generation or production is carried on by –
- (a) a community interest company,
- (b) a co-operative society,
- (c) a community benefit society,
- (d) a NI industrial and provident society, or

- (e) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.
- (5) Condition B is that the plant used for the generation of the heat, or production of the gas or fuel, relies wholly or mainly on anaerobic digestion.
- (6) Section 309A(9) (definitions) applies for the purposes of this section as for the purposes of section 309A.”
- (8) The amendments made by subsections (2) to (4) have effect in relation to shares issued on or after the day on which this Act is passed.
- (9) The amendments made by subsections (5) to (7) have effect in relation to a relevant holding issued on or after the day on which this Act is passed.”

After Clause 60

5 Insert the following new Clause –

“General Block Exemption Regulation

Schedule (*General Block Exemption Regulation*) makes provision in relation to Commission Regulation (EU) No 651/2014 (General block exemption Regulation).”

Clause 61

6 Page 52, line 12, leave out “(EC) No 800/2008” and insert “(EU) No 651/2014”

7 Page 52, line 41, at end insert –

- “() In the application of section 360L of CAA 2001 in relation to expenditure incurred before the day on which this Act is passed, the definition of “General Block Exemption Regulation” in subsection (6) of that section is to be treated as referring to Commission Regulation (EC) No 800/2008.”

After Clause 67

8 Insert the following new Clause –

“Oil contractor activities: ring-fence trade etc

Schedule (*oil contractors: ring-fence trade etc*) contains provision about the corporation tax treatment of oil contractor activities.”

Clause 73

9 Page 61, line 18, leave out “as follows” and insert “in accordance with subsections (2) to (10)”

10 Page 62, line 9, at end insert –

- “() Accordingly, in section 1 of the Air Passenger Duty (Setting of Rate) Act (Northern Ireland) 2012 (setting of rate of air passenger duty) –

- (a) in subsection (1) –
 - (i) omit “(3)(a) and (b), (4)(a) and (b),” and
 - (ii) for “(5A)(a), (b) and (c)” substitute “(5A)(c),” and
- (b) omit subsections (2) to (5), (8) and (9).”

After Clause 105

11 Insert the following new Clause –

“SDLT: exercise of collective rights by tenants of flats

- (1) In section 74 of FA 2003 (exercise of collective rights by tenants of flats), in subsection (1A) for “£2,000,000”, in each place it occurs, substitute “£500,000”.
- (2) The amendments made by this section have effect in relation to any chargeable transaction of which the effective date is on or after 1 July 2014.
- (3) But the amendments do not have effect in relation to a transaction –
 - (a) effected in pursuance of a contract entered into and substantially performed before 20 March 2014, or
 - (b) effected in pursuance of a contract entered into before that date and not excluded by subsection (4).
- (4) A transaction effected in pursuance of a contract entered into before 20 March 2014 is excluded by this subsection if –
 - (a) there is any variation of the contract, or assignment (or assignation) of rights under the contract, on or after 20 March 2014,
 - (b) the transaction is effected in consequence of the exercise on or after that date of any option, right of pre-emption or similar right, or
 - (c) on or after that date there is an assignment (or assignation), subsale or other transaction relating to the whole or part of the subject-matter of the contract as a result of which a person other than the purchaser under the contract becomes entitled to call for a conveyance.”

Clause 207

12 Page 138, line 23, at end insert –

- “(2A) The grounds on which an appeal under subsection (1) may be made include in particular –
- (a) that Condition A, B or D in section 197 was not met in relation to the follower notice,
 - (b) that the judicial ruling specified in the notice is not one which is relevant to the chosen arrangements,
 - (c) that the notice was not given within the period specified in subsection (6) of that section, or
 - (d) that it was reasonable in all the circumstances for P not to have taken the necessary corrective action (see section 201(4)) in respect of the denied advantage.”

13 Page 138, line 43, at end insert –

“(8A) The cancellation under subsection (7) of HMRC’s decision on the ground specified in subsection (2A)(d) does not affect the validity of the follower notice, or of any accelerated payment notice or partner payment notice under Chapter 3 related to the follower notice.”

After Clause 290

14 Insert the following new Clause –

“Co-operative societies etc

Schedule (*Taxation of co-operative societies etc*) makes provision about the tax treatment of co-operative, community benefit and industrial and provident societies and credit unions.”

Clause 291

15 Page 199, leave out lines 23 to 29

After Schedule 3

16 Insert the following new Schedule –

“TAX RELIEF FOR THEATRICAL PRODUCTION

PART 1

AMENDMENTS OF CTA 2009

1 Before Part 16 of CTA 2009 insert –

“PART 15C

THEATRICAL PRODUCTIONS

Introduction

1217F Overview

- (1) This Part contains provision about tax relief for production companies in respect of their theatrical productions.
- (2) Sections 1217FA to 1217FC define “production company” and “theatrical production”.
- (3) Section 1217G sets out the conditions a production company must meet to qualify for relief in relation to its theatrical production.
- (4) Section 1217H provides for relief by way of additional deductions in respect of certain expenditure (and section 1217J is about the amount of the additional deduction).
- (5) This Part also contains provision –

- (a) for a company that claims relief to be treated as carrying on a separate trade relating to the theatrical production (see section 1217H(3)), and
 - (b) about the calculation of the profits and losses of that trade (see sections 1217I to 1217IF).
- (6) Sections 1217K to 1217KC –
- (a) provide for relief by way of payments (called “theatre tax credits”) to be made on the company’s surrender of certain losses of that trade, and
 - (b) set out an upper limit on relief, in connection with State aid legislation.
- (7) Sections 1217LA and 1217LB are about certain cases involving tax avoidance arrangements or arrangements entered into otherwise than for genuine commercial reasons.
- (8) Sections 1217M to 1217MC contain provision about the use of losses of the separate trade (including provision about relief for terminal losses).
- (9) Sections 1217N and 1217NA are concerned with the provisional nature of relief given for periods preceding the period in which the company ceases to carry on the separate theatrical trade.

1217FA “Theatrical production”

- (1) In this Part “theatrical production” means a dramatic production or a ballet (and any ballet is therefore a theatrical production, whether or not it is also a dramatic production).
But see section 1217FB.
- (2) “Dramatic production” means a production of a play, opera, musical, or other dramatic piece (whether or not involving improvisation) in relation to which the following conditions are met –
- (a) the actors, singers, dancers or other performers are to give their performances wholly or mainly through the playing of roles,
 - (b) each performance in the proposed run of performances is to be live, and
 - (c) the presentation of live performances is the main object, or one of the main objects, of the company’s activities in relation to the production.
- (3) “Dramatic piece” may also include, for example, a show that is to be performed by a circus.
- (4) For the purposes of this section a performance is “live” if it is to an audience before whom the performers are actually present.

1217FB Productions not regarded as theatrical

- (1) A dramatic production or ballet is not regarded as a theatrical production if –

- (a) the main purpose, or one of the main purposes, for which it is made is to advertise or promote any goods or services,
 - (b) the performances are to consist of or include a competition or contest,
 - (c) a wild animal is to be used in any performance,
 - (d) the production is of a sexual nature (see subsection (3)), or
 - (e) the making of a relevant recording is the main object, or one of the main objects, of the company's activities in relation to the production.
- (2) For the purposes of subsection (1)(c) an animal is used in a performance if the animal performs, or is shown, in the course of the performance.
- (3) A production is of a sexual nature for the purposes of subsection (1)(d) if the performances are to include any content the nature of which is such that, ignoring financial gain, it would be reasonable to assume the content to be included solely or principally for the purpose of sexually stimulating any member of the audience (whether by verbal or other means).
- (4) "Relevant recording" means a recording of a performance –
- (a) as a film (or part of a film) for exhibition to the paying general public at the commercial cinema, or
 - (b) for broadcast to the general public.
- (5) In this section –
- "broadcast" means broadcast by any means (including television, radio or the internet);
 - "film" has the same meaning as in Part 15 (see section 1181);
 - "wild animal" means an animal of a kind which is not commonly domesticated in the British Islands (and in this definition "animal" has the meaning given by section 1(1) of the Animal Welfare Act 2006).

1217FC "Production company"

- (1) A company is the production company in relation to a theatrical production if the company (acting otherwise than in partnership) –
- (a) is responsible for producing, running and closing the theatrical production,
 - (b) is actively engaged in decision-making during the production, running and closing phases,
 - (c) makes an effective creative, technical and artistic contribution to the production, and
 - (d) directly negotiates for, contracts for and pays for rights, goods and services in relation to the production.
- (2) No more than one company can be the production company in relation to a theatrical production.
- (3) If more than one company meets the conditions in subsection (1) in relation to a theatrical production, the company that is most

directly engaged in the activities mentioned in subsection (1) is the production company.

- (4) If there is no company meeting the conditions in subsection (1), there is no production company in relation to the production.

Companies qualifying for relief

1217G How a company qualifies for relief

- (1) A company qualifies for relief in relation to a theatrical production if—
- (a) it is the production company in relation to the production, and
 - (b) the commercial purpose condition (see section 1217GA) and the EEA expenditure condition (see section 1217GB) are met.
- (2) There is further provision relating to subsection (1) in section 1217LA (tax avoidance arrangements).

1217GA The commercial purpose condition

- (1) The “commercial purpose condition” is that at the beginning of the production phase the company intends that all, or a high proportion of, the live performances that it proposes to run will be—
- (a) to paying members of the general public, or
 - (b) provided for educational purposes.
- (2) The reference in subsection (1) to “live performances” is to be read in accordance with section 1217FA(4).
- (3) A performance is not regarded as provided for educational purposes if the production company is, or is associated with, a person who—
- (a) has responsibility for the beneficiaries, or
 - (b) is otherwise connected with the beneficiaries (for instance, by being their employer).
- (4) For the purposes of subsection (3), a production company is associated with a person (“P”) if—
- (a) P controls the production company, or
 - (b) P is a company which is controlled by the production company or by a person who also controls the production company.
- (5) In this section—
- “the beneficiaries” means persons for whose benefit the performance will or may be provided;
- “control” has the same meaning as in Part 10 of CTA 2010 (see section 450 of that Act).

1217GB The EEA expenditure condition

- (1) The “EEA expenditure condition” is that at least 25% of the core expenditure on the theatrical production incurred by the company is EEA expenditure.
- (2) In this Part “EEA expenditure” means expenditure on goods or services that are provided from within the European Economic Area.
- (3) Any apportionment of expenditure as between EEA and non-EEA expenditure for the purposes of this Part is to be made on a just and reasonable basis.
- (4) The Treasury may by regulations –
 - (a) amend the percentage specified in subsection (1);
 - (b) amend subsection (2).
- (5) See also sections 1217N and 1217NA (which are about the giving of relief provisionally on the basis that the EEA expenditure condition will be met).

1217GC “Core expenditure”

- (1) In this Part “core expenditure”, in relation to a theatrical production, means expenditure on the activities involved in –
 - (a) producing the production, and
 - (b) closing the production.
- (2) The reference in subsection (1)(a) to “expenditure on the activities involved in producing the production” –
 - (a) does not include expenditure on any matters not directly involved in producing the production (for instance, financing, marketing, legal services or storage);
 - (b) does not include expenditure on the ordinary running of the production; but expenditure incurred on or after the date of the first performance of the production to the paying general public may fall within subsection (1)(a) (for instance, if it is incurred in connection with a substantial recasting or a substantial redesign of the set).

*Claim for additional deduction***1217H Claim for additional deduction**

- (1) A company which qualifies for relief in relation to a theatrical production may claim an additional deduction in relation to the production.
- (2) A claim under subsection (1) is made with respect to an accounting period.
(See Schedule 18 to FA 1998, and in particular, Part 9D, for provision about the procedure for making claims.)
- (3) Where a company has made a claim under subsection (1) –

- (a) the company's activities in relation to the theatrical production are treated for corporation tax purposes as a trade separate from any other activities of the company (including activities in relation to any other theatrical production), and
 - (b) the company is entitled to make an additional deduction, in accordance with section 1217J, in calculating the profit or loss of the separate trade for the accounting period concerned.
- (4) The company is treated as beginning to carry on the separate trade—
- (a) when the production phase begins, or
 - (b) if earlier, at the time of the first receipt by the company of any income from the theatrical production.
- (5) Where the company tax return in which a claim under subsection (1) is made is for an accounting period later than that in which the company begins to carry on the separate trade, the company must make any amendments of company tax returns for earlier periods that may be necessary.
- (6) Any amendment or assessment necessary to give effect to subsection (5) may be made despite any limitation on the time within which an amendment or assessment may normally be made.
- (7) If the company ceases at any time to meet the conditions in section 1217FC(1) (meaning of “production company”) in relation to the production, it is treated as ceasing to carry on the separate trade at that time.

The separate theatrical trade

1217I Introduction to sections 1217IA to 1217IF

Where a company is treated under section 1217H(3)(a) as carrying on a separate trade (“the separate theatrical trade”), the profits or losses of the trade are calculated for corporation tax purposes in accordance with sections 1217IA to 1217IF.

1217IA Calculation of profits or losses of separate theatrical trade

- (1) For the first period of account during which the separate theatrical trade is carried on, the following are brought into account—
- (a) as a debit, the costs of the theatrical production incurred (and represented in work done) to date;
 - (b) as a credit, the proportion of the estimated total income from the production treated as earned at the end of that period.
- (2) For subsequent periods of account the following are brought into account—
- (a) as a debit, the difference between the amount (“C”) of the costs of the theatrical production incurred (and

- represented in work done) to date and the amount corresponding to C for the previous period, and
- (b) as a credit, the difference between the proportion (“PI”) of the estimated total income from the production treated as earned at the end of that period and the amount corresponding to PI for the previous period.
- (3) The proportion of the estimated total income treated as earned at the end of a period of account is –

$$\frac{C}{T} \times I$$

where –

C is the total to date of costs incurred (and represented in work done);

T is the estimated total cost of the theatrical production;

I is the estimated total income from the theatrical production.

1217IB Income from the production

- (1) References in this Part to income from a theatrical production are to any receipts by the company in connection with the making or exploitation of the production.
- (2) This includes –
- (a) receipts from the sale of tickets or of rights in the theatrical production;
 - (b) royalties or other payments for use of aspects of the theatrical production (for example, characters or music);
 - (c) payments for rights to produce merchandise;
 - (d) receipts by the company by way of a profit share agreement.
- (3) Receipts that (apart from this subsection) would be regarded as being of a capital nature are treated as being of a revenue nature.

