

Income Tax (Trading and Other Income) Bill (Volume III)

The Bill is divided into three volumes. Volume I contains Clauses 1 to 364 to the Bill. Volume II contains Clauses 365 to 886 to the Bill. Volume III contains the Schedules to the Bill.

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SCHEDULES

SCHEDULE 1

Section 882

CONSEQUENTIAL AMENDMENTS

PART 1

INCOME AND CORPORATION TAXES ACT 1988

5

- 1 The Income and Corporation Taxes Act 1988 (c. 1) is amended as follows.
- 2 In section 1(1) (the charge to income tax) –
- (a) omit paragraph (a), and
 - (b) omit the word “and” at the end of paragraph (b) and after that paragraph insert –
 - “(ba) all amounts which are charged to tax under any of the following provisions of ITTOIA 2005 –
 - (i) Part 2 (trading income),
 - (ii) Part 3 (property income),
 - (iii) Part 4 (savings and investment income), and
 - (iv) Part 5 (miscellaneous income), and”.
- 3 (1) Amend section 1A (application of lower rate to income from savings and distributions) as follows.
- (2) In subsection (1AA) –
- (a) in paragraph (a) for “Schedule F” substitute “Chapter 3, 5 or 6 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc., stock dividends from UK resident companies and loans to participators)”, and
 - (b) for paragraph (b) substitute –
 - “(b) dividends chargeable under Chapter 4 of Part 4 of that Act (dividends from non-UK resident companies) or relevant foreign distributions chargeable under Chapter 8 of Part 5 of that Act (income not otherwise charged).”
- (3) In subsection (1A) –
- (a) in paragraph (a) –
 - (i) for “Schedule F”, in the first place where it occurs, substitute “Chapter 3, 5 or 6 of Part 4 of ITTOIA 2005”, and
 - (ii) for “Schedule F”, in the second place where it occurs, substitute “dividend”, and
 - (b) for paragraph (b) and the word “and” at the end of the paragraph

- substitute –
- “(b) in the case of dividends chargeable under Chapter 4 of Part 4 of that Act or relevant foreign distributions chargeable under Chapter 8 of Part 5 of that Act, the dividend ordinary rate; and”.
- (4) In subsection (2) –
- (a) in paragraph (a) for the words from “chargeable under” to “section 119” substitute “(other than relevant foreign income) chargeable under –
- (i) Chapter 2 of Part 4 of ITTOIA 2005 (charge on interest);
- (ii) Chapter 7 of that Part of that Act (charge on purchased life annuity payments) other than income from annuities specified in section 718(2) of that Act; or
- (iii) Chapter 8 of that Part of that Act (charge on profits from deeply discounted securities);”;
- (b) in paragraph (aa) omit “under Case VI of Schedule D”,
- (c) in paragraph (b) for “Schedule F” substitute “Chapter 3, 5 or 6 of Part 4 of ITTOIA 2005”,
- (d) in paragraph (c) for “equivalent foreign income” substitute “income falling within subsection (3) below”, and
- (e) in paragraph (d) for “547(1)(a) (chargeable event gains on life policies etc)” substitute “465 of ITTOIA 2005 (gains from contracts for life insurance etc.)”.
- (5) For subsection (3) substitute –
- “(3) The income which falls within this subsection is any relevant foreign income which –
- (a) would fall within subsection (2)(a) but for the exclusion of relevant foreign income;
- (b) is a dividend chargeable under Chapter 4 of Part 4 of ITTOIA 2005; or
- (c) is a relevant foreign distribution chargeable under Chapter 8 of Part 5 of that Act.”
- (6) In subsection (4) –
- (a) in paragraph (a), for the words from “income” to “Kingdom” substitute “relevant foreign income which is charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis)”, and
- (b) omit paragraph (b) and the word “or” at the end of paragraph (a).
- (7) In subsection (5) –
- (a) for “section 550” substitute “sections 535 to 537 of ITTOIA 2005”, and
- (b) in paragraph (b)(i) for “Schedule F” substitute “Chapter 3, 5 or 6 of Part 4 of ITTOIA 2005”, and
- (c) in paragraph (b) for sub-paragraph (ii) substitute –
- “(ii) dividends chargeable under Chapter 4 of Part 4 of that Act (if any) or relevant foreign distributions chargeable under Chapter 8 of Part 5 of that Act (if any),”.

- (8) In subsection (6) for “section 550” substitute “sections 535 to 537 of ITTOIA 2005”.
- (9) Omit subsection (7).
- (10) After subsection (7) insert—
- “(8) In this section “relevant foreign distribution” means any distribution of a company not resident in the United Kingdom which—
- (a) is not chargeable under Chapter 4 of Part 4 of ITTOIA 2005, but
- (b) would be chargeable under Chapter 3 of that Part of that Act if the company were resident in the United Kingdom.
- (9) And, for the meaning of “relevant foreign income”, see section 832(1).”
- 4 (1) Amend section 1B (rates of tax applicable to Schedule F income) as follows.
- (2) In subsection (1)—
- (a) for paragraphs (a) and (b) substitute—
- “(a) income chargeable under Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.) (if any), and
- (b) dividends chargeable under Chapter 4 of Part 4 of that Act (dividends from non-UK resident companies) (if any) or relevant foreign distributions chargeable under Chapter 8 of Part 5 of that Act (income not otherwise charged) (if any),” and
- (b) for “Schedule F”, in the second place where it occurs, substitute “dividend”.
- (3) In subsection (2) for “Schedule F”, in both places where it occurs, substitute “dividend”.
- (4) After subsection (2) insert—
- “(3) In this section “relevant foreign distribution” has the same meaning as in section 1A (see subsection (8) of that section).”
- (5) In the side-note for the section for “Schedule F” substitute “distribution”.
- 5 In section 4 (construction of references in Income Tax Acts to deduction of tax), omit subsection (1B).
- 6 After section 6(4) (the charge to corporation tax and exclusion of income tax and capital gains tax) insert—
- “(4A) In sections 74(1), 79(1), 79A(1), 79B(1), 83A(1), 84(1), 86(1), 86A(2)(a), 87(1), (2) and (4), 88, 89, 90(1) and (3), 94(1), 100(2)(b), 101, 102, 401(1), 491(10), 577(7)(b), 579(2), 588(3), 589A(8) and 817(2), and in paragraph 5(11) of Schedule 30, “profession” includes vocation.”
- 7 (1) Amend section 9 (computation of income: application of income tax principles) as follows.

- (2) After subsection (2) insert—
- “(2A) But no income shall be computed, and no assessment shall be made, for purposes of corporation tax under ITTOIA 2005.
- (2B) Instead, income shall continue to be computed, and the assessment shall continue to be made, for purposes of corporation tax under Schedules A and D, and the Cases of those Schedules. 5
- (2C) For (but only for) the purpose of continuing to apply for purposes of corporation tax, those Schedules and Cases are treated as if they were still part of income tax law (and therefore applied in accordance with subsection (1) above for purposes of corporation tax).” 10
- (3) In subsection (3)(a) —
- (a) for “, D and F,” substitute “and D”, and
- (b) omit “, as they apply for purposes of income tax”
- (4) In subsection (4) after “Acts” insert “(other than ITTOIA 2005)”.
- (5) In subsection (6) omit “60 to 69,”. 15
- 8 (1) Amend section 15 (Schedule A) as follows.
- (2) In subsection (1A) —
- (a) in paragraph (b) for “within the charge to income tax under Schedule A” substitute “the profits of a UK property business within the charge to income tax under Chapter 3 of Part 3 of ITTOIA 2005”, and 20
- (b) for “as separate Schedule A businesses” substitute “for the purposes of those charges as separate businesses”.
- (3) Before subsection (4) insert —
- “(3A) Subsection (1) applies for corporation tax purposes (and does not apply for income tax purposes except so far as necessary to ensure its application for corporation tax purposes by virtue of section 9).” 25
- (4) In subsection (4) at the end insert “and under Chapter 3 of Part 3 of ITTOIA 2005 (profits of a property business)”.
- 9 (1) Amend section 18 (Schedule D) as follows.
- (2) After subsection (4) insert— 30
- “(4A) Subsections (1) to (4) apply for corporation tax purposes (and do not apply for income tax purposes except so far as necessary to ensure their application for corporation tax purposes by virtue of section 9).”
- (3) In subsection (5) at the end insert “and under ITTOIA 2005 (see, in particular, the charge under Chapter 2 of Part 2 of that Act (trade profits))”. 35
- (4) Omit subsection (6).
- 10 Omit section 20 (Schedule F).
- 11 Omit section 21 (persons chargeable and basis of assessment under Schedule A). 40
- 12 (1) Amend section 21A (computation of amount chargeable under Schedule A) as follows.

- (2) In subsection (2) omit “sections 112 and 113 of that Act (expenditure in connection with provision of security asset or service);”.
- (3) In subsection (4) –
- (a) omit “section 82 (interest paid to non-residents),”, and
 - (b) omit “section 96 (farming and market gardening: relief for fluctuating profits),”.
- 13 In section 21B (application of other rules applicable to Case I of Schedule D) –
- (a) omit “, 108, 109A”,
 - (b) after “(post-cessation receipts and expenses, etc)” insert “, with any reference to a trade within the charge to income tax being read as a reference to a UK property business”, and
 - (c) omit “section 113 (effect for income tax purposes of change in the persons engaged on trade);”.
- 14 In section 21C (the Schedule A charge and mutual business) –
- (a) in subsection (1) after “the charge to” insert “corporation”, and
 - (b) in subsection (4) from the beginning to “the person who would” substitute “The company to which the profit arises is the company which would”.
- 15 (1) Amend section 30 (expenditure on making sea walls) as follows. 20
- (2) In subsection (1) for “he shall be” substitute “that person shall be”.
- (3) In subsection (2) for “he would be” substitute “that person would be”.
- (4) After that subsection insert –
- “(2A) If –
- (a) the transferor is a company within the charge to corporation tax and the transferee is a person within the charge to income tax, or
 - (b) the transferor is a person within the charge to income tax and the transferee is a company within the charge to corporation tax,
- subsection (2) above shall apply only for the purpose of determining the amount of the payment which the company is treated as making in any year of assessment.
- For any entitlement of the person within the charge to income tax to a deduction for any of the expenditure, see sections 316 and 318 of ITTOIA 2005 (corresponding income tax provision).” 35
- 16 Omit sections 31A and 31B (deductions for expenditure by landlords on energy-saving items).
- 17 (1) Amend section 34 (treatment of premiums etc. as rent) as follows.
- (2) In subsection (1) for “the purposes of the Tax Acts” substitute “corporation tax purposes”. 40
- (3) In subsection (6) –
- (a) for “that other person” substitute “if that other person is a company, the company”,
 - (b) for “tax” substitute “corporation tax”, 45

- (c) for “he” substitute “the company”, and
 - (d) for “his” substitute “its”.
- (4) In subsection (7A) for “chargeable” substitute “accounting”.
- (5) In subsection (8)–
 - (a) for “person” substitute “company”, 5
 - (b) for “tax”, wherever it occurs, substitute “corporation tax”, and
 - (c) for “his” substitute “the company’s”.
- 18 (1) Amend section 35 (charge on assignment of lease granted at an undervalue) as follows.
- (2) In subsection (2) for “him in consequence of his” substitute “the assignor in consequence of the assignor’s”. 10
- (3) In subsection (2A)(b) for “chargeable” substitute “accounting”.
- (4) In subsection (3) for “tax” substitute “corporation tax”.
- 19 (1) Amend section 36 (charge on sale of land with right to reconveyance) as follows. 15
- (2) In subsection (1)–
 - (a) for “him”, in both places where it occurs, substitute “the vendor”, and
 - (b) for “his” substitute “the vendor’s”.
- (3) In subsection (2)(b)– 20
 - (a) for “tax” substitute “corporation tax”, and
 - (b) for “him” substitute “the vendor”.
- (4) In subsection (3) for “him” substitute “the vendor”.
- (5) In subsection (4A)(b) for “chargeable” substitute “accounting”.
- 20 (1) Amend section 37 (premiums paid etc: deductions from premiums and rent received) as follows. 25
- (2) In subsection (1)–
 - (a) omit “or” at the end of paragraph (a),
 - (b) after paragraph (b) insert –
 - “(c) any amount falls to be treated as a receipt of a UK property business by virtue of any of sections 277 to 282 of ITTOIA 2005 (receipts in respect of lease premiums, sums payable instead of rent, for surrender of lease and for variation or waiver of term of lease and assignments), or 30
 - (d) any amount would fall to be so treated but for the operation of the rule in section 288 of that Act (the additional calculation rule),” and 35
 - (c) after “this section” insert “and section 37A”.
- (3) In subsection (2)– 40
 - (a) for “person” substitute “company”, and
 - (b) for “he” substitute “the company”.
- (4) In subsection (3)–

- (a) for “person” substitute “company”, and
 (b) for “he” substitute “the company”.
- (5) In subsection (4) –
 (a) for “the person” substitute “a company which is”, and
 (b) for “he” substitute “the company”. 5
- (6) In subsection (7)(b) after sub-paragraph (ii) insert –
 “(iii) where it arose under Chapter 4 of Part 3 of ITTOIA 2005 (profits of property businesses: lease premiums etc.), shall be its receipt period (within the meaning of that Chapter (see section 288(6)).” 10
- (7) In subsection (8) after “section 34(2)” insert “or under section 277 of ITTOIA 2005 by virtue of section 278 of that Act (amount treated as lease premium where work required)”.
- (8) In subsection (9) –
 (a) for “tax” substitute “income tax or corporation tax”, and 15
 (b) at the end insert “or if it has been deducted under the rule in section 288 of ITTOIA 2005 (the additional calculation rule) in calculating the amount of a receipt of a property business (within the meaning of that Act) under Chapter 4 of Part 3 of that Act.”
- (9) At end insert – 20
 “(10) In the application of this section to Scotland the reference to a lease being granted out of the head lease is to the grant of a sublease of land subject to the head lease.”
- 21 After section 37 insert –
- “37A Section 37(4) and reductions in receipts under ITTOIA 2005” 25**
- (1) This section applies if –
 (a) in calculating the amount that falls to be treated as a receipt of a UK property business under Chapter 4 of Part 3 of ITTOIA 2005 (“the ITTOIA receipt”), there is a reduction under section 288 of that Act by reference to a taxed receipt, and 30
 (b) the taxed receipt is the amount chargeable on the superior interest for the purposes of section 37.
- (2) Section 37(4) shall apply for the period in respect of which the ITTOIA receipt arose only if the appropriate fraction of the amount chargeable on the superior interest exceeds the amount of the ITTOIA receipt given by the formula in section 277, 279, 280, 281 or 282 of ITTOIA 2005, as the case may be. 35
- (3) Section 37(4) shall then apply as if the amount chargeable on the superior interest were reduced in the proportion which that excess bears to that appropriate fraction. 40
- (4) Subsection (5) applies if –
 (a) the ITTOIA receipt is in respect of a lease granted out of the taxed lease,

- (b) the taxed lease is the head lease for the purposes of section 37, and
- (c) the lease granted as mentioned in paragraph (a) does not extend to the whole of the premises subject to the head lease.
- (5) Section 37(4) and subsections (2) and (3) above shall be applied separately to the part of the premises subject to the lease and to the remainder of the premises, but as if for any reference to the amount chargeable on the superior interest there were a reference to that amount proportionately adjusted. 5
- (6) For the purposes of this section the appropriate fraction of the amount chargeable on the superior interest is the fraction — 10
- $$\frac{A}{B}$$
- where —
- A is the period in respect of which the ITTOIA receipt arose, and
- B is the period in respect of which the amount chargeable on the superior interest arose for the purposes of section 37. 15
- (7) For the purposes of this section the period in respect of which an ITTOIA receipt arose is its receipt period (within the meaning of Chapter 4 of Part 3 of ITTOIA 2005 (see section 288(6))).
- (8) In this section the following expressions have the same meaning as in Chapter 4 of Part 3 of ITTOIA 2005 — 20
- “reduction under section 288 by reference to a taxed receipt” (see section 290(6) of that Act),
- “taxed lease” (see section 287(4) of that Act), and
- “taxed receipt” (see section 287(4) of that Act). 25
- (9) In the application of this section to Scotland, references to a lease granted out of a taxed lease are to be construed as references to a sublease of land subject to the taxed lease.”
- 22 (1) Amend section 38 (rules for ascertaining duration of leases) as follows.
- (2) In subsection (2) for “tax” substitute “corporation tax”. 30
- (3) In subsection (4) for “tax advantage in the application of this Part” substitute “corporation tax advantage in the application of this Part or an income tax advantage in the application of Chapter 4 of Part 3 of ITTOIA 2005”.
- 23 In section 40 (tax treatment of receipts and outgoings on sale of land) —
- (a) in subsection (1) — 35
- (i) after “for the purposes of” insert “corporation”, and
- (ii) for “him” substitute “the purchaser”,
- (b) in subsection (2) after “for the purposes of” insert “corporation”, and
- (c) in subsection (3) —
- (i) after “for the purposes of” insert “corporation”, and 40
- (ii) for “him” substitute “the vendor”.
- 24 (1) Amend section 42 (appeals against determinations under sections 34 to 36) as follows.

- (2) In subsection (1)–
- (a) after “determination of” insert “–
(a)”,
 - (b) for “to tax” substitute “to corporation tax”, and
 - (c) after “35 or 36” insert “, or
(b) any amount that under Chapter 4 of Part 3 of ITTOIA 2005 (profits of property businesses: lease premiums etc.) is brought into account as a receipt in calculating the profits of a property business (within the meaning of that Act),”.
- (3) At the end of the side-note insert “or Chapter 4 of Part 3 of ITTOIA 2005”.
- 25 (1) Amend section 42A (non-residents and their representatives) as follows.
- (2) In subsection (1) for “under Schedule A on the income of any person” substitute “–
- (a) under Schedule A, or
 - (b) as the profits of a UK property business, under Chapter 3 of Part 3 of ITTOIA 2005,
on the income of any person”.
- (3) In subsection (2)(a) after “Schedule A business” insert “, or a UK property business,”.
- 26 In section 43B(2) (transfer of rent)–
- (a) after “paragraph 1(1) of Schedule A” insert “or in the course of a UK property business”, and
 - (b) after “Schedule A business” insert “or the UK property business”.
- 27 (1) Amend section 43C (transfer of rent: exceptions, etc.) as follows.
- (2) In subsection (3)–
- (a) omit “or” at the end of paragraph (a), and
 - (b) after paragraph (b) insert –
“(c) section 284 of ITTOIA 2005 applies, or
(d) that section would apply if the price at which an estate or interest is sold were to exceed the price at which it is to be reconveyed.”
- (3) After subsection (4) insert –
- “(4A) If–
- (a) section 285 of ITTOIA 2005 would apply in relation to a finance agreement, and
 - (b) section 43B applies in relation to the agreement,
section 285 of ITTOIA 2005 shall not apply.”
- (4) In subsection (6)–
- (a) after “brought into account” insert “–
(a)”, and
 - (b) at the end insert “or
(b) in computing under Chapter 2 of Part 2 of ITTOIA 2005 the profits of a trade carried on wholly or partly in the United Kingdom.”

- 28 In section 43D(2) (interposed lease) –
- (a) after “paragraph 1(1) of Schedule A” insert “or in the course of a UK property business”, and
 - (b) after “Schedule A business” insert “or the UK property business”.
- 29 (1) Amend section 43E (interposed lease: exceptions, etc.) as follows. 5
- (2) In subsection (4) –
- (a) after “brought into account” insert “ –
(a)”, and
 - (b) at the end insert “or
(b) in computing under Chapter 2 of Part 2 of ITTOIA 2005 the profits of a trade carried on wholly or partly in the United Kingdom.” 10
- (3) In subsection (5) after “Section 34” insert “and sections 277 to 281 of ITTOIA 2005”.
- 30 (1) Amend section 43G (interpretation) as follows. 15
- (2) In subsection (2) in the definition of “rent” after “Schedule A” insert “or, as the profits of a UK property business, under Chapter 3 of Part 3 of ITTOIA 2005”.
- (3) In subsection (2) in the definition of “premium” –
- (a) after ““premium”” insert “ – 20
(a) for the purposes of corporation tax”, and
 - (b) after “section 34, and” insert –
“(b) for the purposes of income tax has the meaning given by section 307(1) of ITTOIA 2005 (and, in relation to Scotland, section 307(3) of that Act), and includes – 25
(i) a sum payable by the tenant under the terms subject to which a lease is granted instead of the whole or a part of the rent for a period,
(ii) a sum payable by the tenant under those terms as consideration for the surrender (in Scotland, the renunciation) of the lease, and 30
(iii) a sum payable by the tenant (otherwise than by way of rent) as consideration for the variation or waiver of a term of a lease, and”.
- 31 (1) Amend section 46 (savings certificates and tax reserve certificates) as follows. 35
- (2) In subsection (1) after “liable to” insert “corporation”.
- (3) In subsection (2) for “Tax” substitute “Corporation tax”.
- (4) In subsection (4)(b) for “him and he” substitute “the holder and the holder”.
- (5) After subsection (6) insert – 40
- “(7) In this section “Ulster Savings Certificates” means savings certificates issued or treated as issued under section 15 of the Exchequer and Financial Provisions Act (Northern Ireland) 1950.”

- 32 (1) Amend section 53 (farming and other commercial occupation of land (except woodlands)) as follows.
- (2) In subsection (1) after “charged to” insert “corporation”.
- (3) In subsection (2) –
- (a) for “person or partnership or body of persons” substitute “company or partnership”, and 5
- (b) after “trade” insert “for corporation tax purposes”.
- (4) In subsection (3) after “charged to” insert “corporation”.
- 33 In section 55(1) (mines, quarries and other concerns) after “charged to” insert “corporation”. 10
- 34 (1) Amend section 56 (transactions in deposits with and without certificates or in debts) as follows.
- (2) In subsection (2) –
- (a) for “person”, in the first place where it occurs, substitute “company”, and 15
- (b) for “tax” substitute “corporation tax”.
- (3) In subsection (3)
- (a) for “does” substitute “and section 551 of ITTOIA 2005 (charge to income tax on profits from disposal of deposit rights) do”, and
- (b) in paragraph (a) for “person” substitute “company”. 20
- 35 (1) Amend section 59 (persons chargeable: Schedule D) as follows.
- (2) Omit subsections (1) and (2).
- (3) In subsection (3) –
- (a) for “that section” substitute “section 12 of ITTOIA 2005”, and
- (b) omit “under Schedule D”. 25
- (4) In subsection (4) for “Subsections (1) to (3)” substitute “Subsection (3)”.
- 36 Omit sections 60 to 63A (basis of assessment for income tax: Cases I and II of Schedule D).
- 37 Omit section 64 (Case III assessments).
- 38 Omit section 65 (Cases IV and V assessments: general). 30
- 39 Omit section 65A (Case V income from land outside UK: income tax).
- 40 Omit section 68 (special rules where property etc. situated in Republic of Ireland).
- 41 Omit sections 68A to 68C (share incentive plans).
- 42 Omit section 69 (Case VI assessments). 35
- 43 Omit section 71 (computation of income tax where no profits in year of assessment).
- 44 In section 72(1) (apportionments etc for purposes of Cases I, II and VI) –
- (a) after “chargeable” insert “to corporation tax”, and
- (b) omit “income tax or” and “year of assessment,”. 40

- 45 In section 74(1) (general rules as to deductions not allowable)—
- (a) for “the Tax Acts” substitute “the Corporation Tax Acts”,
 - (b) after “computing the amount of the profits to be charged” insert “to corporation tax”,
 - (c) for “, profession or vocation”, in each place where it occurs, substitute “or profession”, 5
 - (d) omit paragraph (b),
 - (e) in paragraph (j) for “his” substitute “the creditor’s”, and
 - (f) omit paragraph (o).
- 46 In section 76A(1) (levies and repayments under FISMA 2000) after “to be charged” insert “to corporation tax”. 10
- 47 Omit section 77 (incidental costs of obtaining loan finance).
- 48 (1) Amend section 79 (contributions to local enterprise agencies) as follows.
- (2) In subsection (1)—
 - (a) for “person” substitute “company”, 15
 - (b) for “trade, profession or vocation”, in both places where it occurs, substitute “trade or profession”,
 - (c) for “him” substitute “the company”, and
 - (d) before “tax” insert “corporation”.
 - (3) In subsection (3) for “any person if either he or any person connected with him” substitute “any company if either the company or any person connected with the company”. 20
 - (4) In subsection (9)—
 - (a) after “has been made” insert “by a company”,
 - (b) for “chargeable period”, in both places where it occurs, substitute “accounting period”, 25
 - (c) for “the contributor or any person connected with him” substitute “the company or any person connected with the company”,
 - (d) for “the contributor shall” substitute “the company shall”,
 - (e) before “tax”, in both places where it occurs, insert “corporation”, and 30
 - (f) for “he” substitute “the company”.
- 49 (1) Amend section 79A (contributions to training and enterprise councils and local enterprise companies) as follows.
- (2) In subsection (1)—
 - (a) for “person” substitute “company”, 35
 - (b) for “trade, profession or vocation”, in both places where it occurs, substitute “trade or profession”,
 - (c) for “him” substitute “the company”, and
 - (d) before “tax” insert “corporation”.
 - (3) In subsection (3) for “any person if either he or any person connected with him” substitute “any company if either the company or any person connected with the company”. 40
 - (4) In subsection (4)—
 - (a) after “in respect of a contribution” insert “made by a company”,

- (b) for “chargeable period”, in both places where it occurs, substitute “accounting period”,
- (c) for “the contributor or any person connected with him” substitute “the company or any person connected with the company”,
- (d) for “the contributor shall” substitute “the company shall”, 5
- (e) before “tax”, in both places where it occurs, insert “corporation”, and
- (f) for “he” substitute “the company”.
- 50 (1) Amend section 79B (contributions to urban regeneration companies) as follows.
- (2) In subsection (1)– 10
- (a) for “person” substitute “company”,
- (b) for “trade, profession or vocation”, in both places where it occurs, substitute “trade or profession”,
- (c) for “him” substitute “the company”, and
- (d) before “if it would” insert “for the purposes of corporation tax”. 15
- (3) In subsection (3) for “any person if either he or any person connected with him” substitute “any company if either the company or any person connected with the company”.
- (4) In subsection (4)–
- (a) after “in respect of a contribution” insert “made by a company”, 20
- (b) for “chargeable period”, in both places where it occurs, substitute “accounting period”,
- (c) for “the contributor or any person connected with him” substitute “the company or any person connected with the company”,
- (d) for “the contributor shall” substitute “the company shall”, 25
- (e) before “tax”, in both places where it occurs, insert “corporation”, and
- (f) for “he” substitute “the company”.
- 51 Omit section 80 (expenses connected with foreign trades etc).
- 52 Omit section 81 (travel between trades etc).
- 53 Omit section 82 (interest paid to non-residents). 30
- 54 In section 82A(1) (expenditure on research and development)–
- (a) for “person” substitute “company”,
- (b) for “by him or on his behalf” substitute “by the company or on the company’s behalf”, and
- (c) before “tax” insert “corporation”. 35
- 55 In section 82B(1) (payments to research associations, universities etc.)–
- (a) for “person” substitute “company”,
- (b) for “he” substitute “the company”, and
- (c) before “tax” insert “corporation”.
- 56 In section 83 (patent fees etc. and expenses) after “the profits of a trade” insert “for the purposes of corporation tax”. 40
- 57 (1) Amend section 83A (gifts in kind to charities etc.) as follows.
- (2) In subsection (1) for “a person carrying on a trade, profession or vocation” substitute “a company carrying on a trade or profession”.

- (3) In subsection (2) for “the donor in the course of his trade” substitute “the company in the course of its trade”.
- (4) In subsection (3) –
- (a) for “the donor’s” substitute “the company’s”,
 - (b) for “the purposes of the Tax Acts” substitute “corporation tax purposes”, and 5
 - (c) for “the donor” substitute “the company”.
- (5) In subsection (4) –
- (a) after “in respect of the gift of an article” insert “made by a company”,
 - (b) for “chargeable period”, in both places where it occurs, substitute “accounting period”, 10
 - (c) for “the donor or any person connected with him” substitute “the company or any person connected with the company”,
 - (d) for “the donor shall” substitute “the company shall”,
 - (e) before “tax”, in both places where it occurs, insert “corporation”, and 15
 - (f) for “he” substitute “the company”.
- 58 (1) Amend section 84 (gifts to educational establishments) as follows.
- (2) In subsection (1) –
- (a) for “a person carrying on a trade, profession or vocation” substitute “a company carrying on a trade or profession”, and 20
 - (b) for “his trade” substitute “its trade”.
- (3) In subsection (3) –
- (a) for “the purposes of the Tax Acts” substitute “corporation tax purposes”, and
 - (b) for “his disposal” substitute “its disposal”. 25
- (4) In subsection (3A) for “above is –” to the end substitute “the period of two years beginning at the end of the accounting period in which the gift is made.”
- (5) Omit subsection (3B).
- (6) In subsection (4) – 30
- (a) after “in respect of the gift of an article” insert “made by the donor”,
 - (b) for “chargeable period”, in both places where it occurs, substitute “accounting period”,
 - (c) for “him” substitute “the donor”,
 - (d) before “tax”, in both places where it occurs, insert “corporation”, and 35
 - (e) for “he” substitute “the donor”.
- 59 In section 84A(2)(a) (costs of establishing share option or profit sharing schemes: relief) after “Schedule D” insert “or Part 2 of ITTOIA 2005”.
- 60 (1) Amend section 86 (employees seconded to charities and educational establishments) as follows. 40
- (2) In subsection (1) –
- (a) for “If a person (“the employer”) carrying on a trade, profession, vocation or business for the purposes of which he” substitute “If a company (“the employer”) carrying on a trade, profession or business for the purposes of which it”, and 45

- (b) for “, profession or vocation” substitute “or profession”.
- (3) In subsection (2), in the definition of “deductible”, after “charged” insert “to corporation tax”.

- 61 In section 86A (charitable donations: contributions to agent’s expenses) –
- (a) in subsection (1) for “a person” substitute “a company”, and 5
- (b) in subsection (2)(a) for “, profession or vocation” substitute “or profession”.
- 62 (1) Amend section 87 (taxable premiums etc.) as follows.
- (2) In subsection (1) –
- (a) for “trade, profession or vocation” substitute “trade or profession”, 10
- (b) omit “or” at the end of paragraph (a),
- (c) after paragraph (b) insert –
- “ (c) any amount falls to be treated as a receipt of a UK property business by virtue of any of sections 277 to 282 of ITTOIA 2005 (receipts in respect of lease premiums, sums payable instead of rent, for surrender of lease and for variation or waiver of term of lease and assignments), or 15
- (d) any amount would fall to be so treated but for the operation of the rule in section 288 of that Act (the additional calculation rule),” and 20
- (d) after “below” insert “and in section 87A”.
- (3) In subsection (2) –
- (a) for “the person” substitute “a company which is”,
- (b) for “trade, profession or vocation”, in both places where it occurs, substitute “trade or profession”, 25
- (c) for “him” substitute “the company”,
- (d) for “he” substitute “the company”, and
- (e) for “tax” substitute “corporation tax”.
- (4) In subsection (4) – 30
- (a) for “person” substitute “company”,
- (b) for “his” substitute “the company’s”,
- (c) for “trade, profession or vocation” substitute “trade or profession”, and
- (d) for “him”, in both places where it occurs, substitute “the company”. 35
- (5) In subsection (6) –
- (a) for “chargeable period”, wherever it occurs, substitute “accounting period”,
- (b) for “person” substitute “company”, and
- (c) for “him” substitute “the company”. 40
- (6) In subsection (7) –
- (a) for “his” substitute “the company’s”,
- (b) for “person” substitute “company”,
- (c) for “chargeable period”, wherever it occurs, substitute “accounting period”, and 45
- (d) for “him”, in both places where it occurs, substitute “the company”.

- (7) In subsection (8) after “section 34(2)” insert “or under section 277 of ITTOIA 2005 by virtue of section 278 of that Act (amount treated as lease premium where work required)”.
- (8) In subsection (9) after paragraph (b) insert –
- “(c) where the amount chargeable arose under Chapter 4 of Part 3 of ITTOIA 2005 (profits of property businesses: lease premiums etc.), its receipt period (within the meaning of that Chapter (see section 288(6)).” 5
- (9) After subsection (9) insert –
- “(9A) In the application of this section and section 87A to Scotland – 10
- (a) the reference to a lease being granted out of the interest referred to in subsection (4) above is to the grant of a sublease of land subject to that interest, and
- (b) references to the lease so granted are to be construed as references to the sublease.” 15
- 63 After section 87 insert –
- “87A Section 87(2) and (3) and reductions in receipts under ITTOIA 2005**
- (1) This section applies if –
- (a) a lease has been granted out of the interest referred to in section 87(4), 20
- (b) in calculating the amount that falls to be treated as a receipt of a UK property business under Chapter 4 of Part 3 of ITTOIA 2005 in respect of the lease, there is a reduction under section 288 of that Act by reference to a taxed receipt, and
- (c) the taxed receipt is the amount chargeable for the purposes of section 87. 25
- (2) Section 37A (section 37(4) and reductions in receipts under ITTOIA 2005) shall apply for modifying the operation of section 87(2) and (3) as it applies for modifying the operation of section 37(4).
- (3) In this section the following expressions have the same meaning as in Chapter 4 of Part 3 of ITTOIA 2005 – 30
- “reduction under section 288 by reference to a taxed receipt” (see section 290(6) of that Act), and
- “taxed receipt” (see section 287(4) of that Act).”
- 64 In section 88 (payments to Export Credits Guarantee Department) – 35
- (a) for “a person” substitute “a company”,
- (b) for “trade, profession or vocation carried on by that person” substitute “trade or profession carried on by that company”, and
- (c) for “if that person” substitute “if that company”.
- 65 For section 89 (debts proving irrecoverable after event treated as discontinuance) substitute – 40
- “89 Debts proving to be irrecoverable after discontinuance etc**
- (1) This section applies if –
- (a) section 337(1) applies to treat a trade as discontinued by reason of any event, or 45

- (b) a person permanently ceases to carry on a trade or profession, and a company carries on the trade or profession after that event or cessation.
- (2) In computing for corporation tax purposes the profits of the trade or profession in any period after the event or cessation, there may be deducted a sum equal to any amount proved during that period to be irrecoverable in respect of any debts—
- (a) which were credited in computing for tax purposes the profits for any period before the event or cessation, and
- (b) in respect of which the benefit was assigned to the company carrying on the trade or profession after the event or cessation.
- (3) Subsection (2) applies only so far as the total amount proved to be irrecoverable in respect of the debts exceeds any deduction allowed in respect of them under—
- (a) section 74(1)(j), or
- (b) section 35 of ITTOIA 2005,
- in a computation for any period before the event or cessation.”
- 66 (1) Amend section 90 (additional payments to redundant employees) as follows.
- (2) In subsection (1)—
- (a) for “, profession or vocation” substitute “or profession”, and
- (b) for “profession, vocation or business”, in both places, substitute “profession or business”.
- (3) In subsection (3)—
- (a) for “profession, vocation or business” substitute “profession or business”, and
- (b) omit “113(1) or”.
- 67 (1) Amend section 91 (cemeteries) as follows.
- (2) In subsection (1)—
- (a) after “computing” insert “for corporation tax purposes”, and
- (b) for “the person” substitute “the company”.
- (3) In subsection (2) for “the person” substitute “the company”.
- (4) In subsection (4)(a)(i)—
- (a) after “above” insert “, or under section 170(2)(b) of ITTOIA 2005 (relief for income tax purposes)”, and
- (b) after “computing” insert “for tax purposes”.
- (5) In subsection (4)(a)(ii)—
- (a) for “the person” substitute “the company”, and
- (b) for “him” substitute “it”.
- (6) In subsection (5)—
- (a) for “the persons carrying on the trade after the change” substitute “the company carrying on the trade after the change”,
- (b) for “they” substitute “the company”,
- (c) for “their” substitute “its”, and

- (d) for “them” substitute “it”.
- (7) For subsection (6) substitute—
- “(6) No expenditure shall be taken into account—
- (a) under both paragraphs (a) and (b) of subsection (1) above, or
- (b) under both subsection (1)(a) above and section 170(2)(b) of ITTOIA 2005 or under both subsection (1)(b) above and section 170(2)(a) of ITTOIA 2005, whether for the same or different periods.” 5
- 68 In section 91A (waste disposal: restoration payments)—
- (a) in subsection (1) for “person” substitute “company”, and 10
- (b) in subsection (2) omit “income tax or”.
- 69 In section 91B (waste: disposal: preparation expenditure)—
- (a) in subsection (1) for “person”, in both places where it occurs, substitute “company”,
- (b) in subsection (2) omit “income tax or”, 15
- (c) in subsection (4) for “person” substitute “company”,
- (d) in subsection (5)(a) after “computing” insert “for the purposes of corporation tax or income tax”,
- (e) in subsection (5)(b) after “made” insert “for the purposes of corporation tax or income tax”, 20
- (f) in subsection (6) after “this section” insert “or section 165 of ITTOIA 2005 (relief for income tax purposes)” and after “computing” insert “for the purposes of corporation tax or income tax”, and
- (g) in subsection (10A) for “person”, in both places where it occurs, substitute “company” and for “he” substitute “it”. 25
- 70 In section 91BA (waste disposal: entitlement of successor to allowances)—
- (a) in subsection (1) after “another person” insert “that is a company”, and
- (b) in subsection (4) for “he” substitute “it”.
- 71 In section 91C (mineral exploration and access) for “person” substitute “company” and for “tax” substitute “corporation tax”. 30
- 72 In section 93(1) (other grants under Industrial Development Act 1982 etc.)—
- (a) for “person” substitute “company”, and
- (b) after “chargeable” insert “to corporation tax”.
- 73 In section 94(1) (debts deducted and subsequently released)— 35
- (a) for “tax purposes” substitute “corporation tax purposes”, and
- (b) for “trade, profession or vocation”, wherever it occurs, substitute “trade or profession”.
- 74 (1) Amend section 95 (taxation of dealers in respect of distributions etc.) as follows. 40
- (2) In subsection (1) for “tax” substitute “corporation tax”.
- (3) In subsection (1A) omit paragraph (a).
- (4) In subsection (2) for “tax” substitute “corporation tax”.

- 75 Omit section 95A (creative artists: relief for fluctuating profits).
- 76 Omit section 96 (farming and market gardening: relief for fluctuating profits).
- 77 In section 98(1) (tied premises: receipts and expenses treated as those of a trade) – 5
- (a) after “This section applies” insert “for corporation tax purposes”,
 - (b) for “a person (“the trader”)” substitute “a company (“the trader”)”, and
 - (c) for “another person” substitute “a person other than the trader”.
- 78 (1) Amend section 99 (dealers in land) as follows. 10
- (2) In subsection (1) for “tax purposes” substitute “corporation tax purposes”.
 - (3) In subsection (2) for “tax” substitute “corporation tax”.
 - (4) In subsection (3) –
 - (a) for “tax”, in each place where it occurs, substitute “corporation tax”,
 - (b) for “chargeable periods” substitute “accounting periods”, and 15
 - (c) for “chargeable period” substitute “accounting period”.
- 79 (1) Amend section 100 (valuation of trading stock at discontinuance of trade) as follows.
- (2) In subsection (1) for “any tax purpose”, in the first place where it occurs, substitute “any corporation tax purpose”. 20
 - (3) In subsection (1A) –
 - (a) for “the person who” substitute “the company which”, and
 - (b) for “those persons” substitute “that person and that company”.
 - (4) In subsection (1C)(c) for “chargeable period” substitute “accounting period”.
 - (5) In subsection (1D) after “in computing for any” insert “corporation”. 25
 - (6) In subsection (1E) –
 - (a) for the words from the beginning to “subsections (1A) to (1C) above to be” substitute “Where the value of the trading stock is determined in accordance with subsections (1A) to (1C) above, or sections 176 to 178 of ITOIA 2005 or section 127 of that Act (by virtue of section 175(3)) (corresponding provisions for income tax purposes),” and 30
 - (b) after “for the purpose of making” insert “for corporation tax purposes”.
 - (7) In subsection (2)(b) omit “or vocation” in both places where it occurs.
- 80 (1) Amend section 101 (valuation of work in progress at discontinuance of profession or vocation) as follows. 35
- (2) In subsection (1) –
 - (a) for “any tax purpose”, in the first place where it occurs, substitute “any corporation tax purpose”, and
 - (b) omit “or vocation”, wherever it occurs. 40
 - (3) In subsection (2) omit “or vocation” and for “person by whom” substitute “company by which”.

- (4) In subsection (2A) –
- (a) omit paragraph (a), and
 - (b) in paragraph (b), omit “in the case of an election for the purposes of corporation tax,” and “or vocation”.
- (5) In subsection (3) omit “or vocation”, wherever it occurs. 5
- 81 (1) Amend section 102 (provisions supplementary to sections 100 and 101) as follows.
- (2) In subsection (1) –
- (a) omit “or vocations”, and
 - (b) for “trade, profession or vocation” substitute “trade or profession”. 10
- (3) In subsection (2) –
- (a) omit “113 or”,
 - (b) for “trade, profession or vocation” substitute “trade or profession”,
 - (c) after “computing” insert “corporation”, and
 - (d) omit the words from “but those sections” to the end. 15
- 82 (1) Amend section 103 (receipts after discontinuance: earnings basis charge and related charge affecting conventional basis) as follows.
- (2) In subsection (1) –
- (a) after “vocation” insert “carried on wholly or partly in the United Kingdom”, 20
 - (b) omit “under Case I or II of Schedule D”, and
 - (c) for “tax shall be charged under Case VI of that Schedule” substitute “corporation tax shall be charged under Case VI of Schedule D”.
- (3) In subsection (3) –
- (a) in paragraph (a) – 25
 - (i) for “person”, in the first place where it occurs, substitute “company”,
 - (ii) for “who” substitute “which”, and
 - (iii) for “his” substitute “its”,
 - (b) omit paragraphs (b) and (bb), and 30
 - (c) omit the words from “Paragraph (b) above shall” to the end.
- (4) In subsection (5) at the end insert “above or under section 35 of ITTOIA 2005”.
- 83 (1) Amend section 104 (conventional basis: general charge on receipts after discontinuance or change of basis) as follows. 35
- (2) In subsection (1) –
- (a) after “vocation” insert “carried on wholly or partly in the United Kingdom”,
 - (b) omit “under Case I or II of Schedule D”, and
 - (c) for “tax shall be charged under Case VI of that Schedule” substitute “corporation tax shall be charged under Case VI of Schedule D”. 40
- (3) In subsection (3) –
- (a) for “tax”, in the second place where it occurs, substitute “corporation tax”, and

- (b) omit “and (b)”.
- 84 (1) Amend section 105 (allowable deductions) as follows.
- (2) In subsection (1) –
- (a) for “tax”, in the first three places where it occurs, substitute “corporation tax”, 5
- (b) for “person”, in the first place where it occurs, substitute “company”, and
- (c) for “him” substitute “it”.
- (3) In subsection (3) for “chargeable period”, in each place where it occurs, substitute “accounting period”. 10
- 85 (1) Amend section 106 (application of charges where rights to payments transferred) as follows.
- (2) In subsection (1) for “tax” substitute “corporation tax”.
- (3) In subsection (2) –
- (a) for “the persons carrying on the trade,” substitute “the company carrying on the trade,” 15
- (b) for “tax” substitute “corporation tax”,
- (c) for “those persons” substitute “that company”, and
- (d) for “all purposes” substitute “corporation tax purposes”.
- 86 Omit section 107 (treatment of receipts as earned income). 20
- 87 Omit section 108 (election for carry-back).
- 88 Omit section 109 (charge under section 104: relief for individuals born before 6th April 1917).
- 89 (1) Amend section 109A (relief for post-cessation expenditure) as follows.
- (2) Omit subsection (3). 25
- (3) In subsection (4) omit the unnumbered paragraph beginning with “If any sum”.
- (4) In subsection (4A) omit the unnumbered paragraph beginning with “If any sum”.
- (5) In subsection (6) for “section 105” substitute “section 254 of ITTOIA 2005 (allowable deductions against post-cessation receipts charged to income tax)”. 30
- (6) After subsection (6) insert –
- “(6A) This section applies in relation to a UK property business as it applies in relation to a trade, profession or vocation.” 35
- 90 In section 110 (interpretation etc) for subsection (2) substitute –
- “(1A) In the case of a trade carried on by a person other than a company or a profession or vocation within the charge to income tax carried on by any person, any reference to the permanent discontinuance of a trade, profession or vocation includes a reference to – 40
- (a) a person permanently ceasing to carry on a trade, profession or vocation, or

- (b) in relation to a trade or profession carried on by a person in partnership with other persons, the occurrence of an event treated under section 246(4) of ITTOIA 2005 (basic meaning of “post-cessation receipt”) as a person permanently ceasing to carry on a trade or profession. 5
- (1B) In the case of a trade carried on by a company, any reference to the permanent discontinuance of a trade includes a reference to the occurrence of an event treated under section 337(1) below as a discontinuance or treated under section 18 of ITTOIA 2005 (companies beginning or ceasing to carry on trade) as the company permanently ceasing to carry on the trade. 10
- (1C) In the case of a UK property business carried on by a person other than a company, any reference to the permanent discontinuance of a UK property business includes a reference to— 15
- (a) a person permanently ceasing to carry on a UK property business, or
- (b) in relation to a UK property business carried on by a person in partnership with other persons, the occurrence of an event treated under section 353(3) of ITTOIA 2005 (basic meaning of “post-cessation receipt”) as a person permanently ceasing to carry on a UK property business. 20
- (1D) In the case of a UK property business carried on by a company, any reference to the permanent discontinuance of a UK property business includes a reference to the occurrence of an event treated under section 362 of ITTOIA 2005 (companies beginning or ceasing to be within the charge to income tax) as the company permanently ceasing to carry on the business.” 25
- 91 Omit section 110A (change of residence) and the italic cross-heading before it.
- 92 (1) Amend section 111 (treatment of partnerships) as follows. 30
- (2) In subsection (1) for “the purposes of the Tax Acts” substitute “corporation tax purposes”.
- (3) Omit subsections (2) to (13).
- 93 Omit section 112 (partnerships controlled abroad).
- 94 Omit section 113 (effect for income tax of change in ownership of trade, profession or vocation). 35
- 95 (1) Amend section 115 (provisions supplementary to section 114) as follows.
- (2) For subsection (5) substitute—
- “(5) Subsections (5A) and (5B) apply if— 40
- (a) a company resident in the United Kingdom (“the resident partner”) is a member of a partnership which resides outside the United Kingdom or which carries on any trade, profession or business the control and management of which is situated outside the United Kingdom, and
- (b) by virtue of any arrangements falling within section 788 (“the arrangements”) any of the income or capital gains of the 45

- partnership is relieved from corporation tax in the United Kingdom.
- (5A) The arrangements do not affect any liability to corporation tax in respect of the resident partner's share of any income or capital gains of the partnership (and section 114 has effect accordingly). 5
- (5B) If the resident partner's share of the income of the partnership consists of or includes a share in a qualifying distribution made by a company resident in the United Kingdom, the resident partner (and not the partnership) is, despite the arrangements, entitled to the share of the tax credit in respect of the distribution which corresponds to the partner's share of the distribution (and section 114 has effect accordingly)." 10
- 96 In section 116(4) (arrangements for transferring relief) before "tax" insert "corporation".
- 97 In section 118ZA (treatment of limited liability partnerships) – 15
- (a) in subsection (1) for "the purposes of the Tax Acts" substitute "corporation tax purposes", and
- (b) in subsection (2) for "the Tax Acts" substitute "the Corporation Tax Acts".
- 98 (1) Amend section 118ZE (restriction on relief for non-active partners) as follows. 20
- (2) In subsection (5) for the words from "sections 60 to 63" to the end substitute "Chapter 15 of Part 2 of ITTOIA 2005 as applied by section 853 of that Act".
- (3) In subsection (6) – 25
- (a) for "section 61(1)" substitute "section 199(1) of ITTOIA 2005", and
- (b) after "to 118ZK" insert "below".
- 99 In section 118ZH(3) ("a significant amount of time": recovery of relief) for "under Case VI of Schedule D" substitute "to income tax".
- 100 In section 118ZL(6) (partnerships exploiting films) – 30
- (a) in paragraph (b) –
- (i) for "section 111(2)" substitute "section 849 of ITTOIA 2005 (calculation of firm's profits or losses)", and
- (ii) for "section 41 or 42 of the Finance (No. 2) Act 1992" substitute "any of sections 137 to 140 of ITTOIA 2005", and
- (b) in paragraph (c) – 35
- (i) for "section 41 or 42 of that Act" substitute "sections 137 to 140 of that Act", and
- (ii) for "either of" substitute "any of".
- 101 In section 118ZM(4) (partnerships exploiting films: supplementary) for "the acquisition of the master negative" to the end substitute "the acquisition of the original master version of the film; and this subsection is to be construed as if contained in Chapter 9 of Part 2 of ITTOIA 2005." 40
- 102 In section 119(1) (rent etc. payable in connection with mines, quarries and similar concerns) after "charged to" insert "corporation".
- 103 In section 120 (rent etc. payable in respect of electric line wayleaves) – 45

- (a) in subsection (1) after “charged to” insert “corporation”,
- (b) in subsection (1A) for “chargeable period” substitute “accounting period”, and
- (c) in subsection (1A) after “charged to”, in both places where it occurs, insert “corporation”. 5
- 104 In section 121 (management expenses of owner or mineral rights) omit subsection (1).
- 105 (1) Amend section 122 (relief in respect of mineral royalties) as follows.
- (2) In subsection (1) –
- (a) for the words from “a person resident” to “year of assessment or” substitute “a company resident in the United Kingdom which in any”, 10
- (b) omit “for the purposes of income tax, or as the case may be”,
- (c) for “him” substitute “it”, and
- (d) omit “year or” in both places where it occurs. 15
- (3) In subsection (2) –
- (a) omit the words from “brought into account” to “may be,”, and
- (b) for “subsection (2)” substitute “subsection (3)”.
- (4) Omit subsection (4).
- 106 (1) Amend section 125 (annual payments for non-taxable consideration) as follows. 20
- (2) In subsection (2) for paragraph (a) and the word “and” at the end of the paragraph substitute –
- “(a) is not interest but is –
- (i) an annuity or other annual payment charged with income tax under Part 5 of ITTOIA 2005 otherwise than as relevant foreign income; or 25
- (ii) an annuity or other annual payment charged with corporation tax under Case III of Schedule D; and”.
- (3) In subsection (3)(a) for “section 660A(8) or (9)(a)” substitute “section 627(1) or (2)(a) of ITTOIA 2005”. 30
- 107 Omit section 127 (enterprise allowance).
- 108 Omit section 127A (futures and options: transactions with guaranteed returns).
- 109 In section 128 (commodity and financial futures etc: losses and gains) omit subsection (1). 35
- 110 (1) Amend section 214 (chargeable payments connected with exempt distributions) as follows.
- (2) In subsection (1) –
- (a) in paragraph (a) omit “chargeable to tax under Case VI of Schedule D”, and 40
- (b) after that paragraph insert –
- “(ab) that income shall be chargeable to tax;”.

- (3) After subsection (1) insert—
- “(1A) Income tax chargeable by virtue of subsection (1) shall be charged on the full amount or value of the payment made in the year of assessment; and the person liable for any tax so charged is the person receiving or entitled to the payment. 5
- (1B) Corporation tax chargeable by virtue of subsection (1) shall be charged under Case VI of Schedule D.”
- 111 In section 230 (stock dividends: distributions) for the words from “as mentioned” to “that section” substitute “in a case where section 410(2), (3) or (4) of ITTOIA 2005 applies”. 10
- 112 (1) Amend section 231 (tax credits for certain recipients of qualifying distributions) as follows.
- (2) In subsection (1)—
- (a) for “sections” to “1993” substitute “sections 231AA and 231AB of this Act”, 15
- (b) for the words from “where” to “charged” substitute “for corporation tax purposes where”, and
- (c) omit “or a person resident in the United Kingdom, not being a company”.
- (3) Omit subsections (3) and (3AA). 20
- (4) In subsection (4) for “he” in both places where it occurs substitute “that person”.
- 113 (1) Amend section 231AA (no tax credit for borrower under stock lending arrangement or interim holder under repurchase agreement) as follows.
- (2) In subsection (1) after “section 231” insert “above or section 397(1) of ITTOIA 2005”. 25
- (3) In subsection (1A)—
- (a) for “a relevant person”, “section 233(1)” and “Schedule F” substitute “a person resident in the United Kingdom”, “section 399(2) of ITTOIA 2005” and “dividend” respectively, and 30
- (b) omit the second sentence.
- 114 (1) Amend section 231AB (no tax credit for original owner under repurchase agreement in respect of certain manufactured dividends) as follows.
- (2) In subsection (1) after “section 231” insert “above or section 397(1) of ITTOIA 2005”. 35
- (3) In subsection (1A)—
- (a) for “a relevant person”, “section 233(1)” and “Schedule F” substitute “a person resident in the United Kingdom”, “section 399(2) of ITTOIA 2005” and “dividend” respectively, and 40
- (b) omit the second sentence.
- 115 In section 231B(4)(b) (consequences of certain arrangements to pass on value of a tax credit) for “section 231(3)” substitute “section 397(2) of ITTOIA 2005”.
- 116 Omit section 232 (tax credits for non-UK residents).

- 117 Omit section 233 (taxation of certain recipients of distributions and in respect of non-qualifying distributions).
- 118 (1) Amend section 249 (stock dividends treated as income) as follows.
- (2) In subsection (1) for “subsections (7) to (9) below, this section applies” substitute “subsections (8) and (9) below, this section applies (and accordingly section 230 above and section 410 of ITTOIA 2005 apply)”. 5
- (3) Omit subsections (4) to (7).
- (4) In subsection (8) –
- (a) for “subsection (4)” substitute “section 410(2), (3) or (4) of ITTOIA 2005”, and 10
- (b) omit the words from “and subsections (5)” onwards.
- (5) In subsection (9)(b) for “an individual” to “an amount of income” substitute “income to be treated as arising to an individual as a result of section 410(2) of ITTOIA 2005”.
- 119 (1) Amend section 250 (returns) as follows. 15
- (2) In subsection (5)(c) for “the appropriate amount in cash” substitute “the cash equivalent of the share capital in accordance with section 412 of ITTOIA 2005”.
- (3) In subsection (7) at the end insert “of this Act or Chapter 5 of Part 4 of ITTOIA 2005”. 20
- 120 In section 251 (interpretation of sections 249 and 250), omit subsections (2) to (6).
- 121 Omit sections 251A to 251D (approved share incentive plans).
- 122 In section 271(1)(a) (deemed surrender in cases of certain loans) for “under section 547” substitute “by virtue of section 465 of ITTOIA 2005”. 25
- 123 In section 273 (payments securing annuities) –
- (a) renumber the existing text as subsection (1),
- (b) in that subsection after “Subject to” insert “subsection (2) and”,
- (c) in that subsection omit “, 617(3)”, and
- (d) after that subsection insert – 30
- “(2) No deduction may be made under this section in respect of any contribution paid by any person 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.” 35
- 124 In section 282A(4)(b) (jointly held property) for “section 111” substitute “Part 9 of ITTOIA 2005 (partnerships)”.
- 125 In section 291A(3)(f) (connected persons: directors) –
- (a) in sub-paragraph (i) after “trade or profession” insert “carried on wholly or partly in the United Kingdom”, and 40
- (b) in sub-paragraph (ii) for the words from “in computing” to the end substitute “in calculating for tax purposes the profits of that trade or profession”.

