

Finance Act 2026

CHAPTER 11

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Finance Act 2026

2026 CHAPTER 11

An Act to make provision in connection with finance. [18th March 2026]

Most Gracious Sovereign

WE, Your Majesty's most dutiful and loyal subjects, the Commons of the United Kingdom in Parliament assembled, towards raising the necessary supplies to defray Your Majesty's public expenses, and making an addition to the public revenue, have freely and voluntarily resolved to give and to grant unto Your Majesty the several duties hereinafter mentioned; and do therefore most humbly beseech Your Majesty that it may be enacted, and be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

PART 1

INCOME TAX, CAPITAL GAINS TAX AND CORPORATE TAXES

Income tax charge, rates and allowances

1 Income tax charge for tax year 2026-27

Income tax is charged for the tax year 2026-27.

2 Main rates of income tax for tax year 2026-27

For the tax year 2026-27 the main rates of income tax are as follows—

(a) the basic rate is 20%,

(b) the higher rate is 40%, and

(c) the additional rate is 45%.

3 Default and savings rates of income tax for tax year 2026-27

(1) For the tax year 2026-27 the default rates of income tax are as follows—
  (a) the default basic rate is 20%,
  (b) the default higher rate is 40%, and
  (c) the default additional rate is 45%.

(2) For the tax year 2026-27 the savings rates of income tax are as follows—
  (a) the savings basic rate is 20%,
  (b) the savings higher rate is 40%, and
  (c) the savings additional rate is 45%.

4 Increase in dividend ordinary and upper rates

(1) In section 8 of ITA 2007 (which provides, among other things, for the dividend ordinary rate and dividend upper rate)—
  (a) in subsection (1) (the dividend ordinary rate), for "8.75%" substitute "10.75%", and
  (b) in subsection (2) (the dividend upper rate), for "33.75%" substitute "35.75%".

(2) The amendments made by this section have effect for the tax year 2026-27 and subsequent tax years.

5 Savings rates of income tax for tax year 2027-28

For the tax year 2027-28 the savings rates of income tax are as follows—
  (a) the savings basic rate is 22%,
  (b) the savings higher rate is 42%, and
  (c) the savings additional rate is 47%.

6 New rates of income tax on property income

(1) Part 1 of ITA 2007 (rates at which income tax is charged etc) is amended as follows.

(2) After section 6C insert—

"6D The property basic, higher and additional rates

The property basic rate, the property higher rate and the property additional rate for a tax year are the rates determined as such by Parliament for the tax year."

(3) After section 11C insert—

"11CA Income charged at the property basic, higher and additional rates: individuals

(1) Income tax is charged at the property basic rate on an individual's income which—

(a) is property income, and
(b) would otherwise be charged at the basic rate or the default basic rate.

(2) Income tax is charged at the property higher rate on an individual's income which—
(a) is property income, and
(b) would otherwise be charged at the higher rate or the default higher rate.

(3) Income tax is charged at the property additional rate on an individual's income which—
(a) is property income, and
(b) would otherwise be charged at the additional rate or the default additional rate.

(4) Subsections (1) to (3) are subject to—
section 11A (income charged at Scottish rates),
section 11CB (income charged at the Welsh property basic, higher and additional rates: individuals),
any other provisions of the Income Tax Acts which provide for income to be charged at different rates of income tax in some circumstances.

(5) Sections 16 and 16A have effect for determining the extent to which an individual's property income would otherwise be charged at the basic, higher or additional rate or the default basic, default higher or default additional rate."

(4) After section 16 insert—

"16A Treatment of property income in hierarchy of total income

(1) This section has effect for determining—
(a) which part of a Scottish taxpayer's income consists of property income,
(b) the rate at which income tax would be charged on a person's property income apart from section 11CA, and
(c) the rate at which income tax would be charged on the property income of a Welsh taxpayer apart from section 11CB.

(2) It also has effect for all other income tax purposes except for the purposes of sections 535 to 537 of ITTOIA 2005 (gains from contracts for life insurance etc: top slicing relief).

(3) If a person has property income but no dividend income or savings income, the property income is treated as the highest part of the person's total income.

(4) If a person—
(a) has property income, and

(b) dividend income or savings income (or both dividend income and savings income),

the property income is treated as the part of the person's total income immediately before the savings income or, if the person does not have savings income, immediately before the dividend income."

(5) After section 17 insert—

"17A Meaning of "property income"

(1) This section applies for the purposes of the Income Tax Acts.

(2) "Property income" is income which is—

(a) chargeable under Chapter 3 of Part 3 of ITTOIA 2005 (the profits of a UK property business or an overseas property business),

(b) chargeable under Chapter 7 of that Part (amounts treated as adjustment income under section 330),

(c) chargeable under Chapter 8 of that Part (rent receivable in connection with a UK section 12(4) concern),

(d) chargeable under Chapter 9 of that Part (rent receivable for UK electric-line wayleaves), and

(e) chargeable under Chapter 10 of that Part (post-cessation receipts arising from a UK property business)."

(6) In section 25 (reliefs and allowances deductible at Steps 2 and 3: supplementary), after subsection (3) insert—

"(3A) Subsection (2) is also subject to a requirement that the reliefs and allowances in Steps 2 and 3 must be deducted from components of income other than property income, savings income or dividend income (so far as it would otherwise be possible to do so) before they are deducted from property income, savings income or dividend income."

(7) Schedule 1 makes amendments in connection with, or otherwise related to, provision made by this section and section 5 (including amendments concerning savings rates).

(8) The amendments made by this section and that Schedule have effect for the tax year 2027-28 and subsequent tax years.

7 Property rates of income tax for tax year 2027-28

For the tax year 2027-28 the property rates of income tax are as follows—

(a) the property basic rate is 22%,

(b) the property higher rate is 42%, and

(c) the property additional rate is 47%.

8 Scottish and Welsh property rates set by Scottish Parliament and Senedd

(1) Schedule 2 makes provision for Scottish and Welsh property rates to be set by the Scottish Parliament and Senedd Cymru.

(2) This section and that Schedule come into force on such day as the Treasury may by regulations appoint.

(3) The amendments made by this section and that Schedule have effect in relation to—

(a) the tax year appointed by the Treasury by regulations, and

(b) subsequent tax years.

(4) The tax year appointed under subsection (3)—

(a) must be a tax year after the tax year 2026-27, and

(b) must begin on or after the day appointed under subsection (2).

(5) Regulations under this section may appoint different days for different purposes.

(6) For further provision about regulations under this section, see section 1014(1), (3) and (6)(b) of ITA 2007.

9 Freezing starting rate limit for savings for tax years 2026-27 to 2030-31

(1) For the tax years 2026-27, 2027-28, 2028-29, 2029-30 and 2030-31, the amount specified in section 12(3) of ITA 2007 (the starting rate limit for savings) is "£5,000".

(2) Accordingly, section 21 of that Act (indexation) does not apply in relation to the starting rate limit for savings for any of those tax years.

10 Basic rate limit and personal allowance for tax years 2028-29 to 2030-31

(1) Section 5 of FA 2021 (basic rate limit and personal allowance for tax years up to 2027-28) is amended as follows.

(2) In subsection (1) (which specifies the basic rate limit in section 10(5) of ITA 2007 as £37,700 for tax years up to 2027-28), for "and 2027-28" substitute ", 2027-28, 2028-29, 2029-30 and 2030-31".

(3) In subsection (2) (which specifies the personal allowance in section 35(1) of ITA 2007 as £12,570 for tax years up to 2027-28), for "and 2027-28" substitute ", 2027-28, 2028-29, 2029-30 and 2030-31".

(4) In subsection (3) (which makes consequential provision preventing the uprating of those amounts for the affected tax years), in the words after paragraph (b), for "and 2027-28" substitute ", 2027-28, 2028-29, 2029-30 and 2030-31".

Corporation tax charge and rates

11 Charge and main rate for financial year 2027

(1) Corporation tax is charged for the financial year 2027.

(2) The main rate of corporation tax for that year is 25%.

12 Standard small profits rate and fraction for financial year 2027

For the purposes of Part 3A of CTA 2010, for the financial year 2027—

(a) the standard small profits rate is 19%, and

(b) the standard marginal relief fraction is 3/200ths.

Employee reliefs

13 Enterprise management incentives: thresholds and period for exercise

(1) In section 529 of ITEPA 2003 (scope of tax advantages: option must be exercised within 10 years)—

(a) in the heading, for "within 10 years" substitute "by the specified anniversary";

(b) in subsection (2), for "tenth" substitute "specified";

(c) after subsection (2) insert—

"(2A) In this section, "specified anniversary" means—

(a) in cases where the employer company is a specified Northern Ireland company, the tenth anniversary, and

(b) otherwise, the fifteenth anniversary.".

(2) Schedule 5 to ITEPA 2003 is amended as set out in subsections (3) to (7).

(3) In paragraph 7 (maximum value of options in respect of relevant company's shares)—

(a) in sub-paragraph (1), after "exceed" insert—

"(a) £6 million, or

(b) where the employer company is a specified Northern Ireland company,";

(b) in sub-paragraph (2), after "option if the" insert "applicable";

(c) in sub-paragraph (4), after "applies" insert "(but see sub-paragraph (5A))";

(d) after sub-paragraph (5), insert—

"(5A) If—

(a) the grant of two or more share options at the same time causes only the limit in paragraph 7(1)(b) to be exceeded, and

(b) the employer company in respect of some of the share options is not a specified Northern Ireland company,

the share options in respect of which the employer company is a specified Northern Ireland company are, for the purposes of this paragraph, to be treated as having been granted before the other share options.".

(4) In paragraph 12 (the gross assets requirement)—

(a) in sub-paragraph (1) after "exceed" insert—

"(a) £120 million, or

(b) where the company is a specified Northern Ireland company,".

(b) in sub-paragraph (2) after "exceed" insert—

"(a) £120 million, or

(b) where the employer company is a specified Northern Ireland company,".

(5) In paragraph 12A (the number of employees requirement)—

(a) in sub-paragraph (1) after "less than" insert—

"(a) 500, or

(b) where the company is a specified Northern Ireland company,";

(b) in sub-paragraph (2) after "less than" insert "500 or, where the employer company is a specified Northern Ireland company,"

(6) In paragraph 36 (option to be capable of exercise within ten years)—

(a) in the italic cross-heading, for "10 years" substitute "the specified period";

(b) in sub-paragraph (1), for "the period of 10 years" substitute "the specified period";

(c) in sub-paragraph (2), for "the period mentioned in sub-paragraph (1)" substitute "the specified period";

(d) after sub-paragraph (2) insert—

"(3) In this paragraph, the "specified period" means—

(a) 15 years, or

(b) where the employer company is a specified Northern Ireland company, 10 years.".

(7) After paragraph 57E, insert—

"Meaning of "specified Northern Ireland company"

57F In the EMI code, a "specified Northern Ireland company" means a company that—

(a) has its registered office in Northern Ireland, and

(b) carries on a trade involving—

(i) a trade in goods, or

(ii) the generation, transmission, distribution, supply, wholesale trade or cross-border exchange of electricity.".

(8) In section 169I(7D)(b) of TCGA 1992 (material disposal of business assets)—

(a) for "tenth " substitute "specified";

(b) at the end insert "(with "specified anniversary" having the meaning given in section 529(2A) of that Act)".

(9) The amendments made by subsections (1) to (8) come into force on 6 April 2026.

(10) On and after 6 April 2026, Schedule 5 to ITEPA 2003 has effect in relation to an option granted before 6 April 2026 as if the following paragraph were inserted after paragraph 37—

"37A (1) Sub-paragraph (2) applies if—

(a) on or after 26 November 2025, a fixed-date qualifying option is varied so as to delay the date on which it can be exercised,

(b) the variation takes place on or before the tenth anniversary of the grant of the option, and

(c) the variation results in an option that is capable of being exercised on a single date falling on or before the fifteenth anniversary of the grant of the option.

(2) An option that is varied as described in sub-paragraph (1)—

(a) continues to be a qualifying option for the purposes of the EMI code, and

(b) is to be treated for the purposes of the EMI code as having been granted in its varied form.

(3) In sub-paragraph (1)—

(a) "fixed-date qualifying option" means a qualifying option granted before 6 April 2026 that is capable of being exercised on a single date set by reference to its date of grant, and

(b) a reference to an option being varied is a reference to its being varied by written agreement between the person who granted the option and the person entitled to exercise it.

(4) Sub-paragraph (2) does not apply in relation to an option if, at the time of variation, the employer company is a specified Northern Ireland company.".

14 Enterprise investment scheme: increase in amounts and asset requirements

(1) Part 5 of ITA 2007 is amended as follows.

(2) In section 173A(1) (the maximum amount raised annually through risk finance investments requirement), for paragraphs (a) and (b) substitute—

"(a) if at that date the issuing company is a knowledge-intensive company (see section 252A and subsection (5A)) and—

(i) not a specified Northern Ireland company, £20 million;

(ii) a specified Northern Ireland company, £10 million, and

(b) if at that date the issuing company is not a knowledge-intensive company and—

(i) not a specified Northern Ireland company, £10 million;

(ii) a specified Northern Ireland company, £5 million.".

(3) In section 173AA(1) (maximum risk finance investments at the issue date requirement), for paragraphs (a) and (b) substitute—

"(a) if at the issue date the issuing company is a knowledge-intensive company (see section 252A) and—

(i) not a specified Northern Ireland company, £40 million;

(ii) a specified Northern Ireland company, £20 million, and

(b) if at the issue date the issuing company is not a knowledge-intensive company and—

(i) not a specified Northern Ireland company, £24 million;

(ii) a specified Northern Ireland company, £12 million.".

(4) In section 173AB(4) (maximum risk finance investments during period B requirement) for paragraphs (a) and (b) substitute—

"(a) if at the issue date the issuing company is a knowledge-intensive company (see section 252A) and—

(i) not a specified Northern Ireland company, £40 million;

(ii) a specified Northern Ireland company, £20 million, and

(b) if at the issue date the issuing company is not a knowledge-intensive company and—

(i) not a specified Northern Ireland company, £24 million;

(ii) a specified Northern Ireland company, £12 million.".

(5) In section 175 (the use of the money raised requirement)—

(a) in subsection (1), for "The" substitute "A";

(b) after subsection (1A), insert—

"(1B) Another requirement of this section is that, of the money raised by the issue of the relevant shares (other than any of them which are bonus shares), only such part of that money as could have been raised by an issue of shares falling within subsection (1C) is employed for the purposes of a qualifying business activity that is carried on by one or more specified Northern Ireland companies.

(1C) Shares fall within this subsection if the general requirements referred to in section 172 as they apply in relation to shares issued by a specified Northern Ireland company are met in respect of them.".

(6) In section 186 (the gross assets requirement)—

(a) before subsection (1), insert—

"(A1) In the case of relevant shares issued by a single company that is not a specified Northern Ireland company, the value of the company's gross assets—

(a) must not exceed £30 million immediately before the relevant share issue, and

(b) must not exceed £35 million immediately afterwards.

(A2) In the case of relevant shares issued by a parent company that is not a specified Northern Ireland company, the value of the group assets—

(a) must not exceed £30 million immediately before the relevant share issue, and

(b) must not exceed £35 million immediately afterwards.";

(b) in subsection (1), after "single company" insert "that is a specified Northern Ireland company";

(c) in subsection (2), after "parent company" insert "that is a specified Northern Ireland company".

(7) After section 256A, insert—

"256B Meaning of "specified Northern Ireland company"

For the purposes of this Part, a "specified Northern Ireland company" means a company that—

(a) has its registered office in Northern Ireland, and

(b) carries on a trade involving—

(i) a trade in goods, or

(ii) the generation, transmission, distribution, supply, wholesale trade or cross-border exchange of electricity.".

(8) The amendments made by this section come into force on 6 April 2026.

15 Venture capital trusts: rate of relief and amounts and asset requirements

(1) Part 6 of ITA 2007 is amended as follows.

(2) In section 263(2) (form and amount of relief), for "30%" substitute "20%".

(3) In section 292A(1) (the maximum amount raised annually through risk finance investments requirement), for paragraphs (a) and (b) substitute—

"(a) if at that date the relevant company is a knowledge-intensive company (see section 331A and subsection (6A)) and—

(i) not a specified Northern Ireland company, £20 million;
(ii) a specified Northern Ireland company, £10 million, and

(b) if at that date the relevant company is not a knowledge-intensive company and—
(i) not a specified Northern Ireland company, £10 million;
(ii) a specified Northern Ireland company, £5 million.".

(4) In section 292AA(1) (maximum risk finance investments when relevant holding is issued requirement), for paragraphs (a) and (b) substitute—

"(a) if at the investment date the relevant company is a knowledge-intensive company (see section 331A) and—
(i) not a specified Northern Ireland company, £40 million;
(ii) a specified Northern Ireland company, £20 million, and

(b) if at the investment date the relevant company is not a knowledge-intensive company and—
(i) not a specified Northern Ireland company, £24 million;
(ii) a specified Northern Ireland company, £12 million.".

(5) In section 292AB(4) (maximum risk finance investments during the 5-year post-investment period requirement), for paragraphs (a) and (b) substitute—

"(a) if at the investment date the relevant company is a knowledge-intensive company (see section 331A) and—
(i) not a specified Northern Ireland company, £40 million;
(ii) a specified Northern Ireland company, £20 million, and

(b) if at the investment date the relevant company is not a knowledge-intensive company and—
(i) not a specified Northern Ireland company, £24 million;
(ii) a specified Northern Ireland company, £12 million.".

(6) In section 293 (the use of the money raised requirement)—
(a) in subsection (1), for "The" substitute "A";
(b) after subsection (5A) insert—

"(5B) Another requirement of this section is that, of the money raised by the issue of the relevant holding, only such part of that money as could have been raised by an issue of shares and securities falling within subsection (5C) is employed for the purposes of a qualifying business activity that is carried on by one or more specified Northern Ireland companies.

(5C) Shares and securities fall within this subsection if the requirements in section 286(2) as they apply in relation to a relevant company that is a specified Northern Ireland company are met in respect of them.".

(7) In section 297 (the gross assets requirement)—

(a) before subsection (1) insert—

"(A1) The requirement of this section in the case of a relevant company that is a single company and not a specified Northern Ireland company is that the value of the company's gross assets—

(a) did not exceed £30 million immediately before the issue of the relevant holding, and

(b) did not exceed £35 million immediately afterwards.

(A2) The requirement of this section in the case of a relevant company that is a parent company and not a specified Northern Ireland company is that the value of the group assets—

(a) did not exceed £30 million immediately before the issue of the relevant holding, and

(b) did not exceed £35 million immediately afterwards.";

(b) in subsection (1), after "single company" insert "and a specified Northern Ireland company";

(c) in subsection (2), after "parent company" insert "and a specified Northern Ireland company".

(8) After section 331B, insert—

"331C Meaning of "specified Northern Ireland company"

For the purposes of this Part, a "specified Northern Ireland company" means a company that—

(a) has its registered office in Northern Ireland, and

(b) carries on a trade involving—

(i) a trade in goods, or

(ii) the generation, transmission, distribution, supply, wholesale trade or cross-border exchange of electricity.".

(9) The amendments made by this section come into force on 6 April 2026.

16 CSOP schemes and EMI: PISCES shares

(1) If—

(a) a share option is granted under a CSOP scheme before 6 April 2028,

(b) the terms of the option which are mentioned in paragraph 21A(1)(d) of Schedule 4 to ITEPA 2003 are, at any time on or after 15 May 2025, varied, and

(c) the sole effect of the provision constituting the variation is that, in the event that the shares are or become PISCES shares, the option may be exercised (to any extent) but only if the shares acquired as a result of its exercise are then sold on a PISCES as soon as is reasonably practicable,

the provision mentioned in paragraph (c) is to be treated for the purposes of the CSOP code as if it had been included in the share option at the time at which the option was granted.

(2) Subsection (1) is to have effect as if contained in Schedule 4 to ITEPA 2003.

(3) If –

(a) a share option which is a qualifying option for the purposes of the EMI code is granted before 6 April 2028,

(b) the terms of the option which are mentioned in paragraph 37(2)(e) of Schedule 5 to ITEPA 2003 are, at any time on or after 15 May 2025, varied, and

(c) the sole effect of the provision constituting the variation is that, in the event that the shares are or become PISCES shares, the option may be exercised (to any extent) but only if the shares acquired as a result of its exercise are then sold on a PISCES as soon as is reasonably practicable,

the provision mentioned in paragraph (c) is to be treated for the purposes of the EMI code as if it had been included in the share option at the time at which the option was granted.

(4) Subsection (3) is to have effect as if contained in Schedule 5 to ITEPA 2003.

(5) A variation of an option is not to count for the purposes of this section unless –

(a) the variation is effected by a written agreement to which the person entitled to exercise the option is a party, or

(b) the variation is otherwise notified in writing to that person.

(6) For the purposes of this section, "PISCES shares" and "a PISCES" have the same meaning as in the applicable PISCES regulations.

(7) For this purpose, "the applicable PISCES regulations" means –

(a) the Financial Services and Markets Act 2023 (Private Intermittent Securities and Capital Exchange System Sandbox) Regulations 2025 ("the 2025 regulations"), or

(b) if regulations are made under section 15 of the Financial Services and Markets Act 2023 ("the 2023 Act") in the case of a PISCES, regulations under that section.

(8) If –

(a) regulations made under section 15 of the 2023 Act use expressions other than PISCES shares or a PISCES, but

(b) those other expressions are used in those regulations for the same or similar purposes as the expressions PISCES and a PISCES are used in the 2025 regulations,

this section has effect as if the references to PISCES shares or a PISCES are to those other expressions.

Employment income relating to cars etc

17 Employee car and van ownership schemes

(1) Chapter 6 of Part 3 of ITEPA 2003 (taxable benefits: cars, vans and related benefits) is amended in accordance with subsections (2) to (4).

(2) In section 114(1)(a) (cars, vans and related benefits)—

(a) omit "(without any transfer of the property in it)";

(b) after "household" insert "—

(i) without any transfer of the property in it, or

(ii) in circumstances falling within section 116A (car or van made available with transfer of ownership),".

(3) In section 116(1) (meaning of when car or van is available to employee)—

(a) omit "and without any transfer of the property in it";

(b) after "household" insert "—

(a) without any transfer of the property in it, or

(b) in circumstances falling within section 116A."

(4) After section 116 insert—

"116A Car or van made available with transfer of ownership

(1) A car or van is made available to an employee or a member of the employee's family or household in circumstances falling within this section if the car or van is made available—

(a) with a transfer of the property in it to the employee or member, and

(b) pursuant to qualifying arrangements.

(2) For the purposes of this section, arrangements are "qualifying arrangements" if any of the following applies in relation to them—

(a) they include restrictions on the private use of the car or van by the employee or member;

(b) they provide for a person other than the employee or member to be the registered keeper of the car or van;

(c) they provide for the employee or member, after a certain period of time or in certain circumstances, to transfer the property in the car or van to another person for an amount determined in accordance with the arrangements;

(d) they are of a description specified in regulations made by the Treasury.

(3) For the purposes of this Chapter, a car or van made available as mentioned in subsection (1) is to be treated as being so made available until the arrangements cease to have effect (but see sections 132A, 143

and 156 for provision about the days on which a car or van is unavailable).

(4) In subsection (2)(a) the reference to restrictions does not include a restriction that—

(a) is included in a motor insurance policy held in respect of the car or van, and

(b) might reasonably be expected to be so included.

(5) In this section—

"arrangements" includes any scheme, agreement or understanding, whether or not legally enforceable;

"motor insurance policy" means a policy of insurance that complies with the requirements of Part 6 of the Road Traffic Act 1988 or, in relation to Northern Ireland, Part 8 of the Road Traffic (Northern Ireland) Order 1981 (S.I. 1981/154 (N.I. 1));

"registered keeper" means the person in whose name a vehicle is registered under VERA 1994."

(5) The amendments made by subsections (2) to (4) have effect for the tax year 2030-31 and subsequent tax years.

(6) But in relation to a car or van made available to an employee or a member of the employee's family or household pursuant to pre-6 April 2030 arrangements, the amendments made by subsections (2) to (4) have effect for the tax year 2032-33 and subsequent tax years.

(7) If pre-6 April 2030 arrangements are varied or renewed on or after 6 April 2030, the car or van is treated, with effect from the beginning of the day on which the variation or renewal takes effect, as not being made available pursuant to pre-6 April 2030 arrangements.

(8) In subsection (7) the reference to arrangements being varied does not include any variation which is required for reasons beyond the control of the parties to the arrangements.

(9) In this section "pre-6 April 2030 arrangements" means arrangements which are entered into before 6 April 2030.

18 Car or van made available on arm's length terms

(1) In section 117 of ITEPA 2003 (meaning of car or van made available by reason of employment)—

(a) in subsection (1), for "or (3)" substitute ", (3) or (4)";

(b) after subsection (3) insert—

"(4) Subsection (1) does not apply where—

(a) the employer carries on a business under which cars or vans of the same kind are made available to members of the public for sale or lease,

(b) the car or van in question is sold or leased to the employee or member in the normal course of that business, and

(c) the terms on which the car or van is sold or leased to the employee or member might reasonably be expected to be agreed between the employer and a member of the public with whom the employer deals at arm's length."

(2) The amendments made by subsection (1) have effect for the tax year 2026-27 and subsequent tax years.

19 CO_2 emissions figure for certain cars with an electric range figure

(1) Chapter 6 of Part 3 of ITEPA 2003 (taxable benefits: cars etc) is amended in accordance with subsections (2) and (3).