1217IC Costs of the production

- (1) References in this Part to the costs of a theatrical production are to expenditure incurred by the company on –
- (a) the activities involved in developing, producing, running and closing the production, or
 - (b) activities with a view to exploiting the production.
- (2) This is subject to any provision of the Corporation Tax Acts prohibiting the making of a deduction, or restricting the extent to which a deduction is allowed, in calculating the profits of a trade.
- (3) Expenditure which, apart from this subsection, would be regarded as being of a capital nature only because it is incurred

on the creation of an asset (i.e. the theatrical production) is treated as being of a revenue nature.

1217ID When costs are taken to be incurred

- (1) For the purposes of this Part, the costs that have been incurred on a theatrical production at a given time –
 - (a) are those costs of the production that are represented in the state of completion of the work in progress, but
 - (b) do not include any amount that has not been paid unless it is the subject of an unconditional obligation to pay.
- (2) In accordance with subsection (1)(a) –
 - (a) payments in advance of work to be done are ignored until the work has been carried out;
 - (b) deferred payments are recognised to the extent that the goods or services in question are represented in the state of completion of the work in progress (but this is subject to subsection (1)(b)).
- (3) Where an obligation to pay an account is linked to income being earned from the theatrical production, the obligation is not treated as having become unconditional unless an appropriate amount of income is or has been brought into account under section 1217IA.
- (4) In determining for the purposes of this Part the amount of costs incurred on a theatrical production at the end of a period of account, any amount that has not been paid 4 months after the end of that period is to be ignored.

1217IE Pre-trading expenditure

- (1) This section applies if, before the company begins to carry on the separate theatrical trade, it incurs expenditure on activities falling within section 1217IC(1)(a).
- (2) The expenditure may be treated as expenditure of the separate theatrical trade and as if incurred immediately after the company begins to carry on that trade.
- (3) If expenditure so treated has previously been taken into account for other tax purposes, the company must amend any relevant company tax return accordingly.
- (4) Any amendment or assessment necessary to give effect to subsection (3) may be made despite any limitation on the time within which an amendment or assessment may normally be made.

1217IF Estimates

Estimates for the purposes of section 1217IA must be made as at the balance sheet date for each period of account, on a just and reasonable basis taking into consideration all relevant circumstances.

*Amount of additional deduction***1217J Amount of additional deduction**

- (1) The amount of an additional deduction to which a company is entitled as a result of a claim under section 1217H is calculated as follows.
- (2) For the first period of account during which the separate theatrical trade is carried on, the amount of the additional deduction is E, where—
 - E is—
 - (a) so much of the qualifying expenditure incurred to date as is EEA expenditure, or
 - (b) if less, 80% of the total amount of qualifying expenditure incurred to date.
- (3) For any period of account after the first, the amount of the additional deduction is—

$$E - P$$
 where—
 - E is—
 - (a) so much of the qualifying expenditure incurred to date as is EEA expenditure, or
 - (b) if less, 80% of the total amount of qualifying expenditure incurred to date, and
 - P is the total amount of the additional deductions given for previous periods.
- (4) The Treasury may by regulations amend the percentage specified in subsection (2) or (3).

1217JA “Qualifying expenditure”

- (1) In this Part “qualifying expenditure”, in relation to a theatrical production, means core expenditure (see section 1217GC) on the theatrical production that—
 - (a) falls to be taken into account under sections 1217IA to 1217IF in calculating the profit or loss of the separate theatrical trade for tax purposes, and
 - (b) is not excluded by subsection (2).
- (2) The following expenditure is excluded—
 - (a) expenditure in respect of which the company is entitled to an R&D expenditure credit under Chapter 6A of Part 3;
 - (b) expenditure in respect of which the company has obtained relief under Part 13 (additional relief for expenditure on research and development).

*Theatre tax credits***1217K Theatre tax credit claimable if company has surrenderable loss**

- (1) A company which—

- (a) is treated under section 1217H(3) as carrying on a separate trade during the whole or part of an accounting period, and
 - (b) has a surrenderable loss in that period,
- may claim a theatre tax credit for that accounting period.
- (2) Section 1217KA sets out how to calculate the amount of any surrenderable loss that the company has in the accounting period.
 - (3) A company making a claim may surrender the whole or part of its surrenderable loss in the accounting period.
 - (4) The amount of the theatre tax credit to which a company making a claim is entitled for the accounting period is –
 - (a) 25% of the amount of the loss surrendered if the theatrical production is a touring production, or
 - (b) 20% of the amount of the loss surrendered if the theatrical production is not a touring production.
 - (5) The company’s available loss for the accounting period (see section 1217KA(2)) is reduced by the amount surrendered.
 - (6) A theatrical production is a “touring production” only if the company intends at the beginning of the production phase –
 - (a) that it will present performances of the production in 6 or more separate premises, or
 - (b) that it will present performances of the production in at least two separate premises and that the number of performances will be at least 14.
 - (7) See Schedule 18 to FA 1998 (in particular, Part 9D) for provision about the procedure for making claims under subsection (1).

1217KA Amount of surrenderable loss

- (1) The company’s surrenderable loss in the accounting period is –
 - (a) the company’s available loss for the period in the separate theatrical trade (see subsections (2) and (3)), or
 - (b) if less, the available qualifying expenditure for the period (see subsections (4) and (5)).
- (2) The company’s available loss for an accounting period is –

$$L + RUL$$
 where –
 - L is the amount of the company’s loss for the period in the separate theatrical trade, and
 - RUL is the amount of any relevant unused loss of the company (see subsection (3)).
- (3) The “relevant unused loss” of a company is so much of any available loss of the company for the previous accounting period as has not been –
 - (a) surrendered under section 1217K, or

- (b) carried forward under section 45 of CTA 2010 and set against profits of the separate theatrical trade.
- (4) For the first period of account during which the separate theatrical trade is carried on, the available qualifying expenditure is the amount that is E for that period for the purposes of section 1217J(2).
- (5) For any period of account after the first, the available qualifying expenditure is –
- $$E - S$$
- where –
- E is the amount that is E for that period for the purposes of section 1217J(3), and
- S is the total amount previously surrendered under section 1217K.
- (6) If a period of account of the separate theatrical trade does not coincide with an accounting period, any necessary apportionments are to be made by reference to the number of days in the periods concerned.

1217KB Payment in respect of theatre tax credit

- (1) If a company –
- (a) is entitled to a theatre tax credit for an accounting period, and
- (b) makes a claim,
- the Commissioners for Her Majesty's Revenue and Customs ("the Commissioners") must pay the amount of the credit to the company.
- (2) An amount payable in respect of –
- (a) a theatre tax credit, or
- (b) interest on a theatre tax credit under section 826 of ICTA,
- may be applied in discharging any liability of the company to pay corporation tax.
- To the extent that it is so applied the Commissioners' liability under subsection (1) is discharged.
- (3) If the company's company tax return for the accounting period is enquired into by the Commissioners, no payment in respect of a theatre tax credit for that period need be made before the Commissioners' enquiries are completed (see paragraph 32 of Schedule 18 to FA 1998).
- In those circumstances the Commissioners may make a payment on a provisional basis of such amount as they consider appropriate.
- (4) No payment need be made in respect of a theatre tax credit for an accounting period before the company has paid to the Commissioners any amount that it is required to pay for payment periods ending in that accounting period –
- (a) under PAYE regulations,
- (b) under section 966 of ITA 2007 (visiting performers), or

- (c) in respect of Class 1 national insurance contributions under Part 1 of the Social Security Contributions and Benefits Act 1992 or Part 1 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992.
- (5) A payment in respect of a theatre tax credit is not income of the company for any tax purpose.

1217KC Limit on State aid

- (1) The total amount of any theatre tax credits payable under section 1217KB in the case of any undertaking is not to exceed 50 million euros per year.
- (2) In this section “undertaking” has the same meaning as in the General Block Exemption Regulation.
- (3) In this section “the General Block Exemption Regulation” means any regulation that—
 - (a) is for the time being in force under Article 1 of Council Regulation (EC) No 994/98, and
 - (b) makes, in relation to aid in favour of culture and heritage conservation, the declaration provided for by that Article.

Anti-avoidance etc

1217LA Tax avoidance arrangements

- (1) A company does not qualify for relief in relation to a theatrical production if there are any tax avoidance arrangements relating to the production.
- (2) Arrangements are “tax avoidance arrangements” if their main purpose, or one of their main purposes, is the obtaining of a tax advantage.
- (3) In this section—
 - “arrangements” includes any scheme, agreement or understanding, whether or not legally enforceable;
 - “tax advantage” has the meaning given by section 1139 of CTA 2010.

1217LB Transactions not entered into for genuine commercial reasons

- (1) A transaction is to be ignored for the purpose of determining a relief mentioned in subsection (2) so far as the transaction is attributable to arrangements (other than tax avoidance arrangements) entered into otherwise than for genuine commercial reasons.
- (2) The reliefs mentioned in subsection (1) are—
 - (a) any additional deduction which a company may make under this Part, and
 - (b) any theatre tax credit to be given to a company.
- (3) In this section “arrangements” and “tax avoidance arrangements” have the same meaning as in section 1217LA.

*Use of losses***1217M Application of sections 1217MA to 1217MC**

- (1) Sections 1217MA to 1217MC apply to a company that is treated under section 1217H(3) as carrying on a separate trade in relation to a theatrical production.
- (2) In those sections –
 - “the completion period” means the accounting period in which the company ceases to carry on the separate theatrical trade;
 - “loss relief” includes any means by which a loss might be used to reduce the amount in respect of which a company, or any other person, is chargeable to tax.

1217MA Restriction on use of losses before completion period

- (1) Subsection (2) applies if a loss is made by the company in the separate theatrical trade in an accounting period preceding the completion period.
- (2) The loss is not available for loss relief, except to the extent that the loss may be carried forward under section 45 of CTA 2010 to be set against profits of the separate theatrical trade in a subsequent period.

1217MB Use of losses in the completion period

- (1) Subsection (2) applies if a loss made in the separate theatrical trade is carried forward under section 45 of CTA 2010 to the completion period.
- (2) So much (if any) of the loss as is not attributable to relief under section 1217H (see subsection (4)) may be treated for the purposes of loss relief as if it were a loss made in the completion period.
- (3) If a loss is made in the separate theatrical trade in the completion period, the amount of the loss that may be –
 - (a) deducted from total profits of the same or an earlier period under section 37 of CTA 2010, or
 - (b) surrendered as group relief under Part 5 of that Act, is restricted to the amount (if any) that is not attributable to relief under section 1217H.
- (4) The amount of a loss in any period that is attributable to relief under section 1217H is found by –
 - (a) calculating what the amount of the loss would have been if there had been no additional deduction under that section in that or any earlier period, and
 - (b) deducting that amount from the total amount of the loss.
- (5) This section does not apply to loss surrendered, or treated as carried forward, under section 1217MC (terminal losses).

1217MC Terminal losses

- (1) This section applies if—
 - (a) the company ceases to carry on the separate theatrical trade, and
 - (b) if the company had not ceased to carry on the separate theatrical trade, it could have carried forward an amount under section 45 of CTA 2010 to be set against profits of that trade in a later period (“the terminal loss”).

Below in this section the company is referred to as “company A” and the separate theatrical trade is referred to as “trade 1”.

- (2) If company A—
 - (a) is treated under section 1217H(3) as carrying on a separate theatrical trade in relation to another theatrical production (“trade 2”), and
 - (b) is carrying on trade 2 when it ceases to carry on trade 1, company A may (on making a claim) elect to transfer the terminal loss (or a part of it) to trade 2.
- (3) If company A makes an election under subsection (2), the terminal loss (or part of the loss) is treated as if it were a loss brought forward under section 45 of CTA 2010 to be set against the profits of trade 2 of the first accounting period beginning after the cessation and so on.
- (4) Subsection (5) applies if—
 - (a) another company (“company B”) is treated under section 1217H(3) as carrying on a separate theatrical trade (“company B’s trade”) in relation to another theatrical production,
 - (b) company B is carrying on that trade when company A ceases to carry on trade 1, and
 - (c) company B is in the same group as company A for the purposes of Part 5 of CTA 2010 (group relief).
- (5) Company A may surrender the loss (or part of it) to company B.
- (6) On the making of a claim by company B the amount surrendered is treated as if it were a loss brought forward by company B under section 45 of CTA 2010 to be set against the profits of company B’s trade of the first accounting period beginning after the cessation and so on.
- (7) The Treasury may by regulations make administrative provision in relation to the surrender of a loss under subsection (5) and the resulting claim under subsection (6).
- (8) “Administrative provision” means provision corresponding, subject to such adaptations or other modifications as appear to the Treasury to be appropriate, to that made by Part 8 of Schedule 18 to FA 1998 (company tax returns: claims for group relief).

*Provisional entitlement to relief***1217N Provisional entitlement to relief**

- (1) In relation to a company that has made a claim under section 1217H in relation to a theatrical production, “interim accounting period” means any accounting period that –
 - (a) is one in which the company carries on the separate theatrical trade, and
 - (b) precedes the accounting period in which it ceases to do so.
- (2) A company is not entitled to relief under any of the relieving provisions for an interim accounting period unless –
 - (a) its company tax return for the period states the amount of planned core expenditure on the theatrical production that is EEA expenditure, and
 - (b) that amount is such as to indicate that the EEA expenditure condition (see section 1217GB) will be met in relation to the production.

If those requirements are met, the company is provisionally treated in relation to that period as if the EEA expenditure condition were met.

- (3) In this section “the relieving provisions” means –
 - (a) section 1217H (additional deduction),
 - (b) section 1217K (theatre tax credits), and
 - (c) section 1217MC (terminal losses).