- 126 In section 307(1) (withdrawal of enterprise investment scheme relief) for “to tax under Case VI of Schedule D” substitute “to income tax”.
- 127 Omit section 314 (divers and diving supervisors).
- 128 Omit section 322 (consular officers and employees).
- 129 Omit section 324 (designated international organisations). 5
- 130 Omit section 325 (interest on deposits with National Savings Bank).
- 131 Omit section 326 (interest etc. under contractual savings schemes).
- 132 Omit sections 326A to 326D (tax-exempt special savings accounts).
- 133 Omit section 327 (disabled person’s vehicle maintenance grant).
- 134 Omit section 327A (payments to adopters). 10
- 135 Omit sections 329 to 329AB (exemption of interest on damages for personal injury and personal injury damages in the form of periodical payments).
- 136 Omit section 331 (scholarship income).
- 137 Omit section 331A (student loans: certain interest to be disregarded).
- 138 Omit section 332(3) (expenditure and houses of ministers of religion). 15
- 139 In section 332A (venture capital trusts: reliefs) omit “and distributions by such trusts”.
- 140 For section 333 substitute –
- “333 Investment plan regulations**
- Regulations under Chapter 3 of Part 6 of ITTOIA 2005 (income from individual investment plans) may include provision generally for the purpose of the administration of corporation tax in relation to plans.” 20
- 141 Omit section 333A (personal equity plans: tax representatives).
- 142 (1) Amend section 333B (involvement of insurance companies with plans and accounts) as follows. 25
- (2) In subsections (1), (2)(b) and (3) for “section 333 business” substitute “plan business”.
- (3) In subsection (4) –
- (a) after “this section” insert “or Chapter 3 of Part 6 of ITTOIA 2005 (except sections 697 and 698)”, and 30
- (b) for “section 333A” substitute “section 697 or 698 of ITTOIA 2005 (requirements concerning foreign plan managers)”.
- (4) In subsection (5)(a) and (b) for “section 333 business” substitute “plan business”. 35
- (5) In subsection (8) for “section 333 business” substitute “plan business”.
- (6) In subsection (9) –

- (a) after the definition of “long-term insurance fund” insert—
 ““plan business”, in relation to an insurance company,
 means the business of the company that is attributable to
 the making of investments with that company under
 plans for which provision is made by regulations under
 Chapter 3 of Part 6 (except sections 697 and 698) of
 ITTOIA 2005 (income from individual investment
 plans)”, and 5
- (b) omit the definition of “section 333 business”.
- 143 In section 336(1A) (exception from certain charges for temporary residents
 in the United Kingdom) for paragraph (a) substitute— 10
 “(a) any charge under ITTOIA 2005 on relevant foreign income.”.
- 144 (1) Amend section 337 (company beginning or ceasing to carry on trade) as
 follows.
- (2) In subsection (1) after “shall be computed” insert “for the purposes of
 corporation tax”. 15
- (3) In subsection (2) after “overseas property business” insert “(within the
 meaning given by section 70A(4))”.
- 145 (1) Amend section 347A (general rule: annual payments) as follows.
- (2) In subsection (1)(b)— 20
 (a) after “not” insert “, for the purposes of corporation tax,”,
 (b) for “the person” substitute “any company”, and
 (c) for “other person” substitute “other company”.
- (3) After subsection (2) insert—
 “(2A) This section applies to any annual payment made by an individual 25
 which—
 (a) arises in the United Kingdom, and
 (b) is exempt from any charge under Part 5 of ITTOIA 2005
 (miscellaneous income) as a result of section 727 of that Act.”.
- (4) Omit subsections (4) and (5). 30
- (5) In subsection (6) after “(2)” insert “or (2A)”.
- 146 (1) Amend section 348 (payments out of profits or gains brought into charge to
 income tax: deduction of tax) as follows.
- (2) In subsection (1A), after paragraph (a), insert— 35
 “(aa) which—
 (i) is charged with tax under Chapter 7 of Part 4 of
 ITTOIA 2005 (purchased life annuity payments),
 Chapter 10 of that Part (distributions from
 unauthorised unit trusts), section 579 of that Act
 (royalties etc. from intellectual property), Chapter 4 of
 Part 5 of that Act (certain telecommunication rights:
 non-trading income) or Chapter 7 of Part 5 of that Act
 (annual payments not otherwise charged), and 40
 (ii) is not relevant foreign income.”.

- (3) After subsection (3) insert—
- “(4) For the purposes of this section and section 349(1), the following income shall be treated as not brought into charge to income tax—
- (a) income on which income tax is treated as paid under section 399(2) or 400(2) of ITTOIA 2005 (distributions from UK resident companies etc. on which there is no tax credit), 5
 - (b) income on which an individual is liable to income tax as a result of section 413(2) of that Act or trustees are so liable as a result of section 413(3) of that Act (stock dividend income),
 - (c) income on which any person is liable to income tax under Chapter 6 of Part 4 of that Act (release of loan to participator in close company), 10
 - (d) income on which an individual is liable to income tax as a result of section 465 of that Act or trustees are so liable as a result of section 467 of that Act (gains from contracts for life insurance etc.), being income to which section 530 of that Act applies (income tax treated as paid etc.), and 15
 - (e) income which is included in the aggregate income of an estate as a result of section 664(2)(c), (d) or (e) of that Act (income arising to personal representatives and corresponding to income within paragraph (b), (c) or (d)).” 20
- 147 (1) Amend section 349 (payments not out of profits or gains brought into charge to income tax, and annual interest) as follows.
- (2) In subsection (1A), after paragraph (a), insert—
- “(aa) which— 25
- (i) is charged with tax under Chapter 7 of Part 4 of ITTOIA 2005 (purchased life annuity payments), Chapter 10 of that Part (distributions from unauthorised unit trusts), section 579 of that Act (royalties etc. from intellectual property), Chapter 4 of Part 5 of that Act (certain telecommunication rights: non-trading income) or Chapter 7 of Part 5 of that Act (annual payments not otherwise charged), and 30
 - (ii) is not relevant foreign income.”
- (3) In subsection (2) for “chargeable to” substitute “which falls within Chapter 2 of Part 4 of ITTOIA 2005 (interest) (excluding anything specially exempted from income tax and discounts treated as interest by section 381 of that Act) or which is chargeable to corporation”. 35
- (4) In subsection (3) before paragraph (a) insert—
- “(za) to interest chargeable to income tax as relevant foreign income; or”. 40
- (5) In subsection (3A)(a) for “a qualifying certificate of deposit and other than” substitute “uncertificated eligible debt security units, a qualifying certificate of deposit or”. 45
- (6) In subsection (4)—
- (a) insert the following definitions in the appropriate places—
 - ““certificate of deposit” means a document falling within the definition of that expression in section 56(5) above or section 552(2) of ITTOIA 2005;”;

- ““uncertificated eligible debt security units” has the same meaning as in section 552(2) of ITTOIA 2005;”,
- (b) in the definition of “qualifying certificate of deposit” omit “, as defined in section 56(5),”,
- (c) in the definition of “qualifying deposit right”— 5
- (i) at the end of paragraph (a) insert “above or is an uncertificated right, as defined in section 552(2) of ITTOIA 2005”, and
- (ii) in paragraph (b) omit “, as defined in section 56(5),”.
- (7) For subsection (7) substitute— 10
- “(7) This section is subject to section 101 of the Finance Act 2004 (payment of royalties without deduction at source).”
- 148 After section 349 insert—
- “349ZA Extension of section 349: proceeds of sale of UK patent rights**
- (1) Subsection (2) applies if— 15
- (a) a person who is a non-UK resident is chargeable to tax under section 587 of ITTOIA 2005 on profits from the sale of the whole or part of any patent rights, and
- (b) the net proceeds of the sale consist wholly or partly of a capital sum. 20
- (2) Subsection (1) of section 349 of this Act applies to any payment of the net proceeds of sale, or of an instalment of them, as if the net proceeds or instalment were, so far as consisting of the capital sum—
- (a) an annual sum to which paragraph (a) of that subsection applies, and 25
- (b) payable otherwise than out of profits or gains charged to income tax.
- (3) For the purposes of this section the net proceeds of the sale is the amount of the proceeds net of any incidental expenses of the sale which are deducted before payment. 30
- (4) Sections 597 to 599 of ITTOIA 2005 (licences connected with patents etc.) apply for the purposes of this section as they apply for the purposes of sections 587 to 596 of that Act.
- (5) Section 4 of the Capital Allowances Act 2001 (meaning of “capital sums” etc.) applies in relation to this section as it applies in relation to Chapter 2 of Part 5 of ITTOIA 2005 (receipts from intellectual property). 35
- (6) In this section “a non-UK resident” means a person who is not resident in the United Kingdom.”
- 149 In section 349A(3) (exceptions to section 349 for payments between companies etc.) for “524(3)(b)” substitute “349ZA(2)”. 40
- 150 (1) Amend section 349B (conditions mentioned in section 349A(1)) as follows.
- (2) In subsection (4)(b) for “section 333 (personal equity plans and individual savings accounts)” substitute “Chapter 3 of Part 6 of ITTOIA 2005 (income from individual investment plans)”. 45

- (3) Omit subsection (5).
- 151 In section 353(1) (relief for payments of interest) after “sections 359 to 368” insert “of this Act and section 52 of ITTOIA 2005”.
- 152 In section 360A(2)(b) (meaning of “material interest” in section 360) for “Chapter 1A of Part XV (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”. 5
- 153 (1) Amend section 368 (exclusion of double relief etc) as follows.
- (2) In subsection (3) for “for the purposes of Schedule A or Case I or II of Schedule D” substitute “of any trade, profession or vocation, or of any UK property business or overseas property business,”. 10
- (3) Omit subsection (4).
- (4) In subsection (5) –
- (a) for “subsections (3) and (4)” substitute “subsection (3)”, and
- (b) for “those subsections” substitute “that subsection”.
- (5) In subsection (6) substitute – 15
- “(6) Any reference in subsection (3) above to an amount taken into account is a reference to an amount taken into account in an assessment which has been finally determined.”
- 154 In section 370(2)(b) (relevant loan interest) for the words from “either” to the end substitute “would be eligible for relief under section 353”. 20
- 155 (1) Amend section 379A (Schedule A losses) as follows.
- (2) In subsection (1) for “Schedule A business” substitute “UK property business”.
- (3) In subsection (2) for “Schedule A business”, in both places where it occurs, substitute “UK property business”. 25
- (4) In subsection (3) for “Schedule A business” substitute “UK property business”.
- (5) In subsection (4) for “Schedule A business” substitute “UK property business”.
- (6) In subsection (7) – 30
- (a) for “Schedule A business” substitute “UK property business”, and
- (b) for “applicable to” to the end substitute “applicable to UK property businesses”.
- (7) In the side-note for “Schedule A losses” substitute “Losses from UK property business”. 35
- (8) In the italic cross-heading before the section for “*Schedule A*” substitute “*UK property*”.
- 156 In section 379B (losses from overseas property business) –
- (a) after “overseas property business” insert “(within the meaning given by Chapter 2 of Part 3 of ITTOIA 2005)”, and 40
- (b) for “Schedule A business” substitute “UK property business”.

- 157 In section 382(3) (provisions supplementary to sections 380 and 381) omit “under the provisions of the Income Tax Acts applicable to Case I or II of Schedule D”.
- 158 (1) Amend section 384 (restrictions on right of set-off for trade etc. losses) as follows. 5
- (2) In subsection (4) for the words from “a trade” to “subsections (1) to (3) above” substitute “—
- (a) a trade is carried on for part only of a year of assessment by reason of its being set up and commenced, or discontinued, or both, in that year, or 10
- (b) a person carries on, or is treated as carrying on, a trade for part only of a year of assessment by reason of—
- (i) a succession to the trade during the year which involves all the persons carrying it on before the succession permanently ceasing to carry it on, or 15
- (ii) a change of residence within section 17 of ITTOIA 2005, subsections (1) to (3) above”.
- (3) In subsection (8) for “under Case VI of Schedule D” substitute “to income tax”. 20
- 159 In section 384A(6) (restriction of set-off of allowances against general income) for “under Case VI of Schedule D” substitute “to income tax”.
- 160 In section 385(4) (carry-forward against subsequent profits) omit “under Case I of Schedule D” and, in both places where it occurs, “under that Case”.
- 161 In section 386(1) (carry-forward where business transferred to a company) omit “under Schedule D”. 25
- 162 In section 387(3)(d) (carry-forward as losses of amounts taxed under section 350) for “under section 349(1) by virtue of section 524” substitute “under section 349(1) of this Act by virtue of section 595 of ITTOIA 2005”.
- 163 (1) Amend section 388 (carry-back of terminal losses) as follows. 30
- (2) In subsection (1) omit “under Schedule D”.
- (3) In subsection (4) omit “under Schedule D” and, in both places where it occurs, “under Case I of Schedule D”.
- (4) In subsection (7) for “under the provisions of the Income Tax Acts applicable to Cases I and II of Schedule D” substitute “of a trade, profession or vocation under Part 2 of ITTOIA 2005”. 35
- 164 In section 389 (supplementary provisions relating to carry-back of terminal losses) for subsection (4) substitute —
- “(4) For the purposes of this section and section 388 references to the permanent discontinuance of a trade, profession or vocation include— 40
- (a) a person permanently ceasing to carry on a trade, profession or vocation, and
- (b) a partner permanently ceasing to carry on a notional trade in accordance with section 852(4) of ITTOIA 2005.” 45

- 165 In section 390(a) (treatment of interest as a loss for purposes of carry-forward and carry-back) for “the profits of which are chargeable to tax under Case I or II of Schedule D” substitute “carried on wholly or partly in the United Kingdom”.
- 166 For section 391 (losses from trade etc carried on abroad) substitute— 5
- “391 Losses from trade etc. carried on abroad**
- In the case of a loss sustained in a trade, profession or vocation carried on wholly outside the United Kingdom, relief under any of sections 380 to 386, 388 and 389 is given only on—
- (a) the profits of a trade, profession or vocation carried on wholly outside the United Kingdom, or 10
- (b) income falling within section 23, 355, 575, 613, 615, 631 or 635 of ITEPA 2003, but no relief is to be given on income which is charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).” 15
- 167 For section 392 (Case VI losses) substitute—
- “392 Losses from miscellaneous transactions**
- (1) A person may make a loss relief claim if —
- (a) in any year of assessment he sustains a loss in any transaction (whether he was engaged in it solely or in partnership), and 20
- (b) the transaction is of such a nature that, if any profits or other income had arisen from it, he would have been liable to be assessed to income tax in respect of the income under or by virtue of any provision to which section 836B applies. 25
- (2) A loss relief claim is a claim requiring—
- (a) that the amount of the loss sustained by him is, as far as may be, to be deducted from or set off against the total of the amount of any profits or other income or gains arising from any transaction in respect of which he is assessed for that year under or by virtue of any such provision, and 30
- (b) that any portion of the loss for which relief is not so given is, as far as may be, to be carried forward and deducted from or set off against the total of the amount of any profits or other income or gains arising from any transaction in respect of which he is assessed for a subsequent year of assessment under or by virtue of any such provision. 35
- (3) If a partner in a partnership sustains a loss, the expression “the amount of any profits or other income or gains arising from any transaction in respect of which he is assessed” is to be read in accordance with subsection (4). 40
- (4) In respect of any year that expression means such portion of the amount on which the partnership is assessed under or by virtue of any provision to which section 836B applies in respect of any transaction as falls to be taken into account in computing the partner’s total income for that year. 45

- (5) Any relief under this section by way of the carrying forward of the loss is to be given as far as possible –
- (a) from the first subsequent assessment in respect of any profits or other income or gains arising from any transaction in respect of which he is assessed under or by virtue of any provision to which section 836B applies for any year, and 5
 - (b) so far as it cannot be so given, from the next such assessment, and so on.
- (6) So far as a loss relief claim concerns the amount of the loss for any year of assessment it must be made on or before the fifth anniversary of the 31st January next following the year of assessment in question. 10
- (7) But the question whether and, if so, how much relief on that amount should be given under this section against tax for any year of assessment may be the subject of a separate claim made on or before the fifth anniversary of the 31st January next following that year of assessment. 15
- (8) Any portion of a loss sustained by any person in any transaction (whether he was engaged in it solely or in partnership) –
- (a) which was of such a nature that, if any profits had arisen from it, he would have been liable to be assessed to income tax in respect of the profits under Case VI of Schedule D for any year of assessment before the year 2005-06, and 20
 - (b) which did not fall within section 34, 35 or 36, is (so far as relief for that portion has not previously been given) to be treated as a loss to be carried forward and deducted in accordance with subsection (2)(b) above.” 25
- 168 (1) Amend section 397 (restriction of relief in case of farming and market gardening) as follows.
- (2) In subsection (5) (restriction of relief in case of farming and market gardening) for the definitions of “farming” and “market gardening” substitute – 30
- ““farming” and “market gardening” shall be construed –
- (a) for income tax purposes, in accordance with the definitions in section 876 of ITTOIA 2005, and
 - (b) for corporation tax purposes, in accordance with the definitions in section 832 but as if those definitions were not restricted to activities in the United Kingdom.” 35
- (3) In subsection (7) after “the rules applicable to” insert “the calculation of the profits of a trade in Part 2 of ITTOIA 2005 or to”.
- (4) In subsection (8) for the words from “, a trade shall be treated” to the end substitute “– 40
- (a) a trade shall be treated as discontinued, and a new trade set up, in any event which under any of the provisions of the Tax Acts is to be treated as equivalent to the permanent discontinuance or setting up of a trade; and 45
 - (b) without prejudice to paragraph (a), a trade shall be treated as discontinued, and a new trade set up, at any time when there is a change in the persons carrying on the trade which

- involves all of the persons carrying it on before the change permanently ceasing to carry it on.”
- (5) In subsection (10) for the words from the beginning to “any discontinuance, and as if” substitute “Where at any time there has been a change in the persons carrying on a trade, this section shall, notwithstanding subsection (8) above, apply as if”. 5
- 169 In section 398 (loss relief for transactions in deposits with and without certificates or in debts) –
- (a) after “56(2)”, in the first place where it occurs, insert “above or Chapter 11 of Part 4 of ITTOIA 2005 (transactions in deposits)”, 10
- (b) after “56(2)”, in the second place where it occurs, insert “above or that Chapter”, and
- (c) for “tax under Schedule D” substitute “corporation tax under Schedule D or income tax under that Act”.
- 170 (1) Amend section 399 (dealings in commodity futures etc: withdrawal of loss relief) as follows. 15
- (2) Omit subsections (1) and (1A).
- (3) In subsection (3) for “under Case VI of Schedule D” substitute “(in the case of corporation tax, under Case VI of Schedule D)”.
- (4) In subsection (5) omit the words from “and the reference” to the end. 20
- 171 In section 401(1) (relief for pre-trading expenditure) –
- (a) for “person” substitute “company”,
- (b) for “trade, profession or vocation”, wherever it occurs, substitute “trade or profession”,
- (c) for “he” substitute “the company”, 25
- (d) for “his” substitute “the company’s”, and
- (e) for “him” substitute “the company”.
- 172 In section 417(3)(b) (meaning of “associate” etc.) for “Chapter 1A of Part XV (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”. 30
- 173 (1) Amend section 421 (taxation of borrower where loan under section 419 released etc.) as follows.
- (2) In subsection (1) –
- (a) for “advance and” substitute “advance made to the trustees of a trust and after the trust has ended”, 35
- (b) in paragraph (a) for “the total income of the person to whom the loan or advance was made”, “him” and “Schedule F” substitute “the income of the person from whom the debt was due (“the debtor”) for corporation tax purposes”, “the debtor” and “dividend” respectively,
- (c) in paragraph (b) for “he shall not be liable to pay income tax at the Schedule F” substitute “the debtor shall not be liable to pay corporation tax at the dividend”, and 40
- (d) omit paragraphs (c) and (d).
- (3) Omit subsections (2) and (3).

- 174 In section 431(2) (interpretative provisions relating to insurance companies) in the definition of “annuity business” for the words “section 580C” substitute “section 725 of ITTOIA 2005 (immediate needs annuities)”.
- 175 In section 431D(3)(b) (meaning of “overseas life assurance business”) after “Chapter II of Part XIII” insert “or Chapter 9 of Part 4 of ITTOIA 2005”. 5
- 176 In section 434 (franked investment income etc.) omit subsection (1A).
- 177 (1) Amend section 437 (general annuity business) as follows.
- (2) In subsection (1C)(b)(ii) after “capital elements” insert “and amounts exempt under section 717 of ITTOIA 2005”.
- (3) Omit “and” at the end of subsection (1C)(b). 10
- (4) After subsection (1C)(c) insert “and
- (d) the amounts exempt under section 717 of ITTOIA 2005 shall be determined in accordance with Chapter 7 of Part 6 of that Act, but for this purpose –
- (i) it is immaterial whether or not an annuitant claims any relief to which the annuitant is entitled under that section; and 15
- (ii) where, by virtue of section 718 of that Act, section 717 does not apply to an annuity, the annuity shall be treated as being exempt to the same extent that it would have been apart from that section.” 20
- 178 (1) Section 468J (dividend distributions of authorised unit trusts) is amended as follows.
- (2) In subsection (2) for “Tax Acts” substitute “Corporation Tax Acts”.
- (3) At the end of subsection (4) insert “(including a dividend treated as paid to a unit holder who is not liable to corporation tax)”. 25
- 179 (1) Section 468L (interest distributions of authorised unit trusts) is amended as follows.
- (2) In subsection (1A) after “this Chapter” insert “and Chapter 2 of Part 4 of ITTOIA 2005 (interest)”. 30
- (3) In subsection (2) for “Tax Acts” substitute “Corporation Tax Acts”.
- (4) At the end of subsection (3) insert “(including a payment of interest treated as made to a unit holder who is not liable to corporation tax)”.
- 180 (1) Amend section 469 (other unit trusts) as follows.
- (2) In subsection (2A) for “section 231(1)” substitute “section 397(1) of ITTOIA 2005”. 35
- (3) For subsection (2B) substitute –
- “(2B) Section 348(4)(a) above and sections 399(2) and (6) and 400(2) and (3) of ITTOIA 2005 shall not apply where the recipient of the distribution in question is the trustees of the scheme.” 40
- (4) In subsection (3) –
- (a) after “the Tax Acts” insert “other than ITTOIA 2005”, and

- (b) at the end insert “(and see Chapter 10 of Part 4 of that Act for their treatment under that Act)”.
- (5) In subsection (9) for “paragraph 7 of Schedule 5AA” substitute “section 568 of ITTOIA 2005”.
- 181 In section 472A (trading profits etc. from securities: taxation of amounts taken to reserves) – 5
- (a) in subsection (1) for “person” substitute “company”, and
- (b) in subsection (2) for “person’s” substitute “company’s”.
- 182 In section 473(1) and (4) (conversion etc. of securities held as circulating capital) for “person” substitute “company”. 10
- 183 (1) Amend section 477A (building societies: regulations for deduction of tax) as follows.
- (2) In subsection (1A) for “a qualifying certificate of deposit and other than” substitute “uncertificated eligible debt security units, a qualifying certificate of deposit or”. 15
- (3) In subsection (4) –
- (a) for “terminal bonus” substitute “interest”, and
- (b) for “contractual savings scheme” substitute “SAYE savings arrangement”.
- (4) Omit subsections (5) and (6). 20
- (5) In subsection (9) omit the words from “but” to the end of the subsection.
- (6) In subsection (10) –
- (a) after “this section –” insert –
- ““certified SAYE savings arrangement” has the meaning given by section 703 of ITTOIA 2005”, and 25
- (b) at the end insert “and
- “uncertificated eligible debt security units” has the same meaning as in section 349”.
- 184 Omit section 480C (relevant deposits: computation of tax on interest).
- 185 (1) Amend section 481 (“deposit-taker”, “deposit” and “relevant deposit”) as follows. 30
- (2) In subsection (1A) for “sections 480A and 480C” substitute “section 480A”.
- (3) In subsection (5A) –
- (a) at the end of paragraph (a) insert “above or an uncertificated right falling within section 552(1)(c) of ITTOIA 2005”, and 35
- (b) in paragraph (c) –
- (i) for “, as defined in section 56(5), has” substitute “or uncertificated eligible debt security units have”, and
- (ii) omit “or 480C”.
- (4) In subsection (6) omit the word “, 480C”. 40
- 186 (1) Amend section 482 (supplementary provisions) as follows.
- (2) In subsection (6) –

- (a) after “481(5)” insert “and (5A)”,
- (b) after the definition of “appropriate person” insert –
 ““certificate of deposit” for corporation tax purposes has
 the meaning given in section 56(5) above and for income
 tax purposes has the meaning given in section 552(2) of
 ITTOIA 2005,” 5
- (c) in the definition of “qualifying certificate of deposit” for “, as defined
 in section 56(5),” substitute “or uncertificated eligible debt security
 units”, and
- (d) after the definition of “qualifying time deposit” insert – 10
 ““uncertificated eligible debt security units” has the
 meaning given in section 552(2) of ITTOIA 2005”.
- (3) In subsection (8) for “section 56(5)” substitute “subsection (6) above”.
- 187 (1) Section 486 (industrial and provident societies and co-operative
 associations) is amended as follows. 15
- (2) In subsection (1) –
- (a) after “distribution” insert “for the purposes of corporation tax”, and
- (b) for “the purposes of corporation tax” substitute “those purposes”.
- (3) In subsection (4) at the end insert “for the purposes of corporation tax”.
- (4) Omit subsection (5). 20
- 188 (1) Amend section 491 (distribution of assets of body corporate carrying on
 mutual business) as follows.
- (2) In subsection (1) for “any person” substitute “any company”.
- (3) In subsection (2) for “the person” substitute “the company”.
- (4) In subsection (3) – 25
- (a) for “the purposes of tax”, wherever it occurs, substitute “the
 purposes of corporation tax”,
- (b) for “the recipient”, wherever it occurs, substitute “the recipient
 company”,
- (c) after “be charged” insert “to corporation tax”, and 30
- (d) for “chargeable period” substitute “accounting period”.
- (5) In subsection (4) omit “113 or”.
- (6) Omit subsection (5).
- (7) In subsection (10) omit “or vocation”.
- 189 (1) Amend section 492 (treatment of oil extraction activities etc for tax purposes) 35
 as follows.
- (2) In subsection (1) for “for all purposes of income tax, and for the purposes of
 the charge of corporation tax on income,” substitute “for the purposes of the
 charge of corporation tax on income”.
- (3) In subsection (4) – 40
- (a) in paragraph (a) after “are treated by virtue of” insert “section 16(1)
 of ITTOIA 2005 or”,

- (b) in paragraph (a) for “the purposes specified in that subsection” substitute “income tax purposes or (as the case may be) for the purposes of the charge of corporation tax on income”,
- (c) in paragraph (b) after “but which, apart from” insert “section 16(1) of ITTOIA 2005 or”, and 5
- (d) after “notwithstanding anything in that” insert “section or”.
- 190 In section 493(2)(a)(i) (valuation of oil disposed of or appropriated in certain circumstances) for “falling within section 492(1)(a) or (b)” substitute “falling within the definition of “oil-related activities” in section 16(2) of ITTOIA 2005 or within section 492(1)(a) or (b) above”. 10
- 191 In section 495(2) (regional development grants) for “section 492(1)” substitute “section 16(1) of ITTOIA 2005 or section 492(1) above”.
- 192 In section 496(1)(c) (tariff receipts and tax-exempt tariffing receipts) for “section 492(1)” substitute “section 16(1) of ITTOIA 2005 or section 492(1) above”. 15
- 193 In section 502(1) (interpretation of Chapter 5), in the definition of “ring fence trade” –
- (a) in paragraph (a) for “any of paragraphs (a) to (c) of subsection (1) of section 492” substitute “the definition of “oil-related activities” in section 16(2) of ITTOIA 2005 or within section 492(1) above”, and 20
- (b) in paragraph (b) for “that subsection” substitute “section 16(1) of ITTOIA 2005 or section 492(1) above”.
- 194 (1) Amend section 503 (letting of furnished holiday accommodation treated as a trade for certain purposes) as follows.
- (2) In subsection (1) – 25
- (a) for “specified in subsection (2)” substitute “of Chapter 2 of Part 10 (loss relief for corporation tax)”,
- (b) omit “in the United Kingdom”,
- (c) after “chargeable to” insert “corporation”, and
- (d) for “particular person or partnership or body of persons” substitute “particular company or partnership”. 30
- (3) Omit subsections (2) and (3).
- (4) In subsection (5) –
- (a) for “Part X” substitute “Chapter 2 of Part 10”, and
- (b) after “other provision of the” insert “Corporation”. 35
- (5) In the side-note after “certain” insert “corporation tax”.
- 195 (1) Amend section 504 (meaning of the “commercial letting of furnished accommodation”) as follows.
- (2) Omit subsection (4).
- (3) In subsection (6) – 40
- (a) omit “year of assessment or”,
- (b) for “person” substitute “company”,
- (c) omit “year or” in each place where it occurs,
- (d) for “he” substitute “the company”, and
- (e) for “him” substitute “the company”. 45

- (4) In subsection (6A) for “above is —” to the end substitute “above is the period of two years beginning at the end of the accounting period in which the accommodation was let.”
- (5) In subsection (7) —
- (a) omit “year of assessment or”, and 5
 - (b) omit “year or” in both places where it occurs.
- (6) In subsection (8) omit “year of assessment or”.
- (7) In subsection (9) —
- (a) for “a person” substitute “a company”, and
 - (b) for “he” substitute “it”. 10
- 196 After section 504 insert —
- “504A Letting of furnished holiday accommodation treated as trade for certain income tax purposes**
- (1) For the purposes specified in subsection (2) —
- (a) a UK property business which consists in, or so far as it consists in, the commercial letting of furnished holiday accommodation is treated as if it were a trade the profits of which are chargeable to income tax under Part 2 of ITTOIA 2005, and 15
 - (b) all such lettings made by a particular person or partnership or body of persons are treated as one trade. 20
- The “commercial letting of furnished holiday accommodation” has the same meaning as it has for the purposes of Chapter 6 of Part 3 of ITTOIA 2005.
- (2) Subsection (1) applies for the purposes of — 25
- (a) Chapter 1 of Part 10 (loss relief for income tax),
 - (b) section 833(4)(c) (income regarded as earned income), and
 - (c) section 189(2)(b) of the Finance Act 2004 (income regarded as relevant UK earnings for pension purposes).
- (3) Chapter 1 of Part 10 as applied by this section has effect with the following adaptations — 30
- (a) no relief is to be given to an individual under section 381 (relief for losses in early years of trade) in respect of a year of assessment if any of the accommodation in respect of which the trade is carried on in that year was first let by that person as furnished accommodation more than three years before the beginning of that year of assessment; 35
 - (b) section 384 (restrictions on right of set-off) has effect with the omission of subsections (6) to (8) (which relate to certain losses attributable to capital allowances); 40
 - (c) section 390 (treatment of interest as loss) has effect as if the reference to a trade carried on wholly or partly in the United Kingdom were a reference to the UK property business so far as it is treated as a trade.
- (4) If there is a letting of accommodation only part of which is holiday accommodation, such apportionments are to be made for the purposes of this section as are just and reasonable. 45

- (5) Relief is not to be given for the same loss, or the same portion of a loss, both under a provision of Chapter 1 of Part 10 as applied by this section and under any other provision of the Income Tax Acts.”
- 197 (1) Amend section 505 (charities: general) as follows.
- (2) In subsection (1) – 5
- (a) in paragraph (a) after “Schedules A and D” insert “, or under Parts 2 and 3 of ITTOIA 2005,”
- (b) in paragraph (c)(ii) after “Schedule D” insert “or under Chapter 2, 7, 8 or 10 of Part 4 of ITTOIA 2005 (interest, purchased life annuity payments, profits from deeply discounted securities and distributions from unauthorised unit trusts), section 579 of that Act so far as it relates to annual payments (royalties etc. from intellectual property), Chapter 4 of Part 5 of that Act so far as it relates to annual payments (certain telecommunication rights: non-trading income) or Chapter 7 of Part 5 of that Act (annual payments not otherwise charged)”, 10
- (c) in paragraph (c)(iia) omit “IV or”,
- (d) after paragraph (c)(iia) insert – 15
- “(iiaa) from tax under Chapter 4 of Part 4 of ITTOIA 2005 (dividends from non-UK resident companies) or from tax under Chapter 8 of Part 5 of that Act (income not otherwise charged) so far as it applies to relevant foreign distributions,”
- (e) in paragraph (c)(iib) from “income” to “and” at the end of subparagraph (iib) substitute “such dividends as would, in the case of income tax, be chargeable to tax under Chapter 4 of Part 4 of ITTOIA 2005 or such distributions (other than dividends) as would, in the case of income tax, be chargeable to tax under Chapter 8 of Part 5 of that Act so far as it would apply to what would be a relevant foreign distribution,” 20
- (f) in paragraph (c)(iic) for “Schedule F” substitute “Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)”, 25
- (g) in paragraph (d) after “Schedule D” insert “or Chapter 2 of Part 4 of ITTOIA 2005 (interest)”, 30
- (h) in paragraph (e) after “Schedule D” insert “or Part 2 of ITTOIA 2005 (trading income)”, and
- (i) in paragraph (f) after “Schedule D” insert “or Part 2 or 5 of ITTOIA 2005 (trading and miscellaneous income)”.
- (3) After subsection (1) insert – 35
- “(1AA) In section (1)(c)(ii)(aa) and (iib) “relevant foreign distribution” means any distribution of a company not resident in the United Kingdom which – 40
- (a) is not chargeable under Chapter 4 of Part 4 of ITTOIA 2005, but
- (b) would be chargeable under Chapter 3 of that Part of that Act if the company were resident in the United Kingdom.” 45
- (4) In subsection (2) after “chargeable to”, in the second place where it occurs, insert “income tax under Chapter 7 of Part 5 of ITTOIA 2005 (annual

- payments not otherwise charged) so far as it does not apply to relevant foreign income and shall be chargeable to corporation”.
- 198 In section 512(1) (exemptions for Atomic Energy Authority and National Radiological Protection Board)–
- (a) in paragraph (a) after “under” insert “Part 3 of ITTOIA 2005 so far as it relates to the profits of a UK property business and under”, 5
 - (b) in paragraph (b)–
 - (i) after “under” insert “ITTOIA 2005 and”, and
 - (ii) after “dividends” insert “or income within Chapter 10 of Part 4 of ITTOIA 2005 (distributions from unauthorised unit trusts)”, and 10
 - (c) in paragraph (c) for “Schedule F” substitute “Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)”.
- 199 Omit section 514 (funds for reducing the national debt).
- 200 (1) Amend section 524 (taxation of receipts from sale of patent rights) as follows. 15
- (2) In subsection (1)–
- (a) for “person”, “he” and “him” substitute “company”, “the company” and “it” respectively,
 - (b) for “tax” substitute “corporation tax”, and
 - (c) for “chargeable”, in both places where it occurs, substitute “accounting”. 20
- (3) In subsection (2)–
- (a) for “person” substitute “company”,
 - (b) after “charged to”, in both places where it occurs, insert “corporation”, and 25
 - (c) for “chargeable” substitute “accounting”.
- (4) In subsection (2A)–
- (a) omit paragraph (a), and
 - (b) in paragraph (b) omit “in the case of an election for the purposes of corporation tax,”. 30
- (5) In subsection (3)–
- (a) for the words from the beginning to “in the United Kingdom” substitute “Where a relevant non-resident company”, and
 - (b) in paragraph (a), for “he shall be chargeable to tax” substitute “the company shall be chargeable to corporation tax”. 35
- (6) Omit subsection (4).
- (7) For subsection (5) substitute–
- “(5) In subsection (3) above “relevant non-resident company” means a company not resident in the United Kingdom which would be within the charge to corporation tax in respect of any proceeds of the sale of the patent rights not consisting of a capital sum.” 40
- (8) In subsection (6) omit “subsection (4) shall not apply, but”.
- (9) In subsection (7)–
- (a) for “person” substitute “company”,

- (b) for “him”, in both places where it occurs, substitute “it”, and
(c) for “he” substitute “it”.
- (10) In subsection (8) for “him” substitute “it”.
- 201 (1) Amend section 525 (receipts from sale of patent right: death, winding up or partnership change) as follows. 5
- (2) For subsection (1) substitute—
- “(1) Where a body corporate on which, by reason of the receipt of a capital sum, a charge falls or would otherwise fall to be made under section 524 commences to be wound up—
- (a) no sums shall be charged under that section on that body for any accounting period subsequent to that in which the winding up commences; and 10
- (b) the amount falling to be charged for the accounting period in which the winding up commences shall be increased by the total amounts which, but for the winding up, would have fallen to be charged for subsequent accounting periods.” 15
- (3) Omit subsection (2).
- (4) In subsection (4)—
- (a) in paragraph (a)—
- (i) for “chargeable period” substitute “accounting period”, 20
- (ii) omit “(or, if he is dead, his personal representatives)”, and
- (iii) for “his” substitute “its”, and
- (b) omit paragraph (b) and the word “and” immediately preceding it.
- (5) In the sidenote omit “death,”.
- 202 (1) Amend section 526 (relief for expenses) as follows. 25
- (2) In subsection (1)—
- (a) for “person” substitute “company”,
- (b) for “him”, in the first place where it occurs, substitute “it”,
- (c) for “him”, in the second place where it occurs, substitute “the company for the purposes of corporation tax”, and 30
- (d) for “chargeable” substitute “accounting”.
- (3) Omit subsection (2).
- 203 In section 527(4) (spreading of royalties over several years) at the end insert “of this Act or by virtue of section 595 of ITTOIA 2005”.
- 204 (1) Amend section 528 (manner of making allowances under section 526) as follows. 35
- (2) Omit subsection (2).
- (3) In subsection (3) omit “as that provision applies for the purposes of corporation tax”.
- (4) In subsection (3A) omit “a person’s or” and “479 or”. 40
- 205 Omit section 529 (patent income to be earned income in certain cases).
- 206 (1) Amend section 531 (disposals of know-how) as follows.

- (2) In subsection (1)–
- (a) for “a person” substitute “a company”,
 - (b) for “him”, in both places where it occurs, substitute “the company”,
 - (c) for “tax”, in both places where it occurs, substitute “corporation tax”,
and
 - (d) for “all purposes” substitute “the purposes of corporation tax”. 5
- (3) For subsection (2) substitute –
- “(2) Subject to subsection (3) below, where –
- (a) a person carrying on a trade receives consideration for the disposal of know-how which has been used in the trade, and 10
 - (b) the know-how is disposed of as part of the disposal of all or part of the trade,
- the consideration shall for the purposes of corporation tax be treated as a payment for goodwill in relation both to the person making the disposal and to the person acquiring the know-how (if that person provided the consideration).” 15
- (4) In subsection (3)(a) for “to either of the persons concerned if they so elect” substitute “if, in the case of the person disposing of the know-how being within the charge to corporation tax, that person and the person acquiring the know-how (whether or not within the charge to corporation tax) elect for that subsection not to apply”. 20
- (5) After subsection (3) insert –
- “(3A) If –
- (a) an election is made under section 194 of ITTOIA 2005 (provision corresponding to subsections (2) and (3) of this section for the purposes of income tax), and 25
 - (b) the person making the acquisition mentioned in that section is within the charge to corporation tax,
- the persons making the election under that section are treated as also making an election under subsection (3) of this section (even though the person disposing of the know-how is not within the charge to corporation tax).” 30
- (6) In subsection (4) –
- (a) for “person” substitute “company”,
 - (b) for “him” substitute “the company”, and 35
 - (c) for “tax”, in both places where it occurs, substitute “corporation tax”.
- (7) In subsection (5) –
- (a) for “person” substitute “company”, and
 - (b) for “tax” substitute “corporation tax”.
- (8) Omit subsection (6). 40
- (9) In subsection (7) for “(6)” substitute “(5)”.
- 207 In section 532 (application of Capital Allowances Act) for “529” substitute “528”.
- 208 (1) Amend section 533 (interpretation of intellectual property provisions) as follows. 45

- (2) In subsection (1)–
- (a) for “529” substitute “528”, and
 - (b) for the definition of “income from patents” substitute –

““income from patents” means –

 - (a) any royalty or other sum paid in respect of the use of a patent; and
 - (b) any amount on which tax is payable for any accounting period by virtue of section 524 or 525 above or section 472(5) of, or paragraph 100 of Schedule 3 to, the Capital Allowances Act, but does not include any amount chargeable to income tax.”
- (3) In each of subsections (2) to (5) for “529” substitute “528”.
- 209 (1) Amend section 539 (life policies, life annuities and capital redemption policies: introductory) as follows. 15
- (2) In subsection (1) for “tax” substitute “corporation tax”.
 - (3) In subsection (3) for the definition of “life annuity” substitute –

““life annuity” means –

 - (a) any annuity to which section 656 (as read with section 657) applies, or
 - (b) any annuity that –
 - (i) is a purchased life annuity for the purposes of Chapter 7 of Part 4 of ITTOIA 2005 (see section 423 of that Act), and
 - (ii) is not specified in section 718 of that Act (annuities the payments under which are not within section 717 of that Act (exemption for part of purchased life annuity payments));”.
 - (4) Omit subsection (8).
- 210 After that section insert –
- “539ZA Application of this Chapter etc. to policies and contracts in which persons other than companies are interested** 30
- (1) This section applies where, for the purposes of determining the application of this Chapter in relation to a policy or contract at any time, it is necessary to have regard to its application at another time.
 - (2) It makes no difference to the application of this Chapter at that other time whether liability in respect of a gain arising at that time would have arisen or (as the case may be) would arise because of the application of this Chapter or Chapter 9 of Part 4 of ITTOIA 2005 (which makes provision for income tax purposes corresponding to that made by this Chapter). 40
 - (3) References in this section to this Chapter include references to paragraph 20 of Schedule 15 to this Act and section 79 of the Finance Act 1997 (payments under certain life insurance policies).”
- 211 In section 543(1)(a)(i) (life annuity contracts: computation of gain) for “one or more payments” to the end of the sub-paragraph substitute “any payments have been made on account of the annuity, by so much of those 45

- payments as is determined to be the capital element in them under section 656 of this Act or is exempt under section 717 of ITTOIA 2005; and”.
- 212 In section 544(6)(a) (second and subsequent assignment of life policies and contracts) for “section 547(1)(a)” substitute “section 547A(17)”.
- 213 In section 545(1)(a) (capital redemption policies) for “to tax” to the end of the paragraph substitute “—
- (i) to corporation tax under Schedule D,
 - (ii) to income tax under Part 9 of ITEPA 2003 (pension income) because section 609, 610 or 611 of that Act applies to them (certain employment related annuities), or
 - (iii) to income tax under Chapter 7 of Part 4 (purchased life annuity payments) or Chapter 7 of Part 5 (annual payments not otherwise charged) of ITTOIA 2005;”.
- 214 In section 546C(8) (charging the section 546 excess to tax where section 546B applies)—
- (a) for “any provision of section 547” substitute “section 547(1)(b)”,
 - (b) for “body or person” substitute “company”,
 - (c) omit paragraph (a) and the word “or” at the end of it,
 - (d) in paragraph (b) for “it” substitute “the chargeable event in question”, and
 - (e) omit “year of assessment or”.
- 215 (1) Amend section 547 (method of charging gain to tax) as follows.
- (2) In subsection (1) omit paragraph (a) and paragraphs (c) to (e).
- (3) In paragraph (b) of that subsection for “that event, those rights” substitute “the chargeable event in question, the rights conferred by the policy or contract”.
- (4) In subsection (1A)—
- (a) for “their” substitute “its”, and
 - (b) for “and subsections (9) to (11) below are” substitute “is”.
- (5) Omit subsections (4A) to (7A) and (9) to (14).
- 216 (1) Amend section 547A (method of charging gain to tax: multiple interests) as follows.
- (2) For subsection (1) substitute—
- “(1) If—
- (a) immediately before the happening of a chargeable event, two or more persons have relevant interests in the rights conferred by the policy or contract in question, and
 - (b) any of those persons is a company,
- section 547 shall have effect in relation to each such company as if it had been the only person with a relevant interest in those rights, but with references to the amount of the gain construed as references to the company’s proportionate share of the amount of the gain.”

- (3) In subsection (15) for the definition of “foreign institution” substitute –
 ““foreign institution” means a person which is a company or other institution resident or domiciled outside the United Kingdom;”.
- (4) For subsection (16) substitute – 5
 “(16) For the purposes of this section, property held for the purposes of a foreign institution shall be regarded as in the beneficial ownership of the foreign institution.
- (17) Any reference in this section to trusts created by an individual includes a reference to trusts arising under – 10
 (a) section 11 of the Married Women’s Property Act 1882;
 (b) section 2 of the Married Women’s Policies of Assurance (Scotland) Act 1880; or
 (c) section 4 of the Law Reform (Husband and Wife) Act (Northern Ireland) 1964; 15
 and references to the settlor or to the person creating the trusts shall be construed accordingly.”
- 217 In section 548(1) (deemed surrender of certain loans) for paragraph (a) substitute –
 “(a) a gain arising in connection with a policy or contract would be – 20
 (i) treated as forming part of the income of a company under section 547(1)(b), or
 (ii) a gain for which an individual is, or any trustees are, liable to tax under Chapter 9 of Part 4 of ITTOIA 2005; 25
 and”.
- 218 Omit section 549 (certain deficiencies allowable as deductions).
- 219 Omit section 550 (relief where gain charged at a higher rate).
- 220 Omit section 551 (right of individual to recover tax from trustees).
- 221 (1) Amend section 552 (information: duty of insurers) as follows. 30
 (2) In subsection (1) omit “within the meaning of this Chapter”.
 (3) In subsection (5) –
 (a) in paragraph (b)(ii) for “, the date” to the end of the sub-paragraph substitute “of this Act and section 514(1) of ITTOIA 2005 (chargeable events where transaction-related calculations show gains), the date on which the year and the insurance year end;”, 35
 (b) in paragraph (c) –
 (i) after “this Chapter” insert “and Chapter 9 of Part 4 of ITTOIA 2005”,
 (ii) after “relevant capital payments” insert “and the amount or value of any capital sums of a kind referred to in section 492(1)(b) to (e) of ITTOIA 2005”, 40
 (iii) in sub-paragraph (iii) after “annuity” insert “determined in accordance with section 656 and the amount of so much of any payment previously made on account of an annuity as is exempt under section 717 of ITTOIA 2005”, and 45

- (iv) in sub-paragraph (v) after “year” insert “and the total of the amounts of gains treated as arising on previous chargeable events within section 509(1) or 514(1) of ITTOIA 2005”,
- (c) for paragraph (e) substitute –
- “(e) the number of years relevant for computing the annual equivalent of the amount of the gain for the purposes of subsection (1) of section 536 of ITTOIA 2005 (top slicing relieved liability: one chargeable event), apart from subsections (6) and (8) of that section;”, and
- (d) for paragraph (f) substitute –
- “(f) on the assumption that section 465 of ITTOIA 2005 (person liable: individuals) has effect in relation to the gain –
- (i) whether an individual would fall to be treated as having paid income tax at the lower rate on the amount of the gain in accordance with section 530 of that Act; and
- (ii) if so, except in a case where paragraph (c) above applies, the amount of such tax that would fall to be so treated as paid.”
- (4) In subsection (6) –
- (a) in paragraph (b) –
- (i) after “section 546C(7)(a)” insert “of this Act (and section 514(1) of ITTOIA 2005)”, and
- (ii) after “year” insert “(and the insurance year)”, and
- (b) in paragraph (c) after “section 546C(7)(a)” insert “of this Act (and section 514(1) of ITTOIA 2005)”.
- (5) In subsection (7)(b) –
- (a) after “section 546C(7)(a)” insert “of this Act (and section 514(1) of ITTOIA 2005)”, and
- (b) after “year” insert “(and the insurance year)”.
- (6) In subsection (9)(a) –
- (a) after “section 546C(7)(b)” insert “of this Act (and section 514(1) of ITTOIA 2005)”, and
- (b) after “occurs” insert “(and the end of the insurance year mentioned in section 514(3) and (4) of ITTOIA 2005)”.
- (7) In subsection (10) –
- (a) in the definition of “amount” after “section 553(3)” insert “of this Act and section 528 of ITTOIA 2005”, and
- (b) insert in the appropriate place –
- ““chargeable event” means an event which is a chargeable event within the meaning of this Chapter and Chapter 9 of Part 4 of ITTOIA 2005;”.
- 222 In section 552ZA(3) (information: supplementary provisions) after “section 546C(7)(a)” insert “of this Act and section 514(1) of ITTOIA 2005”.
- 223 (1) Amend section 552A (tax representatives) as follows.
- (2) In subsection (5) omit “in relation to which this Chapter has effect and”.

- (3) In subsection (12) insert in the appropriate place—
- ““capital redemption policy” means a capital redemption policy in relation to which this Chapter and Chapter 9 of Part 4 of ITTOIA 2005 has effect;”,
- ““contract for a life annuity” means a contract for a life annuity in relation to which this Chapter and Chapter 9 of Part 4 of ITTOIA 2005 has effect;”, and
- ““policy of life insurance” means a policy of life insurance in relation to which this Chapter and Chapter 9 of Part 4 of ITTOIA 2005 has effect;”.
- 224 In section 552B (duties of overseas insurers’ tax representatives) after subsection (5) insert—
- “(5A) In subsection (5) “chargeable event” has the same meaning as in section 552 (see subsection (10) of that section).”
- 225 (1) Amend section 553 (non-resident policies and off-shore capital redemption policies) as follows. 15
- (2) For subsection (4) substitute—
- “(4) The number of days in the period referred to in subsection (3) shall be calculated, where appropriate, from the issue of the earliest related policy, that is, any policy in relation to which the policy is a new policy within the meaning of paragraph 17 of Schedule 15, any policy in relation to which that policy is such a policy, and so on.” 20
- (3) Omit subsections (6) to (9).
- (4) In subsection (10) in the definition of “foreign institution” for “section 547” substitute “section 547A”. 25
- 226 (1) Amend section 553A (overseas life insurance business) as follows
- (2) Omit subsection (3).
- (3) In subsection (4), in the definition of “new non-resident policy” for “subsections (2) and (3)” substitute “subsection (2)”.
- 227 (1) Amend section 553C (personal portfolio bonds) as follows. 30
- (2) In subsection (1) for “tax” substitute “corporation tax”.
- (3) In subsection (2) for “tax” in both places where it occurs substitute “corporation tax”.
- (4) In subsection (3)(a) for “tax”, in the first place where it occurs, substitute “corporation tax”. 35
- (5) In subsection (4)—
- (a) for “tax” substitute “corporation tax”,
- (b) after paragraph (b) insert “or”,
- (c) in paragraph (c) for the words from “person or body of persons” to the end of the paragraph substitute “company”, and
- (d) omit paragraph (d) and the word “or” before it. 40

- (6) After subsection (9) insert—
- “(9A) The Treasury may by regulations make provision, in relation to any policy or contract to which this subsection applies, for—
- (a) treating an event described in the regulations as if it were a chargeable event, and
 - (b) treating an amount determined in accordance with the regulations as if it were a gain treated as arising on the happening of a chargeable event.
- (9B) Regulations under subsection (9A) may make such provision for the purposes only of enabling the gain to be taken into account in the application of this Chapter to the policy or contract on the later happening of a chargeable event.
- (9C) Regulations under subsection (9A) may make any provision for the calculation of the amount of the gain which regulations under subsection (1) may make for the calculation of the amount charged to corporation tax by virtue of regulations under that subsection.
- (9D) Subsections (6), (8) and (9) apply to regulations under subsection (9A).
- (9E) Subsection (9A) applies to a policy or contract if—
- (a) it is a personal portfolio bond, and
 - (b) liability in respect of a gain arising in relation to it would arise by virtue of any of sections 464 to 468 of ITTOIA 2005 (persons liable for tax under Chapter 9 of Part 4 of that Act).”
- 228 Omit section 554 (borrowings on life policies to be treated as income in certain cases).
- 229 (1) Amend section 556 (activity treated as trade etc. and attribution of income) as follows.
- (2) Omit subsection (1).
- (3) For subsection (2) substitute—
- “(2) If—
- (a) under section 13(5) of ITTOIA 2005 a payment made to a person is treated as made instead to the performer, and
 - (b) the person to whom the payment is actually made is a company within the charge to corporation tax,
- the company is treated for corporation tax purposes as if the payment had not been made to it.”
- (4) In subsection (3)—
- (a) omit paragraph (a), and
 - (b) in paragraph (b) for “tax (whether of the entertainer or sportsman or of another person)” substitute “corporation tax”.
- 230 Omit section 557 (charge on profits).
- 231 In section 568(1) (deductions from profits of contributions paid under certified schemes)—
- (a) after “section 74” insert “of this Act or section 33 of ITTOIA 2005”, and

- (b) after “Case I of Schedule D,” insert “or under Part 2 of ITTOIA 2005,”.
- 232 In section 570(4) (payments under certified schemes which are not repayments of contributions) for “any of the provisions of section 113 or section 337(1)” substitute “section 337(1) above or section 18 of ITTOIA 2005 (companies beginning or ceasing to carry on trade)”. 5
- 233 In section 571(1) (cancellation of certificates) for “under Case VI of Schedule D” substitute “(in the case of corporation tax, under Case VI of Schedule D)”.
- 234 (1) Amend section 577 (business entertaining expenses) as follows.
- (2) In subsection (1)(a) –
- (a) for “tax” substitute “corporation tax”, and 10
- (b) for “the Tax Acts” substitute “the Corporation Tax Acts”.
- (3) In subsection (3) –
- (a) for “any person” substitute “any company”,
- (b) for “by him”, in the first and second places where it occurs, substitute “by the company”, and 15
- (c) for “a member of his staff” substitute “an employee of the company”.
- (4) In subsection (5) –
- (a) for “a person” substitute “a company”,
- (b) for “a member of his staff” substitute “an employee of the company”,
- (c) for “that person” substitute “the company”, 20
- (d) for “him” substitute “the company”, and
- (e) for “members of his staff” substitute “employees of the company”.
- (5) In subsection (7) –
- (a) in paragraph (b) for “, profession or vocation” substitute “or profession”, and 25
- (b) in paragraph (c) –
- (i) for “the members of a person’s staff” substitute “a company’s employees”,
- (ii) for “that person” substitute “the company”, and
- (iii) for “a company”, in both places where it occurs, substitute “the company”. 30
- (6) In subsection (8)(b) –
- (a) for “him”, in both places where it occurs, substitute “the donor”, and
- (b) for “relevant tax period” substitute “accounting period”.
- (7) Omit subsection (8A). 35
- (8) In subsection (10) –
- (a) for “any person” substitute “any company”,
- (b) for “his trade” substitute “its trade”, and
- (c) for “by him” substitute “by the company”.
- 235 (1) Amend section 577A (expenditure involving crime) as follows. 40
- (2) In subsections (1) and (1A) for “tax” substitute “corporation tax”.
- (3) In subsection (2)(a) for “the Tax Acts” substitute “the Corporation Tax Acts”.