(2) In section 136A (cars with a CO_2 emissions figure: registration on or after IP completion day), after subsection (4) insert—

"(5) Subsection (2) is also subject to section 138A (certain cars with a CO_2 emissions figure and an electric range figure)."

(3) After section 138 insert—

"138A Certain cars with a CO_2 emissions figure and an electric range figure

(1) This section applies to a car if—

(a) the car was first registered under VERA 1994 on or after 1 January 2025 and before 6 April 2028,

(b) the car's CO_2 emissions figure (as determined under section 136A) is 51 or more,

(c) the CO_2 emissions figure or (as the case may be) the CO_2 emissions (combined) figure specified in the car's qualifying emissions certificate was calculated in accordance with an emission standard other than the Euro 6d-ISC-FCM emission standard or the Euro 6e emission standard, and

(d) the car's electric range figure is 1 or more.

(2) For the purposes of this Chapter, the car is to be treated as having a CO_2 emissions figure of 1.

(3) In this section—

"electric range figure" is the number of miles which is the equivalent of the number of kilometres specified in an EC certificate of conformity, an EC type-approval certificate or a UK approval certificate on the basis of which a car is registered, as being the maximum distance for which the car can be driven in electric mode without recharging the battery;

"Euro 6d-ISC-FCM emission standard" and "Euro 6e emission standard" have the same meaning as in Schedule 3A to the

Vehicle Emissions Trading Schemes Order 2023 (alternative specific emissions of CO_2: OVC hybrid electric vehicles) (S.I. 2023/1394) (see paragraph 1 of that Schedule).

(4) For the purposes of this section, in determining the electric range figure for a car, ignore any values specified in an EC certificate of conformity, an EC type-approval certificate or a UK approval certificate that are not WLTP (worldwide harmonised light vehicle test procedures) values."

(4) The amendments made by subsections (2) and (3) have effect—

(a) for the tax years 2024-25 to 2027-28, and

(b) in relation to a car to which subsection (5) applies, for the tax years 2028-29 to 2030-31.

(5) This subsection applies to a car made available to an employee or a member of the employee's family or household pursuant to pre-6 April 2028 arrangements.

(6) Where—

(a) a car is made available by an employer to an employee or a member of the employee's family or household pursuant to pre-6 April 2028 arrangements, and

(b) the arrangements are varied on or after 6 April 2028 only so far as is necessary to ensure that the car is made available by the employer to another employee or a member of the other employee's family or household pursuant to the arrangements,

the car is treated as being made available by the employer to the other employee or member pursuant to pre-6 April 2028 arrangements.

(7) If pre-6 April 2028 arrangements are otherwise varied or renewed on or after 6 April 2028, the car is treated, with effect from the beginning of the day on which the variation or renewal takes effect, as not being made available pursuant to pre-6 April 2028 arrangements.

(8) In subsection (7) the reference to arrangements being varied does not include a variation which is required for reasons beyond the control of the parties to the arrangements.

(9) In this section "pre-6 April 2028 arrangements" means arrangements which are entered into before 6 April 2028.

(10) Sections 136A(5) and 138A of ITEPA 2003, and subsections (1) to (3) of this section, are repealed.

(11) Subsection (10) comes into force on 6 April 2031.

Other employment income

20 Employment income: miscellaneous exemptions

(1) Chapter 11 of Part 4 of ITEPA 2003 (employment income: miscellaneous exemptions) is amended in accordance with subsections (2) to (4).

(2) After section 316 insert—

"316ZA Accommodation, supplies and services used in employment duties: payment or reimbursement of expenses

(1) No liability to income tax arises in respect of the payment or reimbursement of expenses incurred by an employee on behalf of the employer in respect of the provision for the employee of accommodation, supplies or services if conditions A and B are met.

(2) Condition A is that, at the time the accommodation, supplies or services are first provided, the intention of the employer is that—

(a) they will be used by the employee in performing duties of the employment, and

(b) any use of them for private purposes by the employee or members of the employee's family or household will not be significant.

(3) Condition B is that where the provision is otherwise than on premises occupied by the employer—

(a) its sole purpose is to enable the employee to perform the duties of the employee's employment, and

(b) what is provided is not an excluded benefit.

(4) In this section "for private purposes" and "excluded benefit" have the same meaning as in section 316."

(3) In section 320A (eye tests and special corrective appliances)—

(a) after subsection (1) insert—

"(1A) No liability to income tax arises in respect of the payment or reimbursement of expenses incurred by an employee in respect of the provision for the employee of a test or appliances of the kind mentioned in subsection (1) if conditions A and B are met.";

(b) in subsection (3), after "regulations" insert ", whether by way of provision under subsection (1) or payment or reimbursement under subsection (1A)".

(4) After section 320C insert—

"Flu vaccinations

320D Flu vaccinations

(1) No liability to income tax arises in respect of the provision for an employee of an influenza vaccination if the provision is not made pursuant to relevant salary sacrifice arrangements.

(2) No liability to income tax arises in respect of the payment or reimbursement of expenses incurred by an employee in respect of the provision for the employee of an influenza vaccination if the payment or reimbursement is not made pursuant to relevant salary sacrifice arrangements.

(3) In this section "relevant salary sacrifice arrangements" means arrangements (whenever made, whether before or after the employment began) under which the employee gives up the right to receive an amount of general earnings or specific employment income in return for the provision of an influenza vaccination or the payment or reimbursement of the cost of such a vaccination."

(5) In section 266(3) of ITEPA 2003 (exemption of non-cash vouchers for exempt benefits)—

(a) omit the "or" after paragraph (f);

(b) after paragraph (g) insert ", or

(h) section 320D (flu vaccinations)."

(6) In section 267(2) of ITEPA 2003 (exemption of credit-tokens used for exempt benefits)—

(a) omit the "and" after paragraph (h);

(b) after paragraph (i) insert ", and

(j) section 320D (flu vaccinations)."

(7) The amendments made by this section have effect in relation to the tax year 2026-2027 and subsequent tax years.

21 Disallowing deduction from earnings for additional household expenses

(1) After section 360A of ITEPA 2003 (no deduction from earnings for social security contributions) insert—

"360B Additional household expenses

(1) No deduction from earnings is allowed under this Chapter for additional household expenses which the employee incurs in the performance of the duties of the employment at home.

(2) In this section, "household expenses" has the same meaning as in section 316A."

(2) The amendment made by this section has effect for the tax year 2026-27 and subsequent tax years.

22 Payment for cancelled shifts etc.

(1) After section 221 of ITEPA 2003 (payments where employee absent because of sickness or disability) insert—

"221A Payment for cancelled, moved or curtailed shift

(1) This section applies to a payment made to an employee under section 27BP of the Employment Rights Act 1996 (right to payment for a cancelled, moved or curtailed shift) by reason of the employee's employment.

(2) The payment—

(a) is to be treated as earnings from the employment for the relevant tax year, and

(b) does not constitute earnings from the employment by virtue of any other provision.

(3) For the purposes of this section and the application of Part 2 of this Act (charge to tax) to amounts treated as earnings under this section—

(a) "employee" includes a former employee or individual who was a prospective employee immediately before the shift was cancelled, moved or curtailed, and

(b) employment is to be construed accordingly.

(4) Accordingly, for the purposes of applying this section and Part 2 of this Act (charge to tax) to a payment made to a prospective employee by reason of a prospective employment it does not matter whether the prospective employee ever holds the employment.

(5) Sections 17 and 30 (treatment of earnings for year in which employment not held) do not apply in connection with determining the year for which amounts are to be treated as earnings under this section.

(6) In this section "relevant tax year" means the tax year in which the duties of the shift in respect of which the payment under subsection (1) was made that were not performed would have been performed if the shift had not been cancelled, moved or curtailed."

(2) The amendment made by this section comes into force on the first day on which the duty in section 27BP(1) of the Employment Rights Act 1996 has effect.

23 Location of duties of employment where duties not performed

(1) ITEPA 2003 is amended as follows.

(2) In section 27 (UK-based earnings for year when employee not resident in UK)—

(a) in subsection (1)—

(i) at the end of paragraph (a) insert "that do not fall within paragraph (c)";

(ii) at the end of paragraph (b) insert "that do not fall within paragraph (c)";

(iii) at the end of paragraph (c) insert "and which have been reduced by a claim for relief under section 414 (reduction in other cases of foreign service)";

(b) in subsection (2), for "(1)(a) or (b)" substitute "(1)";

(c) omit subsection (2A);

(d) in subsection (3), for "Subsections (2) and (2A) apply" substitute "Subsection (2) applies".

(3) In section 38 (earnings for period of absence from employment)—

(a) in subsection (1), for "This section" substitute "Subsection (2)";

(b) after subsection (2) insert—

"(3) If and to the extent that general earnings for a period of absence from an employment are not treated for the purposes of this Chapter as general earnings in respect of duties performed in the United Kingdom, the general earnings are to be treated for the purposes of this Chapter as general earnings in respect of duties performed outside the United Kingdom.

(4) For the purposes of this section references to "general earnings for a period of absence" do not include any general earnings to which section 221A (cancelled, moved or curtailed shift) applies (see section 38A)."

(4) After section 38 (earnings for period of absence from employment) insert—

"38A Earnings relating to duties not performed

(1) This section applies for determining the extent to which general earnings that relate to duties that were not performed are to be treated for the purposes of this Chapter as general earnings in respect of duties performed in the United Kingdom.

(2) For the purposes of this section—

(a) "general earnings" means an amount of general earnings specified in the first column of the table, and

(b) the "duties that were not performed", in relation to general earnings, means the duties specified in the corresponding entry in the second column of the table.

General earnings	Duties that were not performed
General earnings to which section 221A (cancelled, moved or curtailed shift) applies	The duties that it is reasonable to assume would have been performed during the shift but were not performed because of the shift's cancellation, movement or curtailment
General earnings to which section 402B (termination payments etc) applies	The duties that it is reasonable to assume would have been performed during the post-employment notice period as defined by section 402E if the employee's employment had not been terminated until the end of that period
General earnings which consist of a payment in lieu of notice to which Chapter 3 of Part 6 (termination payments etc). does not apply	The duties that it is reasonable to assume would have been performed during the notice period if the employee's employment had not been terminated until the end of that period
Any other general earnings in respect of duties that an employee does not perform other than any general earnings for a period of absence from employment	The duties that the employee does not perform

(3) Subsection (4) applies to the general earnings from an employment for a tax year if—

(a) it is reasonable to assume that some or all of the duties that were not performed would have been performed in the United Kingdom, or

(b) any duties of the employment performed during that tax year are performed wholly or partly in the United Kingdom.

(4) The general earnings are to be treated for the purposes of this Chapter as general earnings in respect of duties performed in the United Kingdom except in so far as, had the duties that were not performed been performed, general earnings in respect of those duties would have been general earnings for duties performed outside the United Kingdom.

(5) If and to the extent that the general earnings are not treated for the purposes of this Chapter as general earnings in respect of duties performed in the United Kingdom, the general earnings are to be

treated for the purposes of this Chapter as general earnings in respect of duties performed outside the United Kingdom."

(5) In section 41Y (location of employment duties), in subsection (1), for "applies" substitute "and section 38A (earnings in respect of duties not performed) apply".

(6) In section 402B (termination awards not benefiting from threshold to be treated as earnings), omit subsection (1)(b) (and the "but" before it).

(7) The amendments made by this section have effect in relation to general earnings that are, for the purposes of Chapter 4 or 5 of Part 2 of ITEPA 2003—

(a) for tax years 2026-27 and subsequent tax years, and

(b) treated as received on or after 6 April 2026.

24 Umbrella companies

(1) ITEPA 2003 is amended as follows.

(2) In Part 2 (employment income: charge to tax), after Chapter 10 insert—

"CHAPTER 11

UMBRELLA COMPANIES

61Y Umbrella companies: joint and several liability

(1) Subsection (2) applies if—

(a) an individual ("the worker") personally provides services, or enters into arrangements with a view to personally providing services, to another person ("the client"),

(b) the worker is employed by a third person ("the umbrella company")—

(i) that carries on a business (whether or not with a view to profit and whether or not in conjunction with any other business) of supplying labour, and

(ii) that is not a company in which the worker has a material interest, and

(c) the umbrella company arrangements conditions are met.

(2) Each relevant party (see section 61Z) is, along with the umbrella company, jointly and severally liable to pay any amount payable, in accordance with the PAYE provisions, by the umbrella company in relation to a qualifying umbrella company payment.

(3) A "qualifying umbrella company payment" means a payment made in respect of the employment of the worker to the extent that it is not in respect of the provision of services to a person other than the client.

(4) The umbrella company arrangements conditions are that—

(a) there is a contract between the umbrella company and—

(i) the client, or
(ii) another person,

(b) under or in consequence of the contract—
(i) the services are provided, or
(ii) the umbrella company is paid, or otherwise provided with consideration, for the services, and

(c) if the contract is not between the umbrella company and the client—
(i) there is a contract between the client and another person,
(ii) the provision of the services or of payment or other consideration for the services is also a consequence of that other contract (whether directly or as a result of a series of contracts involving other persons).

(5) For the purposes of subsection (1)(b)(ii)—

(a) "material interest", in relation to a company, means—
(i) beneficial ownership of, or the ability to control, directly or through the medium of other companies or by any other indirect means, more than 5% of the ordinary share capital of the company,
(ii) possession of, or entitlement to acquire, rights entitling the holder to receive more than 5% of any distributions that may be made by the company, or
(iii) where the company is a close company, possession of, or entitlement to acquire, rights that would in the event of the winding up of the company, or in any other circumstances, entitle the holder to receive more than 5% of the assets that would then be available for distribution among the participators, but

(b) the worker is to be regarded as not having a material interest in a company if that interest is a result, to any extent, of any arrangements the main purpose, or one of the main purposes, of which is to secure that subsection (2) does not apply.

(6) And for the purposes of subsection (5)(a) "participator" has the meaning given by section 454 of CTA 2010.

(7) In this Chapter—

"arrangements" include any agreement, understanding, scheme transaction or series of transactions (whether or not legally enforceable);

"the client", "the umbrella company" and "the worker" are to be construed in accordance with subsection (1);

"employed", in relation to an individual, does not include the individual being treated as employed as a result of any of—

(a) Chapters 7 to 10 of this Part (deemed employment by intermediaries), or

(b) section 863A of ITTOIA 2005 (deemed employment of partners in limited liability partnerships),

and "employer" is to be construed accordingly;

"PAYE provisions" means the provisions of Part 11 or PAYE regulations;

"the umbrella company arrangements conditions" means the conditions set out in subsection (4).

61Z Relevant parties

(1) If the contract referred to in subsection (4)(a) of section 61Y is between the umbrella company and a person other than the client, the person referred to in subsection (4)(c)(i) of that section is a relevant party.

(2) The client is a relevant party if—

(a) the contract referred to in subsection (4)(a) of that section is between the umbrella company and the client, or

(b) the person referred to in subsection (4)(c)(i) of that section—

(i) is connected with the umbrella company, or

(ii) is non-UK resident.

(3) In a case where—

(a) both the client and the person referred to in subsection (4)(c)(i) of section 61Y are non-UK resident,

(b) the provision of the services or payment or other consideration for the services is a consequence of a series of contracts involving other persons (other than the worker), and

(c) at least one of those persons is UK resident,

the person who is UK resident and is closest, by reference to that series of contracts, to the client is a relevant party.

61Z1 Purported umbrella companies

(1) Subsection (5) applies if any of the following cases applies.

(2) Case 1 is that—

(a) a person ("the purported umbrella company") participates in arrangements that would, if an individual were employed by the purported umbrella company, result in the umbrella company arrangements conditions being met in relation to services the individual provides to the client,

(b) either—

(i) it is reasonable to suppose that one or more participants in the arrangements, other than the purported umbrella company or the individual, would assume that the

purported umbrella company is the employer of that individual, or

(ii) the purported umbrella company has taken any step that it is reasonable to suppose was intended to give the impression to any person (whether or not that impression is given) that the purported umbrella company is the employer of the individual,

(c) the individual is not employed by the purported umbrella company, and

(d) if the individual were employed by the purported umbrella company subsection (2) of section 61Y would apply.

(3) Case 2 is that—

(a) a person ("the purported umbrella company") participates in arrangements that would, if an individual were employed by the purported umbrella company, result in the umbrella company arrangements conditions being met in relation to services the individual provides to the client,

(b) the individual would, ignoring this section, be treated as employed by the purported umbrella company as a result of Chapter 7 of this Part,

(c) if the individual were employed by the purported umbrella company subsection (2) of section 61Y would apply,

(d) if it did apply accordingly, the contract referred to in subsection (4)(a) of that section would be between the umbrella company and the client, and

(e) the provision of the services by the individual to the client was not as a result of services having been provided to the individual in connection with finding the client with a view to the individual personally providing services to the client—

(i) by the purported umbrella company, or

(ii) where the provision of services to the client is as a result of a series of contracts, by one or more of the parties to those contracts.

(4) Case 3 is that—

(a) a company ("the purported umbrella company") in which an individual has a material interest, within the meaning given by subsection (5)(a) of section 61Y, participates in arrangements that would, if the company were the umbrella company, result in the umbrella company arrangements conditions being met in relation to services the individual provides to the client,

(b) either—

(i) it is reasonable to suppose that one or more participants in the arrangements, other than the purported umbrella company or the individual, would assume that a substantial proportion of amounts provided to the

purported umbrella company in respect of the services will be paid to the individual as earnings, or

(ii) the purported umbrella company has taken any step that it is reasonable to suppose was intended to give the impression to any person (whether or not that impression is given) that a substantial proportion of amounts provided to the purported umbrella company in respect of the services will be paid to the individual as earnings,

(c) it is not the case that a substantial proportion of amounts provided to the purported umbrella company in respect of the services is paid to the individual as earnings, and

(d) subsection (2) of section 61Y would apply if subsection (1)(b)(ii) of that section (requirement that the umbrella company is not a company in which the worker has a material interest) were omitted.

(5) If this subsection applies—

(a) the individual is to be treated for income tax purposes as holding an employment with the purported umbrella company, the duties of which consist of the services the individual provides to the client,

(b) all relevant remuneration is to be treated for income tax purposes as earnings from that employment,

(c) where there is any provision of relevant remuneration (by any person and to any person) that does not result (whether as a direct result of that provision, as a result of the onward provision of that remuneration or otherwise) in the payment of PAYE income of that remuneration, or any part of it, to the individual, the purported umbrella company is treated as making, and the individual is treated as receiving—

(i) a payment of PAYE income in the relevant amount made at the time it was provided for the purposes of the PAYE provisions, and

(ii) a qualifying umbrella company payment made in the relevant amount at that time for the purposes of section 61Y(3),

(d) Chapters 7 to 10 of this Part (deemed employment by intermediaries) do not apply in relation to the provision of those services,

(e) section 863A (deemed employment of partners in limited liability partnerships) of ITTOIA 2005 does not apply so far as it otherwise would apply in relation to the provision of those services, and

(f) accordingly, section 61Y(2) will apply in relation to the purported umbrella company.

(6) For the purposes of subsection (5)—

(a) in paragraph (c) the relevant amount means so much of the remuneration provided as does not result in the payment of PAYE income to the individual, and

(b) that paragraph only applies in relation to the initial provision of an amount of relevant remuneration (and not to any subsequent onward provision of that same amount).

(7) If subsection (5) would, ignoring this subsection, apply in relation to more than one purported umbrella company in relation to services the individual provides to the client, that subsection only applies in relation to the purported umbrella company that—

(a) is a person to whom PAYE regulations apply and is closest to the individual, by reference to the contract or series of contracts resulting in the provision of those services, or

(b) if none of the purported umbrella companies is a person to whom PAYE regulations apply, is closest to the individual by reference to that contract or those contracts.

(8) Where subsection (5) applies and there is a person who is an umbrella company in relation to the services the individual provides to the client, that subsection has effect as if—

(a) paragraph (a) were omitted,

(b) in paragraph (b), the reference to that employment were to the employment of the individual by the umbrella company,

(c) in paragraph (c), the reference to the purported umbrella company were to the umbrella company, and

(d) paragraph (f) were omitted.

(9) Subsection (10) applies where subsection (5) applies and there is more than one person who—

(a) is an umbrella company in relation to services the individual provides to the client, or

(b) is a purported umbrella company in relation to those services (including a purported umbrella company in relation to which subsection (5) does not apply as a result of subsection (7)).

(10) Where this subsection applies, each of the persons falling within paragraphs (a) or (b) of subsection (9) is (to the extent this would not otherwise be the case) jointly and severally liable to pay any amount payable, in accordance with the PAYE provisions, in relation to the relevant remuneration.

(11) For the purposes of this section "relevant remuneration" means—

(a) all remuneration receivable by the individual (from any person) in consequence of providing the services, and

(b) any other amount that it is just and reasonable to attribute to provision of the services by the individual (for example, any amounts that would form part of any deemed direct

employment payment or deemed direct payment if any of Chapters 8, 9 or 10 of this Part applied).

61Z2 Disclosures to liable persons

(1) Subsection (2) applies where an officer of Revenue and Customs considers that a person is, or may be, jointly and severally liable to pay an amount as a result of this Chapter.

(2) The officer may at any time disclose to the person such information as the officer considers appropriate (whether or not such a disclosure would otherwise be permitted under section 18(2)(a) of CRCA 2005 or any other enactment) for the purposes of informing the person about that liability ("the joint liability") including—

(a) the identity of any person who is an umbrella company, a purported umbrella company or the worker in relation to the arrangements to which the joint liability relates, and

(b) information about the nature and extent of the liability of an umbrella company or a purported umbrella company that (by virtue of this Chapter) results, or may result, in the joint liability.

(3) Information disclosed in reliance on subsection (2) may not be further disclosed without the consent of the Commissioners for His Majesty's Revenue and Customs (which may be general or specific).

(4) Where a person contravenes subsection (3) by disclosing information relating to a person whose identity—

(a) is specified in the disclosure, or

(b) can be deduced from it,

section 19 of CRCA 2005 (offence of wrongful disclosure) applies in relation to the disclosure as it applies in relation to a disclosure in contravention of section 20(9) of that Act.

(5) In this section "CRCA 2005" means the Commissioners for Revenue and Customs Act 2005."

(3) In section 7 (meaning of employment income etc), in subsection (5)(a)—

(a) for "10" substitute "11", and

(b) omit "and", and

(c) after "companies" insert "and purported umbrella companies".

(4) In section 44 (treatment of workers supplied by agencies)—

(a) in subsection (4), omit paragraph (b) (and the "or" before it),

(b) in subsection (5)(b), omit "or (as the case may be) with the relevant person", and

(c) omit subsection (6).

(5) In section 61V (consequences of providing fraudulent information), after subsection (4) insert—

"(4A) But where the fraudulent documentation condition would (ignoring this subsection) be met as a result of the provision of a fraudulent document intended to constitute evidence that section 61Y (umbrella companies) applies in relation to the services provided by the worker, that condition is to be treated as not met."

(6) In section 684(2) (PAYE regulations), in the list of provisions, after item 7 insert—

"7ZA. Provision in connection with the recovery of amounts to which a person is jointly and severally liable as a result of Chapter 11 of Part 2 (umbrella companies)."

(7) In section 689(4) (employee of non-UK employer), after "sections" insert "61Z1(5)(c)(i),".

(8) In section 716B (employment intermediaries to keep, preserve and provide information etc)—

(a) in subsection (1)—

(i) omit "of Part 2", and

(ii) after "agencies)" insert "or 11 (umbrella companies) of Part 2", and

(b) in subsection (2), in the words before paragraph (a)—

(i) after "person" insert "(other than an individual mentioned in paragraph (a) or (b))", and

(ii) after "makes" insert "or participates in".

(9) In regulation 69 of the Income Tax (Pay As You Earn) Regulations 2003, in paragraph (1A)—

(a) the words from "any amount" to the end become sub-paragraph (a),

(b) in that sub-paragraph, omit the words from "whether" to the end, and

(c) after that sub-paragraph insert ", and

(b) any amount the employer must account for under regulation 62(5) (notional payments) in respect of notional payments made by the employer during the tax period,

whether or not those amounts were included in any return under regulation 67B (real time returns of information about relevant payments) or 67D (exceptions to regulation 67B)."

(10) In regulation 80 of those Regulations (determination of unpaid tax and appeal against determination), after paragraph (5) insert—

"(5A) Where a person is jointly and severally liable to pay an amount as a result of Chapter 11 of Part 2 of ITEPA 2003 (umbrella companies)—

(a) this regulation applies to that amount as it applies to an amount of tax payable by an employer (and the references to "the employer" in paragraphs (2) and (5)(b) are to be read accordingly),

(b) in cases that operate by reference to a determination made, or that may be made, under this regulation in relation to the person, the references to "the employer" in the following provisions are to be treated as references to the person—

(i) regulation 81(4) (employee liability if tax unpaid after regulation 80 determination), and

(ii) regulation 97P(1) (persons from whom security for PAYE can be required), and

(c) the references to "the employer" in regulation 72E(6) and regulation 72F (recovery from employee of tax that has been self-assessed etc.) are to be treated as references to the person for the purposes of making a direction under section 72F in relation to the person."

(11) The amendments made by this section have effect in relation to payments made on or after 6 April 2026.

25 Loan charge settlement scheme

(1) The Treasury must by regulations provide for a scheme under which persons who are liable to pay loan charge amounts may enter into an agreement ("a settlement agreement") with the Commissioners as regards those amounts.