1217NA Clawback of provisional relief

- (1) If a statement is made under section 1217N(2) but it subsequently appears that the EEA expenditure condition will not be met on the company’s ceasing to carry on the separate theatrical trade, the company –
 - (a) is not entitled to relief under any of the relieving provisions for any period for which its entitlement depended on such a statement, and
 - (b) must amend its company tax return for any such period accordingly.
- (2) When a company which has made a claim under section 1217H ceases to carry on the separate theatrical trade, the company’s company tax return for the period in which that cessation occurs must –
 - (a) state that the company has ceased to carry on the separate theatrical trade, and
 - (b) be accompanied by a final statement of the amount of the core expenditure on the theatrical production that is EEA expenditure.
- (3) If that statement shows that the EEA expenditure condition is not met –
 - (a) the company is not entitled to relief under any of the relieving provisions for any period,

- (b) the company is treated for corporation tax purposes as if section 1217H(3)(a) (treatment as a separate trade) did not apply in relation to the theatrical production for any period, and
 - (c) accordingly, sections 1217MA and 1217MB (provisions about use of losses) do not apply in relation to the theatrical production for any period.
- (4) Where subsection (3) applies, the company must amend its company tax return for any period in which (or in any part of which) it was treated as carrying on a separate trade relating to the theatrical production.
 - (5) Any amendment or assessment necessary to give effect to this section may be made despite any limitation on the time within which an amendment or assessment may normally be made.
 - (6) In this section “the relieving provisions” has the same meaning as in section 1217N.

Interpretation

1217O Activities involved in developing, producing, running or closing a production

The Treasury may by regulations amend section 1217GC (core expenditure) or 1217IC (costs of production) for the purpose of providing that activities of a specified description are, or are not, to be regarded as activities involved in developing or (as the case may be) producing, running or closing –

- (a) a theatrical production, or
- (b) a theatrical production of a specified description.

1217OA “Company tax return”

In this Part “company tax return” has the same meaning as in Schedule 18 to FA 1998 (see paragraph 3(1) of that Schedule).

1217OB Index

In this Part –

- “commercial purpose condition” has the meaning given by section 1217GA;
- “company tax return” has the meaning given by section 1217OA;
- “core expenditure” has the meaning given by section 1217GC;
- “costs”, in relation to a theatrical production, has the meaning given by section 1217IC;
- “EEA expenditure” has the meaning given by section 1217GB;
- “EEA expenditure condition” has the meaning given by section 1217GB;
- references to “income from a theatrical production” are to be read in accordance with section 1217IB;

“production company” has the meaning given by section 1217FC;
“qualifying expenditure” has the meaning given by section 1217JA;
references to the “separate theatrical trade” are to be read in accordance with section 1217I;
“theatrical production” has the meaning given by section 1217FA (read with section 1217FB).”

PART 2

CONSEQUENTIAL AMENDMENTS

ICTA

- 2 (1) Section 826 of ICTA (interest on tax overpaid) is amended as follows.
- (2) In subsection (1), after paragraph (fb) insert—
 - “(fc) a payment of theatre tax credit falls to be made to a company; or”.
- (3) In subsection (3C), for “or video game tax credit” substitute “, video game tax credit or theatre tax credit”.
- (4) In subsection (8A)—
 - (a) in paragraph (a) for “or (f)” substitute “(f), (fa), (fb) or (fc)”, and
 - (b) in paragraph (b)(ii), after “video game tax credit” insert “or theatre tax credit”.
- (5) In subsection (8BA), after “video game tax credit” (in both places) insert “or theatre tax credit”.

FA 1998

- 3 Schedule 18 to FA 1998 (company tax returns, assessments and related matters) is amended as follows.
- 4 In paragraph 10 (other claims and elections to be included in return), in sub-paragraph (4)—
 - (a) before “claims” insert “certain”;
 - (b) for “or 15B” substitute “, 15B or 15C”.
- 5 (1) Paragraph 52 (recovery of excessive overpayments etc) is amended as follows.
 - (2) In sub-paragraph (2), after paragraph (bf) insert—

“(bg) theatre tax credit under Part 15C of that Act,”.
 - (3) In sub-paragraph (5)—
 - (a) after paragraph (ah) insert—

“(ai) an amount of theatre tax credit paid to a company for an accounting period,”;
 - (b) in the words after paragraph (b), after “(ah)” insert “, (ai)”.
- 6 (1) Part 9D (certain claims for tax relief) is amended as follows.

- (2) In paragraph 83S (introduction), after paragraph (c) insert—
 “(d) an additional deduction under Part 15C of CTA 2009,
 (e) a theatre tax credit under that Part of that Act.”
- (3) The heading of that Part becomes “CLAIMS FOR TAX RELIEF UNDER PART 15, 15A, 15B OR 15C OF THE CORPORATION TAX ACT 2009”.

CAA 2001

- 7 In Schedule A1 to CAA 2001 (first-year tax credits), in paragraph 11(4), omit the “and” at the end of paragraph (d) and after paragraph (e) insert
 “, and
 (f) section 1217K of that Act (theatre tax credits).”

FA 2007

- 8 In Schedule 24 to FA 2007 (penalties for errors), in paragraph 28(fa) (meaning of “corporation tax credit”), omit the “or” at the end of sub-paragraph (ivb) and after that sub-paragraph insert—
 “(ivc) a theatre tax credit under section 1217K of that Act, or”.

CTA 2009

- 9 In section 104BA of CTA 2009 (R&D expenditure credits: restrictions on claiming other tax reliefs), after subsection (3) insert—
 “(4) For provision prohibiting an R&D expenditure credit being given under this Chapter and relief being given under section 1217H or 1217K (theatrical productions: additional deduction or theatre tax credit), see section 1217JA(2).”

- 10 In Part 8 of CTA 2009 (intangible fixed assets), in Chapter 10 (excluded assets), before section 809 insert—

“808C Assets representing expenditure incurred in course of separate theatrical trade

- (1) This Part does not apply to an intangible fixed asset held by a theatrical production company so far as the asset represents expenditure on a theatrical production that is treated under Part 15C as expenditure of a separate trade (see particularly sections 1217H and 1217IE).
- (2) In this section—
 “theatrical production” has the same meaning as in Part 15C (see section 1217FA);
 “theatrical production company” means a company which, for the purposes of that Part, is the production company in relation to a theatrical production (see section 1217FC).”
- 11 In section 1040ZA of CTA 2009 (additional relief for expenditure on research and development), after subsection (3) insert—

- “(4) For provision prohibiting relief being given under this Part and under section 1217H or 1217K (theatrical productions: additional deduction or theatre tax credit), see section 1217JA(2).”
- 12 In section 1310 of CTA 2009 (orders and regulations), in subsection (4), after paragraph (ej) insert –
- “(ek) section 1217GB(4) (EEA expenditure condition),
 (el) section 1217J(4) (amount of additional deduction),
 (em) section 1217O (activities involved in developing, producing, running or closing a production),”.
- 13 In Schedule 4 to CTA 2009 (index of defined expressions) at the appropriate place insert –

“commercial purpose condition (in Part 15C)	section 1217OB”;
“company tax return (in Part 15C)	section 1217OA”;
“core expenditure (in Part 15C)	section 1217GC”;
“costs of a theatrical production (in Part 15C)	section 1217IC”;
“EEA expenditure (in Part 15C)	section 1217GB”;
“EEA expenditure condition (in Part 15C)	section 1217OB”;
“income from a theatrical production (in Part 15C)	section 1217IC”;
“production company (in Part 15C)	section 1217FC”;
“qualifying expenditure (in Part 15C)	section 1217JA”;
“the separate theatrical trade (in Part 15C)	section 1217OB”;
“theatrical production (in Part 15C)	section 1217FA”.

FA 2009

- 14 In Schedule 54A to FA 2009 (which is prospectively inserted by F(No. 3)A 2010 and contains provision about the recovery of certain amounts of interest paid by HMRC), in paragraph 2 –
- (a) in sub-paragraph (2), omit the “or” at the end of paragraph (f) and after paragraph (g) insert “, or

- (h) a payment of theatre tax credit under section 1217K of CTA 2009 for an accounting period.”;
- (b) in sub-paragraph (4), for “(e)” substitute “(h)”.

CTA 2010

- 15 (1) Section 357CG of CTA 2010 (profits arising from the exploitation of patents etc: adjustments in calculating profits of trade) is amended as follows.
- (2) In subsection (3), omit the “and” at the end of paragraph (c) and after paragraph (d) insert “, and
- (e) the amount of any additional deduction for the accounting period obtained by the company under Part 15C of CTA 2009 in respect of qualifying expenditure on a theatrical production.”
- (3) In subsection (6) –
- (a) in the definition of “qualifying expenditure”, omit the “and” at the end of paragraph (a) and after paragraph (b) insert “, and
 - (c) in relation to a company that is the production company (as defined in section 1217FC of that Act) in relation to a theatrical production, has the same meaning as in Part 15C of that Act,”;
 - (b) omit the “and” at the end of the definition of “television production company” and after that definition insert –
 - ““theatrical production” has the same meaning as in Part 15C of CTA 2009 (see section 1217FA of that Act), and”.

PART 3

COMMENCEMENT

- 16 (1) Any power to make regulations conferred on the Treasury by virtue of this Schedule comes into force on the day on which this Act is passed.
- (2) So far as not already brought into force by sub-paragraph (1), the amendments made by this Schedule come into force in accordance with provision contained in an order made by the Treasury.
- (3) An order under sub-paragraph (2) may make different provision for different purposes.
- 17 (1) The amendments made by this Schedule have effect in relation to accounting periods beginning on or after 1 September 2014.
- (2) Sub-paragraph (3) applies where a company has an accounting period beginning before 1 September 2014 and ending on or after that date (“the straddling period”).
- (3) For the purposes of Part 15C of CTA 2009 –

- (a) so much of the straddling period as falls before 1 September 2014, and so much of that period as falls on or after that date, are treated as separate accounting periods, and
- (b) any amounts brought into account for the purposes of calculating for corporation tax purposes the profits of a trade for the straddling period are apportioned to the two separate accounting periods on such basis as is just and reasonable.”

Before Schedule 4

17 Insert the following new Schedule –

“PENSION FLEXIBILITY: FURTHER AMENDMENTS

Temporary extension of period by which commencement lump sum may precede pension

1 In Schedule 29 to FA 2004 (authorised lump sums under registered pension schemes) after paragraph 1 (conditions for a lump sum to be a pension commencement lump sum) insert –

“1A (1) Paragraph 1(1)(c) is to be omitted when deciding whether a lump sum to which this paragraph applies is a pension commencement lump sum.

(2) This paragraph applies to a lump sum if –

- (a) the sum is paid in respect of a money purchase arrangement,
- (b) the sum is paid before the member becomes entitled to the sum,
- (c) either –
 - (i) the sum is paid on or after 19 September 2013 but before 6 April 2015, or
 - (ii) the sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the pension in connection with which the sum is paid, and on or after 19 March 2014 the contract is cancelled, and
- (d) the member becomes entitled to the sum before 6 October 2015.

(3) Where –

- (a) a lump sum to which this paragraph applies is a pension commencement lump sum but would not be a pension commencement lump sum if sub-paragraph (1) were omitted, and
- (b) the lump sum is paid to the member in connection with a pension under the scheme to which it is expected that the member will become entitled (“the expected pension”),

no lump sum paid to the member out of the expected-pension fund is a pension commencement lump sum; and here “the expected-pension fund” means the sums and assets that from time to time represent the sums and assets that, when the lump

sum mentioned in paragraph (a) was paid, were held for the purpose of providing the expected pension.

- (4) For the purposes of sub-paragraph (2), if the circumstances are as described in sub-paragraph (2)(c)(ii), the member is treated as not having become entitled to the arranged pension as a result of the cancelled contract having been entered into; and here “the arranged pension” means the pension that would have been provided by that contract had it not been cancelled.”

Temporary relaxation to allow transfer of pension rights after lump sum paid

- 2 (1) In Schedule 29 to FA 2004 after paragraph 1A insert –

“1B (1) When deciding whether a lump sum to which this paragraph applies is a pension commencement lump sum –

- (a) paragraph 1(1)(aa) and (c) and (3) are to be omitted,
- (b) paragraph 1(4) is to be treated as referring to the actual pension (see sub-paragraph (2)(h) of this paragraph), and
- (c) paragraph 2(2) is to be treated as referring to the arrangement under which the member was expected to become entitled to the expected pension (see sub-paragraph (2)(b) of this paragraph).

- (2) This paragraph applies to a lump sum if –

- (a) the sum is paid in respect of a money purchase arrangement,
- (b) the sum is paid to the member in connection with a pension under a registered pension scheme to which it is expected that the member will become entitled (“the expected pension”),
- (c) the expected pension is income withdrawal, a lifetime annuity or a scheme pension,
- (d) the sum is paid before the member becomes entitled to the expected pension,
- (e) either –
 - (i) the sum is paid on or after 19 September 2013 but before 6 April 2015, or
 - (ii) the sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the expected pension, and on or after 19 March 2014 the contract is cancelled,
- (f) the sum is not repaid at any time before 6 October 2015,
- (g) before the member becomes entitled to the expected pension, there is a recognised transfer of the sums and assets that immediately before the transfer represent the sums and assets that when the sum was paid were held for the purpose of providing the expected pension,
- (h) the member becomes entitled before 6 October 2015 to a pension under the scheme to which the recognised transfer is made (“the actual pension”),

- (i) the actual pension is income withdrawal, a lifetime annuity or a scheme pension, or some combination of them, and
 - (j) all of the sums and assets that represent the sums and assets transferred by the recognised transfer are used to provide the actual pension.
- (3) If a lump sum to which this paragraph applies is a pension commencement lump sum, any lump sum paid –
- (a) to the member,
 - (b) by the scheme to which the recognised transfer mentioned in sub-paragraph (2)(g) is made or by any other registered pension scheme (including the scheme from which the transfer was made), and
 - (c) in connection with the member’s becoming entitled to the actual pension,
- is not a pension commencement lump sum.
- (4) For the purposes of sub-paragraph (2), if the circumstances are as described in sub-paragraph (2)(e)(ii), the member is treated as not having become entitled to the expected pension as a result of the cancelled contract having been entered into.”
- (2) In section 166(2) of FA 2004 (time at which a person becomes entitled to a lump sum) –
- (a) before paragraph (a) insert –
 - “(za) in the case of a pension commencement lump sum to which paragraph 1B of Schedule 29 applies (certain sums paid before 6 April 2015), immediately before the person becomes entitled to the actual pension (see paragraph 1B(2)(h) of that Schedule),”, and
 - (b) in paragraph (a) for “of a” substitute “of any other”.