- 236 In section 578(1) (housing grants) for “any tax purpose” substitute “corporation tax purposes”.
- 237 In section 578A(1) (expenditure on car hire) for “tax” substitute “corporation tax”.
- 238 (1) Amend section 579 (statutory redundancy payments) as follows. 5
- (2) In subsection (2) –
- (a) after “payment is made” insert “by a company”,
- (b) for “trade, profession or vocation”, in each place, substitute “trade or profession”, and
- (c) for “the employer” substitute “the company”. 10
- (3) In subsection (3) –
- (a) after “payment is made” insert “by a company”, and
- (b) for “the employer” substitute “the company”.
- (4) In subsection (5) for “tax purposes” substitute “corporation tax purposes”.
- (5) In subsection (6) for “the employer”, in both places, substitute “the company”. 15
- 239 Omit sections 580A to 580C (relief from tax on annual payments under certain insurance policies and immediate needs annuities).
- 240 Omit section 581 (borrowing in foreign currency by local authorities and statutory corporations). 20
- 241 After section 581 insert –
- “581A Interest on foreign currency securities etc.**
- Interest within section 755(1) of ITTOIA 2005 (interest on foreign currency securities etc.) shall be paid without deduction of income tax.” 25
- 242 (1) Section 582 (funding bonds issued in respect of interest on certain debts) is amended as follows.
- (2) In subsection (1) –
- (a) in paragraph (a) for “all the purposes of the Tax Acts” substitute “all the purposes of the Corporation Tax Acts”, and 30
- (b) in paragraph (b) at the beginning insert “where paragraph (a) above or section 380 of ITTOIA 2005 (which makes provision similar to that paragraph for income tax purposes) applies”.
- (3) In subsection (2) –
- (a) after “subsection (1) above” insert “or section 380 of ITTOIA 2005”, and 35
- and
- (b) in paragraph (b)(ii) –
- (i) after “this section” insert “or section 380 of ITTOIA 2005”, and
- (ii) after “Case VI of Schedule D” insert “(corporation tax) or under Chapter 2 of Part 4 of ITTOIA 2005 (income tax)”. 40
- 243 Omit section 583 (Inter-American Development Bank).
- 244 (1) Section 584 (relief for unremittable overseas income) is amended as follows.

- (2) In subsection (1) –
- (a) for “a person is chargeable to tax” substitute “a company is chargeable to corporation tax”,
 - (b) for “for the purposes of tax” substitute “for the purposes of corporation tax”, and
 - (c) for “he”, in each place where it occurs, substitute “the company”. 5
- (3) In subsection (2) –
- (a) for “a person” substitute “a company”,
 - (b) for “his” substitute “its”, and
 - (c) for the words from “and tax” to “assessable,” substitute “and corporation tax shall be assessable”. 10
- (4) In subsection (4) for “a person becomes chargeable to income tax or” substitute “a company becomes chargeable to”.
- (5) Omit subsections (6)(a) and (7).
- 245 Omit section 585 (relief from tax on delayed remittances). 15
- 246 In section 586(1) (disallowance of deductions for war risk premiums) for “tax purpose” substitute “corporation tax purpose”.
- 247 (1) Amend section 587 (disallowance of certain payments in respect of war injuries to employees) as follows.
- (2) In subsection (1) omit “, or total income,” and for “tax purpose” substitute “corporation tax purpose”. 20
 - (3) In subsection (2)(b) for “section 121” substitute “section 121(3).”
- 248 In section 587B(2) (gifts of shares, securities and real property to charities etc.) –
- (a) in paragraph (b) after “section 83A” insert “of this Act, section 108 of ITTOIA 2005”, and
 - (b) for “section 550(2)(a) or (b)” substitute “sections 535 to 537 of ITTOIA 2005”. 25
- 249 (1) Amend section 588 (training courses for employees) as follows.
- (2) In subsection (1) for “person” substitute “company”. 30
 - (3) In subsection (3) for “trade, profession or vocation” substitute “trade or profession”.
 - (4) In subsection (5) –
 - (a) for “tax” substitute “corporation tax”,
 - (b) for “year” substitute “accounting period”,
 - (c) for “he” substitute “it”,
 - (d) omit “section 29(1) of the Management Act, or”, and
 - (e) for “chargeable period” substitute “accounting period”. 35
 - (5) In subsection (7) for “he” substitute “it”.
- 250 (1) Amend section 589A (counselling services for employees) as follows. 40
- (2) In subsection (7) –
 - (a) for “(8) to (10)” substitute “(8) and (9)”, and

- (b) for “person under whom” substitute “company under which”.
- (3) In subsection (8) for “trade, profession or vocation” substitute “trade or profession”.
- 251 (1) Amend section 591C (cessation of approval: tax on certain schemes) as follows. 5
- (2) In subsection (1) for “tax shall be charged” substitute “income tax shall be charged under and”.
- (3) In subsection (2) omit “under Case VI of Schedule D”.
- (4) In subsection (6A)(c)(iii) for “Schedule D” substitute “Part 2 of ITTOIA 2005”. 10
- 252 (1) Amend section 592 (exempt approved schemes) as follows.
- (2) In subsection (3) –
- (a) after “the schemes” insert “, are not relevant foreign income”, and
- (b) for “Case VI of Schedule D” substitute “Chapter 8 of Part 5 of ITTOIA 2005 (income not otherwise charged)”. 15
- (3) In subsection (4)(a) after “for the purposes of” insert “Part 2 of ITTOIA 2005 or”.
- 253 (1) Amend section 598 (charge to tax: repayment of employee’s contributions) as follows.
- (2) In subsection (1) after “this section,” insert “income”. 20
- (3) In subsection (2) for the words from the beginning to “Schedule D” substitute “The person liable for any tax chargeable under this section shall be the administrator of the scheme”.
- 254 (1) Amend section 599 (charge to tax: commutation of entire pension in special circumstances) as follows. 25
- (2) In subsection (1) after “whether wholly or not, under the rule,” insert “income”.
- (3) In subsection (1B) before “tax” insert “income”.
- (4) In subsection (3) for the words from the beginning to “Schedule D on that amount,” substitute “The person liable for any tax chargeable under this section shall be the administrator of the scheme”. 30
- 255 In section 599A (charge to tax: payments out of surplus funds) for subsection (2) substitute –
- “(2) On the making of a payment to which subsection (1) above applies –
- (a) income tax is charged at the relevant rate on such amount as, after deduction of tax at that rate, would equal the amount of the payment, and 35
- (b) the person liable for the tax so charged is the administrator of the scheme.”
- 256 In section 601(5)(b) (charge to tax: payments to employers) for “to tax on the 40

- amount of the payment under Case VI of Schedule D” substitute “—
- (i) to income tax on the full amount of the payment arising in the year of assessment; or
 - (ii) to corporation tax on the amount of the payment under Case VI of Schedule D”. 5
- 257 In section 602(1)(a) (regulations relating to pension fund surpluses) omit “under Case VI of Schedule D”.
- 258 (1) Amend section 607 (pilots’ benefit fund) as follows.
- (2) In subsection (2)(c) for “the provisions of Case II of Schedule D” substitute “such of the provisions of Part 2 of ITTOIA 2005 as apply in calculating the profits of a profession”. 10
 - (3) In subsection (3)(a) for “in assessing tax under Schedule D” substitute “in calculating the profits of the profession”.
- 259 In section 608(2) (superannuation funds approved before 6th April 1980)—
- (a) in paragraph (b)— 15
 - (i) after “commissions” insert “which are not relevant foreign income and”, and
 - (ii) for “Case VI of Schedule D” substitute “Chapter 8 of Part 5 of ITTOIA 2005”, and
 - (b) in paragraph (c) for the words from “under” onwards substitute “under Chapter 11 of Part 4 of ITTOIA 2005 (transactions in deposits) by virtue of a disposal of deposit rights falling within section 552(1)(b) of that Act”. 20
- 260 In section 614(2A) (exemptions and reliefs in respect of income from investments etc. of certain pension schemes) for the words from “paragraph 1” to “(relevant)” substitute “Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply”. 25
- 261 (1) Amend section 617 (social security benefits and contributions) as follows.
- (2) In subsection (3)—
 - (a) for “subsection (4) below” substitute “subsections (4) and (5) below”, 30 and
 - (b) after “allowed” insert “for corporation tax purposes”.
 - (3) In subsection (4)—
 - (a) at the end of paragraph (b) insert “or”, and
 - (b) omit paragraphs (d) and (e). 35
 - (4) After subsection (4) insert—
 - “(5) Subsection (3) above shall not apply for the purposes of deductions under Chapter 2 of Part 5 of ITEPA 2003 (in relation to which section 360A of that Act applies).”
- 262 (1) Amend section 623 (relevant earnings) as follows. 40
- (2) In subsection (2)—
 - (a) in paragraph (c) for “Schedule D” substitute “Part 2 of ITTOIA 2005”, and

- (b) for paragraph (d) substitute—
“(d) income to which section 833(5B) (patent income) applies;”.
- (3) In subsection (6)—
- (a) in paragraph (a) for “section 74(m), (p) or (q)” substitute “section 51 of ITTOIA 2005”, and 5
- (b) after the “or” at the end of that paragraph insert—
“(aa) deductions in respect of any annuity or other annual payment (other than interest) payable out of his profits; or”.
- 263 In section 644(2) (meaning of “relevant earnings”)—
- (a) in paragraph (c) for “Schedule D” substitute “Part 2 of ITTOIA 2005”, and
- (b) for paragraph (d) substitute—
“(d) income to which section 833(5B) (patent income) applies.” 15
- 264 In section 646(2) (meaning of “relevant net earnings”)—
- (a) in paragraph (a) for “section 74(m), (p) or (q)” substitute “section 51 of ITTOIA 2005”,
- (b) after that paragraph insert— 20
“(aa) deductions in respect of any annuity or other annual payment (other than interest) payable out of his profits;”, and
- (c) in paragraph (bb) for “section 332(3) of this Act” substitute “section 159 of ITTOIA 2005”. 25
- 265 (1) Amend section 648B (return of contributions after pension date) as follows.
- (2) In subsection (1) for “Tax” substitute “Income tax”.
- (3) In subsection (2) for the words from the beginning to “Schedule D” substitute “The person liable for any tax chargeable under this section shall be the administrator of the scheme”. 30
- 266 (1) Amend section 650A (charge on withdrawal of approval from arrangements) as follows.
- (2) In subsection (1) for “tax shall be charged” substitute “income tax shall be charged under and”.
- (3) In subsection (2) omit “under Case VI of Schedule D”. 35
- 267 (1) Amend section 656 (purchased life annuities other than retirement annuities) as follows.
- (2) In subsection (1)—
- (a) for “Tax Acts”, in the first place where it occurs, substitute “Corporation Tax Acts”, and 40
- (b) for “other purposes of the Tax Acts” substitute “other corporation tax purposes”.
- (3) In subsections (5) and (6) for “he”, in each place it occurs, substitute “the person”.

- 268 In section 657(2)(a) (purchased life annuities to which section 656 does not apply) for “Tax Acts” substitute “Corporation Tax Acts”.
- 269 (1) Amend section 658 (supplementary provisions about purchased life annuities) as follows.
- (2) In subsection (5) – 5
- (a) for “If any person” substitute “Any person who”, and
- (b) omit “for himself or for any other person” and “, he”.
- (3) After subsection (5) insert –
- “(6) It does not matter for whom that relief or repayment is to be obtained.” 10
- 270 Omit sections 660A and 660B (income arising under settlement where settlor retains an interest and payments to unmarried minor children of settlor).
- 271 (1) Amend section 660C (nature of charge on settlor) as follows.
- (2) Omit subsections (1) to (2).
- (3) In subsection (3) – 15
- (a) for “this Chapter” substitute “section 624 or 629 of ITTOIA 2005 (income where settlor retains an interest or income paid to unmarried minor children of settlor)”, and
- (b) for “this section” substitute “section 619 of that Act (charge to tax under Chapter 5 of Part 5 of that Act) so far as relating to income so treated”. 20
- (4) After subsection (3) insert –
- “(4) Income which is treated for income tax purposes as the income of the settlor alone by virtue of section 624 or 629 of ITTOIA 2005 is accordingly not the income of any company for corporation tax purposes.” 25
- 272 Omit sections 660D to 660G (settlements: supplementary provisions etc.).
- 273 Omit section 677 (sums paid to settlor otherwise than as income).
- 274 Omit section 678 (capital sums paid by body connected with settlement).
- 275 Omit sections 682 and 682A (ascertainment of undistributed income and supplementary provisions for Chapter 1B). 30
- 276 (1) Amend section 686 (accumulation and discretionary trusts: special rates of tax) as follows.
- (2) In subsection (1) for “Schedule F” substitute “dividend”.
- (3) In subsection (1AA)(a) – 35
- (a) for “Schedule F”, in the first place where it occurs, substitute “distribution”, and
- (b) for “Schedule F”, in the second place where it occurs, substitute “dividend”.
- (4) In subsection (1A) for “Schedule F” substitute “dividend”. 40
- (5) In subsection (2AA) for “Schedule F” substitute “dividend”.

- (6) In subsection (5A) for ““Schedule F type” substitute ““distribution type” and for paragraphs (a) to (g) substitute –
- “(a) income chargeable under Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.);
 - (b) income chargeable under Chapter 4 of that Part (dividends from non-UK resident companies);
 - (c) income treated as arising to the trustees under Chapter 5 of that Part (stock dividends from UK resident companies);
 - (d) income chargeable under Chapter 6 of that Part (release of loan to participator in close company);
 - (e) a relevant foreign distribution chargeable under Chapter 8 of Part 5 of that Act (income not otherwise charged); or
 - (f) any amount which, by virtue of section 686A of this Act, is treated for the purposes of the Tax Acts as if it were income to which this section applies.”
- (7) After that subsection insert –
- “(5B) In subsection (5A) “relevant foreign distribution” means any distribution of a company not resident in the United Kingdom which –
- (a) is not chargeable under Chapter 4 of Part 4 of ITTOIA 2005, but
 - (b) would be chargeable under Chapter 3 of that Part if the company were resident in the United Kingdom.”
- (8) In subsection (6) for “Part XVI” substitute “Chapter 6 of Part 5 of ITTOIA 2005”.
- 277 (1) Amend section 687 (payments under discretionary trusts) as follows.
- (2) In subsection (1)(b) for “section 660B” substitute “section 629 of ITTOIA 2005 (income paid to unmarried minor children of settlor)”.
- (3) In subsection (3)(a) for “Schedule F” substitute “dividend”.
- (4) In subsection (3)(a1) –
- (a) for “Schedule F”, in the first two places where it occurs, substitute “dividend”, and
 - (b) for “Schedule F”, in the third place where it occurs, substitute “Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)”.
- (5) In subsection (3)(a2) –
- (a) for “233(1A)” substitute “399 of ITTOIA 2005 (non-UK residents other than eligible non-UK residents receiving qualifying distributions)”, and
 - (b) for “Schedule F”, in both places where it occurs, substitute “dividend”.
- (6) In subsection (3)(aa) –
- (a) for “233(1B)” substitute “400 of that Act (non-qualifying distributions)”, and
 - (b) for “Schedule F”, in both places where it occurs, substitute “dividend”.

- (7) In paragraphs (b), (bb) and (bc) of subsection (3) for “Schedule F”, in each place where it occurs, substitute “dividend”.
- (8) In subsection (3)(b) for “section 249(6)” substitute “section 410(3) of ITTOIA 2005 (when stock dividend income arises)”.
- (9) In subsection (3)(bb) for “section 421(1)(a)” substitute “416(3) of ITTOIA 2005 (income charged on release of loan to participator in close company)”.
- (10) In subsection (3) after paragraph (k) insert—
- “(l) the amount of any tax on an amount which is treated as income of the trustees by virtue of Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) and is charged to tax at the rate applicable to trusts by virtue of section 457 of that Act.”
- 278 Omit section 688 (schemes for employees and directors to acquire shares).
- 279 (1) Amend section 689B (order in which expenses to be set against income: trust management expenses) as follows.
- (2) In subsection (2) for paragraphs (za) to (c) substitute—
- “(a) so much of the income of the trustees as is income chargeable under Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.);
- (b) income treated as arising to the trustees under Chapter 5 of that Part (stock dividends from UK resident companies); or
- (c) income chargeable under Chapter 6 of that Part (release of loan to participator in close company).”
- (3) In subsection (2A) for “income to which section 1A applies” to the end substitute “—
- (a) income chargeable under Chapter 4 of Part 4 of ITTOIA 2005 (dividends from non-UK resident companies); or
- (b) a relevant foreign distribution chargeable under Chapter 8 of Part 5 of that Act (income not otherwise charged).”
- (4) After that subsection insert—
- “(2B) In subsection (2A) “relevant foreign distribution” means any distribution of a company not resident in the United Kingdom which—
- (a) is not chargeable under Chapter 4 of Part 4 of ITTOIA 2005, but
- (b) would be chargeable under Chapter 3 of that Part if the company were resident in the United Kingdom.”
- 280 In section 691(2)(b)(ii) (certain income not to be income of settlor etc.) for “section 677” substitute “section 633 of ITTOIA 2005 (capital sums paid to settlor by trustees of settlement)”.
- 281 In section 692(1) (reimbursement of settlor) for “Schedule A business” substitute “UK property business”.
- 282 In section 694(3) (trustees chargeable to income tax in certain cases at higher rate reduced by rate applicable to trusts) for “Chapter IA of this Part” substitute “section 624 or 629 of ITTOIA 2005 (income where settlor retains

- an interest in settlement or income paid to unmarried minor children of settlor”).
- 283 (1) Amend section 695 (estates of deceased persons in course of administration: limited interests in residue) as follows.
- (2) In subsection (1) for “person who” substitute “company which”. 5
- (3) In subsection (2) –
- (a) for “all tax” substitute “corporation tax”,
- (b) for “person” substitute “company”, and
- (c) for “year of assessment”, in both places where it occurs, substitute “accounting period”. 10
- (4) In subsection (3) –
- (a) for “all tax” substitute “corporation tax”,
- (b) for “person” substitute “company”,
- (c) for “year of assessment”, in both places where it occurs, substitute “accounting period”, and 15
- (d) for “that period” substitute “the administration period”.
- (5) In subsection (4) –
- (a) for “person” substitute “company”,
- (b) for “for any year” substitute “for any accounting period”,
- (c) in paragraph (a) for “that year” substitute “the relevant year of assessment”, and 20
- (d) in paragraph (b), omit the words from “and shall” to the end of the paragraph.
- (6) In subsection (5) –
- (a) for “person” substitute “company”, 25
- (b) for “income tax for any year” substitute “corporation tax for any accounting period”,
- (c) for “him”, in both places where it occurs, substitute “it”, and
- (d) for “that year” substitute “the relevant year of assessment”.
- (7) In subsection (6) – 30
- (a) for “he” substitute “the company”,
- (b) for “to income tax” substitute “to corporation tax”, and
- (c) omit “, for the purpose of computing his total income,”.
- (8) After subsection (6) insert –
- “(7) In this section “the relevant year of assessment”, in relation to an amount deemed to have been paid to a company as income for an accounting period by virtue of this section, means the year of assessment for which the amount would have been deemed to have been paid as income if references to accounting periods in subsections (2) and (3) were references to years of assessment.” 35
- 284 (1) Amend section 696 (absolute interests in residue) as follows.
- (2) In subsection (1) for “person who” substitute “company which”.
- (3) In subsection (2) –
- (a) for “person”, wherever it occurs, substitute “company”, and 40

- (b) at the end add “; and references to the residuary income of a company for an accounting period are to be construed in accordance with subsection (8)”.
- (4) In subsection (3) –
- (a) for “all tax” substitute “corporation tax”, 5
 - (b) for “person” substitute “company”, and
 - (c) for “year of assessment” substitute “accounting period”.
- (5) In subsection (3A) –
- (a) for “person”, in both places where it occurs, substitute “company”,
 - (b) at the end of paragraph (b) insert “(whether or not the company was a company liable to corporation tax at the time of payment)”, and 10
 - (c) for “year of assessment” substitute “accounting period”.
- (6) In subsection (3B) for –
- (a) “person”, in both places where it occurs,
 - (b) “year of assessment”, in both places where it occurs, 15
 - (c) “years of assessment”,
 - (d) “each year”,
 - (e) “his”, in both places where it occurs, and
 - (f) “that year”, wherever it occurs in paragraph (a) and (b),
- substitute “company”, “accounting period”, “accounting periods”, “each accounting period”, “its” and “that accounting period” respectively. 20
- (7) In subsection (4) for “person”, “any year” and “that year” substitute “company”, “any accounting period” and “that accounting period” respectively.
- (8) In subsection (5) for – 25
- (a) “person”, in both places where it occurs, and
 - (b) “year of assessment”,
- substitute “company” and “accounting period” respectively.
- (9) In subsection (6) –
- (a) for “person” substitute “company”, 30
 - (b) for “year” substitute “accounting period”, and
 - (c) omit the words from “and shall” to the end of the subsection.
- (10) In subsection (7) for –
- (a) “person”,
 - (b) “income tax for any year”, 35
 - (c) “that year”, and
 - (d) “him”, in both places where it occurs,
- substitute “company”, “corporation tax for any accounting period”, “the relevant year of assessment” and “it” respectively.
- (11) In subsection (8) omit the words from the beginning to “this section”. 40
- (12) After subsection (8) insert –
- “(9) In subsection (7) “the relevant year of assessment”, in relation to an amount deemed to have been paid to a company as income for an accounting period by virtue of this section, means the year of

- assessment for which the amount would have been deemed to have been paid as income if references in subsections (3) to (6) to accounting periods were references to years of assessment.”
- 285 (1) Amend section 697 (supplementary provisions as to absolute interests in residue) as follows. 5
- (2) In subsection (2) –
- (a) for “person”, in both places, substitute “company”, and
- (b) for “his”, in both places where it occurs, substitute “its”.
- (3) In subsection (4), omit the words from “, and the residuary income” to the end of the subsection. 10
- (4) After that subsection insert –
- “(5) If the amount resulting from the computation mentioned in subsection (4) is greater than the total amount of the reduction which can be made under subsection (2), the share of the residuary income of the estate of the last previous holder of the interest for the last year in which that person had that interest is to be reduced, and so on.” 15
- 286 (1) Amend section 698 (special provisions as to certain interests in residue) as follows.
- (2) In subsection (1B)(c)(ii) for “year of assessment” substitute “accounting period”. 20
- (3) In subsection (2)(b) “year” substitute “accounting period”.
- (4) In subsection (3) –
- (a) for “all tax” substitute “corporation tax”, and
- (b) for “year of assessment” substitute “accounting period”.
- (5) After subsection (3) insert – 25
- “(4) Subsection (5) applies in any case where –
- (a) successively during the administration period there are different persons with absolute interests in the residue of the estate of a deceased person, or in parts of such a residue, and
- (b) some, but not all are companies liable to corporation tax in respect of income within this Part. 30
- (5) References in this section –
- (a) to sums deemed to be paid as income for an accounting period to a person who is not such a company,
- (b) to the residuary income for any accounting period of such a person, or 35
- (c) to amounts deemed to be paid to such a person as income, are references to sums that would be so deemed, to the income that would be such residuary income or, as the case may be, to the amounts that would be so deemed if the assumptions in subsection (6) were made. 40
- (6) The assumptions are –
- (a) that each of the persons who is not a company liable to corporation tax in respect of income within this Part is such a company, and 45

- (b) that in the case of each person who is not a company, the person's accounting periods correspond with years of assessment."
- 287 (1) Amend section 698A (taxation of income of beneficiaries at lower rate or at rates applicable to Schedule F income) as follows. 5
- (2) In subsection (1) for "Schedule F" substitute "Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)".
- (3) In subsection (2) –
- (a) for "Schedule F", in the first place where it occurs, substitute "dividend", and 10
- (b) for "Schedule F", in the second place where it occurs, substitute "Chapter 3 of Part 4 of ITTOIA 2005".
- (4) In subsection (3) –
- (a) after "section 698(3)" insert "above or of section 662 of ITTOIA 2005 read with section 656(3) or 657(4) of that Act", 15
- (b) for "Schedule F", in the first place where it occurs, substitute "dividend",
- (c) for "Schedule F", in the second place where it occurs, substitute "Chapter 3 of Part 4 of ITTOIA 2005",
- (d) for "Schedule F", in the third place where it occurs, substitute "dividend", and 20
- (e) for "Schedule F", in the fourth place where it occurs, substitute "Chapter 3 of Part 4 of ITTOIA 2005".
- (5) In the side-note for "Schedule F" substitute "distribution".
- 288 Omit section 699 (relief from higher rate tax for inheritance tax on accrued income). 25
- 289 (1) Amend section 699A (untaxed sums comprised in the income of the estate) as follows.
- (2) In subsection (1)(a) for "sections 249(5), 421(2) and 547(1)(c)" substitute "paragraphs (c) to (e) of section 701(8) below". 30
- (3) In subsection (1A) –
- (a) in paragraph (a) for "Schedule F" substitute "Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)", and
- (b) omit paragraph (b) and the word "or" immediately preceding it.
- (4) In subsection (4) – 35
- (a) in paragraph (a) for "section 249(5) or 421(2), at the Schedule F" substitute "section 701(8)(c) or (d), at the dividend",
- (b) in paragraph (b) for "section 547(1)(c)" substitute "section 701(8)(e)", and
- (c) in paragraph (c) for "Schedule F" substitute "dividend". 40
- (5) Omit subsection (6).
- 290 (1) Amend section 700 (adjustments and information) as follows.
- (2) In subsection (1) –
- (a) for "person" substitute "company",

- (b) for “year of assessment” substitute “accounting period”,
- (c) for “him”, wherever it occurs, substitute “it”,
- (d) for “that year”, wherever it occurs, substitute “that accounting period”,
- (e) for “tax” substitute “corporation tax”, and 5
- (f) for “he” substitute “it”.
- (3) In subsection (2) –
- (a) for “person”, in both places where it occurs, substitute “company”,
- (b) for “year of assessment” substitute “accounting period”,
- (c) for “him”, wherever it occurs, substitute “it”, 10
- (d) for “that year”, wherever it occurs, substitute “that accounting period”, and
- (e) for “tax” substitute “corporation tax”.
- (4) In subsection (3) for “year of assessment” substitute “accounting period”.
- (5) In subsection (4) after “this Part” insert “or Chapter 6 of Part 5 of ITTOIA 2005”. 15
- (6) In subsection (5) –
- (a) in paragraph (a) for “a year of assessment” substitute “an accounting period”,
- (b) omit “and” at the end of paragraph (a), 20
- (c) after paragraph (a) insert –
- “(aa) the amount treated as estate income under Chapter 6 of Part 5 of ITTOIA 2005 in respect of that interest or the exercise of that discretion for which he is liable to income tax for a year of assessment, and”, 25
- (d) in paragraph (b) after “paragraph (a)” insert “or (aa)”,
- (e) for “any year of assessment” substitute “any accounting period under this Part or treated as estate income under that Chapter”,
- (f) after “the purposes of this Part” insert “or that Chapter”, and
- (g) for “paragraphs (a) and (b)” substitute “paragraphs (a) to (b)”. 30
- 291 (1) Amend section 701 (interpretation) as follows.
- (2) In subsection (3A) for “Schedule F”, wherever it occurs, substitute “dividend”.
- (3) In subsection (8) –
- (a) omit “and” at the end of paragraph (a), 35
- (b) after paragraph (b) insert –
- “(c) any amount of income treated as arising to the personal representatives under section 410(4) of ITTOIA 2005 (stock dividends) that would be charged to income tax under Chapter 5 of Part 4 of that Act if income arising to personal representatives were so charged (see section 413 of that Act); 40
- (d) in a case where section 419(2) of that Act applies (release of loans to participator in close company: debts due from personal representatives), the amount that would be charged to income tax under Chapter 6 of Part 4 apart from that section; and 45

- (e) any amount that would have been treated as income of the personal representatives as such under section 466 of that Act if the condition in section 466(2) had been met (gains from contracts for life insurance);”
and 5
- (c) omit the second sentence.
- (4) In subsection (9) after “year of assessment” insert “or accounting period”.
- (5) In subsection (10) after “year of assessment” insert “or accounting period”.
- 292 In section 703(3) (cancellation of tax advantage) after “being chargeable” insert “in the case of corporation tax”. 10
- 293 (1) Amend section 710 (meaning of “securities”, transfer etc. for purposes of sections 711 to 728) as follows.
- (2) In subsection (3) –
- (a) after “Ulster Savings Certificates” insert “, as defined in section 693(7) of ITTOIA 2005”, 15
- (b) after paragraph (c) insert –
- “(ca) uncertificated eligible debt security units within the meaning of section 552(2) of that Act;”,
- (c) in paragraph (d) for “section 56(5)” substitute “section 552(2) of that Act”, 20
- (d) in paragraph (da) for the words from “fulfils” to “of it” substitute “is a right falling within section 552(1)(c) of that Act”, and
- (e) for paragraph (f) substitute –
- “(f) any security that is a deeply discounted security for the purposes of Chapter 8 of Part 4 of ITTOIA 2005 (see section 430 of that Act).” 25
- (3) After subsection (3) insert –
- “(3A) Paragraph (f) of subsection (3) does not apply to a security on the transfer of which Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) would apply subject to the rules in sections 454 to 456 of that Act (see section 453(2) and (3) of that Act).” 30
- (4) In subsection (5) –
- (a) omit “and” at the end of paragraph (a), and
- (b) at the end of paragraph (b) insert “and 35
- (a) does not include any transfer of a security to which Chapter 8 of Part 4 of ITTOIA 2005 applies subject to the rules in sections 454 to 456 of that Act.”
- 294 (1) Amend section 714 (treatment of deemed sums and reliefs) as follows.
- (2) In subsection (2) – 40
- (a) for “annual profits or gains whose amount” substitute “income of an amount which”,
- (b) for “the profits or gains” substitute “the income”,
- (c) omit “under Case VI of Schedule D”, and
- (d) for “they are” substitute “it is”. 45

- (3) After subsection (2) insert –
- “(2A) Income tax chargeable by virtue of subsection (2) shall be charged on the full amount of the income treated as received.
- (2B) The person liable for any tax so charged shall be the person treated as receiving the income.” 5
- 295 In section 715(1)(j) (exceptions from sections 713 and 714) for the words from “chargeable” to “United Kingdom” substitute “charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis)”.
- 296 (1) Amend section 716 (transfer of unrealised interest) as follows. 10
- (2) In subsection (3) –
- (a) for “annual profits or gains” substitute “income”,
- (b) for “the profits or gains” substitute “the income”,
- (c) omit “under Case VI of Schedule D”, and
- (d) for “they are” substitute “it is”. 15
- (3) After subsection (3) insert –
- “(3A) Income tax chargeable by virtue of subsection (3) shall be charged on the full amount of the income treated as received.
- (3B) The person liable for any tax so charged shall be the person treated as receiving the income.” 20
- 297 (1) Amend section 720 (transfers of securities: nominees, trustees etc.) as follows.
- (2) In subsection (5) –
- (a) for “Annual profits or gains” substitute “Income”, and
- (b) for “are treated” substitute “is treated”. 25
- (3) In subsection (6) –
- (a) in paragraph (a) for “annual profits or gains” substitute “income”,
- (b) in paragraph (b) for “annual profits or gains or annual profits or gains” substitute “income or income”, and
- (c) for “Chapters 1A, 1B and 1C of Part XV” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (settlements: amounts treated as income of settlor) and Chapter 1C of Part 15 of this Act (liability of trustees)”. 30
- (4) In subsection (7) for “Chapters 1A, 1B and 1C of Part XV” substitute “Chapter 5 of Part 5 of ITTOIA 2005 and Chapter 1C of Part 15 of this Act”.
- (5) In subsection (8)(a) for “Chapter 1A of Part XV (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”. 35
- 298 (1) Amend section 723 (foreign securities: delayed remittances) as follows.
- (2) In subsection (2) –
- (a) for “any annual profits or gains” substitute “any income”, and
- (b) for “the profits or gains” substitute “that income”. 40
- (3) In subsection (4) for “under Case VI of Schedule D on the amount” substitute “on the full amount”.

- 299 (1) Amend section 730 (transfers of income arising from securities) as follows.
- (2) In subsection (2) –
- (a) after “chargeable to” insert “income tax under Chapter 13 of Part 4 of ITTOIA 2005 or to corporation”, and
- (b) after “section 18(3B)” insert “of this Act”. 5
- (3) In subsection (4) –
- (a) for “tax by virtue of section 18(3B)” substitute “income tax under Chapter 13 of Part 4 of ITTOIA 2005 (sales of foreign dividend coupons)”, and
- (b) for “then the owner or beneficiary” to the end substitute “then that interest shall be charged to income tax. 10
- (4A) The income tax chargeable by virtue of subsection (4) above shall, subject to subsection (5) below, be charged on the full amount of the interest arising in the year of assessment.
- (4B) The person liable for any tax chargeable by virtue of subsection (4) above is the owner or beneficiary, but he shall be entitled to credit for any tax which the interest is shown to have borne.” 15
- (4) In subsection (5) –
- (a) for “For the purposes of subsection (4) above” substitute “But”, 20
- (b) for “chargeable under Case IV or V of Schedule D” substitute “relevant foreign income”, and
- (c) for “the tax under Case VI” substitute “the income tax chargeable by virtue of subsection (4) above”.
- (5) In subsection (8) – 25
- (a) after “charged to” insert “income tax under Chapter 13 of Part 4 of ITTOIA 2005 or to corporation”, and
- (b) after “section 18(3B)” insert “of this Act”.
- 300 Omit section 730C (exchanges of gilts: traders etc.).
- 301 In section 731 (application and interpretation of sections 732 to 734: purchase and sale of securities) – 30
- (a) in subsection (7) after “set up and commenced” insert “, or when a trade is subject to a relevant change,”, and
- (b) after that subsection insert –
- “(7A) For the purposes of subsection (7) above a trade is subject to a relevant change – 35
- (a) when there is a change in the persons carrying on the trade which involves all of the persons carrying it on before the change permanently ceasing to carry it on, or 40
- (b) when a company starts to be within the charge to income tax under Chapter 2 of Part 2 of ITTOIA 2005 in respect of the trade.”
- 302 In section 732(1A) (dealers in securities) for the words from “by virtue of” to

- the end substitute “either –
- (a) by virtue of section 366(1) of ITTOIA 2005 in computing profits chargeable to income tax under Chapter 2 of Part 2 of that Act, or
 - (b) by virtue of section 95(1) of this Act in computing profits chargeable to corporation tax in accordance with the provisions of this Act applicable to Case I or II of Schedule D.” 5
- 303 (1) Amend section 740 (liability of non-transferors) as follows.
- (2) In subsection (2) – 10
 - (a) in paragraph (a) after “for that year” insert “and be charged to income tax on that individual for that year”, and
 - (b) in paragraph (b) after “his income for the next following year” insert “and be charged to income tax on him for that year”.
 - (3) Omit subsection (4). 15
 - (4) In subsection (5) for the words from “; and subsections (6) to (9)” to the end substitute “; and sections 833 and 834 of ITTOIA 2005 shall apply for the purposes of this subsection as they would apply for the purposes of section 832 (remittance basis) of that Act if the benefit were relevant foreign income.” 20
- 304 (1) Amend section 743 (transfer of assets abroad: supplemental provision) as follows.
- (2) In subsection (1) for “Schedule F” substitute “dividend” and for “income tax so chargeable shall be charged” to the end substitute “income to which section 739 applies shall be charged to income tax.” 25
 - (3) After subsection (1) insert –
 - “(1ZA) The charge to income tax under subsection (1) above operates on income falling within subsection (1A) below by treating the income as if it were income to which section 1A applies by virtue of subsection (2)(b) of that section.” 30
 - (4) In subsection (1A) for paragraphs (a) to (g) substitute –
 - “(a) income chargeable under Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.);
 - (b) income chargeable under Chapter 4 of that Part (dividends from non-UK resident companies); 35
 - (c) income chargeable under Chapter 5 of that Part (stock dividends from UK resident companies);
 - (d) income chargeable under Chapter 6 of that Part (release of loan to participator in close company); or
 - (e) a relevant foreign distribution chargeable under Chapter 8 of Part 5 of that Act (income not otherwise charged).” 40
 - (5) After that subsection insert –
 - “(1B) In subsection (1A) “relevant foreign distribution” means any distribution of a company not resident in the United Kingdom which – 45

- (a) is not chargeable under Chapter 4 of Part 4 of ITTOIA 2005, but
- (b) would be chargeable under Chapter 3 of that Part if the company were resident in the United Kingdom.”
- 305 In section 745(6) (transfer of assets abroad: information powers) for “section 660G(1) and (2)” substitute “section 620 of ITTOIA 2005”. 5
- 306 (1) Amend section 746 (persons resident in the Republic of Ireland) as follows.
- (2) Renumber the existing text as subsection (1).
- (3) In that subsection for “any provision of section 34, 35 or 36” substitute “the lease premium rules”. 10
- (4) After that subsection insert –
- “(2) Corporation tax chargeable by virtue of subsection (1)(b) above shall be charged under Case VI of Schedule D.
- (3) In this section “the lease premium rules” means any provision of sections 277 to 285 of ITTOIA 2005 or sections 34 to 36 of this Act.” 15
- 307 (1) Amend section 761 (charge to income tax or corporation tax of offshore income gain) as follows.
- (2) In subsection (1) for the words from “of that gain shall be treated for all” to the end substitute “of that gain –
- (a) shall be treated for all the purposes of the Tax Acts as income arising at the time of the disposal to the person making the disposal, and 20
- (b) shall be charged –
- (i) to income tax for the year of assessment in which the disposal is made, or 25
- (ii) to corporation tax as a profit or gain under Case VI of Schedule D for the accounting period in which the disposal is made.”
- (3) After that subsection insert –
- “(1A) The income tax charged by virtue of subsection (1)(b)(i) above shall be charged on the full amount of the income treated as arising in the year of assessment.” 30
- 308 In section 762(6) (offshore income gains accruing to persons resident or domiciled abroad) –
- (a) after “740” insert “above”, and 35
- (b) for “Part XV” substitute “Chapter 5 of Part 5 of ITTOIA 2005”.
- 309 In section 774(1) (transactions between dealing company and associated company) –
- (a) after “shall be chargeable” insert “to tax”, and
- (b) for “under Case VI of Schedule D” substitute “(in the case of corporation tax, under Case VI of Schedule D)”. 40
- 310 (1) Amend section 775 (sale by individual of income derived from his personal activities) as follows.
- (2) In subsection (2) omit the words from “, and which is” to the end.

- (3) After subsection (2) insert—
- “(2A) Any such earned income shall be charged to income tax on the individual and the tax so charged shall be charged on the full amount of the earned income treated as arising in the year of assessment.”
- 311 (1) Amend section 776 (transactions in land: taxation of capital gains) as follows. 5
- (2) In subsection (3)(a) omit the words from “, and which constitutes” to “period in which the gain is realised”.
- (3) After subsection (3) insert—
- “(3A) The gain treated as income shall be charged—
- (a) to income tax for the year of assessment in which the gain is realised, or 10
- (b) to corporation tax as profits or gains under Case VI of Schedule D for the accounting period in which the gain is realised.
- (3B) The income tax charged by virtue of subsection (3A)(a) shall be charged on the full amount of the income treated as arising in the year of assessment; and the person liable for any tax so charged is the person whose income it is.” 15
- (4) In subsection (6)—
- (a) in paragraph (a) after “the profits under” insert “Part 2 of ITTOIA 2005 or”, and 20
- (b) in paragraph (b) for “subsections (2) and (3) of section 99” substitute “section 158 of ITTOIA 2005 or (as the case may be) subsections (2) and (3) of section 99 above”.
- (5) In subsection (7) after “the treatment under” insert “Part 2 of ITTOIA 2005 or”. 25
- 312 (1) Amend section 777 (tax avoidance: provisions supplementary to sections 775 and 776) as follows.
- (2) In subsection (9) after “tax under” insert “Chapter 7 of Part 5 of ITTOIA 2005 (annual payments not otherwise charged) or”. 30
- (3) In subsection (10) for “Part XV” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (settlements: amounts treated as income of settlor)”.
- 313 (1) Amend section 779 (sale and lease-back: limitation on tax reliefs) as follows.
- (2) In subsection (10)—
- (a) after “include references to” insert “— 35
- (a)”,
- (b) after “section 37” insert “or under section 37A”,
- (c) after “87” insert “or 87A”,
- (d) after “comprised in the lease,” insert “and
- (b) expenses which the tenant under the lease is treated as incurring in respect of the land subject to the lease under sections 61 to 67 or 292 to 297 of ITTOIA 2005,”, 40
- and
- (e) at end insert “and such expenses shall be treated for those purposes as having been paid as soon as they have been incurred.” 45

- (3) In subsection (13) –
- (a) after paragraph (a) insert –
 - “(aa) a deduction in calculating the profits of a UK property business;”,
 - (b) in paragraph (c) omit “392 or”, and 5
 - (c) after that paragraph insert –
 - “(ca) a deduction in computing profits or other income or gains chargeable to income tax under or by virtue of any provision to which section 836B applies, or in computing any loss for which relief is allowable under section 392;”. 10
- 314 (1) Amend section 780 (sale and lease-back: taxation of consideration received) as follows.
- (2) In subsection (3)(b) for “a profit or gain chargeable under Case VI of Schedule D” substitute “an amount chargeable to tax in accordance with subsection (3A)”. 15
 - (3) After subsection (3) insert –
 - “(3A) The amount shall be charged –
 - (a) to income tax, or
 - (b) to corporation tax as a profit or gain under Case VI of Schedule D. 20
 - (3B) The income tax charged by virtue of subsection (3A)(a) above shall be charged on the full amount of the proportion of the consideration concerned arising in the year of assessment; and the person liable for any tax so charged is the lessee.” 25
- 315 (1) Amend section 781 (assets leased to traders and others) as follows.
- (2) In subsection (1) for “under Case VI of Schedule D for the chargeable period in which the sum is obtained with tax” substitute “to tax (in the case of corporation tax, under Case VI of Schedule D) for the chargeable period in which the sum is obtained”. 30
 - (3) In subsection (4) after paragraph (a) insert –
 - “(ab) a deduction in computing profits or other income or gains chargeable to income tax under or by virtue of any provision to which section 836B applies, or in computing any loss for which relief is allowable under section 392;”. 35
 - (4) In subsection (4)(b) omit “392 or”.
- 316 In section 782(9) (leased assets: special cases) for “section 113 or 337(1)” substitute “section 18 of ITTOIA 2005 or section 337(1) above (companies beginning or ceasing to carry on trade)”.
- 317 In section 783(10)(b) (leased assets: supplemental) for “section 660G(1) and (2)” substitute “section 620 of ITTOIA 2005”.
- 318 In section 785 (meaning of “asset”, “capital sum” and “lease” for purposes of sections 781 to 784), in the definition of “capital sum”, after “chargeable” insert “to income tax under or by virtue of any provision to which section 836B applies or to corporation tax”. 45

- 319 (1) Amend section 786 (transactions associated with loans or credit) as follows.
- (2) In subsection (3) for the words from “annuity” to “Schedule D” substitute “relevant annual payment”.
- (3) After that subsection insert –
- “(3A) In subsection (3) “relevant annual payment” means a payment which is not interest but is –
- (a) an annuity or other annual payment falling within Part 5 of ITTOIA 2005 and chargeable to income tax otherwise than as relevant foreign income; or
- (b) an annuity or other annual payment chargeable to corporation tax under Case III of Schedule D.”
- (4) In subsection (5) for “he shall be chargeable to tax under Case VI of Schedule D on a sum” substitute “he shall be chargeable –
- (a) to income tax, or
- (b) to corporation tax under Case VI of Schedule D, on a sum”.
- (5) After that subsection insert –
- “(5A) Income tax charged by virtue of subsection (5)(a) above shall be charged on the full amount of the income assigned, surrendered, waived or forgone in the year of assessment.”
- 320 (1) Amend section 788 (relief by agreement with other territories) as follows.
- (2) In subsection (3)(d) for “section 231” substitute “section 397(1) of ITTOIA 2005”.
- (3) In subsection (7) after “and, in the case of an assessment” insert “to corporation tax”.
- 321 In section 790(11) (unilateral relief) after “and, in the case of an assessment” insert “to corporation tax”.
- 322 (1) Amend section 804 (relief against income tax in respect of earlier years of commencement) as follows.
- (2) In subsections (5)(b) and (5A)(b) for “section 63A(1) or (3)” substitute “section 205 or 220 of ITTOIA 2005”.
- (3) In subsection (5B)(a) –
- (a) for “under Case VI of Schedule D” substitute “to income tax”, and
- (b) after “equal to the excess” insert “and be liable for any tax so chargeable”.
- (4) In subsection (5C) for “section 63A(1)” substitute “section 220 of ITTOIA 2005”.
- (5) In subsection (8), in the definition of “overlap profit” for “sections 60 to 62” substitute “Chapter 15 of Part 2 of ITTOIA 2005”.
- 323 In section 806K(2) (application of foreign dividend provisions to branches or agencies in the UK of persons resident elsewhere) after paragraph (b)

- insert—
- “(bb) in relation to income tax, take any reference to a dividend chargeable under Case V of Schedule D as a reference to a dividend chargeable under Chapter 4 of Part 4 of ITTOIA 2005;”.
- 324 In section 807(1)(b) (sale of securities with or without accrued interest) for “Case IV or V of Schedule D” substitute “ITTOIA 2005 on relevant foreign income”. 5
- 325 In section 812(1) (withdrawal of right to tax credit of certain non-resident companies connected with unitary states)— 10
- (a) for “section 231(3)” substitute “section 397(2)(a) of ITTOIA 2005”, and
- (b) for “or, where” substitute “nor, by virtue of section 30(9) of the Finance (No. 2) Act 1997, where”.
- 326 (1) Amend section 817 (deductions not to be allowed in computing profits or gains) as follows. 15
- (2) In subsection (1)—
- (a) before “tax purposes” insert “corporation”, and
- (b) for “the Tax Acts” substitute “the Corporation Tax Acts”.
- (3) In subsection (2)— 20
- (a) after “profits or gains” insert “for corporation tax purposes”,
- (b) for “the Tax Acts” substitute “the Corporation Tax Acts”,
- (c) omit “or employment”, and
- (d) for “or in any profession, employment or vocation” substitute “or profession”. 25
- 327 (1) Amend section 818 (arrangements for payments of interest less tax or of fixed net amount) as follows.
- (2) In subsection (2) for the words from “interest”, in the first place where it occurs, to “and” substitute “relevant interest”.
- (3) After subsection (2) insert— 30
- “(3) In subsection (2) “relevant interest” means—
- (a) interest on which the recipient is chargeable to income tax, which falls within Chapter 2 of Part 4 of ITTOIA 2005 but which is not relevant foreign income, or
- (b) interest on which the recipient is chargeable to corporation tax under Case III of Schedule D.” 35
- 328 In section 819(2) (old references to standard rate tax) for “Schedule F”, in both places where it occurs, substitute “dividend”.
- 329 In section 821(1) (under-deductions from payments made before passing of annual Act)— 40
- (a) after “assessment” insert “or accounting period”,
- (b) after “quarterly payments” insert “(or half-periodic or quarterly payments)”,
- (c) after “income” insert “or corporation”,

- (d) after “year”, in the second and third places where it occurs, insert “or period”,
- (e) after “charged”, in the fourth place where it occurs, insert “in respect of those payments to income tax under Chapter 2 of Part 4 of ITTOIA 2005 (interest) or shall be charged to corporation tax under”, and 5
- (f) omit “in respect of those payments”.
- 330 (1) Section 824 (repayment supplements: individuals and others) is amended as follows.
- (2) In subsection (4A)(b) for “section 231” substitute “section 397(1) of ITTOIA 2005”. 10
- (3) Omit subsection (8).
- (4) In subsection (9) for “to (8)” substitute “to (7)”.
- 331 In section 827 (VAT penalties etc.)—
- (a) for “for any tax purposes”, in each place where it occurs, substitute “for any corporation tax purposes (but see also subsection (3)(a) below)”, 15
- (b) in subsection (2) for “and income tax” substitute “(but see also subsection (3)(b) below)”, and
- (c) at the end insert—
- “(3) For income tax purposes— 20
- (a) provision corresponding to that made by this section (other than subsection (2) above) is made by sections 54 and 869 of ITTOIA 2005, and
- (b) provision corresponding to that made by subsection (2) above is made by section 777 of ITTOIA 2005 (as read with Chapter 10 of Part 6 of that Act).” 25
- 332 After section 827 insert—
- “827A Territorial scope of charges under certain provisions to which section 836B applies**
- (1) This section applies in relation to any amount chargeable to income tax under or by virtue of any provision to which section 836B applies (other than a provision listed in Part 2 of the table in that section). 30
- (2) An amount arising to a person who is resident in the United Kingdom is chargeable to tax whether or not it is from a source in the United Kingdom. 35
- (3) An amount arising to a person who is not resident in the United Kingdom is chargeable to tax only if it is from a source in the United Kingdom.
- (4) References in this section to amounts which are from a source in the United Kingdom include, in the case of any amount which does not have a source, references to amounts which have a comparable connection to the United Kingdom. 40
- (5) This section is subject to any express or implied provision to the contrary in any provision of the Income Tax Acts.
- (6) This section does not apply for the purposes of corporation tax.” 45

- 333 (1) Amend section 828 (orders and regulations made by the Treasury or the Board) as follows.
- (2) In subsection (4) omit “324,”.
- (3) In subsection (5) –
- (a) after “section 717 of ITEPA 2003” insert “or section 873 of ITTOIA 2005”, 5
 - (b) after “under ITEPA 2003” insert “or ITTOIA 2005”, and
 - (c) for “that Act” substitute “either of those Acts”.
- 334 In section 830(3) (territorial sea and designated areas) omit “income tax or”.
- 335 In section 831(3) (interpretation of ICTA) after the entry relating to “ITEPA 2003” insert – 10
- ““ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”.
- 336 In section 832(1) (interpretation of the Tax Acts) –
- (a) for the definition of “overseas property business” substitute – 15
 - ““overseas property business” –
 - (a) for the purposes of income tax, has the meaning given by Chapter 2 of Part 3 of ITTOIA 2005;
 - (b) for the purposes of corporation tax, has the meaning given by section 70A(4);”, 20
 - (b) in the appropriate place insert –
 - ““relevant foreign income” has the meaning given by subsections (1) to (3) of section 830 of ITTOIA 2005 but also includes, for any purpose mentioned in any provision listed in subsection (4) of that section, income treated as relevant foreign income for that purpose by that provision;”. 25
 - (c) in the definition of “Schedule A business” for “income tax” substitute “corporation tax”,
 - (d) in the definitions of “the Schedule F ordinary rate”, “the Schedule F trust rate” and “the Schedule F upper rate” for “Schedule F” substitute “dividend”, 30
 - (e) for the definition of “tax credit” substitute –
 - ““tax credit” means –
 - (a) a tax credit under section 231 for the purposes of corporation tax; and 35
 - (b) a tax credit under section 397(1) of ITTOIA 2005 for the purposes of income tax;”,
 - (f) in the appropriate place insert –
 - ““UK property business” has the meaning given by Chapter 2 of Part 3 of ITTOIA 2005;”, and 40
 - (g) omit the definition of “Ulster Savings Certificates”.
- 337 (1) Amend section 833 (interpretation of Income Tax Acts) as follows.
- (2) In subsection (3) –
- (a) for “section 550” substitute “sections 535 to 537 of ITTOIA 2005”, and 45
 - (b) in paragraph (b) –
 - (i) for “547(1)(a)” substitute “465 of ITTOIA 2005”, and

- (ii) for “547(5)” substitute “530 of that Act”.
- (3) In subsection (4) –
- (a) for “and” in the first place where it occurs substitute “to”, and
 - (b) in paragraph (c) for the words from “under” to “D” substitute “under Part 2 of ITTOIA 2005 (trading income)”.
- (4) In subsection (5) for “income which is earned income by virtue of section 529” substitute “ –
- (a) income to which subsection (5A) applies, and
 - (b) income to which subsection (5B) applies.”
- (5) After that subsection insert –
- “(5A) This subsection applies to income arising to the individual if –
- (a) it is charged to tax under section 583 of ITTOIA 2005 (income from disposals of know-how), and
 - (b) the individual, alone or jointly, devised the know-how in question.
- (5B) This subsection applies to income arising to the individual if –
- (a) it is patent income, and
 - (b) the individual, alone or jointly, devised the invention for which the patent in question was granted.
- This is subject to subsection (5C).
- (5C) If –
- (a) any part of the rights in respect of the patent, or of any rights out of which they were granted, has at any time belonged to any other person, and
 - (b) any part of the income is properly attributable to the rights which have belonged to that other person,
- subsection (5B) does not apply to that part of the income (and so it is not earned income).
- (5D) In subsection (5B) “patent income” means –
- (a) royalties or other sums paid in respect of the use of a patent charged to tax under section 579 of ITTOIA 2005,
 - (b) amounts on which tax is payable under section 587 or 593 of ITTOIA 2005, and
 - (c) amounts on which tax is payable under –
 - (i) section 472(5) of the Capital Allowances Act (patent allowances: balancing charges), or
 - (ii) paragraph 100 of Schedule 3 to that Act (balancing charges in respect of pre-1st April 1986 expenditure on the purchase of patent rights).
- (6) References in subsection (5C) to the rights in respect of the patent are to any right to do or authorise the doing of anything which would, but for the right, be an infringement of the patent.”
- 338 In section 835(6)(a) (“total income” in the Income Tax Acts) for “Schedule F” substitute “Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)”.