(2) The scheme must provide that the Commissioners must, in accordance with the scheme, make an offer to enter into a settlement agreement ("a settlement offer") to every person who—

(a) they believe is liable to pay loan charge amounts, and

(b) is not a person who the Commissioners reasonably suspect is, or has at any time been—

(i) a promoter or introducer for the purposes of Part 7 of FA 2004 (disclosure of tax avoidance schemes), or

(ii) a director or shadow director of such a person.

(3) The scheme must provide that a settlement offer made to a person (P) must—

(a) set out the terms of the proposed settlement agreement, including—

(i) the loan charge amounts to which it would apply ("relevant loan charge amounts"), and

(ii) the amount P would instead be required to pay under it ("settlement amount"), and

(b) remain open to P for such reasonable period as may be specified by the scheme.

(4) The scheme must provide that the relevant loan charge amounts must not include loan charge amounts which are the subject of, or under, a contract settlement entered into before 1 June 2021.

(5) The scheme must provide that if P enters into the proposed settlement agreement with the Commissioners—

(a) every relevant loan charge amount ceases to be, or will no longer become, payable by P, but

(b) P is instead liable to pay the settlement amount.

(6) The scheme must provide for the calculation of P's settlement amount and must secure—

(a) that amounts are arrived at by—

(i) determining the value of the Schedule 11 or 12 to F(No. 2)A 2017 loans and quasi-loans to which the relevant loan charge amounts are connected,

(ii) determining the other amounts paid to P under the arrangements under which those loans or quasi-loans were made,

(iii) determining the amounts charged to P (as deductions, fees or otherwise) under those arrangements,

(iv) attributing the amounts determined as mentioned in sub-paragraphs (i) to (iii) to tax years in accordance with the scheme and assuming that income tax and national insurance contributions were payable as regards those tax years in relation to those amounts, and

(v) on that assumption, determining the total amount for each of those tax years of the additional income tax and national insurance contributions which would have been payable by P as regards the tax year ("starting amount"),

(b) that the starting amount for each tax year is lowered (but not below nil) by the amount that results from adding together—

(i) the amount of reduction given by reducing by 10% the first £50,000 of the total amount attributed to the tax year under paragraph (a)(iv), and

(ii) the amount of reduction given by reducing by 5% the next £100,000 of that total,

(c) that the amounts produced by this are added together and the resulting amount is lowered by £5,000 (but not below nil),

(d) that this lowered amount is the settlement amount, unless it is more than £70,000 lower than P's loan charge gross liability, and

(e) that, if that lowered amount is more than £70,000 lower than P's loan charge gross liability, the settlement amount is instead P's loan charge gross liability minus £70,000.

(7) In this section—

"loan charge amount" means an amount which—

(a) arises in connection with a Schedule 11 or 12 to F(No. 2)A 2017 loan or quasi-loan,

(b) is not an amount of inheritance tax,

(c) is payable, or becomes payable in the future, to the Commissioners under or by virtue of any enactment or under a contract settlement, and

(d) has not yet been paid;

"loan charge gross liability", in relation to a person, means the total of the loan charge amounts the person was liable to pay before any payment of those amounts.

(8) A reference in this section to a Schedule 11 or 12 to F(No. 2)A 2017 loan or quasi-loan is to—

(a) a loan or quasi-loan (within the meaning of paragraph 2 of Schedule 11 to F(No. 2)A 2017) by reason of which a person is treated, under paragraph 1 of Schedule 11 to F(No. 2)A 2017, as taking a relevant step for the purposes of Part 7A of ITEPA 2003, or

(b) a loan or quasi-loan (within the meaning of paragraph 2 of Schedule 12 to F(No. 2)A 2017) which is treated for the purposes of sections 23A to 23H of ITTOIA 2005 as a relevant benefit by reason of paragraph 1 of Schedule 12 to F(No. 2)A 2017.

(9) In this section—

"the Commissioners" means the Commissioners for His Majesty's Revenue and Customs;

"contract settlement" has the meaning given by section 25 of CRCA 2005;

"shadow director" has the meaning given by section 251 of the Companies Act 2006.

26 Loan charge settlement scheme: inheritance tax

(1) The scheme may provide that, if a person enters into a settlement agreement, amounts of inheritance tax payable by the person which—

(a) arise as a result of transfers of value and other occasions of charge occurring—

(i) in connection with a settlement (within the meaning of section 43 of IHTA 1984) used as part of arrangements under which the relevant Schedule 11 or 12 to F(No. 2)A 2017 loans and quasi-loans were made, and

(ii) before the end of 3 months after the date on which the settlement offer, in relation to the settlement agreement, was made to the person, and

(b) have not yet been paid,

cease to payable by the person.

(2) The scheme may provide, if a person enters into a settlement agreement, for adjustments in amounts of inheritance tax payable by other persons which—

(a) arise as mentioned in subsection (1)(a),

(b) are attributable to property used for making the relevant Schedule 11 or 12 to F(No. 2)A 2017 loans and quasi-loans, and

(c) have not yet been paid.

(3) The scheme must provide that, if a person enters into a settlement agreement, no relevant Schedule 11 or 12 to F(No. 2)A 2017 loan or quasi-loan is to be treated as a liability for the purposes of section 5(3) of IHTA 1984.

(4) In this section, references to relevant Schedule 11 or 12 to F(No. 2)A 2017 loans and quasi-loans are to the Schedule 11 or 12 to F(No. 2)A 2017 loans and quasi-loans to which the loan charge amounts to which the settlement agreement applies are connected.

(5) Expressions used in this section and section 25 have the same meaning in this section as they have in section 25.

(6) In this section, "transfer of value" has the same meaning as in IHTA 1984 (see, in particular, section 3 of that Act).

27 Loan charge settlement scheme: supplementary

(1) The scheme may make provision—

(a) about the process of making settlement offers and entering into settlement agreements;

(b) for settlement offers to be conditional upon the persons to whom they are made doing specified things;

(c) about the terms which may, must or may not be included in settlement agreements;

(d) supplementing—

(i) provision made under section 25(6) about the calculation of settlement amounts, and

(ii) the definitions in section 25(7) of "loan charge amount" and "loan charge gross liability";

(e) adapting provision made under section 25(6), in cases where a settlement offer is made to a person who is not an individual, about the calculation of settlement amounts (including provision for the calculation to be different to what is required by section 25(6));

(f) for the use of estimates in relation to any amount;

(g) about liabilities which are incidental to, or otherwise connected with, loan charge amounts;

(h) for amounts paid by a person towards the person's loan charge gross liability to be credited against a liability of the person to pay a settlement amount (but to no greater extent than discharging that liability);

(i) for anything else the Treasury consider appropriate for the purpose of the scheme.

(2) The things specified under subsection (1)(b) may include, for example, a person to whom a settlement offer is made entering into a contract settlement in relation to amounts specified in the settlement offer which—

(a) are not loan charge amounts,

(b) are payable, or become payable in the future, to the Commissioners by the person under or by virtue of any enactment, and

(c) have not yet been paid.

(3) The provision which may be made under subsection (1)(d)(ii) includes provision setting out the descriptions of amounts which arise in connection with a Schedule 11 or 12 to F(No. 2)A 2017 loan or quasi-loan.

(4) The provision which may be made under subsection (1)(g) includes provision—

(a) treating penalties, or other amounts which are not loan charge amounts but are connected with them, as never having arisen or ceasing to be payable, and

(b) crediting amounts paid towards such liabilities against other liabilities to pay a settlement or other amount to the Commissioners or for the Commissioners to repay those paid amounts.

(5) The scheme may make—

(a) different provision for different purposes or cases;

(b) provision generally or for specified cases;

(c) provision subject to exceptions;

(d) incidental, supplementary, consequential or transitional provision.

(6) Regulations providing for the scheme are to be made by statutory instrument and are subject to annulment in pursuance of a resolution of the House of Commons.

(7) A settlement agreement is a contract settlement for the purposes of sections 25 and 25A of CRCA 2005.

(8) Expressions used in this section and section 25 or 26 have the same meaning in this section as they have in section 25 or 26.

Capital allowances and other reliefs for businesses

28 Main rate of writing-down allowances for expenditure on plant or machinery

(1) In section 56 of CAA 2001 (amount of plant and machinery allowances), in subsection (1) (which specifies the main rate of writing-down allowances), for "18%" substitute "14%".

(2) The amendment made by subsection (1) has effect in relation to chargeable periods beginning on or after the relevant day, that is to say—

(a) for corporation tax purposes, 1 April 2026, and

(b) for income tax purposes, 6 April 2026.

(3) The amendment made by subsection (1) also has effect in relation to chargeable periods beginning before and ending on or after the relevant day but as if the reference to 14% were a reference instead to X%.

(4) For this purpose X is found by adding (18 x BRD/CP) to (14 x ARD/CP).

(5) Where X would be a figure with more than 2 decimal places, it is to be rounded up to the nearest second decimal place.

(6) In subsection (4)—

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

"ARD" means the number of days in the chargeable period on and after the relevant day, and

"CP" means the number of days in the chargeable period.

29 First-year allowance for main rate expenditure on plant or machinery

(1) Part 2 of CAA 2001 (plant and machinery allowances) is amended as follows.

(2) In section 39 (first-year allowances available for certain types of qualifying expenditure only), after the entry relating to section 45S insert—

"section 45U	expenditure on plant or machinery in cases not falling within section 45S etc".

(3) After section 45T insert—

"45U Expenditure on plant or machinery in cases not falling with section 45S etc

Expenditure is first-year qualifying expenditure if—

(a) it is incurred on or after 1 January 2026,

(b) it is not special rate expenditure,

(c) it is expenditure on plant or machinery which is unused and not second-hand, and

(d) it is not excluded by section 45V (exclusion of expenditure under disqualifying arrangements) or 46 (general exclusions).

45V Exclusion of expenditure incurred under disqualifying arrangements

(1) Expenditure is not first-year qualifying expenditure under section 45U if the expenditure is incurred directly or indirectly in consequence of, or otherwise in connection with, disqualifying arrangements.

(2) Arrangements are "disqualifying arrangements" for the purposes of this section if—

(a) the main purpose, or one of the main purposes, of the arrangements is to secure a tax advantage connected with expenditure being first-year qualifying expenditure under section 45U, and

(b) it is reasonable, taking account of all the relevant circumstances—

(i) to conclude that the arrangements are, or include steps that are, contrived, abnormal or lacking a genuine commercial purpose, or

(ii) to regard the arrangements as circumventing the intended limits of relief under this Act or otherwise exploiting shortcomings in this Act.

(3) In this section "arrangements" include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."

(4) In section 46 (general exclusions)—

(a) in subsection (1), after the entry relating to section 45S insert—

"section 45U	(expenditure on plant or machinery in cases not falling within section 45S etc)", and

(b) after subsection (4A) insert—

"(4B) General exclusion 6 does not prevent expenditure being first-year qualifying expenditure under section 45U if—

(a) the plant or machinery is provided for leasing to a lessee for use by the lessee wholly, or almost wholly, for the purpose of earning income which is within the charge to tax, or

(b) the plant or machinery is provided for leasing to a lessee who is resident in the United Kingdom where the circumstances are such that the plant or machinery is not for use (to a significant extent) by the lessee for the purpose of earning income which is from a source outside the United Kingdom and which is outside the charge to tax.

(4C) For the purposes of subsection (4B) income is to be regarded as being outside the charge to tax if the income arises to a person who under—

(a) double taxation arrangements, or

(b) unilateral relief arrangements,

is afforded or is entitled to claim any relief from the tax chargeable on the income.

(4D) For this purpose "double taxation arrangements" and "unilateral relief arrangements" have the same meaning as they have in Part 2 of the Taxation (International and Other Provisions) Act 2010 (see sections 2(4) and 8(1) respectively).

(4E) For the purposes of subsection (4B) it is to be presumed that, unless the contrary is shown, a lessee has made every claim or election for relief from tax, and every claim or election for an exemption from tax, which the lessee is entitled to make.

(4F) For the purposes of subsection (4B), if there is more than one lessee, references to the lessee are to each of the lessees.

(4G) For the purposes of subsections (4B) to (4F), any reference to leasing or a lessee includes sub-leasing and a sub-lessee."

(5) In section 52 (first-year allowances), in subsection (3), in the table, at the end insert—

"Expenditure qualifying under section 45U (expenditure on plant or machinery in cases not falling within section 45S etc)	40%".

30 Expenditure on zero-emission cars and electric vehicle charging points

In—

(a) section 45D of CAA 2001 (expenditure on zero-emission cars), in subsection (1B)(a) and (b) (which specify the date on or before which expenditure must be incurred to qualify for a first-year allowance), and

(b) section 45EA of that Act (expenditure on plant or machinery for electric vehicle charging point), in subsection (3)(a) and (b) (which specify the date on or before which expenditure must be incurred to qualify for a first-year allowance),

for "2026" substitute "2027".

31 Payments for surrender of expenditure credits

(1) In section 1042N of CTA 2009 (amounts surrendered to other group companies), after subsection (4) insert—

"(5) Subsection (6) applies (in addition to subsection (3)) if—

(a) the qualifying company and the other group member have an agreement between them in relation to the surrendering of amounts of expenditure credit, and

(b) as a result of the agreement the other group member makes a payment to the qualifying company that does not exceed the total amount of expenditure credit surrendered to the other group member.

(6) The payment is not to be—

(a) taken into account in determining, for corporation tax purposes, the profits of the qualifying company or the other group member, or

(b) regarded for corporation tax purposes as a distribution."

(2) In section 1179CE of CTA 2009 (amounts surrendered to other group companies), after subsection (4) insert—

"(5) Subsection (6) applies (in addition to subsection (3)) if—

(a) the qualifying company and the other group member have an agreement between them in relation to the surrendering of amounts of expenditure credit, and

(b) as a result of the agreement the other group member makes a payment to the qualifying company that does not exceed the total amount of expenditure credit surrendered to the other group member.

(6) The payment is not to be—

(a) taken into account in determining, for corporation tax purposes, the profits of the qualifying company or the other group member, or

(b) regarded for corporation tax purposes as a distribution."

(3) The amendments made by this section have effect in relation to payments made on or after 26 November 2025.

32 Transition from video games tax relief

(1) Schedule 2 to FA 2024 (expenditure credits for films, television programmes and video games) is amended as follows.

(2) After paragraph 24 insert—

"Calculation of expenditure credit where company previously benefiting from video games tax relief

24A(1) Sub-paragraph (2) applies if—

(a) a company makes an election under section 1179B(1) of CTA 2009 in relation to a video game in its company tax return for an accounting period, and

(b) in an earlier accounting period, the company was entitled to, and claimed, special video games relief (within the meaning of section 1217E(1) of CTA 2009) in respect of that video game.

(2) Section 1179CA(1) of CTA 2009 (amount of expenditure credit) has effect as if for Step 2 there were substituted—

"Step 2

Deduct from that total the sum of—

(a) so much of that expenditure as was incurred in accounting periods before the opt-in period and that is not European expenditure (within the meaning of section 1217AE), and

(b) so much of that expenditure as was incurred in the opt-in period or any later accounting period and that is not UK expenditure (see section 1179AB).""

(3) In paragraph 18 (opting into new regime during transitional period), in sub-paragraph (5)(b), for "24" substitute "24A".

(4) The amendments made by this section have effect in relation to elections made under section 1179B(1) of CTA 2009 in relation to any opt-in period commencing on or after 26 November 2025.

33 Special credit for visual effects

(1) Section 1179EC of CTA 2009 (special credit for visual effects) is amended as follows.

(2) In subsection (2)—

(a) omit the "and" after paragraph (a),

(b) after that paragraph insert—

"(aa) a claim for Chapter 3 credit has been made for the last accounting period in the AVEC period (which may be the claim period) in which the company incurred relevant global expenditure (see section 1179CA(2)) that is UK expenditure (see section 1179AB), and", and

(c) in paragraph (b)—

(i) omit "where a claim has been made for Chapter 3 credit (whether for the claim period or earlier),", and

(ii) for "such claims" substitute "Chapter 3 credit claims in respect of the film or television programme".

(3) In subsection (3)(b) for paragraph (i) substitute—

"(i) the adjusted VFX portion of Chapter 3 credits claimed in respect of the film or television programme, and".

(4) In subsection (4)—

(a) in the words before Step 1, for "previously claimed Chapter 3 credits" substitute "Chapter 3 credits claimed in respect of the film or television programme", and

(b) in Step 1—

(i) in the words before paragraph (a) omit "(see section 1179CA(2))", and

(ii) in that paragraph omit "(see section 1179AB)".

(5) After subsection (6) insert—

"(6A) Where a production company has claimed an additional amount of audiovisual expenditure credit for an accounting period and makes a claim for Chapter 3 credit for a subsequent accounting period—

(a) the additional amount is to be calculated for that subsequent accounting period, and

(b) if that additional amount is negative, the amount of Chapter 3 credit to which the company is entitled for that period is to be reduced by the additional amount.

(6B) Where Chapter 3 credit claimed by a company for an accounting period is reduced as a result of subsection (6A)(b), for the purposes of the application of subsections (3) and (4) in relation to the company for any subsequent accounting period—

(a) the sum of the additional amounts of audiovisual expenditure credit previously claimed (as referred to in subsection (3)(b)(ii)) is to be reduced by the additional amount referred to in subsection (6A)(b), and

(b) in determining the sum of Chapter 3 credits claimed by the production company for the purposes of Step 4 in subsection (4), ignore the reduction of any Chapter 3 credit resulting from the application of subsection (6A)(b)."

(6) The amendments made by this section have effect in relation to any claim made for Chapter 3 credit, or an additional amount of audiovisual expenditure credit, for accounting periods beginning on or after 26 November 2025.

34 R&D undertaken abroad: Chapter 2 relief only

(1) In section 1138A(1)(b) of CTA 2009, at beginning insert "for the purposes of relief under Chapter 2".

(2) The amendment made by subsection (1) has effect in relation to claims made on or after 30 October 2024.

Chargeable gains

35 Restriction of relief on disposals to employee-ownership trusts

(1) Section 236H of TCGA 1992 (disposals to employee-ownership trusts) is amended as follows.

(2) For subsection (2) substitute—

"(2) Where this section applies, section 17(1) (disposals and acquisitions treated as made at market value) does not apply to the disposal and, taking account of that disapplication—

(a) if a gain accrues, subsection (2A) applies, or

(b) if no gain accrues, subsection (3) applies.

(2A) Where this subsection applies—

(a) only 50% of the gain is a chargeable gain,

(b) the disposal is not to be regarded as a qualifying business disposal for the purposes of Chapter 3 of Part 5 (business asset disposal relief),

(c) the ordinary share capital disposed of is to be regarded, immediately before the disposal, as comprised wholly of excluded shares for the purposes of Chapter 5 of that Part (investors' relief), and

(d) the acquisition by the trustees is to be treated for the purposes of this Act as made for the consideration for the disposal less an amount equal to so much of the gain as is not a chargeable gain as a result of paragraph (a)."

(3) In subsection (3), for "The", in the first place it occurs, substitute "Where this subsection applies, the".

(4) The amendments made by this section have effect in relation to disposals made on or after 26 November 2025.

36 Anti-avoidance: collective investment scheme reconstructions

(1) TCGA 1992 is amended as follows.

(2) In section 103G (exchange of units for those in another collective investment scheme), in subsection (4), for "section 103K(1)" to the end of the subsection substitute "section 103K (anti-avoidance)".

(3) In section 103H (scheme of reconstruction involving issue of units), in subsection (5), for "section 103K(1)" to the end of the subsection substitute "section 103K (anti-avoidance)".

(4) In section 103I (scheme of reconstruction involving conversion scheme), in subsection (4), for "section 103K(1)" to the end of the subsection substitute "section 103K (anti-avoidance)".

(5) In section 103K (restriction on application of sections 103G, 103H and 103I)—

(a) at the end of the heading insert ": anti-avoidance";

(b) for subsection (1) substitute—

"(1) This section applies in respect of arrangements relating to an exchange or scheme of reconstruction as regards which section 103G, 103H or 103I applies if the main purpose, or one of the main purposes, of the arrangements is to reduce or avoid liability to capital gains tax, corporation tax or income tax.

(1A) Any such reduction or avoidance that would (in the absence of this section) arise from such arrangements is to be counteracted by the making of such adjustments as are just and reasonable (in light of the reduction or avoidance).

(1B) This includes, in an appropriate case, disapplying section 103G, 103H or 103I insofar as is required to counteract the reduction or avoidance.

(1C) Any adjustments required to be made under this section (whether or not by an officer of Revenue and Customs) may be made by way of—

(a) an assessment, or

(b) the modification of an assessment.";

(c) omit subsections (2) and (3);

(d) in subsection (4)—

(i) for "subsection (1) above" substitute "this section";

(ii) in paragraph (a), after "chargeable participant" insert "as part of the exchange or scheme of reconstruction";

(e) after subsection (6) insert—

"(7) In this section, "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."

(6) The amendments made by this section have effect in relation to arrangements involving an issue of units in a collective investment scheme on or after 26 November 2025.

(7) But those amendments do not have effect in a case where—

(a) a participant in a collective investment scheme has made an application under section 138(1) of TCGA 1992 (as applied by section 103K(6) of that Act) before 26 November 2025,

(b) the Commissioners for His Majesty's Revenue and Customs have notified the participant of their satisfaction, or the tribunal has notified the participant of its satisfaction, in relation to the application under section 138(1) or (4) of TCGA 1992, and

(c) the issue of units in a collective investment scheme in respect of which the application was made occurs before 26 January 2026 or, if later, before the end of the period of 60 days beginning with the day on which the notification mentioned in paragraph (b) was made.

37 Anti-avoidance: company reconstructions

(1) TCGA 1992 is amended as follows.

(2) In section 135 (exchange of securities for those in another company), in subsection (6), for "section 137(1)" to the end of the subsection substitute "section 137 (anti-avoidance)".

(3) In section 136 (scheme of reconstruction involving issue of securities), in subsection (6), for "section 137(1)" to the end of the subsection substitute "section 137 (anti-avoidance)".

(4) In section 137 (restriction on company reconstruction provisions)—

(a) at the end of the heading insert ": anti-avoidance";

(b) for subsection (1) substitute—

"(1) This section applies in respect of arrangements relating to an exchange or scheme of reconstruction as regards which section 135 or 136 applies if the main purpose, or one of the main purposes, of the arrangements is to reduce or avoid liability to capital gains tax or corporation tax.

(1A) Any such reduction or avoidance that would (in the absence of this section) arise from such arrangements is to be counteracted by the making of such adjustments as are just and reasonable (in light of the reduction or avoidance).

(1B) This includes, in an appropriate case, disapplying section 135 or 136 insofar as is required to counteract the reduction or avoidance.

(1C) Any adjustments required to be made under this section (whether or not by an officer of Revenue and Customs) may be made by way of—

(a) an assessment, or

(b) the modification of an assessment.";

(c) omit subsections (2) and (3);

(d) in subsection (4)—

(i) for "subsection (1) above" substitute "this section";

(ii) in paragraph (a), after "chargeable person" insert "as part of the exchange or scheme of reconstruction";

(e) after subsection (6) insert—

"(7) In this section, "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."

(5) In section 138 (procedure for clearance in advance)—

(a) in subsection (1)—

(i) for "shall not affect the operation of section 135 or 136" substitute "does not apply";

(ii) after "the issue" insert "of shares or debentures mentioned in section 135(1) or 136(1)";

(iii) for "section 137(1)", in the first place it appears, substitute "section 135(1) or 136(1)";

(iv) for "for bona fide" to the end of the subsection substitute "without arrangements in respect of which section 137 applies.";

(b) after subsection (5) insert—

"(6) In this section, references to shares or debentures include references to any interests or options to which this Chapter applies by virtue of section 135(5), 136(5) or 147."

(6) The amendments made by this section have effect in relation to arrangements involving an issue of shares in, or debentures of, a company on or after 26 November 2025.

(7) But those do not have effect in a case where—

(a) a company has made an application under section 138(1) of TCGA 1992 before 26 November 2025,

(b) the Commissioners for His Majesty's Revenue and Customs have notified the company of their satisfaction, or the tribunal has notified the company of its satisfaction, in relation to the application under section 138(1) or (4) of TCGA 1992, and

(c) the issue of shares or debentures in respect of which the application was made occurs before 26 January 2026 or, if later, before the end of the period of 60 days beginning with the day on which notification mentioned in paragraph (b) was made.

38 Anti-avoidance: reconstructions involving transfer of business

(1) In section 139 (reconstruction involving transfer of business)—

(a) after subsection (4) insert—

"(4A) Subsection (4B) applies in respect of arrangements relating to a reconstruction as regards which this section applies if the main purpose, or one of the main purposes, of the arrangements is to reduce or avoid liability to capital gains tax, corporation tax or income tax.

(4B) Any such reduction or avoidance that would (in the absence of this subsection) arise from such arrangements is to be counteracted by the making of such adjustments as are just and reasonable (in light of the reduction or avoidance).

(4C) This includes, in an appropriate case, disapplying this section insofar as is required to counteract the reduction or avoidance.

(4D) Any adjustments required to be made under subsection (4B) (whether or not by an officer of Revenue and Customs) may be made by way of—

(a) an assessment, or

(b) the modification of an assessment."

(b) in subsection (5)—

(i) for the words from the beginning of the subsection to "operation of this section" substitute "Subsections (4A) to (4D) do not apply";

(ii) for "for bona fide" to the end of the first sentence substitute "without arrangements in respect of which subsection (4B) applies.";

(c) in subsections (6) and (7), for "subsection (5)" substitute "subsection (4B)";

(d) after subsection (9) insert—

"(10) In this section, "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."