Temporary relaxation to allow lump sum to be repaid to pension scheme that paid it

- 3 In Chapter 3 of Part 4 of FA 2004 (payments by registered pension schemes) after section 185I insert –

“Repayments of lump sums

185J Effect of repayment of certain pre-6 April 2015 lump sums

- (1) For the purposes of this Part –
 - (a) a lump sum to which this section applies is treated as never having been paid, and
 - (b) the payment by which it is repaid is treated as not being a payment.
- (2) This section applies to a lump sum if –
 - (a) the sum is paid by a registered pension scheme to a member of the scheme in respect of a money purchase arrangement,

- (b) the sum is paid to the member in connection with a pension under the scheme to which it is expected that the member will become entitled (“the expected pension”),
 - (c) the expected pension is income withdrawal, a lifetime annuity or a scheme pension,
 - (d) the sum is paid before the member becomes entitled to the expected pension,
 - (e) either –
 - (i) the sum is paid on or after 19 September 2013 but before 6 April 2015, or
 - (ii) the sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the expected pension, and on or after 19 March 2014 the contract is cancelled,
 - (f) before the member becomes entitled to the expected pension, the member repays the sum to the pension scheme that paid it, and
 - (g) the repayment is made before 6 October 2015.
- (3) For the purposes of subsection (2), if the circumstances are as described in subsection (2)(e)(ii), the member is treated as not having become entitled to the expected pension as a result of the cancelled contract having been entered into.”

Calculation of “applicable amount” in certain cases

- 4 In paragraph 3 of Schedule 29 to FA 2004 (pension commencement lump sums: applicable amount) after sub-paragraph (8) insert –
- “(8A) Sub-paragraphs (1) to (8) have effect subject to the following –
- (a) if –
 - (i) paragraph 1A or 1B applies to the lump sum,
 - (ii) the lump sum is paid more than 6 months before the day on which the member becomes entitled to it,
 - (iii) a contract for a lifetime annuity is entered into to provide the pension in connection with which the lump sum is paid, and
 - (iv) on or after 19 March 2014 the contract is cancelled,

the applicable amount is one third of the annuity purchase price that would have been given by sub-paragraphs (4) to (5) in the case of that annuity had the contract not been cancelled, and
 - (b) if –
 - (i) paragraph 1A or 1B applies to the lump sum,
 - (ii) the lump sum is paid more than 6 months before the day on which the member becomes entitled to it, and
 - (iii) paragraph (a) does not apply,

the applicable amount is one third of the sums, plus one third of the then market value of the assets, held at

the time the lump sum is paid for the purpose of providing the pension at that time expected to be the pension in connection with which the lump sum is paid.

- (8B) For the purposes of sub-paragraph (8A)(a)(ii), the member is treated as not having become entitled to a pension as a result of the cancelled contract having been entered into.”

Expected pension commencement lump sums treated as trivial commutation lump sums

- 5 (1) In section 166(1) of FA 2004, in the lump sum rule, omit the “or” after paragraph (f), and after paragraph (g) insert “, or
(h) a transitional 2013/14 lump sum.”
- (2) In Schedule 29 to FA 2004, after paragraph 11 insert—

“Transitional 2013/14 lump sum, and its related trivial commutation lump sum

11A (1) A lump sum is a transitional 2013/14 lump sum for the purposes of this Part if—

- (a) the sum (“the earlier sum”) is paid to the member in connection with a pension under a registered pension scheme to which it is expected that the member will become entitled (“the expected pension”),
 - (b) the earlier sum is paid before the member becomes entitled to the expected pension,
 - (c) either—
 - (i) the earlier sum is paid on or after 19 September 2013 but before 27 March 2014, or
 - (ii) the earlier sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the expected pension, and on or after 19 March 2014 the contract is cancelled,
 - (d) all of the sums and assets for the time being representing the sums and assets that when the earlier sum was paid were held for the purpose of providing the expected pension are, before the member becomes entitled to the expected pension, used in paying a further lump sum to the member (“the further sum”),
 - (e) the further sum is paid on or after 6 July 2014 but before 6 April 2015, and
 - (f) the further sum is a trivial commutation lump sum (see sub-paragraph (2)).
- (2) Sub-paragraph (4) applies when deciding under paragraph 7 whether the further sum is a trivial commutation lump sum in a case where the earlier sum is paid before the nominated date (see paragraph 7(3) for the meaning of “the nominated date”).
- (3) If the earlier sum is a transitional 2013/14 lump sum, and the earlier sum and the further sum are not the only lump sums paid under registered pension schemes to the member, sub-paragraph (4) applies when deciding under paragraph 7

whether any other lump sum paid under a registered pension scheme to the member is a trivial commutation lump sum.

- (4) If this sub-paragraph applies, the payment of the earlier sum is to be treated for the purposes of paragraph 8(1)(b) as a benefit crystallisation event—
 - (a) which occurs when the earlier sum is paid, and
 - (b) on which the amount crystallised is the amount of the earlier sum.
 - (5) If the earlier sum is a transitional 2013/14 lump sum, and only the sums and assets mentioned in sub-paragraph (1)(d) are used in paying the further sum, section 636B of ITEPA 2003 applies in relation to the further sum with the omission of its subsection (3).
 - (6) If the earlier sum is a transitional 2013/14 lump sum, and the sums and assets mentioned in sub-paragraph (1)(d) are used together with other sums and assets in paying the further sum—
 - (a) section 636B of ITEPA 2003 applies in relation to the further sum as if instead of the further sum there were two separate trivial commutation lump sums as follows—
 - (i) one (“the first part of the further sum”) consisting of so much of the further sum as is attributable to the sums and assets mentioned in sub-paragraph (1)(d), and
 - (ii) another consisting of the remainder of the further sum,
 - (b) the first part of the further sum is to be treated for the purposes of section 636B of ITEPA 2003 as having been paid immediately before the remainder of the further sum,
 - (c) section 636B of ITEPA 2003 applies in relation to the first part of the further sum with the omission of its subsection (3), and
 - (d) for the purposes of applying section 636B(3) of ITEPA 2003 in relation to the remainder of the further sum, the rights to which the first part of the further sum relates are to be treated as rights that are not uncrystallised rights immediately before the remainder of the further sum is paid.
 - (7) For the purposes of sub-paragraph (1), if the circumstances are as described in sub-paragraph (1)(c)(ii), the member is treated as not having become entitled to the expected pension as a result of the cancelled contract having been entered into.”
- (3) In section 636A of ITEPA 2003 (income tax exemption for certain lump sums)—
- (a) in subsection (1) after paragraph (c) insert—
 - “(ca) a transitional 2013/14 lump sum,” and

- (b) in subsection (6) (definitions) omit the “and”, and after ““short service refund lump sum”,” insert “and
“transitional 2013/14 lump sum”,”.
- (4) In section 280(2) of FA 2004 (index of expressions) at the appropriate place insert –

“transitional 2013/14 lump sum paragraph 11A of Schedule 29”.

Small pot lump sums

- 6 (1) In the Registered Pension Schemes (Authorised Payments) Regulations 2009 (S.I. 2009/1171) after regulation 3 insert –
- “3A (1) This regulation applies to a lump sum if –
- (a) the sum (“the earlier sum”) is paid under a registered pension scheme to a member of the scheme,
 - (b) the earlier sum is paid to the member in connection with a pension under a registered pension scheme to which it is expected that the member will become entitled (“the expected pension”),
 - (c) the earlier sum is paid before the member becomes entitled to the expected pension,
 - (d) either –
 - (i) the earlier sum is paid on or after 19 September 2013 but before 27 March 2014, or
 - (ii) the earlier sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the expected pension, and on or after 19 March 2014 the contract is cancelled,
 - (e) all of the sums and assets for the time being representing the sums and assets that when the earlier sum was paid were held for the purpose of providing the expected pension are, before the member becomes entitled to the expected pension, used in paying a further lump sum to the member (“the further sum”),
 - (f) the further sum is paid on or after 6 July 2014 but before 6 April 2015, and
 - (g) either –
 - (i) the payment of the further sum is a payment described in regulation 11, 11A or 12, or
 - (ii) the further sum is a trivial commutation lump sum within paragraph 7A of Schedule 29 and the earlier sum is the pension commencement lump sum in connection with which the further sum is paid.
- (2) If this regulation applies to the earlier sum, and the payment of the further sum is a payment described in regulation 11, 11A or 12 –

- (a) the payment of the earlier sum is a payment of a prescribed description for the purposes of section 164(1)(f), and
 - (b) section 636A of ITEPA 2003 (exemption from income tax for certain lump sums) applies in relation to the earlier sum as if the earlier sum were a pension commencement lump sum.
 - (3) When deciding for the purposes of this regulation whether the further sum is a trivial commutation lump sum within paragraph 7A of Schedule 29, sub-paragraph (2)(c) of that paragraph is to be omitted.
 - (4) If this regulation applies to the earlier sum, and only the sums and assets mentioned in paragraph (1)(e) are used in paying the further sum, section 636B of ITEPA 2003 applies in relation to the further sum with the omission of its subsection (3).
 - (5) If this regulation applies to the earlier sum, and the sums and assets mentioned in paragraph (1)(e) are used together with other sums and assets in paying the further sum –
 - (a) section 636B of ITEPA 2003 applies in relation to the further sum as if instead of the further sum there were two separate trivial commutation lump sums as follows –
 - (i) one (“the first part of the further sum”) consisting of so much of the further sum as is attributable to the sums and assets mentioned in paragraph (1)(e), and
 - (ii) another consisting of the remainder of the further sum,
 - (b) the first part of the further sum is to be treated for the purposes of section 636B of ITEPA 2003 as having been paid immediately before the remainder of the further sum,
 - (c) section 636B of ITEPA 2003 applies in relation to the first part of the further sum with the omission of its subsection (3), and
 - (d) for the purposes of applying section 636B(3) of ITEPA 2003 in relation to the remainder of the further sum, the rights to which the first part of the further sum relates are to be treated as rights that are not uncrystallised rights immediately before the remainder of the further sum is paid.
 - (6) For the purposes of paragraph (1), if the circumstances are as described in paragraph (1)(d)(ii), the member is treated as not having become entitled to the expected pension as a result of the cancelled contract having been entered into.”
- (2) The amendment made by sub-paragraph (1) is to be treated as having been made by the Commissioners for Her Majesty’s Revenue and Customs under the powers to make regulations conferred by section 164(1)(f) and (2) of FA 2004.

Preservation of protected pension age following certain transfers of pension rights

- 7 (1) In paragraph 22 of Schedule 36 to FA 2004 (protection of rights to take benefit before normal minimum pension age) after sub-paragraph (6) insert—
- “(6A) A transfer is also a block transfer if—
- (a) it involves the transfer in a single transaction of all the sums and assets held for the purposes of, or representing accrued rights under, the arrangements under the pension scheme from which the transfer is made which relate to the member,
 - (b) the transfer takes place—
 - (i) on or after 19 March 2014, and
 - (ii) before 6 April 2015, and
 - (c) the date mentioned in sub-paragraph (7)(a) is before 6 October 2015.”
- (2) In paragraph 23(6) of Schedule 36 to FA 2004 (meaning of “block transfer”) after “22(6)” insert “and (6A), but for this purpose paragraph 22(6A)(c) is to be read as if its reference to paragraph 22(7)(a) were a reference to sub-paragraph (7) of this paragraph”.

Operation of enhanced protection of pre-6 April 2006 rights to take lump sums

- 8 In paragraph 29 of Schedule 36 to FA 2004 (modifications of paragraph 3 of Schedule 29 to FA 2004 for cases where there is enhanced protection) after sub-paragraph (3) insert—
- “(4) Paragraph 3 applies as if in sub-paragraph (8A)(a) for “is one third of” there were substituted “is—
- $$\frac{\text{VULSR}}{\text{VUR}} \times (\text{LS} + \text{CAPP})$$
- where VULSR, VUR and LS have the same meaning as in sub-paragraph (1), and CAPP is”.
- (5) Paragraph 3 applies as if in sub-paragraph (8A)(b) for “is one third of the sums, plus one third of” there were substituted “is—
- $$\frac{\text{VULSR}}{\text{VUR}} \times (\text{LS} + \text{EP})$$
- where VULSR, VUR and LS have the same meaning as in sub-paragraph (1), and EP is the total of the sums, and”.”

Protected lump sum entitlement following certain transfers of pension rights

- 9 In paragraph 31(8) of Schedule 36 to FA 2004 (“block transfer” has meaning given by paragraph 22(6) of Schedule 36 to FA 2004) —
- (a) after “22(6)” insert “and (6A)”, and
 - (b) at the end insert “, and reading paragraph 22(6A)(c) as if its reference to paragraph 22(7)(a) were a reference to sub-paragraph (3) of this paragraph.”

- 10 (1) In paragraph 34(2) of Schedule 36 to FA 2004 (modifications required by paragraph 31 in cases involving protected entitlements to lump sums) the sub-paragraphs treated as substituted in paragraph 2 of Schedule 29 to FA 2004 are amended as follows.
- (2) In the substituted sub-paragraph (7A), in the definition of AC, for “(7AA) and (7B)” substitute “(7AA) to (7B)”.
- (3) After the substituted sub-paragraph (7AA) insert –
- “(7AB) Where paragraph 1A applies to the lump sum, AC is the total of –
- (a) the sums held, at the time the lump sum is paid, for the purpose of providing the pension at that time expected to be the pension in connection with which the lump sum is paid, and
- (b) the market value at that time of the assets held at that time for that purpose.
- (7AC) Where paragraph 1B applies to the lump sum, AC is the total of –
- (a) the sums held, at the time the lump sum is paid, for the purpose of providing the expected pension (see paragraph 1B(2)(b)), and
- (b) the market value at that time of the assets held at that time for that purpose.”