339 After section 836A insert—

“836B Table of provisions to which this section applies

(1) In the Tax Acts references to any provision to which this section applies are references to any provision listed in the following table so far as it relates to income tax (but subject to any applicable limitation in subsections (3) to (5)). 5

(2) This is the table—

PART 1

<i>Provisions of this Act</i>	<i>Description</i>	
Section 214(1)(ab)	Chargeable payments connected with exempt distributions	10
Section 571(1)	Cancellation of certificates: schemes for rationalising industry	15
Section 591C(1)	Cessation of approval (retirement benefits scheme)	
Section 598(1)	Repayment of employee's contribution	
Section 599(1) or (1B)	Commutation of entire pension in special circumstances	20
Section 599A(2)	Payment out of surplus funds	
Section 601(2) (as read with section 602(1)(a)) or (5)	Payments to employers (retirement benefits scheme)	25
Section 648B(1)	Return of contributions after pension date (approved personal pension scheme)	
Section 650A(1)	Withdrawal of approval from arrangements (approved personal pension scheme)	30
Section 714(2)	Transfer of securities within accrued income scheme with or without accrued interest	
Section 716(3)	Transfer of securities with unrealised interest where settlement day follows last interest period	35
Section 723(4)	Proceeds of transfer of foreign securities within the accrued income scheme ceasing to be unremittable	40

<i>Provisions of this Act</i>	<i>Description</i>	
Section 730(4)	Transfers of income arising from securities	
Section 740(2)(a) or (b)	Transfer of assets abroad (liability of non-transferors)	5
Section 743(1)	Transfer of assets abroad (liability of transferors)	
Section 761(1)(b)(i)	Offshore income gains	
Section 774(1)	Transactions between dealing company and associated company	10
Section 775(2A)	Sale by individual of income derived from his personal activities	
Section 776(3A)(a)	Transactions in land	15
Section 780(3A)(a)	Sale and lease-back (taxation of consideration received)	
Section 781(1)	Assets leased to traders and others	
Section 786(5)(a)	Transactions associated with loans or credit	20
Section 804(5B)(a)	Double taxation relief	

PART 2

<i>Provision of ITTOIA 2005</i>	<i>Description</i>	
Chapter 18 of Part 2	Post-cessation receipts: trades, professions and vocations	25
Chapter 8 of Part 3	Rent receivable in connection with a UK section 12(4) concern	
Chapter 9 of Part 3	Rent receivable for UK electric-line wayleaves	30
Chapter 10 of Part 3	Post-cessation receipts: UK property businesses	
Chapter 2 of Part 4	Interest	
Chapter 9 of Part 4	Gains from contracts for life insurance etc.	35
Chapter 11 of Part 4	Transactions in deposits	

<i>Provision of ITTOIA 2005</i>	<i>Description</i>	
Chapter 12 of Part 4	Disposals of futures and options involving guaranteed returns	
Section 579	Royalties and other income from intellectual property	5
Section 583	Income from disposals of know-how	
Section 587	Income from sales of patent rights	10
Chapter 3 of Part 5	Films and sound recordings: non-trade businesses	
Chapter 4 of Part 5	Certain telecommunication rights: non-trading income	
Chapter 5 of Part 5	Settlements: amounts treated as income of settlor	15
Section 682(3)	Adjustments after the administration period	
Chapter 8 of Part 5	Income not otherwise charged	

PART 3 20

<i>Other provisions</i>	<i>Description</i>	
Paragraph 8(2)(i) of Schedule 3 to the Finance Act 1971	Occupational pension schemes (refunds of contributions and commutation payments)	
Section 68(2) of the Finance Act 1989	Employee share ownership trust (chargeable event)	25
Section 71(4) of the Finance Act 1989	Employee share ownership trust (borrowing)	
Paragraph 11(3) of Schedule 20 to the Finance Act 1994	Self-assessment transitional	30
Section 258(4) of the Capital Allowances Act	Special leasing	
Section 479(4) of the Capital Allowances Act	Persons having qualifying non-trade expenditure	
Section 394(2) of ITEPA 2003	Charge on administrator of non-approved pension scheme	35
Section 476(5) of ITEPA 2003	Charge on occurrence of chargeable event	

<i>Other provisions</i>	<i>Description</i>	
Section 583 of ITEPA 2003	certain pension income (approved retirement benefits schemes: unauthorised payments)	5
Section 623 of ITEPA 2003	certain pension income (return of surplus employee AVCs)	
Section 119(4) of the Finance Act 2004	Individuals benefited by film relief	
Section 127(2) of the Finance Act 2004	Losses derived from exploiting licence: individuals in partnership	10

- (3) For the purposes of this section the reference to section 743 of this Act does not include that section so far as relating to income falling within subsection (1A) of that section. 15
- (4) For the purposes of this section –
- (a) any reference to any provision of ITTOIA 2005 does not include that provision so far as relating to relevant foreign income,
 - (b) the reference to Chapter 2 of Part 4 of ITTOIA 2005 is a reference to that Chapter only so far as relating to interest falling within section 582(2)(b)(ii) of this Act (funding bonds issued in respect of interest on certain debts), 20
 - (c) the reference to Chapter 9 of Part 4 of ITTOIA 2005 is a reference to that Chapter only so far as relating to gains – 25
 - (i) which are from a policy or contract specified in section 531(3) of that Act, and
 - (ii) which do not fall within section 532 or 534 of that Act,
 - (d) the reference to section 579 of ITTOIA 2005 does not include that section so far as relating to any annual payment, 30
 - (e) the reference to Chapter 4 of Part 5 of ITTOIA 2005 does not include that Chapter so far as relating to any annual payment, and
 - (f) the reference to Chapter 5 of Part 5 of ITTOIA 2005 does not include that Chapter so far as relating to income which falls within section 619(3) of that Act. 35
- (5) For the purposes of this section the reference to section 583 of ITEPA 2003 is a reference to that section only where the paying scheme (see subsection (3) of that section) is a pilots’ benefit fund (see section 587 of that Act).” 40

340 In section 839(3) (connected persons) for “Chapter 1A of Part XV (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”.

341 Omit Schedule 4A (creative artists: relief for fluctuating profits).

- 342 (1) Amend Schedule 5 (treatment of farm animals etc for the purposes of Case I of Schedule D) as follows.
- (2) In paragraph 1—
- (a) after “profits” insert “chargeable to corporation tax”, and
 - (b) for “his” substitute “its”. 5
- (3) In paragraph 2—
- (a) in sub-paragraph (1) for “he” substitute “the farmer”,
 - (b) omit sub-paragraphs (3)(a), (4)(a) and (5), and
 - (c) in sub-paragraph (6), omit the definitions of “commencement year” and “qualifying year of assessment”. 10
- (4) In paragraph 3—
- (a) in sub-paragraph (1) after “profits” insert “chargeable to corporation tax”,
 - (b) in sub-paragraph (3)(b) for “him” substitute “the farmer”,
 - (c) in sub-paragraph (9)(a) for “his” substitute “the seller’s”, and 15
 - (d) in sub-paragraph (10)(b) for “him” substitute “the farmer”.
- (5) In paragraph 4—
- (a) for “him” substitute “the farmer”, and
 - (b) for “he” substitute “the farmer”.
- (6) In paragraph 5(1) after “profits” insert “chargeable to corporation tax”. 20
- (7) In paragraph 6—
- (a) in sub-paragraph (1)—
 - (i) for “his” substitute “its”, and
 - (ii) for “him” substitute “the farmer”,
 - (b) omit sub-paragraphs (2)(a), and (3)(a), and 25
 - (c) in sub-paragraph (4), omit the definition of “qualifying year of assessment”.
- (8) In paragraph 8—
- (a) for “him”, in each place it occurs, substitute “the farmer”,
 - (b) in sub-paragraph (7)— 30
 - (i) before “tax” insert “corporation”, and
 - (ii) for “chargeable period” substitute “accounting period”.
- (9) In paragraph 11 for “chargeable period” substitute “accounting period”.
- 343 Omit Schedule 5AA (guaranteed returns on transactions in futures and options). 35
- 344 Omit Schedule 15A (contractual savings schemes).
- 345 (1) Amend Schedule 15B (venture capital trusts: relief from income tax) as follows.
- (2) In paragraph 4(1) and (2) omit “under Case VI of Schedule D”.
- (3) Omit paragraphs 7 to 9. 40
- 346 (1) Amend Schedule 20 (charities: qualifying investments and loans) as follows.

- (2) After paragraph 7 insert—
- “7A Uncertificated eligible debt security units as defined in section 552(2) of ITTOIA 2005.”
- (3) In paragraph 8 for “section 56(5)” substitute “for corporation tax purposes in section 56(5) above and for income tax purposes in section 552(2) of ITTOIA 2005”. 5
- 347 (1) Amend Schedule 22 (reduction of pension fund surpluses) as follows.
- (2) In paragraph 7(3)(c) for the words from “section 56” to “that section” substitute “section 551 of ITTOIA 2005 shall by virtue of section 56(3)(b) of this Act”. 10
- (3) After paragraph 7 insert—
- “7A (1) This paragraph applies if a calculation falls to be made under paragraph 7 above in a case where—
- (a) relief is to be given under section 454 of ITTOIA 2005 (listed deeply discounted securities held since 26th March 2003: relief for losses) in respect of a loss sustained on the disposal of securities, and 15
- (b) had there been a profit on the disposal it would have been eligible for relief from tax for the year of assessment in which the loss is sustained by virtue of section 592(2). 20
- (2) That relief is to be given before the calculation under paragraph 7 above is made.
- (3) Then the amount of income to which the specified percentage is applied by virtue of sub-paragraph (3)(a) of that paragraph is reduced by the amount of that relief. 25
- (4) In this paragraph “disposal” has the same meaning as in Chapter 8 of Part 4 of ITTOIA 2005.”
- 348 In paragraph 11A(4) of Schedule 24 (assumptions for calculating chargeable profits etc. of foreign companies) after “the Capital Allowances Act” insert “or section 48 of ITTOIA 2005”. 30
- 349 (1) Amend Schedule 27 (distributing funds) as follows.
- (2) In paragraph 1(1)(d) after “under” insert “—
- (i) Chapter 4 of Part 4 of ITTOIA 2005 (dividends from non-UK resident companies),
- (ii) Chapter 8 of Part 5 of that Act (income not otherwise charged) so far as it relates to relevant foreign distributions (within the meaning given by section 1A(8) of this Act), or 35
- (iii) ”.
- (3) In paragraph 3(1)(a)(i)— 40
- (a) omit “Case IV or”, and
- (b) after “Schedule D” insert “, or under ITTOIA 2005 on relevant foreign income,”.
- (4) In paragraph 5(5) after “1996” insert “or section 714 or 715 of ITTOIA 2005”.

- 350 (1) Amend Schedule 28AA (provision not at arm's length) as follows.
- (2) In paragraph 6A(3) for “(valuation of trading stock at discontinuance of trade) (see subsection (2) of that section)” substitute “above (see subsection (2) of that section) or Chapter 12 of Part 2 of ITTOIA 2005 (see section 174 of that Act) (valuation of trading stock at discontinuance of trade)”. 5
- (3) In paragraph 6E after “Schedule D” insert “or Chapter 2 of Part 4 of ITTOIA 2005”.
- (4) In paragraph 11(1) after “section 492(1)” insert “above or section 16(1) of ITTOIA 2005”.
- 351 (1) Amend Schedule 30 (transitional provisions and savings) as follows. 10
- (2) In paragraph 5—
- (a) in sub-paragraph (6) omit paragraph (b) and the word “or” before it,
- (b) in sub-paragraph (8) omit “section 113 of this Act or”,
- (c) in sub-paragraph (11) omit “or vocation”, and
- (d) after sub-paragraph (12) insert— 15
- “(13) This paragraph does not apply for the purposes of income tax.”
- (3) Omit paragraphs 18 and 18A.

PART 2

OTHER ENACTMENTS 20

Finance Act 1950 (c.15)

- 352 The Finance Act 1950 is amended as follows.
- 353 In section 40(3) (modification of section 39 in case of recoveries by assignees and in certain cases of subsidiary companies)—
- (a) omit “by the Special Commissioners under Case VI of Schedule D”, 25
- and
- (b) omit “under that Case”.

Chevening Estate Act 1959 (c.49)

- 354 The Chevening Estate Act 1959 is amended as follows.
- 355 (1) Amend section 2 (provisions as to income tax, estate duty and stamp duty) as follows. 30
- (2) In subsection (1)—
- (a) omit paragraph (a),
- (b) in paragraph (b) for “Schedule D” substitute “Part 3 of the Income Tax (Trading and Other Income) Act 2005”, and 35
- (c) in paragraph (c) for the words from “Schedule C” to “annual payment” substitute “the provisions of the Income Tax (Trading and Other Income) Act 2005 specified in subsection (1A) in respect of the income chargeable under those provisions”.

(3) After subsection (1) insert—

“(1A) The provisions are—

- (a) Chapter 2 of Part 4 (interest) so far as the income is yearly interest or public revenue dividends (as defined in section 505(1A) of the Income and Corporation Taxes Act 1988), 5
- (b) Chapter 7 of that Part (purchased life annuity payments),
- (c) Chapter 10 of that Part (distributions from unauthorised unit trusts),
- (d) Chapter 13 of that Part (sales of foreign dividend coupons) so far as the income arises from foreign holdings within section 571(1)(a) (meaning of “foreign holdings” in that Chapter), 10
- (e) Chapter 2 of Part 5, so far as it relates to annual payments (receipts from intellectual property),
- (f) Chapter 4 of that Part, so far as it relates to annual payments (certain telecommunication rights: non-trading income), and 15
- (g) Chapter 7 of that Part (annual payments not otherwise charged).”

Taxes Management Act 1970 (c.9)

356 The Taxes Management Act 1970 is amended as follows.

357 (1) Amend section 7 (notice of liability to income tax and capital gains tax) as follows. 20

(2) In subsection (6)—

- (a) in paragraph (c) for “Schedule F” substitute “Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)”, and
- (b) for “Schedule F”, in the second place where it occurs, substitute “dividend”. 25

(3) In subsection (9) in each of paragraphs (a) and (aa) for “Chapter II of Part XIII of the principal Act” substitute “Chapter 9 of Part 4 of ITTOIA 2005”.

358 In section 8(1AA)(b) (personal returns) for “section 231 of the principal Act” substitute “section 397(1) of ITTOIA 2005”. 30

359 In section 8A(1AA)(b) (trustee’s returns) for “section 231 of the principal Act” substitute “section 397(1) of ITTOIA 2005”.

360 In section 9(1) (returns to include self-assessment)—

- (a) in paragraph (b) for “section 231 of the principal Act” substitute “section 397(1) of ITTOIA 2005”, 35
- (b) omit “233(1),” and “, 249(4), 421(1) or 547(5)”, and
- (c) for “or section 626 of ITEPA 2003” substitute “, section 626 of ITEPA 2003 or section 399(2), 400(2), 414(1), 421(1) or 530(1) of ITTOIA 2005”.

361 Omit section 9D (choice between different Cases of Schedule D). 40

362 In section 12AA(1A)(b) (partnership returns) for “section 231 of the principal Act” substitute “section 397(1) of ITTOIA 2005”.

- 363 In section 12AB(5) (partnership return to include partnership statement) in the definition of “tax credit” after “applies” insert “in the case of corporation tax and section 397(1) of ITTOIA 2005 applies in the case of income tax”.
- 364 In section 12AE(2) (choice between different Cases of Schedule D) omit paragraph (a). 5
- 365 (1) Amend section 18 (interest paid without deduction of income tax) as follows.
- (2) In subsection (3E)(b) for “relevant” substitute “deeply”.
- (3) For subsection (3F) substitute –
- “(3F) In subsection (3E)(b) above “deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) (see section 430 of that Act).” 10
- 366 (1) Amend section 19 (information for purposes of Schedule A) as follows.
- (2) In subsection (1) after “profits or gains chargeable to tax” insert “under Chapter 3 of Part 3 of ITTOIA 2005 as the profits of a UK property business or”. 15
- (3) In the side-note after “for purposes of” insert “charge on profits of UK property businesses or under”.
- 367 In section 27(2) (settled property) for “section 660G(1) and (2) of the principal Act” substitute “section 620 of ITTOIA 2005”. 20
- 368 In section 30 (recovery of overpayment of tax, etc.) omit subsection (4).
- 369 In section 30A(2) (assessing procedure) for “Schedule” substitute “Part or Chapter of ITEPA 2003 or ITTOIA 2005”.
- 370 In section 31(3) (appeals: right of appeal) omit “9D or”.
- 371 In section 42(7) (procedure for making claims etc.) omit the “and” before paragraph (d) and after that paragraph insert “and
(e) sections 111(1), 126(2), 129(2), 143, 185, 194 and 326 of ITTOIA 2005.” 25
- 372 (1) Amend section 46B (questions to be determined by Special Commissioners) as follows. 30
- (2) In subsection (4) –
- (a) omit “of the principal Act”,
- (b) in paragraph (a) for “Chapter 1A or 1B of Part XV” substitute “Chapter 5 of Part 5 of ITTOIA 2005”,
- (c) omit paragraph (b), 35
- (d) in paragraph (c) after “743(1)” insert “of the principal Act”, and
- (e) in paragraph (d) after “747(4)(a)” insert “of that Act”.
- (3) After subsection (4) insert –
- “(4A) Any question as to the application of –
- (a) Part XVI of the principal Act (administration of estates: corporation tax), or 40

- (b) Chapter 6 of Part 5 of ITTOIA 2005 (administration of estates: income tax),
is a question to be determined by the Special Commissioners.”
- (4) In subsection (5) after paragraph (c) insert “or
(d) section 874 of ITTOIA 2005,”. 5
- 373 In section 46C (jurisdiction of Special Commissioners over certain claims included in returns) omit subsection (3)(a).
- 374 In section 58(3)(b) (proceedings in tax cases in Northern Ireland) before “section 11 of or paragraph 22” insert “section 186 of ITTOIA 2005,”.
- 375 In section 59A(8)(b) (payments on account of income tax) for “section 231 of the principal Act” substitute “section 397(1) of ITTOIA 2005”. 10
- 376 (1) Amend section 59B (payment of income tax and capital gains tax) as follows.
- (2) In subsection (1) –
- (a) omit “233(1),” and “, 249(4), 421(1) or 547(5)”, and
- (b) for “or section 626 of ITEPA 2003” substitute “, section 626 of ITEPA 2003 or section 399(2), 400(2), 414(1), 421(1) or 530(1) of ITTOIA 2005”. 15
- (3) In subsection (2)(b) (payment of income tax and capital gains tax) for “section 231 of that Act” substitute “section 397(1) of ITTOIA 2005”.
- 377 In section 90(1)(b) (disallowance of relief for interest on tax) for “any tax purposes” substitute “any corporation tax purpose (but see also sections 54 and 869 of ITTOIA 2005 for corresponding rule for income tax purposes)”. 20
- 378 (1) Amend section 98 (special returns, etc) as follows.
- (2) In subsection (4DA)(c) for “section 98 of the Finance Act 2004” substitute “section 758 of ITTOIA 2005”. 25
- (3) In the first column of the Table –
- (a) omit the entry relating to regulations under section 326C of ICTA,
- (b) omit the entry relating to section 660F of ICTA, and
- (c) at the end insert –
- “Section 75(5) of ITTOIA 2005.
Section 128 of ITTOIA 2005
Section 305 of ITTOIA 2005.
Section 647 of ITTOIA 2005.
Regulations under Chapter 3 of Part 6 of ITTOIA 2005.” 30
- (4) In the second column of the Table – 35
- (a) omit the entry relating to regulations under section 326C of ICTA, and
- (b) at the end insert –
- “Section 75(4) of ITTOIA 2005.
Regulations under Chapter 3 of Part 6 of ITTOIA 2005.” 40
- 379 In section 118(1) (interpretation) after the definition of “ITEPA 2003” insert –
““ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005,”.

- 380 In Schedule 1A (claims etc. not included in returns), in paragraph 10(b), for “(administration of estates)” substitute “(administration of estates: corporation tax), or Chapter 6 of Part 5 of ITTOIA 2005 (administration of estates: income tax)”.
- 381 (1) Amend Schedule 1B (claims for relief involving two or more years) as follows. 5
- (2) In paragraph 1 –
- (a) in sub-paragraph (2) for the words from “are any of the following” to “and the same” substitute “is a claim to which this Schedule applies and the same”, and 10
- (b) in sub-paragraph (3) for “includes –” to the end substitute “includes a reference to amendments and revocations to which paragraph 4 below applies.”
- (3) In paragraph 3(1) –
- (a) for “a trade of farming or market gardening claims that subsection (2) or (3) of section 96 of the principal Act” substitute “a qualifying trade, profession or vocation (within the meaning of Chapter 16 of Part 2 of ITTOIA 2005) claims that Chapter 16 of Part 2 of ITTOIA 2005”, and 15
- (b) after “that trade” insert “, profession or vocation”. 20
- (4) In paragraph 4(1) –
- (a) in paragraph (a) for “claims that subsection (2) or (3) of section 96 of the principal Act” substitute “claims that Chapter 16 of Part 2 of ITTOIA 2005”, and
- (b) in paragraph (b) for “subsection (9) of that section” substitute “section 224(4) of that Act”. 25
- (5) In the italic cross-heading before paragraph 4 for “*section 96(9)*” substitute “*section 224(4) of ITTOIA 2005*”.
- (6) In paragraph 5 –
- (a) in sub-paragraph (1) – 30
- (i) for “section 108 of the principal Act” substitute “section 257 of ITTOIA 2005”, and
- (ii) for the words from “the date” to “change of basis took place” substitute “the date of the cessation”, and
- (b) in sub-paragraph (5) for “section 105 of the principal Act” substitute “section 254 of ITTOIA 2005”. 35
- 382 In paragraph 10 of Schedule 3 (rules for assigning proceedings to General Commissioners) after “of the principal Act” insert “, section 186 of ITTOIA 2005”.
- 383 In paragraph 2(4) of Schedule 3A (electronic lodgement of tax returns, etc.) after “ITEPA 2003” insert “or ITTOIA 2005”. 40

Finance Act 1971 (c. 68)

- 384 The Finance Act 1971 is amended as follows.
- 385 In paragraph 8(2)(b) of Schedule 3 (taxation of refunds of contributions and certain other payments) for “to tax on the amount of the payment under 45

Case VI of Schedule D” substitute “—

- (i) to income tax on the full amount of the payment arising in the year of assessment; or
- (ii) to corporation tax on the amount of the payment under Case VI of Schedule D”.

5

Finance Act 1973 (c. 51)

386 The Finance Act 1973 is amended as follows.

387 In Schedule 15 (territorial extension of charge to tax: supplementary provisions), in paragraphs 2(a) and 4(1), for “or section 830 of the Taxes Act 1988” substitute “, section 830 of the Taxes Act 1988 or section 874 of the Income Tax (Trading and Other Income) Act 2005”.

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Biological Standards Act 1975 (c. 4)

388 The Biological Standards Act 1975 is amended as follows.

389 (1) Amend section 2 (exemption of the National Biological Standards Board from income tax and corporation tax) as follows.

15

(2) In subsection (4) —

(a) for paragraph (a) substitute —

“(a) under Chapter 3 of Part 3 of the Income Tax (Trading and Other Income) Act 2005 (“ITTOIA 2005”) in respect of the profits of a UK property business or under Schedule A;”,

20

(b) in paragraph (b) at the beginning insert “under the provisions of ITTOIA 2005 specified in subsection (4A) in respect of the income charged under those provisions received by the Board or”, and

(c) in paragraph (c) for “under Schedule F” substitute “under Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.)”.

25

(3) After that subsection insert —

“(4A) The provisions are —

(a) Chapter 2 of Part 4 (interest) so far as the income is yearly interest or public revenue dividends (as defined in section 505(1A) of the Income and Corporation Taxes Act 1988),

30

(b) Chapter 7 of that Part (purchased life annuity payments),

(c) Chapter 10 of that Part (distributions from unauthorised unit trusts),

35

(d) Chapter 13 of that Part (sales of foreign dividend coupons) so far as the income arises from foreign holdings within section 571(1)(a) (meaning of “foreign holdings” in that Chapter),

(e) Chapter 2 of Part 5, so far as it relates to annual payments (receipts from intellectual property),

40

(f) Chapter 4 of that Part, so far as it relates to annual payments (certain telecommunication rights: non-trading income), and

(g) Chapter 7 of that Part (annual payments not otherwise charged).”

Oil Taxation Act 1975 (c. 22)

- 390 The Oil Taxation Act 1975 is amended as follows.
- 391 In section 3(2) (allowance of expenditure (other than expenditure on long-term assets and abortive exploration expenditure)) –
- (a) in the first sentence – 5
 - (i) after “section 579 of the Taxes Act” insert “or under section 77 of the Income Tax (Trading and Other Income) Act 2005 (“ITTOIA 2005”)”,
 - (ii) after “under that subsection” insert “or that section”, and
 - (iii) omit “less the amount of the rebate recoverable (within the meaning of that subsection)”, and 10
 - (b) in the second sentence –
 - (i) after “section 492 of the Taxes Act” insert “or by virtue of section 16 of ITTOIA 2005”,
 - (ii) after “paragraph (a) or (b) of that subsection” insert “or within the definition of “oil-related activities” in section 16(2) of ITTOIA 2005”, and 15
 - (iii) after “if that subsection” insert “or section”.

Inheritance Tax Act 1984 (c. 51)

- 392 The Inheritance Tax Act 1984 is amended as follows. 20
- 393 In section 6(3) (excluded property), in paragraph (e) –
- (a) for “certified contractual savings scheme” substitute “certified SAYE savings arrangement”, and
 - (b) for “section 326 of the Taxes Act 1988” substitute “section 703(1) of the Income Tax (Trading and Other Income) Act 2005”. 25
- 394 In section 21(3) (normal expenditure out of income) –
- (a) for “section 657 of the Taxes Act 1988” substitute “section 423 of the Income Tax (Trading and Other Income) Act 2005”, and
 - (b) for “; for the purposes” to “annuity” substitute “exempt from income tax under section 717 of that Act”. 30
- 395 In section 174(1) (liabilities for which allowance is to be made in determining the value of an estate) in paragraph (b) –
- (a) for “Schedule 13 to the Finance Act 1996 (discounted securities)” substitute “Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (deeply discounted securities)”, and 35
 - (b) for “paragraph 4(2) of that Schedule” substitute “section 437(2) of that Act”.

Films Act 1985 (c. 21)

- 396 The Films Act 1985 is amended as follows.
- 397 In section 6(1) (certification of master negatives, tapes and discs) after “1992” insert “or Chapter 9 of Part 2 of the Income Tax (Trading and Other Income) Act 2005”. 40
- 398 (1) Amend Schedule 1 (certification in case of British films) as follows.

- (2) In paragraph 2(1) (applications for certification of master negatives, tapes or discs) after “1992” insert “, or Chapter 9 of Part 2 of the Income Tax (Trading and Other Income) Act 2005,”.
- (3) In paragraph 3(1) (certification by Secretary of State of master negatives, tapes or discs) at the end insert “or, as the case may be, Chapter 9 of Part 2 of the Income Tax (Trading and Other Income) Act 2005”.

Finance Act 1988 (c. 39)

399 The Finance Act 1988 is amended as follows.

- 400 (1) Amend section 38 (maintenance payments under existing obligations: 1989-90 onwards) as follows. 10
- (2) In subsection (1) for paragraph (c) substitute –
- “(c) is (apart from this section) within a charge to tax under Chapter 7 of Part 5 of the Income Tax (Trading and Other Income) Act 2005 (annual payments not otherwise charged) and is not, by virtue of Chapter 5 of that Part (settlements), treated for any purpose as the income of the person making it.” 15
- (3) In subsection (9) for the words from “65(1)(b)” to “1988” substitute “839 of the Income Tax (Trading and Other Income) Act 2005 (annual payments payable out of relevant foreign income)”. 20
- 401 In section 73(2) (consideration for certain restrictive undertakings) –
- (a) for “person” substitute “company”, and
- (b) for “tax” substitute “corporation tax”.
- 402 In Schedule 6 (commercial woodlands) in paragraph 3(2) for “person” substitute “company”. 25
- 403 In Schedule 12 (building societies: change of status) for paragraph 7 substitute –

“Certified SAYE savings arrangements

- 7 Section 702 of the Income Tax (Trading and Other Income) Act 2005 (interest under certified SAYE savings arrangements to be exempt from income tax) shall have effect in relation to any interest (or bonus) payable after the transfer under a savings arrangement which immediately before the transfer was a certified SAYE savings arrangement (within the meaning of section 703(1) of that Act) in relation to the society despite the fact that it ceased to be such an arrangement by reason of the transfer.” 30
- 35

Water Act 1989 (c. 15)

- 404 In section 95(11) of the Water Act 1989 (vesting in successor company of liability for loans not to affect directions by the Treasury under section 581 of ICTA) for “section 581 of the Income and Corporation Taxes Act 1988” substitute “section 755 of the Income Tax (Trading and Other Income) Act 2005”. 40

Finance Act 1989 (c. 26)

- 405 The Finance Act 1989 is amended as follows.
- 406 In section 68(2) (principal charges to tax: employee share ownership trusts) –
- (a) in paragraph (a) for “annual profits or gains whose amount” substitute “income of an amount that”, and 5
 - (b) for paragraph (b) and the word “and” at the end of it substitute –
 - “(b) that income shall be chargeable to income tax for the year of assessment in which the event occurs,
 - (ba) the tax so chargeable shall be charged on the full amount of the income the trustees are treated as receiving in the year of assessment, 10
 - (bb) the trustees are liable for any tax so chargeable, and”.
- 407 In section 71(4) (further charges to tax: borrowing) –
- (a) in paragraph (a) for “annual profits or gains whose amount” substitute “income of an amount that”, and 15
 - (b) for paragraph (b) and the word “and” at the end of it substitute –
 - “(b) that income shall be chargeable to income tax for the year of assessment at the end of which the further event occurs, 20
 - (ba) the tax so chargeable shall be charged on the full amount of the income the trustees are treated as receiving in the year of assessment,
 - (bb) the trustees are liable for any tax so chargeable, and”.
- 408 (1) Amend section 76 (non-approved retirement benefits schemes) as follows. 25
- (2) In subsection (1) after “Schedule D” insert “or under Part 2 of the Income Tax (Trading and Other Income) Act 2005”.
 - (3) In subsection (4)(a) after “Schedule D” insert “or under Part 2 of the Income Tax (Trading and Other Income) Act 2005”.
 - (4) In subsection (6C)(a) omit “of the Taxes Act 1988”. 30
- 409 Omit sections 112 and 113 (security: trades etc.).
- 410 In section 151(2) (assessment of trustees etc) in each of paragraphs (a) and (b) for “Chapter II of Part XIII of the Taxes Act” substitute “Chapter 9 of Part 4 of the Income Tax (Trading and Other Income) Act 2005”.
- 411 In paragraph 1 of Schedule 12 (close companies: administrative provisions) – 35
- (a) omit the word “and” at the end of paragraph (a), and
 - (b) after paragraph (b) insert –
 - “(c) section 397 of the Income Tax (Trading and Other Income) Act 2005, and 40
 - (d) Chapter 6 of Part 4 of that Act.”

Electricity Act 1989 (c. 29)

- 412 In paragraph 10 of Schedule 11 to the Electricity Act 1989 (vesting in successor company of liability for loans not to affect directions by the

Treasury under section 581 of ICTA) for “section 581 of the 1988 Act” substitute “section 755 of the Income Tax (Trading and Other Income) Act 2005”.

Finance Act 1990 (c. 29)

- 413 The Finance Act 1990 is amended as follows. 5
- 414 (1) Amend section 25 (donations to charity by individuals) as follows.
- (2) In subsection (6) for “section 550(2)(a) or (b) of that Act (relief where gain charged at higher rate)” substitute “sections 535 to 537 of the Income Tax (Trading and Other Income) Act 2005 (top slicing relief)”.
- (3) In subsection (9)– 10
- (a) for paragraph (b) substitute –
- “(b) any tax treated as having been paid under –
- (i) section 399(2) or 400(2) of the Income Tax (Trading and Other Income) Act 2005 (distributions from UK resident companies etc. on which there is no tax credit); 15
- (ii) section 414(1) of that Act (stock dividend income); or
- (iii) section 530(1) of that Act (gains from contracts for life insurance etc);” 20
- (b) in paragraph (c) for “of that Act” substitute “of the Taxes Act 1988”,
- (c) in paragraph (e) omit sub-paragraph (i) and the word “or” at the end of that sub-paragraph, and
- (d) in paragraph (e)(ii) for the words from “a relevant amount” to “Schedule F” substitute “estate income under section 656(3) or 657(4) of the Income Tax (Trading and Other Income) Act 2005, so far as that income is treated under section 679 of that Act as paid from sums within section 680(3)(b) or (4) of that Act”. 25
- 415 (1) Amend section 126 (pools payments for football ground improvements) as follows. 30
- (2) In subsection (2) –
- (a) for “person” substitute “company”, and
- (b) for “tax purposes” substitute “corporation tax purposes”.
- (3) In subsection (3) after “not” insert “, for corporation tax purposes,”.
- (4) In subsection (4) after “2001” insert “(general rule excluding contributions: income and corporation tax)”. 35

Finance Act 1991 (c. 31)

- 416 The Finance Act 1991 is amended as follows.
- 417 (1) Amend section 121 (pools payments to support games etc.) as follows.
- (2) In subsection (2)– 40
- (a) for “person” substitute “company”, and
- (b) for “tax purposes” substitute “corporation tax purposes”.

- (3) In subsection (3) after “not” insert “, for corporation tax purposes,”.

Social Security Contributions and Benefits Act 1992 (c. 4)

- 418 The Social Security Contributions and Benefits Act 1992 is amended as follows.
- 419 (1) Amend section 15 (Class 4 contributions recoverable under the Income Tax Acts) as follows. 5
- (2) In subsection (1) –
- (a) for “annual profits or gains” substitute “profits”,
- (b) omit the “and” at the end of paragraph (a),
- (c) in paragraph (b) for “are profits or gains chargeable to income tax under Case I or Case II of Schedule D” substitute “are profits chargeable to income tax under Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005”, and 10
- (d) at the end of that paragraph insert “and
- (c) are not profits of a trade, profession or vocation carried on wholly outside the United Kingdom.” 15
- (3) In subsections (2), (3) and (3A) omit “or gains” in each place where they occur.
- (4) Omit subsection (4).
- 420 In section 16(1) (application of Income Tax Acts and destination of Class 4 contributions) for “Case I or II of Schedule D” substitute “Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005 in respect of the profits of a trade, profession or vocation which is not carried on wholly outside the United Kingdom”. 20
- 421 (1) Amend Schedule 2 (levy of Class 4 contributions with income tax) as follows. 25
- (2) In paragraph 1 after paragraph (a) insert –
- “(ab) “ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”.
- (3) In paragraph 2 for “profits or gains” to the end substitute “profits – 30
- (a) which are the profits of any relevant trade, profession or vocation which is not carried on wholly outside the United Kingdom, and
- (b) which are chargeable to income tax under Chapter 2 of Part 2 of ITTOIA 2005.” 35
- (4) In paragraphs 3(1), (4) and (5) and 4 omit “or gains” in each place where they occur.
- (5) In paragraph 5 –
- (a) in paragraph (a) omit “or gains”, and
- (b) in paragraph (b) – 40
- (i) for “section 59 of the 1988 Act” substitute “section 8 of ITTOIA 2005”, and
- (ii) omit “or gains”.
- (6) In paragraph 7 omit “or gains”.

Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7)

- 422 The Social Security Contributions and Benefits (Northern Ireland) Act 1992 is amended as follows.
- 423 (1) Amend section 15 (Class 4 contributions recoverable under the Income Tax Acts) as follows. 5
- (2) In subsection (1) –
- (a) for “annual profits or gains” substitute “profits”,
- (b) omit the “and” at the end of paragraph (a),
- (c) in paragraph (b) for “are profits or gains chargeable to income tax under Case I or Case II of Schedule D” substitute “are profits chargeable to income tax under Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005”, and 10
- (d) at the end of that paragraph insert “and
- (c) are not profits of a trade, profession or vocation carried on wholly outside the United Kingdom.” 15
- (3) In subsections (2), (3) and (3A) omit “or gains” in each place where they occur.
- (4) Omit subsection (4).
- 424 (1) Amend Schedule 2 (Schedule 2 to the Social Security Contributions and Benefits Act 1992: levy of Class 4 contributions with income tax) as follows. 20
- (2) In paragraph 1 after paragraph (a) insert –
- “(ab) “ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”.
- (3) In paragraph 2 for “profits or gains” to the end substitute “profits –
- (a) which are the profits of any relevant trade, profession or vocation which is not carried on wholly outside the United Kingdom, and 25
- (b) which are chargeable to income tax under Chapter 2 of Part 2 of ITTOIA 2005.”
- (4) In paragraphs 3(1), (4) and (5) and 4 omit “or gains” in each place where they occur. 30
- (5) In paragraph 5 –
- (a) in paragraph (a) omit “or gains”, and
- (b) in paragraph (b) –
- (i) for “section 59 of the 1988 Act” substitute “section 8 of ITTOIA 2005”, and 35
- (ii) omit “or gains”.
- (6) In paragraph 7 omit “or gains”.

Taxation of Chargeable Gains Act 1992 (c. 12)

- 425 The Taxation of Chargeable Gains Act 1992 is amended as follows. 40
- 426 In section 4(2) and (3) (rates of capital gains tax) for “Schedule F” substitute “dividend”.

- 427 (1) Amend section 6 (rates of capital gains tax: special cases) as follows.
- (2) In subsection (2) –
- (a) in paragraph (a) –
- (i) for “549(2) of the Taxes Act (gains under life policy or life annuity contract)” substitute “539 of ITTOIA 2005 (gains from contracts for life insurance etc)”, and 5
- (ii) for “excess” substitute “extra”, and
- (b) in paragraph (c), for “699(1) of that Act (income accruing before death)” substitute “669(1) and (2) of ITTOIA 2005 (reduction in residuary income: inheritance tax on accrued income)”. 10
- (3) In subsection (3) –
- (a) for “547(1)(a) of the Taxes Act (gains from insurance policies etc)” substitute “465 of ITTOIA 2005 (gains from contracts for life insurance etc)”,
- (b) in paragraph (a) for “appropriate fraction within the meaning of section 550(3)” substitute “annual equivalent within the meaning of section 536(1) of that Act or (as the case may be) the total annual equivalent within the meaning of section 537”, and 15
- (c) in paragraph (b) –
- (i) for “550” substitute “535”, 20
- (ii) for “required by section 550(2)(b)” substitute “under section 536(1) of that Act or (as the case may be) section 537 of that Act”, and
- (iii) for “Schedule F” substitute “dividend”.
- 428 In section 12(2) (foreign assets of person with foreign domicile) for the words from “, and subsections (6) to (9)” to the end substitute “, and sections 833 and 834 of ITTOIA 2005 shall apply as they would apply for the purposes of section 832 of that Act (remittance basis) if the gain were relevant foreign income.” 25
- 429 In section 41(4) (restriction of losses by reference to capital allowances and renewals allowances) – 30
- (a) in paragraph (b) after “Taxes Act” insert “or any deduction under section 315 of ITTOIA 2005”, and
- (b) in paragraph (c) after “Taxes Act” insert “or section 170 of ITTOIA 2005”. 35
- 430 (1) Amend section 59 (partnerships) as follows.
- (2) Renumber the existing text as subsection (1).
- (3) After that subsection insert –
- “(2) Subsection (3) applies if –
- (a) a person resident in the United Kingdom (“the resident partner”) is a member of a partnership which resides outside the United Kingdom or which carries on any trade, profession or business the control and management of which is situated outside the United Kingdom, and 40
- (b) by virtue of any arrangements falling within section 788 of the Taxes Act (“the arrangements”) any of the capital gains of 45

the partnership are relieved from capital gains tax in the United Kingdom.

- (3) The arrangements do not affect any liability to capital gains tax in respect of the resident partner's share of any capital gains of the partnership." 5
- 431 In section 97(7) (supplementary provisions) for "section 660G(1) and (2) of the Taxes Act" substitute "section 620 of ITTOIA 2005".
- 432 (1) Amend section 117 (meaning of qualifying corporate bond) as follows.
- (2) In subsection (2AA) for "relevant discounted security for the purposes of Schedule 13 to the Finance Act 1996" substitute "deeply discounted security for the purposes of Chapter 8 of Part 4 of ITTOIA 2005 (see section 430)". 10
- (3) In subsection (6C) for "Schedule 13 to the Finance Act 1996 (relevant discounted securities)" substitute "Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) (see section 433)".
- 433 (1) Amend section 142 (capital gains on stock dividends) as follows. 15
- (2) In subsection (1) for the words from "section 249" to "that section" substitute "section 410(2), (3) or (4) of ITTOIA 2005 applies".
- (3) In subsection (3) for "the appropriate amount in cash" substitute "the cash equivalent of the share capital in accordance with section 412 of ITTOIA 2005". 20
- 434 After section 148 insert—
- "148A Futures and options involving guaranteed returns**
- (1) Profits and gains that are chargeable under Chapter 12 of Part 4 of ITTOIA 2005 are not to be brought into account for the purposes of capital gains tax, except where section 148B applies. 25
- (2) Where—
- (a) losses are sustained by a person from a disposal, and
- (b) had profits or gains arisen to the person from the disposal, they would be chargeable under that Chapter,
- the losses are not to be brought into account for the purposes of capital gains tax, except where section 148C applies. 30
- 148B Deemed disposals at a gain under section 564(4) of ITTOIA 2005**
- (1) This section deals with how this Act applies where profits or gains arising to a person from such a disposal as is referred to in section 564(4) of ITTOIA 2005 ("the deemed disposal") are chargeable to tax under Chapter 12 of Part 4 of that Act. 35
- (2) Amounts taken into account or allowable as deductions in calculating the profits or gains are not to be excluded from any calculation made for the purposes of this Act as a result of section 37 or 39. 40
- (3) For the purposes of this Act the amount of the consideration for the acquisition by the person of any asset the person disposes of by the future running to delivery or the exercise of the option is increased

- by the amount of the profits or gains chargeable under Chapter 12 of Part 4 of ITTOIA 2005.
- (4) Any increase made as a result of subsection (3) is to be disregarded in calculating any indexation allowance.
- (5) For the purposes of this Act the amount of the consideration for the acquisition of any asset acquired by the person by means of the future running to delivery or the exercise of the option is increased by the amount of the profits or gains chargeable under Chapter 12 of Part 4 of ITTOIA 2005. 5
- (6) If the deemed disposal is a disposal of an option by the grantor, for the purposes of subsections (3) to (5) any determination— 10
- (a) whether profits or gains arose to the grantor from that disposal, and
- (b) of the amount of those profits or gains,
- is to be made as if the deemed disposal and the disposal by which the option was granted were a single transaction. 15
- (7) Section 565 of ITTOIA 2005 (interpretation of section 564 of that Act) applies for the purposes of this section as it applies for the purposes of section 564 of that Act.
- 148C Deemed disposals at a loss under section 564(4) of ITTOIA 2005 20**
- (1) This section deals with how this Act applies where a loss sustained by a person from such a disposal as is referred to in section 564(4) of ITTOIA 2005 (“the deemed disposal”) is brought into account for the purposes of section 392 of ICTA (losses).
- (2) Amounts taken into account or allowable as deductions in calculating that loss are not to be excluded from any calculation made for the purposes of this Act as a result of section 37 or 39. 25
- (3) If the deemed disposal is a disposal of an option by the grantor, for the purposes of subsections (4) and (5) any determination—
- (a) whether the grantor sustained a loss from that disposal, and 30
- (b) of the amount of that loss,
- is to be made as if the deemed disposal and the disposal by which the option was granted were a single transaction.
- (4) If the loss from the deemed disposal equals or is less than— 35
- (a) the amount of the consideration for the acquisition of any asset acquired by the person sustaining the loss by means of the future running to delivery or the exercise of the option, or
- (b) the amount of the consideration for the acquisition by that person of any asset the person disposes of by the future running to delivery or the exercise of the option, 40
- for the purposes of this Act the amount of that consideration is reduced by the amount of the loss.
- (5) If the loss from the deemed disposal exceeds the amount of that consideration—
- (a) that consideration is reduced to nil, and 45

- (b) an amount equal to the excess is treated for the purposes of this Act as a chargeable gain accruing to the person sustaining the loss on the appropriate occasion.
- (6) In a case where the consideration mentioned in subsection (4)(a) is reduced under subsection (5)(a), the appropriate occasion is the first occasion after the acquisition mentioned in subsection (4)(a) when there is a disposal of the asset in question. 5
- (7) In a case where the consideration mentioned in subsection (4)(b) is so reduced, the appropriate occasion is the disposal the person sustaining the loss makes by the future running to delivery or the exercise of the option, as the case may be. 10
- (8) In subsection (6) the reference to a disposal of the asset in question includes a reference to anything that would be such a disposal but for section 116(10) or 127.
- (9) In subsections (6) and (7) the references to a disposal include references to a disposal which, in accordance with this Act, would (apart from subsection (5)(b)) be a disposal on which neither a gain nor a loss accrues. 15
- (10) Section 565 of ITTOIA 2005 (interpretation of section 564) applies for the purposes of this section as it applies for the purposes of section 564.” 20
- 435 In section 151 (personal equity plans) for subsections (2) and (2A) substitute—
- “(2) The provisions of Chapter 3 of Part 6 of ITTOIA 2005 (income from individual investment plans), except section 694(1) and (2), shall apply in relation to regulations made under subsection (1) as they apply to regulations made under section 694(1), but with the substitution for any reference to income tax of a reference to capital gains tax.” 25
- 436 In section 151A(6) (venture capital trusts: reliefs) for the words from “in accordance” to the end of the subsection substitute “as references to shares not acquired within the limit in section 709(4) of ITTOIA 2005; and the question whether shares are acquired within that limit shall be determined as it is for the purposes of Chapter 5 of Part 6 of that Act.” 30
- 437 After section 151B insert— 35
- “151C Strips: manipulation of price: associated payment giving rise to loss**
- (1) This section applies if—
- (a) as a result of any scheme or arrangement which has an unallowable purpose, the circumstances are, or might have been, as mentioned in paragraph (a), (b) or (c) of section 449(2) of ITTOIA 2005, 40
- (b) under the scheme or arrangement, a payment falls to be made otherwise than in respect of the acquisition or disposal of a strip, and
- (c) as a result of that payment or the circumstances in which it is made, a loss accrues to any person. 45
- (2) The loss shall not be an allowable loss.

- (3) For the purposes of this section a scheme or arrangement has an unallowable purpose if the main benefit, or one of the main benefits that might have been expected to result from, or from any provision of, the scheme or arrangement (apart from section 449 of ITTOIA 2005 and this section) is – 5
- (a) the obtaining of a tax advantage by any person, or
- (b) the accrual to any person of an allowable loss.
- (4) The reference in subsection (1)(b) to the acquisition or disposal of a strip shall be construed as if it were in Chapter 8 of Part 4 of ITTOIA 2005 (profits from deeply discounted securities) (see, in particular, sections 437 and 445 of that Act for the meaning of “disposal” and “acquisition” and section 444 of that Act for the meaning of “strip”). 10
- (5) In subsection (3)(a) “tax advantage” has the meaning given by section 709(1) of the Taxes Act.
- (6) This section applies to losses accruing on or after 17th March 2004.” 15
- 438 In section 156(4) (assets of Class 1) after “Taxes Act” insert “or section 19 of ITTOIA 2005”.
- 439 In section 198(5)(b) (replacement of business assets used in connection with oil fields) after “the Taxes Act” insert “or defined as “oil-related activities” in section 16(2) of ITTOIA 2005”. 20
- 440 (1) Amend section 241 (furnished holiday lettings) as follows.
- (2) For subsection (2) substitute –
- “(2) For the purposes of this section as it applies to capital gains tax the “commercial letting of furnished holiday accommodation” has the same meaning as it has for the purposes of Chapter 6 of Part 3 of ITTOIA 2005. 25
- For the purposes of this section as it applies to corporation tax in respect of chargeable gains the “commercial letting of furnished holiday accommodation” has the meaning given by section 504 of the Taxes Act.” 30
- (3) In subsection (3)(a) for the words from “Schedule A business” to “Kingdom” substitute “UK property business (within the meaning of the Taxes Act), or any Schedule A business (within the meaning of that Act), which consists of, or so far as it consists of, the commercial letting of furnished holiday accommodation”. 35
- 441 In section 251(8)(b) (general provisions concerning debts) for “relevant discounted security for the purposes of Schedule 13 to that Act if paragraph 3(2)(c) of that Schedule” substitute “deeply discounted security for the purposes of Chapter 8 of Part 4 of ITTOIA 2005 if section 432(2) of that Act”.
- 442 In section 254(1)(c) (definition of “a qualifying loan” for relief for debts on qualifying corporate bonds) for “relevant” and “Schedule 13 to the Finance Act 1996” substitute respectively “deeply” and “Chapter 8 of Part 4 of ITTOIA 2005”. 40

443 After section 261 insert—

“Know-how

261A Disposal of know-how as part of disposal of all or part of a trade

- (1) This section applies if—
- (a) a person carrying on a trade receives consideration for the disposal of know-how which has been used in the trade, and
 - (b) the know-how is disposed of as part of the disposal of all or part of the trade.
- (2) If, as a result of section 194 of ITTOIA 2005, the consideration is treated for income tax purposes as—
- (a) a capital receipt for goodwill (in relation to the person disposing of the know-how), or
 - (b) a capital payment for goodwill (in relation to the person acquiring the know-how),
- the consideration is treated for capital gains tax purposes in the same way.
- (3) This section has effect as if it were contained in Chapter 14 of Part 2 of ITTOIA 2005.”
- 444 (1) Amend section 271 (miscellaneous exemptions) as follows.
- (2) In subsection (1)(f) for “section 322 of the Taxes Act” substitute “section 771 of ITTOIA 2005”.
- (3) In subsection (4)—
- (a) for “bonus”, in both places, substitute “interest”,
 - (b) for “section 326 or 326A of the Taxes Act (certified contractual savings schemes and tax-exempt special savings accounts)” substitute “section 702 of ITTOIA 2005 (certified SAYE savings arrangements)”,
 - (c) for “savings scheme”, in the first place where it occurs, substitute “savings arrangement”,
 - (d) for “certified contractual savings scheme” substitute “certified SAYE savings arrangement”,
 - (e) for “scheme” in the last place where it occurs, substitute “arrangement”, and
 - (f) at end insert—
“In this subsection “certified SAYE savings arrangement” has the meaning given by section 703 of ITTOIA 2005.”
- 445 In section 286(3) (connected persons: interpretation) for “Chapter 1A of Part XV of the Taxes Act (see section 660G(1) and (2) of that Act)” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”.
- 446 (1) Amend section 288 (interpretation) as follows.
- (2) In subsection (1) after the definition of “ITEPA 2003” insert—
““ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”.

- (3) After subsection (7) insert—
- “(7A) In the application of this Act to Scotland “surrender” includes renunciation.”
- 447 In Schedule A1 (application of taper relief), in paragraph 17(6), for “section 660G(1) and (2) of the Taxes Act” substitute “section 620 of ITTOIA 2005”. 5
- 448 In Schedule 1 (application of exempt amount and reporting limits in cases involving settled property), in paragraph 2(7), for “section 660G(1) and (2) of the Taxes Act” substitute “section 620 of ITTOIA 2005”.
- 449 In paragraph 13(7)(h) of Schedule 5B (enterprise investment scheme: re-investment)— 10
- (a) in sub-paragraph (i) after “trade or profession” insert “carried on wholly or partly in the United Kingdom”, and
- (b) in sub-paragraph (ii) for the words from “in computing” to the end substitute “in calculating for tax purposes the profits of that trade or profession”. 15
- 450 (1) Amend Schedule 8 (leases) as follows.
- (2) In paragraph 5—
- (a) in sub-paragraph (1) after “that Act” insert “or by virtue of any of sections 277 to 281 of ITTOIA 2005 as a receipt of a UK property business (within the meaning of that Act)”, 20
- (b) in sub-paragraph (2) after “that Act” insert “or by virtue of any of sections 277 to 281 of ITTOIA 2005 as a receipt of a UK property business (within the meaning of that Act)”,
- (c) in sub-paragraph (3) after “that Act” insert “or by virtue of section 284 or 285 of ITTOIA 2005 (sale of land with right to reconveyance or leaseback) as a receipt of a UK property business (within the meaning of that Act),” and 25
- (d) for sub-paragraph (5) substitute—
- “(5) References in sub-paragraphs (1) and (2) above to a premium include references to— 30
- (a) a premium deemed to have been received under subsection (4) or (5) of section 34 of the Taxes Act (which correspond to paragraph 3(2) and (3) of this Schedule),
- (b) a sum that becomes payable by the tenant under the terms subject to which a lease is granted in lieu of the whole or a part of the rent for any period, 35
- (c) a sum that becomes payable by the tenant under the terms subject to which a lease is granted as consideration for the surrender of the lease, and 40
- (d) a sum that becomes payable by the tenant (otherwise than by way of rent) as consideration for the variation or waiver of any of the terms of a lease.”
- (3) In paragraph 6— 45
- (a) for sub-paragraph (1) substitute—
- “(1) If—

- (a) under section 37(4) of the Taxes Act (allowance where, by the grant of a sublease, a lessee has converted a capital amount into a right to income) a person is to be treated as paying additional rent in consequence of having granted a sublease, or 5
- (b) under section 292 of ITTOIA 2005 a person is to be treated as incurring expenses in consequence of having granted a sublease,
- “1 (2) the amount of any loss accruing to the person on the disposal by way of the grant of the sublease shall be reduced by the total amount of rent which the person is thereby treated as paying, or the total amount of expenses which the person is thereby treated as incurring, over the term of the sublease (and without regard to whether relief is thereby effectively given over the term of the sublease), but not so as to convert the loss into a gain, or to increase any gain.” 10 15
- (b) in sub-paragraph (2) at the end insert “or by virtue of section 282 of ITTOIA 2005 (assignments for profit of lease granted at undervalue) as a receipt of a UK property business (within the meaning of that Act)”, and 20
- (c) in sub-paragraph (3) after “that paragraph” insert “or under section 301 or 302 of ITTOIA 2005 on a claim under that section,”.
- (4) For paragraph 7 substitute –
- “7 If – 25
- (a) under section 34(2) and (3) of the Taxes Act any amount is brought into account by virtue of section 34(2) and (3) of the Taxes Act as a receipt of a Schedule A business (within the meaning of that Act) which is or is treated as carried on by any person, or 30
- (b) under section 277 of ITTOIA 2005 any amount is brought into account by virtue of section 278 of that Act as a receipt of a UK property business (within the meaning of that Act) which is carried on by any person,
- that person shall be treated for the purposes of the computation of any gain accruing to him as having incurred at the time the lease was granted expenditure of that amount (in addition to any other expenditure) attributable to the asset under section 38(1)(b).” 35
- (5) In paragraph 7A after “Schedule A business” insert “or UK property business”. 40

Finance (No. 2) Act 1992 (c. 48)

451 The Finance (No. 2) Act 1992 is amended as follows.

452 (1) Amend section 40A (revenue nature of expenditure on master versions of films) as follows.

- (2) In subsection (1) – 45
- (a) for “the purposes of the Tax Acts” substitute “corporation tax purposes”, and

- (b) after “section 40D below” insert “or section 143 of ITTOIA 2005 (corresponding income tax provision)”.
- (3) In subsection (2) for “the purposes of the Tax Acts” substitute “corporation tax purposes”.
- (4) In the definition of “expenditure of a revenue nature” in subsection (4)(a) after “chargeable to” insert “corporation”. 5
- 453 (1) Amend section 40B (allocation of expenditure to periods) as follows.
- (2) In subsection (1) for “person” substitute “company within the charge to corporation tax”.
- (3) In subsection (2) after “section 40D below” insert “or section 143 of ITTOIA 2005”. 10
- (4) In subsection (3)(b) for “up for a period—” to the end substitute “up for a period, the accounting period of the company.”
- (5) In subsection (6) for “made—” to the end substitute “made not later than two years after the end of the relevant period to which the claim relates.” 15
- (6) In subsection (7)(b) at the end insert “or section 135 of ITTOIA 2005 (income tax provision corresponding to this section)”.
- 454 In section 40C(1) (cases where section 40B does not apply) after “section 42 below” insert “or under any of sections 138 to 140 of ITTOIA 2005 (corresponding income tax provisions)”. 20
- 455 (1) Amend section 40D (election for sections 40A and 40B not to apply) as follows.
- (2) In subsection (1)(a) after “this section” insert “or under section 143 of ITTOIA 2005”.
- (3) In subsection (2)(a)(i) for “a person who carries” substitute “a company within the charge to corporation tax carrying”. 25
- (4) In subsection (4) for “given—” to the end substitute “given not later than two years after the end of the relevant period in which the master version of the film is completed.”
- (5) In subsection (7) at the end insert “or any of that expenditure is deducted under any of sections 137 to 140 of ITTOIA 2005 (corresponding income tax provisions)”. 30
- 456 (1) Amend section 41 (relief for preliminary expenditure) as follows.
- (2) In subsection (1)—
- (a) for “tax purposes”, in the first place where it occurs, substitute “the purposes of corporation tax”, 35
- (b) for “a person” substitute “a company within the charge to corporation tax”,
- (c) for “that person” substitute “the company”,
- (d) for “him” substitute “it”, and 40
- (e) after “section 40D above” insert “or section 143 of ITTOIA 2005”.