(2) The amendments made by this section have effect in relation to arrangements involving the transfer of assets of a business on or after 26 November 2025.

(3) But this section does not have effect in relation to a case where—

(a) a company has made an application under section 139(5) of TCGA 1992 before 26 November 2025,

(b) the Commissioners for His Majesty's Revenue and Customs have notified the company of their satisfaction under that subsection, or the tribunal has notified the company of its satisfaction under section 138(4) of TCGA 1992 (as applied by section 139(5) of that Act), in relation to the application, and

(c) the transfer of assets in respect of which the application was made occurs before 26 January 2026 or, if later, before the end of the period of 60 days beginning with the day on which notification mentioned in paragraph (b) was made.

39 Incorporation relief: requirement to claim

(1) Section 162 of TCGA 1992 (roll-over relief on transfer of business) is amended as follows.

(2) In subsection (1)—

(a) the words from "a person who is not a company" to the end of the first sentence of the subsection become paragraph (a);

(b) after that paragraph insert ", and

(b) the person makes a claim in respect of the transfer, including such information as the Commissioners may require, on or before the first anniversary of the 31 January following the tax year in which the transfer of the business took place."

(3) After subsection (5) insert—

"(6) In this section, "the Commissioners" means the Commissioners for His Majesty's Revenue and Customs."

(4) Omit section 162A of TCGA 1992 (election for section 162 not to apply).

(5) The amendments made by this section have effect in relation to transfers of businesses made on or after 6 April 2026.

40 Non-residents: cell companies

(1) Part 4 of Schedule 1A to TCGA 1992 (anti-avoidance relating to assets deriving 75% of value from UK land) is amended as follows.

(2) For the heading of the Part substitute "Cell companies and anti-avoidance".

(3) Before paragraph 11 insert—

"Cell companies

10A(1) In the application of this Schedule in relation to the disposal of an asset consisting of a right or an interest in a cell company, each cell of the company is to be treated as if it were an individual company.

(2) For the purposes of this paragraph—

(a) a company is a "cell company" if under the law under which the company is formed, under the company's articles of association or other document regulating the company or under arrangements entered into by or in relation to the company—

(i) some or all of the assets of the company are available primarily, or only, to meet particular liabilities of the company, and

(ii) some or all of the members of the company, and some or all of its creditors, have rights primarily, or only, in relation to particular assets of the company;

(b) "cell", in relation a cell company, means an identifiable part of the company that carries on distinct business activities and to which particular assets and liabilities of the company are primarily or wholly attributable.

Anti-avoidance".

(4) The amendments made by this section have effect in relation to disposals made on or after 26 November 2025.

41 Non-residents: double taxation relief relating to collective investment vehicles

(1) In paragraph 2 of Schedule 18 to FA 1998 (duty to give notice of chargeability to corporation tax), after sub-paragraph (2) insert—

"(2A) Where sub-paragraph (1A) would apply as regards a company if the company were to make a claim to obtain relief under section 6(2)(a) or (3)(a) of TIOPA 2010 in respect of a disposal that has an appropriate connection to a collective investment vehicle for the purposes of paragraph 6 of Schedule 5AAA to TCGA 1992, the company is not required to make such a claim in order to obtain relief in respect of the disposal (despite section 6(6) of TIOPA 2010)."

(2) In section 55A of FA 2004 (exception to duty to give notice to coming within charge to corporation tax), after subsection (4) insert—

"(5) Where subsection (1) would apply as regards a company if the company were to make a claim to obtain relief under section 6(2)(a) or (3)(a) of TIOPA 2010 in respect of a disposal that has an appropriate

connection to a collective investment vehicle for the purposes of paragraph 6 of Schedule 5AAA to TCGA 1992, the company is not required to make such a claim in order to obtain relief in respect of the disposal (despite section 6(6) of TIOPA 2010)."

(3) In Schedule 2 to FA 2019—

(a) in the heading before paragraph 10 (no return required in respect of disposal connected to CIS), for "schemes" substitute "vehicles";

(b) in paragraph 10—

(i) for "scheme" substitute "vehicle";

(ii) after sub-paragraph (2) insert—

"(3) If, by virtue of sub-paragraph (1), a person is not required to make or deliver a return under this Schedule in respect of a disposal, the person is not required to make a claim to obtain relief under section 6(2)(a) or (3)(a) of TIOPA 2010 in respect of the disposal (despite subsection (6) of that section).";

(c) in paragraph 11(1)(a)—

(i) for "CIS" substitute "CIV";

(ii) for "scheme" substitute "vehicle";

(d) in paragraph 11(1)(b), for "subject of the scheme" substitute "subject of or held by the vehicle";

(e) in paragraph 12(1)(a), for "CIS" substitute "CIV".

(4) The amendments made by subsections (1) and (2) have effect in relation to disposals made on or after 1 April 2026.

(5) The amendments made by subsection (3) have effect in relation to disposals made on or after 6 April 2026.

Non-UK residents etc

42 Abolition of notional tax credit on distributions received by non-UK residents

(1) Omit section 399 of ITTOIA 2005 (tax treated as paid on distributions received by non-UK resident persons).

(2) In ITA 2007—

(a) in section 425 (total amount of income tax to which individual charged for a tax year), in subsection (5)(a), omit sub-paragraph (i);

(b) in section 1026 (meaning of "non-qualifying income"), omit paragraph (a).

(3) In TMA 1970—

(a) in section 9 (returns to include self-assessment), in subsection (1), in the closing words, omit "or section 399(2)";

(b) in section 59B (payment of income tax and capital gains tax), in subsection (1), in the closing words, omit "or section 399(2)".

(4) In the Unauthorised Unit Trusts (Tax) Regulations 2013 (S.I. 2013/2819), in regulation 12 (treatment of income of an exempt unauthorised unit trust), omit paragraph (3)(b).

(5) The amendments made by this section have effect for the tax year 2026-27 and subsequent tax years.

43 Non-resident, and previously non-domiciled individuals

(1) Part 1 of Schedule 3 makes provision about income tax and capital gains tax in connection with whether an individual has been non-UK resident or domiciled outside the United Kingdom, including—

(a) provision about the reliefs for qualifying new residents,

(b) provision about the residency of personal representatives, and

(c) provision about former users of the remittance basis.

(2) Part 2 of that Schedule makes provision amending Schedule 10 to FA 2025 (temporary repatriation facility).

(3) Part 3 of that Schedule makes provision about individuals who have been temporarily non-resident.

44 Trust protections etc: minor amendments and transitional protection

(1) In Chapter 5 of Part 5 of ITTOIA 2005 (settlements), in section 643C (meaning of "available protected income")—

(a) in subsection (1), in Step 5, after "within" insert "Step 2 or";

(b) in subsection (3)(b), at the end insert "and not exempt from income tax by virtue of any of sections 737 to 742A of that Act".

(2) In Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad), in section 733 (benefits charge: amount of deemed income), in subsection (2B)—

(a) in paragraph (a), for "732(2)" substitute "721, 728 or 732";

(b) in the words after paragraph (b), omit "under section 731".

(3) In section 87HA of TCGA 1992 (onward gifts from non-residents or qualifying new residents), in subsections (2) and (3), omit "capital".

(4) In FA 2025, in Schedule 12 (trust protections), in Part 4 (commencement and transitional provision), after paragraph 70 insert—

"Settlements: transitional protection where available protected income is increased by this Schedule

70A(1) This paragraph applies for the purposes of section 643A of ITTOIA 2005 if an individual's untaxed benefits total in relation to a settlement for the tax year 2024-25 exceeded the available protected income up to the end of that tax year.

(2) In determining under section 643B of that Act the individual's untaxed benefits total for the tax year 2025-26 or a later tax year,

any benefit provided to the individual in the tax year 2024-25 or an earlier tax year is to be disregarded at Step 1 in subsection (1).

(3) In this paragraph "untaxed benefits total" and "available protected income", in relation to an individual, a settlement and a tax year, are to be construed in accordance with sections 643B and 643C of ITTOIA 2005 (as they have or had effect for the tax year in question)."

(5) The amendments made by subsection (1) come into force on 6 April 2026.

(6) The amendments made by subsections (2) to (4) are treated as having come into force on 6 April 2025.

45 PAYE for treaty non-residents etc.

(1) Schedule 4—

(a) makes provision for employer PAYE notifications in respect of treaty non-resident employees, and

(b) makes other amendments to sections 690 to 690E of ITEPA 2003 in relation to the making of employer PAYE notifications and HMRC PAYE directions.

(2) The amendments made by Schedule 4 have effect for the tax year 2026-27 and subsequent tax years (but see paragraph 8(2) of that Schedule).

Other international matters

46 Unassessed transfer pricing profits

(1) Schedule 5 provides—

(a) for a power of His Majesty's Revenue and Customs to assess "unassessed transfer pricing profits",

(b) for those profits to be subject to a higher rate of corporation tax (rather than the main or any other rate), and

(c) for the abolition of diverted profits tax (which is superseded).

(2) The amendments made by that Schedule have effect in relation to accounting periods beginning on or after 1 January 2026.

47 Transfer pricing reform

Schedule 6 makes provision about, and in connection with, transfer pricing.

48 International controlled transactions

(1) The Commissioners for His Majesty's Revenue and Customs may by regulations make provision—

(a) requiring persons specified for the purposes of this paragraph ("reporting entities") to provide an officer of Revenue and Customs

with information of specified descriptions in connection with specified international controlled transactions;

(b) requiring reporting entities to provide the information—

(i) at specified times,

(ii) in relation to specified periods of time, and

(iii) in a specified form and manner;

(c) imposing obligations on reporting entities (including obligations to obtain information from specified persons for the purposes of complying with requirements imposed by virtue of paragraph (a));

(d) about contravention of, or non-compliance with, the regulations (including provision imposing penalties);

(e) about appeals in relation to the imposition of any penalty.

(2) The regulations may—

(a) make different provision for different purposes;

(b) make provision by reference to things specified in a notice published by the Commissioners (as revised or replaced from time to time) in accordance with the regulations;

(c) allow any requirement, obligation or other provision that may be imposed or made by reference to subsection (1)(a) to (c) to be made by specific or general direction given by the Commissioners;

(d) make provision under which the Commissioners or other persons may exercise discretions.

(3) For the purposes of subsection (1)—

(a) "specified" means specified in the regulations, and

(b) a transaction is an international controlled transaction if the transfer pricing condition or the permanent establishment condition is met in relation to it.

(4) The transfer pricing condition is that—

(a) the transaction, or a series of transactions of which the transaction forms part, is the means by which provision (within the meaning of Part 4 of TIOPA 2010) has been made or imposed between two persons,

(b) the participation condition (within the meaning of that Part) is met in relation to that provision,

(c) one of those persons is—

(i) a UK resident company,

(ii) a non-UK resident company within the charge to corporation tax as a result of it falling within paragraph (a), (c) or (d) of section 5(2) of CTA 2009 (deals in or develops UK land, carries on a UK property business or has other UK property income), or

(iii) a partnership whose members include a company within the charge to corporation tax, and

(d) the other person is a non-UK resident person or is a partnership whose members include a non-UK resident person.

(5) The permanent establishment condition is that the transaction is relevant to the determination of—

(a) exemption adjustments made under section 18A of CTA 2009, or

(b) the profits of a non-UK resident company that are (for the purposes of the Corporation Tax Acts) attributable to a permanent establishment of the company in the United Kingdom.

(6) References in this section to a transaction includes any transaction that may be treated to have occurred for the purposes of applying Chapter 3A or 4 of Part 2 of CTA 2009 (profits of permanent establishments).

49 Permanent establishments

Schedule 7 makes provision about permanent establishments, including for the purposes of giving effect to certain provisions of the Model Tax Convention on Income and on Capital published by the Organisation for Economic Co-operation and Development in 2017.

50 Pillar two

Schedule 8 contains amendments to F(No.2)A 2023, and other connected provision, relating to multinational top-up tax and domestic top-up tax.

51 Controlled foreign companies: interest on reversal of state aid recovery

(1) This section applies if a repayment of interest ("the relevant repayment") is, or has been at any time, made to a company in consequence of the cancellation of an interest charging notice given to the company under Schedule 7ZA to TIOPA 2010 (recovery of unlawful state aid).

(2) Interest must be paid to the company in respect of the relevant repayment.

(3) The amount of interest payable under this section is the amount that would have been payable by virtue of section 826 of the Income and Corporation Taxes Act 1988 (interest on tax overpaid) in respect of the relevant repayment if, at the time of the relevant repayment—

(a) the relevant repayment had been among the repayments and payments listed in subsection (1) of that section, and

(b) the material date for the purposes of that section, in relation to the relevant repayment, had been the date on which the interest mentioned in subsection (1) above was paid by the company.

(4) Interest payable under this section must be paid—

(a) in respect of a relevant repayment made before 2 December 2025, as soon as reasonably practicable;

(b) in respect of a relevant repayment made on or after that day, at the same time as the relevant repayment.

(5) Nothing in paragraph 10(1) of Schedule 7ZA to TIOPA 2010 (Treasury duty to make regulations where Commission Decision is revoked or annulled)

requires the Treasury to make any further provision in relation to the repayment of interest paid by virtue of that Schedule.

(6) References in this section to Schedule 7ZA to TIOPA 2010 are to the Schedule treated as inserted in that Act by paragraph (b) of Schedule 4 to the Taxation (Post-transition Period) Act 2020.

(7) This section is treated as having come into force on 2 December 2025.

52 Offshore income gains

(1) In the Offshore Funds (Tax) Regulations 2009 (S.I. 2009/3001)—
- (a) in regulation 20 (application to gains of non-resident settlements), omit paragraphs (2) to (5);
- (b) in regulation 21 (application of transfer of assets abroad provisions), omit paragraphs (4) to (6).

(2) In consequence of the amendments made by subsection (1)—
- (a) in section 734 of ITA 2007 (reduction in amount charged: previous capital gains tax charge), in subsection (5), omit "20 and";
- (b) in Schedule 7 to FA 2008 (remittance basis), omit paragraphs 100 to 102;
- (c) in the Offshore Funds (Tax) Regulations 2009—
  - (i) in regulation 18 (charge to tax on disposal of asset: further provisions), in paragraph (5), omit sub-paragraph (c);
  - (ii) in regulation 19 (income treated as arising under regulation 17: remittance basis), omit paragraph (5);
  - (iii) omit regulation 130 (amendments of FA 2008);
  - (iv) in Part 2 of Schedule 3 (index of defined expressions), omit the entry for "OIG amount";
- (d) in Schedule 10 to FA 2025 (temporary repatriation facility)—
  - (i) in paragraph 3(7), for "paragraphs 4 and 5" substitute "paragraph 5";
  - (ii) in paragraph 3(9), for "paragraphs 4 and 5" substitute "paragraph 5";
  - (iii) omit paragraph 4;
  - (iv) in paragraph 5(7), for "paragraphs 3 and 4" substitute "paragraph 3";
  - (v) in paragraph 10, omit sub-paragraphs (7) and (8).

(3) Section 53 makes provision preserving in certain cases the effect of the law as it applied before the amendments made by this section.

(4) This section—
- (a) is to be treated as having come into force on 6 April 2025;
- (b) has effect for the tax year 2025-26 and subsequent tax years.

53 Offshore income gains: savings

(1) This section applies in relation to an offshore income gain arising to the trustees of a settlement in a case where Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad) applies in relation to that gain for the tax year 2025-26 or any subsequent tax year because of the amendments made by section 52.

(2) If the offshore income gain arose in a tax year before the tax year 2025-26 and, by reason of that offshore income gain or a part of it, an offshore income gain was treated as arising in a tax year before the tax year 2025-26 to an individual under paragraphs (2) to (5) of regulation 20 of the Offshore Funds (Tax) Regulations 2009 (S.I. 2009/3001)—

(a) Chapter 2 of Part 13 of ITA 2007 is to be treated as not applying in relation to the offshore income gain arising to the trustees or that part of that gain, and

(b) references in section 734 of ITA 2007 to chargeable gains treated as accruing to an individual are to be treated as including the offshore income gain treated as arising to the individual.

(3) An individual is not chargeable to income tax under Chapter 2 of Part 13 of ITA 2007 on income treated as arising to the individual under section 732 of ITA 2007 by reason of the offshore income gain to the extent that the income, without the amendments made by section 52(1) and (2)(b)—

(a) would have been treated as arising to that individual under paragraphs (2) to (5) of regulation 20 of the Offshore Funds (Tax) Regulations 2009 (S.I. 2009/3001), and

(b) would have been non-chargeable income (see subsections (4), (5) and (6)).

(4) The income would have been non-chargeable income if, without the amendments made by section 52(1) and (2)(b)—

(a) the income would have been treated as arising by reason of—

(i) the matching of a capital payment received (or treated as received) by the individual before 6 April 2008 with an offshore income gain arising on or after 6 April 2025, or

(ii) the matching of a capital payment received (or treated as received) by the individual on or after 6 April 2025 with an offshore income gain arising before 6 April 2008, and

(b) paragraph 100 of Schedule 7 to FA 2008 would have applied to the income.

(5) The income would have been non-chargeable income to the extent that, without the amendments made by section 52(1) and (2)(b), it would have exceeded the relevant proportion of income—

(a) which would have been treated as arising to the individual by reason of—

(i) the matching of a capital payment received (or treated as received) by the individual on or after 6 April 2008 with an offshore income gain arising on or after 6 April 2025, or

(ii) the matching of a capital payment received (or treated as received) by the individual on or after 6 April 2025 with an offshore income gain arising on or after 6 April 2008, and

(b) to which paragraph 101 of Schedule 7 to FA 2008 would have applied,

and, for that purpose, "relevant proportion" has the meaning given by sub-paragraphs (9) to (18) of paragraph 126 of that Schedule as they would have been modified by sub-paragraph (3) of paragraph 101 of that Schedule.

(6) The income would have been non-chargeable income to the extent that, without the amendments made by section 52(1) and (2)(b), it would have exceeded the relevant proportion of income—

(a) which would have been treated as arising to the individual by reason of—

(i) the matching of a capital payment received (or treated as received) by the individual on or after 6 April 2008 with an offshore income gain arising on or after 6 April 2025, or

(ii) the matching of a capital payment received (or treated as received) by the individual on or after 6 April 2025 with an offshore income gain arising on or after 6 April 2008,

(b) to which paragraph 102 of Schedule 7 to FA 2008 would have applied, and

(c) to which paragraph 101 of that Schedule would not have applied,

and, for that purpose, "relevant proportion" has the meaning given by sub-paragraphs (4) to (7) of paragraph 127 of that Schedule as they would have been modified by sub-paragraph (4) of paragraph 102 of that Schedule.

(7) Subsection (3) does not prevent Chapter 2 of Part 13 of ITA 2007 from having effect as though the income not chargeable to tax under that subsection had been charged to tax under section 731 of that Act.

(8) Accordingly—

(a) in the application of section 733(1) of ITA 2007 to the individual for subsequent tax years, the amount of that income will be deducted at Step 2 and at paragraph (a) of Step 5, and

(b) in the application of section 733(1) of ITA 2007 to any other individual for subsequent tax years, the amount of that income will be deducted at paragraph (b) of Step 5.

(9) In section 733 of ITA 2007, after subsection (2D) insert—

"(2E) See subsections (7) and (8) of section 53 of FA 2026 (offshore income gains: savings relating to amendments made by section 52 of that Act) for special provision about income that is treated as arising under section 732 but that is not chargeable to income tax under subsection (3) of that section."

(10) This section—

(a) is to be treated as having come into force on 6 April 2025;

(b) has effect for the tax year 2025-26 and subsequent tax years.

Charities

54 Legacies to charities to be within scope of tax

(1) Part 10 of ITA 2007 (special rules about charitable trusts etc) is amended in accordance with subsections (2) to (4).

(2) In section 518 (overview), in subsection (1), for "523" substitute "523A".

(3) After section 523 (but beneath the same italic heading) insert—

"523A Legacies: income tax liability and exemption

(1) This section applies to a gift of property—

(a) that is made by will to a charitable trust, and

(b) that is not charged to income tax, apart from this section.

(2) Income tax is charged on the gift.

(3) It is charged on the total value of the property so received in the tax year; and for that purpose the value of any property other than money is its market value as at the time of the death of the person by whose will the gift of the property is made.

(4) But property is not taken into account in calculating total income so far as it is applied to charitable purposes only.

(5) The trustees of the charitable trust are liable for any tax charged under this section.

(6) A gift of property made to a charitable trust is treated for the purposes of this section as made by will if—

(a) the gift is made to the trust by virtue of the variation, after a person's death, of a disposition of property effected by the person's will, and

(b) the variation is treated under section 142 of IHTA 1984 (alteration of dispositions taking effect on death) as having been effected by the deceased.

(7) In this section—

"property" includes rights and interests of any description;

"will" includes a testament, a codicil and any testamentary disposition of property."

(4) In section 562 (excess expenditure), in subsection (5) (definition of "non-taxable sums"), omit ", legacies".

(5) In ITTOIA 2005, in section 636 (settlements: calculation of undistributed income), in subsection (7), at the appropriate place insert—

"section 523A (legacies)".

(6) Part 11 of CTA 2010 (charitable companies etc) is amended in accordance with subsections (7) to (9).

(7) In section 466 (overview), in subsection (1), for "474" substitute "474A".

(8) After section 474 (but beneath the same italic heading) insert—

"474A Legacies: corporation tax liability and exemption

(1) This section applies to a gift of property—
  (a) that is made by will to a charitable company, and
  (b) that is not chargeable to corporation tax apart from this section.

(2) The value of the property that is the subject of the gift is treated as an amount in respect of which the charitable company is chargeable to corporation tax, under the charge to corporation tax on income.

(3) For that purpose the value of any property other than money is its market value as at the time of the death of the person by whose will the gift of the property is made.

(4) But the value attributable to property is not taken into account in calculating total profits so far as the property is applied to charitable purposes only.

(5) A gift of property made to a charitable company is treated for the purposes of this section as made by will if—
  (a) the gift is made to the company by virtue of the variation, after a person's death, of a disposition of property effected by the person's will, and
  (b) the variation is treated under section 142 of the Inheritance Tax Act 1984 (alteration of dispositions taking effect on death) has having been effected by the deceased.

(6) The exemption under subsection (4) requires a claim.

(7) In this section—
  "property" includes rights and interests of any description;
  "will" includes a testament, a codicil and any testamentary disposition of property."

(9) In section 515 (excess expenditure), in subsection (5) (definition of "non-taxable sums"), omit ", legacies".

(10) The amendments made by this section have effect in relation to gifts received on or after 6 April 2026.

55 Approved charitable investments: purpose test

(1) Section 558 of ITA 2007 (approved charitable investments) is amended in accordance with subsections (2) to (5).

(2) The existing text becomes subsection (2).

(3) Before that subsection insert—

"(1) For the purposes of section 543 "approved charitable investment" means an investment—

(a) that is of a type listed in subsection (2) and is made for an allowable purpose, or

(b) that is not of a type listed in subsection (2) but that is approved under subsection (3)."

(4) In subsection (2)—

(a) for the words before Type 1 substitute "The following are the types of investment mentioned in subsection (1)(a)—";

(b) omit Type 12.

(5) At the end insert—

"(3) An officer of Revenue and Customs may approve a loan or other investment under this subsection if satisfied, on a claim, that it is made for an allowable purpose.

(4) For the purposes of this section an investment is made "for an allowable purpose" if it is reasonable to draw the conclusion, from all the circumstances of the case, that the investment is made—

(a) for the sole purpose of benefiting the charitable trust, or

(b) for that purpose and one or more ancillary or incidental purposes,

and is not made for the avoidance of tax (whether by the trust or any other person)."

(6) Section 511 of CTA 2010 (approved charitable investments) is amended in accordance with subsections (7) to (10).

(7) The existing text becomes subsection (2).

(8) Before that subsection insert—

"(1) For the purposes of section 496 "approved charitable investment" means an investment—

(a) that is of a type listed in subsection (2) and is made for an allowable purpose, or

(b) that is not of a type listed in subsection (2) but that is approved under subsection (3)."

(9) In subsection (2)—

(a) for the words before Type 1 substitute "The following are the types of investment mentioned in subsection (1)(a)—";

(b) omit Type 12.

(10) At the end insert—

"(3) An officer of Revenue and Customs may approve a loan or other investment under this subsection if satisfied, on a claim, that it is made for an allowable purpose.

(4) For the purposes of this section an investment is made "for an allowable purpose" if it is reasonable to draw the conclusion, from all the circumstances of the case, that the investment is made—

(a) for the sole purpose of benefiting the charitable company, or

(b) for that purpose and one or more ancillary or incidental purposes,

and is not made for the avoidance of tax (whether by the company or any other person)."

(11) The amendments made by this section have effect in relation to investments made on or after 6 April 2026.

56 Tainted charity donations: replacement of purpose test with outcome test

(1) Section 809ZJ of ITA 2007 (tainted donations) is amended in accordance with subsections (2) and (3).

(2) For subsection (5) substitute—

"(5) Condition B is that a linked person who is not a charity receives financial assistance—

(a) under or in connection with the arrangements, and

(b) directly or indirectly from the charity to which the donation is made or from a connected charity."

(3) In subsection (8), at the appropriate place insert—

""financial assistance" includes a loan, a guarantee, an indemnity or any form of investment (in each case, whether or not on arm's length terms);".

(4) Section 939C of CTA 2010 (tainted donations) is amended in accordance with subsections (5) and (6).