Reporting obligations

- 11 (1) In the Registered Pension Schemes (Provision of Information) Regulations 2006 (S.I. 2006/567) after regulation 18 insert –

“Modified operation of these Regulations in the case of certain pre-6 April 2015 lump sums

19 Lump sums to which paragraph 1B of Schedule 29 applies

- (1) Regulations 3 to 18 have effect subject to the following provisions of this regulation.
- (2) Paragraphs (3) to (8) apply if –
- (a) a lump sum is paid by a registered pension scheme (“the paying scheme”) to a member of the scheme,
- (b) paragraph 1B of Schedule 29 applies to the lump sum, and
- (c) the member’s becoming entitled to the actual pension mentioned in paragraph 1B(2)(h) of Schedule 29 has the effect that –
- (i) the member also becomes entitled to the lump sum, and
- (ii) the member’s becoming entitled to the lump sum is a benefit crystallisation event.
- (3) For the purposes of –
- (a) reportable event 6,
- (b) regulation 3 so far as applying by virtue of that event, and

- (c) obligations under regulation 14(1),
the benefit crystallisation event mentioned in paragraph (2)(c)(ii) is treated as occurring –
 - (i) in respect of the scheme to which the transfer mentioned in paragraph 1B(2)(g) of Schedule 29 was made (“the receiving scheme”) and not in respect of the paying scheme, and
 - (ii) when the member becomes entitled to the actual pension or, if later, on 5 August 2014.
- (4) For the purposes of regulations 15(2)(a) and 17(5)(a)(i) and (7)(a)(i), that benefit crystallisation event is treated as occurring in respect of the receiving scheme and not in respect of the paying scheme.
- (5) For the purposes of –
 - (a) reportable event 7 (but not its definition of “the entitlement amount”),
 - (b) reportable event 8, and
 - (c) regulation 3 so far as applying by virtue of either of those events,the lump sum is treated as having been paid –
 - (i) by the receiving scheme and not by the paying scheme, and
 - (ii) when the member becomes entitled to the actual pension or, if later, on 5 August 2014.
- (6) For the purposes of reportable event 7 “the entitlement amount” is the total of –
 - (a) the sums held, at the time the lump sum is actually paid, for the purpose of providing the expected pension mentioned in paragraph 1B(2)(b) of Schedule 29, and
 - (b) the market value at that time of the assets held at that time for that purpose.
- (7) The scheme administrator of the paying scheme is to provide the scheme administrator of the receiving scheme with the following information –
 - (a) the date the lump sum was paid,
 - (b) the amount of the lump sum,
 - (c) the total of –
 - (i) the sums held, at the time lump sum is paid, for the purpose of providing the expected pension mentioned in paragraph 1B(2)(b) of Schedule 29, and
 - (ii) the market value at that time of the assets held at that time for that purpose, and
 - (d) a statement that no further pension commencement lump sum may be paid in connection with that expected pension.
- (8) The scheme administrator of the paying scheme is to comply with its obligations under paragraph (7) before –

- (a) the end of 30 days beginning with the date of the transfer mentioned in paragraph 1B(2)(g) of Schedule 29, or
- (b) if later, the end of 3 September 2014.

20 Lump sums to which paragraph 1B of Schedule 29 fails to apply

- (1) Regulations 3 to 18 have effect subject to the following provisions of this regulation.
- (2) Paragraph (3) applies if—
 - (a) a lump sum is paid by a registered pension scheme (“the paying scheme”) to a member of the scheme,
 - (b) paragraph 1B of Schedule 29 does not apply to the lump sum, but the conditions in paragraph 1B(2)(a) to (g) are met in the case of the lump sum, and
 - (c) as at the end of 5 October 2015 it is the case that the lump sum is to be taken as having been an unauthorised member payment.
- (3) For the purposes of reportable event 1, and regulation 3 so far as applying by virtue of that event, the lump sum is treated as having been paid—
 - (a) by the receiving scheme and not by the paying scheme, and
 - (b) on 6 October 2015.”
- (2) The amendment made by sub-paragraph (1) is to be treated as having been made by the Commissioners for Her Majesty’s Revenue and Customs under such of the powers cited in the instrument containing the Regulations as are applicable.

Scheme sanction charges

- 12 (1) In section 239(3) of FA 2004 (cases where person other than scheme administrator is liable for a scheme sanction charge)—
 - (a) after “But” insert “—
 - (a) ”, and
 - (b) at the end insert “, and
 - (b) in the case of a payment of a lump sum to a member where the conditions in paragraphs 1(1)(b) and (d) and 1B(2)(a) to (g) of Schedule 29 are met, the person liable to the scheme sanction charge so far as relating to any part of the lump sum within the permitted maximum is the scheme administrator of the registered pension scheme to which the transfer mentioned in paragraph 1B(2)(g) of Schedule 29 is made.”
- (2) In section 239 of FA 2004 (scheme sanction charges) after subsection (3) insert—
 - “(3A) For the purposes of subsection (3)(b) “the permitted maximum”, in the case of a lump sum paid to an individual, is the amount that in accordance with paragraph 2 of Schedule 29 would be the permitted maximum for that lump sum if the individual became

entitled at the time the lump sum is paid to the pension at that time expected to be the pension in connection with which the lump sum is paid.”

- (3) In section 268 of FA 2004 (discharge of liability to scheme sanction charges etc) after subsection (7) insert –
- “(7A) Subsection (7) applies with the omission of its paragraph (a) if the scheme chargeable payment is a payment of a lump sum where the conditions in paragraph 1B(2)(a) to (g) of Schedule 29 are met.”
- (4) In the Taxation of Pension Schemes (Transitional Provisions) Order 2006 (S.I. 2006/572) in article 18 (which provides for paragraph 1(1)(b) of Schedule 29 to FA 2004 to be omitted in certain cases) at the end insert “, and section 239 has effect in the case of a lump sum paid to that individual as if its subsection (3)(b) did not include a reference to paragraph 1(1)(b) of Schedule 29”.
- (5) The amendment made by sub-paragraph (4) is to be treated as made by the Treasury under the powers to make orders conferred by section 283(2) of FA 2004.

Power to make further adjustments

- 13 In section 166 of FA 2004 (payments by registered pension schemes: the lump sum rule) after subsection (4) insert –
- “(5) The Commissioners for Her Majesty’s Revenue and Customs may by regulations amend Part 1 of Schedule 29, or Part 3 of Schedule 36, in connection with cases involving a lump sum within subsection (6).
- (6) A lump sum is within this subsection if –
- (a) the sum is paid on or after 19 September 2013 and before 6 April 2015, or
- (b) the sum is paid before 19 September 2013, a contract for a lifetime annuity is entered into to provide the pension in connection with which the sum is paid, and on or after 19 March 2014 the contract is cancelled.
- (7) The provision that may be made under subsection (5) includes provision altering the effect of amendments made by the Finance Act 2014.”
- 14 In section 282(1) and (2) of FA 2004 (making of regulations and orders) for “Board of Inland Revenue” substitute “Commissioners for Her Majesty’s Revenue and Customs”.

Commencement

- 15 The amendments made by paragraphs 1 to 5, 6(1), 7 to 10, 11(1) and 12(1) to (4) of this Schedule are to be treated as having come into force on 19 March 2014.”

Schedule 6

18 Page 273, line 29, at end insert –

“139A(1)Section 94A of ITTOIA 2005 (costs of setting up SAYE option scheme or CSOP scheme) is amended as follows.

(2) In subsection (1) –

- (a) in paragraph (a) omit “that is approved by an officer of Revenue and Customs”, and
- (b) omit paragraph (b) and the “and” before it.

(3) In subsection (2) –

- (a) at the beginning of paragraph (a) insert “Schedule 3”,
- (b) at the beginning of paragraph (b) insert “Schedule 4”, and
- (c) omit the final sentence.

(4) In subsection (4) for “approval is given” (in both places) substitute “relevant date falls”.

(5) After subsection (4) insert –

“(4A) In subsection (4) “the relevant date” –

- (a) in relation to a Schedule 3 SAYE option scheme, has the meaning given in paragraph 40A(6) of Schedule 3 to ITEPA 2003, and
- (b) in relation to a Schedule 4 CSOP scheme, has the meaning given in paragraph 28A(6) of Schedule 4 to ITEPA 2003.”

19 Page 276, line 42, after “under” insert “section 94A of ITTOIA 2005 or”

20 Page 294, line 48, leave out “paragraph 141” and insert “paragraphs 139A and 141”

21 Page 295, line 1, after “under” insert “section 94A of ITTOIA 2005 or”

Schedule 7

22 Page 311, line 41, at end insert –

“9A (1) Section 428 (restricted securities: amount of charge) is amended as follows.

(2) In subsection (7), after paragraph (ba) insert –

- “(bb) any amount that was charged to non-UK income tax in respect of the acquisition of the employment-related securities, but only so far as that amount exceeds any amount within paragraph (b) or (ba),”.

(3) After subsection (7) insert –

“(7A) In subsection (7)(b) and (ba) the references to an amount of exempt income, in a case in which the amount that constituted, or was treated as, earnings in respect of the acquisition was not an amount of general earnings to which any of the charging provisions of Chapters 4 and 5 of Part 2 applied, includes any amount that would have been an amount of exempt income if any of those charging provisions had applied.

(7B) In subsection (7)(bb) “non-UK income tax” means a tax chargeable on income under the law of a territory outside the United Kingdom that corresponds to United Kingdom income tax.

(7C) A tax is not outside the scope of subsection (7B) by reason only that it—

- (a) is chargeable under the law of a province, state or other part of a country, or
- (b) is levied by or on behalf of a municipality or other local body.””

23 Page 312, line 8, at end insert—

“11A In section 446T (securities acquired for less than market value: amount of notional loan), after subsection (3) insert—

“(3A) In subsection (3)(b) and (ba) the references to an amount of exempt income, in a case in which the amount that constitutes, or is treated as, earnings in respect of the acquisition is not an amount of general earnings to which any of the charging provisions of Chapters 4 and 5 of Part 2 applies, includes any amount that would be an amount of exempt income if any of those charging provisions were to apply.”

24 Page 312, line 10, at end insert—

“12A In section 480 (securities options: deductible amounts), after subsection (5) insert—

“(5A) In subsection (5)(a) the reference to an amount of exempt income, in a case in which the amount that constituted earnings in respect of the acquisition was not an amount of general earnings to which any of the charging provisions of Chapters 4 and 5 of Part 2 applied, includes any amount that would have been an amount of exempt income if any of those charging provisions had applied.”

25 Page 313, line 26, at end insert—

“23A In section 149AA (restricted and convertible employment-related securities and employee shareholder shares), in subsection (7)—

(a) after “include” insert “—

(a) ”, and

(b) at the end insert “, or

(b) in a case in which the amount that constituted, or was treated as, earnings was not an amount of general earnings to which any of the charging provisions of Chapters 4 and 5 of Part 2 of ITEPA 2003 applied, any amount that would have been an amount of such exempt income if any of those charging provisions had applied.”

Schedule 9

26 Page 328, line 20, after “charity,” insert—

“() an accredited social impact contractor (see section 257JD),”

27 Page 330, line 33, after “Part” insert “(except section 257JD)”

28 Page 330, line 34, at end insert –

“257JD Accreditation as a social impact contractor

- (1) In this Part “accredited social impact contractor” means a company limited by shares that is accredited under this section as a social impact contractor.
- (2) Applications for accreditation as a social impact contractor must be made to a Minister of the Crown in the form and manner specified by a Minister of the Crown.
- (3) A Minister of the Crown is to accredit a company if, but only if, that Minister is satisfied that –
 - (a) the company has entered into a social impact contract (see section 257JE),
 - (b) the company is, and at all times since its incorporation has been, established –
 - (i) for the purpose of entering into and carrying out a social impact contract, or for that purpose and purposes incidental to it, but
 - (ii) for no other purpose, and
 - (c) the activities of the company in carrying out that contract will not consist wholly, or as to a substantial part, in excluded activities (see section 257MQ).
- (4) If a Minister of the Crown is satisfied that the condition in subsection (3)(b) or (c) has ceased to be met in relation to a company that is an accredited social impact contractor, that Minister is to withdraw the company’s accreditation with effect from the time the condition ceased to be met or a later time.

257JE Meaning of “social impact contract”

- (1) In this Part “social impact contract” means a contract that meets such criteria as may be specified in regulations made by the Treasury.
- (2) The criteria which may be specified under subsection (1) include, in particular, criteria as to a party to the contract other than the company seeking accreditation.
- (3) Criteria may be specified in regulations under subsection (1) by reference to material published by, or on behalf of, a Minister of the Crown after the making of the regulations (as well as by reference to material published before the making of the regulations).
- (4) Regulations under subsection (1) may make different provision for different cases or circumstances or in relation to different areas.

257JF Accreditations: supplementary provisions

- (1) An accreditation must be made so as to be conditional on compliance with—
 - (a) any requirements imposed by or under regulations, and
 - (b) any other requirements considered appropriate by the Minister of the Crown who is accrediting the company concerned.
- (2) The requirements that may be imposed by virtue of subsection (1) include requirements relating to the provision of information.
- (3) Regulations may—
 - (a) make further provision about applications for accreditation,
 - (b) make provision for the variation of an accreditation (including its provisions as to its duration),
 - (c) make provision which, in a case where a company is or has been an accredited social impact contractor, imposes or authorises the imposition of requirements on the company, or on any other party to the social impact contract concerned, to provide information,
 - (d) make provision about the consequences of a failure to comply with any requirement of an accreditation imposed by virtue of subsection (1) or with any requirement imposed by virtue of paragraph (c), including in particular—
 - (i) provision for the withdrawal of the accreditation concerned with effect from the time of the failure or a later time, and
 - (ii) provision for the imposition of penalties,
 - (e) make provision for publication of information about an accreditation or accredited social impact contractor, and
 - (f) make provision for reviews of, or for appeals to the tribunal against, any of the following—
 - (i) a refusal to grant or vary an accreditation,
 - (ii) the imposition of a requirement under subsection (1)(b),
 - (iii) the withdrawal of an accreditation (whether under section 257JD(4) or by virtue of provision made under paragraph (d)(i)), and
 - (iv) the imposition or amount of a penalty imposed by virtue of provision made under paragraph (d)(ii).
- (4) Regulations under subsection (1) or (3) may—
 - (a) make provision for the making of decisions by a Minister of the Crown as to any matter required to be decided for the purposes of the regulations,
 - (b) be framed by reference to material published by, or on behalf of, a Minister of the Crown after the making of the regulations (as well as by reference to material published before the making of the regulations),
 - (c) make different provision for different cases or circumstances or in relation to different areas, and
 - (d) contain incidental, supplemental, consequential and transitional provision and savings.
- (5) In this section—

“accreditation” means accreditation under section 257JD, and

“regulations” means regulations made by the Treasury.

257JG Period of accreditation as a social impact contractor

- (1) An accreditation under section 257JD has effect for a period –
 - (a) beginning with the day specified in the accreditation, and
 - (b) of a length specified in, or determined in accordance with, the accreditation.
- (2) The day specified under subsection (1)(a) in an accreditation may not be earlier than 6 April 2014 but subject to that –
 - (a) may be, or be earlier than, the day it is decided to grant the accreditation (and in particular may be, or be earlier than, the day the application for the accreditation is made), and
 - (b) may be earlier than the day section 257JD comes into force.
- (3) This section has effect subject to sections 257JD(4) and 257JF(3)(d)(i) (withdrawal of accreditations).