- (3) In subsection (6) for “made –” to the end substitute “made not later than two years after the end of the relevant period in which the expenditure to which it relates becomes payable.”
- (4) In subsection (7) –
- (a) after “this section” insert “or section 137 of ITTOIA 2005 (corresponding income tax provision)”, and
- (b) for “tax purposes” substitute “the purposes of corporation tax”. 5
- 457 (1) Amend section 42 (relief for production or acquisition expenditure) as follows.
- (2) In subsection (1) – 10
- (a) for “tax purposes” substitute “the purposes of corporation tax”,
- (b) for “a person” substitute “a company”,
- (c) for “that person” substitute “the company”,
- (d) after “section 40B above” insert “or section 135 of ITTOIA 2005”, and
- (e) after “section 40D above” insert “or section 143 of ITTOIA 2005”. 15
- (3) In subsection (4) –
- (a) in paragraph (b) after “section 41 above” insert “or section 137 of ITTOIA 2005”,
- (b) in paragraph (c) after “this section” insert “or any provision of Chapter 9 of Part 2 of ITTOIA 2005”. 20
- (4) In subsection (6) for “shall be made –” to the end substitute “–
- (a) shall be made not later than two years after the end of the relevant period to which the claim relates, and
- (b) shall be irrevocable.”
- (5) In subsection (7) after “section 40B above” insert “or section 135 of ITTOIA 2005”. 25
- 458 In section 43(1) after the definition of “expenditure of a revenue nature” insert –
- ““ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005.”. 30
- 459 Omit section 59 (furnished accommodation).
- 460 Omit Schedule 10 (furnished accommodation).

Finance Act 1993 (c. 34)

- 461 The Finance Act 1993 is amended as follows.
- 462 In section 112(7) (employers’ pension contributions) in the definition of “basis period” after “Schedule D” insert “or under Part 2 of the Income Tax (Trading and Other Income) Act 2005”. 35
- 463 (1) Amend section 171 (Lloyd’s underwriters etc: taxation of income tax profits) as follows.
- (2) In subsection (2) for paragraphs (a) and (b) substitute – 40
- “(a) the aggregate of those profits shall be chargeable to tax under Chapter 2 of Part 2 of the Income Tax (Trading and Other

	Income) Act 2005 as the profits of a trade carried on in the United Kingdom; and	
	(b) accordingly, no part of those profits shall be treated as relevant foreign income, or be charged to tax under any other Part of that Act or any Part of the Income Tax (Earnings and Pensions) Act 2003;”.	5
	(3) In subsection (2B) for “section 231(1) of the Taxes Act 1988” substitute “section 397(1) of the Income Tax (Trading and Other Income) Act 2005”.	
464	In paragraph 13(4) of Schedule 19 (Lloyd’s underwriters etc: repayment of tax deducted etc. from investment income) after “others)” insert “and section 749 of the Income Tax (Trading and Other Income) Act 2005 (exemption of interest paid under repayment supplements) so far as it relates to interest paid under section 824 of the Taxes Act 1988”.	10
465	(1) Amend Schedule 20A (Lloyd’s underwriters: conversion to limited liability underwriting) as follows.	15
	(2) In paragraph 2(2) for “Schedule D” substitute “Part 2 of the Income Tax (Trading and Other Income) Act 2005”.	
	(3) In paragraph 7(2) for “Schedule D” substitute “Part 2 of the Income Tax (Trading and Other Income) Act 2005”.	
	<i>Pension Schemes Act 1993 (c. 48)</i>	20
466	The Pension Schemes Act 1993 is amended as follows.	
467	In section 158(4) (disclosure of information between government departments etc.)—	
	(a) after “carrying on or have carried on” insert “wholly or partly in the United Kingdom”, and	25
	(b) after “chargeable to tax under” insert “Part 2 of the Income Tax (Trading and Other Income) Act 2005 or”.	
	<i>Pension Schemes (Northern Ireland) Act 1993 (c. 49)</i>	
468	The Pension Schemes (Northern Ireland) Act 1993 is amended as follows.	
469	In section 154(4) (disclosure of information between government departments etc.)—	30
	(a) after “carrying on or have carried on” insert “wholly or partly in the United Kingdom”, and	
	(b) after “chargeable to tax under” insert “Part 2 of the Income Tax (Trading and Other Income) Act 2005 or”.	35
	<i>Finance Act 1994 (c. 9)</i>	
470	The Finance Act 1994 is amended as follows.	
471	(1) Amend Schedule 20 (changes for facilitating self-assessment: transitional provisions and savings) as follows.	
	(2) Omit paragraphs 1 to 10.	40
	(3) In paragraph 11—	

- (a) in sub-paragraph (1) omit “Subject to paragraph 12(2) below,”,
 (b) in sub-paragraph (3) for “under Case VI of Schedule D” substitute “to income tax”, and
 (c) in sub-paragraph (3) at the end insert “, and the person shall be liable for any tax so chargeable”. 5
- (4) Omit paragraphs 12 and 13.
- 472 In paragraph 26 of Schedule 24 (vesting in successor company of the British Railways Board of liability for loans to that Board not to affect directions by the Treasury under section 581 of ICTA) for “section 581 of the Taxes Act 1988” substitute “section 755 of the Income Tax (Trading and Other Income) Act 2005”. 10
- Coal Industry Act 1994 (c. 21)*
- 473 In paragraph 17(1) of Schedule 4 to the Coal Industry Act 1994 (vesting in successor company of liability for loans not to affect directions by the Treasury under section 581 of ICTA) for “section 581 of the 1988 Act” substitute “section 755 of the Income Tax (Trading and Other Income) Act 2005”. 15
- Finance Act 1995 (c. 4)*
- 474 The Finance Act 1995 is amended as follows.
- 475 Omit section 56 (foreign life policies etc). 20
- 476 In section 73(1)(a) (venture capital trusts: regulations) after “1992” insert “or Chapter 5 of Part 6 of the Income Tax (Trading and Other Income) Act 2005”.
- 477 In section 123 (prevention of exploitation of transitional provisions) for “2(2) and (4), 4(2) and 6(2)(a) and (4) of Schedule 20 to the Finance Act 1994” substitute “53 and 54 of Schedule 2 to the Income Tax (Trading and Other Income) Act 2005”. 25
- 478 (1) Amend section 126 (UK representatives of non-residents) as follows.
- (2) In subsections (6) and (7) for “the deemed trade or profession from which the non-resident’s share in the partnership’s profits or losses is treated for the purposes of section 111 or 114 of the Taxes Act 1988 as deriving” substitute “the notional or deemed trade or profession”. 30
- (3) After subsection (7) insert –
- “(7A) In subsections (6) and (7) “the notional or deemed trade or profession” means –
- (a) the notional trade from which the non-resident’s share in the partnership’s profits or losses is treated for the purposes of section 852 of the Income Tax (Trading and Other Income) Act 2005 as deriving, or 35
- (b) the deemed trade or profession from which that share is treated for the purposes of section 114 of the Taxes Act as deriving.” 40
- 479 In section 128(3) (limit on income chargeable on non-residents: income tax) for paragraphs (a) and (b) substitute –
- “(a) it –

- (i) is chargeable to income tax under Chapter 2, 7, 8, 10 or 11 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (interest, purchased life annuity payments, profits from deeply discounted securities, distributions from unauthorised unit trusts and transactions in deposits), section 579 of that Act so far as it relates to annual payments (royalties etc. from intellectual property), Chapter 4 of Part 5 of that Act so far as it relates to annual payments (certain telecommunication rights: non-trading income) or Chapter 7 of Part 5 of that Act (annual payments not otherwise charged); and 5
- (ii) is not relevant foreign income;
- (aa) it is chargeable to tax under Chapter 3 of Part 4 of that Act (dividends etc. from UK resident companies etc.);” 10 15
- 480 (1) Amend section 154 (short rotation coppice) as follows.
- (2) In subsection (1) at the beginning insert “Subject to subsection (1A),”.
- (3) After subsection (1) insert—
- “(1A) Subsection (1) does not apply for the purposes of the Income Tax (Trading and Other Income) Act 2005 (in relation to which section 876(3) and (4) makes corresponding provision).” 20
- 481 In section 157(7) (certificates of tax deposit) for “Case III of Schedule D” substitute “Chapter 2 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (interest)”.
- 482 In paragraph 3(4) of Schedule 18 (deceased persons’ estates) after “Schedule)” insert “and sections 652, 660 and 665 of the Income Tax (Trading and Other Income) Act 2005”. 25
- 483 (1) Amend Schedule 22 (prevention of exploitation of transitional provisions to facilitate self-assessment) as follows.
- (2) Omit paragraph 2. 30
- (3) In paragraph 3—
- (a) in sub-paragraph (1)(a) for “paragraph 2(4) of Schedule 20 to the Finance Act 1994” substitute “paragraph 53 of Schedule 2 to the Income Tax (Trading and Other Income) Act 2005 (“ITTOIA 2005”),
- (b) in sub-paragraph (2) for “the said paragraph 2(4)” substitute “paragraph 53 of that Schedule”, 35
- (c) in sub-paragraph (4), in the definition of “the transitional overlap period”, after “1996-97” insert “(determined in accordance with paragraph 1 of Schedule 20 to the Finance Act 1994 despite the repeal by ITTOIA 2005 of that paragraph)” and after “that year” insert “(as so determined)”, and 40
- (d) in sub-paragraph (4), in the definition of “the transitional overlap profit”, for “the said paragraph 2(4)” substitute “paragraph 53(2) of Schedule 2 to ITTOIA 2005”.
- (4) Omit paragraph 4. 45
- (5) In paragraph 5—

- (a) in sub-paragraph (1) for “paragraph 2(4) of Schedule 20 to the Finance Act 1994” substitute “paragraph 53 of Schedule 2 to ITTOIA 2005”,
- (b) in sub-paragraph (3) for “the said paragraph 2(4)” substitute “paragraph 53 of Schedule 2 to ITTOIA 2005”, and 5
- (c) in sub-paragraph (5), in the definition of “the transitional overlap profit”, for “the said paragraph 2(4)” substitute “paragraph 53(2) of Schedule 2 to ITTOIA 2005”.
- (6) Omit paragraph 6.
- (7) In paragraph 7— 10
- (a) in sub-paragraph (1) for “paragraph 6(4) of Schedule 20 to the Finance Act 1994” substitute “paragraph 54 of Schedule 2 to ITTOIA 2005”,
- (b) in sub-paragraph (2) for “the said paragraph 6(4)” substitute “paragraph 54 of that Schedule”, 15
- (c) in sub-paragraph (4), in the definition of “the transitional overlap period”, after “1996-97” insert “(determined in accordance with paragraph 1 of Schedule 20 to the Finance Act 1994 despite the repeal by ITTOIA 2005 of that paragraph)” and after “that year” insert “(as so determined)”, and 20
- (d) in sub-paragraph (4), in the definition of “the transitional overlap profit”, for “the said paragraph 6(4)” substitute “paragraph 54(3) of Schedule 2 to ITTOIA 2005”.
- (8) Omit paragraphs 8 to 10.
- (9) In paragraph 14(1) for “paragraphs 1, 3, 6 and 7” substitute “paragraphs 1, 3 and 7”. 25
- (10) In paragraph 15(1) for “paragraphs 1, 3, 6 and 7” substitute “paragraphs 1, 3 and 7”.
- (11) Omit paragraphs 18 to 20.
- (12) In the heading for “SCHEDULE 20 TO FINANCE ACT 1994” substitute “SCHEDULE 2 TO ITTOIA 2005 (SO FAR AS RELATING TO OVERLAP PROFIT)”. 30

Finance Act 1996 (c. 8)

- 484 The Finance Act 1996 is amended as follows.
- 485 In section 92(1) (convertible securities etc: creditor relationships) for paragraph (d) substitute— 35
- “(d) the asset is not a deeply discounted security for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (see section 430) or an excluded indexed security within the meaning of section 433 of that Act;”. 40
- 486 Omit section 102 (discounted securities: income tax provisions).
- 487 (1) Amend section 154 (FOTRA securities) as follows.
- (2) In subsection (2)—
- (a) for “(3) to” substitute “(3) and”, and

- (b) at the end insert—
 “This does not apply to any charge to income tax (but see sections 714 and 715 of the Income Tax (Trading and Other Income) Act 2005 for exemptions from income tax charges).”
- (3) Omit subsection (4). 5
- (4) In subsection (6) omit “income tax or”.
- 488 (1) Amend Schedule 9 (loan provisions: special computational provisions) as follows.
- (2) In the italic cross-heading before paragraph 17 for “*Discounted*” substitute “*Deeply discounted*”. 10
- (3) In paragraph 17(1)(a) for “relevant” substitute “deeply”.
- (4) For paragraph 17(4) substitute—
 “4 (1) In this paragraph “deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (see section 430); and the provisions of that Chapter shall apply for the purposes of this paragraph for determining the difference between the issue price of a security and the amount payable on redemption as they apply for the purposes of section 430 of that Act.” 15
- (5) In paragraph 17(8) and (8A) for “relevant” substitute “deeply”. 20
- (6) In the italic cross-heading before paragraph 18 for “*Discounted*” substitute “*Deeply discounted*”.
- (7) In paragraph 18(1)(a), (2C) and (2D) for “relevant” substitute “deeply”.
- (8) For paragraph 18(3) substitute—
 “3 (2) In this paragraph “deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (see section 430); and the provisions of that Chapter shall apply for the purposes of this paragraph for determining the difference between the issue price of a security and the amount payable on redemption as they apply for the purposes of section 430 of that Act.” 25
- (9) In paragraph 19(13) for “relevant” substitute “deeply”. 30
- 489 Omit Schedule 13 (discounted securities: income tax provisions).
- 490 (1) Amend Schedule 15 (loan relationships: savings and transitional provisions) as follows. 35
- (2) In paragraph 26(2) for the definition of “relevant discounted security” substitute—
 ““deeply discounted security” has the same meaning as in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (see section 430)”. 40
- (3) In paragraph 28(b) for “Schedule 13 to this Act” and “relevant” substitute respectively “Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (profits from deeply discounted securities)” and “deeply”.

- (4) In paragraph 30(1)(c) for “relevant” substitute “deeply”.

Finance Act 1997 (c. 16)

- 491 The Finance Act 1997 is amended as follows.
- 492 In section 79 (payments under certain life insurance policies) –
- (a) in subsection (1)(a) for “the purposes of the Tax Acts” substitute “corporation tax purposes”, and
 - (b) in subsection (3) after “Tax Acts” insert “other than the Income Tax (Trading and Other Income) Act 2005”.
- 493 (1) Amend Schedule 12 (leasing arrangements: finance leases and loans) as follows.
- (2) In paragraph 11 –
- (a) in sub-paragraph (9) after “1992” insert “or section 135, 138, 139 or 140 of ITTOIA 2005”,
 - (b) in sub-paragraph (10)(b) after “1992” insert “or section 134(2) of ITTOIA 2005”,
 - (c) in sub-paragraph (11)(a) after “Taxes Act 1988” insert “or section 170 of ITTOIA 2005”, and
 - (d) in sub-paragraph (11)(b) for “of that Act” substitute “of the Taxes Act 1988 or section 165 or 168 of ITTOIA 2005”.
- (3) In paragraph 30 –
- (a) in sub-paragraph (1) before the definition of “lease” insert –
“ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005;”, and
 - (b) in sub-paragraph (2)(b) for “Case I or II of Schedule D” substitute “Part 2 of ITTOIA 2005”.

Finance Act (No.2) 1997 (c. 58)

- 494 The Finance (No.2) Act 1997 is amended as follows.
- 495 In section 30 (tax credits) –
- (a) in subsection (9) after “above” insert “and rewritten in section 397(3) of the Income Tax (Trading and Other Income) Act 2005”, and
 - (b) in subsection (10)(a) for “section 231 of the Taxes Act 1988” substitute “section 397 of the Income Tax (Trading and Other Income) Act 2005”.
- 496 In section 37(7) (interest to be paid gross) for “sections 722A(5) and 730C(9), and in paragraph 3A(2)(a) of Schedule 23A, (which all” substitute “section 722A(5), and in paragraph 3A(2)(a) of Schedule 23A, (which”.
- 497 In section 48(1) (relief for expenditure on production or acquisition of films) after “, section 41 above or this section” insert “or by virtue of any provision of Chapter 9 of Part 2 of ITTOIA 2005”.

Finance Act 1998 (c. 39)

- 498 The Finance Act 1998 is amended as follows.
- 499 In section 42 (computation of profits of trade, profession or vocation) –

- (a) omit subsection (4), and
 (b) in subsection (5) for “Tax Acts” substitute “Corporation Tax Acts”.
- 500 Omit section 43 (barristers and advocates in early years of practice).
- 501 (1) Amend section 46 (minor and consequential provisions about computations) as follows. 5
- (2) In subsection (1) for “Tax Acts” substitute “Corporation Tax Acts”.
- (3) In subsection (2) for “any purpose of the Tax Acts” substitute “corporation tax purposes”.
- 502 In section 76(3) (power to make regulations for non-UK residents who have made investments under individual investment plans to be treated as UK resident for the purpose of tax credits) for “section 333 of the Taxes Act 1988” substitute “Chapter 3 of Part 6 of the Income Tax (Trading and Other Income) Act 2005”. 10
- 503 In section 123(7) – 15
- (a) for “both” substitute “more”,
- (b) in paragraph (a) for the words from “(regulations” onwards substitute “(investment plan regulations)”, and
- (c) at the end of paragraph (b) add “and
 (c) Chapter 3 of Part 6 of the Income Tax (Trading and Other Income) Act 2005 (income from individual investment plans),”. 20

Finance Act 1999 (c. 16)

- 504 The Finance Act 1999 is amended as follows.
- 505 In section 63(1) (treatment of transfer fees under existing contracts) at the end insert “or, as the case may be, under Chapter 2 of Part 2 of the Income Tax (Trading and Other Income) Act 2005”. 25
- 506 (1) Amend section 65 (relevant discounted securities) as follows.
- (2) Omit subsections (1) to (6).
- (3) In subsection (8) for “subsections (1) to (7) above have” substitute “subsection (7) above has”. 30
- (4) In subsections (9) and (10) for “subsections (1) to (7)”, “have effect” and “do not affect” substitute “subsection (7)”, “has effect” and “does not affect” respectively.
- (5) In subsections (11) and (12) for “subsections (1) to (7) above have” substitute “subsection (7) above has”. 35
- 507 In section 85(7)(b) (advance pricing agreements etc.) after “Taxes Act 1988” insert “or section 16(1) of the Income Tax (Trading and Other Income) Act 2005”.
- 508 (1) Amend Schedule 6 (tax treatment of receipts by way of reverse premium) as follows. 40
- (2) In paragraph 1(1) (application of Schedule) –
- (a) for “a person receives” substitute “a company receives”,

- (b) for “him or a person connected with him” substitute “the company or a person connected with the company”, and
 - (c) for “the person receiving the payment or other benefit, or as the case may be the person connected with him” substitute “the company receiving the payment or other benefit, or as the case may be the person connected with the company”. 5
- (3) In paragraph 2 (tax treatment of receipts by way of reverse premium) –
- (a) for “the purposes of the Tax Acts” substitute “corporation tax purposes”,
 - (b) for “the person receiving the reverse premium”, in both places where it occurs, substitute “the company receiving the reverse premium”, 10
 - (c) for “that person” substitute “that company”,
 - (d) for “tax” substitute “corporation tax”, and
 - (e) for “him” substitute “the company”.
- (4) In paragraph 3(3) (arrangements not at arm’s length) – 15
- (a) for “the person receiving” substitute “the company receiving”,
 - (b) for “by him but which he” substitute “by the company but which it”, and
 - (c) for “he carries” substitute “the company carries”.
- (5) Omit paragraph 6 (exclusion of transaction relating to individual’s only or main residence) and the italic cross-heading before it. 20

Commonwealth Development Corporation Act 1999 (c. 20)

- 509 (1) Amend paragraph 6 of Schedule 3 to the Commonwealth Development Corporation Act 1999 (distributions by the Commonwealth Development Corporation) as follows. 25
- (2) In sub-paragraph (2)(b) after “section 231 of that Act” insert “or section 397 of the Income Tax (Trading and Other Income) Act 2005 (tax credits for qualifying distributions: UK residents and eligible non-UK residents)”.
- (3) In sub-paragraph (3) for “corporation tax and income tax” substitute “income tax as dividends of a non-UK resident company chargeable under Chapter 4 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (and accordingly as relevant foreign income for the purposes of that Act), and for the purposes of corporation tax”. 30
- (4) Omit sub-paragraph (4).

Finance Act 2000 (c. 17)

35

510 The Finance Act 2000 is amended as follows.

511 (1) Amend section 44 (gifts to charity from certain trusts) as follows.

- (2) Omit subsections (1) to (3).
- (3) In subsection (4) – 40
 - (a) for “UK trust” substitute “trust the trustees of which are resident in the United Kingdom (a “UK trust”)”, and
 - (b) for “subsection (1) above” substitute “section 628(1) or 630(1) of ITTOIA 2005”.

- (4) For subsection (5) substitute –
- “(5) In this section –
- “qualifying income” has the same meaning as in section 628 of ITTOIA 2005; and
- “resident”, in relation to the trustees of a trust, shall be construed in accordance with section 110 of the Finance Act 1989.” 5
- 512 Omit section 45 (loans to charities).
- 513 (1) Amend section 46 (exemption for small trades etc.) as follows.
- (2) In subsection (1) for the words from the beginning to “shall be granted,” substitute – 10
- “(1) Subject to subsections (2) and (2A) below, exemption –
- (a) from income tax –
- (i) under Part 2 of ITTOIA 2005 in respect of a trade carried on wholly or partly in the United Kingdom, or 15
- (ii) under or by virtue of any provision to which section 836B of the Taxes Act 1988 applies, or
- (b) from corporation tax under Case I or VI of Schedule D, shall be granted”.
- (3) For subsection (2) substitute – 20
- “(2) Exemption shall not be granted under subsection (1) above in respect of income which is chargeable to –
- (a) income tax under or by virtue of any provision to which section 836B of the Taxes Act 1988 applies, or
- (b) corporation tax under Case VI of Schedule D, 25
- by virtue of any of the provisions mentioned in subsection (2A).
- (2A) The provisions are –
- (a) sections 214, 547(1)(b), 703, 776, 788, 790 or 804 of the Taxes Act 1988;
- (b) paragraph 52(4) of Schedule 18 to the Finance Act 1998; 30
- (c) Chapter 9 of Part 4, and Chapter 5 of Part 5, of ITTOIA 2005; and
- (d) any other enactment specified in an order made by the Treasury.”
- (4) In subsection (6), in the definition of “income” – 35
- (a) after “means” insert “ –
- (a) any profits or other income or gains –
- (i) which are chargeable to income tax under Part 2 of ITTOIA 2005 in respect of a trade carried on wholly or partly in the United Kingdom, or 40
- (ii) which are chargeable to income tax under or by virtue of any provision to which section 836B of the Taxes Act 1988 applies,
- and which (in either case) are not, apart from this section, exempted from income tax chargeable under 45
- or by virtue of that Part or provision, or

- (b) ”,
- (b) after “chargeable to” insert “corporation”.
- 514 Omit section 84 (exemption of payments under New Deal 50plus).
- 515 Omit section 85 (exemption of payments under Employment Zones programmes). 5
- 516 Omit section 87 (treatment of certain telecommunication rights).
- 517 In section 143(2) (power to provide incentives to use electronic communications) for “purposes of the Tax Acts” substitute “corporation tax purposes”.
- 518 In section 155 (interpretation) at the end insert “and “ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005”. 10
- 519 In Schedule 12 (provision of services through an intermediary), in paragraphs 17(1) and 18(1), for “tax purposes” substitute “corporation tax purposes”.
- 520 In Schedule 15 (the corporate venturing scheme), in paragraph 99(3), for “Chapter 1A of Part XV of the Taxes Act 1988 (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”. 15
- 521 In Schedule 22 (tonnage tax), in paragraph 144(3), for “Chapter 1A of Part XV of the Taxes Act 1988 (see section 660G(1) and (2) of that Act)” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”. 20
- 522 Omit Schedule 23 (treatment of certain telecommunication rights).

Capital Allowances Act 2001 (c.2)

- 523 The Capital Allowances Act 2001 is amended as follows.
- 524 In section 4 (capital expenditure) for subsection (5) substitute— 25
- “(5) Subsection (4) does not apply to any expenditure or sum in the case of which a deduction of income tax falls or may fall to be so made as a result of section 595(2) of ITTOIA 2005 or section 524(3)(b) of ICTA (receipts from sale of patent rights by person not resident in the UK: income and corporation tax).”
- 525 (1) Amend section 15 (qualifying activities) as follows. 30
- (2) In subsection (1)—
- (a) in paragraph (b) for “Schedule A” substitute “property”,
- (b) in paragraph (f) after “listed in” insert “section 12(4) of ITTOIA 2005 or”.
- (3) In subsection (3)(a) for “Schedule A” substitute “property”. 35
- 526 (1) Amend section 16 (ordinary Schedule A businesses) as follows.
- (2) For ““ordinary Schedule A” substitute ““ordinary property”.
- (3) For “means a Schedule A business” substitute “means a UK property business, or a Schedule A business,”.
- (4) In the side-note for “Schedule A” substitute “property”. 40

- 527 (1) Amend section 17 (furnished holiday lettings businesses) as follows.
- (2) In subsection (1) for “a Schedule A business in so far” to the end substitute “a UK property business, or a Schedule A business, which consists in, or so far as it consists in, the commercial letting of furnished holiday accommodation”.
- (3) For subsection (3) substitute –
- “(3) For the purposes of income tax the “commercial letting of furnished holiday accommodation” has the same meaning as it has for the purposes of Chapter 6 of Part 3 of ITTOIA 2005.
For the purposes of corporation tax the “commercial letting of furnished holiday accommodation” has the meaning given by section 504 of ICTA.”
- 528 In section 20(1) (employments and offices) for “section 314 of ICTA” substitute “section 15 of ITTOIA 2005”.
- 529 In section 23(2) (expenditure unaffected by sections 21 and 22) before “40D” insert “143 of ITTOIA 2005 or section”.
- 530 In section 28(2) (thermal insulation of industrial buildings) for “Schedule A” substitute “property”.
- 531 In section 33(8)(b) (personal security) for “Schedule A” substitute “property”.
- 532 In section 35(1)(a) (expenditure on plant or machinery for use in dwelling-house not qualifying expenditure in certain cases) for “Schedule A” substitute “property”.
- 533 In section 38(a) (production of animals etc) –
- (a) after “to which” insert “section 30 or Chapter 8 of Part 2 of ITTOIA 2005 or”, and
- (b) after “purposes of” insert “Part 2 of ITTOIA 2005 or”,
- 534 (1) Amend section 63 (cases in which disposal value is nil) as follows.
- (2) In subsection (2)(c) after “within the meaning of” insert “section 110 of ITTOIA 2005 or”.
- (3) In subsection (3)(b) for “Schedule A” substitute “property”.
- (4) In subsection (4) after “to be read with” insert “section 109 of ITTOIA 2005 and”.
- 535 (1) Amend section 106 (the designated period) as follows.
- (2) In subsection (3)(b) for the words from “the qualifying activity” to the end substitute “–
- (i) there was a change in the persons carrying on the qualifying activity which did not involve all of the persons carrying on that activity before the change permanently ceasing to carry it on, or
- (ii) the qualifying activity carried on by the person making the disposal was treated as continuing under section 114(1) of ICTA (effect of partnership changes involving companies).”

- (3) Omit subsection (4).
- 536 (1) Amend section 108 (effect of disposal to connected person on overseas leasing pool) as follows.
- (2) In subsection (1) for paragraph (b) and the word “and” at the end of that paragraph substitute – 5
- “(b) the disposal is one on the occasion of which –
- (i) there was a change in the persons carrying on the qualifying activity which involved all of the persons carrying on that activity before the change permanently ceasing to carry it on, or 10
- (ii) the qualifying activity carried on by the person making the disposal was not treated as continuing under section 114(1) or 343(2) of ICTA (effect of partnership changes involving companies or of company reconstructions), and”. 15
- (3) Omit subsection (4).
- 537 (1) Amend section 112 (excess allowances: connected persons) as follows.
- (2) In subsection (1) for paragraph (b) and the word “and” at the end of that paragraph substitute –
- “(b) the transaction (or each of the transactions) is one – 20
- (i) which involved all of the persons carrying on the qualifying activity before the transaction permanently ceasing to carry it on, or
- (ii) in respect of which the qualifying activity carried on by the person making the disposal was not treated as continuing under section 114(1) or 343(2) of ICTA (effect of partnership changes involving companies or of company reconstructions), and”. 25
- (3) Omit subsection (5).
- 538 (1) Amend section 115 (prohibited allowances: connected persons) as follows. 30
- (2) In subsection (1) for paragraph (c) and the word “and” at the end of that paragraph substitute –
- “(c) the transaction (or each of the transactions) is one –
- (i) which involved all of the persons carrying on the qualifying activity before the transaction permanently ceasing to carry it on, or 35
- (ii) in respect of which the qualifying activity carried on by the person making the disposal was not treated as continuing under section 114(1) or 343(2) of ICTA (effect of partnership changes involving companies or of company reconstructions), and”. 40
- (3) Omit subsection (3).
- 539 (1) Amend section 122 (short-term leasing by buyer, lessee etc) as follows.

- (2) In subsection (2) for paragraph (c) substitute –
- “(c) a person who acquired the plant or machinery from X as a result of a disposal on the occasion of which, or two or more disposals on the occasion of each of which –
- (i) there was a change in the persons carrying on the qualifying activity which did not involve all of the persons carrying on that activity before the change permanently ceasing to carry it on, or 5
 - (ii) the qualifying activity carried on by the person making the disposal was treated as continuing under section 114(1) of ICTA (effect of partnership changes involving companies);” 10
- (3) Omit subsection (3).
- 540 (1) Amend section 125 (other qualifying purposes) as follows.
- (2) In subsection (3) for paragraph (c) substitute – 15
- “(c) a person who acquired the plant or machinery from X as a result of a disposal on the occasion of which, or two or more disposals on the occasion of each of which –
- (i) there was a change in the persons carrying on the qualifying activity which did not involve all of the persons carrying on that activity before the change permanently ceasing to carry it on, or 20
 - (ii) the qualifying activity carried on by the person making the disposal was treated as continuing under section 114(1) of ICTA (effect of partnership changes involving companies).” 25
- (3) Omit subsection (5).
- 541 In section 154(3) (further registration requirement) for paragraph (b) substitute –
- “(b) the only changes in the persons carrying it on between the time that B does so and the time that A or a person connected with A does so are changes – 30
- (i) which do not involve all of the persons carrying it on before the changes permanently ceasing to carry it on, or 35
 - (ii) in respect of which the qualifying activity is treated as continuing under section 343(2) of ICTA.”
- 542 In section 155(1) (changes in the persons carrying on qualifying activity) for paragraph (b) substitute –
- “(b) the only changes in the persons carrying on the qualifying activity since the shipowner carried it on are changes – 40
- (i) which do not involve all of the persons carrying it on before the changes permanently ceasing to carry it on, or
 - (ii) in respect of which the qualifying activity is treated as continuing under section 343(2) of ICTA.” 45

- 543 In section 156 (connected persons) for subsection (2) substitute –
- “(2) The condition is that the only changes in the persons carrying on the qualifying activity since A carried it on are changes –
- (a) which do not involve all of the persons carrying it on before the changes permanently ceasing to carry it on, or 5
- (b) in respect of which the qualifying activity is treated as continuing under section 343(2) of ICTA.”
- 544 In section 162(2) (ring fence trade a separate qualifying activity) –
- (a) in paragraph (a), after “fall within” insert “the definition of “oil-related activities” in section 16(2) of ITTOIA 2005 or within”, and 10
- (b) in paragraph (b), after “as a result of” insert “section 16(1) of ITTOIA 2005 or”.
- 545 In section 248 (ordinary Schedule A businesses) –
- (a) for “Schedule A” substitute “property”, and
- (b) in the side-note for “Schedule A” substitute “property”. 15
- 546 In section 252 (mines, transport undertakings etc) –
- (a) after “is a concern listed in” insert “section 12(4) of ITTOIA 2005 or”, and
- (b) after “the profits of the concern under” insert “Chapter 2 of Part 2 of ITTOIA 2005 or, as the case may be, under”. 20
- 547 In section 258(4) (special leasing: income tax) for “taxed under Case VI of Schedule D” substitute “assessed to income tax”.
- 548 (1) Amend section 263 (qualifying activities carried on in partnership) as follows.
- (2) In subsection (1) for paragraph (c) substitute – 25
- “(c) the following condition is met.”
- (3) After that subsection insert –
- “(1A) The condition is that –
- (a) the change does not involve all of the partners permanently ceasing to carry on the qualifying activity, or 30
- (b) the change does not result in the qualifying activity being treated under section 18 or 362 of ITTOIA 2005 as permanently ceasing to be carried on by a company or treated as discontinued under section 337(1) of ICTA (companies beginning or ceasing to carry on trade etc.).” 35
- 549 (1) Amend section 265 (successions: general) as follows.
- (2) In subsection (1) for paragraph (b) substitute –
- “(b) the following condition is met.”
- (3) After that subsection insert –
- “(1A) The condition is that – 40
- (a) all of the persons carrying on the qualifying activity before the succession permanently cease to carry it on, or
- (b) the qualifying activity is treated under section 18 or 362 of ITTOIA 2005 as permanently ceasing to be carried on by a

- company or treated as discontinued under section 337(1) of ICTA (companies beginning or ceasing to carry on trade etc.).”
- 550 In 268(1) (successions by beneficiaries) for paragraph (b) and the word “and” at the end of that paragraph substitute – 5
“(b) all of the persons carrying on the qualifying activity before the succession permanently cease to carry it on, and”.
- 551 In section 282 (buildings outside the United Kingdom) for “applicable to Case I of Schedule D” substitute “that apply in calculating trade profits for income tax purposes or that apply to Case I of Schedule D for corporation tax purposes”. 10
- 552 In section 326(1) (interpretation of section 325) in the definition of “premium” –
(a) after “corresponds to” insert “ –
(a)”, and 15
(b) at end insert “, or
(b) an amount brought into account as a receipt in calculating the profits of a UK property business under sections 277 to 281 of ITTOIA 2005 that is calculated by reference to the sum;”. 20
- 553 In section 331(1)(b) (capital value provisions: interpretation) –
(a) after “corresponds to” insert “ –
(i)”, and
(b) at end insert “, or
(ii) an amount brought into account as a receipt in calculating the profits of a UK property business under sections 277 to 281 of ITTOIA 2005 that is calculated by reference to the sum.” 25
- 554 (1) Amend section 353 (lessors and licensors) as follows. 30
(2) In subsection (2) for “a Schedule A business” substitute “a UK property business, or a Schedule A business,”.
(3) After subsection (3) insert –
“(3A) If the person is within the charge to income tax in respect of the allowance or charge and his interest in the building is not an asset of any property business carried on by him at any time in the relevant period, the allowance or charge is to be given effect by treating him as if he had been carrying on a UK property business in that period and as if – 35
(a) the allowance were an expense of that business, and 40
(b) the charge were a receipt of that business.”
- (4) In subsection (4) –
(a) for “the person’s” substitute “the person is a company within the charge to corporation tax in respect of the allowance or charge and its”, 45
(b) for “him”, in the first place where it occurs, substitute “it”,

- (c) for “him”, in the second place where it occurs, substitute “the company”, and
- (d) for “he” substitute “it”.
- 555 (1) Amend section 354 (buildings temporarily out of use) as follows.
- (2) In subsection (3) – 5
- (a) after “as may be made under” insert “section 254 of ITTOIA 2005 or”, and
- (b) after “chargeable to tax under” insert “Chapter 18 of Part 2 of ITTOIA 2005 or, as the case may be, under”.
- (3) In subsection (5) for “section 113(1)” to the end substitute “section 18 of ITTOIA 2005 or section 337(1) of ICTA (effect of company ceasing to trade etc).” 10
- 556 In section 390(1) (interpretation of section 389) in the definition of “premium” –
- (a) after “corresponds to” insert “ – 15
- (a)”, and
- (b) at end insert “, or
- (b) an amount brought into account as a receipt in calculating the profits of a UK property business under sections 277 to 281 of ITTOIA 2005 that is calculated by reference to the sum;” 20
- 557 (1) Amend section 392 (Schedule A businesses) as follows.
- (2) In subsection (2) for “a Schedule A business” substitute “a UK property business, or a Schedule A business,”.
- (3) After that subsection insert – 25
- “(2A) If the person is within the charge to income tax in respect of the allowance or charge and he was not carrying on a UK property business at any time in that period, the allowance or charge is to be given effect by treating him as if he had been carrying on such a business in that period and as if – 30
- (a) the allowance were an expense of that business, and
- (b) the charge were a receipt of that business.”
- (4) In subsection (3) –
- (a) after “the person” insert “is a company within the charge to corporation tax in respect of the allowance or charge and it”, 35
- (b) for “him” substitute “the company”, and
- (c) for “he” substitute “it”.
- (5) In the sidenote for “Schedule A” substitute “UK property and Schedule A”.
- 558 In section 393B(4) (meaning of “qualifying expenditure”) after “the profits of a” insert “UK property business or” 40
- 559 (1) Amend section 393T (giving effect to allowances and charges) as follows.
- (2) In subsection (2) for “a Schedule A business” substitute “a UK property business, or a Schedule A business,”.

- (3) After that subsection insert—
- “(2A) If the person is within the charge to income tax in respect of the allowance or charge and his interest in the flat is not an asset of a UK property business carried on by him at any time in that period, the allowance or charge is to be given effect by treating him as if he had been carrying on a UK property business in that period and as if—
- (a) the allowance were an expense of that business, and
- (b) the charge were a receipt of that business.”
- (4) In subsection (3)—
- (a) for “the person’s” substitute “the person is a company within the charge to corporation tax in respect of the allowance or charge and its”,
- (b) for “him”, in both places where it occurs, substitute “the company”, and
- (c) for “he” substitute “it”.
- 560 (1) Amend section 406 (reduction where premium relief previously allowed) as follows.
- (2) In subsection (1) for “section 87 of ICTA” substitute “sections 60 to 67 of ITTOIA 2005 or under sections 87 and 87A of ICTA”.
- (3) In subsection (2) for “section 87 of ICTA” substitute “sections 60 to 67 of ITTOIA 2005 or under sections 87 and 87A of ICTA”.
- 561 In section 454(1)(c) (qualifying expenditure) after “an election under” insert “section 194 of ITTOIA 2005 or under”.
- 562 In section 455(4) (excluded expenditure) after “goodwill under” insert “section 194(3) of ITTOIA 2005 or under”.
- 563 In section 462(3) (disposal values) after “goodwill under” insert “section 194(2) of ITTOIA 2005 or under”.
- 564 In section 479(4) (persons having qualifying non-trade expenditure: income tax) for “taxed under Case VI of Schedule D” substitute “assessed to income tax”.
- 565 In section 481(5)(b) (anti-avoidance: limit on qualifying expenditure) after “in accordance with section” insert “587 of ITTOIA 2005 or section”.
- 566 In section 483(c) (meaning of “income from patents”) after “payable under” insert “section 587, 593 or 594 of ITTOIA 2005 or under”.
- 567 In section 488(3)(a) (balancing allowances) for “section 113(1)” to “to trade etc.” substitute “section 18 of ITTOIA 2005 or section 337(1) of ICTA (effect of company ceasing to trade etc.)”.
- 568 (1) Amend section 529 (giving effect to allowances and charges) as follows.
- (2) In subsection (1) for “a Schedule A business” substitute “a UK property business, or a Schedule A business”.
- (3) After that subsection insert—
- “(1A) If the person entitled or liable to an allowance or charge for a chargeable period is within the charge to income tax in respect of the allowance or charge and he was not carrying on a UK property

- business at any time in that period, the allowance or charge is to be given effect by treating him as if he had been carrying on such a business in that period and as if—
- (a) the allowance were an expense of that business, and
 - (b) the charge were a receipt of that business.” 5
- (4) In subsection (2)—
- (a) for the words from the beginning to “chargeable period” substitute “If the person entitled or liable to an allowance or charge for a chargeable period is a company within the charge to corporation tax in respect of the allowance or charge and it”, 10
 - (b) for “him” substitute “the company”, and
 - (c) for “he” substitute “it”.
- 569 In section 536(5)(a) (contributions not made by public bodies and not eligible for tax relief) —
- (a) in sub-paragraph (i) for “Schedule A” substitute “property”, and 15
 - (b) in sub-paragraph (v) after “listed in” insert “section 12(4) of ITTOIA 2005 or”.
- 570 In section 558(1)(c) (effect of partnership changes) for the words from “result in” to the end substitute “—
- (i) involve all of the persons carrying on the relevant activity before the change permanently ceasing to carry it on, or 20
 - (ii) result in the relevant activity being treated under section 18 or 362 of ITTOIA 2005 as permanently ceasing to be carried on by a company or treated as discontinued under section 337(1) of ICTA (companies beginning or ceasing to carry on trade etc.).” 25
- 571 (1) Amend section 559 (effect of successions) as follows.
- (2) In subsection (1) for paragraph (b) substitute — 30
- “(b) the following condition is met.”
- (3) After that subsection insert —
- “(1A) The condition is that—
- (a) all of the persons carrying on the relevant activity before the succession permanently cease to carry it on, or 35
 - (b) the relevant activity is treated under section 18 or 362 of ITTOIA 2005 as permanently ceasing to be carried on by a company or treated as discontinued under section 337(1) of ICTA (companies beginning or ceasing to carry on trade etc.).” 40
- 572 In section 577(1) (definitions) in the definition of “property business” after “means” insert “a UK property business,”.
- 573 (1) Amend Schedule 1 (abbreviations and defined expressions) as follows.

(2) In Part 1 in the appropriate place insert—

“ITTOIA 2005 The Income Tax (Trading and Other Income) Act 2005”.

(3) In Part 2—

- (a) in the entry for “ordinary Schedule A business” for “Schedule A” substitute “property”, 5
- (b) in the entry for “overseas property business” for “65A(4), 70A(4) and 832(1) of ICTA” substitute “70A(4) and 832(1) of ICTA and Chapter 2 of Part 3 of ITTOIA 2005”, and
- (c) in the appropriate place insert— 10

“UK property business section 832(1) of ICTA and Chapter 2 of Part 3 of ITTOIA 2005”.

Finance Act 2002 (c. 23)

574 The Finance Act 2002 is amended as follows. 15

575 In section 64(1) (adjustment on change of basis) after “to be made for” insert “corporation”.

576 (1) Amend Schedule 16 (community investment tax relief) as follows.

(2) In paragraph 27(2) omit “under Case VI of Schedule D”.

(3) In paragraph 50(3), for “Chapter 1A of Part 15 of the Taxes Act 1988 (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of the Income Tax (Trading and Other Income) Act 2005 (see section 620 of that Act)”. 20

577 (1) Amend Schedule 22 (computation of profits: adjustment of change of basis) as follows.

(2) In paragraph 2, in item 4 of the first step for “tax purposes” substitute “corporation tax purposes”. 25

(3) In paragraph 3(2) for “, profession” to the end substitute “is not regarded as the same if section 337(1) of the Taxes Act 1988 applies (companies beginning or ceasing to carry on trade).”

(4) For paragraph 4 substitute— 30

“4 If the amount of the adjustment is positive, it is chargeable to corporation tax and is treated as receipt of the trade, profession or vocation arising on the last day of the first period of account for which the new basis is adopted.”

(5) In paragraph 9— 35

(a) in sub-paragraph (1) for “person who is chargeable to tax” substitute “company which is chargeable to corporation tax”,

(b) in sub-paragraph (2)(c) for “the time allowed” substitute “twelve months of the end of the first accounting period to which the new basis applies”, 40

- (c) omit sub-paragraph (3),
 (d) in sub-paragraph (4) for “tax” substitute “corporation tax”, and
 (e) in sub-paragraph (5) for “tax”, in each place where it occurs, substitute “corporation tax”.
- (6) Omit paragraphs 11 and 12. 5
- (7) In paragraph 13—
 (a) in sub-paragraph (1) for “computed” to the end substitute “computed as if the partnership were a company resident in the United Kingdom”, and
 (b) omit sub-paragraphs (3), (4) and (6). 10
- (8) Omit paragraph 14.
- (9) For paragraph 15 substitute—
 “15 In this Schedule “adjustment charge” means a charge under Part 2 of this Schedule.”
- (10) In paragraph 17— 15
 (a) in sub-paragraph (2) omit paragraph (a), and
 (b) in sub-paragraph (3) omit “9ZA or” and “personal, trustee or”.
- 578 (1) Amend paragraph 64 of Schedule 25 (transitional provisions concerning loan relationships in the case of authorised unit trusts and open-ended investment companies) as follows. 20
- (2) At the beginning of sub-paragraph (7) insert “Subject to sub-paragraph (9),”.
- (3) After sub-paragraph (8) insert—
 “(9) So far as sub-paragraphs (3) to (6) are capable of applying at any time after 5th April 2005—
 (a) they have effect as if any reference in them to a relevant discounted security were a reference to a security that is a deeply discounted security for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (profits from deeply discounted securities) (see section 430 of that Act), and 25
 (b) in those sub-paragraphs—
 “redeem” means make a disposal, within the meaning of that Chapter (except by a transfer within the meaning of that Chapter), or convert as mentioned in section 437(1)(c) of that Act, and 30
 “transfer” has the same meaning as in that Chapter.” 35
- 579 In Schedule 29 (gains and losses of a company from intangible fixed assets), in paragraph 101(3), for “Chapter 1A of Part 15 of the Taxes Act 1988 (settlements: liability of settlor) (see section 660G(1) and (2) of that Act)” substitute “Chapter 5 of Part 5 of the Income Tax (Trading and Other Income) Act 2005 (see section 620 of that Act)”. 40

Proceeds of Crime Act 2002 (c. 29)

- 580 The Proceeds of Crime Act 2002 is amended as follows.
- 581 In section 319(2) (source of income) for “Case 6 of Schedule D” substitute “Chapter 8 of Part 5 of the Income Tax (Trading and Other Income) Act 2005”. 5
- 582 (1) Amend Schedule 10 (tax) as follows.
- (2) In paragraph 2(7) (introductory) at the end insert “, and “ITTOIA 2005” means the Income Tax (Trading and Other Income) Act 2005”.
- (3) In paragraph 5 (relevant discounted securities) – 10
- (a) for “relevant” substitute “deeply”, and
- (b) for the words from “Schedule 13” to “c.8)” and “that Schedule” substitute respectively “Chapter 8 of Part 4 of ITTOIA 2005” and “that Chapter”.
- (4) In paragraph 6 (rights to receive amounts stated in certificates of deposit etc.) – 15
- (a) after “deposit etc.” insert “, or a right falling within the definition of “deposit rights” in section 552(1) of ITTOIA 2005”, and
- (b) for the words “of that Act”, in the second place where they occur, substitute “of the Taxes Act 1988 or Chapter 11 of Part 4 of ITTOIA 2005”. 20
- (5) In paragraph 8 (futures and options) –
- (a) for “paragraph 4 of Schedule 5AA to the Taxes Act 1988” substitute “section 562 of ITTOIA 2005”, and
- (b) for “that Schedule” substitute “Chapter 12 of Part 4 of that Act”.
- (6) In paragraph 11 (trading stock) – 25
- (a) in sub-paragraph (3) after “1988” insert “or section 173 of ITTOIA 2005” and after “discontinuance” insert “or cessation”, and
- (b) in sub-paragraph (4) for “that section” substitute “section 100 of the Taxes Act 1988 or (as the case may be) section 174 of ITTOIA 2005”.

Income Tax (Earnings and Pensions) Act 2003 (c. 1) 30

- 583 The Income Tax (Earnings and Pensions) Act 2003 is amended as follows.
- 584 In section 6(5) (exception to charge to tax on employment income for income of divers and diving supervisors) for the words from “Case I” to “ICTA” substitute “Part 2 of ITTOIA 2005 (trading income) by virtue of section 15 of that Act”. 35
- 585 In section 61(1) (application of provisions to workers under arrangements made by intermediaries: interpretation) in the definition of “business” after “includes a” insert “UK property business or”.
- 586 In section 178 (exception for loans where interest qualifies for tax relief) – 40
- (a) in paragraph (c) –
- (i) for “under Case I or II of Schedule D” substitute “to tax”, and
- (ii) after “carried on” insert “wholly or partly in the United Kingdom”, and

- (b) in paragraph (d) for “under Schedule A in respect of a Schedule A business” substitute “to tax in respect of a UK property business, or a Schedule A business,”.
- 587 In section 180(5) (threshold for benefit of loan to be treated as earnings) –
- (a) in paragraph (c) – 5
- (i) for “under Case I or II of Schedule D” substitute “to tax”, and
- (ii) after “carried on” insert “wholly or partly in the United Kingdom”, and
- (b) in paragraph (d) for “under Schedule A in respect of a Schedule A business” substitute “to tax in respect of a UK property business, or a Schedule A business,”. 10
- 588 In section 189(3)(a) (exception where double charge) for “section 677 of ICTA (sums paid to settlor otherwise than as income)” substitute “section 633 of ITTOIA 2005 (capital sums paid to settlor by trustees of settlement)”.
- 589 In section 215 for “section 331(1) of ICTA” substitute “section 776(1) of ITTOIA 2005”. 15
- 590 In section 302(4) (exemption of consular employees’ employment income), in the definition of “reciprocal arrangement”, for “and section 322 of ICTA” substitute “, sections 646A and 681A of this Act and section 771 of ITTOIA 2005 (relevant foreign income of consular officers and employees)”. 20
- 591 After section 325 insert –
- “325A Health and employment insurance payments**
- (1) No liability to income tax in respect of employment income arises on any payment if or to the extent that –
- (a) were the payment an annual payment falling within Chapter 7 of Part 5 of ITTOIA 2005, it would be exempt from income tax under section 735 of that Act (health and employment insurance payments), and 25
- (b) it meets conditions A and B.
- (2) Condition A is that the payments are made – 30
- (a) to a person (“the employee”) who made payments or contributions in respect of premiums under an insurance policy which another person took out wholly or partly for the employee’s benefit, or
- (b) to the employee’s husband or wife. 35
- (3) Condition B is that the payments are attributable on a just and reasonable basis to the payments or contributions in respect of premiums.”
- 592 In section 357(2) (business entertainment and gifts: exception where employer’s expenses disallowed) after “disallowed under” insert “section 45 or 867 of ITTOIA 2005 or under”. 40

- 593 In Chapter 2 of Part 5, after section 360 insert –
- “360A Social security contributions**
- (1) No deduction from earnings is allowed under this Chapter for any contribution paid by any person under Part 1 of SSCBA 1992 or Part 1 of SSCB(NI)A 1992. 5
- (2) But this prohibition does not apply to an employer’s contribution (see subsection (3)) which is allowable as a deduction –
- (a) under section 336 (the general rule),
- (b) under any of sections 337 to 342 (travel expenses), or
- (c) under section 351(1) (expenses of ministers of religion). 10
- (3) For this purpose “an employer’s contribution” means –
- (a) a secondary Class 1 contribution,
- (b) a Class 1A contribution, or
- (c) a Class 1B contribution,
- within the meaning of Part 1 of SSCBA 1992 or Part 1 of SSCB(NI)A 1992.” 15
- 594 In section 394(2) (charge on benefit to which Chapter 2 of Part 6 applies) for “to tax under Case VI of Schedule D” substitute “to income tax”.
- 595 In section 397(1) (certain lump sums: calculation of amount taxed by virtue of section 394) for “Case VI of Schedule D” substitute “subsection (2) of that section”. 20
- 596 In section 399(1)(b) (employment-related loans: interest treated as paid) omit “under Case VI of Schedule D”.
- 597 In section 476 (charge on occurrence of chargeable event) for subsection (5) substitute – 25
- “(5) If the employee has been divested of the employment-related securities option by operation of law –
- (a) income tax is charged on the amount determined under section 478, and
- (b) the person liable for any tax so charged is the relevant person in relation to the chargeable event (see section 477(7)).” 30
- 598 In section 477(7) (chargeable events) for “(charge under Case VI of Schedule D)” substitute “(charge to income tax)”.
- 599 (1) Amend section 493 (no charge on acquisition of dividend shares) as follows. 35
- (2) Omit subsections (1), (2) and (4).
- (3) After subsection (3) insert –
- “(3A) For the exemption of such amounts from income tax, see section 770 of ITTOIA 2005 (amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment).”
- 600 For section 496 (no charge on cash dividend retained for reinvestment) 40

substitute –

“496 No charge on cash dividend retained for reinvestment

- For the exemption from income tax of amounts retained under paragraph 68(2) of Schedule 2 (amount of cash dividend not reinvested), see section 770 of ITTOIA 2005 (amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment).” 5
- 601 In section 497(3) (limitations on charges on shares ceasing to be subject to plan) for the words from “as” to the end substitute “under Chapter 3 or 4 of Part 4 of ITTOIA 2005 (dividends etc. from UK or non-UK resident companies etc.) as a result of section 394(2) or 407(2) of that Act (distribution or dividend payment when dividend shares cease to be subject to plan).” 10
- 602 In section 502(4)(a) (meaning of “capital receipt” in section 501) at the end insert “or section 770 of ITTOIA 2005 (exemption for amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment)”.
- 603 (1) Amend section 515 (tax advantages and charges under other Acts) as follows. 15
- (2) In subsection (1) omit paragraph (a).
- (3) In subsection (2) omit “and” at the end of paragraph (a).
- (4) In subsection (2) at the end of paragraph (b) insert “, and 20
- (c) sections 392 to 395 and 405 to 408 of ITTOIA 2005 (SIPs: special rules for charges under Chapters 3 and 4 of Part 4 of that Act (dividends etc. from UK or non-UK resident companies etc.)) and section 770 of that Act (exemption for amounts applied by SIP trustees acquiring dividend shares or retained for reinvestment).” 25
- 604 In section 516(4) (approved SAYE option schemes), in the definition of “SAYE option scheme”, for “approved savings schemes” substitute “approved savings arrangements”.
- 605 (1) Amend section 575 (taxable pension income: foreign pensions) as follows.
- (2) In subsection (1) for the words “the amount” onwards substitute “the full amount of the pension income arising in the tax year, but subject to subsections (2) and (3).” 30
- (3) For subsection (2) substitute –
- “(2) The full amount of the pension income arising in the tax year is to be calculated on the basis that the pension is 90% of its actual amount, unless as a result of subsection (3) the pension income is charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis). 35
- (3) That pension income is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of that Act (relevant foreign income: remittance basis and deductions and reliefs). 40
- (4) But if that pension income arises in the Republic of Ireland, section 839 of that Act (annual payments payable out of relevant foreign income) applies with the omission of condition B and subsection (5)(a). 45

- (5) See also Chapter 4 of that Part (unremittable income).”
- 606 (1) Amend section 613 (taxable pension income: foreign annuities) as follows.
- (2) In subsection (2) for the words “the amount” onwards substitute “the full amount of the annuity arising in the tax year, but subject to subsections (3) and (4).” 5
- (3) For subsections (3) and (4) substitute –
- “(3) The full amount of the annuity arising in the tax year is to be calculated on the basis that the annuity is 90% of its actual amount, unless as a result of subsection (4) the annuity is charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis). 10
- (4) The annuity is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of that Act (relevant foreign income: remittance basis and deductions and reliefs).
- (5) But if the annuity arises in the Republic of Ireland, section 839 of that Act (annual payments payable out of relevant foreign income) applies with the omission of condition B and subsection (5)(a). 15
- (6) See also Chapter 4 of that Part (unremittable income).
- 607 (1) Amend section 631 (taxable pension income: pre-1973 pensions paid under the Overseas Pensions Act 1973) as follows. 20
- (2) In subsection (1) for the words “the amount” onwards substitute “the full amount of the pension income arising in the tax year”.
- (3) For subsection (2) substitute –
- “(2) The full amount of the pension income arising in the tax year is to be calculated on the basis that the pension is 90% of its actual amount. 25
- (3) The pension income is treated as relevant foreign income for the purposes of section 838 of that Act (expenses attributable to collection or payment of relevant foreign income).”
- 608 (1) Amend section 635 (taxable pension income: foreign voluntary annual payments) as follows. 30
- (2) In subsection (2) for the words “the amount” onwards substitute “the full amount of the pension income arising in the tax year, but subject to subsections (3) and (4)”.
- (3) For subsection (3) substitute –
- “(3) The full amount of the pension income arising in the tax year is to be calculated on the basis that the pension is 90% of its actual amount, unless as a result of subsection (4) the pension income is charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis). 35
- (4) That pension income is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of that Act (relevant foreign income: remittance basis and deductions and reliefs). 40

- (5) But if that pension income arises in the Republic of Ireland, section 839 of that Act (annual payments payable out of relevant foreign income) applies with the omission of condition B and subsection (5)(a).
- (6) See also Chapter 4 of that Part (unremittable income).” 5
- 609 After section 644 insert—
- “644A Health and employment insurance payments**
- (1) No liability to income tax arises in respect of a pension or annuity payment if or to the extent that—
- (a) were the payment an annual payment falling within Chapter 7 of Part 5 of ITTOIA 2005, it would be exempt from income tax under section 735 of that Act (health and employment insurance payments), and 10
- (b) it meets conditions A and B.
- (2) Condition A is that the payments are made— 15
- (a) to a person (“the pensioner”) who made payments or contributions in respect of premiums under an insurance policy which another person took out wholly or partly for the pensioner’s benefit, or
- (b) to the pensioner’s husband or wife. 20
- (3) Condition B is that the payments are attributable on a just and reasonable basis to the payments or contributions in respect of premiums.”
- 610 After section 646 insert—
- “646A Foreign pensions of consular employees** 25
- (1) No liability to income tax arises in respect of foreign pension income of a consular officer or employee in the United Kingdom for a foreign state if—
- (a) Her Majesty by Order in Council directs that this section applies to the foreign state for the purpose of giving effect to a reciprocal arrangement with that state, and 30
- (b) the officer or employee meets conditions A to C.
- (2) Condition A is that the officer or employee is not—
- (a) a British citizen,
- (b) a British overseas territories citizen, 35
- (c) a British National (Overseas), or
- (d) a British Overseas citizen.
- (3) Condition B is that the officer or employee is not engaged in any trade, profession, vocation or employment in the United Kingdom, otherwise than as a consular officer or employee of the state in question. 40
- (4) Condition C is that the officer or employee—
- (a) is a permanent employee of that state, or

- (b) was not ordinarily resident in the United Kingdom immediately before becoming a consular officer or employee in the United Kingdom of that state.
- (5) In this section –
- “consular officer or employee” includes any person employed for the purposes of the official business of a consular officer at –
- (a) any consulate,
- (b) any consular establishment, or
- (c) any other premises used for those purposes,
- “foreign pension income” means –
- (a) income to which section 573 or 629 applies, and
- (b) income arising from a source outside the United Kingdom to which section 609, 610, 611 or 633 applies; and
- “reciprocal agreement” has the same meaning as in section 302.
- (6) Section 302(5) to (7) apply to an Order under subsection (1) and the operation of this section as they apply to an Order under section 302(1) and the operation of section 302.”
- 611 In section 655(2) (structure of Part 10) for the entries relating to sections 84 and 85 of FA 2000 substitute –
- “section 781 of ITTOIA 2005 (exemption from income tax for payments under New Deal 50plus);
- section 782 of ITTOIA 2005 (exemption from income tax for payments under employment zone programmes).”
- 612 (1) Amend section 679 (taxable social security income: foreign benefits) as follows.
- (2) In subsection (1) for the words “the amount” onwards substitute “the full amount of the social security income arising in the tax year, but subject to subsection (2).”
- (3) For subsection (2) substitute –
- “(2) That income is treated as relevant foreign income for the purposes of Chapters 2 and 3 of Part 8 of ITTOIA 2005 (relevant foreign income: remittance basis and deductions and reliefs).
- (3) See also Chapter 4 of that Part (unremittable income).”
- 613 After section 681 insert –
- “681A Foreign benefits of consular employees**
- (1) No liability to income tax arises in respect of any benefit to which section 678 applies of a consular officer or employee in the United Kingdom for a foreign state if –
- (a) Her Majesty by Order in Council directs that this section applies to the foreign state for the purpose of giving effect to a reciprocal arrangement with that state, and
- (b) the officer or employee meets conditions A to C.
- (2) Condition A is that the officer or employee is not –

- (a) a British citizen,
 - (b) a British overseas territories citizen,
 - (c) a British National (Overseas), or
 - (d) a British Overseas citizen.
- (3) Condition B is that the officer or employee is not engaged in any trade, profession, vocation or employment in the United Kingdom, otherwise than as a consular officer or employee of the state in question. 5
- (4) Condition C is that the officer or employee—
- (a) is a permanent employee of that state, or 10
 - (b) was not ordinarily resident in the United Kingdom immediately before becoming a consular officer or employee in the United Kingdom of that state.
- (5) In this section—
- “consular officer or employee” includes any person employed for the purposes of the official business of a consular officer at— 15
 - (a) any consulate,
 - (b) any consular establishment, or
 - (c) any other premises used for those purposes, and 20
 “reciprocal agreement” has the same meaning as in section 302.
- (6) Section 302(5) to (7) apply to an Order under subsection (1) and the operation of this section as they apply to an Order under section 302(1) and the operation of section 302.”
- 614 After section 716 (alteration of amounts by Treasury order) insert— 25

“Priority rule for certain dividends etc

716A Priority rule for dividends etc. of UK resident companies etc.