(5) For subsection (5) substitute—

"(5) Condition B is that a linked person who is not a charity receives financial assistance—

(a) under or in connection with the arrangements, and

(b) directly or indirectly from the charity to which the donation is made or from a connected charity."

(6) In subsection (8), at the appropriate place insert—

""financial assistance" includes a loan, a guarantee, an indemnity or any form of investment (in each case, whether or not on arm's length terms);".

(7) Schedule 9 contains amendments connected with those made by this section in relation to tainted charity donations.

(8) The amendments made by this section and by Schedule 9 have effect in relation to relievable charitable donations made on or after 6 April 2026.

(9) In a case where an associated donation is made on or after 6 April 2026 in relation to a tainted donation made before that date, the tainted donation is regarded for the purposes of sections 809ZMB of ITA 2007, section 939FB of CTA 2010 and section 257B of TCGA 1992 as having "become" a tainted donation at the time when it was made.

(10) In subsections (8) and (9)—

"associated donation" means an associated donation within the meaning of section 809ZMB of ITA 2007 or section 939FB of CTA 2010 (as inserted, in each case, by Schedule 9);

"relievable charitable donation" means a relievable charity donation within the meaning of Chapter 8 of Part 13 of ITA 2007 or Part 21C of CTA 2010;

"tainted donation" means a tainted donation within the meaning of Chapter 8 of Part 13 of ITA 2007 or Part 21C of CTA 2010.

Miscellaneous

57 Winter fuel payment charge

Schedule 10 contains provision for and in connection with a winter fuel payment charge.

58 Carried interest

(1) ITTOIA 2005 is amended in accordance with subsections (2) to (4).

(2) After section 23H (double taxation) insert—

"Carried interest

23I Tax treatment of carried interest

(1) This section applies where—

(a) an individual performs investment management services in any tax year directly or indirectly in respect of an investment scheme under any arrangements, and

(b) under the arrangements, one or more sums of carried interest arise to the individual from an investment scheme in a tax year.

(2) For income tax purposes—

(a) the individual is treated as carrying on a trade, by virtue of the arrangements, for the tax year referred to in subsection (1)(b),

(b) the amount to be treated as the profits of the trade for that tax year is the sum of the non-qualifying profits of the trade and 72.5% of the qualifying profits of the trade (see subsection (3)), and

(c) the individual is treated as the person receiving or entitled to those profits.

(3) In subsection (2)(b)—

(a) the amount of the non-qualifying profits of the trade is—

(i) the total amount of carried interest arising to the individual from any investment scheme in the tax year under the arrangements that is not qualifying carried interest, minus

(ii) the proportion of any permitted deduction for the tax year (see section 23N) that is the same as the proportion of the total amount of carried interest that is not qualifying carried interest;

(b) the amount of the qualifying profits of the trade is—

(i) the total amount of qualifying carried interest arising to the individual from any investment scheme in the tax year under the arrangements, minus

(ii) the proportion of any permitted deduction for the tax year that is the same as the proportion of the total amount of carried interest that is qualifying carried interest.

(4) In Schedule A1—

(a) Part 1 explains what it means for a sum arising to an individual from an investment scheme under arrangements to be "carried interest" for the purposes of this group of sections and that Schedule;

(b) Part 2 sets out certain circumstances in which a sum arising to another person is treated as arising to the individual;

(c) Part 3 sets out how to determine the extent to which carried interest arising to an individual from an investment scheme is qualifying carried interest;

(d) Part 4 allows for an election to be made to treat carried interest as arising at an earlier time.

(5) A sum of carried interest arising to an individual from an investment scheme in a tax year is to be treated for the purposes of this section as not being a sum of carried interest to the extent that—

(a) it is chargeable to income tax on the individual by virtue of section 62 (earnings) or Part 7 of ITEPA 2003 (employment income relating to securities) in the tax year, or

(b) an election made under section 23J that has effect for the tax year applies in relation to the sum.

23J Election to disapply section 23I

(1) An individual who performs investment management services directly or indirectly in respect of an investment scheme under arrangements mentioned in section 23I(1)(a) may make an election under this section.

(2) Where an election made under this section has effect for a tax year, the election applies in relation to a sum of carried interest arising to the individual under the arrangements in the tax year to the extent that the carried interest would, ignoring this group of sections, be brought into account in calculating the profits of a trade of the individual for the purposes of income tax for any tax year.

(3) An election made under this section—

(a) must be made by notice given to an officer of Revenue and Customs, and

(b) may not be revoked.

(4) A notice making an election—

(a) must state the tax year for which it is to have effect, and

(b) may not be given after 31 January following the end of that tax year.

23K Location of trade treated as carried on under section 23I etc

(1) An individual who is treated as carrying on a trade for a tax year under section 23I is treated as carrying on the trade—

(a) wholly in the United Kingdom, if all of the applicable workdays are UK workdays;

(b) wholly outside the United Kingdom, if all of the applicable workdays are not UK workdays;

(c) otherwise, partly in the United Kingdom and partly outside the United Kingdom.

(2) Where the trade is treated as carried on partly in the United Kingdom and partly outside the United Kingdom, the amount to be treated as the profits arising from the part of the trade treated as carried on in the United Kingdom is the sum of the non-qualifying profits of that part of the trade and 72.5% of the qualifying profits of that part of the trade.

(3) In subsection (2)—

(a) the amount of the non-qualifying profits of the part of the trade treated as carried on in the United Kingdom is the proportion of the non-qualifying profits of the trade (determined in accordance with section 23I(3)(a)) that is the same as the proportion of the applicable workdays that are UK workdays (but see subsection (4));

(b) the amount of the qualifying profits of the part of the trade treated as carried on in the United Kingdom is the proportion of the qualifying profits of the trade (determined in accordance with section 23I(3)(b)) that is the same as the proportion of the applicable workdays that are UK workdays (but see subsection (5)).

(4) For the purposes of subsection (3)(a) in a case where—

(a) the individual is a non-UK resident for the tax year, and

(b) any of the non-qualifying profits of the trade are anticipated qualifying profits,

any UK workday in a non-UK tax year is not to be treated as a UK workday (but remains an applicable workday) for the purposes of determining the proportion of the anticipated qualifying profits that is an amount of non-qualifying profits of the part of the trade treated as carried on in the United Kingdom.

(5) For the purposes of subsection (3)(b) in a case where the individual is a non-UK resident for the tax year, the following days are not to be treated as UK workdays (but remain applicable workdays)—

(a) any UK workday prior to 30 October 2024;

(b) any UK workday in a non-UK tax year;

(c) any UK workday prior to a period of 3 or more non-UK tax years.

(6) For the purposes of this section—

(a) a day is an "applicable workday" if it is a day in the relevant period on which the individual performs any investment management services directly or indirectly in respect of an investment scheme (whether or not under the arrangements mentioned in section 23I(1)(a));

(b) a day is a "UK workday" if it is a day in the relevant period on which the individual spends more than 3 hours performing any investment management services directly or indirectly in respect of an investment scheme (whether or not under those arrangements) in the United Kingdom;

(c) a year is a "non-UK tax year" if the individual is a non-UK resident for the tax year and there are fewer than 60 UK workdays in the year;

(d) non-qualifying profits are "anticipated qualifying profits" if, on the first UK workday in the relevant period, it was reasonable to assume that they would be qualifying profits.

(7) For the purposes of subsection (6) the "relevant period" is the period—

(a) beginning with the later of—

(i) the day on which the first external investor was admitted to any scheme from which the individual is entitled to carried interest under the arrangements mentioned in section 23I(1)(a), and

(ii) the first day on which the individual performs any investment management services directly or indirectly in respect of an investment scheme under the arrangements;

(b) ending with the earlier of—

(i) the last day in the tax year for which the individual was treated as carrying on the trade under section 23I on which a sum of carried interest arose to the individual from an investment scheme under the arrangements for the purposes of that section, and

(ii) the last day on which the individual performed any investment management services directly or indirectly in respect of an investment scheme under the arrangements.

(8) For the purposes of subsection (6)—

(a) investment management services performed by an individual in the course of travelling to or from the United Kingdom by air or sea or via a tunnel under the sea are assumed to be performed overseas even during the part of the journey in or over the United Kingdom, and

(b) travelling to or from the United Kingdom is taken to—

(i) begin when the individual boards the aircraft, ship or train that is bound for a destination in the United Kingdom or (as the case may be) overseas, and

(ii) end when the individual disembarks from that aircraft, ship or train.

23L Carried interest arising where individual deceased

(1) This section applies where—

(a) the individual referred to in section 23I(1)(a) has died, and

(b) as a result, one or more sums that would have been sums of carried interest arising to the individual from an investment scheme under the arrangements arise instead to another person in a tax year.

(2) For the purposes of sections 23I and 23K—

(a) the sums are treated as if they had arisen to the individual in the tax year in which they arose to the other person,

(b) the other person is treated as carrying on the trade under section 23I for that tax year (instead of the individual), and

(c) the other person is treated as the person receiving or entitled to the profits of that trade.

23M Temporary non-UK residents: tax treatment of accrued carried interest gains

(1) This section applies where, on the disposal of an asset by an individual who was temporarily non-resident in tax year 2025-26 or earlier, a gain accrued to the individual in the temporary period of non-residence under section 103KA(2) or (3) of TCGA 1992 (as it then had effect).

(2) For income tax purposes—

(a) the individual is treated as carrying on a trade for the period of return,

(b) the amount to be treated as the profits of the trade for the period of return is 72.5% of the amount of the gain which accrued to the individual in the temporary period of non-residence, and

(c) the individual is treated as the person receiving or entitled to those profits.

(3) For the purposes of this section, "the period of return", "temporarily non-resident" and "the temporary period of non-residence" have the meanings given by Part 4 of Schedule 45 to FA 2013 (statutory residence test: anti-avoidance).

23N Permitted deduction etc

(1) For the purpose of section 23I the amount of any "permitted deduction" for a tax year is—

(a) the amount of any consideration given by or on behalf of the individual wholly and exclusively for the entitlement to carried interest under the arrangements referred to in section 23I(1)(a), minus

(b) the amount of any such consideration deducted in calculating the profits of a trade that the individual is treated as carrying on under section 23I for an earlier tax year by virtue of those arrangements.

(2) In subsection (1), "consideration" means consideration in money or money's worth but does not include the performance of any investment management services directly or indirectly in respect of an investment scheme.

(3) For the purposes of this Act no other deduction may be made from the amount treated as the profits of the trade under section 23I.

23P Carried interest: anti-avoidance

(1) In determining whether section 23I applies in relation to an individual, no regard is to be had to any arrangements the main purpose, or one of the main purposes, of which is to secure that that section does not to any extent apply in relation to—

(a) the individual, or

(b) the individual and one or more other individuals.

(2) In determining whether an individual falls within paragraph (a) of section 23I(1), no regard is to be had to any arrangements the main purpose, or one of the main purposes, of which is to secure that the individual falls within that paragraph.

23Q Carried interest: avoidance of double taxation

(1) Subsection (2) applies where—

(a) an individual performs investment management services directly or indirectly in respect of an investment scheme under arrangements mentioned in section 23I(1)(a), and

(b) the individual is entitled to carried interest under the arrangements.

(2) No income tax is chargeable on the individual by virtue of the individual's entitlement to carried interest other than—

(a) income tax chargeable in respect of carried interest arising to the individual under the arrangements—

(i) by virtue of section 23I or 23M,

(ii) by virtue of section 62 (earnings) or Part 7 of ITEPA 2003 (employment income relating to securities), or

(iii) where an election made under section 23J has effect for a tax year, otherwise under this Part, or

(b) income tax chargeable in respect of—

(i) the award of the entitlement to carried interest to the individual, or

(ii) the individual's acquisition of the entitlement to carried interest,

whether by virtue of section 62 (earnings) or Part 7 of ITEPA 2003 (employment income relating to securities) or otherwise.

(3) Subsection (4) applies where—

(a) an individual is chargeable to income tax and national insurance contributions by virtue of section 23I or 23M in respect of a sum of carried interest arising to the individual from an investment scheme, and

(b) at any time any other UK tax or national insurance contributions charged on any person—

(i) in relation to the sum mentioned in paragraph (a), or

(ii) or in respect of any person's entitlement to that sum,

has or have been paid and not repaid.

(4) The individual may make a claim for one or more consequential adjustments to be made in respect of the profits chargeable by virtue of section 23I or 23M to take account of the amounts paid as mentioned in subsection (3)(b).

(5) On a claim under this section an officer of Revenue and Customs must make such of the consequential adjustments claimed (if any) as are just and reasonable.

(6) Consequential adjustments in respect of the profits chargeable by virtue of section 23I or 23M must not have the effect that—

(a) the total of—

(i) the amount of income tax and national insurance contributions charged on the adjusted profits by virtue of section 23I or 23M, and

(ii) any amounts paid as mentioned in subsection (3)(b), is less than

(b) the amount of income tax and national insurance contributions to which the individual was chargeable by virtue of section 23I or 23M in respect of the sum of carried interest before the making of any consequential adjustments.

(7) Consequential adjustments may be made—

(a) in respect of any period,

(b) by way of an assessment, the modification of an assessment, the amendment of a claim, or otherwise, and

(c) despite any time limit imposed by or under an enactment.

(8) In this section "UK tax" means income tax, corporation tax, capital gains tax or inheritance tax.

(9) For the purposes of section 9(2) of TIOPA 2010 (unilateral entitlement to credit for non-UK tax corresponding to capital gains tax), in a case where the capital gain mentioned in subsection (2)(b) of that section accrued on a sum of carried interest arising to an individual, the reference to capital gains tax calculated by reference to that gain is to be read as if it were a reference to income tax chargeable under section 23I in respect of the sum of carried interest.

23R Definitions

(1) In this section, this group of sections and Schedule A1—

"AIF" has the meaning given by regulation 3 of the Alternative Investment Fund Managers Regulations 2013 and includes—

(a) arrangements which permit an external investor to participate in investments acquired by the AIF without participating in the AIF itself, and

(b) arrangements under which sums arise to an individual performing investment management services in respect of the AIF without those sums arising from the AIF itself;

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

"collective investment scheme" has the meaning given by section 235 of FISMA 2000 and includes—

(a) arrangements which permit an external investor to participate in investments acquired by the collective investment scheme without participating in the scheme itself, and

(b) arrangements under which sums arise to an individual performing investment management services in respect of the collective investment scheme without those sums arising from the scheme itself;

"external investor", in relation to an investment scheme and any arrangements, means a participant in the scheme other than—

(a) an individual who at any time performs or is to perform investment management services directly or indirectly in respect of the scheme, or

(b) a person through whom sums are to, or may, arise directly or indirectly to such an individual from the scheme under the arrangements;

"investment management services", in relation to an investment scheme, includes—

(a) the provision of investment advice,

(b) seeking funds for the purposes of the scheme from participants or potential participants,

(c) researching potential investments to be made for the purposes of the scheme,

(d) acquiring, managing or disposing of property for the purposes of the scheme,

(e) acting for the purposes of the scheme with a view to assisting a body in which the scheme has made an investment to raise funds, and

(f) any activity incidental or ancillary to any activity mentioned in paragraphs (a) to (e);

"investment scheme" means—

(a) a collective investment scheme, or

(b) an AIF, or any part of an AIF, that is not a collective investment scheme;

"participant", in relation to an investment scheme, means a person taking part in the scheme, whether by becoming the owner of, or of any part of, the property that is the subject of the scheme or otherwise;

"sum" includes any money or money's worth (and other expressions are to be construed accordingly);

"this group of sections" means sections 23I to 23Q.

(2) For the purposes of section 23K and Schedule A1, in determining what it is reasonable to assume in relation to an investment scheme, regard is to be had to all the circumstances including in particular any prospectus or other document which—

(a) is made available to external investors in the investment scheme, and

(b) on which external investors may reasonably be supposed to have relied or been able to rely."

(3) In section 7 (income charged), in subsection (1), after "section 23E(1)" insert ", section 23I or section 23M".

(4) In section 845H (qualifying foreign income)—

(a) in row 1 of the table at the end insert "other than profits of such a trade treated as carried on under section 23I";

(b) after row 1 of the table insert—

"1A	72.5% of the amount of the qualifying profits (within the meaning of section 23I) of a trade treated as carried on under section 23I that do not arise from the part of a trade treated as carried on in the United Kingdom (see section 23K).
1B	The foreign pre-arrival proportion of the non-qualifying profits (within the meaning of section 23I) of a trade treated as carried on under section 23I. The foreign pre-arrival proportion is the proportion of the applicable workdays (within the meaning of section 23K) that fall within the pre-arrival period and are not UK workdays (within the meaning of section 23K). The pre-arrival period is the period ending immediately before the individual became a qualifying new resident that consists only of tax years for which the individual was non-UK resident."

(5) In Schedule 11—

(a) Part 1 inserts Schedule A1 to ITTOIA 2005 (Carried interest: interpretation etc.);

(b) Part 2 contains consequential and connected amendments.

(6) The amendments made by this section and that Schedule have effect for the tax year 2026-27 and subsequent tax years (but in relation to investment management services whenever performed).

59 Pensions: abolition of the lifetime allowance charge

(1) Paragraph 134 of Schedule 9 to FA 2024 (power to make further provision in connection with the abolition of the lifetime allowance charge) is amended as follows.

(2) In sub-paragraph (2)—

(a) for paragraph (b) substitute—

"(b) have effect for the tax years 2024-25 and 2025-26 (as well as subsequent tax years);";

(b) in paragraph (d), at the end insert "(including any provision that could be made under paragraph 133)".

(3) In sub-paragraph (3) omit "that increase any person's liability to tax".

(4) In sub-paragraph (4), for "5 April" substitute "30 June".

60 Collective money purchase schemes and Master Trust schemes

(1) Part 4 of FA 2004 (pension schemes) is amended in accordance with subsections (2) to (9).

(2) In section 153 (registration of pension schemes), in subsection (5)—

(a) omit the "or" at the end each of paragraphs (f), (g) and (h);

(b) at the end of paragraph (i) insert ", or

(j) the pension scheme is an unauthorised collective money purchase scheme."

(3) In section 158 (grounds for de-registration), in subsection (1)—

(a) omit the "or" at the end of each of paragraphs (ea), (f) and (g);

(b) in paragraph (h), after "that the" insert "pension";

(c) at the end of paragraph (h) insert ", or

(i) that the pension scheme is an unauthorised collective money purchase scheme."

(4) For the italic heading before section 274ZA substitute "Master Trust schemes, collective money purchase schemes etc".

(5) Before section 274ZA (but after the italic heading) insert—

"274ZZA Master Trust schemes

(1) In this Part "Master Trust scheme" means (subject to subsections (2) to (4)) a Master Trust scheme within the meaning of PSA 2017 or PSA(NI) 2021.

(2) Any provision of PSA 2017 or PSA(NI) 2021 under which a reference to a Master Trust scheme does not include a section of it that is a collective money purchase scheme (within the meaning of that Act) does not apply for the purposes of subsection (1).

(3) Section 1(2) of PSA 2017 and section 1(2) of PSA(NI) 2021 (which restrict the meaning of "Master Trust scheme" in the case of schemes that provide benefits other than money purchase benefits) do not apply for the purposes of subsection (1).

(4) Where, by virtue of section 40(2) of PSA 2017 or section 40(2) of PSA(NI) 2021, more than one pension scheme is treated as a single Master Trust scheme for the purposes of that Act, each of those pension schemes is a Master Trust scheme for the purposes of this Part.

(5) For the purposes of this Part a pension scheme is an "unauthorised Master Trust scheme" if—

(a) it is a Master Trust scheme the lawful operation of which, or of any section or part of which, requires authorisation under PSA 2017 or PSA(NI) 2021, or

(b) it is not a Master Trust scheme but, by virtue of section 40(1)(a) of PSA 2017 or section 40(1)(a) of PSA(NI) 2021, the lawful operation of the pension scheme, or of any section or part of it, requires authorisation under that Act,

and such authorisation has not been granted, or has been granted but has been withdrawn.

(6) In this section—

"PSA 2017" means the Pension Schemes Act 2017;

"PSA(NI) 2021" means the Pension Schemes Act (Northern Ireland) 2021.

274ZZB Collective money purchase schemes

(1) In this Part "collective money purchase scheme" means (subject to subsection (2)) a collective money purchase scheme within the meaning of Part 1 or 2 of the Pension Schemes Act 2021.

(2) A reference in this Part to a collective money purchase scheme is, in relation to a relevant divided pension scheme, a reference to the pension scheme as a whole (and is not a reference to any of its sections considered separately).

(3) In this section "relevant divided pension scheme" means a pension scheme which is divided into sections at least one of which is a collective money purchase scheme under subsection (1).

(4) For the purposes of this Part a pension scheme is an "unauthorised collective money purchase scheme" if—

(a) the lawful operation of the pension scheme, or (in the case of a relevant divided pension scheme) of any section of it, requires authorisation under Part 1 or 2 of the Pension Schemes Act 2021, and

(b) such authorisation has not been granted, or has been granted but has been withdrawn.

274ZZC Power to make provision about collective money purchase schemes

(1) The Commissioners for His Majesty's Revenue and Customs may by regulations amend or otherwise modify any provision of this Part in its application in relation to—

(a) a collective money purchase scheme, or

(b) any benefits payable, or arrangements, under such a pension scheme.

(2) Regulations under this section—

(a) may make different provision for different cases;

(b) may include transitional or saving provision."

(6) Section 274ZA (National Employment Savings Trust and Master Trust schemes) is amended as follows—

(a) for the heading substitute "Schemes treated as occupational pension schemes";

(b) after subsection (2) insert—

"(3) This Part applies in relation to a pension scheme that—

(a) is a collective money purchase scheme, and

(b) is not an occupational pension scheme,

as it applies in relation to an occupational pension scheme."

(7) In section 279 (other definitions), omit subsections (1B) to (1D).

(8) In section 280(2) (general index), in the table—

(a) in the definition of "Master Trust scheme", for the entry in the second column substitute "section 274ZZA";

(b) omit the definition of "unauthorised (in relation to a Master Trust scheme)";

(c) at the appropriate places insert—

"collective money purchase scheme	section 274ZZB
unauthorised collective money purchase scheme	section 274ZZB(4)
unauthorised Master Trust scheme	section 274ZZA(5)".

(9) In section 282 (orders and regulations), after subsection (1A) insert—

"(1B) No regulations may be made under section 274ZZC (power to make provision about collective money purchase schemes) that increase any

person's liability to tax unless a draft of the statutory instrument containing them has been laid before, and approved by a resolution of, the House of Commons."

(10) In FA 2018, in Schedule 3 (pension schemes), in paragraph 4 (Master Trust schemes registered before passing of FA 2018), in sub-paragraph (2), for "Section 274B(2) of FA 2004 (as inserted by paragraph 1(5))" substitute "Section 274ZA(2) of FA 2004".

61 Corporate interest restriction: reporting companies

(1) Schedule 7A to TIOPA 2010 (interest restriction returns) is amended as follows.

(2) For paragraph 1 (appointment by a worldwide group of a reporting company) substitute—

"1 (1) An interest restriction return for a period of account of a worldwide group is of no effect unless it is submitted to an officer of Revenue and Customs by the reporting company of the group for that period.

(2) A member of a worldwide group may appoint a company to be the group's reporting company for a period of account.

(3) The appointment is of no effect for the period of account unless—

(a) the company to be appointed as the group's reporting company for the period is an eligible company for that period, and

(b) the appointment is authorised by more than half of the eligible companies for that period.

(4) For this purpose a company is "eligible" if and only if the company—

(a) was a UK group company at a time during the period of account, and

(b) was not dormant throughout that period."

(3) After that paragraph insert—

"Appointment of company where purported return submitted

1A (1) This paragraph applies where a company has purported to submit to an officer of Revenue and Customs a return for a period of account of a worldwide group despite the fact it had not been appointed for the period of account at the time at which it purported to submit the return.

(2) A member of the group may, in accordance with paragraph 1, appoint the company as the group's reporting company for the period of account.

(3) If an appointment is made as mentioned in sub-paragraph (2)—

(a) the company is to be treated for the purposes of this Part of this Act as if it had been appointed under paragraph 1, and

(b) the appointment is to be treated for the purposes of this Part of this Act as if it had been made at the time immediately before the return (or, if more than one, the first return) for the period of account was submitted.

(4) But—

(a) sub-paragraph (3) does not apply for the purposes of paragraph 11A, and

(b) for the purposes of paragraph 6(2), the time of the appointment is taken to be the actual time at which the company was appointed as the group's reporting company (rather than the time provided for by sub-paragraph (3)(b)).".

(4) For paragraph 2 (revocation by worldwide group of appointment under paragraph 1), substitute—

"2 (1) A member of a worldwide group may revoke an appointment previously made under paragraph 1 in relation to a period of account.

(2) The revocation is of no effect for the period of account unless it is authorised by more than half of the eligible companies for that period.

(3) For this purpose a company is "eligible" if and only if the company—

(a) was a UK group company at a time during the period of account, and

(b) was not dormant throughout that period.

(4) The revocation of an appointment does not prevent the making of a further appointment under paragraph 1 (whether at the same time as the revocation, or later)."