257JH Functions of Ministers of the Crown under sections 257JD to 257JG

- (1) A Minister of the Crown may delegate any function given to a Minister of the Crown by or under sections 257JD to 257JG other than a power of the Treasury to make regulations.
- (2) In those sections and this section “Minister of Crown” has the meaning given by section 8(1) of the Ministers of the Crown Act 1975.”

29 Page 331, line 1, at end insert –

“() Subsection (1)(b) is subject to the provisions in sections 257LB and 257MJ to 257MN which provide for conditions set out in those sections not to apply where the social enterprise is an accredited social impact contractor.”

30 Page 334, line 44, at end insert –

“() Subsections (2) to (4) do not apply if the social enterprise is an accredited social impact contractor.”

31 Page 335, line 12, after “257MJ(2)(c)” insert “or is a parent company that is an accredited social impact contractor”

32 Page 339, line 23, at end insert –

“257M The continuing to be a social enterprise requirement

The social enterprise must be a social enterprise throughout the shorter applicable period.”

33 Page 343, line 11, after “period” insert “, but this does not apply if the social enterprise is an accredited social impact contractor”

34 Page 344, line 14, at end insert “, and

“non-trade activities” means activities which are neither of the following –

- (a) activities carried on in the course of a trade, and

- (b) activities carried on in the course of preparing to carry on a trade.”
- 35 Page 343, line 15, after “business” insert “ –
(i) ”
- 36 Page 343, line 17,
leave out “non-qualifying” and insert “non-trade activities, and
(ii) does not consist wholly, or as to a substantial part, in the carrying-on of excluded”
- 37 Page 344, line 14, at end insert “, and
“non-trade activities” means activities which are neither of the following –
(a) activities carried on in the course of a trade, and
(b) activities carried on in the course of preparing to carry on a trade.”
- 38 Page 345, line 26, at end insert –
“() This section does not apply if the social enterprise is an accredited social impact contractor.”
- 39 Page 346, line 19, at end insert –
“() If the social enterprise is an accredited social impact contractor, the preceding provisions of this section apply with the following modifications –
(a) in subsection (1), for “28 months” substitute “24 months”,
(b) in that subsection, for “the funded purpose” substitute “the carrying out of the social impact contract concerned”, and
(c) omit subsections (2), (3), (5) and (6).”
- 40 Page 347, line 7, at end insert –
“() This section does not apply if the social enterprise is an accredited social impact contractor.”
- 41 Page 347, line 20, at end insert “257JD,”
- 42 Page 353, line 10, at end insert –
“() If the social enterprise is an accredited social impact contractor, subsection (1) applies with the omission of its paragraph (a).”
- 43 Page 354, line 8, at end insert –
“() If the social enterprise is an accredited social impact contractor, subsection (3) applies with the omission of its paragraph (a).”
- 44 Page 355, line 8, at end insert –
“() An order under this section may make different provision for different cases or purposes.”
- 45 Page 372, line 31, leave out “257MA” and insert “257M”

- 46 Page 373, line 24, after “sections” insert “257M,”
- 47 Page 374, line 13, at end insert –
- “(7) If the event mentioned in subsection (1) is one whose occurrence results in the requirement in section 257M not being met in respect of the investment, the references in subsections (2) and (3) to the social enterprise are to –
- (a) the body concerned even though it has ceased to be a social enterprise, or
- (b) the body into which the social enterprise has been converted.”
- 48 Page 376, line 11, after “prevent” insert “–
- (a) ”
- 49 Page 376, line 12, at end insert –
- “(b) disclosure to a Minister of the Crown for the purposes of functions of a Minister of the Crown under sections 257JD to 257JG, or
- (c) disclosure to a person for the purposes of functions delegated to the person under section 257JH(1).”
- 50 Page 376, line 18, after “Information” insert “originally disclosed in reliance on subsection (2)(a)”
- 51 Page 376, line 19, at end insert –
- “(5) Information originally disclosed in reliance on subsection (2)(b) or (c) may be disclosed in reliance on subsection (3)(a) only for the purposes of –
- (a) functions of a Minister of the Crown under sections 257JD to 257JG, or
- (b) functions delegated to a person under section 257JH(1).
- (6) If, in contravention of subsections (3) to (5), any revenue and customs information relating to a person is disclosed and the identity of the person –
- (a) is specified in the disclosure, or
- (b) can be deduced from it,
- section 19 of the Commissioners for Revenue and Customs Act 2005 (offence of wrongful disclosure) applies as it applies in relation to a disclosure of such information in contravention of section 20(9) of that Act.
- (7) In subsection (6) “revenue and customs information relating to a person” has the meaning given by section 19(2) of that Act.
- (8) Subject to subsections (3) and (5), no obligation as to confidentiality or other restriction on disclosure, whether imposed by an enactment or otherwise, prevents disclosure of relevant information –
- (a) to a Minister of the Crown for the purposes of functions of a Minister of the Crown under sections 257JD to 257JG,

- (b) to a person for the purposes of functions delegated to the person under section 257JH(1), or
 - (c) to an officer of Revenue and Customs for the purpose of assisting Her Majesty's Revenue and Customs to discharge their functions under the Income Tax Acts so far as relating to matters arising under this Part.
- (9) In subsection (8) "relevant information" means information obtained—
- (a) by a Minister of the Crown, or
 - (b) by a person to whom functions have been delegated under section 257JH(1),
- in the course of discharging functions under sections 257JD to 257JG.
- (10) In this section "Minister of the Crown" has the meaning given by section 8(1) of the Ministers of the Crown Act 1975."

52 Page 381, line 20, leave out "by way of, or amounts" and insert "not by way of, and does not amount"

Schedule 10

53 Page 387, line 5, at end insert—

“(8) A reference in this paragraph to a social enterprise is a reference to a body that is a social enterprise for the purposes of Part 5B of ITA 2007 (see section 257J of that Act).”

After Schedule 10

54 Insert the following new Schedule—

“GENERAL BLOCK EXEMPTION REGULATION

- 1 CAA 2001 is amended as follows.
- 2 (1) Section 45DB (exclusions from allowances under section 45DA) is amended as follows.
 - (2) In subsection (3)(a), for “a firm in difficulty for the purposes of the Community Guidelines on State Aid for Rescuing and Restructuring Firms in Difficulty (2004/C 244/02)” substitute “an undertaking in difficulty for the purposes of the General Block Exemption Regulation”.
 - (3) In subsection (4)(a), for “Council Regulation (EC) No 104/2000” substitute “Regulation (EU) No 1379/2013 of the European Parliament and of the Council”.
 - (4) In subsection (11), in the definition of “General Block Exemption Regulation”, for “(EC) No 800/2008” substitute “(EU) No 651/2014”.
 - (5) In subsection (12), for paragraph (c) substitute—
 - “(c) Regulation (EU) No 1379/2013 of the European Parliament and of the Council,”.

- 3 In section 45K (expenditure on plant and machinery for use in designated assisted areas), after subsection (8) insert—
- “(8A) Condition C is met by virtue of subsection (8)(c) only if the amount of the expenditure exceeds the amount by which the relevant plant or machinery is depreciated in the period of 3 years ending immediately before the beginning of the chargeable period in which the expenditure is incurred.
- (8B) “Relevant plant or machinery” means the plant or machinery being used at the end of the period of 3 years mentioned in subsection (8A) for the purposes of the product, process or service mentioned in subsection (8)(c).”
- 4 (1) Section 45M (exemptions from allowances under section 45K) is amended as follows.
- (2) In subsection (1), for “(6) or (7)” substitute “(7) or (7A)”.
- (3) In subsection (3)(a), for “a firm in difficulty for the purposes of the Community Guidelines on State Aid for Rescuing and Restructuring Firms in Difficulty (2004/C 244/02)” substitute “an undertaking in difficulty for the purposes of the General Block Exemption Regulation”.
- (4) In subsection (4) —
- (a) in paragraph (a), for “Council Regulation (EC) No 104/2000” substitute “Regulation (EU) No 1379/2013 of the European Parliament and of the Council”, and
- (b) after paragraph (b) insert —
- “(ba) in the transport sector or related infrastructure,
(bb) relating to energy generation, distribution or infrastructure,
(bc) relating to the development of broadband networks,”.
- (5) After that subsection insert —
- “(4A) Expressions used in subsection (4)(b), (ba), (bb) or (bc) and in the General Block Exemption Regulation have the same meaning as in that Regulation.”
- (6) Omit subsection (6).
- (7) After subsection (7) insert —
- “(7A) Expenditure is within this subsection if —
- (a) the area by reference to which the condition in section 45K(1)(a) is met is not an area which falls within Article 107(3)(a) of the Treaty on the Functioning of the European Union,
(b) the condition in section 45K(8)(a) is not met in relation to the expenditure, and
(c) at the time the expenditure is incurred the company is not an SME for the purposes of the General Block Exemption Regulation.”
- (8) In subsection (12) —

- (a) in the first definition, for the words from ““coal” to “have” substitute “has”, and
 - (b) in the definition of “General Block Exemption Regulation”, for “(EC) No 800/2008” substitute “(EU) No 651/2014”.
- (9) In subsection (15), for paragraph (c) substitute –
“(c) Regulation (EU) No 1379/2013 of the European Parliament and of the Council,”.
- 5 (1) Section 45N (effect of plant or machinery subsequently being primarily for use outside designated assisted areas) is amended as follows.
- (2) In subsection (1) –
- (a) for “designated assisted area within the meaning of section 45K” substitute “relevant area”, and
 - (b) for “such a designated assisted” substitute “a relevant”.
- (3) After subsection (3) insert –
- “(3A) “Relevant area” means –
- (a) in relation to expenditure which would be within subsection (7A) of section 45M if paragraph (a) of that subsection were omitted, a designated assisted area within the meaning of section 45K which falls within Article 107(3)(a) of the Treaty on the Functioning of the European Union, and
 - (b) in relation to any other expenditure, a designated assisted area within the meaning of section 45K.”
- 6 In section 212T(6) (cap on first-year allowances: zero-emission goods vehicles), in the definition of “undertaking”, for “(EC) No 800/2008” substitute “(EU) No 651/2014”.
- 7 In section 212U(5) (cap on first-year allowances: expenditure on plant and machinery for use in designated assisted areas), in the definition of “single investment project”, for “(EC) No 800/2008” substitute “(EU) No 651/2014”.
- 8 The amendments made by this Schedule have effect in relation to expenditure incurred on or after the day on which this Act is passed.”

After Schedule 12

55 Insert the following new Schedule –

“OIL CONTRACTORS: RING-FENCE TRADE ETC

CTA 2010

- 1 CTA 2010 is amended as follows.
- 2 In section 1 (overview of Act), in subsection (3), after paragraph (a) insert –
- “(aa) oil contractor activities (see Part 8ZA),
 - (ab) profits arising from the exploitation of patents etc (see Part 8A),”.

- 3 In Chapter 4 of Part 8 (oil activities: calculation of profits), after section 285 insert—

“Hire of relevant assets

285A Restriction on hire etc of relevant assets to be brought into account

- (1) This section applies if—
 - (a) oil contractor activities are, or are to be, carried out, and
 - (b) a company that carries on a ring fence trade makes, or is to make, one or more payments under a lease of a relevant asset, or part of a relevant asset, which is, or is to be, provided, operated or used in the relevant offshore service in question.
- (2) The total amount that may be brought into account in respect of the payments for the purposes of calculating the company’s ring fence profits in an accounting period is limited to the hire cap.
- (3) The “hire cap” is an amount equal to the relevant percentage of TC for the accounting period, subject to subsection (4).
- (4) If payments in relation to which subsection (2) or section 356N(2) (restriction on hire for oil contractors under Part 8ZA) applies are also made, or to be made, by one or more other companies in respect of the relevant asset or part, the “hire cap” is to be such proportion of the amount mentioned in subsection (3) as is just and reasonable, having regard (in particular) to the amounts of the payments made, or to be made, by each company.
- (5) The “relevant percentage” and TC are to be determined in accordance with section 356N(5) to (16).
- (6) To the extent that, by virtue of this section, payments within subsection (1)(b) cannot be brought into account for the purposes of calculating the company’s ring fence profits in an accounting period, the payments may be—
 - (a) allowed as a deduction from the company’s total profits for the accounting period, or
 - (b) treated as a surrenderable amount of the company for the accounting period for the purposes of Part 5 (group relief) (see section 99(7)) as if they were a trading loss, but this is subject to subsection (7).
- (7) No deduction may be made by virtue of subsection (6) from total profits so far as they are ring fence profits or contractor’s ring fence profits.
- (8) If the company or an associated person enters into arrangements the main purpose or one of the main purposes of which is to secure that subsection (2) does not apply in relation to one or more payments to any extent, that subsection applies in relation to the payments to the extent that it would not otherwise do so.
- (9) In subsection (8) “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).

- (10) In this section –
- “associated person” has the meaning given by section 356LB;
 - “contractor’s ring fence profits” has the meaning given by section 356LD;
 - “oil contractor activities” and “relevant offshore service” have the meaning given by section 356L;
 - “relevant asset” has the meaning given by section 356LA;
 - “lease” has the meaning given by section 868.”

4 After Part 8 (oil activities) insert –

“PART 8ZA

OIL CONTRACTORS

CHAPTER 1

INTRODUCTION

356K Overview of Part

- (1) This Part is about the corporation tax treatment of oil contractor activities.
- (2) Chapter 2 contains basic definitions used in this Part.
- (3) Chapter 3 treats oil contractor activities as a separate trade.
- (4) Chapter 4 makes provision about the calculation of profits from oil contractor activities.
- (5) For the meaning of oil contractor activities, see section 356L.

CHAPTER 2

BASIC DEFINITIONS

356L “Oil contractor activities” etc

- (1) The definitions in this section have effect for the purposes of this Part.
- (2) “Oil contractor activities” means activities carried on by a company (“the contractor”), which are not oil-related activities (within the meaning of section 274), but are –
 - (a) exploration or exploitation activities in, or in connection with, which the contractor provides, operates or uses a relevant asset (see section 356LA) in a relevant offshore service, or
 - (b) otherwise carried on in, or in connection with, the provision by the contractor of a relevant offshore service.
- (3) The contractor provides a “relevant offshore service” if the contractor provides, operates or uses a relevant asset in, or in connection with, the carrying on of exploration or exploitation

activities in a relevant offshore area by the contractor or any other associated person.