Any income, so far as it falls within—

- (a) Part 2, 9 or 10 of this Act, and
- (b) Chapter 3 of Part 4 of ITTOIA 2005 (dividends etc. from UK resident companies etc.), 30

is dealt with under Chapter 3 of Part 4 of ITTOIA 2005.”

615 (1) Amend Schedule 1 (abbreviations and defined expressions) as follows.

(2) In Part 1 in the appropriate place insert—

“ITTOIA 2005 The Income Tax (Trading and Other Income) Act 2005”. 35

- (3) In Part 2 in the appropriate place insert—
- “UK property business section 832(1) of ICTA and
Chapter 2 of Part 3 of
ITTOIA 2005”.
- 616 (1) Amend Schedule 2 (approved share incentive plans) as follows. 5
- (2) In paragraph 22(3), for “Chapter 1A of Part 15 of ICTA (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”.
- (3) In paragraph 79(4) for the words from “section 68B(2)” to the end substitute “Chapter 3 or 4 of Part 4 of ITTOIA 2005 (dividends etc. from UK or non-UK resident companies etc.) as a result of section 394(2) or 407(2) of that Act (distribution or dividend payment when dividend shares cease to be subject to plan).” 10
- (4) In paragraph 80(3)(b) (other duties of trustees in relation to tax liabilities) for “Case V of Schedule D or Schedule F” substitute “Chapter 3 or 4 of Part 4 of ITTOIA 2005 (dividends etc. from UK or non-UK resident companies etc.)”. 15
- (5) In paragraph 86(4)(c) at end insert “that is issued in a case where section 410(2) or (3) of ITTOIA 2005 applies”.
- (6) In paragraph 87(2)(d) for sub-paragraph (ii) substitute— 20
- “(ii) sections 392 to 395 and 405 to 408 of ITTOIA 2005 (SIPs: special rules for charges under Chapters 3 and 4 of Part 4 of that Act (dividends etc. from UK or non-UK resident companies etc.)),”.
- 617 (1) Amend Schedule 3 (approved SAYE option schemes) as follows.
- (2) In paragraph 1(3) for “savings scheme” substitute “savings arrangement”. 25
- (3) In paragraph 2(1)(b) for “savings schemes” substitute “savings arrangements”.
- (4) In paragraph 14(3), for “Chapter 1A of Part 15 of ICTA (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”. 30
- (5) In paragraph 23—
- (a) in the heading (including the Part heading), for “scheme” substitute “arrangement”, and
- (b) for “savings schemes” in both places where it occurs, substitute “savings arrangements”. 35
- (6) In paragraph 24(1)—
- (a) in the heading, for “schemes” substitute “arrangements”,
- (b) for “CCS scheme” substitute “certified SAYE savings arrangement”, and
- (c) for “(“the CCS scheme”)” substitute “(“the approved savings arrangement”)”. 40
- (7) Omit paragraph 24(2).

- (8) In paragraph 25—
- (a) in the heading, for “schemes” substitute “arrangements”,
 - (b) in sub-paragraph (1), for “CCS scheme” substitute “the approved savings arrangement”, and
 - (c) in sub-paragraph (3)(a), for “CCS schemes linked to approved SAYE option schemes” substitute “certified SAYE savings arrangements linked to approved SAYE option schemes”. 5
- (9) In paragraph 26—
- (a) in the heading, for “scheme” substitute “arrangement”,
 - (b) in sub-paragraph (1), for “CCS scheme” substitute “certified SAYE savings arrangement”, and 10
 - (c) in sub-paragraph (2), for “scheme” substitute “arrangement”.
- (10) In paragraph 30(3), for “the CCS scheme” substitute “the approved savings arrangement”.
- (11) In paragraph 48(1)— 15
- (a) for “certified contractual savings scheme” substitute “certified SAYE savings arrangement”, and
 - (b) for “section 326(2) to (6) of ICTA” substitute “section 703(1) of ITTOIA 2005”.
- (12) In paragraph 49, for “certified contractual savings scheme (CCS scheme)” substitute “certified SAYE savings arrangement”. 20
- 618 In Schedule 4 (approved CSOP schemes), in paragraph 12(3), for “Chapter 1A of Part 15 of ICTA (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”.
- 619 (1) Amend Schedule 5 (enterprise management incentives) as follows. 25
- (2) In paragraph 27(3)(a), for “under Case I or II of Schedule D” substitute “as the profits of a trade, profession or vocation carried on wholly or partly in the United Kingdom”.
 - (3) In paragraph 31(3), for “Chapter 1A of Part 15 of ICTA (see section 660G(1) and (2))” substitute “Chapter 5 of Part 5 of ITTOIA 2005 (see section 620 of that Act)”. 30

Finance Act 2003 (c.14)

- 620 The Finance Act 2003 is amended as follows.
- 621 In section 151(2) (non-resident companies: extent of charge to income tax)—
- (a) for paragraph (a) substitute— 35
 - “(a) income (other than relevant foreign income) chargeable to tax under—
 - (i) Chapter 2, 7, 8, 10 or 11 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (interest, purchased life annuity payments, profits from deeply discounted securities, distributions from unauthorised unit trusts and transactions in deposits), 40

	(ii) section 579 of that Act so far as it relates to annual payments (royalties etc. from intellectual property),	
	(iii) Chapter 4 of Part 5 of that Act so far as it relates to annual payments (certain telecommunication rights: non-trading income), or	5
	(iv) Chapter 7 of Part 5 of that Act (annual payments not otherwise charged),	
	(aa) income chargeable to tax under Chapter 3 of Part 4 of that Act (dividends etc. from UK resident companies etc.),”, and	10
	(b) omit paragraph (b).	
622	Omit section 176 (foster carers).	
623	(1) Amend Schedule 24 (restriction of deductions for employee benefit contributions) as follows.	15
	(2) In paragraph 1—	
	(a) in sub-paragraph (1)(a) for “tax purposes” substitute “corporation tax purposes”, and	
	(b) in sub-paragraph (2)(a) for “he” substitute “the employer”.	20
	(3) In paragraph 3(a) for “tax purposes” substitute “corporation tax purposes”.	
	(4) In paragraph 9(1) omit the definition of “for tax purposes”.	
624	In Schedule 34 (policies of life insurance etc: miscellaneous amendments), in paragraph 15(1), after “1988” insert “or Chapter 9 of Part 4 of the Income Tax (Trading and Other Income) Act 2005”.	25
625	Omit Schedule 36 (foster carers).	
<i>Courts Act 2003 (c. 39)</i>		
626	In section 101(4)(a) of the Courts Act 2003 (bankruptcy of individuals with rights to receive periodical payments) for “section 329AA of the Income and Corporation Taxes Act 1988” substitute “section 731 of the Income Tax (Trading and Other Income) Act 2005”.	30
<i>Child Trust Funds Act 2004 (c. 6)</i>		
627	In section 14(1) of the Child Trust Funds Act 2004 (insurance companies and friendly societies) for “section 333 business” substitute “plan business”.	
<i>Finance Act 2004 (c. 12)</i>		
628	The Finance Act 2004 is amended as follows.	35
629	In section 71(3)(b) (collection and recovery of sums to be deducted: construction industry scheme) for “any tax purposes” substitute “any corporation tax purpose (but see also sections 54 and 869 of the Income Tax (Trading and Other Income) Act 2005 for corresponding rule for income tax purposes)”.	40

- 630 Omit section 97 (exemption from income tax for certain interest and royalty payments: introductory).
- 631 Omit section 98 (exemption from income tax for certain interest and royalty payments).
- 632 Omit section 99 (permanent establishments and “25% associates”). 5
- 633 Omit section 100 (interest payments: exemption notices).
- 634 (1) Amend section 101 (payment of royalties without deduction at source) as follows.
- (2) In subsection (1) for “section 98” substitute “section 758 (exemption from income tax for certain interest and royalty payments) of the Income Tax (Trading and Other Income) Act 2005”. 10
- (3) In each of subsections (2) and (3) for “section 98” substitute “section 758 of the Income Tax (Trading and Other Income) Act 2005”.
- (4) In subsection (5) –
- (a) in paragraph (a) for “section 98” substitute “section 758 of the Income Tax (Trading and Other Income) Act 2005”, and 15
- (b) in paragraph (b) for “Conditions 1 to 3 in section 98” substitute “conditions A to C in that section”.
- (5) After subsection (7) insert –
- “(8) In a case where section 763 of the Income Tax (Trading and Other Income) Act 2005 (special relationships) applies, this section has effect in relation to only so much of the payment as does not exceed the arm’s length amount (within the meaning of that section). 20
- (9) Expressions used in this section and in sections 757 to 767 of the Income Tax (Trading and Other Income) Act 2005 have the same meaning in this section as in those sections.” 25
- 635 In section 102 (claim for tax deducted at source from exempt interest or royalty payments) for “section 98” substitute “section 758 of the Income Tax (Trading and Other Income) Act 2005”.
- 636 Omit section 103 (special relationships). 30
- 637 Omit section 104 (anti-avoidance).
- 638 Omit section 106 (transitional provision).
- 639 In section 119(4) (individuals benefited by film relief) for “, the individual shall” to the end substitute “–
- (a) the individual shall be treated as receiving at the time of that event an amount of income equal to the chargeable amount; 35
- (b) that income (which shall not be treated as profits of the trade) shall be chargeable to income tax for the year of assessment in which the event occurs; and
- (c) the individual shall be liable for any tax so chargeable.” 40
- 640 In section 123(1) (meaning of “film-related loss”) for “any of the following” to the end substitute “any provision of Chapter 9 of Part 2 of the Income Tax (Trading and Other Income) Act 2005.”

- 641 In section 127(2) (losses derived from exploiting licence: individuals in partnership (charge to income tax)) for “, so much of” to the end substitute “—
- (a) the individual shall be treated as receiving in that year of assessment an amount of income equal to so much of the total consideration as does not exceed the chargeable amount; 5
 - (b) that income (which shall not be treated as profits of the trade) shall be chargeable to income tax for that year of assessment; and
 - (c) the individual shall be liable for any tax so chargeable.” 10
- 642 (1) Amend section 130 (“A significant amount of time”) as follows.
- (2) In subsection (3) for “sections 60 to 63” to the end substitute “Chapter 15 of Part 2 of the Income Tax (Trading and Other Income) Act 2005 as applied by section 853 of that Act.”
 - (3) In subsection (4) for “section 61(1)” substitute “section 199(1)”. 15
- 643 In section 186(1)(b) (scheme investments: income) for “which would” to the end substitute “which are not relevant foreign income and which would otherwise be chargeable to income tax under Chapter 8 of Part 5 of ITTOIA 2005 (income not otherwise charged).”
- 644 (1) Amend section 189(2) (meaning of “relevant UK earnings”) as follows. 20
- (2) In paragraph (b) for “Schedule D” substitute “Part 2 of ITTOIA 2005”.
 - (3) For paragraph (c) substitute—
 - “(c) income to which section 833(5B) of ICTA (patent income) applies.”
- 645 In section 196(2) (relief for employers in respect of contributions paid) after “the purposes of” insert “Part 2 of ITTOIA 2005 (trading income) or”. 25
- 646 In section 197(10)(a) (spreading relief) after “charged under” insert “Part 2 of ITTOIA 2005 (trading income) or”.
- 647 In section 199(2)(a) (deemed contributions) at the beginning insert “Part 2 of ITTOIA 2005 (trading income) or”. 30
- 648 In section 200(a) (no other relief for employers in connection with contributions) after “the purposes of” insert “Part 2 of ITTOIA 2005 (trading income) or”.
- 649 (1) Amend section 246 (restriction of deduction for non-contributory provision) as follows. 35
- (2) In subsection (2)(a) after “the purposes of” insert “Part 2 of ITTOIA 2005 (trading income) or”.
 - (3) In subsection (3)(a) after “charged under” insert “Part 2 of ITTOIA 2005 (trading income) or”.
- 650 (1) Amend section 249 of FA 2004 (amendments of ITEPA 2003) as follows. 40
- (2) In subsection (3), in subsection (4) of the inserted section 393B—

- (a) for paragraph (a) substitute –
 “(a) an excepted group life policy as defined in section 480 of ITTOIA 2005,” and
- (b) in paragraph (b) for the words from “condition 1” to the end of the paragraph substitute “– 5
 (i) condition A in section 481 of that Act would be met if paragraph (a) in that condition referred to the death, in any circumstances or except in specified circumstances, of that individual (rather than the death in any circumstances of each of the individuals insured under the policy) and if the condition did not include paragraph (b), and 10
 (ii) conditions C and D in that section and conditions A and C in section 482 of that Act are met, or” 15
- (3) In subsection (8), in the inserted section 395 of ITEPA 2003, for “Case VI of Schedule D” substitute “subsection (2) of that section”.
- 651 In section 280(1) (abbreviations and general index for Part 4) omit the “and” before the definition of “ITEPA 2003” and after that definition insert “and 20
 “ITTOIA 2005” means the Income Tax (Trading and Other Income Act) 2005.”
- 652 (1) Amend Schedule 15 (charge to income tax on benefit received by former owner of property) as follows.
- (2) In paragraph 1 (introductory) insert in the appropriate place – 25
 ““ITTOIA 2005” means the Income Tax (Trading and Other Income Act) 2005;”.
- (3) In paragraph 8 (intangible property comprised in settlement where settlor retains an interest) –
 (a) in sub-paragraph (1)(a) – 30
 (i) for “section 660A of the Taxes Act 1988” substitute “section 624 of ITTOIA 2005”, and
 (ii) for “Part 15” substitute “Chapter 5 of Part 5”, and
 (b) in sub-paragraph (1)(b) for “subsection (2) of that section” substitute “section 625(1) of ITTOIA 2005 (settlor’s retained interest)” 35
- (4) In paragraph 9(1) (intangible property comprised in settlement where settlor retains an interest), in the definition of “T” –
 (a) in paragraph (a), for “section 547 of the Taxes Act 1988” substitute “section 461 of ITTOIA 2005”,
 (b) in paragraph (b) for “section 660A of that Act” substitute “section 624 of that Act”, and 40
 (c) in paragraph (c) for “that Act” substitute “the Taxes Act 1988”.
- (5) In paragraph 22(3)(b) (election for application of inheritance tax provisions) for “section 660A of the Taxes Act 1988” substitute “section 624 of ITTOIA 2005”. 45
- 653 In paragraph 1(4) and (6) of Schedule 24, for the words from “(and” to “have” substitute “has”.

- 654 In paragraph 12 of Schedule 35 (pension schemes etc: minor and consequential amendments) for the words from “for” to the end substitute “for the words from the beginning to “, if the claimant” substitute “Subject to subsection (2) below, section 274 of this Act and sections 192 to 194 of the Finance Act 2004, if the claimant”.” 5
- 655 (1) Amend Schedule 36 (pension schemes etc: transitional provisions and savings) as follows.
- (2) In paragraph 41(a) (employers’ contributions relieved before 6th April 2006) after “the purposes of” insert “Part 2 of ITTOIA 2005 (trading income) or”.
- (3) In paragraph 53(2)(b) (benefits taxable under Chapter 2 of Part 6 of ITEPA 2003: contributions taxed pre-commencement) for “to tax under Case VI of Schedule D by virtue of” substitute “to income tax under subsection (2) of”. 10

Pensions Act 2004 (c. 35)

- 656 The Pensions Act 2004 is amended as follows.
- 657 In Schedule 3 (restricted information held by the Regulator: certain permitted disclosures to facilitate exercise of functions), in the second column, in the entry relating to the Commissioners of Inland Revenue or their officers – 15
- (a) omit the “or” before paragraph (e), and
- (b) at the end of that paragraph insert “or 20
- (f) the Income Tax (Trading and Other Income) Act 2005 (so far as relating to functions previously exercised under the Income and Corporation Taxes Act 1988).”
- 658 In Schedule 8 (restricted information held by the Board: certain permitted disclosures to facilitate exercise of functions), in the second column, in the entry relating to the Commissioners of Inland Revenue or their officers – 25
- (a) omit the “or” before paragraph (e), and
- (b) at the end of that paragraph insert “or 30
- (f) the Income Tax (Trading and Other Income) Act 2005 (so far as relating to functions previously exercised under the Income and Corporation Taxes Act 1988).”

SCHEDULE 2

Section 883

TRANSITIONALS AND SAVINGS ETC. 35

PART 1

GENERAL PROVISIONS

Continuity of the law: general

- 1 The repeal of provisions and their enactment in a rewritten form by this Act does not affect the continuity of the law. 40

- 2 Paragraph 1 does not apply to any change made by this Act in the effect of the law.
- 3 Any subordinate legislation or other thing which—
- (a) has been made or done, or has effect as if made or done, under or for the purposes of a superseded enactment so far as it applied for relevant tax purposes, and 5
 - (b) is in force or effective immediately before the commencement of the corresponding rewritten provision, 10
- has effect after that commencement as if made or done under or for the purposes of the rewritten provision.
- 4 (1) Any reference (express or implied) in this Act, another enactment or an instrument or document to a rewritten provision is to be read as including, in relation to times, circumstances or purposes in relation to which any corresponding superseded enactment had effect for relevant tax purposes, a reference to the superseded enactment so far as applying for those relevant tax purposes. 15
- (2) In particular, any reference (express or implied) in this Act, another enactment or an instrument or document to—
- (a) the profits of a UK property business, 20
 - (b) relevant foreign income, or
 - (c) similar concepts created by this Act,
- is to be read as including, in relation to times, circumstances or purposes in relation to which any corresponding concept in a superseded enactment had effect for income tax purposes, a reference to that concept so far as applying for income tax purposes. 25
- (3) Any reference (express or implied) in this Act, another enactment or an instrument or document to—
- (a) things done under or for the purposes of a rewritten provision, or
 - (b) things falling to be done under or for the purposes of a rewritten provision, 30
- is to be read as including, in relation to times, circumstances or purposes in relation to which any corresponding superseded enactment had effect for relevant tax purposes, a reference to things done or falling to be done under or for the purposes of the superseded enactment so far as applying for those relevant tax purposes. 35
- 5 (1) Any reference (express or implied) in any enactment, instrument or document to a superseded enactment in its application for relevant tax purposes is to be read, so far as is required for those relevant tax purposes, as including, in relation to times, circumstances or purposes in relation to which any corresponding rewritten provision has effect, a reference to the rewritten provision. 40
- (2) In particular, any reference (express or implied) in any enactment, instrument or document to Schedule A, D or F or the Cases of Schedule D in their application for income tax purposes is to be read, so far as is required for income tax purposes, as including, in relation to times, circumstances or purposes in relation to which any corresponding rewritten concept has effect, a reference to the rewritten concept. 45
- (3) Any reference (express or implied) in any enactment, instrument or document to—

- (a) things done under or for the purposes of a superseded enactment in its application for relevant tax purposes, or
- (b) things falling to be done under or for the purposes of a superseded enactment in its application for relevant tax purposes,
- is to be read, so far as is required for those relevant tax purposes, as including, in relation to times, circumstances or purposes in relation to which any corresponding rewritten provision has effect, a reference to things done or falling to be done under or for the purposes of the rewritten provision. 5
- 6 (1) Paragraphs 1 to 5 have effect instead of section 17(2) of the Interpretation Act 1978 (c. 30) (but are without prejudice to any other provision of that Act). 10
- (2) Paragraphs 4 and 5 apply only so far as the context permits.

General saving for old transitional provisions and savings

- 7 (1) The repeal by this Act of a transitional or saving provision relating to the coming into force of a provision rewritten in this Act does not affect the operation of the transitional or saving provision, so far as it is not specifically rewritten in this Act but remains capable of having effect in relation to the corresponding provision of this Act. 15
- (2) The repeal by this Act of an enactment previously repealed subject to savings does not affect the continued operation of those savings. 20
- (3) The repeal by this Act of a saving on the previous repeal of an enactment does not affect the operation of the saving so far as it is not specifically rewritten in this Act but remains capable of having effect.

General saving for section 9(5) of ICTA

- 8 (1) Sub-paragraph (2) applies if— 25
- (a) as a result of this Act, an enactment which applies to both income tax and corporation tax (“the original enactment”) has become an enactment which applies to income tax and an enactment which applies to corporation tax (“the successor enactments”),
- (b) immediately before 6th April 2005, section 9(5) of ICTA (taxes treated as one in certain circumstances) had effect in relation to the original enactment, and 30
- (c) no express provision is made by this Act to preserve this effect.
- (2) The successor enactments are not to be affected in their operation by the fact that income tax and corporation tax are distinct taxes but they are to apply in relation to income tax and corporation tax as if they were one tax so far as is— 35
- (a) consistent with the Corporation Tax Acts, and
- (b) required to preserve the effect of section 9(5) of ICTA, 40
- and the successor enactments are to be read accordingly.

Partnerships involving companies

- 9 (1) References in this Act to any person are to be read, in the case of a person acting in partnership with other persons of whom at least one is a company

chargeable to corporation tax, as references to all the partners so far as is required for the purposes of preserving the continuity of the law.

- (2) References to a company or other person in any provision amended in its application for corporation tax purposes by this Act are to be read, in the case of a company acting in partnership with other persons of whom at least one is not a company, as references to all the partners so far as is required for the purposes of preserving the continuity of the law. 5

Interpretation

- 10 (1) In this Part—
- “enactment” includes an enactment comprised in subordinate legislation (within the meaning of the Interpretation Act 1978 (c. 30)),
 - “relevant tax purposes” means, in relation to a superseded enactment, tax purposes for which the enactment has been rewritten by this Act, and
 - “superseded enactment” means an earlier enactment which has been rewritten by this Act for certain tax purposes (whether it applied only for those purposes or for those and other tax purposes). 15
- (2) References in this Part to the repeal of a provision include references to its revocation and to its express or implied disapplication for income tax purposes of this Act.
- (3) References in this Part to tax purposes are not limited to income tax purposes. 20

PART 2

CHANGES IN THE LAW

- 11 (1) This paragraph applies if, in the case of any person—
- (a) a thing is done or an event occurs before 6th April 2005, and
 - (b) because of a change in the law made by this Act, the tax consequences of that thing or event for the relevant period are different from what they would otherwise have been. 25
- (2) If that person so elects, this Act applies with such modifications as may be necessary to secure that the tax consequences for the relevant period are the same as they would have been if the change in the law had not been made. 30
- (3) In sub-paragraphs (1) and (2) “the relevant period” means—
- (a) for income tax purposes, any period of account beginning before and ending on or after 6th April 2005, and
 - (b) for corporation tax purposes, any accounting period beginning before and ending on or after 6th April 2005. 35
- (4) If this paragraph applies in the case of two or more persons in relation to the same thing or event, an election made under this paragraph by any one of those persons is of no effect unless a corresponding election is made by the other or each of the others. 40
- (5) An election under this paragraph must be made—
- (a) for income tax purposes, on or before the first anniversary of the normal self-assessment filing date for the tax year in which the period of account ends, and

- (b) for corporation tax purposes, no later than two years after the end of the accounting period.

PART 3

TRADING INCOME

Unpaid remuneration 5

- 12 (1) This paragraph applies for the purposes of section 36.
- (2) In relation to a period of account ending before 27th November 2002, an amount charged in the accounts in respect of employees' remuneration includes an amount which is held by an intermediary with a view to its becoming employees' remuneration. 10
- (3) In relation to a period of account ending on or after 27th November 2002, an amount charged in the accounts in respect of employees' remuneration includes an amount –
- (a) in respect of employee benefit contributions (within the meaning of sections 38 to 44) made before that date, and 15
- (b) which is held by an intermediary, with a view to its becoming employees' remuneration.

Employee benefit contributions

- 13 Sections 38 to 44 do not apply to deductions that would otherwise be allowed – 20
- (a) for a period ending before 27th November 2002, or
- (b) in respect of employee benefit contributions made before that date.
- 14 (1) In relation to any time before the coming into force of ITEPA 2003 –
- (a) section 40(7) applies as if, in the definition of "employment income tax charge", for "tax under ITEPA 2003" there were substituted "income tax under Schedule E", 25
- (b) section 41(1) applies as if for "treated as received" to the end there were substituted "treated as received for the purposes of section 202A(1)(a) of ICTA (applying the rules in section 202B(1) to (6) of that Act (receipts basis of assessment for Schedule E)).", and 30
- (c) section 41(3) applies as if for "tax under ITEPA 2003" there were substituted "income tax under Schedule E".
- (2) The express provision made by this paragraph does not affect the construction of other provisions of this Act as a result of the operation of paragraph 5 of this Schedule on paragraph 4 of Schedule 7 to ITEPA 2003 (references in enactment to rewritten provisions include corresponding repealed provisions) or on any similar provision (for example paragraph 4 of Schedule 3 to CAA 2001). 35
- 15 (1) Subject to sub-paragraph (7), sections 38 to 44 apply before 6th April 2006 with the following amendments. 40
- (2) In section 38(4) –
- (a) for paragraphs (b) and (c) and the word "or" at the end of paragraph

- (c) substitute—
- “(b) contributions under a retirement benefits scheme within the meaning of Chapter 1 of Part 14 of ICTA (see section 611 of that Act),
- (c) contributions under a personal pension scheme approved under Chapter 4 of that Part (see section 630 of that Act), or”, and
- (b) omit “For the purposes of paragraph (c)” to the end.
- (3) In section 39—
- (a) in subsection (1)(b) omit “, or in respect of, present or former”, and
- (b) in subsection (2) omit “present or former”.
- (4) In section 40—
- (a) in subsection (1) for “, C or D” substitute “or C”, and
- (b) omit subsection (5).
- (5) In section 41(1) omit paragraph (b) and the word “and” before it.
- (6) In section 44(1) omit the definition of “employer-financed retirement benefits scheme”.
- (7) The power of the Treasury to make an order under section 281 or 283 of FA 2004 has effect as if Schedule 35 to that Act contained an amendment substituting sections 38 to 44 of this Act for those sections as amended by sub-paragraphs (2) to (6) above.

Car or motor cycle hire

- 16 In relation to expenditure incurred under a contract entered into before 11th March 1992, section 48(1) and (2) apply with the substitution of “£8,000” for “£12,000”.
- 17 Section 50 does not apply to expenditure which is incurred—
- (a) before 17th April 2002, or
- (b) on the hiring of a car mentioned in that section which is first registered before that date.

Crime-related payments

- 18 Section 55(1)(b) does not apply to expenditure which was incurred before 1st April 2002.

Tenants under taxed leases

- 19 (1) This paragraph relates to the operation of sections 60 to 67 where, in respect of a lease—
- (a) there is a receipt of a Schedule A business or an overseas property business (within the meaning of section 65A(4) or 70A(4) of ICTA) as a result of section 34 or 35 of ICTA (treatment of premiums etc. as rent and assignments for profit of lease granted at an undervalue) for a tax year before the tax year 2005-06 or an accounting period ending before 6th April 2005, or

- (b) there would be such a receipt, but for the operation of section 37(2) or (3) of ICTA (reductions in certain receipts under section 34 or 35 of ICTA).
- 20 (1) In this paragraph and paragraph 21 such a receipt is referred to as a “pre-commencement receipt”. 5
- (2) For the purposes of sections 60 to 67—
- (a) the lease is treated as a taxed lease, and
- (b) the pre-commencement receipt is treated as a taxed receipt.
- (3) For the purposes of those sections, the “receipt period” of a taxed receipt which is a pre-commencement receipt is— 10
- (a) in the case of a pre-commencement receipt as a result of section 34 of ICTA, the period treated in calculating the amount of the receipt as being the duration of the lease, and
- (b) in the case of a pre-commencement receipt as a result of section 35 of ICTA, the period treated in calculating the amount of the receipt as being the duration of the lease remaining at the date of the assignment. 15
- (4) For the purposes of sections 60 to 67 the “unreduced amount” of a taxed receipt which is a pre-commencement receipt is the amount of the pre-commencement receipt as a result of section 34 or 35 of ICTA, before the operation of section 37(2) or (3) of ICTA. 20
- (5) Sub-paragraph (6) applies to a taxed receipt which is a pre-commencement receipt arising as a result of section 34(2) of ICTA (obligation on tenant to carry out work under lease).
- (6) If the obligation to carry out work included the carrying out of work which gave or will give rise to expenditure for which an allowance has been, or may be, made under the enactments relating to capital allowances, the unreduced amount of the taxed receipt is calculated as if the obligation had not included the carrying out of that work. 25
- 21 (1) This paragraph provides for the application of section 61 as a result of section 63 if— 30
- (a) a lease is a taxed lease as a result of paragraph 19,
- (b) another lease is granted out of the taxed lease,
- (c) in calculating the amount of a pre-commencement receipt in respect of the other lease, there is a reduction under section 37(2) or (3) of ICTA by reference to the amount chargeable on the superior interest for the purposes of that section, and 35
- (d) as a result of paragraph 19 the amount chargeable on the superior interest is the taxed receipt for the purposes of section 61.
- (2) Sections 61 to 65 apply as follows— 40
- (a) the pre-commencement receipt is treated as if it were a lease premium receipt for the purposes of sections 64 and 65,
- (b) references in those sections to the reduction under section 288 by reference to the taxed receipt are, in relation to the pre-commencement receipt, to the reduction under section 37(2) or (3) of ICTA by reference to the amount chargeable on the superior interest, and 45

- (c) for the purposes of those sections the receipt period of the pre-commencement receipt is—
 - (i) in the case of a pre-commencement receipt as a result of section 34 of ICTA, the period treated in calculating the amount of the receipt as being the duration of the lease, and 5
 - (ii) in the case of a pre-commencement receipt as a result of section 35 of ICTA, the period treated in calculating the amount of the receipt as being the duration of the lease remaining at the date of the assignment.
- (3) References to a reduction under section 37(2) or (3) of ICTA in a pre-commencement receipt by reference to the amount chargeable on the superior interest are to the difference between— 10
 - (a) the amount of the pre-commencement receipt before the operation of section 37(2) or (3) of ICTA, and
 - (b) the amount of the receipt after the operation of that subsection, 15
so far as attributable to the amount chargeable on the superior interest for the purposes of section 37 of ICTA.

Seconded employees

- 22 (1) This paragraph applies if—
- (a) the period of account of a trade begins before 1st April 2003 and ends on or after 6th April 2005, and 20
 - (b) in that period of account the person carrying on the trade made the services of a person employed for the purposes of the trade available to a self-governing school within the meaning of the Self-Governing Schools etc. (Scotland) Act 1989 (c. 39) on a basis that was stated and intended to be temporary. 25
- (2) For the purposes of section 70 an “educational establishment”, in Scotland, includes such a school (despite the fact that, following the abolition of such schools on 1st April 2003, section 86(5)(d) of ICTA is not re-written in this Act). 30
- (3) This paragraph applies to professions and vocations as it applies to trades.

Training courses for employees

- 23 (1) This paragraph applies if, without the modifications to section 588 of ICTA (training courses for employees) made by this Act—
- (a) section 588(5) of ICTA would operate in relation to an employee by virtue of paragraph (a) of that provision and paragraph 37 of Schedule 7 to ITEPA 2003 (savings in relation to tax years before 2003-04), 35
 - (b) section 588(5) of ICTA would operate in relation to an employer by virtue of paragraph (b) of that provision and paragraph 37 of Schedule 7 to ITEPA 2003, or 40
 - (c) section 588(6) and (7) of ICTA would operate in relation to an employer by virtue of paragraph 37 of Schedule 7 to ITEPA 2003.
- (2) Those modifications do not apply in relation to—
- (a) the operation of section 588(5) of ICTA in relation to the employee as mentioned in sub-paragraph (1)(a), 45

- (b) the operation of section 588(5) of ICTA in relation to the employer as mentioned in sub-paragraph (1)(b), and
- (c) the operation of section 588(6) and (7) of ICTA in relation to the employer as mentioned in sub-paragraph (1)(c).
- 24 (1) This paragraph applies if— 5
- (a) at any time during the period beginning with 6th April 2003 and ending with 5th April 2005, a person (“the employer”) incurred expenditure in paying or reimbursing retraining course expenses within the meaning of section 311 of ITEPA 2003,
- (b) the employer’s liability to income tax for any tax year has been determined (before or after the passing of this Act, and by assessment or otherwise) on the assumption that, by virtue only of section 588(3) of ICTA, the employer is entitled to a deduction on account of the expenditure, and 10
- (c) before 6th April 2005, no assessment has been made under section 29(1) of TMA 1970 by virtue of section 588(5) of ICTA of an amount due in consequence of the failure by the person in respect of whom the expenditure was incurred to meet a condition of the kind mentioned in section 312(1)(b)(i) or (ii) of ITEPA 2003. 15
- (2) Section 75 (retraining courses: recovery of tax) applies in relation to the employer as if the condition in subsection (1) were met. 20
- (3) In the application of that section to the employer, references to “the employee” are to the person in respect of whom the expenditure was incurred by the employer.
- Contributions to urban regeneration companies* 25
- 25 Section 82 does not apply to any contribution which was made to an urban regeneration company before 1st April 2003.
- Local enterprise agencies*
- 26 To the extent that any function of the Scottish Ministers under section 79 of ICTA was, before 6th April 2005, also exercisable by the Secretary of State for the purposes specified in section 2(2) of the European Communities Act 1972 (c. 68) that function as rewritten in— 30
- (a) section 83(2) (meaning of “local enterprise agency”),
- (b) section 84 (approval of local enterprise agencies), or
- (c) section 85 (supplementary provisions with respect to approvals), 35
- continues to be also exercisable by the Secretary of State for those purposes.
- Expenses connected with patents, designs and trade marks*
- 27 (1) This paragraph applies if—
- (a) fees have been incurred, but not paid, for the purposes of a trade in connection with any of the matters mentioned in section 89 or 90, 40
- (b) the fees were incurred in a period of account no part of which falls in the basis period for the tax year 2005-06 or a subsequent tax year, and
- (c) the fees have not been taken into account in calculating the profits of the trade of any tax year.

- (2) A deduction is allowed for the fees in calculating the profits of the period of account in which they are paid.

Payments to Export Credits Guarantee Department

- 28 (1) This paragraph applies if—
- (a) a sum is payable, but not paid, by the person carrying on a trade to the Export Credits Guarantee Department under an agreement mentioned in section 91(1)(a) or with a view to entering into such an agreement, 5
 - (b) the sum was incurred in a period of account no part of which falls in the basis period for the tax year 2005-06 or a subsequent tax year, and 10
 - (c) the sum has not been taken into account in calculating the profits of the trade of any tax year.
- (2) A deduction is allowed for the sum in calculating the profits of the period of account in which it is paid.
- (3) This paragraph applies to professions and vocations as it applies to trades. 15

Reverse premiums

- 29 (1) Sections 101 and 102 do not apply to a reverse premium—
- (a) which was received before 9th March 1999, or
 - (b) to which the recipient was entitled immediately before that date.
- (2) In determining whether a reverse premium was one to which the recipient was entitled immediately before 9th March 1999, no account is to be taken of any arrangements made on or after that date. 20

Sums recovered under insurance policies etc.

- 30 (1) Section 106 does not apply if—
- (a) a person carrying on a trade recovers a sum mentioned in that section, and 25
 - (b) the sum has been taken into account in calculating the profits of the trade of a tax year before the tax year 2005-06.
- (2) This paragraph applies to professions and vocations as it applies to trades.

Meaning of “designated educational establishment” 30

- 31 To the extent that the power of the National Assembly for Wales to make regulations under section 84(5) of ICTA was, before 6th April 2005, also exercisable by the Secretary of State for the purpose of—
- (a) implementing any Community obligation of the United Kingdom,
 - (b) enabling any such obligation to be implemented, 35
 - (c) enabling any rights enjoyed or to be enjoyed by the United Kingdom under or by virtue of the Community Treaties to be exercised, or
 - (d) dealing with matters arising out of or related to any such obligation or rights or the operation of section 2(1) of the European Communities Act 1972 (c. 68), 40
- that power as rewritten in section 110 continues to be also exercisable by the Secretary of State for those purposes.

Films and sound recordings

- 32 (1) This paragraph applies to—
- (a) production expenditure in respect of the original master version of a film which (within the meaning of Chapter 9 of Part 2) was completed before 21st March 2000, 5
 - (b) production expenditure in respect of the original master version of a film which (within the meaning of that Chapter) is completed on or after that date, if the first day of principal photography was before that date (but see sub-paragraph (4)), and
 - (c) acquisition expenditure in respect of the original master version of a film which was incurred before 6th April 2000. 10
- (2) For this purpose acquisition expenditure in respect of the original master version of a film includes the acquisition of any description of rights in the original master version of a film (whether or not held or acquired with it).
- (3) In relation to expenditure to which this paragraph applies— 15
- (a) section 130(4) applies with the omission of “that are held or acquired with it”,
 - (b) section 131(5) applies with the insertion at the end of “or, if the expenditure is acquisition expenditure and the acquisition takes place after that time, at the time of the acquisition”, and 20
 - (c) section 134(1) applies with the insertion after “acquisition expenditure,” of “and the expenditure would otherwise constitute capital expenditure on the provision of plant or machinery for the purposes of Part 2 of CAA 2001,”.
- (4) This paragraph does not apply to expenditure falling within sub-paragraph (1)(b) if the person incurring the expenditure so elects. 25
- (5) Any such election is irrevocable.
- 33 (1) Sections 134 and 135 do not apply in relation to expenditure incurred by a person carrying on a trade which consists of or includes the exploitation of original master versions of films if— 30
- (a) the expenditure is incurred on the production or acquisition of an original master version of a film completed before 10th March 1992 (within the meaning of Chapter 9 of Part 2),
 - (b) the original master version is a certified master version,
 - (c) its value is expected to be realised over a period of not less than two years, and 35
 - (d) the film is genuinely intended for theatrical release.
- (2) Sub-paragraph (1)(d) does not apply if—
- (a) the original master version of the film was certified before 17th April 2002 by the Secretary of State under Schedule 1 to the Films Act 1985 (c. 21) as a qualifying film, tape or disc, or 40
 - (b) an application for such certification was received by the Secretary of State before that date.
- 34 Section 137 does not apply in relation to expenditure which was incurred before 10th March 1992. 45

- 35 Section 138 does not apply in relation to production or acquisition expenditure in respect of the original master version of a film which was completed before 10th March 1992.
- 36 (1) Any requirement in Chapter 9 of Part 2 for a film to be genuinely intended for theatrical release does not apply to a film completed (within the meaning of that Chapter) – 5
- (a) on or after 17th April 2002 if –
 - (i) an application for certification was received by the Secretary of State before that date, or
 - (ii) the film is a qualifying drama (see sub-paragraph (2)), 10
 - (b) before 1st January 2002 if –
 - (i) the film was certified by the Secretary of State before 17th April 2002, or
 - (ii) an application for certification was received by the Secretary of State before 17th April 2002, or 15
 - (c) at any time in the period beginning with 1st January 2002 and ending with 16th April 2002.
- References in this sub-paragraph to certification are to certification of the original master version of the film under Schedule 1 to the Films Act 1985 (c. 21) as a qualifying film, tape or disc. 20
- (2) A film is a qualifying drama if –
- (a) it is a drama with an average production expenditure per hour of running time of the completed film greater than £500,000,
 - (b) it was commissioned on or before 17th April 2002, and
 - (c) the first day of principal photography was on or before 30th June 2002. 25
- (3) For the purposes of sub-paragraph (2) “drama” does not include –
- (a) anything in the nature of –
 - (i) an advertisement or promotional film,
 - (ii) a discussion programme, news or current affairs programme, quiz show, panel show, variety show or similar entertainment, or 30
 - (iii) a training film, or
 - (b) a film of a live event or of a theatrical or artistic performance given otherwise than for the purpose of being filmed, 35
- but it includes a documentary involving the dramatic reconstruction of events if the dramatic content forms 50% or more of the running time.
- (4) For the purposes of sub-paragraph (2) the production expenditure on a film means the total production expenditure in respect of the original master version of the film (as defined by section 141). 40
- 37 Sections 139 and 140 do not apply if –
- (a) the expenditure was incurred before 2nd July 1997 (as determined by section 142), or
 - (b) the film was completed before that date (within the meaning of Chapter 9 of Part 2). 45
- 38 Sections 139(4) and 141(3) do not apply to any film which was completed before 17th April 2002.

- 39 The requirement in section 140 for the acquisition to be a relevant acquisition does not apply in relation to expenditure which was incurred before 30th June 2002 (as determined by section 142).

Certain telecommunication rights

- 40 Chapter 10 of Part 2 does not apply to an indefeasible right to use a telecommunications cable system (“IRU”) acquired before 21st March 2000. 5
- 41 (1) That Chapter also does not apply to an IRU acquired by a person on or after that date (directly or indirectly) from an associate or an associated company if the associate or associated company acquired the IRU before that date.
- (2) In sub-paragraph (1)– 10
- “associate” has the meaning given by section 417(3) and (4) of ICTA, and
- “associated company” –
- (a) in relation to another company, has the meaning given by section 416(1) of that Act, and
- (b) in relation to any other person, means a company of which that person has control within the meaning of subsections (2) to (6) of that section. 15

Dealers in securities etc: taxation of amounts taken to reserves

- 42 (1) Section 149 does not apply in relation to periods of account beginning before 1st January 2005. 20
- (2) But, in the case of a company required to prepare accounts –
- (a) under the Companies Act 1985 (c. 6), or
- (b) under the Companies (Northern Ireland) Order 1986 (S.I. 1986/1032 (N.I. 6)),
- that section does apply in relation to a period of account beginning before that date for which the company is required or permitted to prepare such accounts in accordance with international accounting standards. 25

Purchase or sale of woodlands

- 43 Section 156 does not apply if the purchase mentioned in subsection (2) of that section was made under a contract entered into before 1st May 1963. 30

Ministers of religion

- 44 (1) This paragraph applies if –
- (a) expenses have been incurred, but not borne, by a minister of a religious denomination on any of the matters mentioned in section 159(3), 35
- (b) the expenses were incurred in a period of account no part of which falls in the basis period for the tax year 2005-06 or a subsequent tax year, and
- (c) the part of the expenses corresponding to the amount under section 159(4) has not been taken into account in calculating the profits of the profession or vocation of the minister of any tax year. 40

- (2) A deduction is allowed under section 159(3) for that part of the expenses in calculating the profits of the period of account in which the expenses are borne.

Waste disposal

- 45 If the predecessor ceased to carry on the trade carried on by the trader, or ceased to carry on a trade so far as relating to the site, before 21st March 2000, section 165 applies as if— 5
- (a) “, or a predecessor,” in subsection (1) were omitted, and
 - (b) subsections (3) and (4) were omitted.
- 46 If the trade carried on by the trader was started before 1st April 1993, the definition of “waste disposal licence” in section 167(1) applies for the purposes of sections 165 and 166 as if paragraphs (d) and (e) of the definition were omitted (radioactive waste and nuclear site authorisations or licences). 10
- 47 Section 167(2) does not apply for the purposes of sections 165 and 166 if the trade was started before 1st April 1993. 15

Valuation of trading stock on cessation

- 48 (1) This paragraph applies if—
- (a) a period of account of a trade begins before 6th April 2004 and ends on or after 6th April 2005 (“the straddling period of account”), and
 - (b) as a result of paragraph 49, the profits or losses of the period of account are to be calculated in accordance with Part 2 of this Act. 20
- (2) Subsection (2) of section 173 (valuation of trading stock on cessation) does not apply in relation to the part of the period of account which—
- (a) begins with the straddling period of account, and
 - (b) ends with 5th April 2004, 25
- and the profits or losses of the trade are to be calculated accordingly.

Apportionment of profits or losses to tax years before tax year 2005-06

- 49 (1) This paragraph applies if—
- (a) a period of account of a trade, profession or vocation begins before 6th April 2005 and ends on or after that date, 30
 - (b) the period of account, or part of the period of account, falls in the basis period for the tax year 2005-06,
 - (c) part of the period of account also falls in the basis period (or periods) for an earlier tax year (or years), and
 - (d) in order to arrive at the profits or losses of the basis period for any earlier tax year it is necessary to apportion the profits or losses of the period of account to any part of the period of account falling in that basis period. 35
- (2) The profits or losses of the period of account—
- (a) are calculated in accordance with Part 2 of this Act (and therefore, to that extent, that Part has effect for tax years before the tax year 2005-06), and 40

- (b) may be apportioned in accordance with section 203 to any part of the period of account falling in a basis period for a tax year before the tax year 2005-06.

Treatment of business start-up payments received in an overlap period

- 50 (1) There is an exception to the rule that, subject to Part 8, the charge to tax under Chapter 2 of Part 2 on the profits of a trade, profession or vocation of a tax year operates by reference to the profits of the basis period for the tax year (which may include a period falling before 6th April 2005). 5
- (2) The exception is that section 207 does not apply to payments received before 6th April 2005. 10

Profits or losses of a trade, profession or vocation previously chargeable in accordance with section 65(1) of ICTA

- 51 (1) This paragraph applies if –
- (a) a person carries on a trade, profession or vocation wholly outside the United Kingdom, and 15
- (b) the trade, profession or vocation was chargeable to income tax in accordance with section 65(1) of ICTA (Case IV and V assessments: general) for a tax year before 2005-06.
- (2) If the trade, profession or vocation was so chargeable for the tax year 2004-05, the person is treated for the purpose of determining the basis period for the tax year 2005-06 and subsequent tax years as if the person started to carry on the trade, profession or vocation on 6th April 2005. 20
- (3) For the purposes of section 391 of ICTA (as substituted by Schedule 1 to this Act), no account is to be taken of any loss made in any tax year before tax year 2005-06 if the trade, profession or vocation was chargeable to income tax in accordance with section 65(1) of ICTA for that tax year. 25

Profits of mines, quarries and other concerns not chargeable by reference to a basis period

- 52 (1) This paragraph applies if any profits or losses arising out of land in the case of any concern specified in section 55(2) of ICTA –
- (a) arose in the tax year 2004-05, and 30
- (b) were calculated for that tax year otherwise than by reference to a basis period.
- (2) For the purpose of determining the basis period for the tax year 2005-06 and subsequent tax years, the concern is treated as if it were a trade which was started to be carried on by a person on 6th April 2005. 35
- (3) Paragraph 49 of this Schedule applies in relation to any case to which this paragraph applies as if references to a basis period for a tax year (an “earlier tax year”) before the tax year 2005-06 were references to that earlier tax year.

Overlap profit: pre-April 1994 trades, professions and vocations

- 53 (1) This paragraph applies in the case of a trade, profession or vocation which was – 40
- (a) set up and commenced by a person before 6th April 1994, and
- (b) continued by the person after 5th April 1997,

- and the profits of which were chargeable to income tax under Case I or II of Schedule D for the tax year 1997-98.
- (2) For the purposes of Chapter 15 of Part 2 “overlap profit” includes the amount of profits or gains of the basis period for the tax year 1997-98 which— 5
- (a) arose after the end of the basis period for the tax year 1996-97 or, in the case of a trade or profession carried on by a firm, the basis period of the firm for that year, and
- (b) arose before 6th April 1997.
- (3) In calculating the amount of the profits or gains of the basis period for the tax year 1997-98 which arose as mentioned above— 10
- (a) any deduction of a capital allowance, and
- (b) any addition of a balancing charge, are ignored.
- (4) But sub-paragraph (3) does not apply in the case of a trade or profession carried on by a firm which included both an individual and a company. 15
- (5) For the purposes of this paragraph the basis period for the tax year 1996-97 is determined in accordance with paragraph 1 of Schedule 20 to FA 1994 despite the repeal by this Act of that paragraph.
- (6) This paragraph is subject to Schedule 22 to FA 1995 (prevention of exploitation of the transitional rules facilitating self-assessment). 20
- 54 (1) This paragraph applies in the case of income which—
- (a) was immediately derived from the carrying on of a trade, profession or vocation set up and commenced by a person before 6th April 1994 and continued by the person after 5th April 1998, and 25
- (b) was chargeable to income tax under Case IV or V of Schedule D for the tax year 1997-98.
- (2) But, in the case of income which was chargeable to tax by reference to the amounts of income received in the United Kingdom, this paragraph applies only if the date on which the first amount of income was received in the United Kingdom was before 6th April 1994. 30
- (3) For the purposes of Chapter 15 of Part 2 “overlap profit” includes the amount of profits or gains of the basis period for the tax year 1997-98 which arose before 6th April 1997.
- (4) This paragraph is subject to Schedule 22 to FA 1995 (prevention of exploitation of the transitional rules facilitating self-assessment). 35
- 55 The repeal by this Act of paragraphs 2, 6 and 10 of Schedule 20 to FA 1994 (changes for facilitating self-assessment: transitional provisions and savings) does not affect the continuing application of the assumptions mentioned in paragraph 11(4) of that Schedule (double taxation relief). 40

Averaging profits of farmers and creative artists

- 56 (1) The first tax years which may be the subject of an averaging claim under section 222 are the tax years 2004-05 and 2005-06.
- (2) If—

- (a) an individual carries on a trade of farming or market gardening in the United Kingdom in partnership, and
 - (b) but for the repeal by this Act of section 96 of ICTA the individual could have made a claim under that section in relation to the profits of that trade for the tax years 2004-05 and 2005-06, 5
- the individual may make an averaging claim under section 222 of this Act in relation to those profits for those tax years (despite anything in Chapter 16 of Part 2 of this Act to the contrary).

Adjustment on change of basis

- 57 (1) Chapter 17 of Part 2 applies to a change of basis taking effect for a period of account which ends on or after 6th April 2005. 10
- (2) For this purpose the period of account for which a change of basis takes effect is the first period of account for which the new basis is adopted.
- 58 (1) Subject to sub-paragraph (3), section 232 applies before 6th April 2006 with the following amendment. 15
- (2) In subsection (4) –
- (a) before paragraph (a) insert –
 - “(aa) relevant earnings within section 623(2)(c) or 644(2)(c) of ICTA, or”,
 - (b) omit paragraph (b) and the word “or” before it, and 20
 - (c) for “earned income or relevant UK earnings” substitute “relevant earnings or earned income”.
- (3) The power of the Treasury to make an order under section 281 or 283 of FA 2004 has effect as if Schedule 35 to that Act contained an amendment substituting section 232(4) of this Act for that subsection as amended by sub-paragraph (2) above. 25
- 59 If –
- (a) an individual has made an election under paragraph 12 of Schedule 22 to FA 2002 (election by barrister or advocate to accelerate adjustment charge), 30
 - (b) as a result of the election sub-paragraph (4) of that paragraph applies in relation to the tax year 2004-05, and
 - (c) the election is in force immediately before 6th April 2005,
- the election continues to apply in relation to the tax year 2005-06 and subsequent tax years (despite paragraph 3 of this Schedule). 35
- 60 Section 104(4) of ICTA (which, despite its repeal, applies in relation to any change of accounting basis occurring before 6th April 1999) does not apply if the person who would be liable to tax as a result of the change was born before 6th April 1917.