(5) In paragraph 4 (appointment of reporting company by Revenue and Customs)—

(a) for sub-paragraph (1) substitute—

"(1) This paragraph applies where no interest restriction return in relation to a period of account of a worldwide group ("the relevant period of account") has been submitted to an officer of Revenue and Customs before the end of the period of 18 months beginning with the end of the relevant period of account.",

(b) in sub-paragraph (4), at the end insert "and supersedes any appointment of a reporting company in relation to that period made under paragraph 1",

(c) in sub-paragraph (5), after paragraph (b) insert—

"But the time limits provided by paragraph (a) or (b) do not apply where sub-paragraph (6A) applies.", and

(d) after sub-paragraph (6) insert—

"(6A) If—

(a) a company has purported to submit to an officer of Revenue and Customs a return for the relevant period of account despite the fact it had not been appointed for that period at the time at which it purported to submit the return, and

(b) no appointment of the company as the group's reporting company for that period has been made by a member of the group in reliance on paragraph 1A,

an officer of Revenue and Customs may, by notice to the company, appoint it to be the group's reporting company for that period, and sub-paragraphs (3) and (4) apply in relation to that notice and appointment.

(6B) The company is to be treated for the purposes of this Part of this Act as if it had been appointed immediately before it submitted the return (or, if more than one, the first return) for the relevant period of account.

(6C) But—

(a) sub-paragraph (6B) does not apply for the purposes of paragraph 11A, and

(b) for the purposes of paragraph 6(2), the time of the appointment is taken to be the actual time at which the company was appointed as the group's reporting company (rather than the time provided for by sub-paragraph (6B))."

(6) In paragraph 5 (appointment by officer of Revenue and Customs of replacement reporting company), in sub-paragraph (6)(a), omit sub-paragraph (ii) and the "and" before that sub-paragraph.

(7) In paragraph 6 (obligation of reporting company to notify group members of its status)—

(a) in sub-paragraph (2), for "the relevant time" substitute "the appointment is made", and

(b) omit sub-paragraphs (3) and (4).

(8) In paragraph 7 (obligation of reporting company to submit interest restriction return)—

(a) for sub-paragraphs (1) to (3) substitute—

"(1) A reporting company appointed under paragraph 1 in relation to a period of account may submit a return for that period to an officer of Revenue and Customs.

(2) A reporting company appointed under paragraph 4 in relation to a period of account must submit a return for that period to an officer of Revenue and Customs.

(3) A reporting company appointed under paragraph 5 in relation to a period of account must submit a return for that period to an officer of Revenue and Customs unless a return for the period has already been submitted under sub-paragraph (1) or (2) or this sub-paragraph.", and

(b) in sub-paragraph (6), for paragraph (b) substitute—

"(b) if the reporting company was appointed under paragraph 4 or 5, the later of—

(i) the period mentioned in paragraph (a), and

(ii) the end of the period of 3 months beginning with the day on which it was appointed."

(9) Consequently, the italic heading before that paragraph becomes "*Submission of interest restriction returns by reporting companies*".

(10) In paragraph 8 (revised interest restriction return), in sub-paragraph (3), for paragraph (b) substitute—

"(b) if the reporting company was appointed under paragraph 4 or 5, the later of—

(i) the period mentioned in paragraph (a), and

(ii) the end of the period of 3 months beginning with the day on which it was appointed."

(11) In paragraph 10 (meaning of "consenting company" and "non-consenting company")—

(a) in sub-paragraph (2)—

(i) in paragraph (a), for "the appropriate persons" substitute "the reporting company in relation to the period of account", and

(ii) in paragraph (b), for "the appropriate persons" substitute "the reporting company", and

(b) omit sub-paragraph (3).

(12) Omit paragraph 11 (company authorising reporting company appointment treated as consenting company) together with the italic cross-heading before it.

(13) After paragraph 11 insert—

"Penalty for submission of return where no reporting company appointed

11A(1) A company is liable to a penalty if the company has purported to submit to an officer of Revenue and Customs a return for a period of account of a worldwide group in circumstances where it had not been appointed for the period of account at the time at which it submitted the return.

(2) The penalty is £1,000.

(3) If a company becomes liable to a penalty under this paragraph, an officer of Revenue and Customs must—

(a) assess the penalty, and

(b) notify the company.

(4) The assessment must be made within the period of 12 months beginning with the day on which a company is (after the time mentioned in sub-paragraph (1)) appointed as the group's reporting company for the period of account.

(5) A company may, by notice, appeal against a decision of an officer of Revenue and Customs that a penalty is payable under this paragraph.

(6) Notice of appeal under this paragraph must be given—

(a) within 30 days after the penalty was notified to the company,

(b) to the officer of Revenue and Customs who notified the company.

(7) A penalty under this paragraph must be paid before the end of the period of 30 days beginning with—

(a) the day on which the company was notified of the penalty, or

(b) if notice of appeal against the penalty is given, the day on which the appeal is finally determined or withdrawn.

11B(1) Liability to a penalty under paragraph 11A does not arise if, in reliance on paragraph 1A, a company is, at any time up to the end of the period of 18 months after the end of the period of account, appointed as the group's reporting company for the period of account.

(2) Liability to a penalty under paragraph 11A also does not arise if—

(a) without being prompted by an officer of Revenue and Customs to do so, the company notified an officer of Revenue and Customs of the circumstances mentioned in paragraph 11A(1), or

(b) there is a reasonable excuse for failing to appoint a reporting company before the return was submitted.

(3) If there is a reasonable excuse for the failure but the excuse has ceased, the excuse is to be treated as having continued if a reporting company is appointed without unreasonable delay after the excuse ceased."

(14) In paragraph 20 (required contents of interest restriction return: full returns and abbreviated returns)—

(a) in sub-paragraph (3)—

(i) before paragraph (a) insert—

"(za) state the name and (where it has one) the Unique Taxpayer Reference of the reporting company,",

(ii) in paragraph (c), at the end insert "and whether it authorised the appointment of the reporting company for the period of account", and

(iii) after that paragraph insert—

"(ca) contain a statement that each of the companies authorising the appointment of the reporting company was an eligible company and that they together constituted more than half of the eligible companies,", and

(b) in sub-paragraph (5), for "(a) to (c)" substitute "(za) to (ca)".

(15) In paragraph 29 (penalty for failure to deliver return)—

(a) in sub-paragraph (1)(a), at the beginning insert "submits or", and

(b) for sub-paragraph (4) substitute—

"(4) The assessment must be made—

(a) within the period of 12 months beginning with the day on which the return was received by an officer of Revenue and Customs, or

(b) if no return is received by an officer of Revenue and Customs, the period of 12 months beginning with the filing date mentioned in sub-paragraph (1)(b)."

(16) In paragraph 44 (enquiry into return for wrong period or wrong group)—

"(1A) Sub-paragraph (1) applies even if the company submitting the return had not been appointed as a reporting company for the period of account for which the return was submitted; and references to a reporting company in paragraph 40, and elsewhere in this Schedule where the context is an enquiry into the return, are to the company who submitted the return."

(17) In paragraph 56 (power of Revenue and Customs to make determinations where no return filed etc), in sub-paragraph (4)(a), after "has effect" insert "under paragraph 4 or 5".

(18) In paragraph 61 (provision of information between members of group where no reporting company appointed), for sub-paragraph (2) substitute—

"(2) Condition A is that no appointment of a reporting company in relation to the period of account has been made before the end of the period of 12 months beginning with the end of the period of account."

(19) The amendment made by subsection (3) has effect in relation to periods of account ending on or after 31 March 2024 (except so far as it relates to the new paragraph 11A of Schedule 7A to TIOPA 2010).

(20) The amendments made by subsection (14) have effect in accordance with provision made by regulations made by the Commissioners for His Majesty's Revenue and Customs.

(21) The remaining amendments made by this section have effect in relation to periods of account ending on or after 31 March 2026.

62 Corporate interest restriction: capital expenditure and tax-EBITDA calculation

(1) In section 407 of TIOPA 2010 (amounts not brought into account in determining a company's tax-EBITDA)—

(a) in subsection (1)(b) (allowances or charges under CAA 2001), at the end insert "or capital expenditure for which a deduction is given under a relevant enactment", and

(b) after subsection (1) insert—

"(1A) For the purposes of subsection (1)(b) "relevant enactment" means—

(a) section 86A of CTA 2009 (contributions to flood and coastal erosion risk management projects);

(b) section 142 of CTA 2009 (waste disposal site preparation expenditure);

(c) section 145 of CTA 2009 (waste disposal site restoration payments);

(d) section 147 of CTA 2009 (cemeteries and crematoria)."

(2) The amendments made by this section have effect in relation to periods of account ending on or after 31 December 2021.

(3) An interest restriction return which is revised to take account of the amendments made by this section is, despite paragraph 8(3) of Schedule 7A to TIOPA 2010, of effect if the revised return is received by an officer of Revenue and Customs before 1 October 2026.

63 Avoidance schemes involving certain non-derecognition liabilities

(1) In Part 20 of CTA 2009 (general calculation rules), in Chapter 1 (restriction of deductions), after section 1305A insert—

"1305B Avoidance schemes involving certain non-derecognition liabilities

(1) This section applies if—

(a) assets ("the underlying assets") are transferred to a relevant entity,

(b) for accounting purposes following the transfer—

(i) the underlying assets continue to be recognised to any extent by a member of the transferor group, and

(ii) a liability is also recognised by a member of the transferor group in connection with the underlying assets or otherwise in connection with the transfer,

(c) in calculating a company's profits for corporation tax purposes a deduction would (ignoring this section) be allowed for a loss, expense or debit in connection with the liability mentioned in paragraph (b)(ii), and

(d) the loss, expense or debit arises, to any extent, as a result of arrangements (whether or not they are or include the transfer mentioned in paragraph (a)) where the main purpose, or one of the main purposes, of any party to the arrangements in being a party to them is to secure a tax advantage for any person.

(2) The deduction mentioned in subsection (1)(c) is not allowed so far as it is attributable on a just and reasonable apportionment to the purpose mentioned in subsection (1)(d).

(3) For the purposes of the condition in subsection (1)(b) it does not matter whether the assets recognised as mentioned in subsection (1)(b)(i) and the liability recognised as mentioned in subsection (1)(b)(ii)—

(a) are recognised immediately after the transfer or only later;

(b) are first recognised at the same time or at different times;

(c) are recognised by the same member of the transferor group as they were before the transfer.

(4) For the purposes of subsection (1) the circumstances in which assets are "transferred" to a relevant entity include circumstances in which—

(a) a right to income deriving from the assets is transferred to the relevant entity;

(b) a contract is entered into to pay the relevant entity income deriving from the assets;

(c) the assets, or income deriving from them, come to be held in trust for the benefit of the relevant entity.

(5) In this section—

"arrangements" includes any scheme, arrangement or understanding of any kind, whether or not legally enforceable, involving a single transaction or two or more transactions;

"member of the transferor group" means any of the following—

(a) the person who transferred the underlying assets as mentioned in subsection (1)(a);

(b) a company that is connected with the person mentioned in paragraph (a) and is not the relevant entity mentioned in subsection (1)(a);

(c) a transparent entity in which the person mentioned in paragraph (a) or a company falling within paragraph (b) has an interest;

"relevant entity" means—

(a) a securitisation company within the meaning of Chapter 4 of Part 13 of CTA 2010, or

(b) any person that is a party to the same capital market arrangement (within the meaning of paragraph 1 of Schedule 2A to the Insolvency Act 1986) as such a company;

"transparent entity" means anything that—

(a) may be treated as an entity for accounting purposes, and

(b) is not chargeable to corporation tax or income tax as a person (ignoring any exemptions).

(6) The following apply for the purposes of this section—

section 1122 of CTA 2010 ("connected" persons)

section 1139 of CTA 2010 ("tax advantage")."

(2) The amendment made by this section has effect in relation to accounting periods beginning on or after 26 November 2025; and for that purpose an accounting period beginning before and ending on or after that date is treated as if so much of the period as falls before that date, and so much of the period as falls on or after that date, were separate accounting periods.

64 Energy (oil and gas) profits levy: decommissioning relief agreements

(1) In section 80 of FA 2013 (decommissioning relief agreements), after subsection (4) insert—

"(4A) No payment is to be made to a company under a decommissioning relief agreement by reference to the energy (oil and gas) profits levy.

(4B) Every decommissioning relief agreement (whenever entered into) is to be read accordingly."

(2) The amendment made by subsection (1) has effect in relation to claims under decommissioning relief agreements made in relation to decommissioning expenditure incurred on or after 26 November 2025.

PART 2

INHERITANCE TAX

Agricultural property relief and business property relief

65 Agricultural property relief and business property relief etc

Schedule 12 makes provision—

(a) limiting agricultural property relief and business property relief, and

(b) extending Schedule A1 to IHTA 1984 (overseas property not excluded property if value attributable to UK residential property) to UK agricultural property.

Pension interests

66 Tax to be charged on certain pension interests

In IHTA 1984, before section 151 (but after the italic heading that precedes it) insert—

"150A Certain pension interests treated as part of estate

(1) For the purposes of this Act a member of a registered pension scheme, a qualifying non-UK pension scheme or a section 615(3) scheme is treated as beneficially entitled immediately before their death to property ("notional pension property") by reference to the arrangements under the scheme as they stand at that time.

(2) The value of the member's notional pension property in relation to the scheme is calculated as follows—

Step 1

For each money purchase arrangement under the scheme add together—

(a) the value of any property that—

(i) is held in a pension pot, and

(ii) may or must be used to provide benefits under the arrangement on the death of the member, and

(b) the value of any property that—

(i) is not held in a pension pot, and

(ii) may be and can reasonably be expected to be used to provide benefits under the arrangement on the death of the member,

then deduct the value of any property within paragraph (a) or (b) that may only be used to provide an excluded benefit.

Step 2

For each defined benefits arrangement under the scheme add together—

(a) the amount of any benefit that must be paid as a lump sum death benefit under the arrangement on the death of the member,

(b) the amount of any benefit not within paragraph (a) that may be and can reasonably be expected to be paid as a lump sum death benefit under the arrangement on the death of the member, and

(c) the amount of any benefit that may be and, assuming that the maximum amount possible is paid as a lump sum death benefit, can reasonably be expected to be paid as a scheme continuation payment under the arrangement on the death of the member,

then deduct the amount of any benefit within paragraph (a), (b) or (c) that may only be paid as an excluded benefit.

Step 3

Add together each of the amounts given at Steps 1 and 2.

(3) In determining for the purposes of subsection (2) any question as to what can reasonably be expected, regard is to be had (in particular) to appropriate actuarial assumptions.

(4) Except under this section, no interest in or under a registered pension scheme, a qualifying non-UK pension scheme or a section 615(3) scheme is taken into account for the purposes of this Act in determining the value of the estate of a member of the scheme immediately before their death.

(5) For the purposes of section 6 (excluded property), notional pension property in relation to a pension scheme is regarded as situated in the country or territory in which the scheme is established.

(6) In subsection (2)—

"excluded benefit", in relation to a pension scheme, means a benefit that may only be paid under the scheme as one or more of the following—

(a) a dependants' scheme pension;

(b) a trivial commutation lump sum death benefit whose payment to a person extinguishes the person's entitlement to a dependants' scheme pension;

(c) a dependants' annuity, or a nominees' annuity, that was purchased together with a lifetime annuity payable to the member (and for that purpose "purchased together" is to be construed in accordance with paragraphs 17(1A) and 27AA(2) of Schedule 28 to the Finance Act 2004);

(d) any amount that—

(i) is payable as a benefit (in any form) in respect of a member of the scheme if the member is in employment or other work of a particular description immediately before their death, and

(ii) is not payable as a benefit (in any form) in respect of a member of the scheme if the member does not meet those conditions;

"held in a pension pot" means available for the purpose of providing benefits to or in respect of one specific member of the scheme;

"scheme continuation payment" means a payment made—

(a) in relation to a registered pension scheme, in accordance with pension rule 2 in section 165(1) of the Finance Act 2004 (continuing payments after death);

(b) in relation to a qualifying non-UK pension scheme or a section 615(3) scheme, in such a way as would be in accordance with that rule if the scheme in question were a registered pension scheme.

(7) Each of the following has the same meaning in this section as in Part 4 of the Finance Act 2004 (pension schemes etc)—

"arrangement" (see section 152(1) of that Act);

"defined benefits arrangement" (see section 152(6) of that Act);

"dependants' annuity" (see paragraph 17 of Schedule 28 to that Act);

"dependants' scheme pension" (see paragraph 16 of Schedule 28 to that Act);

"lifetime annuity" (see paragraph 3 of Schedule 28 to that Act);

"lump sum death benefit" (see section 168(2) of that Act);

"money purchase arrangement" (see section 152(2) of that Act);

"nominees' annuity" (see paragraph 27AA of Schedule 28 to that Act);

"trivial commutation lump sum death benefit" (see paragraph 20 of Schedule 29 to that Act);

but for the purposes of this section those definitions are to be read with any necessary modifications in applying them to a qualifying non-UK pension scheme or a section 615(3) scheme."

67 Liability for tax on pension interests

(1) IHTA 1984 is amended as follows.

(2) For section 210 substitute—

"210 Pension rights

(1) This section applies to any tax that is attributable to the value of notional pension property of a deceased member of a registered

pension scheme, a qualifying non-UK pension scheme or a section 615(3) scheme.

(2) For the purposes of this Part the tax is treated as also attributable to the value of—

(a) any property held for the purposes of the scheme that is available for paying a benefit on the deceased's death, except so far as the property may only be used to provide an excluded benefit, or an exempt benefit, on the deceased's death, and

(b) any property that is received by a person under the scheme as a benefit on the deceased's death, other than an excluded benefit or an exempt benefit.

(3) The persons liable for the tax (as well as including a person within section 200(1)(c) (person in whom property is vested etc))—

(a) include the deceased's personal representatives so far as they are not already liable under section 200(1)(a),

(b) where the scheme is a registered pension scheme, include the scheme administrator where—

(i) a benefit has been paid in breach of section 226A (withholding of benefits), or

(ii) the scheme administrator has failed to comply with section 226B (direct payment of tax on receipt of notice), and

(c) where the scheme is a registered pension scheme or a section 615(3) scheme, do not (despite section 200(1)(b) and (c)) include the trustees of the scheme (if there are any) or any other person who holds property for the purposes of the scheme in question.

(4) Where the scheme administrator is liable for tax by virtue of subsection (3)(b)(ii) (and not by virtue of subsection (3)(b)(i)), their liability is limited to the amount of tax that they have failed to pay as required under section 226B.

(5) Sections 271 to 272C of the Finance Act 2004 (liability of scheme administrator) apply in relation to a liability under this Act as they apply in relation to a liability under Part 4 of that Act.

(6) Subsection (3)(c) does not prevent a person from being liable to tax—

(a) under subsection (3)(b) in their capacity as scheme administrator, or

(b) by virtue of subsection (5).

(7) In this Act "exempt benefit", in relation to a pension scheme and a deceased member of the scheme, means a benefit paid under the scheme if and so far as the payment renders the transfer of value made on the deceased's death an exempt transfer.

(8) For provision under which a payment of a benefit renders the transfer of value on death an exempt transfer to the extent of the payment, see—

section 18 (transfers between spouses or civil partners);
section 23 (gifts to charities or registered clubs);
section 24 (gifts to political parties);
section 24A (gifts to housing associations);
section 25 (gifts for national purposes etc);
section 27 (maintenance funds for historic buildings etc)."

(3) In section 211 (burden of tax on death), for subsection (3) substitute—

"(3) If—

(a) personal representatives pay an amount of tax,

(b) the amount does not fall to be borne as part of the general testamentary and administration expenses of the estate,

(c) property to whose value the tax is attributable is vested in someone other than the personal representatives ("the vestee"), and

(d) the personal representatives cannot recover the amount by deducting it from any sums payable to the vestee out of the estate (whether because there are no sums so payable or because such sums are insufficient or have already been paid without deduction),

the vestee must repay the amount to the personal representatives."

(4) In section 212 (powers to raise tax), in subsection (1), for "or any part of it" substitute ", any property derived from that property, or any part of that property or of property derived from it".

(5) In section 239 (certificates of discharge), after subsection (4) insert—

"(4A) If—

(a) the personal representatives of a deceased person are given a certificate under subsection (2), and

(b) further property is afterwards shown to have been included in the estate of the deceased immediately before their death by virtue of section 150A(1) (notional pension property),

then despite subsection (4)(b) the personal representatives are not liable for any tax attributable to that further property unless the failure to disclose the property in the application under subsection (2) was due to carelessness on the part of the personal representatives."

68 Withholding of benefits and payment of tax by pension scheme administrator

In IHTA 1984, after section 226 insert—

"226A Tax on notional pension property: withholding of benefits

(1) The personal representatives of a deceased person may give a notice to the scheme administrator of a registered pension scheme if they know that they are, or have reason to believe that they may be, liable for tax attributable to notional pension property of the deceased in relation to the scheme.

(2) A prospective personal representative of a deceased person may give a notice to the scheme administrator of a registered pension scheme if they have reason to believe that, on becoming a personal representative, they would be, or might be, liable for tax attributable to notional pension property of the deceased in relation to the scheme.

(3) In this section "withholding notice" means a notice under subsection (1) or (2).

(4) While a withholding notice has effect, no benefit may be paid under the scheme to a person ("P") if—

(a) the total amount of benefits previously paid under the scheme to P on the deceased's death exceeds 50% of P's benefit entitlement, or

(b) the payment of the benefit would result in the total amount of benefits paid under the scheme to P on the deceased's death exceeding 50% of P's benefit entitlement.

(5) In subsection (4) a person's "benefit entitlement" means so much of the value of the notional pension property of the deceased in relation to the scheme as is attributable on a just and reasonable apportionment, having regard to appropriate actuarial assumptions, to benefits that have been paid, or are or will be payable, to that person.

(6) Subsection (4) does not apply to the payment of an excluded benefit or an exempt benefit.

(7) A withholding notice has effect from the time when it is received by the scheme administrator until the earliest of the following—

(a) any time when it is withdrawn by —

(i) the personal representatives, or

(ii) if the person who gave the notice was a prospective personal representative, that person;

(b) any time when all the tax attributable to notional pension property of the deceased in relation to the scheme, and any interest due in respect of that tax, is paid;

(c) 15 months after the end of the month in which the deceased died.

(8) A withholding notice does not have effect unless it complies with any requirements prescribed by the Commissioners for His Majesty's Revenue and Customs as to form and content.

(9) The rules of a registered pension scheme are void so far as they purport to require a benefit to be paid in breach of subsection (4).

(10) A payment that would fall due but for a withholding notice instead falls due immediately after the notice ceases to have effect.

(11) For the consequences if a benefit is paid in breach of subsection (4), see section 210(3)(b) (joint liability of scheme administrator).

(12) In this section—

"prospective personal representative", in relation to a deceased person, means a person who has reason to believe that they will become a personal representative of that person;

"registered club" has the same meaning as in Chapter 9 of Part 13 of the Corporation Tax Act 2010.

226B Tax on notional pension property: direct payment by scheme administrator

(1) A person ("the taxpayer") may by notice (a "payment notice") require the scheme administrator of a registered pension scheme to pay any tax for which the taxpayer is liable and which is attributable to the value of the notional pension property of a deceased member of the scheme.

(2) The scheme administrator must pay the amount of tax specified in a payment notice before the end of the period of 35 days beginning with the day on which they receive the notice, unless the notice—

(a) is withdrawn by the taxpayer during that period (and before the amount is paid), or

(b) does not comply with the requirements of subsection (3), or ceases to comply with them during that period (and before the amount is paid).

(3) The requirements are—

(a) that the payment notice specifies the amount of tax that it requires to be paid;

(b) that the amount specified is not less than £1,000;

(c) that the amount specified does not exceed the amount of tax for which the taxpayer is liable in respect of notional pension property of the deceased in relation to the scheme;

(d) that where the taxpayer is a beneficiary the amount specified does not exceed the difference between—

(i) the amount of the benefits payable to the beneficiary under the scheme on the deceased's death, and

(ii) the amount that has already been paid on the deceased's death in benefits to or for the benefit of the beneficiary under the scheme, or that has already been specified in a payment notice given by the beneficiary in relation to the deceased;

(e) that where the taxpayer is the deceased's personal representatives the amount specified does not exceed the difference between—

(i) the amount of the benefits payable under the scheme on the deceased's death, and

(ii) the amount that has already been paid on the deceased's death in benefits under the scheme, or that has already been specified in a payment notice given by any person in relation to the deceased;

(f) that the payment notice complies with any requirements prescribed by the Commissioners for His Majesty's Revenue and Customs as to form and content.

(4) The references in subsection (3)(e) to benefits do not include excluded benefits or exempt benefits.

(5) The references in subsection (3)(d) and (e) to the amount of benefits payable under the scheme—

(a) include any amount that has been or will in future be payable, and

(b) in a case where the exact amount of benefits that will in future be payable cannot be known, are to be read as references to the amount that, having regard (in particular) to appropriate actuarial assumptions, can reasonably be expected to be paid.

(6) Where the scheme administrator pays an amount of tax under this section, a consequential adjustment may be made, on a basis that is just and reasonable having regard to appropriate actuarial assumptions and to any tax previously paid—

(a) where the taxpayer is a beneficiary, to that beneficiary's entitlement to benefits under the scheme on the deceased's death;

(b) where the taxpayer is the deceased's personal representatives, to any person's entitlement to benefits under the scheme on the deceased's death.

(7) Any repayment under section 241 (overpayments) of tax paid by the scheme administrator under this section may, regardless of who the taxpayer is, be paid to—

(a) the deceased's personal representatives, or

(b) any of the beneficiaries to whom an officer of Revenue and Customs considers the overpayment of tax to relate

(but may not be paid to the scheme administrator).