- (4) “Exploration or exploitation activities” means activities carried on in connection with the exploration or exploitation of the seabed and subsoil and their natural resources.
- (5) “Relevant offshore area” means –
 - (a) the territorial sea of the United Kingdom;
 - (b) the areas designated by Order in Council under section 1(7) of the Continental Shelf Act 1964.

356LA “Relevant asset”

- (1) In this Part “relevant asset” means an asset within subsection (2) in respect of which conditions A and B are met.
- (2) An asset is within this subsection if it is a structure that –
 - (a) can be moved from place to place (whether or not under its own power) without major dismantling or modification, and
 - (b) can be used to –
 - (i) drill for the purposes of searching for, or extracting, oil, or
 - (ii) provide accommodation for individuals who work on or from another structure used in a relevant offshore area for, or in connection with, exploration or exploitation activities (“offshore workers”).
- (3) But an asset is not within subsection (2)(b)(ii) if it is reasonable to suppose that its use to provide accommodation for offshore workers is unlikely to be more than incidental to another use, or other uses, to which the asset is likely to be put.
- (4) In subsection (2) –
 - “oil” means any substance capable of being won under the authority of a licence granted under Part 1 of the Petroleum Act 1998 or the Petroleum (Production) Act (Northern Ireland) 1964;
 - “structure” includes a ship or other vessel.
- (5) Condition A is that the asset, or any part of the asset, is leased (whether by the contractor or not) from an associated person other than the contractor.
- (6) Condition B is that the asset is of the requisite value.
- (7) The asset is of the “requisite value” if its market value is £2,000,000 or more.
- (8) The Treasury may by regulations modify the meaning of “requisite value”.
- (9) Regulations under subsection (8) may –
 - (a) amend this section,

- (b) make different provision for different cases or different purposes, and
- (c) make incidental, consequential, supplementary or transitional provision or savings.

356LB “Associated person”

- (1) For the purposes of this Part each of the following is an “associated person” –
 - (a) the contractor,
 - (b) any person who is, or has been, connected with the contractor,
 - (c) any person who has acted, acts or is to act, together with the contractor to provide a service, and
 - (d) any person who is connected with a person falling within paragraph (b) or (c).
- (2) A person does not act together with the contractor to provide a service by reason only of leasing an asset, to any person, which is provided, operated or used in the service.

356LC “Lease”

In this Part “lease” has the meaning given by section 868 and “leased” and “leasing” are to be construed accordingly.

356LD “Contractor’s ring fence profits”

In this Part the “contractor’s ring fence profits”, in relation to an accounting period, means the contractor’s income arising from oil contractor activities for that period.

CHAPTER 3

DEEMED SEPARATE TRADE

356M Oil contractor activities treated as separate trade

If the contractor carries on oil contractor activities as part of a trade, those activities are treated for the purposes of the charge to corporation tax on income as a separate trade, distinct from all other activities carried on by the contractor as part of the trade.

CHAPTER 4

CALCULATION OF PROFITS

Hire of relevant assets

356N Restriction on hire etc of relevant assets to be brought into account

- (1) This section applies if the contractor makes, or is to make, one or more payments under a lease of –
 - (a) a relevant asset, or
 - (b) part of a relevant asset.

- (2) The total amount that may be brought into account in respect of the payments for the purposes of calculating the contractor's ring fence profits in an accounting period is limited to the hire cap.
- (3) The "hire cap" is an amount equal to the relevant percentage of TC for the accounting period, subject to subsection (4).
- (4) If payments in relation to which subsection (2) or section 285A(2) (restriction on hire for company carrying on a ring fence trade under Part 8) applies are also made, or to be made, by one or more other companies in respect of the relevant asset or part, the "hire cap" is to be such proportion of the amount mentioned in subsection (3) as is just and reasonable, having regard (in particular) to the amounts of the payments made, or to be made, by the contractor and each other company.
- (5) Subject to subsection (7), the "relevant percentage" is –

$$\frac{\text{UROS}}{\text{TU}} \times 7.5\%$$

where –

UROS is the number of days in the accounting period that the relevant asset is provided, operated or used in a relevant offshore service, and

TU is the number of days in the accounting period that the relevant asset is provided, operated or used (whether or not in a relevant offshore service).

- (6) Accordingly, the relevant percentage is zero if the relevant asset is not provided, operated or used in the accounting period.
- (7) If the accounting period is less than 12 months, the relevant percentage is to be proportionally reduced.
- (8) TC is –

$$\text{OC} + \text{CE}$$

- (9) Unless subsection (11) applies, OC is the sum of –
- (a) any consideration given for the acquisition of the relevant asset or part when it was first acquired by an associated person, and
 - (b) any expenses incurred by an associated person in connection with that acquisition (other than the costs of financing the acquisition).

This is subject to subsections (12) and (13).

- (10) Subsection (11) applies if the relevant asset or part –
- (a) is leased by an associated person from a person who is not an associated person, and
 - (b) has never been owned by an associated person.
- (11) OC is the sum of –
- (a) the consideration that it is reasonable to suppose would have been given for the acquisition of the relevant asset or part, if it had been acquired by an associated person by

way of a bargain at arm's length at the time it was first leased as mentioned in subsection (10)(a), and

- (b) the expenses (other than the costs of financing the acquisition) that it is reasonable to suppose would have been incurred by an associated person in connection with such an acquisition.

This is subject to subsections (12) and (13).

- (12) If the relevant asset or part was first acquired by an associated person, or (as the case may be) first leased as mentioned in subsection (10)(a), before the beginning of the accounting period, OC does not include any part of the consideration mentioned in subsection (9)(a) or (as the case may be) (11)(a) that it is reasonable to attribute to anything that no longer forms part of the relevant asset or part at the beginning of the accounting period.
- (13) If the relevant asset or part was first acquired by an associated person, or (as the case may be) first leased as mentioned in subsection (10)(a), in the accounting period, OC for the accounting period is—

$$OC \times \frac{D - DBA}{D}$$

where—

D is the total number of days in the accounting period,

DBA is the number of days in the accounting period before the day on which the relevant asset or part was first acquired or first leased, and

OC is the amount given by subsection (9) or (as the case may be) (11).

- (14) CE is capital expenditure on the relevant asset or part (other than capital expenditure in respect of its acquisition or the acquisition of a lease of it) incurred by an associated person—
- (a) after it was first acquired by an associated person or (as the case may be) was first leased as mentioned in subsection (10)(a), and
- (b) before the end of the accounting period.

This is subject to subsections (15) and (16).

- (15) CE does not include any capital expenditure mentioned in subsection (14) that is—
- (a) incurred before the beginning of the accounting period, and
- (b) not reflected in the state or nature of the relevant asset or part at the beginning of the accounting period.

- (16) If any capital expenditure mentioned in subsection (14) is incurred on a day in the accounting period, the amount of CE for the accounting period in respect of that capital expenditure is—

$$CEA \times \frac{D - DBI}{D}$$

where—

D is the total number of days in the accounting period,
 DBI is the number of days in the accounting period before
 the day on which that capital expenditure is incurred, and
 CEA is the amount of that capital expenditure.

356NA Restriction on hire: further provision

- (1) The Treasury may by regulations modify the “relevant percentage” for the purposes of section 356N or 285A.
- (2) Regulations under subsection (1) may –
 - (a) amend section 356N or section 285A,
 - (b) make different provision for different cases or different purposes, and
 - (c) make incidental, consequential, supplementary or transitional provision or savings.
- (3) To the extent that, by virtue of section 356N, payments within subsection (1) of that section cannot be brought into account for the purposes of calculating the contractor’s ring fence profits in an accounting period, the payments may be –
 - (a) allowed as a deduction from the contractor’s total profits for the accounting period, or
 - (b) treated as a surrenderable amount of the contractor for the accounting period for the purposes of Part 5 (group relief) (see section 99(7)) as if they were a trading loss, subject to subsection (4).
- (4) No deduction may be made by virtue of subsection (3) from total profits so far as they are contractor’s ring fence profits or ring fence profits for the purposes of Part 8.
- (5) If an associated person enters into arrangements the main purpose or one of the main purposes of which is to secure that section 356N(2) does not apply in relation to one or more payments to any extent, that provision applies in relation to the payments to the extent it would not otherwise do so.
- (6) In subsection (5) “arrangements” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).

Loan relationships

356NB Restriction on debits to be brought into account

- (1) Debits may not be brought into account for the purposes of Part 5 of CTA 2009 (loan relationships) in respect of the contractor’s loan relationships in any way that results in a reduction of what would otherwise be the contractor’s ring fence profits, but this is subject to subsections (2) to (4).
- (2) Subsection (1) does not apply so far as a loan relationship is in respect of money borrowed by the contractor which has been –
 - (a) used to meet expenditure incurred by the contractor in carrying on oil contractor activities, or

- (b) appropriated to meeting expenditure to be so incurred by the contractor.
- (3) Subsection (1) does not apply, in the case of debits falling to be brought into account as a result of section 329 of CTA 2009 (pre-loan relationship and abortive expenses) in respect of a loan relationship that has not been entered into, so far as the relationship would have been one entered into for the purpose of borrowing money to be used or appropriated as mentioned in subsection (2).
- (4) Subsection (1) does not apply, in the case of debits in respect of a loan relationship to which Chapter 2 of Part 6 of CTA 2009 (relevant non-lending relationships) applies, so far as –
 - (a) the payment of interest under the relationship is expenditure incurred as mentioned in subsection (2)(a), or
 - (b) the exchange loss arising from the relationship is in respect of a money debt on which the interest payable (if any) is, or would be, such expenditure.
- (5) If a debit –
 - (a) falls to be brought into account for the purposes of Part 5 of CTA 2009 in respect of a loan relationship of the contractor, but
 - (b) as a result of this section cannot be brought into account in a way that results in any reduction of what would otherwise be the contractor's ring fence profits,the debit is to be brought into account for those purposes as a non-trading debit despite anything in section 297 of that Act.
- (6) References in this section to a loan relationship, in relation to the borrowing of money, do not include a relationship to which Chapter 2 of Part 6 of CTA 2009 (relevant non-lending relationships) applies.

356NC Restriction on credits to be brought into account

- (1) Credits in respect of exchange gains from the contractor's loan relationships may not be brought into account for the purposes of Part 5 of CTA 2009 (loan relationships) in any way that results in an increase of what would otherwise be the contractor's ring fence profits, but this is subject to subsections (2) to (4).
- (2) Subsection (1) does not apply so far as a loan relationship is in respect of money borrowed by the contractor which has been –
 - (a) used to meet expenditure incurred by the contractor in carrying on oil contractor activities, or
 - (b) appropriated to meeting expenditure to be so incurred by the contractor.
- (3) Subsection (1) does not apply, in the case of credits falling to be brought into account as a result of section 329 of CTA 2009 (pre-loan relationship and abortive expenses) in respect of a loan relationship that has not been entered into, so far as the relationship would have been one entered into for the purpose of

borrowing money to be used or appropriated as mentioned in subsection (2).

- (4) Subsection (1) does not apply, in the case of credits in respect of a loan relationship to which Chapter 2 of Part 6 of CTA 2009 (relevant non-lending relationships) applies, so far as –
 - (a) the payment of interest under the relationship is expenditure incurred as mentioned in subsection (2)(a), or
 - (b) the exchange gain arising from the relationship is in respect of a money debt on which the interest payable (if any) is, or would be, such expenditure.
- (5) If a credit –
 - (a) falls to be brought into account for the purposes of Part 5 of CTA 2009 in respect of a loan relationship of the contractor, but
 - (b) as a result of this section cannot be brought into account in a way that results in any increase of what would otherwise be the contractor's ring fence profits,
 the credit is to be brought into account for those purposes as a non-trading credit despite anything in section 297 of that Act.
- (6) Section 356NB(6) applies for the purposes of this section.

Relief

356ND Management expenses

No deduction under section 1219 of CTA 2009 (expenses of management of a company's investment business) is to be allowed from the contractor's ring fence profits.

356NE Losses

Relief in respect of a loss incurred by the contractor may not be given under section 37 (relief for trade losses against total profits) against the contractor's ring fence profits except so far as the loss arises from oil contractor activities.

356NF Group relief

- (1) On a claim for group relief made by a claimant company in relation to a surrendering company, group relief may not be allowed against the claimant company's contractor's ring fence profits except so far as the claim relates to losses incurred by the surrendering company that arose from oil contractor activities.
- (2) In section 105 (restriction on surrender of losses etc within section 99(1)(d) to (g)) the references to the surrendering company's gross profits of the surrender period do not include the company's relevant contractor's ring fence profits for that period.
- (3) The company's "relevant contractor's ring fence profits" for that period are –

- (a) if for that period there are no qualifying charitable donations made by the company that are allowable under Part 6 (charitable donations relief), the company's contractor's ring fence profits for that period, or
 - (b) otherwise, so much of the contractor's ring fence profits of the company for that period as exceeds the amount of the qualifying charitable donations made by the company that are allowable under section 189 for that period.
- (4) In this section "claimant company" and "surrendering company" are to be read in accordance with Part 5 (group relief) (see section 188).

356NG Capital allowances

A capital allowance may not to any extent be given effect under section 259 or 260 of CAA 2001 (special leasing) by deduction from the contractor's ring fence profits."