Post-cessation receipts 40

- 61 (1) Subject to sub-paragraph (4), section 256 applies before 6th April 2006 with the following amendments.
- (2) In subsection (1)(b) –
- (a) after “from the trade was” insert “relevant earnings within section 623(2)(c) or 644(2)(c) of ICTA or”, and 45

- (b) omit “or relevant UK earnings within section 189(2)(b) of FA 2004”.
- (3) In subsection (2) for “earned income or relevant UK earnings” substitute “relevant earnings or earned income”.
- (4) The power of the Treasury to make an order under section 281 or 283 of FA 2004 has effect as if Schedule 35 to that Act contained an amendment substituting section 256 of this Act for that section as amended by subparagraphs (2) and (3) above. 5
- 62 Chapter 18 of Part 2 does not apply in relation to a post-cessation receipt if—
- (a) the person who would be liable to tax on the receipt was born before 6th April 1917, and 10
- (b) the cessation of the trade occurred before 6th April 2000.

PART 4

PROPERTY INCOME

Apportionment of profits or losses to tax years before tax year 2005-06

- 63 (1) This paragraph applies if— 15
- (a) a period of account of a property business begins before 6th April 2005 and ends on or after that date, and
- (b) in order to arrive at the profits or losses of a tax year before the tax year 2005-06 it is necessary to apportion the profits or losses of the period of account to any part of that period falling in a tax year before the tax year 2005-06. 20
- (2) The profits or losses of the period of account—
- (a) are calculated in accordance with Part 3 of this Act (and therefore, to that extent, that Part has effect for tax years before the tax year 2005-06), and 25
- (b) may be apportioned in accordance with section 275 to any part of the period of account falling in a tax year before the tax year 2005-06.

Lease premiums

- 64 Section 277 does not apply in relation to a lease granted pursuant to a contract entered into before 4th April 1963. 30

Lease premiums: sums payable instead of rent

- 65 Section 279 does not apply in relation to a lease granted—
- (a) before 6th April 1963, or
- (b) pursuant to a contract entered into before 4th April 1963.

Lease premiums: sums payable for surrender of lease 35

- 66 Section 280 does not apply in relation to a lease granted—
- (a) before 6th April 1963, or
- (b) pursuant to a contract entered into before 4th April 1963.

Lease premiums: assignments for profit of lease granted at undervalue

- 67 Section 282 does not apply in relation to a lease granted –
- (a) before 6th April 1963, or
 - (b) pursuant to a contract entered into before 4th April 1963.

Lease premiums: pre-commencement receipts treated as taxed receipts

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- 68 (1) This paragraph relates to the operation of sections 287 to 298 where, in respect of a lease –

(a) there is a receipt of a Schedule A business or an overseas property business (within the meaning of section 65A(4) or 70A(4) of ICTA) as a result of section 34 or 35 of ICTA (treatment of premiums etc. as rent and assignments for profit of lease granted at an undervalue) for a tax year before the tax year 2005-06 or an accounting period ending before 6th April 2005, or

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(b) there would be such a receipt, but for the operation of section 37(2) or (3) of ICTA (reductions in certain receipts under section 34 or 35 of ICTA).

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- 69 (1) In this paragraph and paragraphs 70 and 71 such a receipt is referred to as a “pre-commencement receipt”.

- (2) For the purposes of Chapter 4 of Part 3 –

(a) the lease is treated as a taxed lease, and

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(b) the pre-commencement receipt is treated as a taxed receipt.

- (3) For the purposes of that Chapter, the “receipt period” of a taxed receipt which is a pre-commencement receipt is –

(a) in the case of a pre-commencement receipt as a result of section 34 of ICTA, the period treated in calculating the amount of the receipt as being the duration of the lease, and

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(b) in the case of a pre-commencement receipt as a result of section 35 of ICTA, the period treated in calculating the amount of the receipt as being the duration of the lease remaining at the date of the assignment.

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- (4) For the purposes of that Chapter the “unreduced amount” of a taxed receipt which is a pre-commencement receipt is the amount of the pre-commencement receipt as a result of section 34 or 35 of ICTA, before the operation of section 37(2) or (3) of ICTA.

- (5) Sub-paragraph (6) applies to a taxed receipt which is a pre-commencement receipt arising as a result of section 34(2) of ICTA (obligation on tenant to carry out work under lease).

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- (6) If the obligation to carry out work included the carrying out of work which gave or will give rise to expenditure for which an allowance has been, or may be, made under the enactments relating to capital allowances, the unreduced amount of the taxed receipt is calculated as if the obligation had not included the carrying out of that work.

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Lease premiums: taking account of reductions in pre-commencement receipts

- 70 (1) This paragraph applies if –

- (a) in calculating the amount of a pre-commencement receipt, there is a reduction under section 37(2) or (3) of ICTA by reference to the amount chargeable on the superior interest for the purposes of that section, and
 - (b) as a result of paragraph 68 the amount chargeable on the superior interest is the taxed receipt for the purposes of Chapter 4 of Part 3. 5
- (2) References to a reduction under section 37(2) or (3) of ICTA in a pre-commencement receipt by reference to the amount chargeable on the superior interest are to the difference between—
- (a) the amount of the pre-commencement receipt before the operation of section 37(2) or (3) of ICTA, and 10
 - (b) the amount of the receipt after the operation of that subsection, so far as attributable to the amount chargeable on the superior interest for the purposes of section 37 of ICTA.
- (3) In sections 290(5)(a) (meaning of “unused amount”) and 295(1)(a) (limit on reductions and deductions) references to reductions under section 288 by reference to the taxed receipt include references to reductions under section 37(2) or (3) of ICTA in pre-commencement receipts by reference to the amount chargeable on the superior interest. 15
- (4) Sections 292 to 294 apply as follows— 20
- (a) the pre-commencement receipt is treated as if it were a lease premium receipt for the purposes of sections 293 and 294,
 - (b) references in those sections to the reduction under section 288 by reference to the taxed receipt are, in relation to the pre-commencement receipt, to the reduction under section 37(2) or (3) of ICTA by reference to the amount chargeable on the superior interest, and 25
 - (c) for the purposes of those sections the receipt period of the pre-commencement receipt is—
 - (i) in the case of a pre-commencement receipt as a result of section 34 of ICTA, the period treated in calculating the amount of the receipt as being the duration of the lease, and 30
 - (ii) in the case of a pre-commencement receipt as a result of section 35 of ICTA, the period treated in calculating the amount of the receipt as being the duration of the lease remaining at the date of the assignment. 35

Lease premiums: taking account of deductions for rent as a result of section 37(4) or 87(2) of ICTA

- 71 (1) Sub-paragraph (2) applies if—
- (a) in calculating the profits of a trade, profession or vocation for a tax year before the tax year 2005-06 or an accounting period ending before 6th April 2005, a person is treated as paying rent under section 87(2) of ICTA by reference to the amount chargeable for the purposes of that section, and 40
 - (b) as a result of paragraph 68 the amount chargeable is the taxed receipt for the purposes of Chapter 4 of Part 3. 45
- (2) References in sections 290(5)(b) and 295(2)(b) to the deductions allowed for expenses under section 61 by reference to the taxed receipt include references to the deductions allowed in calculating the profits of the trade,

profession or vocation for the rent that the person is treated as paying under section 87(2) of ICTA by reference to the amount chargeable.

- (3) Sub-paragraph (4) applies if—
- (a) in calculating the profits of a Schedule A business or an overseas property business (within the meaning of section 65A(4) or 70A(4) of ICTA) for a tax year before the tax year 2005-06 or an accounting period ending before 6th April 2005, a person is treated as paying rent as a result of section 37(4) of ICTA by reference to the amount chargeable on the superior interest for the purposes of that section, and
 - (b) as a result of paragraph 68 the amount chargeable on the superior interest is the taxed receipt for the purposes of Chapter 4 of Part 3.
- (4) References in sections 290(5)(c) and 295(1)(b) to the deductions allowed for expenses under section 292 by reference to the taxed receipt include references to the deductions allowed in calculating the profits of the Schedule A business or overseas property business (within the meaning of section 65A(4) or 70A(4) of ICTA) for the rent that the person is treated as paying as a result of section 37(4) of ICTA by reference to the amount chargeable on the superior interest.

Lease premiums: rules for determining effective duration of lease 20

- 72 (1) In relation to a lease granted after 12th June 1969 and before 25th August 1971, for sections 303 and 304 substitute—

“303 Rules for determining effective duration of lease

- (1) The following rules apply for determining the effective duration of a lease for the purposes of this Chapter. 25
- Rule 1:* Where the terms of a lease include provision for the determination of the lease by notice given by the landlord, the lease is not to be treated as granted for a term longer than one ending at the earliest date on which it could be determined by notice so given. 30
- Rule 2:* A lease is not to be treated as having been granted for a term longer than one ending on a date before the end of the term for which the lease was granted, if the terms of the lease or any other circumstances make it unlikely that the lease will continue beyond that date. 35
- Rule 3:* Where the terms of the lease include provision for the extension of the lease beyond a given date by notice given by the tenant, account may be taken of any circumstances making it likely that the lease will be so extended. 40
- (2) Rule 2 applies by reference to the facts known or ascertainable at the time of the grant of the lease.
- (3) In applying the rules, it is assumed that all parties concerned, whatever their relationship, act as if they were at arm’s length. 45
- (4) In this section, in relation to Scotland, “term”, where referring to the duration of a lease, means period.”

(2) This paragraph does not apply if the determination is for the purposes of section 281 (sums payable for variation or waiver of term of lease).

73 (1) In relation to a lease granted before 13th June 1969, for sections 303 to 305 substitute—

“303 Rules for determining effective duration of lease 5

(1) The following rules apply for determining the effective duration of a lease for the purposes of this Chapter.

Rule 1: Where the effective duration of a lease is being determined after the date on which the lease has for any reason come to an end, the duration is taken to have extended from its commencement to that date. 10

Rule 2: Where the terms of the lease include provision for the determination of the lease by notice given either by the landlord or by the tenant, the lease is not to be treated as granted for a term longer than one ending at the earliest date on which it could be determined by notice. 15

Rule 3: A lease is not to be treated as having been granted for a term longer than one ending on a date before the end of the term for which the lease was granted, if the terms of the lease or any other circumstances make it unlikely that the lease will continue beyond that date. 20

(2) Rules 2 and 3 are subject to rule 1. 25

(3) Rules 2 and 3 apply in accordance with circumstances prevailing at the time of the determination.

(4) In this section, in relation to Scotland, “term”, where referring to the duration of a lease, means period.”

(2) This paragraph does not apply if the determination is for the purposes of section 281 (sums payable for variation or waiver of term of lease). 30

Reverse premiums

74 (1) Section 311 does not apply to a reverse premium—
 (a) which was received before 9th March 1999, or
 (b) to which the recipient was entitled immediately before that date. 35

(2) In determining whether a reverse premium was one to which the recipient was entitled immediately before 9th March 1999, no account is to be taken of any arrangements made on or after that date.

Deductions for expenditure on energy-saving items

75 Sections 312 to 314 do not apply to expenditure incurred before 6th April 2004. 40

Commercial letting of furnished holiday accommodation

- 76 (1) Subject to sub-paragraph (4), Chapter 6 of Part 3 applies before 6th April 2006 with the following amendments.
- (2) In section 322(2) –
- (a) after paragraph (b) insert – 5
“(ba) section 623(2)(c) or 644(2)(c) of ICTA (income regarded as relevant earnings for pension purposes: see section 504A of that Act),”,
- (b) at the end of paragraph (d) insert “and”, and
- (c) omit paragraph (f) and the word “and” before it. 10
- (3) In section 328(2) –
- (a) before paragraph (a) insert –
“(aa) income regarded as relevant earnings for pension purposes under section 623(2)(c) or 644(2)(c) of ICTA, or”, and 15
- (b) omit paragraph (b) and the word “or” before it.
- (4) The power of the Treasury to make an order under section 281 or 283 of FA 2004 has effect as if Schedule 35 to that Act contained amendments substituting sections 322(2) and 328(2) of this Act for those subsections as amended by sub-paragraphs (2) and (3) above. 20
- 77 (1) Subject to sub-paragraph (3), section 504A of ICTA (as inserted by Schedule 1 to this Act) applies before 6th April 2006 with the following amendment.
- (2) In subsection (2) –
- (a) after paragraph (a) insert –
“(ab) section 623(2)(c) or 644(2)(c) (income regarded as relevant earnings for pension purposes), and”, and 25
- (b) omit paragraph (c) and the word “and” before it.
- (3) The power of the Treasury to make an order under section 281 or 283 of FA 2004 has effect as if Schedule 35 to that Act contained an amendment substituting section 504A of ICTA (as inserted by Schedule 1 to this Act) for that section as amended by sub-paragraph (2) above. 30

Adjustment on change of basis

- 78 (1) Chapter 7 of Part 3 applies to a change of basis taking effect for a period of account which ends on or after 6th April 2005.
- (2) For this purpose the period of account for which a change of basis takes effect is the first period of account for which the new basis is adopted. 35

Meaning of “mineral royalties”

- 79 The definition of “mineral royalties” in section 341(2) does not include any rent receivable before 6th April 1970.

PART 5

SAVINGS AND INVESTMENT INCOME: GENERAL

Open-ended investment companies: saving for powers to make provision corresponding to provisions applicable to unit trusts

- 80 (1) Despite the enactment by this Act in the OEIC sections of provisions previously contained in regulations made under section 152 of FA 1995, the Treasury may continue to make regulations under that section for achieving any purpose that could be achieved by such regulations before the coming into force of the OEIC sections. 5
- (2) Accordingly – 10
- (a) regulations under that section may make provision for securing, in relation to the matters mentioned in subsection (1)(a) to (c) of that section, that the provision made by the OEIC sections corresponds, subject to such modifications as the Treasury consider appropriate, to the provision made by the enactments mentioned in subsection (2) of that section in relation to – 15
- (i) unit trusts,
- (ii) rights under, and the assets subject to, such trusts, and
- (iii) transactions for purposes connected with such trusts, and
- (b) that section has effect with such modifications as are required for the purposes of this paragraph. 20
- (3) In this paragraph –
- “the OEIC sections” means –
- (a) sections 373 to 375 of this Act (under which certain amounts are treated as interest paid by open-ended investment companies), and 25
- (b) sections 386 to 388 of this Act (under which certain amounts are treated as dividends paid by open-ended investment companies), and
- “unit trust” has the same meaning as in section 152 of FA 1995 (see subsection (7)). 30

Deeply discounted securities issued in accordance with qualifying earn-out right

- 81 Despite the repeal by this Act of section 104(4) of FA 2002, sections 430(5) and 442 (securities issued in accordance with qualifying earn-out right) apply whenever the security was issued. 35

Deeply discounted securities: deemed transfers of strips on 5th April

- 82 (1) Despite the repeal by this Act of paragraph 14(4) of Schedule 13 to FA 1996, a person who was deemed under that paragraph to have transferred a strip on 5th April 2005 is treated for the purposes of Chapter 8 of Part 4 (profits from deeply discounted securities) as if the person had re-acquired the strip under that paragraph on 6th April 2005 for an amount equal to the amount for which it was deemed to have been transferred. 40
- (2) That Chapter and this Part of this Schedule apply to a deemed transfer and reacquisition under that paragraph (including a reacquisition within sub-

paragraph (1)) as if it were a transfer and reacquisition under section 445(2) and (3).

- (3) Section 452 (power to modify that Chapter for strips) applies as if this paragraph were in that Chapter.

Deeply discounted securities: restriction of profits and losses on strips 5

83 (1) Sections 447 and 448 (restriction of profits and losses on strips by reference to original acquisition cost) do not apply to a strip acquired before 15th January 2004.

- (2) For the purposes of paragraph (1) any deemed acquisitions under paragraph 14(4) of Schedule 13 to FA 1996 or section 445(3) of this Act are ignored. 10

Deeply discounted securities: saving for charities' losses

84 The references in section 454(4) and (5) to trustees include any person who, had the loss been a profit –

- (a) would have been eligible for relief from tax for the tax year in which the loss is sustained as a result of section 505(1) of ICTA (exemption from income tax for certain income forming part of the income of a charity), or 15
- (b) would have been so eligible but for section 505(3) of that Act (income that is not exempt in some circumstances for charities incurring non-qualifying expenditure). 20

Deeply discounted securities: saving for pension trustees' losses

85 The references in section 454(4) and (5) to trustees include any person who, had the loss been a profit, would have been eligible for relief from tax for the tax year in which the loss is sustained as a result of –

- (a) section 592(2) of ICTA (exemption from income tax for income from investments or deposit held for exempt approved pension schemes), 25
- (b) section 608(2)(a) of ICTA (corresponding exemption for superannuation funds approved before 6th April 1980),
- (c) section 613(4) of ICTA (corresponding exemption for parliamentary pension funds), 30
- (d) section 614(2), (3), (4) or (5) of ICTA (corresponding exemption for certain overseas pension funds),
- (e) section 620(6) of ICTA (corresponding exemption for retirement annuity funds), or
- (f) section 643(2) of ICTA (corresponding exemption for approved personal pension schemes). 35

Exclusion of deeply discounted securities from section 711 to 728 of ICTA (accrued income profits)

86 Securities only fall within paragraph (f) of section 710(3) of ICTA (meaning of “securities” for purposes of sections 711 to 728), as substituted by Schedule 1 to this Act, if the disposal of the securities on or after 6th April 2005 would be a disposal of deeply discounted securities for the purposes of Chapter 8 of Part 4 of this Act. 40

Gains from contracts for life insurance etc: foreign policies of life insurance

- 87 (1) This paragraph modifies the application of—
- (a) section 474(4) (foreign policies of life insurance which are not qualifying policies),
 - (b) section 531(6) (foreign policies of life insurance to which section 530 applies), and
 - (c) section 532 (relief for policies and contracts with European Area Insurers),
- 5
- 88 (1) in relation to a policy of life insurance which meets conditions A and B.
- (2) Condition A is that the policy is a foreign policy of life insurance by virtue of paragraph (a) of the definition of that term in section 476(3). 10
- (3) Condition B is that the income of the company which issued the policy was charged to corporation tax under section 445 of ICTA for an accounting period ending on or after the day on which the policy was issued.
- (4) The policy is treated as having been a qualifying policy for any part of the chargeable period when— 15
- (a) it would have been treated as a qualifying policy apart from section 474(4), and
 - (b) the conditions in either sub-paragraph (3) or sub-paragraph (4) of paragraph 24 of Schedule 15 to ICTA (as it then had effect) were met. 20
- (5) The policy meets condition B in section 531(6) if—
- (a) the conditions in either sub-paragraph (3) or sub-paragraph (4) of paragraph 24 of Schedule 15 to ICTA (as it then had effect) were met throughout the chargeable period, and
 - (b) the conditions in sub-paragraph (3) of that paragraph are met throughout the period— 25
 - (i) beginning immediately after the end of the chargeable period, and
 - (ii) ending with the date on which the gains mentioned in section 531(1) arise. 30
- (6) Despite the definition of “policy period” in section 532(5), for the purposes of determining whether conditions A to C in that section have been met in relation to the policy or contract throughout the policy period, that period is to be taken not to include— 35
- (a) any part of the chargeable period when the conditions in either sub-paragraph (3) or sub-paragraph (4) of paragraph 24 of Schedule 15 to ICTA (as it then had effect) were met, and
 - (b) any subsequent period when the conditions in sub-paragraph (3) of that paragraph are met.
- (7) In this paragraph “the chargeable period” means the period— 40
- (a) beginning with the date on which the policy was issued, and
 - (b) ending with the last day of the last accounting period for which the company which issued the policy was liable to tax under section 445 of ICTA.

Gains from contracts for life insurance etc: exclusion of pension policies

- 89 (1) Subject to sub-paragraph (4), before 6th April 2006 Chapter 9 of Part 4 applies with the following amendments.
- (2) For section 479 (exclusion of pension policies) substitute—
- “479 Exclusion of pension policies** 5
- “(1) This Chapter does not apply to a pension policy.
- (2) In this section “pension policy” means—
- (a) a policy of life insurance issued in connection with an approved scheme,
 - (b) a policy of insurance which is, or is evidence of, a contract for the time being approved under section 621 of ICTA (contracts to provide for surviving spouses and dependants), or 10
 - (c) a policy of life insurance held in connection with an approved personal pension scheme.
- (3) In this section— 15
- “approved scheme” has the meaning given by section 612(1) of ICTA, and
 - “personal pension scheme” and “approved”, in relation to such a scheme, have the meaning given by section 630(1) of ICTA.”
- (3) In section 486 (exclusion of maturity of capital redemption policies in certain circumstances) for “non-registered occupational pension” substitute “sponsored superannuation”. 20
- (4) The power of the Treasury to make an order under section 281 or 283 of FA 2004 has effect as if Schedule 35 to that Act contained amendments—
- (a) substituting section 479 of this Act for that section as substituted by sub-paragraph (2), and 25
 - (b) substituting “non-registered occupational pension” for “sponsored superannuation” in section 486 of this Act.

Gains from contracts for life insurance etc: rights partially assigned

- 90 Section 505 (assignments involving co-ownership) does not have effect in relation to any transaction which— 30
- (a) took place in relation to a policy or contract in an insurance year beginning on or before 5th April 2001, and
 - (b) would otherwise and by reason only of the application of that section fall to be taken into account as an assignment of a part of or a share in the rights conferred by the policy or contract in a calculation under— 35
 - (i) section 507 (periodic calculations in part surrender and assignment cases), or
 - (ii) section 511 (transaction-related calculations in part surrender and assignment cases). 40
- 91 (1) This paragraph applies if a calculation under section 507 or 511 in relation to a policy or contract requires account to be taken of any part of or share in the rights conferred by the policy or contract which has been assigned for

money or money's worth in an insurance year beginning on or before 5th April 2001.

(2) Section 508 (the value of rights partially assigned) applies for the purposes of the valuation of each such part or share as if –

- (a) in subsection (1) after “surrendered” (in both places where it occurs) there were inserted “or assigned”, 5
- (b) in that subsection after “surrender” there were inserted “or assignment”, and
- (c) subsection (4) were omitted.

Gains from contracts for life insurance etc: regulations providing for relief where foreign tax chargeable 10

92 Regulations made under section 534 by virtue of paragraph 4 of this Schedule may apply –

- (a) in relation to gains arising on or after 29th November 1994, and
- (b) in relation to any gain arising before that date the income tax on which has not been the subject of an assessment that became final and conclusive before that date. 15

Gains from contracts for life insurance etc: pure protection group life policies

93 (1) For the purposes of Chapter 9 of Part 4, any event occurring before 9th April 2003 in relation to a policy of life insurance which, at the time of the event, was a pure protection group life policy is deemed not to be a chargeable event. 20

(2) For the purposes of this paragraph a policy of life insurance is at any time a pure protection group life policy if at that time it is a group life policy whose terms do not provide for any sums or other benefits to be paid or conferred except on death or disability. 25

Gains from contracts for life insurance etc: assessment of trustees etc

94 Despite paragraph 4(1) of this Schedule, the references in section 151(2) of FA 1989 (assessment of trustees etc.) to gains treated as arising under Chapter 9 of Part 4 of this Act do not include references to gains treated as arising under Chapter 2 of Part 13 of ICTA on chargeable events before 6th April 1998. 30

Transactions in deposits

95 Section 551 (charge to income tax on profits from disposal of deposit rights) does not apply if the person disposing of the rights acquired them before 7th March 1973. 35

96 (1) This paragraph applies if –

- (a) a right falling within the definition of “uncertificated right” in section 552(2) is a right under an arrangement made on or before 16th July 1992, and
- (b) the right to call for the issue of a certificate of deposit (as defined in that section) is a right under that arrangement. 40

- (2) Chapter 11 of Part 4 (transactions in deposits) applies with the omission of section 552(1)(c) and (d)(i).

Disposals of futures and options involving guaranteed returns: certain pre-6th February 1998 transactions

- 97 (1) A transaction consisting in the running of a future to delivery or the exercise of an option is not treated as a disposal for the purposes of Chapter 12 of Part 4 if it took place before 6th February 1998. 5
- (2) Sub-paragraph (1) is to be read as if it were part of section 564 (deemed disposal where futures run to delivery or options are exercised) (see, in particular, section 565). 10

Disposals of futures and options involving guaranteed returns: rates of tax for pension trustees

- 98 For the tax year 2005-06 section 568(4) (by virtue of which income within Chapter 12 of Part 4 arising to certain pension trustees is not treated as income to which section 686 of ICTA applies) has effect with the substitution for the words from “held” onwards of the words “held – 15
- (a) for the purposes of a fund or scheme established for the sole purpose of providing relevant benefits (within the meaning of section 612 of ICTA), or
- (b) for the purposes of a personal pension scheme (within the meaning of section 630 of ICTA) making provision only for such benefits as are mentioned in section 633 of ICTA (annuities and lump sums meeting certain conditions).” 20

PART 6

SAVINGS AND INVESTMENT INCOME: INSURANCE CONTRACTS AND POLICIES MADE BEFORE CERTAIN DATES 25

Pre-20th March 1968 policies and contracts excluded from Chapter 9 of Part 4

- 99 (1) Chapter 9 of Part 4 does not apply to –
- (a) a policy of life insurance issued in respect of an insurance made before 20th March 1968,
- (b) a contract for a life annuity made before that date, or 30
- (c) a capital redemption policy where the contract was made before that date.
- (2) For this purpose a policy of life insurance is treated as issued in respect of an insurance made on or after 20th March 1968 if it is varied on or after that date so as to extend its term or increase the benefits secured. 35
- (3) A variation is ignored for the purposes of sub-paragraph (2) if –
- (a) before the variation the policy complied with paragraph 2 of Schedule 9 to FA 1968 (general requirements for qualifying endowment policies) except for the amount guaranteed on death,
- (b) the variation’s only effect was to make the policy comply with that paragraph, 40
- (c) the variation was effected before 1st January 1969, and
- (d) the variation did not increase the premiums payable under the policy.

Pre-27th March 1974 policies and contracts: disapplication of section 500(c)

- 100 Section 500(c) (events treated as part surrenders: loan by insurer) does not apply to a policy issued in respect of an insurance made before 27th March 1974 or a contract made before that date.

Pre-27th March 1974 contracts: disapplication of section 531(3)(c)

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- 101 Section 531(3)(c) (certain contracts for life annuities excluded from section 530) does not apply to a contract made before 27th March 1974.

Pre-10th December 1974 contracts for a life annuity: disapplication of section 484(1)(d)

- 102 Section 484(1)(d) (chargeable events: death in case of contract for a life annuity which provides for payment of a capital sum on death) does not apply if the contract was made before 10th December 1974. 10

Pre-14th March 1975 policies and contracts: calculation of gains under section 507

- 103 (1) This paragraph applies to –
 (a) a policy in respect of an insurance made before 14th March 1975, and
 (b) a contract made before that date. 15

(2) Section 507 (method for making periodic calculations under section 498) applies to a policy or contract to which this paragraph applies with the following modifications.

- (3) In subsection (4) (calculation of net total value of rights assigned and surrendered) –
 (a) in paragraph (a) of step 1 after “at any time”, in both places where it occurs, and
 (b) in paragraph (b) of step 1 after “assigned”, insert “during the reference period”. 20

- (4) In subsection (5) (calculation of net total allowable payments), for step 1 substitute – 25

“Step 1

Find the allowable element in each allowable payment made during the reference period by multiplying the amount of the payment by –

$$\frac{X}{20} \quad 30$$

where X is the number of insurance years in the period beginning with the year in which the payment is made and ending with the reference period or, if it is less, 20.”

- (5) After that step insert –

“Step 1A

Find any allowable element in any allowable payment made before the reference period by multiplying the amount of the payment by –

$$\frac{20 - Y}{20} \quad 35$$

where Y is the number of insurance years in the period beginning with the year in which the payment is made and ending with the last insurance year before the reference period or, if it is less, 20.”

- (6) In subsection (6) insert the following definition in the appropriate place—
 ““the reference period” means the period beginning with the first insurance year which falls wholly after 13th March 1975 and ending with the insurance year as at the end of which the calculation under this section is required to be made;”.

Pre-25th March 1982 replacement policies: disapplication of section 542

- 104 Section 542 (replacement of qualifying policies) does not apply if the replacement policy comes into existence before 25th March 1982. 10

Certain pre-26th June 1982 policies and contracts excluded from Chapter 9 of Part 4

- 105 (1) Chapter 9 of Part 4 does not apply to a pre-1982 assigned policy or contract unless on a date after 23rd August 1982 it has met condition A, B or C.
- (2) In sub-paragraph (1) “pre-1982 assigned policy or contract” means— 15
- (a) a policy of life insurance issued in respect of an insurance made before 26th June 1982, or
- (b) a contract for a life annuity made before that date, the rights under which were assigned for money or money’s worth before that date and are not held by the original beneficial owner. 20
- (3) Condition A is that the rights under the policy or contract are again assigned for money or money’s worth.
- (4) Condition B is that a payment is made under the policy or contract by way of premium.
- (5) Condition C is that a sum is lent— 25
- (a) by, or by arrangement with, the body issuing the policy or the body with which the contract was made, and
- (b) to or at the direction of an individual falling within sub-paragraph (6).
- (6) An individual falls within this sub-paragraph at any time if— 30
- (a) were a gain to arise in respect of the policy or contract at that time the individual—
- (i) would be liable for tax in respect of it as a result of section 465 (person liable: individuals), or
- (ii) would be so liable apart from the requirement in section 465(1) that the individual must be UK resident in the tax year in which the gain arises, or 35
- (b) at that time the rights under the policy or contract are held on charitable trusts created by the individual.
- (7) In the case of a qualifying policy, condition C is not met if— 40
- (a) interest is payable on the loan at a commercial rate, or
- (b) the loan is to a full-time employee of the body to assist the employee in purchasing or improving a dwelling to be used as the employee’s only or main residence.

- (8) In the case of a policy issued in respect of an insurance made before 27th March 1974 or a contract made before that date, this paragraph applies as if sub-paragraph (1) did not refer to condition C.
- (9) A loan which causes condition C to be met is treated for the purposes of sections 500(c) and 501 (loans treated as part surrenders) as having been made at a time when Chapter 9 of Part 4 does apply to gains on the policy or contract. 5

Certain pre-18th November 1983 policies not foreign policies of life insurance

- 106 (1) A policy of life insurance is not a “foreign policy of life insurance” for the purposes of Chapter 9 of Part 4 (see the definition in section 476(3)) if it is issued in respect of an insurance made before 18th November 1983. 10
- (2) For the purposes of sub-paragraph (1), a policy issued in respect of an insurance made before 18th November 1983 is treated as issued in respect of one made on or after that date if it is varied on or after that date so as – 15
- (a) to increase the benefits secured, or
- (b) to extend the term of the insurance.
- (3) A change in the terms of a policy counts as its variation for the purposes of sub-paragraph (2) if it results from the exercise of an option conferred by the policy to have another policy substituted for it or to have any of its terms changed. 20

Certain pre-23rd February 1984 policies not foreign capital redemption policies

- 107 A capital redemption policy is not a “foreign capital redemption policy” for the purposes of Chapter 9 of Part 4 (see the definition in section 476(3)) if it is issued in respect of a contract made before 23rd February 1984.

Pre-14th March 1984 policies: disregard of amounts deducted and repaid after tax relief by deduction from premiums abolished 25

- 108 In the case of a policy issued in respect of an insurance made before 14th March 1984, any amount treated under section 72(9) of FA 1984 as an additional premium is to be ignored for the purposes of – 30
- (a) calculating the total allowable deductions for the policy under section 494(1), and
- (b) the definition of “allowable payment” in section 507(6).

Certain pre-20th March 1985 policies: application of section 529(1)

- 109 (1) This paragraph makes provision for the application of section 529(1) (exceptions to section 528) in relation to – 35
- (a) a foreign policy of life insurance issued in respect of an insurance made on or before 19th March 1985, and
- (b) a foreign capital redemption policy issued in respect of a contract made on or before that date.
- (2) Section 529(1)(a) (which disapplies section 528 if when the chargeable event occurs or at any time during the policy period the policy is or was held by a non-UK resident trustee) does not apply if the policy was held by a non-UK resident trustee on 19th March 1985. 40

- (3) Section 529(1)(b) (which disapplies section 528 if when the chargeable event occurs or at any time during the policy period the policy is or was held by non-UK resident trustees) does not apply if on 19th March 1985 the policy was held by a non-UK resident trustee or by two or more trustees any of whom was non-UK resident. 5

Pre-14th March 1989 qualifying policies: application of section 485(2)(b) and (3)(b)

- 110 (1) In the case of a policy issued in respect of an insurance made before 14th March 1989, section 485(2) and (3) (by virtue of which certain events are only chargeable events if the conditions in paragraphs (a) and (b) are met) have effect with the omission of paragraph (b) (no company interest in the rights under the policy) and the word “and” preceding that paragraph. 10
- (2) For this purpose a policy is treated as issued in respect of an insurance made on or after 14th March 1989 if it is varied on or after that date so as –
- (a) to increase the benefits secured, or
- (b) to extend the term of the insurance. 15
- (3) Any exercise of rights conferred by a policy counts as its variation for the purposes of sub-paragraph (2).

Pre-14th March 1989 policies and contracts: application of section 501

- 111 (1) In the case of a policy issued in respect of an insurance made before 14th March 1989 or a contract made before that date, section 501 (part surrenders: loans) does not apply if – 20
- (a) a company beneficially owns the rights under the policy,
- (b) they are held on trusts which a company created, or
- (c) they are held as security for a company’s debt.
- (2) For the purposes of this paragraph, a policy is treated as issued in respect of an insurance made on or after 14th March 1989 if it is varied on or after that date so as – 25
- (a) to increase the benefits secured, or
- (b) to extend the term of the insurance.
- (3) Any exercise of rights conferred by a policy counts as its variation for the purposes of sub-paragraph (2). 30

Contracts in accounting periods beginning before 1st January 1992: disapplication of sections 530 and 539(3)

- 112 (1) This paragraph applies to a contract for a life annuity made – 35
- (a) after 26th March 1974, but
- (b) in an accounting period of the insurance company or friendly society beginning before 1st January 1992.
- (2) Section 530 (income tax treated as paid etc.) does not apply to gains from such a contract, except for the purposes of calculating relief under section 535 (top slicing relief). 40
- (3) Sub-paragraph (2) is subject to –
- (a) section 532 (relief for policies and contracts with European Economic Area insurers), and

- (b) section 534 (regulations providing for relief in other cases where foreign tax chargeable).
- (4) Section 539(3) (relief for deficiencies: application of section 539(1) only for determining individual's extra liability) does not apply where the deficiency arises from such a contract. 5
- (5) In sub-paragraph (1) "accounting period" is to be read in accordance with section 12 of ICTA.

Certain pre-17th March 1998 policies: application of section 529(1)

- 113 (1) This paragraph makes provision for the application of section 529(1) (exceptions to section 528) in relation to— 10
 - (a) a foreign policy of life insurance issued in respect of an insurance made before 17th March 1998, and
 - (b) a foreign capital redemption policy issued in respect of a contract made before that date.
- (2) Section 529(1)(c) (which disapplies section 528 if when the chargeable event occurs or at any time during the policy period the policy is or was held by a foreign institution) does not apply if the policy was held by a foreign institution on 16th March 1998. 15

Certain pre-17th March 1998 policies not foreign policies of life insurance

- 114 (1) A policy of life insurance issued in respect of an insurance made before 17th March 1998 is only a "foreign policy of life insurance" for the purposes of Chapter 9 of Part 4 if— 20
 - (a) it falls within paragraph (a) of the definition of that expression in section 476(3), and
 - (b) it is not excluded by paragraph 106 (certain pre-18th November 1983 policies not foreign policies of life insurance). 25
- (2) For the purposes of sub-paragraph (1), a policy issued in respect of an insurance made before 17th March 1998 is treated as issued in respect of one made on or after that date if it is varied on or after that date so as— 30
 - (a) to increase the benefits secured, or
 - (b) to extend the term of the insurance.
- (3) Any exercise of rights conferred by a policy counts as its variation for the purposes of sub-paragraph (2).

Pre-17th March 1998 policy or contract: UK resident trustees

- 115 (1) In the case of a 1998 Act excluded policy or contract, section 467 (person liable: UK resident trustees) does not apply if— 35
 - (a) the trusts were created before 17th March 1998, and
 - (b) the person or at least one of the persons who created them was an individual who died before that date.
- (2) For the purposes of sub-paragraph (1)(b), section 472(1) is ignored. 40
- (3) In this paragraph "a 1998 Act excluded policy or contract" means—
 - (a) a policy of life insurance issued in respect of an insurance made before 17th March 1998,

- (b) a contract for a life annuity made before that date, or
 - (c) a capital redemption policy where the contract was made before that date,
- but excluding a policy or contract within sub-paragraph (4).
- (4) A policy or contract is within this sub-paragraph if it has been varied on or after 17th March 1998 so as –
- (a) to increase the benefits secured, or
 - (b) to extend the term of the insurance, annuity or capital redemption policy.
- (5) Any exercise of rights conferred by a policy or contract counts as its variation for the purposes of sub-paragraph (4).

Certain pre-23rd March 1999 policies not foreign capital redemption policies

- 116 A capital redemption policy where the contract was made before 23rd March 1999 is only a “foreign capital redemption policy” for the purposes of Chapter 9 of Part 4 if –
- (a) it falls within paragraph (a) of the definition of that expression in section 476(3), and
 - (b) it is not excluded by paragraph 107 (certain pre-23rd February 1984 policies not foreign capital redemption policies).

Pre-9th April 2003 policy or contract: UK resident trustees

- 117 (1) In the case of a 2003 Act excluded policy or contract, section 467(1) (person liable: UK resident trustees) has effect with the omission of the reference to condition C (the effect of which is to extend the circumstances in which trustees holding rights under a policy or contract on non-charitable trusts may be liable for tax).
- (2) In this paragraph “a 2003 Act excluded policy or contract” means –
- (a) a policy of life insurance issued in respect of an insurance made before 9th April 2003,
 - (b) a contract for a life annuity made before that date, or
 - (c) a capital redemption policy where the contract was made before that date,
- but excluding a policy or contract within sub-paragraph (3).
- (3) A policy or contract is within this sub-paragraph if –
- (a) it has been varied on or after that date (but before the chargeable event on which the gain arises) so as to increase the benefits secured or extend the term of the insurance, annuity or capital redemption policy, or
 - (b) there has been an assignment of the rights, or a share in the rights, conferred by the policy or contract to trustees of a non-charitable trust.
- (4) Any exercise of rights conferred by a policy or contract counts as its variation for the purposes of sub-paragraph (3)(a).

Pre-9th April 2003 policy or contract: loans to trustees

- 118 (1) This paragraph makes provision for the application of section 501 (part surrenders: loans) in relation to—
- (a) a policy of life insurance issued in respect of an insurance made before 9th April 2003, 5
 - (b) a contract for a life annuity made before that date, or
 - (c) a capital redemption policy where the contract was made before that date.
- (2) In the case of a loan made before that date that section applies with the omission— 10
- (a) of subsections (1)(b) and (3) (by virtue of which the section applies to loans to trustees), and
 - (b) in subsection (5)(b) of the words “, trustees” and “, trustees”.

Pre-9th April 2003 policy: excepted group life policies

- 119 (1) Sub-paragraph (2) applies to a policy if— 15
- (a) it was issued in respect of an insurance made before 9th April 2003, and
 - (b) immediately before 6th April 2005, paragraph 4(1) (excepted group life policies: time for compliance with conditions in section 539A of ICTA) of Schedule 34 to FA 2003 applied to it. 20
- (2) The policy is to be taken to have met the conditions referred to in section 480(3) (conditions to be met by an excepted group life policy) throughout the period mentioned in that paragraph.
- (3) Sub-paragraphs (3) and (4) apply where immediately before 6th April 2005 paragraph 4(3) of Schedule 34 to FA 2003 applied to treat two policies as a single policy issued in respect of an insurance made at the time of the making of the insurance in respect of which the earlier of those policies was issued. 25
- (4) Those policies are to be treated as a single policy so issued for the purposes of— 30
- (a) Chapter 9 of Part 4,
 - (b) paragraph 93 of this Schedule, and
 - (c) this Part of this Schedule (and, in particular, sub-paragraph (2)).
- (5) Sub-paragraph (2) applies to that single policy taking the reference to the period mentioned in paragraph 4(1) of Schedule 34 to FA 2003 as a reference to the period so mentioned as a result of the application of paragraph 4(3)(b) of that Schedule. 35

Pre-3rd March 2004 policy or contract: calculation of deficiencies

- 120 (1) In the case of a 2004 Act excluded policy or contract, section 541(4) (calculation of deficiencies) applies with the omission of paragraph (b) and the word “and” immediately preceding it. 40
- (2) In this paragraph “a 2004 Act excluded policy or contract” means—
- (a) a policy of life insurance issued in respect of an insurance made before 3rd March 2004,

- (b) a contract for a life annuity made before that date, or
 - (c) a capital redemption policy where the contract was made before that date,
- but excluding a policy or contract within sub-paragraph (3).
- (3) A policy or contract is within this sub-paragraph if on or after 3rd March 2004—
- (a) it is varied so as to increase the benefits secured,
 - (b) there is an assignment of the rights, or a share of the rights, conferred by it, or
 - (c) all or part of those rights become held as security for a debt.
- (4) Any exercise of rights conferred by a policy or contract counts as its variation for the purposes of sub-paragraph (3)(a).

Pre-1st January 2005 contracts for immediate needs annuities: income tax treated as paid

- 121 (1) A contract for a life annuity made before 1st January 2005 is not to be treated for the purposes of paragraph (c) of section 531(3) (policies and contracts excluded from section 530) as having not formed part of any insurance company's or friendly society's basic life assurance and general annuity business the income and gains of which are subject to corporation tax by reason only of the immediate needs annuities exclusion. 15
- (2) In sub-paragraph (1) "the immediate needs annuities exclusion" means the words from "other than" onwards in the definition of "annuity business" in section 431(2) of ICTA. 20

PART 7

SAVINGS AND INVESTMENT INCOME: GAINS FROM CONTRACTS FOR LIFE INSURANCE ETC.
(PERSONAL PORTFOLIO BONDS) 25

Pre-17th March 1998 contract or policy: conditions to be met for contract or policy not to be a personal portfolio bond

- 122 For the purposes of Chapter 9 of Part 4, a policy or contract is not a personal portfolio bond if—
- (a) it meets the date condition (see paragraph 123), 30
 - (b) it meets the non-variation condition (see paragraph 124), and
 - (c) it meets either the first selection condition (see paragraph 125) or the second selection condition (see paragraph 126).

The date condition

- 123 (1) A policy meets the date condition if it is a policy issued in respect of an insurance made before 17th March 1998. 35
- (2) A contract meets the date condition if it was made before that date.

The non-variation condition

- 124 (1) A policy or contract meets the non-variation condition if it has not been varied on or after 16th July 1998 so as— 40
- (a) to increase the benefits secured, or

(b) to extend the term of the policy or contract.

(2) Any exercise of rights conferred by a policy or contract counts as its variation for the purposes of this paragraph.

The first selection condition

- 125 A policy or contract meets the first selection condition at any time if for the whole of the period beginning with 6th April 1994 and ending with that time it has not been possible to determine the whole or any part of the benefits under the policy or contract by reference to—
- (a) an index other than a permitted index (see paragraph 129), or
 - (b) property other than permitted property (see paragraph 130).

The second selection condition

- 126 (1) A policy or contract meets the second selection condition at any time if it meets conditions A to C.
- (2) Condition A is that for some or all of the period beginning with 6th April 1994 and ending with that time it has been possible to determine the whole or any part of the benefits under the policy or contract by reference to—
- (a) an index other than a permitted index, or
 - (b) property other than permitted property.
- (3) Condition B is that at no time during that period have the benefits under the policy or contract actually been determined by reference to such property or such an index.
- (4) Condition C is that the terms of the policy or contract were varied before the end of the first insurance year in relation to the policy or contract which began on or after 6th April 1999 so that, since that variation,—
- (a) the only index which it has been possible to select as mentioned in section 516(4) is a permitted index, and
 - (b) the only property which it has been possible to select as mentioned in section 516(4) is permitted property.
- (5) Condition C is subject to paragraphs 127 and 128 (which modify it in cases where any holder of the policy or contract was not UK resident on 17th March 1998 and has become UK resident since that date).

Policy holders becoming UK resident after 17th March 1998

- 127 (1) This paragraph applies to a policy or contract if—
- (a) any holder of the policy or contract on 17th March 1998 was not UK resident on that date,
 - (b) such a holder has become UK resident since that date, and
 - (c) the holder did not intend, on the date of the holder's arrival in the United Kingdom by virtue of which the holder became UK resident—
 - (i) to become permanently UK resident, or
 - (ii) to stay in the United Kingdom for at least two years.
- (2) The policy or contract meets condition C in the second selection condition if it has been varied as described in that condition before the later of—

- (a) the end of the first insurance year in relation to the policy or contract beginning on or after 6th April 1999, and
 - (b) the end of the first insurance year in relation to the policy or contract beginning after the date since 17th March 1998 on which the holder of the policy or contract first became UK resident. 5
- (3) No gain is treated as arising from the policy or contract under section 525 (chargeable events where annual personal portfolio calculations show gains) in relation to any insurance year which ends –
- (a) on or after the date since 17th March 1998 on which the holder of the policy or contract first became UK resident, and 10
 - (b) before the insurance year in which the variation was made.

Policy holders becoming permanently UK resident after 17th March 1998

- 128 (1) This paragraph applies to a policy or contract if –
- (a) any holder of the policy or contract on 17th March 1998 was a non-UK resident individual on that date, 15
 - (b) such a holder has become UK resident since that date, and
 - (c) the holder intended, on the date of the holder’s arrival in the United Kingdom by virtue of which the holder became UK resident, –
 - (i) to become permanently UK resident, or
 - (ii) to stay in the United Kingdom for at least two years. 20
- (2) The policy or contract meets condition C in the second selection condition if it has been varied as described in that condition before the later of –
- (a) the end of the first insurance year in relation to the policy or contract beginning on or after 6th April 1999, and
 - (b) the end of the first insurance year in relation to the policy or contract beginning on or after the date mentioned in sub-paragraph (1)(c). 25
- (3) No gain is treated as arising from the policy or contract under section 525 in relation to any insurance year which ends –
- (a) on or after the date since 17th March 1998 on which the holder of the policy or contract first became UK resident, and 30
 - (b) before the insurance year in which the variation was made.

Meaning of “permitted index”

- 129 In this Part of this Schedule “permitted index” means an index falling within a category listed in section 518.

Meaning of “permitted property” 35

- 130 (1) In this Part of this Schedule “permitted property”, in relation to a policy or contract, means any of the following –
- (a) property falling within any of the categories listed in the table in section 520(2),
 - (b) shares or securities listed on a recognised stock exchange, and 40
 - (c) subject to sub-paragraph (2), shares or securities of a company which are dealt in on the Unlisted Securities Market or the Alternative Investment Market.

- (2) Shares or securities of a company which fall within sub-paragraph (1)(c) are not permitted property at any time at which—
- (a) the whole or any part of the benefits under the policy or contract may be determined by reference to shares or securities of the company which represent more than 10% of its issued share capital, or 5
 - (b) the amount invested in shares or securities of the company under the policy or contract exceeds 10% of the total amount of premiums paid up to that time under the policy or contract.

Other definitions

- 131 (1) In this Part of this Schedule “security” has the same meaning as in section 132(3)(b) of TCGA 1992. 10
- (2) Any references in this Part of this Schedule to shares or securities include a reference to any option, warrant or other right to acquire shares or securities.
- (3) In sub-paragraph (3) “warrant” has the same meaning as in paragraph 14 of Schedule 2 to FISMA 2000. 15

PART 8

MISCELLANEOUS INCOME

Intellectual property: contributions to expenditure not made by public bodies nor eligible for tax relief

- 132 Section 604 applies with the omission of subsection (3)(b) in relation to contributions made before 27th July 1989. 20

Certain telecommunication rights

- 133 Chapter 4 of Part 5 does not apply to an indefeasible right to use a telecommunications cable system (“IRU”) acquired before 21st March 2000.
- 134 (1) That Chapter also does not apply to an IRU acquired by a person on or after that date (directly or indirectly) from an associate or an associated company if the associate or associated company acquired the IRU before that date. 25
- (2) In sub-paragraph (1)—
- “associate” has the meaning given by section 417(3) and (4) of ICTA, and
 - “associated company”— 30
 - (a) in relation to another company, has the meaning given by section 416(1) of that Act, and
 - (b) in relation to any other person, means a company of which that person has control within the meaning of subsections (2) to (6) of that section. 35

Income treated as income of settlor: exception for pension income

- 135 (1) Subject to sub-paragraph (4), section 627 applies before 6th April 2006 with the following amendments.
- (2) In subsection (2)(c) for “a relevant pension scheme” substitute “an approved pension arrangement”. 40

(3) For subsection (3) substitute –

- “(3) In subsection (2) an “approved pension arrangement” means –
- (a) an approved scheme or exempt approved scheme,
 - (b) a relevant statutory scheme,
 - (c) a retirement benefits scheme set up by a government outside the United Kingdom for the benefit, or primarily for the benefit, of its employees, 5
 - (d) a contract or scheme which is approved under Chapter 3 of Part 14 of ICTA (retirement annuities),
 - (e) a personal pension scheme which is approved under Chapter 4 of that Part, 10
 - (f) an annuity purchased for the purpose of giving effect to rights under a scheme falling within any of paragraphs (a) to (c) and (e), or
 - (g) any pension arrangements of any description prescribed by regulations made under section 11(2)(h) of the Welfare Reform and Pensions Act 1999 (c. 30) or Article 12(2)(h) of the Welfare Reform and Pensions (Northern Ireland) Order 1999 (S.I. 1999/3147 (N.I. 11)). 15
- (4) In subsection (3) “approved scheme”, “exempt approved scheme”, “relevant statutory scheme” and “retirement benefits scheme” have the same meaning as in Chapter 1 of Part 14 of ICTA (retirement benefit schemes).” 20

- (4) The power of the Treasury to make an order under section 281 or 283 of FA 2004 has effect as if Schedule 35 to that Act contained an amendment substituting section 627 of this Act for that section as amended by sub-paragraphs (2) and (3) above. 25

Amounts treated as income of settlor: income paid to unmarried minor children of settlor

136 (1) In relation to income which –

- (a) arises under a settlement made or entered into before 9th March 1999, and 30
- (b) does not arise directly or indirectly from funds provided on or after that date,

section 629 applies with the omission from subsection (1) of paragraph (b) and the word “or” before that paragraph. 35

- (2) Where subsection (1) of section 629 applies for a tax year only in relation to such income as is mentioned in sub-paragraph (1), that section applies with the substitution for subsections (3) and (4) of –

- (5) Income paid to or for the benefit of a child of a settlor is not treated as provided in subsection (1) for a tax year in which the total amount paid to or for the benefit of that child which but for this subsection would be so treated does not exceed £100.” 40

- (3) Where subsection (1) of section 629 applies for a tax year in relation to such income as is mentioned in sub-paragraph (1) above and other income, that

section applies with the substitution for subsection (4) of –

- “(4) In subsection (3) a child’s “relevant settlement income” means income which (apart from that subsection) would be treated as income of the settlor under subsection (1) and which –
- (a) so far as consisting of such income as is mentioned in paragraph 136 of Schedule 2, is income paid to or for the benefit of the child, and 5
 - (b) so far as consisting of other income, is income paid to or for the benefit of, or otherwise treated as income of, the child.”
- (4) Any apportionment required for the purposes of sub-paragraph (1)(b) is to be made on a just and reasonable basis. 10

Amounts treated as income of settlor: capital sums paid to settlor by trustees of settlement

- 137 (1) In relation to any case which involves any previous tax years before 1995-96, subsection (3) of section 635 applies in accordance with sub-paragraphs (2) and (3) below. 15
- (2) So far as that subsection applies in relation to those previous tax years, for paragraph (c) substitute –
- “(c) so much of any income arising under the settlement in any previous year which has not been distributed as is shown to consist of income which has been treated as income of the settlor by virtue of section 671, 672, 674, 674A or 683 of ICTA, 20
 - (d) any income arising under the settlement in any previous year which has been treated as the income of the settlor by virtue of section 673 of ICTA,
 - (e) any sums paid by virtue or in consequence of the settlement, to the extent that they are not allowable, by virtue of section 676 of ICTA, as deductions in computing the settlor's income for any previous year, 25
 - (f) any sums paid by virtue or in consequence of the settlement in any previous year which have been treated as the income of the settlor by virtue of section 664(2)(b) of ICTA, 30
 - (g) any sums included in the income arising under the settlement as amounts which have been or could have been apportioned to a beneficiary as mentioned in section 681(1)(b) of ICTA, and” 35
- (3) For paragraph (d) of that subsection substitute –
- (h) an amount equal to the sum of tax at the rate applicable to trusts on –
 - (i) the total amount of income arising under the settlement in that year and any previous year which has not been distributed, less 40
 - (ii) the total amount of the income and sums referred to in paragraph (c) (in relation to tax years 1995-96 onwards) and paragraphs (c), (d), (e), (f) and (g) as substituted by paragraph 137 of Schedule 2 (in relation to tax years before 1995-96).” 45

(4) In relation to any sum paid before 6th April 1995, subsection (3) of section 634 applies with the substitution of “in one of the events specified in section 673(3) of ICTA” for paragraphs (a) and (b).

(5) Subsection (5)(a) of section 634 does not apply if the direction or assignment was given or made before 6th April 1981. 5

Amounts treated as income of settlor: capital sums paid to settlor by body connected with settlement

138 In relation to any capital sum paid to the settlor before tax year 1995-96, section 641 applies with the insertion after subsection (6) of—

(5) Where a capital sum is paid to the settlor in a tax year by a body corporate connected with the settlement in that year it is to be assumed until the contrary is shown that an associated payment of an amount not less than that of the capital sum has been made to that body by the trustees of the settlement.” 10

Beneficiaries' income from estates in administration: basic amounts

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139 (1) Sub-paragraph (2) applies if any previous tax year to which regard is to be had for the purposes of section 665 (assumed income entitlement) is a tax year before 2005-06 (an “old tax year”).

(2) In relation to the old tax year, the reference in step 4 in subsection (1) of that section to basic amounts relating to the person's absolute interest in respect of which the person is liable to income tax for that year is to be taken as a reference to the amount deemed to have been paid to that person as income for that year in respect of that interest by virtue of section 696 of ICTA. 20

(3) Sub-paragraph (4) applies if one or more of the absolute interests referred to in section 671(1) (successive absolute interests) was held in one or more old tax years. 25

(4) The reference in section 671(2)(b) to the basic amounts relating to any previous such interest includes a reference to the amounts deemed to have been paid to the previous holder as income for the old tax years in respect of that interest by virtue of section 696 of ICTA. 30

(5) Sub-paragraph (6) applies if any of the limited interests referred to in section 672(1)(d) (successive interests: assumed income entitlement of holder of absolute interest following limited interest) was held in one or more old tax years.