(8) The rules of a registered pension scheme are void so far as they purport to prohibit or restrict—

(a) the payment of tax by the scheme administrator as required under this section, or

(b) the making of a consequential adjustment under subsection (6) to a person's entitlement to benefits under the scheme.

(9) In this section—

"beneficiary", in relation to a deceased member of a pension scheme, means a person who receives or has a right to receive benefits under the scheme on the member's death;

"tax" includes interest on tax.

(10) The Treasury may by regulations made by statutory instrument amend the figure for the time being mentioned in subsection (3)(b).

(11) A statutory instrument containing regulations under subsection (10) is subject to annulment in pursuance of a resolution of the House of Commons.

(12) For the consequences if the scheme administrator fails to comply with this section, see section 210(3)(b) (joint liability of scheme administrator)."

69 Connected amendments to IHTA 1984

(1) IHTA 1984 is amended as follows.

(2) Omit section 12A (pension drawdown fund not used up: no deemed disposition).

(3) In section 18 (exemption for transfers between spouses or civil partners), after subsection (3) insert—

"(3A) To the extent that the value transferred by a transfer of value made on the death of a member of a pension scheme is attributable to the member's notional pension property—

(a) the value transferred is treated for the purposes of this section as also attributable to any property that the person's spouse or civil partner receives, or has a present or future right to receive, under the scheme on the death of the member otherwise than as an excluded benefit;

(b) the estate of the transferor's spouse or civil partner is treated for the purposes of subsection (1) (so far as would not otherwise be the case) as increased by the value of any property that they receive, or have a right to receive, as mentioned in paragraph (a), and

(c) subsection (3) does not apply in relation to the transfer of value."

(4) In section 23 (gifts to charities or registered clubs), after subsection (5A) insert—

"(5B) To the extent that the value transferred by a transfer of value made on the death of a member of a pension scheme is attributable to the member's notional pension property—

(a) the value transferred is treated for the purposes of this section as also attributable to any property that on the death of the member is given under the scheme to charities or registered clubs, and

(b) subsection (2) does not apply in relation to the transfer of value."

(5) In section 24 (gifts to political parties), after subsection (4) insert—

"(5) To the extent that the value transferred by a transfer of value made on the death of a member of a pension scheme is attributable to the member's notional pension property—

(a) the value transferred is treated for the purposes of this section as also attributable to any property that on the death of the member is given under the scheme to a political party qualifying for exemption under this section, and

(b) section 23(2) does not (despite subsection (3)) apply in relation to subsection (1)."

(6) In section 24A (gifts to housing associations), after subsection (3) insert—

"(4) To the extent that the value transferred by a transfer of value made on the death of a member of a pension scheme is attributable to the member's notional pension property—

(a) the value transferred is treated for the purposes of this section as also attributable to any land in the United Kingdom that on the death of the member is given under the scheme to a body falling within subsection (2), and

(b) section 23(2) does not (despite subsection (3)) apply in relation to subsection (1)."

(7) In section 25 (gifts for national purposes etc), after subsection (3) insert—

"(4) To the extent that the value transferred by a transfer of value made on the death of a member of a pension scheme is attributable to the member's notional pension property—

(a) the value transferred is treated for the purposes of this section as also attributable to any property that on the death of the member is given under the scheme—

(i) to a body within Schedule 3, or

(ii) in the circumstances described in paragraph 1 of Schedule 14 to the Finance Act 2012 (gifts to nation), and

(b) section 23(2) does not (despite subsection (2)) apply in relation to subsection (1)."

(8) In section 27 (maintenance funds for historic buildings etc), after subsection (2) insert—

"(3) To the extent that the value transferred by a transfer of value made on the death of a member of a pension scheme is attributable to the member's notional pension property—

(a) the value transferred is treated for the purposes of this section as also attributable to any property—

(i) that on the death of the member is given under the scheme to a person and becomes comprised in a settlement, and

(ii) in respect of which the condition in subsection (1)(a) or (b) is met, and

(b) section 23(2) does not (despite subsection (2)) apply in relation to subsection (1)."

(9) In section 151 (treatment of pension rights etc)—

(a) for the heading substitute "Other provision about pension interests";

(b) for subsections (2) and (3) substitute—

"(3) Sections 49 to 53 (holder of interest in possession treated as directly entitled to property in which interest subsists etc) do not apply in relation to an interest in possession in property where the property is held for the purposes of a registered pension scheme, a qualifying non-UK pension scheme or a section 615(3) scheme.";

(c) omit subsection (4).

(10) Omit section 152 (cash options).

(11) After section 218A insert—

"218B Pensions: information powers

(1) The powers conferred on the Board by section 251 of the Finance Act 2004 (powers relating to the provision and preservation of information in connection with pensions) are exercisable for the purposes of this Act.

(2) Subsection (1) is without prejudice to the generality of that section of that Act."

(12) In section 272 (general interpretation), in subsection (1)—

(a) in the definition of "member", after "scheme," insert "a qualifying non-UK pension scheme or a section 615(3) scheme,";

(b) at the appropriate places insert—

""excluded benefit", in relation to a pension scheme, has the meaning given by section 150A(6);";

""exempt benefit", in relation to a pension scheme and a deceased member of the scheme, has the meaning given by section 210(7);";

""notional pension property", in relation to a member of a pension scheme and a pension scheme, means property to which the member is treated under section 150A(1) (certain pension property treated as part of estate) as having been beneficially entitled immediately before their death by reference to the arrangements under the scheme;";

""qualifying non-UK pension scheme" has the meaning given in section 271A;";

""the scheme administrator", in relation to a registered pension scheme, has the meaning given in section 270 of the Finance Act 2004;".

70 Connected amendments to income tax rules

(1) ITEPA 2003 is amended in accordance with subsections (2) to (6).

(2) In section 567 (amount charged to tax), in subsection (5), at the appropriate place insert—

"section 567B (deduction where inheritance tax is paid in respect of pension death benefit);".

(3) After section 567A insert—

"567B Cases where inheritance tax is paid in respect of pension death benefit

(1) This section applies if—

(a) there is an amount of taxable pension income ("amount TPI") for a tax year for a pension, annuity or other item of pension income,

(b) amount TPI reflects (to any extent) the payment to a person ("the beneficiary") of a benefit under a pension scheme on the death of a member of the scheme ("the deceased"),

(c) the benefit is not an excluded benefit, and

(d) at any time (whether before or after the benefit is paid)—

(i) the beneficiary pays an amount of inheritance tax that is attributable to the value of the deceased's notional pension property,

(ii) the deceased's personal representatives pay an amount of inheritance tax that is so attributable and pass on the burden of that payment to the beneficiary, or

(iii) the scheme administrator pays (under section 226B of IHTA 1984) an amount of inheritance tax that is so attributable, and the payment meets the condition in subsection (2).

(2) A payment of an amount of inheritance tax meets the condition in this subsection if (and so far as)—

(a) in consequence of the payment, the scheme administrator makes an adjustment (under section 226B(5) of IHTA 1984) as a result of which the beneficiary's entitlement to a benefit other than that mentioned in subsection (1) ("the other benefit") is reduced, and

(b) disregarding that reduction, the other benefit would not give rise to taxable pension income for any tax year.

(3) A deduction is allowed from amount TPI equal to the lesser of—

(a) the amount of inheritance tax paid as mentioned in subsection (1)(d)(i) or (ii), less so much (if any) of that inheritance tax as has been deducted under this subsection in an earlier tax year, and

(b) so much of amount TPI as reflects the payment to the beneficiary of the benefit mentioned in subsection (1).

(4) Where the deceased was under 75 on death, and the benefit mentioned in subsection (1) is a relevant lump sum death benefit, a deduction is allowed from amount TPI equal to the lesser of—

(a) the amount of inheritance tax paid as mentioned in subsection (1)(d)(iii) so far as it meets the condition in subsection (2), less so much (if any) of that inheritance tax as has been deducted under this subsection in an earlier tax year, and

(b) so much of amount TPI as reflects the payment to the beneficiary of the benefit mentioned in subsection (1).

(5) Where a deduction is allowed under both of subsections (3) and (4), the deduction under subsection (4) is to be made first.

(6) For the purposes of subsection (1)(d) the deceased's personal representatives "pass on the burden" of a payment of inheritance tax to the beneficiary if—

(a) the personal representatives pay a sum to the beneficiary out of the deceased's estate that has been reduced by the amount of inheritance tax, or

(b) the beneficiary reimburses the personal representatives that amount.

(7) In this section—

"IHTA 1984" means the Inheritance Tax Act 1984;

"inheritance tax" includes interest on inheritance tax;

"excluded benefit" has the same meaning as in IHTA 1984;

"notional pension property" has the same meaning as in IHTA 1984;

"relevant lump sum death benefit" has the same meaning as in section 637S."

(4) After section 579CA insert—

"579CB Refund of overpaid inheritance tax treated as pension

(1) This section applies if—

(a) an amount of inheritance tax that is attributable to the value of notional pension property of a deceased member of a registered pension scheme is paid,

(b) some or all of the inheritance tax paid—

(i) is repaid under section 241(1) of that Act to a person, other than a non-qualifying person, who is entitled to receive benefits under the scheme on the deceased's death (a "beneficiary"), or

(ii) is repaid under that section to the deceased's personal representatives and passed on by the personal representatives to a beneficiary,

(c) in a case in which the payment of inheritance tax mentioned in paragraph (a) was made by the beneficiary or by the deceased's personal representatives, a deduction is allowed under section 567B in respect of the payment, and

(d) the deceased was aged 75 or over at the date of their death.

(2) The relevant amount is treated for the purposes of this Part as though it were a pension paid under the registered pension scheme (and is treated as accruing in the tax year in which it is paid).

(3) In subsection (2) "the relevant amount" means—

(a) in a case in which the payment of inheritance tax mentioned in subsection (1)(a) is made by the scheme administrator, the amount of the payment made to the beneficiary mentioned in subsection (1)(b)(i) or (ii);

(b) in a case in which the payment of inheritance tax mentioned in subsection (1)(a) is made by a beneficiary or by the deceased's personal representatives, the lesser of—

(i) the amount of the payment made to the beneficiary mentioned in subsection (1)(b)(i) or (ii), and

(ii) the deduction allowed under section 567B in respect of the payment of inheritance tax mentioned in subsection (1)(a).

(4) In this section—

"inheritance tax" includes interest on inheritance tax;

"non-qualifying person" has the same meaning as in section 206 of FA 2004 (special lump sum death benefit charge)."

(5) In section 637T (availability of individual's lump sum and death benefit allowance where multiple lump sum death benefits paid), after subsection (4) insert—

"(5) Where any inheritance tax is attributable to the value of the individual's notional pension property, references in subsection (4) to the amount of a lump sum death benefit are to its IHT-adjusted amount.

(6) The "IHT-adjusted amount" of a lump sum death benefit paid to a person under a registered pension scheme is (subject to subsection (7)) the amount determined as follows —

Step 1

Take the amount of the lump sum death benefit paid to the person.

Step 2

Add the amount (if any) by which the person's entitlement to the lump sum death benefit was reduced in consequence of an adjustment under section 226B(5) of IHTA 1984.

Step 3

Deduct the amount (if any) of inheritance tax—

(a) that is attributable to the value of the individual's notional pension property in relation to the scheme, and

(b) for which the person—

(i) is, or at any time was, liable under section 200(1)(c) of IHTA 1984, or

(ii) would at any time have been liable under that provision if the tax had not previously been paid by another person.

If the result is a negative amount, the IHT-adjusted amount of the lump sum death benefit is nil.

(7) Where more than one lump sum death benefit is paid to the person under the scheme, the amount to be deducted under Step 3 is the following proportion of the amount of inheritance tax identified in that Step—

$$C / D$$

where—

"C" is the amount resulting from Step 2;

"D" is the aggregate of the amounts resulting from Step 2 in respect of each lump sum death benefit paid to the person under the scheme.

(8) In this section—

(a) "IHTA 1984" means the Inheritance Tax Act 1984;

(b) "notional pension property" has the same meaning as in IHTA 1984."

(6) In section 683 (PAYE income), in subsection (3B), at the end insert "or section 579CB (inheritance tax overpaid by scheme administrator: refund treated as pension)".

(7) FA 2004 is amended in accordance with subsections (8) to (10).

(8) In section 164 (authorised member payments), in subsection (1), after paragraph (e) (but before the "and" that follows it) insert—

"(ea) payments of inheritance tax under section 226B of the Inheritance Tax Act 1984 (direct payment of tax by scheme administrator),".

(9) After section 206 insert—

"206A Partial repayment of section 206 charge where IHT paid by recipient of benefit

(1) This section applies where—

(a) a registered pension scheme pays a lump sum death benefit in respect of a deceased member to a non-qualifying person,

(b) a liability to the lump sum death benefits charge arises in respect of the lump sum death benefit,

(c) at any time (whether before or after the payment of the lump sum death benefit)—

(i) the non-qualifying person pays an amount of inheritance tax that is attributable to the value of the deceased's notional pension property, or

(ii) the deceased's personal representatives pay an amount of inheritance tax that is so attributable and pass on the burden of that payment to the non-qualifying person, and

(d) the non-qualifying person makes an application under this section for a reduction in the lump sum death benefits charge.

(2) Section 206 applies in relation to the lump sum death benefit as if the amount of the benefit that was paid to the non-qualifying person were the amount in fact paid, reduced by the amount of inheritance tax paid as mentioned in subsection (1)(c).

(3) If and to the extent that the amount of the lump sum death benefits charge paid in respect of the lump sum death benefit exceeds the amount of the liability (as recalculated as a result of subsection (2)), the excess must be repaid to the non-qualifying person (and may not be repaid to the scheme administrator).

(4) An application under this section is of no effect unless it complies with such requirements as to timing, form and content as may be prescribed by the Commissioners.

(5) For the purposes of subsection (1)(c) the deceased's personal representatives "pass on the burden" of a payment of inheritance tax to the non-qualifying person if—

(a) the personal representatives pay a sum to the non-qualifying person out of the deceased's estate that has been reduced by the amount of inheritance tax, or

(b) the non-qualifying person reimburses the personal representatives that amount.

(6) In this section—

"the Commissioners" means the Commissioners for His Majesty's Revenue and Customs;

"inheritance tax" includes interest on inheritance tax;

"non-qualifying person" has the same meaning as in section 206.

206B Supplementary charge on refund of overpaid IHT

(1) This section applies where—

(a) a registered pension scheme pays a lump sum death benefit in respect of a deceased member to a non-qualifying person,

(b) a liability to the lump sum death benefits charge arises in respect of the lump sum death benefit,

(c) an amount of inheritance tax that is attributable to the value of notional pension property of the deceased member is paid,

(d) some or all of the inheritance tax paid as mentioned in paragraph (c) is subsequently—

(i) repaid under section 241(1) of that Act to the non-qualifying person, or

(ii) repaid under that section to the deceased's personal representatives and passed on by the personal representatives to the non-qualifying person, and

(e) in a case in which the payment mentioned in paragraph (c) was made by the non-qualifying person or by the deceased's personal representatives, the non-qualifying person has made an application under section 206A in relation to the lump sum death benefit.

(2) A charge to income tax arises in respect of the relevant amount.

(3) In subsection (2) "the relevant amount" means—

(a) in a case in which the payment of inheritance tax mentioned in subsection (1)(c) is made by the scheme administrator, the amount of the payment made to the non-qualifying person mentioned in subsection (1)(d)(i) or (ii);

(b) in a case in which the payment of inheritance tax mentioned in subsection (1)(c) is made by the non-qualifying person, or by the deceased's personal representatives, the lesser of—

(i) the amount of the payment made to the non-qualifying person mentioned in subsection (1)(d)(i) or (ii), and

(ii) the repayment made under section 206A to the non-qualifying person in relation to the lump sum death benefit.

(4) The person liable to the charge is the non-qualifying person.

(5) The rate of the charge is the same as the rate of the special lump sum death benefits charge (see section 206(4)).

(6) In this section—

"inheritance tax" includes interest on inheritance tax;

"non-qualifying person" has the same meaning as in section 206."

(10) In section 274A (power to split pension schemes), at the end insert—

"(5) Sections 226A and 226B of the Inheritance Tax Act 1984 (withholding of benefits and payment of inheritance tax by scheme administrator) are treated for the purposes of this section as provision made by this Part."

71 Commencement of sections 66 to 70

The amendments made by sections 66 to 70 apply in relation to deaths, and (so far as relevant) to other transfers of value within the meaning of IHTA 1984, occurring on or after 6 April 2027.

Freeze of nil rate band etc

72 Rate bands etc for tax year 2030-31

In section 86 of FA 2021 (no indexation of rate bands, residential enhancement and taper threshold for tax years up to 2029-30)—

(a) for "or 2028" substitute ", 2028 or 2029", and

(b) in the heading, for "2029-30" substitute "2030-31".

Provision relating to new regime in FA 2025

73 Relevant property: disapplication of exemptions from exit charges

(1) In IHTA 1984, in section 65 (relevant property: exit charges), after subsection (8A) insert—

"(8B) None of subsections (7), (7A) and (8) applies in relation to property comprised in a settlement if—

(a) a long-term residence change took place at a time—

(i) before the event in question, and

(ii) if there have been one or more ten-year anniversaries before the event in question, after the most recent of them,

(b) the long-term residence change did not result in tax being charged under this section by reference to the property, and

(c) the long-term residence change would have resulted in tax being charged under this section by reference to the property if the property had been property situated outside the United Kingdom when the long-term residence change took place.

(8C) In subsection (8B) "long-term residence change" means—

(a) the settlor not being a long-term UK resident at the start of the tax year 2025-26, or

(b) the settlor ceasing to be a long-term UK resident at the start of any later tax year."

(2) The amendment made by subsection (1) is treated as having come into force on 26 November 2025.

74 Relevant property: cap on charges for pre-30 October 2024 excluded property

(1) In IHTA 1984, after section 75A insert—

"75B Cap on charges for pre-30 October 2024 excluded property

(1) This section applies if (ignoring this section) tax is charged under section 64 (ten-year anniversary charge) or 65 (exit charge) by reference to the value of property—

(a) that became comprised in the settlement in question before 30 October 2024,

(b) that immediately before 30 October 2024 was excluded property by virtue of section 48(3) or (3A) (as it had effect at that time), and

(c) that immediately before the occasion of the charge—

(i) is situated outside the United Kingdom and is not property to which paragraph 2 or 3 of Schedule A1 applies, or

(ii) is a holding in an authorised unit trust or a share in an open-ended investment company.

(2) The amount of tax charged by reference to the value of the property is, if it would otherwise be greater, to be reduced (but not below zero) to the difference between—

(a) the applicable cap in relation to the relevant period in which the occasion of the charge falls, and

(b) any amount of tax already charged under section 65 in relation to the settlement, earlier in that relevant period, by reference to the value of property meeting the conditions in subsection (1).

(3) In this section—

"the applicable cap" means—

(a) in relation to the first relevant period, £125,000 multiplied by the number of whole successive quarters in the period;

(b) in relation to a subsequent relevant period, £5 million;

"relevant period" means—

(a) the period beginning with 6 April 2025 and ending with the first ten-year anniversary falling after that date, and

(b) each subsequent period of ten years."

(2) The amendment made by subsection (1) is treated as having come into force on 6 April 2025.

75 Foreign diplomats etc: periods of UK residence to be disregarded

(1) In IHTA 1984, after section 155 insert—

"Foreign diplomats etc

155ZA Foreign diplomats etc

(1) In determining whether a person is a long-term UK resident for the purposes of this Act, the person is treated (so far as would not otherwise be the case) as not having been resident in the United Kingdom for any tax year in which they were subject at any time to a relevant international exemption.

(2) For that purpose a person is "subject to a relevant international exemption" at a given time if, were the person to die at that time, an exemption in respect of inheritance tax would apply in relation to any of the person's property by virtue of any of the following—

the Diplomatic Privileges Act 1964

the Consular Relations Act 1968

the International Organisations Act 1968

the European Communities Act 1972

the International Criminal Court Act 2001."

(2) The amendment made by subsection (1) is treated as having come into force on 6 April 2025 (and has effect in relation to tax years ending before that date as it has effect in relation to later tax years).

76 Minor corrections

(1) IHTA 1984 is amended in accordance with subsections (2) and (3).

(2) In section 267ZD (further provision about elections under section 267ZC), in subsection (8), for "a lifetime election" substitute "an election under section 267ZC".

(3) In section 157 (non-residents' bank accounts), in subsection (3), in each of paragraphs (c) and (d), omit "not".

(4) The amendment made by subsection (2) is treated as having come into force on 6 April 2025.

(5) The amendment made by subsection (3) is treated as having come into force on 26 November 2025.

(6) Section 157(3) of IHTA 1984 is treated as having had effect for the period beginning with 6 April 2025 and ending with 26 November 2025 with the omission of its paragraphs (c) and (d) (and the insertion of "or" after paragraph (a)).

Infected blood compensation payments

77 Power to make provision about infected blood compensation payments

(1) The Treasury may by regulations made by statutory instrument make provision conferring relief from inheritance tax in respect of infected blood compensation payments.

(2) The provision that may be made under subsection (1) includes provision about the treatment of dispositions of amounts received by way of, or that are otherwise referable to, infected blood compensation payments.

(3) Regulations under subsection (1) may—

(a) amend or otherwise modify Schedule 15 to FA 2020 (tax relief for scheme payments etc);

(b) include retrospective provision that does not increase any person's liability to tax;

(c) make different provision for different cases;

(d) include consequential, transitional or saving provision.

(4) In this section—

"infected blood compensation payment" means a payment that—

(a) is made under an infected blood compensation scheme, and

(b) is a qualifying payment for the purposes of Schedule 15 to FA 2020 (tax relief for scheme payments etc) by virtue of regulations made under paragraph 2(5) of that Schedule;

"infected blood compensation scheme" means—

(a) the infected blood compensation scheme established by virtue of section 49 of the Victims and Prisoners Act 2024, or

(b) the scheme known as the Infected Blood Interim Compensation Payment Scheme (a non-statutory scheme established before that mentioned in paragraph (a)).

(5) A statutory instrument containing regulations under subsection (1) that amend or otherwise modify Schedule 15 to FA 2020 may not be made unless a draft

of the instrument has been laid before, and approved by a resolution of, the House of Commons.

(6) A statutory instrument containing any other regulations under subsection (1) is subject to annulment in pursuance of a resolution of the House of Commons.

Gifts to charities and registered clubs

78 Scope of exemption for gifts to charities and registered clubs

(1) IHTA 1984 is amended as follows.

(2) In section 23 (gifts to charities or registered clubs), in subsection (6)—

(a) in paragraph (a), omit "or is held on trust for charitable purposes only";

(b) in paragraph (b), omit "or is held on trust for purposes of registered clubs only".

(3) In section 29A (abatement of exemption where claim settled out of beneficiary's own resources), in subsection (6), in paragraph (b) of the definition of "the exempt beneficiary", omit sub-paragraph (ii) and the "or" before it.

(4) In section 142 (alteration of dispositions taking effect on death)—

(a) in subsection (3A), for "the appropriate person" substitute "the charity or registered club to which the property is given";

(b) omit subsection (3B).

(5) The amendments made by this section have effect—

(a) in relation to a transfer of value made on a person's death, if the person dies on or after 6 April 2026;

(b) in relation to a transfer of value made at any other time, if the transfer is made on or after 26 November 2025.

References in this subsection to the making of a transfer of value are to be construed in accordance with IHTA 1984.

79 Section 78: transitional protection for existing interests in possession

(1) Subsection (2) applies in relation to a transfer of value ("the original transfer") to the extent that the value transferred by it is attributable to property which meets each of the following conditions, namely—

(a) that immediately before the original transfer a person was beneficially entitled to an interest in possession in the property to which section 49(1) of IHTA 1984 (interests treated as part of estate) applied;

(b) that the person became beneficially entitled to the interest in possession before 26 November 2025;

(c) that by virtue of the original transfer the property is held on trust—

(i) only for charitable purposes, or

(ii) only for purposes of registered clubs,

but is not given to charities or registered clubs;

(d) that the property is given to charities or registered clubs within the period of 2 years beginning with the date of the original transfer ("the subsequent gift").

(2) For the purposes of IHTA 1984—

(a) the original transfer is treated as attributable (and as always having been attributable) to property given to charities or registered clubs, and

(b) the subsequent gift is disregarded.

(3) Subsections (1) and (2) have effect—

(a) where the original transfer is made on a person's death, if the person dies on or after 6 April 2026;

(b) where the original transfer is made at any other time, if the transfer is made on or after 26 November 2025.

(4) Subsections (1) to (3) are to be construed as though they were contained in section 23 of IHTA 1984.

PART 3

OTHER EXISTING TAXES

Value added tax and insurance premium tax

80 Zero-rating of leases of vehicles to recipients of disability benefits

(1) VATA 1994 is amended as follows.

(2) In Schedule 8, in Group 12 (drugs, medicines, aids for the disabled, etc), omit item 14.

(3) In consequence of the amendment made by subsection (2), in that Group—

(a) for item 15 substitute—

"15 (1) The sale of a motor vehicle that had been let on hire on relevant benefit terms, where such sale constitutes the first supply of the vehicle after the end of the period of such letting.

(2) A vehicle has been let on hire on relevant benefit terms if—

(a) the letting on hire was to a disabled person in receipt of—

(i) a relevant disability benefit by virtue of entitlement to the mobility component of that benefit,

(ii) an armed forces independence payment, or

(iii) mobility supplement,

(b) the letting was for a period of not less than 3 years,

(c) the vehicle was unused at the commencement of the period of letting, and

(d) the consideration for the letting consists wholly or partly of sums paid to the lessor by a relevant authority on behalf of the lessee in respect of—

(i) the mobility component of a relevant disability benefit,

(ii) armed forces independence payment, or

(iii) mobility supplement.