- 5 In Schedule 4 (index of defined expressions), insert the following entries at the appropriate places –

"associated person (in Part 8ZA)	section 356LB"
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"contractor (in Part 8ZA)	section 356L(2)"
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"contractor's ring fence profits (in Part 8ZA)	section 356LD"
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"exploration or exploitation activities (in Part 8ZA)	section 356L(4)"
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"lease (in Part 8ZA)	section 356LC"
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“oil contractor activities (in Part 8ZA)”	section 356L(2)”
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“relevant asset (in Part 8ZA)”	section 356LA”
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“relevant offshore area (in Part 8ZA)”	section 356L(5)”
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“relevant offshore service (in Part 8ZA)”	section 356L(3)”
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Commencement etc

- 6 This Schedule is to be treated as having come into force on 1 April 2014 (“the commencement date”).
- 7 Section 356L of CTA 2010 has effect in relation to activities carried out on or after the commencement date.
- 8 (1) If, on the commencement date, a company was carrying on a trade that consisted of, or included, carrying out oil contractor activities, an accounting period ends (if it would not otherwise do so) with 31 March 2014.
- (2) Sub-paragraph (3) applies if—
- (a) but for sub-paragraph (1), a company would have had an accounting period that began before the commencement date and ended on or after that date (“the split accounting period”), and
 - (b) the company’s accounting period beginning with 1 April 2014 ends when the split accounting period would have ended but for that sub-paragraph.
- (3) For the purposes of Chapter 4 of Part 22 of CTA 2010 (surrender of tax refund within group)—
- (a) the company is to be treated as having the split accounting period,
 - (b) any tax refund due to the company for—
 - (i) the accounting period ending with 31 March 2014, or
 - (ii) the accounting period beginning with 1 April 2014,
 is to be treated as if it were a tax refund due to the company for the split accounting period, and

- (c) if the company surrenders a tax refund that is so treated (or part of such a refund), the references in section 964(6) of CTA 2010 to the date on which corporation tax became due and payable are to be treated as references to the date on which corporation tax would have become due and payable had the company had the split accounting period.
- 9 (1) A company may be given relief under section 45 of CTA 2010 (carry forward of trade loss against subsequent trade profits) for a loss made in an accounting period ending before the commencement date against profits of a ring fence trade so far as (and only so far as) the loss would have been a loss of the ring fence trade had section 356L of that Act had effect in relation to activities carried out before the commencement date and Part 8ZA therefore applied.
- (2) In sub-paragraph (1) “ring fence trade” means oil contractor activities that constitute a separate trade (whether by virtue of section 356M of that Act or otherwise).”

Schedule 27

56 Page 535, line 45, at end insert –

“(7A) Section 207(2A) applies to an appeal by virtue of sub-paragraph (7)(a) as it applies to an appeal under section 207(1).”

Schedule 33

57 Page 559, line 35, leave out “(see sections 236J to 236L)” and insert “at the time of the disposal and continues to meet that requirement for the remainder of the tax year in which that time falls (see sections 236J to 236L and subsection (4A) of this section)”

58 Page 560, line 1, leave out “but does meet it at the end of that year” and insert “but –

- (i) it meets that requirement at the end of that tax year, and
- (ii) if it met the requirement at an earlier time in that tax year (whether before or after the time of the disposal) it continued to meet it throughout the remainder of that tax year,”

59 Page 560, line 7, at end insert –

“(4A) For the purposes of subsection (4)(b) –

- (a) unless the settlement met the all-employee benefit requirement by virtue of section 236L (cases in which all-employee benefit requirement treated as met) at the time of the disposal, that section does not apply for the purposes of determining whether the settlement continues to meet that requirement after the disposal, and
- (b) if, at the time of the disposal, the settlement met that requirement by virtue of section 236L and later continues to meet it otherwise than by virtue of that section, it may not again meet the requirement by virtue of that section.”

60 Page 560, line 19, at end insert –

“(7) Section 236NA makes provision about events which prevent a claim being made under this section and circumstances in which a claim is revoked.”

61 Page 563, line 46, leave out “is treated as meeting that requirement” and insert “at any time is treated as meeting that requirement at that time”

62 Page 564, line 9, leave out “day of the disposal mentioned in section 236H(1)” and insert “time in question”

63 Page 566, line 10, at end insert –

“(A1) The limited participation requirement is met if Conditions A and B are met.”

64 Page 566, line 11, leave out “The limited participation requirement is met if” and insert “Condition A is that”

65 Page 566, line 15, at end insert –

“(1A) Condition B is that the participator fraction does not exceed $\frac{2}{5}$ at any time in the period beginning with that disposal and ending at the end of the tax year in which it occurs.”

66 Page 566, line 18, after “(1)(b)” insert “and (1A)”

67 Page 567, line 7, at end insert –

“236NA No section 236H relief if disqualifying event in next tax year

- (1) This section applies where –
 - (a) a disposal is made in circumstances where paragraphs (a) and (b) of section 236H(1) are satisfied, and
 - (b) one or more disqualifying events occur in relation to the disposal in the tax year following the tax year in which the disposal occurs.
- (2) A “disqualifying event” occurs in relation to the disposal if and when –
 - (a) C ceases to meet the trading requirement,
 - (b) the settlement ceases to meet the all-employee benefit requirement,
 - (c) the settlement ceases to meet the controlling interest requirement,
 - (d) the participator fraction exceeds $\frac{2}{5}$, or
 - (e) the trustees act in a way which the trusts, as required by the all-employee benefit requirement, do not permit.
- (3) No claim for relief under section 236H may be made in respect of the disposal on or after the day on which the disqualifying event (or, if more than one, the first of them) occurs.
- (4) Any claim for relief under section 236H made in respect of the disposal before that day is revoked, and the chargeable gains and allowable losses of any person for any chargeable period are to be calculated as if that claim had never been made.
- (5) Such adjustments must be made in relation to any person, whether by the making of assessments or otherwise, as are

required to give effect to subsection (4) (regardless of any limitation on the time within which any adjustment may be made).

(6) Section 236H(4A) (restrictions on application of section 236L) applies for the purposes of subsection (2)(b).

(7) Section 236N(2) applies for the purposes of subsection (2)(d) as it applies in relation to section 236N(1)(b) and (1A)."

68 Page 567, line 11, after "occasion" insert ", after the end of the tax year following the tax year in which the acquisition occurs, when"

69 Page 567, leave out lines 13 to 25 and insert –

“(2) A “disqualifying event” occurs in relation to the acquisition if and when –

- (a) C ceases to meet the trading requirement,
- (b) the settlement ceases to meet the all-employee benefit requirement,
- (c) the settlement ceases to meet the controlling interest requirement,
- (d) the participator fraction exceeds 2/5, or
- (e) the trustees act in a way which the trusts, as required by the all-employee benefit requirement, do not permit.”

70 Page 567, line 26, leave out “after” and insert “before”

71 Page 567, line 34, leave out “(2)(b)(i)” and insert “(2)(b)”

72 Page 567, leave out lines 44 to 48

73 Page 568, line 1, leave out “(2)(b)(ii) as it applies in relation to section 236N(1)(b)” and insert “(2)(b) as it applies in relation to section 236N(1)(b) and (1A)”

74 Page 568, line 36, at end insert –

“(7) Section 236PA makes provision about events which prevent a claim being made under this section and circumstances in which a claim is revoked.”

75 Page 568, line 36, at end insert –

“236PA No section 236P relief if disqualifying event in next tax year

- (1) This section applies where –
 - (a) a deemed disposal arises in circumstances where paragraphs (a) to (c) of section 236P(1) are satisfied, and
 - (b) one or more disqualifying events occur in relation to the disposal in the tax year following the tax year in which the deemed disposal arises.
- (2) No claim for relief under section 236P may be made in respect of the deemed disposal on or after the day on which the disqualifying event (or, if more than one, the first of them) occurs.
- (3) Any claim for relief under section 236P made in respect of the deemed disposal before that day is revoked, and the chargeable gains and allowable losses of any person for any chargeable period are to be calculated as if that claim had never been made.

- (4) Such adjustments must be made in relation to any person, whether by the making of assessments or otherwise, as are required to give effect to subsection (3) (regardless of any limitation on the time within which any adjustment may be made).
- (5) “Disqualifying event” is to be construed in accordance with subsections (2), (6) and (7) of section 236NA except that—
 - (a) references in those subsections to the disposal are to be read as references to the deemed disposal, and
 - (b) in applying sections 236I to 236O and 236R for this purpose—
 - (i) references in those provisions to the settlement are to be read as references to the acquiring settlement (within the meaning of section 236P(1)), and
 - (ii) references in those provisions to C are to be read as references to the company mentioned in section 236P(1)(b).”

76 Page 570, line 17, leave out “The” and insert “Subject to paragraph 2A, the”

77 Page 570, line 18, at end insert—

- “2A In relation to disposals made on or after 6 April 2014 but before 26 June 2014, TCGA 1992 has effect as if—
- (a) in section 236H—
 - (i) in subsection (4)(b), for the words from “at the time of the disposal” to the end there were substituted “(see sections 236J to 236L)”,
 - (ii) subsection (4)(c)(ii) (and the “and” before it) were omitted, and
 - (iii) subsections (4A) and (7) were omitted,
 - (b) in section 236N—
 - (i) in subsection (A1), for “Conditions A and B are” there were substituted “Condition A is”, and
 - (ii) subsection (1A) were omitted,
 - (c) section 236NA were omitted,
 - (d) in section 236O—
 - (i) in subsection (1) the words “, after the end of the tax year following the tax year in which the acquisition occurs, when” were omitted,
 - (ii) for subsection (2) there were substituted—
- “(2) A “disqualifying event” occurs in relation to the acquisition if and when—
- (a) at any time after that tax year—
 - (i) C ceases to meet the trading requirement, or
 - (ii) the settlement ceases to meet the controlling interest requirement, or
 - (b) at any time after the acquisition—

- (i) the settlement ceases to meet the all-employee benefit requirement,
 - (ii) the participator fraction exceeds 2/5, or
 - (iii) the trustees act in a way which the trusts, as required by the all-employee benefit requirement, do not permit.”, and
 - (iii) in subsection (3) for “before” there were substituted “after”,
 - (e) section 236P(7) were omitted, and
 - (f) section 236PA were omitted.”
- 78 Page 575, line 36, leave out “day of the disposal mentioned in section 236H(1)” and insert “time in question”
- 79 Page 582, line 9, leave out “date of the disposal mentioned in section 236H(1)” and insert “time in question”

After Schedule 34

- 80 Insert the following new Schedule –

“TAXATION OF CO-OPERATIVE SOCIETIES ETC

Taxation of Chargeable Gains Act 1992 (c. 12)

- 1 In section 217D of TCGA 1992 (disposal of assets on union, amalgamation or transfer of engagements), in subsection (3), after paragraph (a) insert –
- “(aa) a society registered as a credit union under the Credit Unions (Northern Ireland) Order 1985 (S.I. 1985/1205 (N.I. 12)),”.

Co-operative and Community Benefit Societies Act 2014 (c. 14)

- 2 Schedule 4 to the Co-operative and Community Benefit Societies Act 2014 (consequential amendments) is amended as follows.
- 3 In paragraph 47 (which amends section 140E of TCGA 1992) –
- (a) in sub-paragraph (2), after “Co-operative and Community Benefit Societies Act 2014” insert “or a society registered or treated as registered under the Industrial and Provident Societies Act (Northern Ireland) 1969”, and
 - (b) in sub-paragraph (3), after “Co-operative and Community Benefit Societies Act 2014” insert “, a society registered or treated as registered under the Industrial and Provident Societies Act (Northern Ireland) 1969”.
- 4 In paragraph 48 (which amends section 140F of TCGA 1992) after “Co-operative and Community Benefit Societies Act 2014” insert “or a society registered or treated as registered under the Industrial and Provident Societies Act (Northern Ireland) 1969”.
- 5 In paragraph 49 (which amends section 140G of TCGA 1992) after “Co-operative and Community Benefit Societies Act 2014” insert “or a society

- registered or treated as registered under the Industrial and Provident Societies Act (Northern Ireland) 1969”.
- 6 In paragraph 50 (which amends section 170 of TCGA 1992) –
- (a) in sub-paragraph (2), for “within the meaning of the Co-operative and Community Benefits Societies Act 2014” substitute “(see section 1119 of that Act)”, and
 - (b) in sub-paragraph (3), for “within the meaning of the Co-operative and Community Benefits Societies Act 2014” substitute “(see section 1119 of CTA 2010)”.
- 7 In paragraph 53 (which amends Schedule 7AC of TCGA 1992) for “within the meaning of the Co-operative and Community Benefits Societies Act 2014” substitute “(see section 1119 of that Act)”.
- 8 In paragraph 82 (which amends paragraph 28 of Schedule 2 to ITEPA 2003), in the sub-paragraph (5) substituted by sub-paragraph (3) –
- (a) omit the “or” following paragraph (b), and
 - (b) at the end of paragraph (c) insert “, or
 - (d) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.”.
- 9 In paragraph 94 (which amends section 379 of ITTOIA 2005), in the definition of “registered society” inserted by sub-paragraph (4) –
- (a) omit the “or” following paragraph (a), and
 - (b) after paragraph (b) insert –
 - “(c) a society registered as a credit union under the Credit Unions (Northern Ireland) Order 1985 (S.I. 1985/1205 (N.I. 12)), or
 - (d) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society,”.
- 10 In paragraph 105 (which amends section 151 of ITA 2007), in the definition of “registered society” inserted by sub-paragraph (3) –
- (a) omit the “or” following paragraph (a), and
 - (b) at the end of paragraph (b) insert “or
 - (c) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society,”.
- 11 In paragraph 110 (which amends section 887 of ITA 2007), in the subsection (5) substituted by sub-paragraph (5) –
- (a) omit the “or” following paragraph (a), and
 - (b) after paragraph (b) insert –
 - “(c) a society registered as a credit union under the Credit Unions (Northern Ireland) Order 1985 (S.I. 1985/1205 (N.I. 12)), or
 - (d) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.”.

- 12 In paragraph 158 (which amends section 90 of CTA 2010), in the definition of “registered society” inserted by sub-paragraph (3) –
- (a) omit the “or” following paragraph (a), and
 - (b) at the end of paragraph (b) insert “or
 - (c) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society,”.
- 13 In paragraph 168 (which amends section 1119 of CTA 2010), in the definition of “registered society” inserted by sub-paragraph (3), for paragraph (c) and the “or” before it substitute –
- “(c) a society registered as a credit union under the Credit Unions (Northern Ireland) Order 1985 (S.I. 1985/1205 (N.I. 12)), or
 - (d) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society,”.
- 14 In paragraph 171 (which amends section 118 of TIOPA 2010) –
- (a) in sub-paragraph (2), after “Co-operative and Community Benefit Societies Act 2014” insert “or a society registered or treated as registered under the Industrial and Provident Societies Act (Northern Ireland) 1969”, and
 - (b) in sub-paragraph (3), after “Co-operative and Community Benefit Societies Act 2014” insert “, a society registered or treated as registered under the Industrial and Provident Societies Act (Northern Ireland) 1969”.

Commencement

- 15 The amendments made by this Schedule come into force on 1 August 2014.”