(6) The reference in section 672(4) to the basic amounts relating to any previous such interest includes a reference to the amounts deemed to have been paid to the holders of any such interests as income for the old tax years in respect of those interests by virtue of section 695 of ICTA. 35

(7) In the case of a UK estate, references in this paragraph to the amounts deemed to have been paid are references to the amounts that would be deemed to have been paid apart from sections 695(4)(a) and 696(4) of ICTA (grossing up). 40

Beneficiaries' income from estates in administration: income treated as bearing income tax

- 140 A sum treated as part of the aggregate income of an estate by virtue of section 547(1)(c) of ICTA (gains from life insurance contracts etc.) as the result of an event that occurred before 6th April 2004 is treated for the purposes mentioned in section 680 of this Act as bearing income tax at the basic rate. 5

PART 9

EXEMPT INCOME

Ulster savings certificates

- 141 In the case of certificates acquired before 27th July 1981, section 693(5) applies with the substitution for “the Department of Finance and Personnel” of “the Treasury”. 10

SAYE interest

- 142 Any scheme which was certified as mentioned in section 326(2)(c), (3)(b) or (4)(b) of ICTA before 1st December 1994 is treated as a certified SAYE savings arrangement for the purposes of Chapter 4 of Part 6 of this Act. 15
- 143 A European authorised institution arrangement is not an institutional arrangement for the purposes of Chapter 4 of Part 6 if the arrangement was established before 2nd May 1995.
- 144 (1) Neither – 20
 (a) the Treasury specification rules, nor
 (b) the Treasury authorisation rules,
 apply to any scheme which was certified as mentioned in section 326(3)(b), (4)(b) or (5)(b) of ICTA before 31st July 1995.
- (2) In sub-paragraph (1) – 25
 “the Treasury specification rules” means sections 705(1)(b) and (2) to (4) and 706 of this Act, and
 “the Treasury authorisation rules” means sections 707 and 708 of this Act.

Venture capital trust dividends: shares acquired before the tax year 2004-05

- 145 In the case of dividends paid in respect of shares acquired before the tax year 2004-05, Chapter 5 of Part 6 (venture capital trust dividends) applies as if the references in section 709(4) (annual acquisition limit) to £200,000 were references to £100,000. 30

Purchased life annuity payments: old determinations concerning capital elements

- 146 (1) Any determination in relation to an annuity as to the amount of the capital element that was made under Chapter 5 of Part 14 of ICTA before 6th April 2005 and any decision on appeal that was so made against such a determination have effect on and after that date, so far as is required for the purposes of this Act, as a determination or decision as to the extent to which annuity payments made under the annuity are within section 717(1) 35
 40

(exemption for part of purchased life annuity payments) in accordance with section 719 (extent of exemption under that section).

- (2) And a notification of such a determination or appeal or of an alteration of such a determination has effect accordingly.

Purchased life annuity payments: carry forward of excess capital elements 5

147 (1) This paragraph applies if, in the case of an annuity to which section 656(2) of ICTA applied immediately before 6th April 2005, the total of the amounts determined in accordance with that section to be capital elements in respect of the annuity payments that arose before that date (and accordingly not to be annual payments for income tax purposes) exceeded the total of those annuity payments. 10

- (2) The amount of the excess is to be added to the fixed sum mentioned in section 719(4) for the first payment that arises after 5th April 2005.

Purchased life annuity payments: penalty for false statements

148 (1) Section 723(7) (liability to penalty for false statements and representations to obtain exemption under Chapter 7 of Part 6) does not apply (and section 658(5) of ICTA continues to apply) to any statement or representation made before 6th April 2005, despite the fact that it relates to the tax year 2005-06 or any subsequent tax year. 15

- (2) Section 723(7) (liability to penalty for false statements and representations to obtain exemption under Chapter 7 of Part 6) applies (and section 658(5) of ICTA does not apply) to any statement or representation made on or after 6th April 2005, despite the fact that it relates to a tax year before the tax year 2005-06. 20

Certain annual payments by individuals 25

149 (1) Sections 727 (exemption for certain annual payments by individuals) and 730 (exemption for foreign maintenance payments) do not apply to –
 (a) any payment falling due before 16th March 1988, or
 (b) any payment falling due on or after that date but before 6th April 2000 to which this paragraph applies. 30

- (2) Paragraph (b) of sub-paragraph (1) applies to a payment made in pursuance of an existing obligation (within the meaning of section 36(3) of FA 1988) unless it meets any of conditions A to E.

(3) Condition A is that the payment is treated as income of the payer under Chapter 5 of Part 5 as a result of section 624 or 629. 35

(4) Condition B is that the payment fell due from a husband to a wife or a wife to a husband at a time after 5th April 1990 when they were living together.

(5) Condition C is that an election is duly made under section 39 of FA 1988 in respect of the payment.

(6) Condition D is that the payment fell due on or after 6th April 1994 and is made – 40

- (a) in pursuance of an obligation within section 36(4)(a) to (c) of FA 1988 that is an obligation under –

- (i) an order made by a court,
 - (ii) a written or oral agreement, or
 - (iii) a deed executed for giving effect to an agreement, and
 - (b) for the benefit, maintenance or education of a person (whether or not the person to whom the payment is made) who attained the age of 21 on or before the day on which the payment fell due but after 5th April 1994. 5
- (7) Condition E is that—
- (a) the payment is made in pursuance of an obligation within section 36(4)(a) of FA 1988 (existing obligations under certain court orders), 10
 - (b) the payment is made for the benefit, maintenance or education of a person (whether or not the person to whom the payment is made) who attained the age of 21 before 6th April 1994, and
 - (c) section 38 of FA 1988 (treatment of certain maintenance payments under existing obligations) does not apply to the payment. 15

Annual payments for non-taxable consideration

- 150 Section 729 (exemption for payments for non-taxable consideration) applies in the case of an annuity granted before 30th March 1977—
- (a) with the substitution in subsection (1) of “condition B, C or D” for “condition B or C”, and 20
 - (b) with the substitution of the following subsections for subsection (5)—
 - “(5) Condition D is that the payment is a payment under an annuity charged on an interest in settled property and granted by an individual to a company— 25
 - (a) whose business then consisted wholly or mainly in the acquisition of interests in settled property, or
 - (b) which was then carrying on life assurance business in the United Kingdom.
 - (6) In the application of subsections (4) and (5) to Scotland, the references in those subsections to settled property are to be read as references to property held in trust.” 30

Periodical payments of personal injury damages etc.

- 151 (1) Subject to sub-paragraphs (4) and (5), sections 731, 733 and 734 apply with the modifications in sub-paragraphs (2) and (3). 35
- (2) In section 731 (periodical payments of personal injury damages)—
- (a) for subsection (2) substitute—
 - “(2) This subsection applies to periodical payments made in pursuance of— 40
 - (a) a court order making a final or interim award of damages in respect of personal injury,
 - (b) an agreement settling a claim or action for such damages, or
 - (c) an agreement for a payment on account of the damages that may be awarded in such an action.”, 45

- (b) in subsection (3)(b) for the words from “agreement” to the end of the paragraph substitute “or agreement as is mentioned in subsection (2) or a subsequent agreement”, and
 - (c) omit subsection (6).
- (3) In sections 733(a) and 734(1)(a)(i) for “agreement, undertaking” substitute “or agreement”. 5
- (4) The modifications in sub-paragraphs (2) and (3) do not apply if an order has been made under section 110(1) of the Courts Act 2003 (c. 39) (commencement) making provision for section 100(2) and (3) of that Act to come into force on a day earlier than 6th April 2005. 10
- (5) The power in section 110(1) of that Act includes power to make provision in accordance with which the modifications in sub-paragraphs (2) and (3) do not apply on or after a day appointed by the order that is later than 5th April 2005.

PART 10

15

FOSTER-CARE RELIEF

- 152 (1) This paragraph applies if—
- (a) a disposal event is treated as occurring in relation to an individual under paragraph 17(2) of Schedule 36 to FA 2003 (foster-care relief: capital allowances), 20
 - (b) the individual is a relevant individual for the tax year 2004-05,
 - (c) the individual has a chargeable period which corresponds to the income period for the individual’s foster-care receipts in that tax year (and therefore the chargeable period is a relevant chargeable period), and 25
 - (d) the next chargeable period of the individual is not a relevant chargeable period.
- (2) Subsection (4) of section 825 applies (despite anything in subsection (1) of that section to the contrary) as if the reference to the first subsequent chargeable period which is not a relevant chargeable period were to the period mentioned in sub-paragraph (1)(d). 30

PART 11

FOREIGN INCOME: SPECIAL RULES

Relevant foreign income charged on remittance basis: income arising before the tax year 2005-06 35

- 153 A claim may be made under section 831 (claim for relevant foreign income to be charged on the remittance basis) for relevant foreign income to be charged in accordance with section 832 for the tax year 2005-06 or any later tax year, despite that income having arisen in a tax year before the tax year 2005-06; and sections 832 to 834 apply accordingly. 40

Relevant foreign income charged on remittance basis: delayed remittances

- 154 (1) The fact that income arose in a tax year before 2005-06 does not prevent—

- (a) a claim being made in respect of it under section 835(1) (relief for delayed remittances), or
 - (b) section 835(5) applying as respects the tax year in which the income arose.
- (2) But sub-paragraphs (3) to (5) apply if— 5
- (a) such a claim is made in respect of any income (“the delayed income”),
 - (b) the delayed income arose in the tax year 1996-97 or an earlier tax year,
 - (c) the basis year for that year is a different year, and 10
 - (d) that basis year is not the basis year for two tax years.
- (3) Section 835(5) does not apply and the delayed income is to be treated as if it were income received in the United Kingdom in that basis year.
- (4) In this paragraph “basis year”, in relation to tax chargeable for any tax year in respect of any income, means the year by reference to which the amount of the income chargeable finally falls to be calculated. 15
- (5) This paragraph does not affect which year is to be taken as the basis year for calculating tax chargeable for any tax year.

Relief for backdated pensions charged on arising basis

- 155 The fact that the earlier year referred to in subsections (1)(b) and (2) of section 840 (relief for backdated pensions charged on the arising basis) is a tax year before 2005-06 does not prevent— 20
- (a) a claim being made under that section, or
 - (b) such adjustments (by way of repayment of tax, assessment or otherwise) as are necessary to give effect to that section being made 25 as respects such a tax year.

Unremittable income that arose before the tax year 2005-06

- 156 (1) A claim may be made under section 842 (claim for relief on unremittable income) for the tax year 2005-06 or any later tax year, despite the income having arisen in a tax year before 2005-06. 30
- (2) Without prejudice to paragraph 4 of this Schedule, section 843 (withdrawal of relief) applies for the tax year 2005-06 or any later tax year, despite the income having arisen originally in a tax year before the tax year 2005-06 (whether the claim in respect of it was made under section 584 of ICTA (relief for unremittable overseas income) or section 842 of this Act). 35
- (3) Sub-paragraph (4) applies if an appeal against an assessment for the tax year 2005-06 or a later tax year involves a question as to the operation of section 584 of ICTA or Chapter 4 of Part 8 of this Act as respects income that arose in a tax year before 2005-06.
- (4) Section 31D of TMA 1970 (appeals: election to bring appeal before Special Commissioners) applies with the omission of— 40
- (a) paragraph (b) of subsection (2),
 - (b) the word “or” preceding that paragraph, and
 - (c) subsections (3) to (7) (by virtue of which such an election may be disregarded if the General Commissioners so direct). 45

PART 12

OTHER PROVISIONS

Unpaid remuneration: non-trades and non-property businesses

- 157 (1) This paragraph applies for the purposes of section 865.
- (2) In relation to a period of account ending before 27th November 2002, an amount charged in the accounts in respect of employees' remuneration includes an amount which is held by an intermediary with a view to its becoming employees' remuneration. 5
- (3) In relation to a period of account ending on or after 27th November 2002, an amount charged in the accounts in respect of employees' remuneration includes an amount – 10
- (a) in respect of employee benefit contributions (within the meaning of sections 38 to 44) made before that date, and
- (b) which is held by an intermediary, with a view to its becoming employees' remuneration. 15

Employee benefit contributions: non-trades and non-property businesses

- 158 Section 866 does not apply to deductions that would otherwise be allowed –
- (a) for a period ending before 27th November 2002, or
- (b) in respect of employee benefit contributions made before that date.
- 159 (1) Subject to sub-paragraph (3), section 866 applies before 6th April 2006 with the following amendment. 20
- (2) In subsection (5) –
- (a) for paragraphs (b) and (c) and the word “or” at the end of paragraph (c) substitute –
- “(b) contributions under a retirement benefits scheme within the meaning of Chapter 1 of Part 14 of ICTA (see section 611 of that Act), 25
- (c) contributions under a personal pension scheme approved under Chapter 4 of that Part (see section 630 of that Act), or”, and 30
- (b) omit “For the purposes of paragraph (c)” to the end.
- (3) The power of the Treasury to make an order under section 281 or 283 of FA 2004 has effect as if Schedule 35 to that Act contained an amendment substituting section 866(5) of this Act for that subsection as amended by sub-paragraph (2) above. 35

Crime-related payments: non-trades and non-property businesses

- 160 Section 870(2)(b) does not apply to expenditure which was incurred before 1st April 2002.

Apportionment of miscellaneous profits or losses to tax years before tax year 2005-06

- 161 (1) This paragraph applies if – 40

- (a) a relevant period of account begins before 6th April 2005 and ends on or after that date, and
 - (b) in order to arrive at the profits or losses of a tax year before the tax year 2005-06 it is necessary to apportion the profits or losses of the relevant period of account to any part of that period falling in a tax year before the tax year 2005-06. 5
- (2) A period of account is a “relevant period of account” if—
- (a) section 871 applies to the period of account, and
 - (b) the profits or losses of the part of the period of account falling in the tax year 2005-06 are calculated in accordance with this Act. 10
- (3) The profits or losses of the relevant period of account—
- (a) are calculated in accordance with this Act (and therefore, to that extent, this Act has effect for tax years before the tax year 2005-06), and
 - (b) may be apportioned in accordance with section 871 to any part of the period of account falling in a tax year before the tax year 2005-06. 15

General deduction rules

- 162 Neither—
- (a) the inclusion of rules in section 582 for calculating income chargeable to tax under section 579, nor 20
 - (b) the inclusion of rules in sections 612 and 617(3) to (6) for calculating income chargeable to tax under Chapter 3 or 4 of Part 5,
- prevents the continued operation of similar rules of law in relation to the calculation of other income (including profits) chargeable to tax under other provisions of this Act. 25

Section 820 of ICTA

- 163 Section 820 of ICTA (application of Income Tax Acts from year to year) applies to this Act as if this Act were in force on the day before 6th April 2005.

Amendments of Part 4 of FA 2004 (pension schemes etc.) 30

- 164 The amendments made by paragraphs 643 to 650 and 654 of Schedule 1 come into force at the same time as the enactments which they amend.

SCHEDULE 3

Section 884

REPEALS AND REVOCATIONS

<i>Reference</i>	<i>Extent of repeal or revocation</i>	
Finance Act 1950 (c.15)	In section 40(3), the words “by the Special Commissioners under Case VI of Schedule D” and “under that Case”.	5
Chevening Estate Act 1959 (c.49)	Section 2(1)(a).	
Taxes Management Act 1970 (c. 9)	In section 9(1), the words “233(1),” and “, 249(4), 421(1) or 547(5)”.	10
	Section 9D. Section 12AE(2)(a). Section 30(4). In section 31(3), the words “9D or”.	
	In section 42(7) the word “and” before paragraph (d). In section 46B(4) –	15
	(a) the words “of the principal Act”, and (b) paragraph (b). Section 46C(3)(a).	20
	In section 59B(1), the words “233(1),” and “, 249(4), 421(1) or 547(5)”.	
	In the Table in section 98, in each column –	
	(a) the entry relating to regulations under section 326C of ICTA, and (b) the entry relating to section 660F of ICTA.	25
Oil Taxation Act 1975 (c. 22)	In section 3(2), in the first sentence, the words “less the amount of the rebate recoverable (within the meaning of that subsection)”.	30
Chevening Estate Act 1987 (c.20)	Section 4(a).	
Income and Corporation Taxes Act 1988 (c. 1)	In section 1(1), paragraph (a) and the word “and” at the end of paragraph (b). In section 1A –	35
	(a) in subsection (2)(aa), the words “under Case VI of Schedule D”, (b) in subsection (4), paragraph (b) and the word “or” at the end of paragraph (a), and (c) subsection (7). Section 4(1B). In section 9 –	40
	(a) in subsection (3)(a), the words “, as they apply for purposes of income tax”, and (b) in subsection (6), the words “60 to 69,” Section 18(6). Sections 20 and 21.	45

<i>Reference</i>	<i>Extent of repeal or revocation</i>	
Income and Corporation Taxes Act 1988 (c. 1) – <i>cont.</i>	<p>In section 21A –</p> <p>(a) in subsection (2), the words “sections 112 and 113 of that Act (expenditure in connection with provision of security asset or service);” and</p> <p>(b) in subsection (4), the words “section 82 (interest paid to non-residents),” and the words “section 96 (farming and market gardening: relief for fluctuating profits);”.</p> <p>In section 21B, the words “, 108, 109A” and the words “section 113 (effect for income tax purposes of change in the persons engaged on trade);”.</p> <p>Sections 31A and 31B.</p> <p>In section 37(1), the word “or” at the end of paragraph (a).</p> <p>In section 43C(3), the word “or” at the end of paragraph (a).</p> <p>In section 59 –</p> <p>(a) subsections (1) and (2), and</p> <p>(b) in subsection (3), the words “under Schedule D”.</p> <p>Sections 60 to 65A.</p> <p>Sections 68 to 69.</p> <p>Section 71.</p> <p>In section 72(1), the words “income tax or” and “year of assessment;”.</p> <p>Section 74(1)(b) and (o).</p> <p>Section 77.</p> <p>Sections 80 to 82.</p> <p>Section 84(3B)</p> <p>In section 87(1), the word “or” at the end of paragraph (a).</p> <p>In section 90(3), the words “113(1) or”.</p> <p>In section 91A(2), the words “income tax or”.</p> <p>In section 91B(2), the words “income tax or”.</p> <p>Section 95(1A)(a).</p> <p>Sections 95A and 96.</p> <p>In section 100(2), the words “or vocation” in both places where they occur.</p> <p>In section 101 –</p> <p>(a) in subsection (1), the words “or vocation”, wherever they occur,</p> <p>(b) in subsection (2) the words “or vocation”,</p> <p>(c) in subsection (2A), paragraph (a) and, in paragraph (b), the words “in the case of an election for the purposes of corporation tax,” and “or vocation”, and</p> <p>(d) in subsection (3) omit the words “or vocation”, wherever they occur.</p>	<p>5</p> <p>10</p> <p>15</p> <p>20</p> <p>25</p> <p>30</p> <p>35</p> <p>40</p> <p>45</p> <p>50</p>

<i>Reference</i>	<i>Extent of repeal or revocation</i>	
Income and Corporation Taxes Act 1988 (c. 1) – <i>cont.</i>	In section 102 –	
	(a) in subsection (1), the words “or vocations”, and	
	(b) in subsection (2), the words “113 or” and the words from “but those sections” to the end.	5
	In section 103 –	
	(a) in subsection (1), the words “under Case I or II of Schedule D”, and	10
	(b) in subsection (3), paragraphs (b) and (bb) and the words from “Paragraph (b) above shall” to the end.	
	In section 104 –	
	(a) in subsection (1), the words “under Case I or II of Schedule D”, and	15
	(b) in subsection (3), the words “and (b)”.	
	Sections 107 to 109.	
	In section 109A –	
	(a) subsection (3),	20
	(b) in subsection (4), the unnumbered paragraph beginning with “If any sum”, and	
	(c) in subsection (4A), the unnumbered paragraph beginning with “If any sum”.	25
	Section 110A and the italic cross-heading before it.	
	In section 111, subsections (2) to (13).	
	Sections 112 and 113.	30
	Section 121(1).	
	In section 122 –	
	(a) in subsection (1), the words “for the purposes of income tax, or as the case may be” and the words “year or” in both places where they occur,	35
	(b) in subsection (2)(a), the words from “brought into account” to “may be,”, and	
	(c) subsection (4).	40
	Sections 127 and 127A.	
Section 128(1).		
In section 214(1)(a), the words “chargeable to tax under Case VI of Schedule D”.		
In section 231, in subsection (1) the words “or a person resident in the United Kingdom, not being a company”, and subsections (3) and (3AA).	45	
In section 231AA(1A), the second sentence.		
In section 231AB(1A), the second sentence.	50	
Sections 232 and 233.		
In section 249, subsections (4) to (7) and in subsection (8) the words from “and subsections (5)” onwards.		

<i>Reference</i>	<i>Extent of repeal or revocation</i>	
Income and Corporation Taxes Act 1988 (c. 1) – <i>cont.</i>	Section 251(2) to (6).	
	Sections 251A to 251D.	
	In section 273, the words “, 617(3)”.	
	Section 314.	5
	Section 322.	
	Sections 324 to 327A.	
	Sections 329 to 329AB.	
	Section 331.	
	Section 331A.	10
	Section 332(3).	
	In section 332A, the words “and distributions by such trusts”.	
	Section 333A.	
	In section 333B(9), the definition of “section 333 business”.	15
	In section 347A, subsections (4) and (5).	
	In section 349(4) –	
	(a) in the definition of “qualifying certificate of deposit” the words “as defined in section 56(5)”, and	20
	(b) in paragraph (b) of the definition of “qualifying deposit right” the words “as defined in section 56(5)”.	
	Section 349B(5).	25
	Section 368(4).	
	In section 382(3), the words “under the provisions of the Income Tax Acts applicable to Case I or II of Schedule D”.	
In section 385(4) –	30	
(a) the words “under Case I of Schedule D”,		
(b) the words “under that Case” in both places where they occur.		
In section 386(1), the words “under Schedule D”.		
In section 388 –	35	
(a) in subsection (1), the words “under Schedule D”,		
(b) in subsection (4), the words “under Schedule D”, and		
(c) in that subsection, the words “under Case I of Schedule D” in both places where they occur.	40	
In section 399 –		
(a) subsections (1) and (1A), and		
(b) in subsection (5), the words from “and the reference” to the end.	45	
In section 421, in subsection (1), paragraphs (c) and (d) and subsections (2) and (3).		
Section 434(1A).		
In section 437(1C), the word “and” at the end of paragraph (b).	50	
In section 477A, subsections (5) and (6) and in subsection (9) the words from “but” to the end of the subsection.		
Section 480C.	55	

<i>Reference</i>	<i>Extent of repeal or revocation</i>	
Income and Corporation Taxes Act 1988 (c. 1) — <i>cont.</i>	In section 481, in subsection (5A)(c) the words “or 480C” and in subsection (6) the word “, 480C”.	5
	Section 486(5).	5
	In section 491 —	
	(a) in subsection (4), the words “113 or”,	
	(b) subsection (5), and	
	(c) in subsection (10), the words “or vocation”.	10
	In section 503 —	
	(a) in subsection (1), the words “in the United Kingdom”, and	
	(b) subsections (2) and (3).	15
	In section 504 —	
	(a) subsection (4),	
	(b) in subsection (6), the words “year of assessment or” and the words “year or” wherever they occur,	
	(c) in subsection (7), the words “year of assessment or” and the words “year or” in both places where they occur, and	20
	(d) in subsection (8), the words “year of assessment or”.	
	In section 505(1)(c)(ia) the words “IV or”.	25
Section 514.		
In section 524 —		
(a) in subsection (2A), paragraph (a),		
(b) in that subsection, in paragraph (b), the words “in the case of an election for the purposes of corporation tax”,	30	
(c) subsection (4), and		
(d) in subsection (6), the words “subsection (4) shall not apply, but”.		
In section 525 —	35	
(a) subsection (2), and		
(b) in subsection (4), the words “(or, if he is dead, his personal representatives)” and paragraph (b) and the word “and” immediately preceding it	40	
Section 526(2).		
In section 528 —		
(a) subsection (2),		
(b) in subsection (3), the words “as that provision applies for the purposes of corporation tax”, and	45	
(c) in subsection (3A), the words “a person’s or” and “479 or”.		
Section 529.		
Section 531(6).	50	
Section 539(8).		

<i>Reference</i>	<i>Extent of repeal or revocation</i>	
Income and Corporation Taxes Act 1988 (c. 1) – <i>cont.</i>	In section 546C(8) –	
	(a) paragraph (a) and the word “or” at the end of it, and	
	(b) the words “year of assessment or”.	5
	In section 547 –	
	(a) in subsection (1), paragraphs (a) and (c) to (e), and	
	(b) subsections (4A) to (7A) and (9) to (14).	
	Sections 549 to 551.	10
	In section 552(1), the words “within the meaning of this Chapter”.	
	In section 552A(5) the words “in relation to which this Chapter has effect and”.	
	Section 553(6) to (9).	
	Section 553A(3).	
	In section 553C(4), paragraph (d) and the word “or” before it.	
	Section 554.	
	Section 556(1) and (3)(a).	20
	Section 557.	
	Section 577(8A).	
	Sections 580A to 580C.	
	Section 581.	
	Section 583.	25
	Section 584(6)(a) and (7).	
	Section 585.	
	In section 587(1), the words “, or total income,”.	
	In section 588(5), the words “section 29(1) of the Management Act, or”.	30
In section 591C(2), the words “under Case VI of Schedule D”.		
In section 602(1)(a), the words “under Case VI of Schedule D”.		
Section 617(4)(d) and (e).	35	
In section 650A(2), the words “under Case VI of Schedule D”.		
In section 658(5), the words “for himself or for any other person” and “, he”.		
Sections 660A and 660B.	40	
Section 660C(1) to (2).		
Sections 660D to 660G.		
Sections 677 and 678.		
Sections 682 and 682A.		
Section 688.	45	
In section 695 –		
(a) in paragraph (b) of subsection (4), the words from “and shall” to the end of the paragraph, and		
(b) in subsection (6), the words “, for the purpose of computing his total income,”.	50	

<i>Reference</i>	<i>Extent of repeal or revocation</i>	
Income and Corporation Taxes Act 1988 (c. 1) – <i>cont.</i>	In section 696 –	
	(a) in subsection (6), the words from “and shall” to the end of the subsection, and	
	(b) in subsection (8), the words from the beginning to “this section”.	5
	In section 697(4), the words from “, and the residuary income” to the end of the subsection.	
	Section 699.	10
	In section 699A –	
	(a) in subsection (1A), paragraph (b) and the word “or” immediately preceding it, and	
	(b) subsection (6).	
	In section 700(5), the word “and” at the end of paragraph (a).	15
	In section 701(8), the word “and” at the end of paragraph (a) and the second sentence.	
	In section 710(5), the word “and” at the end of paragraph (a).	20
	In section 714(2), the words “under Case VI of Schedule D”.	
	In section 716(3), the words “under Case VI of Schedule D”.	
	Section 730C.	25
	Section 740(4).	
	In section 775(2), the words from “, and which is” to the end.	
	In section 776(3)(a), the words from “, and which constitutes” to “period in which the gain is realised”.	30
	In section 779(13)(c), the words “392 or”.	
	In section 781(4)(b), the words “392 or”.	
	In section 817(2), the words “or employment”.	
	In section 821(1), the words “in respect of those payments”.	35
	Section 824(8).	
	In section 828(4), the word “324,”.	
In section 830(3), the words “income tax or”.		
In section 832(1), the definition of “Ulster Savings Certificates”.	40	
Schedule 4A.		
In Schedule 5 –		
(a) in paragraph 2, sub-paragraphs (3)(a), (4)(a) and (5) and, in sub-paragraph (6), the definitions of “commencement year” and “qualifying year of assessment”, and	45	
(b) in paragraph 6, sub-paragraphs (2)(a), and (3)(a) and, in sub-paragraph (4), the definition of “qualifying year of assessment”.	50	
Schedule 5AA.		
Schedule 15A.		

<i>Reference</i>	<i>Extent of repeal or revocation</i>	
Income and Corporation Taxes Act 1988 (c. 1) – <i>cont.</i>	In Schedule 15B –	
	(a) in paragraph 4(1) and (2), the words “under Case VI of Schedule D”, and	
	(b) paragraphs 7 to 9.	5
	In Schedule 27, in paragraph 3(1)(a)(i), the words “Case IV or”.	
	In Schedule 30 –	
	(a) in paragraph 5(6), paragraph (b) and the word “or” before it,	10
	(b) in paragraph 5(8), the words “section 113 of this Act or”,	
	(c) in paragraph 5(11), the words “or vocation”, and	
	(d) paragraphs 18 and 18A.	15
Employment Act 1988 (c. 19)	In Schedule 3, paragraph 15.	
Finance Act 1988 (c. 39)	Section 61(1)(a). In Schedule 3, paragraphs 2 and 3.	
Copyright, Designs and Patents Act 1988 (c. 48)	In Schedule 7, paragraph 36(3).	20
Finance Act 1989 (c. 26)	In section 76(6C)(a), the words “of the Taxes Act 1988”. Section 109(4). Sections 112 and 113. In Schedule 9, paragraph 6(2)(a). In Schedule 12, in paragraph 1, the word “and” at the end of paragraph (a).	25
Finance Act 1990 (c. 29)	In section 25(9)(e), sub-paragraph (i) and the word “or” at the end of that sub-paragraph. Section 28(1) to (3). Section 29. In Schedule 7, paragraph 2. In Schedule 14, paragraphs 4(1) and 5.	30
Finance Act 1991 (c. 31)	Section 70. In Schedule 7, paragraph 9.	35
Enterprise and New Towns (Scotland) Act 1990 (c. 35)	In Schedule 4, paragraph 15.	
Social Security Contributions and Benefits Act 1992 (c. 4)	In section 15 –	
	(a) in subsection (1), the “and” at the end of paragraph (a),	40
	(b) in subsections (2), (3) and (3A) the words “or gains” in each place where they occur, and	
	(c) subsection (4).	
	In Schedule 2, in paragraphs 3(1), (4) and (5), 4, 5 and 7, the words “or gains” in each place where they occur.	45

<i>Reference</i>	<i>Extent of repeal or revocation</i>	
Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7)	In section 15—	
	(a) in subsection (1), the “and” at the end of paragraph (a), (b) in subsections (2), (3) and (3A) the words “or gains” in each place where they occur, and (c) subsection (4).	5
	In Schedule 2, in paragraphs 3(1), (4) and (5), 4, 5 and 7, the words “or gains” in each place where they occur.	10
Taxation of Chargeable Gains Act 1992 (c. 12)	In Schedule 10, in paragraph 14, sub-paragraphs (5), (16), (19)(a), in sub-paragraph (19)(b), the words “and “(2A)”” and “and “143(3)” respectively” and sub-paragraph (52).	15
Finance (No. 2) Act 1992 (c. 48)	In section 19—	
	(a) in subsection (2), the words “550(3) and”, (b) in subsection (3), the words “549(2)” and “699(2)”, and (c) subsection (6).	20
	Section 59. Section 60. Schedule 10.	
Finance Act 1993 (c. 34)	Section 77(3). Section 183(1). In Schedule 6, paragraphs 2, 6 and 7.	25
Finance Act 1994 (c. 9)	Sections 200 to 208. Section 216(1) and (4). Section 219(5). In Schedule 9, paragraph 1.	30
	In Schedule 20—	
	(a) paragraphs 1 to 10, (b) in paragraph 11(1), the words “Subject to paragraph 12(2) below,” and (c) paragraphs 12 and 13.	35
Finance Act 1995 (c. 4)	In section 55(8), paragraph (b) and the word “and” before it. Section 56. Sections 62 and 63. Section 64. Section 65. Section 76(2) and (3). Section 122. Section 124. Section 125(2) and (3). Section 145(2). In Schedule 6, paragraphs 17 and 38. Schedule 12.	40
		45

<i>Reference</i>	<i>Extent of repeal or revocation</i>	
Finance Act 1995 (c. 4) — <i>cont.</i>	In Schedule 17 — (a) paragraphs 2, 5, 6, 8, 9, 11 and 16, (b) in paragraph 17, sub-paragraph (2)(a) and the word “and” at the end and sub-paragraphs (3) and (4), and (c) paragraphs 18, 19, 21, 23, 30 and 32. In Schedule 22, paragraphs 2, 4, 6, 8 to 10 and 18 to 20.	5
Finance Act 1996 (c. 8)	Section 102. In section 122 — (a) subsections (3) to (5), and (b) subsection (7)(a). Section 128(3) and (4). Section 143. Section 150. In section 154 — (a) subsection (4), and (b) in subsection (6), the words “income tax or”. In Schedule 6 — (a) paragraphs 6, 7 and 9, and (b) in paragraph 13, the words “549(2)” and “699(2)”. In Schedule 7 — (a) paragraph 15, and (b) in paragraph 23(a), the words “, (4)(b)”. Schedule 13. In Schedule 14, paragraph 9. In Schedule 18 — (a) paragraph 10, and (b) in paragraph 17, in each of sub-paragraphs (1) and (2), the word “10”. In Schedule 20, paragraphs 3, 12, 33(6) and 34. In Schedule 21, paragraphs 1, 11, 15(4), 16 and 47. Schedule 26. In Schedule 38, paragraph 8. In Schedule 40, paragraph 7.	10
Income Tax (Furnished Accommodation) (Basic Amount) Order 1996 (S.I. 1996/ 2953)	The whole Order.	40
Finance Act 1997 (c.16)	In section 80, subsections (1) to (4), in subsection (6) the words “Subject to subsection (7) below,” and “and Schedule 11 to this Act” and subsection (7). In Schedule 7, paragraphs 8(2)(a) and 12(3). Schedule 11.	45
Finance (No. 2) Act 1997 (c. 58)	Section 22(5). Section 24(10). Section 30(2)(a), (5)(a) and (6).	50

<i>Reference</i>	<i>Extent of repeal or revocation</i>	
Finance Act 2003 (c. 14)— <i>cont.</i>	In Schedule 34—	
	(a) paragraph 7(2), (4), (5), (6), (7), (8), (9), (10), (11) and (12),	
	(b) paragraph 9(2),	5
	(c) paragraph 10, and	
	(d) paragraphs 12 and 13.	
	In Schedule 35, paragraphs 2 and 3.	
	Schedule 36.	
	In Schedule 39, paragraphs 1 to 4, 5(1) to (3) and 6.	10
Courts Act 2003 (c. 39)	Section 100(2) and (3).	
Finance Act 2004 (c. 12)	Sections 97 to 100.	
	Sections 103 and 104.	
	Section 105(4) and (5).	15
	Section 106.	
	Section 138.	
	Section 140.	
	Section 143.	
	Section 147(3), (5) and (6).	20
	In section 280(1), the word “and” before the definition of “ITEPA 2003”.	
	In Schedule 4, paragraphs 1 and 3.	
	In Schedule 17, paragraph 10(1).	
	In Schedule 19, paragraph 2.	25
	In Schedule 24, paragraph 1(3).	
	In Schedule 35, paragraphs 5, 24, 28 and 51.	
Pensions Act 2004 (c. 35)	In Schedule 3, in the second column, in the entry relating to the Commissioners of Inland Revenue or their officers, the word “or” before paragraph (e).	30
	In Schedule 8, in the second column, in the entry relating to the Commissioners of Inland Revenue or their officers, the word “or” before paragraph (e).	35

SCHEDULE 4

Section 885

ABBREVIATIONS AND DEFINED EXPRESSIONS

PART 1

ABBREVIATIONS OF ACTS

F(No.2)A 1915	The Finance (No. 2) Act 1915 (c. 89)
FA 1920	The Finance Act 1920 (c. 18)
F(No.2)A 1931	The Finance (No. 2) Act 1931 (c. 49)

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FA 1968	The Finance Act 1968 (c. 44)	
TMA 1970	The Taxes Management Act 1970 (c. 9)	
FA 1984	The Finance Act 1984 (c. 43)	
IHTA 1984	The Inheritance Tax Act 1984 (c. 51)	5
ICTA	The Income and Corporation Taxes Act 1988 (c. 1)	
FA 1988	The Finance Act 1988 (c. 39)	
FA 1989	The Finance Act 1989 (c. 26)	
FA 1990	The Finance Act 1990 (c. 29)	
TCGA 1992	The Taxation of Chargeable Gains Act 1992 (c. 12)	10
F(No.2)A 1992	The Finance (No. 2) Act 1992 (c. 48)	
FA 1993	The Finance Act 1993 (c. 34)	
FA 1994	The Finance Act 1994 (c. 9)	
VATA 1994	The Value Added Tax Act 1994 (c. 23)	
FA 1995	The Finance Act 1995 (c. 4)	15
FA 1996	The Finance Act 1996 (c. 8)	
F(No.2)A 1997	The Finance (No. 2) Act 1997 (c. 58)	
FA 1998	The Finance Act 1998 (c. 36)	
FISMA 2000	The Financial Services and Markets Act 2000 (c. 8)	
FA 2000	The Finance Act 2000 (c. 17)	20
CAA 2001	The Capital Allowances Act 2001 (c. 2)	
FA 2001	The Finance Act 2001 (c. 9)	
FA 2002	The Finance Act 2002 (c. 23)	
ITEPA 2003	The Income Tax (Earnings and Pensions) Act 2003 (c. 1)	
FA 2003	The Finance Act 2003 (c. 14)	25
FA 2004	The Finance Act 2004 (c. 12)	

PART 2

INDEX OF EXPRESSIONS DEFINED IN THIS ACT ETC.

absolute interest (for the purposes of Chapter 6 of Part 5)	section 650(1)	5
accounting date (in Chapter 15 of Part 2)	section 197	
accounting period	sections 12 and 834(1) of ICTA	
acquisition expenditure (in Chapter 9 of Part 2)	section 130(3)	
adjustment expense (in Chapter 17 of Part 2)	section 228(3)	10
adjustment expense (in Chapter 7 of Part 3)	section 330(3)	
adjustment income (in Chapter 17 of Part 2)	section 228(2)	
adjustment income (in Chapter 7 of Part 3)	section 330(2)	
the administration period (in Chapter 6 of Part 5)	section 653(1)	
the aggregate income of the estate (for the purposes of Chapter 6 of Part 5)	section 664(1)	15
the amount of premiums paid (in Chapter 9 of Part 4)	section 545(3)	
animal (in Chapter 8 of Part 2)	section 112(1)	
animal being added to a herd (in Chapter 8 of Part 2)	section 112(6)	20
animals in a herd or part of a herd (for the purposes of Chapter 8 of Part 2)	section 112(3) to (5)	
assignment (in the application of the Act to Scotland)	section 879(1)	25
assignment (of part or share in rights under a policy or contract) (in Chapter 9 of Part 4)	section 505(2)	
assignment (of whole of rights under a policy or contract) (in Chapter 9 of Part 4)	section 505(2)	
assumed income entitlement (for the purposes of Chapter 6 of Part 5)	section 665(2), (3)	30
authorised unit trust	section 832(1) of ICTA	
averaging claim (in Chapter 16 of Part 2)	section 221(1)	
bank arrangement (in Chapter 4 of Part 6)	section 704(4)(a)	

the basic amount (in relation to estate income) (in Chapter 6 of Part 5)	section 656(4)	
basic rate	section 832(1) of ICTA	
basic relieving amount by reference to a taxed receipt (in Chapter 4 of Part 3)	sections 288(4), 289(2), (4)	5
the Board of Inland Revenue	section 878(1)	
body of persons	section 832(1) of ICTA	
building society	section 832(1) of ICTA	
building society arrangement (in Chapter 4 of Part 6)	section 704(5)(a)	10
calculation event (in Chapter 9 of Part 4)	section 491(4)	
capital allowance	section 832(1) of ICTA	
capital cost of patent rights (in Chapter 2 of Part 5)	section 588(4)	15
capital redemption policy (in Chapter 9 of Part 4)	section 473(2)	
capital sums (in Chapter 2 of Part 5)	section 608	
capital sums included in the proceeds of sale (in relation to the exchange of property) (in Chapter 2 of Part 5)	section 605(5)	20
caravan	section 875	
certified master version (in Chapter 9 of Part 2)	section 132(3)	
certified SAYE savings arrangement (in Chapter 4 of Part 6)	section 703(1)	
chargeable event (in Chapter 9 of Part 4)	section 484	25
chargeable period	section 832(1) of ICTA	
charitable trust (in Chapter 9 of Part 4)	section 545(1)	
charity	section 878(1)	
child	section 832(5) of ICTA	
claim	section 878(3)	30
close company	sections 414 and 415 of ICTA	
commercial letting of furnished holiday accommodation (for purposes of Chapter 6 of Part 3)	sections 323 to 326	35
company	section 832(1) of ICTA	

company (for all purposes in the Income Tax Acts)	section 863(2)(c)	
connected (in the context of “connected person” or one person being “connected” with another)	section 839 of ICTA (see section 878(5) of this Act)	5
consideration received for disposal of know-how (for purposes of Chapter 14 of Part 2)	section 192(3), (4)	
contract of insurance (in Chapter 9 of Part 4)	section 545(1)	
control (in relation to a body corporate)	section 840 of ICTA (see section 878(6) of this Act)	10
corporation tax receipt (in Chapter 4 of Part 3)	section 296(1)	
coupons (in Chapter 13 of Part 4)	section 571(3)	
deeply discounted security (for the purposes of Chapter 8 of Part 4)	sections 430 to 443(1)	15
deposit rights (in Chapter 11 of Part 4)	section 552	
discretionary interest (for the purposes of Chapter 6 of Part 5)	section 650(3)	
disposal of a deeply discounted security (in Chapter 8 of Part 4)	section 437(1)	20
distribution	section 832(1) of ICTA	
the dividend ordinary rate	section 832(1) of ICTA	
the dividend trust rate	section 832(1) of ICTA	
the dividend upper rate	section 832(1) of ICTA	25
dividends (in Chapter 3 of Part 4)	section 382(4)	
dividends (in Chapter 4 of Part 4)	section 402(4)	
election	section 878(3)	
employment income	section 7(2) of ITEPA 2003	30
estate (in Chapter 6 of Part 5)	section 649(2)	
estate income (in Chapter 6 of Part 5)	section 649(2)	
estate in land (in relation to any land in Scotland)	section 832(1) of ICTA	
European authorised institution (in Chapter 4 of Part 6)	section 704(6)	35
European authorised institution arrangement (in Chapter 4 of Part 6)	section 704(6)	

excess event (in Chapter 9 of Part 4)	section 491(4)	
excluded indexed security (in Chapter 8 of Part 4)	section 433(1)	
the exemption condition (in Chapter 6 of Part 6)	section 713(3)	5
farmers (in Chapter 8 of Part 2)	section 111(3)	
farming	section 876	
film (in Chapter 9 of Part 2)	section 131	
final insurance year (in Chapter 9 of Part 4)	section 499(4), (5)	
the final tax year (in Chapter 6 of Part 5)	section 653(3)	10
firm	sections 847(1) and 863	
firm (for all purposes in the Income Tax Acts)	section 863(2)(a)	
for accounting purposes	section 832(1) of ICTA	
foreign capital redemption policy (in Chapter 9 of Part 4)	section 476(3)	15
foreign estate (in Chapter 6 of Part 5)	section 651(1)	
foreign holdings (in Chapter 13 of Part 4)	section 571(1)	
foreign institution (in Chapter 9 of Part 4)	section 468(5)	
foreign policy of life insurance (in Chapter 9 of Part 4)	section 476(3)	20
forestry	section 876(3)	
foster-care receipts (in Chapter 2 of Part 7)	section 805	
foster-care relief (in Chapter 2 of Part 7)	section 803(1)	
FOTRA security (in Chapter 6 of Part 6)	section 713(2)	
friendly society (in Chapter 9 of Part 4)	section 545(1)	25
future (in Chapter 12 of Part 4)	section 558(1)	
generally accepted accounting practice	section 832(1) of ICTA and section 50 of FA 2004	
generating income from land (in Chapter 3 of Part 3)	sections 266 and 267	30
gilt-edged security	section 153(1)	
grossing up	section 877	
group life policy (in Chapter 9 of Part 4)	section 480(2)	

herd (in Chapter 8 of Part 2)	section 112(1)	
herd basis election (in Chapter 8 of Part 2)	section 111(1)	
herd basis rules (in Chapter 8 of Part 2)	section 111(2)	
higher rate	section 832(1) of ICTA	5
houseboat	section 878(1)	
income	section 878(1)	
income arising under a settlement (in Chapter 5 of Part 5)	section 648	
income arising under the settlement (in relation to a settlor) (in Chapter 5 of Part 5)	section 644(3)(b)	10
income period (in Chapter 2 of Part 7)	section 805(2) and (3)	
individual's limit (in Chapter 1 of Part 7)	section 789	
individual's limit (in Chapter 2 of Part 7)	section 808	
the Inland Revenue	section 878(1)	15
institutional arrangement (in Chapter 4 of Part 6)	section 704(3)	
insurance company (in Chapter 9 of Part 4)	section 545(1)	
insurance year (in Chapter 9 of Part 4)	section 499(1), (3), (5)	
interest	section 832(1) of ICTA	
interest (in Chapter 4 of Part 6)	section 702(4)	20
international accounting standards	section 832(1) of ICTA and section 50(2) of FA 2004	
investment plan regulations (in Chapter 3 of Part 6)	section 694(2)	25
investment trust	section 842 of ICTA	
keeping a production herd (in Chapter 8 of Part 2)	section 111(4)	
know-how (in Chapter 14 of Part 2)	section 192(1), (2)	
know-how (in Chapter 2 of Part 5)	section 583(4), (5)	30
lease (in Part 3)	section 364(1)	
letting (in Chapter 1 of Part 7)	section 802	
life annuity (in Chapter 9 of Part 4)	section 473(2)	

limited interest (for the purposes of Chapter 6 of Part 5)	section 650(2)	
linked savings arrangement (in Chapter 4 of Part 6)	section 703(2)	5
local authority	section 842A of ICTA	
lower rate	section 832(1) of ICTA	
market gardening	section 876(5)	
market value (in Chapter 8 of Part 4)	section 460(3)	
market value (in Chapter 9 of Part 4)	section 545(1)	10
mature (in relation to female animals) (for the purposes of Chapter 8 of Part 2)	section 113(5)	
members of a company (for all purposes in the Tax Acts)	section 863(2)(d)	
members of a firm (for all purposes in the Income Tax Acts)	section 863(2)(b)	15
mineral lease or agreement (in Chapter 8 of Part 3)	section 341(1)	
mineral royalties (in Chapter 8 of Part 3)	sections 341(2), 342, 343	20
mortgage (in the application of the Act to Scotland)	section 879(1)	
national savings arrangement (in Chapter 4 of Part 6)	section 704(2)	
non-charitable trust (in Chapter 9 of Part 4)	section 545(1)	25
non-trade business (in Chapter 3 of Part 5)	section 609(1)	
non-UK resident (and references to a non-UK resident or a non-UK resident person)	section 878(1)	
normal self-assessment filing date	section 878(1)	
notice	section 832(1) of ICTA	30
oil and gas exploration and appraisal	section 837B of ICTA	
option (in Chapter 12 of Part 4)	section 558(2)	
ordinary share capital	section 832(1) of ICTA	
original master version (in Chapter 9 of Part 2)	section 132(1), (2)	
overlap period (in Chapter 15 of Part 2)	section 204	35
overlap profit (in Chapter 15 of Part 2)	section 204	

overseas life assurance business (in Chapter 9 of Part 4)	section 476(3)	
overseas property business	Chapter 2 of Part 3	
overseas property income (in Chapter 11 of Part 3)	section 358	5
part surrender or assignment event (in Chapter 9 of Part 4)	section 491(4)	
patent rights (in Chapter 2 of Part 5)	section 587(4)	
period of account	section 832(1) of ICTA	10
permanent establishment	section 832(1) of ICTA and section 148 of FA 2003	
person to whom the remittance basis applies	section 878(2)	
person creating trusts (for the purposes of Chapter 9 of Part 4)	section 465(6)	15
personal portfolio bond (in Chapter 9 of Part 4)	sections 516, 517	
personal portfolio bond event (in Chapter 9 of Part 4)	section 491(4)	
personal representatives	section 878(1)	20
plan managers (in Chapter 3 of Part 6)	section 696(2)	
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post-cessation receipt (in Chapter 10 of Part 3)	sections 353 and 354	
preliminary expenditure (in Chapter 9 of Part 2)	section 130(6)	25
premises (in Part 3)	section 364(2)	
premium (in Chapter 4 of Part 3)	section 307(1), (3)	
premium (in Chapter 9 of Part 4)	section 545(2)	
the price (in relation to the exchange of know-how) (in Chapter 14 of Part 2)	section 192(6)	30
the price (in relation to the exchange of property) (in Chapter 2 of Part 5)	section 605(4)	
proceeds of sale (in relation to the exchange of know-how) (in Chapter 14 of Part 2)	section 192(6)	
proceeds of sale (in relation to the exchange of property) (in Chapter 2 of Part 5)	section 605(4)	35

production expenditure (in Chapter 9 of Part 2)	section 130(2)	
production herd (in Chapter 8 of Part 2)	section 112(1), (2)	
production herd (of the same class) (for the purposes of Chapter 8 of Part 2)	section 113(2)	5
profits from a trade, profession or vocation (for the purposes of Chapter 16 of Part 2)	section 221(4), (5)	
profits or gains	section 833(1) of ICTA	
any prohibitive rule (in Chapter 9 of Part 2)	section 130(7)	
property business	section 263(6)	10
property comprised in a settlement (in relation to a settlor) (in Chapter 5 of Part 5)	section 644(3)(a)	
property or rights held on trust or on trusts (in the application of the Act to Scotland)	section 879(2)	
provider (in relation to a bank arrangement) (in Chapter 4 of Part 6)	section 704(4)(b)	15
provider (in relation to a building society arrangement) (in Chapter 4 of Part 6)	section 704(5)(b)	
provider (in relation to a European authorised institution arrangement) (in Chapter 4 of Part 6)	section 704(6)	20
provides foster care (and related expressions) (in Chapter 2 of Part 7)	section 806	
public body (in Chapter 2 of Part 5)	section 603(2)	
purchased life annuity (in Chapter 7 of Part 4)	section 423	
qualifying distribution	section 832(1) of ICTA	25
qualifying policy	section 832(1) of ICTA	
qualifying trade, profession or vocation (in Chapter 16 of Part 2)	section 221(2)	
the rate applicable to trusts	section 832(1) of ICTA	
receipt period (of a receipt) (for the purposes of Chapter 4 of Part 3)	sections 288(6), 296(3)	30
receipts and expenses (in the context of the calculation of the profits of a trade, profession or vocation or of a property business) (in the Income Tax Acts)	section 27 (including as applied by section 272)	35
recognised futures exchange	section 558(3)	
recognised stock exchange	section 841(1) of ICTA	

reduction under section 288 by reference to a taxed receipt (in Chapter 4 of Part 3)	section 290(6)	
reduction under section 37(2) or (3) of ICTA by reference to an amount chargeable on the superior interest (in Chapter 4 of Part 3)	section 297(2)	5
registered pension scheme	section 832(1) of ICTA and section 150(2) of FA 2004	
related (in relation to a policy) (in Chapter 9 of Part 4)	section 491(6)	10
related transactions (in Chapter 12 of Part 4)	section 566	
relevant allowance (in Chapter 1 of Part 7)	section 802	
relevant balancing charge (in Chapter 1 of Part 7)	section 802	
relevant foreign income	section 830	15
relevant period (in Chapter 9 of Part 2)	section 133	
the relevant profits (in Chapter 16 of Part 2)	section 221(1), (4), (5)	
relevant telecommunication right (in Chapter 10 of Part 2)	section 146	
rent receivable for a UK electric-line wayleave (in Chapter 9 of Part 3)	section 345	20
rent receivable in connection with a UK section 12(4) concern (in Chapter 8 of Part 3)	section 336	
rent (in Chapter 8 of Part 3)	section 336(3)	
rent (in Chapter 9 of Part 3)	section 345(3)	25
rent-a-room receipts (in Chapter 1 of Part 7)	section 786	
rent-a-room relief (in Chapter 1 of Part 7)	section 784	
residence (in Chapter 1 of Part 7)	section 787	
the residuary income of the estate (for the purposes of Chapter 6 of Part 5)	section 666(1)	30
retail prices index	section 833(2) of ICTA	
return from one or more disposals (in Chapter 12 of Part 4)	section 561(1)	
reversion (in the application of Chapter 4 of Part 3 to Scotland)	section 307(3)	35
sale of an animal (for the purposes of Chapter 8 of Part 2)	section 113(3)	

sale of know-how (for purposes of Chapter 14 of Part 2)	sections 192(5)	
sale of property (in Chapter 2 of Part 5)	sections 605(1), 606(1)	
sale or transfer of trading stock (in Chapter 12 of Part 2)	section 174(3)	5
sale proceeds of an animal (for the purposes of Chapter 8 of Part 2)	section 113(4)	
Schedule A business	section 832(1) of ICTA	
settlement (in Chapter 5 of Part 5)	section 620	10
settlor (in Chapter 5 of Part 5)	section 620(1)	
settlor (for the purposes of Chapter 9 of Part 4)	section 465(6)	
share (in Chapter 8 of Part 4)	section 460(1)	
share of residuary income of estate (for the purposes of Chapter 6 of Part 5)	section 667	15
short-term lease (in Chapter 4 of Part 3)	section 276(6)	
starting rate	section 832(1) of ICTA	
statutory insolvency arrangement (in Part 2)	section 259	
stock dividend income (in Chapter 5 of Part 4)	section 409(2)	
strip (in Chapter 8 of Part 4)	section 444	20
substantial part of a herd (for purposes of Chapter 8 of Part 2)	section 113(6)	
surrender (in the application of the Act to Scotland)	section 879(1)	
tax advantage (in Chapter 8 of Part 4)	section 460(2)	25
tax year	section 878(1)	
the tax year 2005-06 etc.	section 878(1)	
taxed lease (in Chapter 4 of Part 3)	section 287(4)	
taxed receipt (in Chapter 4 of Part 3)	section 287(4)	
taxpayer (in Chapter 16 of Part 2)	section 221(1)	30
total income	section 835(1) of ICTA	
total foster-care receipts (in Chapter 2 of Part 7)	section 807	
total rent-a-room amount (in Chapter 1 of Part 7)	section 788	
trade	section 832(1) of ICTA	

trading stock (in relation to a trade) (in Chapter 12 of Part 2)	section 174	
transfer of work in progress (in Chapter 12 of Part 2)	section 183(2)	5
trusts an individual created (for the purposes of Chapter 9 of Part 4)	section 465(6)	
UK estate (in Chapter 6 of Part 5)	section 651(1)	
UK property business	Chapter 2 of Part 3	
UK resident (and references to a UK resident or a UK resident person)	section 878(1)	10
Ulster Savings Certificates	section 693(7)	
unit holder	section 832(1) of ICTA	
unit trust scheme	section 832(1) of ICTA	
United Kingdom	section 830(1) of ICTA	15
unreduced amount (of a taxed receipt) (in Chapter 4 of Part 3)	sections 290(2) to (4), 296(4) to (6)	
unused amount (of a taxed receipt) (for the purposes of Chapter 4 of Part 3)	section 290(1), (5)	
venture capital trust	section 842AA(1) of ICTA	20
within the charge to tax	section 832(1) of ICTA	
woodlands	section 876(4)	
work in progress (in Chapter 12 of Part 2)	section 183(1)	

Income Tax (Trading and Other Income) Bill

A

B I L L

To restate, with minor changes, certain enactments relating to income tax on trading income, property income, savings and investment income and certain other income; and for connected purposes.

*Presented by Mr Chancellor of the Exchequer
supported by
Ms Secretary Hewitt, Mr Secretary Johnson,
Mr Paul Boateng, Dawn Primarolo,
Mr Stephen Timms and John Healey.*

*Ordered, by The House of Commons,
to be printed, 30th November 2004.*

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