(3) For the purposes of paragraph (2)—

"relevant authority" means—

(a) the Department for Work and Pensions,

(b) the Ministry of Defence,

(c) the Scottish Ministers, or

(d) the Department for Communities in Northern Ireland;

"relevant disability benefit" means—

(a) disability living allowance,

(b) personal independence payment,

(c) Child Disability Payment,

(d) Adult Disability Payment, or

(e) Scottish Adult Disability Living Allowance.",

(b) omit note (6), and

(c) in note (7)—

(i) in the words before paragraph (a), for "14" substitute "15",

(ii) in paragraph (aa), for "the corresponding provision having effect in Northern Ireland" substitute "Part 5 of the Welfare Reform (Northern Ireland) Order 2015",

(iii) in paragraph (aaa), for "disability assistance for children and young people" substitute "Child Disability Payment",

(iv) in paragraph (aab), for "disability assistance for working age people" substitute "Adult Disability Payment",

(v) after that paragraph insert—

"(aac) "Scottish Adult Disability Living Allowance" means a category of disability assistance for adults given in accordance with regulations made under section 31 of the Social Security (Scotland) Act 2018;", and

(vi) for paragraph (b) substitute—

"(b) "mobility supplement" is a mobility supplement within the meaning of—

(i) Article 20 of the Naval, Military and Air Forces Etc. (Disablement and Death) Service Pensions Order 2006, or

(ii) Article 25A of the Personal Injuries (Civilians) Scheme 1983."

(4) In Schedule 6 (valuation: special cases), after paragraph 11A insert—

"11B (1) This paragraph applies for the purposes of determining the value of a supply consisting of the letting on hire of a motor vehicle on relevant benefit terms.

(2) But this paragraph is to be ignored for the purposes of Schedule 1 (VAT registration).

(3) "Relevant benefit terms" is to be construed in accordance with paragraph (2) of item 15 in Group 12 in Schedule 8 (zero-rating).

(4) Any amount of consideration for the letting that falls within sub-paragraph (d) of that paragraph (payments of relevant benefits) is to be disregarded in determining the amount of the consideration for the purposes of calculating the value of the supply under this Act."

(5) The amendments made by this section have effect in relation to leases of motor vehicles commencing on or after—

(a) 1 July 2026, or

(b) such later date as may be appointed in regulations made (before 1 July 2026) by statutory instrument by the Treasury.

81 Insurance premium tax relief limited to adapted vehicles

(1) In Schedule 7A to FA 1994 (insurance premium tax: contracts that are not taxable), for paragraph 3 (and the italic heading before it) substitute—

"Contracts relating to motor vehicles let on relevant benefit terms

3 (1) A contract falls within this paragraph if it relates only to a motor vehicle and—

(a) the vehicle is let on hire on relevant benefit terms to a person, and

(b) the supply of the vehicle to that person is zero-rated for the purposes of the Value Added Tax Act 1994 as a result of it being a supply falling within—

(i) paragraph (f) in item 2 in Group 12 in Schedule 8 to that Act, or

(ii) item 2A in that Group.

(2) "Relevant benefit terms" is to be construed in accordance with paragraph (2) of item 15 in Group 12 in Schedule 8 to the Value Added Tax Act 1994 (zero-rating)."

(2) The amendment made by this section has effect in relation to contracts relating to leases of motor vehicles where the lease commences on or after—

(a) 1 July 2026, or

(b) such later date as may be appointed in regulations made (before 1 July 2026) by statutory instrument by the Treasury.

82 Private hire vehicles or taxis

(1) In section 53 of VATA 1994 (tour operators), after subsection (3) insert—

"(3A) But a person is not a tour operator if and so far as their business consists of making supplies of services consisting of the transport of passengers by private hire vehicle or taxi, unless those supplies are made in conjunction with, and are ancillary to, the making of supplies by the person consisting of—

(a) the provision of accommodation, or

(b) the transport of passengers by bus, coach, train, ship or aircraft."

(2) The amendment made by subsection (1) has effect in relation to supplies made on or after 2 January 2026.

83 Certain charitable donations not to be treated as supplies of goods

(1) Schedule 4 to VATA 1994 (matters to be treated as supply of goods or services) is amended as follows.

(2) In paragraph 5 (transfer of business goods treated as supply)—

(a) in sub-paragraph (2), at the end insert—

"(c) a qualifying charitable donation.";

(b) in sub-paragraph (2ZA), at the appropriate place insert—

""qualifying charitable donation" has the meaning given in paragraph 5A;".

(3) After paragraph 5 insert—

"5A (1) In paragraph 5 "qualifying charitable donation" means (subject to sub-paragraphs (6) and (7)) a donation of an item to a charity where—

(a) the item's value does not exceed the applicable limit, and

(b) the donation is made—

(i) for use by the charity otherwise than in the course or furtherance of a business, or

(ii) for onward donation by the charity (whether or not to another charity).

(2) In sub-paragraph (1)(a) "the applicable limit" means—

(a) £200 where the item donated is any of the following—

(i) a household appliance;
(ii) furniture;
(iii) flooring (including carpets and rugs);
(iv) a computer;
(v) a mobile phone;
(vi) a tablet;

(b) £100 in any other case.

(3) For the purposes of sub-paragraph (1)(a) an item's value is taken to be the lower of—

(a) the cost to the donor of acquiring or, as the case may be, producing the item, and

(b) such consideration in money as would be payable by the donor if the donor were, at the time of the donation, to purchase—

(i) an item identical in every respect (including age and condition) to the item concerned, or

(ii) where such consideration cannot be determined on the basis described in sub-paragraph (i), an item similar to and of the same age and condition as the item concerned;

but where the amount described in paragraph (a) is not known, the item's value is taken to be the amount described in paragraph (b).

(4) Paragraph 5(2A) and (5A) (goods acquired by predecessor businesses) applies for the purposes of sub-paragraph (3).

(5) For the purposes of sub-paragraph (3) the amount of consideration in money that would be payable by the donor if they were to purchase any goods is taken to be the amount that would be so payable by the donor after the deduction of any amount included in the purchase price in respect of VAT on the supply of the goods to the donor.

(6) A donation is not a qualifying charitable donation if the item donated is any of the following—

(a) a tobacco product within the meaning of the Tobacco Products Duty Act 1979;

(b) a vaping product within the meaning of Part 4 of the Finance Act 2026;

(c) an alcohol product within the meaning of Part 2 of the Finance (No.2) Act 2023, other than one belonging to a class or description on which alcohol duty is not charged under that Part of that Act.

(7) A donation is not a qualifying charitable donation if (disregarding this paragraph) it is a zero-rated supply.

(8) The Treasury may by order amend this paragraph for the purpose of varying the definition of "the applicable limit" in sub-paragraph (2)."

(4) The amendments made by subsections (1) to (3) have effect in relation to donations made on or after 1 April 2026.

84 Refunds of VAT to combined county authorities

(1) In section 33 of VATA 1994 (refunds of VAT in certain cases), in subsection (3)(a) (which provides for the section to apply to local authorities and combined authorities), for the words from "and" to the end substitute ", a combined authority established by an order made under section 103(1) of the Local Democracy, Economic Development and Construction Act 2009 and a combined county authority established by regulations made under section 9(1) of the Levelling-up and Regeneration Act 2023;".

(2) The amendment made by this section has effect in relation to supplies made, and importations or acquisitions taking place, on or after 1 December 2025.

Stamp duty reserve tax

85 UK listing relief

(1) After section 89B of FA 1986 (stamp duty reserve tax) insert—

"89C Section 87: UK listing relief

(1) Section 87 does not apply as regards an agreement to transfer chargeable securities in a listed company—

(a) that was first listed after the beginning of the period of 3 years ending with the relevant day, and

(b) whose shares are admitted to trading on a UK regulated market,

if none of the following exclusions apply.

(2) Exclusion A (listed company mergers) applies if the listing referred to in subsection (1)(a) was connected to arrangements by which—

(a) a listed company took control of another listed company,

(b) a company took control of two or more listed companies, or

(c) two or more listed companies merged all or substantially all of their businesses.

(3) Exclusion B (new holding company) applies if—

(a) the listing referred to in subsection (1)(a) was connected to arrangements by which the company took control of another company, and

(b) immediately before those arrangements, the other company was—

(i) listed other than by reference to depositary interests, and

(ii) controlled by the person or persons who, at the time of the listing referred to in subsection (1)(a), controlled the company.

(4) Exclusion C (change of control) applies if—

(a) during the period beginning with the listing referred to in subsection (1)(a) and ending with the relevant day, there was a change of control in the company, or

(b) the agreement to transfer forms part of arrangements changing control in the company.

(5) In subsection (1)(a), the reference to a company being first listed is a reference to—

(a) in the case of a company falling within subsection (6), the company first making a regulatory announcement to the effect that it has taken control of a company as described in subsection (6)(b), or

(b) in other cases, shares in the company being admitted to the official list at a time when no other shares of the company were included in the official list.

(6) A company falls within this subsection if—

(a) shares in the company were admitted to the official list at a time when the company's assets consisted wholly or mainly of cash or short-dated securities, and

(b) the shares were admitted with a view to the company taking control of an unlisted company before the end of a certain period.

(7) In this section—

(a) a reference to a company being listed is a reference to shares in the company being included in the official list;

(b) a reference to shares being included in the official list is a reference to shares—

(i) being included in the official list in accordance with Part 6 of the Financial Services and Markets Act 2000 ("FSMA") (see section 74 of that Act), or

(ii) not being included only by reason of suspension under that Part;

(c) a reference to shares being admitted to the official list has the same meaning as in that Part;

(d) a reference to shares includes a reference to depositary interests in shares.

(8) In this section—

"arrangements" includes any preliminary steps taken in connection with arrangements;

"control" has the meaning given in section 1124 of the Corporation Tax Act 2010;

"depositary interest" has the meaning given in regulations made under section 119 of the Finance Act 1999 (power to exempt UK depositary interests in foreign securities);

"regulatory announcement" means an announcement required by, and made in accordance with, Part 6 rules made under section 73A of FSMA;

"relevant day" has the meaning given in section 87(3);

"UK regulated market" has the same meaning as in Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments (see Article 2(13A))."

(2) The amendment made by subsection (1) has effect in relation to an agreement to transfer chargeable securities in a company that is first listed on or after 27 November 2025 (with "first listed" having the same meaning as in section 89C(1)(a) of FA 1986, as inserted by subsection (1)).

Gambling duties

86 Rate of remote gaming duty

(1) In Chapter 3 of Part 3 of FA 2014 (remote gaming duty), in section 155(3) (which specifies the rate), for "21%" substitute "40%".

(2) The amendment made by this section has effect in relation to accounting periods beginning on or after 1 April 2026.

(3) In a case where an accounting period (a "straddling period") begins before 1 April 2026 and ends on or after that date—

(a) so much of the straddling period as falls before 1 April 2026, and

(b) so much of it as falls on or after that date,

are to be treated as separate accounting periods for the purpose of calculating the duty concerned for the straddling period.

(4) For the purposes of subsection (3), the amount on which duty is charged is apportioned to those separate accounting periods on a time basis according to the respective lengths of those periods.

87 General betting duty on remote bets

(1) Chapter 1 of Part 3 of FA 2014 (general betting duty) is amended as follows.

(2) In the cross-heading after section 125, after "General" insert ", remote".

(3) In section 126 (meaning of "general bet"), in subsection (1) after paragraph (a) insert—

"(aa) it is not a remote bet,".

(4) After 127 (general bets) insert—

"127A General betting duty charge on remote bets

(1) General betting duty is charged on a remote bet made with a bookmaker.

(2) It is charged at the rate of 25% of the bookmaker's profits on remote bets for an accounting period.

(3) The bookmaker's profits on remote bets for an accounting period are the aggregate of—

(a) the amount of the bookmaker's ordinary profits for the period in respect of remote bets (calculated in accordance with section 131), and

(b) the amount of the bookmaker's retained winnings profits for the period in respect of remote bets (calculated in accordance with section 132).

(4) Where the calculation for an accounting period under subsection (3) produces a negative amount—

(a) the bookmaker's profits on remote bets for the accounting period are treated as nil, and

(b) the amount produced by the calculation may be carried forward in reduction of the bookmaker's profits on remote bets for one or more later accounting periods.

(5) A bet is a remote bet for the purposes of this Part if—

(a) it is made using remote communication,

(b) it is not an on-course bet, a spread bet or made by way of pool betting,

(c) it is not made using a self-service betting terminal, and

(d) condition B or C in section 126 is met in relation to it.

(6) The reference here to "remote communication" is to communication using—

(a) the internet,

(b) telephone,

(c) television,

(d) radio, or

(e) any other kind of electronic or other technology for facilitating communication.

(7) A bet is to be treated as not being a remote bet for the purposes of this Part if it is made wholly in relation to horse racing taking place in the United Kingdom.

(8) In this section, "self-service betting terminal" means a machine which—

(a) is designed or adapted for use to bet on future real events,

(b) is not a gaming machine (within the meaning of section 235 of the Gambling Act 2005), and

(c) is located on premises in respect of which there is a betting premises licence (within the meaning of section 150(1)(e) of the Gambling Act 2005) or a bookmaking office licence (within the meaning of Article 2(2) of the Betting, Gaming, Lotteries and Amusements (Northern Ireland) Order 1985 (S.I. 1985/1204)).

(9) The Treasury may by regulations amend subsection (6)."

(5) In section 190 of FA 2014 (index of defined expressions), in the Table, after the entry for "registrable person" insert—

"remote bet	section 127A".

(6) In section 194(4) of FA 2014 (made affirmative procedure for regulations), before paragraph (za) insert—

"(zza) regulations under section 127A(9) which have the effect of adding to the class of bets falling with the definition of "remote bet";".

(7) This section has effect in relation to accounting periods beginning on or after 1 April 2027, and the charge under section 127A of FA 2014 is on bets made on or after that date.

(8) In a case where an accounting period (a "straddling period") begins before 1 April 2027 and ends on or after that date—

(a) so much of the straddling period as falls before 1 April 2027, and

(b) so much of it as falls on or after that date,

are to be treated as separate accounting periods for the purpose of calculating the duty concerned for the straddling period.

(9) For the purposes of subsection (8), the amount on which duty is charged is apportioned to those separate accounting periods on a time basis according to the respective lengths of those periods.

88 Abolition of bingo duty

(1) Omit—

(a) sections 17 to 20C and 31 of the Betting and Gaming Duties Act 1981 (bingo duty);

(b) the cross-heading before section 17 of that Act;

(c) Schedule 3 to that Act (further provision about bingo duty).

(2) Schedule 13 makes—

(a) provision in consequence of subsection (1);

(b) transitional and saving provision.

(3) The repeals and amendments made by this section and Schedule 13 come into force on 1 April 2026.

(4) The Treasury may by regulations make such further transitional, transitory or saving provision as the Treasury consider appropriate in connection with the coming into force of those repeals and amendments.

(5) Regulations under subsection (4) are to be made by statutory instrument.

Alcohol duty

89 Rates of duty

(1) Part 2 of F(No.2)A 2023 (alcohol duty) is amended as follows.

(2) For Schedule 7 (main rates) substitute—

"SCHEDULE 7

RATES OF ALCOHOL DUTY

TABLE 1

Alcoholic strength of alcoholic product	Rate of duty per litre of alcohol in the product
Less than 3.5%	£9.96
At least 3.5% but less than 8.5%	See Table 2
At least 8.5% but not exceeding 22%	£30.62
Exceeding 22%	£33.99

TABLE 2

Description of alcoholic product (of an alcoholic strength of at least 3.5% but less than 8.5%)	Rate of duty per litre of alcohol in the product
(a) Still cider (b) Sparkling cider of an alcoholic strength not exceeding 5.5%	£10.39
Beer	£22.58
(a) Spirits, wine and other fermented products (b) Sparkling cider of an alcoholic strength exceeding 5.5%	£26.61".

(3) For Schedule 8 (reduced rates for qualifying draught products) substitute—

"SCHEDULE 8

QUALIFYING DRAUGHT PRODUCTS: REDUCED RATES

Description of alcoholic product	**Rate of duty per litre of alcohol in the product**
Alcoholic products of an alcoholic strength of less than 3.5%	£8.58
(a) Still cider of an alcoholic strength of at least 3.5% (b) Sparkling cider of an alcoholic strength of at least 3.5% but not exceeding 5.5%	£8.95
(a) Beer, spirits, wine and other fermented products of an alcoholic strength of at least 3.5% (but less than 8.5%) (b) Sparkling cider of an alcoholic strength exceeding 5.5%	£19.45".

(4) For Schedule 9 (duty discount for small producer alcoholic products)—

"SCHEDULE 9

SMALL PRODUCER ALCOHOLIC PRODUCTS: DUTY DISCOUNT

PART 1

ALCOHOLIC PRODUCTS, OTHER THAN QUALIFYING DRAUGHT PRODUCTS, OF AN ALCOHOLIC STRENGTH OF LESS THAN 8.5%

Alcoholic products, other than spirits, of an alcoholic strength of less than 3.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
1	0	5	9.96	-
2	5	50	2.53	49.80
3	50	100	1.52	163.74
4	100	200	0.51	239.71
5	200	600	-	290.35
6	600	1000	-	290.35
7	1000	4500	-0.08	290.35

Spirits of an alcoholic strength of less than 3.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
1	0	5	6.58	-
2	5	50	2.53	32.92
3	50	100	1.52	146.86
4	100	200	0.51	222.82
5	200	600	-	273.47
6	600	1000	-	273.47
7	1000	4500	-0.08	273.47

Still cider of an alcoholic strength of at least 3.5%; sparkling cider of an alcoholic strength of at least 3.5% but not exceeding 5.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
1	0	5	10.39	-
2	5	50	2.64	51.95
3	50	100	1.59	170.87
4	100	200	0.53	250.15
5	200	600	-	303
6	600	1000	-	303
7	1000	4500	-0.09	303

Beer of an alcoholic strength of at least 3.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
1	0	5	20.67	-
2	5	112.5	11.48	103.34
3	112.5	225	10.33	1,337.72
4	225	450	5.74	2,500.33
5	450	900	3.44	3,792.12
6	900	1350	-	5,342.27
7	1350	4500	-1.70	5,342.27

Wine and other fermented products of an alcoholic strength of at least 3.5%; sparkling cider of an alcoholic strength exceeding 5.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
1	0	5	26.61	-
2	5	50	2.71	133.05
3	50	100	2.71	254.84
4	100	200	1.35	390.16
5	200	600	-	525.48
6	600	1000	-	525.48
7	1000	4500	-0.15	525.48

Spirits of an alcoholic strength of at least 3.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
1	0	5	21.65	-
2	5	50	2.71	108.26
3	50	100	2.71	230.04
4	100	200	1.35	365.36
5	200	600	-	500.68
6	600	1000	-	500.68
7	1000	4500	-0.14	500.68

PART 2

QUALIFYING DRAUGHT PRODUCTS OF AN ALCOHOLIC STRENGTH OF LESS THAN 8.5%

Alcoholic products, other than spirits, of an alcoholic strength of less than 3.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
1	0	5	8.58	-
2	5	50	2.18	42.90
3	50	100	1.31	141.06
4	100	200	0.44	206.50

Alcoholic products, other than spirits, of an alcoholic strength of less than 3.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
5	200	600	-	250.12
6	600	1000	-	250.12
7	1000	4500	-0.07	250.12

Spirits of an alcoholic strength of less than 3.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
1	0	5	5.67	-
2	5	50	2.18	28.36
3	50	100	1.31	126.51
4	100	200	0.44	191.95
5	200	600	-	235.58
6	600	1000	-	235.58
7	1000	4500	-0.07	235.58

Still cider of an alcoholic strength of at least 3.5%; sparkling cider of an alcoholic strength of at least 3.5% but not exceeding 5.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
1	0	5	8.95	-
2	5	50	2.28	44.75
3	50	100	1.37	147.19
4	100	200	0.46	215.48
5	200	600	-	261.01
6	600	1000	-	261.01
7	1000	4500	-0.07	261.01

Beer of an alcoholic strength of at least 3.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
1	0	5	17.80	-

Beer of an alcoholic strength of at least 3.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
2	5	112.5	9.89	89.02
3	112.5	225	8.90	1,152.29
4	225	450	4.95	2,153.74
5	450	900	2.97	3,266.46
6	900	1350	-	4,601.73
7	1350	4500	-1.46	4,601.73

Wine and other fermented products of an alcoholic strength of at least 3.5%; sparkling cider of an alcoholic strength exceeding 5.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
1	0	5	19.45	-
2	5	50	1.98	97.25
3	50	100	1.98	186.27
4	100	200	0.99	285.18
5	200	600	-	384.09
6	600	1000	-	384.09
7	1000	4500	-0.11	384.09

Spirits of an alcoholic strength of at least 3.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
1	0	5	15.83	-
2	5	50	1.98	79.13
3	50	100	1.98	168.15
4	100	200	0.99	267.05
5	200	600	-	365.96
6	600	1000	-	365.96
7	1000	4500	-0.10	365.96”.

(5) In consequence of the amendments made by the preceding subsections of this section, in Schedule 2 to the Travellers' Allowances Order 1994 (which provides in certain circumstances for a simplified calculation of excise duty on goods brought into Great Britain)—

(a) in the entry relating to beer, in the second column, for "£0.91" substitute "£0.95",

(b) in the entry relating to still wine, in the second column, for "£3.40" substitute "£3.52",

(c) in the entry relating to sparkling wine, in the second column, for "£3.40" substitute "£3.52",

(d) in the entry relating to cider, in the second column, for "£0.46" substitute "£0.48",

(e) in the entry relating to sparkling cider of an alcoholic strength not exceeding 5.5% by volume, in the second column, for "£0.46" substitute "£0.48",

(f) in the entry relating to sparkling cider of an alcoholic strength exceeding 5.5% but less than 8.5% by volume, in the second column, for "£1.80" substitute "£1.86",

(g) in the entry relating to other fermented products, in the second column, for "£3.40" substitute "£3.52", and

(h) in the entry relating to spirits, in the second column, for "£12.30" substitute "£12.75".

(6) The amendments made by this section are treated as having come into force on 1 February 2026.

Tobacco products duty

90 Rates of duty effective from 6pm on 26 November 2025

(1) In Schedule 1 to TPDA 1979 (table of rates of tobacco products duty), for the Table substitute—

"TABLE

1 Cigarettes	An amount equal to the higher of— (a) 16.5% of the retail price plus £353.50 per thousand cigarettes, or (b) £471.93 per thousand cigarettes.
2 Cigars	£440.93 per kilogram
3 Hand-rolling tobacco	£503.80 per kilogram
4 Other smoking tobacco and chewing tobacco	£193.87 per kilogram
5 Tobacco for heating	£363.36 per kilogram".

(2) In consequence of the provision made by subsection (1), in Schedule 2 to the Travellers' Allowances Order 1994 (which provides in certain circumstances for a simplified calculation of excise duty on goods brought into Great Britain)—

(a) in the entry relating to cigarettes, for "£446.67" substitute "£471.93",

(b) in the entry relating to hand rolling tobacco, for "£476.83" substitute "£503.80",

(c) in the entry relating to other smoking tobacco and chewing tobacco, for "£183.49" substitute "£193.87",

(d) in the entry relating to cigars, for "£417.33" substitute "£440.93",

(e) in the entry relating to cigarillos, for "£417.33" substitute "£440.93", and

(f) in the entry relating to tobacco for heating, for "£103.17" substitute "£109.01".

(3) The amendments made by this section are treated as having come into force at 6pm on 26 November 2025.

91 Rates of duty effective from 1 October 2026

(1) In Schedule 1 to TPDA 1979 (table of rates of tobacco products duty), for the Table substitute—

"TABLE

1 Cigarettes	An amount equal to the higher of— (a) 16.5% of the retail price plus £394.09 per thousand cigarettes, or (b) £518.75 per thousand cigarettes.
2 Cigars	£508.12 per kilogram
3 Hand-rolling tobacco	£574.30 per kilogram
4 Other smoking tobacco and chewing tobacco	£248.07 per kilogram
5 Tobacco for heating	£426.47 per kilogram".

(2) In consequence of the provision made by subsection (1), in Schedule 2 to the Travellers' Allowances Order 1994 (which provides in certain circumstances for a simplified calculation of excise duty on goods brought into Great Britain)—

(a) in the entry relating to cigarettes, for "£471.93" substitute "£518.75",

(b) in the entry relating to hand rolling tobacco, for "£503.80" substitute "£574.30",

(c) in the entry relating to other smoking tobacco and chewing tobacco, for "£193.87" substitute "£248.07",

(d) in the entry relating to cigars, for "£440.93" substitute "£508.12",

(e) in the entry relating to cigarillos, for "£440.93" substitute "£508.12", and

(f) in the entry relating to tobacco for heating, for "£109.01" substitute "£127.94".

(3) The amendments made by this section come into force on 1 October 2026.

Taxes relating to vehicles

92 Vehicle excise duty for light passenger or light goods vehicles etc

(1) Schedule 1 to VERA 1994 (annual rates of vehicle excise duty) is amended as follows.

(2) In paragraph 1 (general rate)—

(a) in sub-paragraph (2) (vehicle not covered elsewhere in Schedule with engine cylinder capacity exceeding 1,549cc), for "£360" substitute "£375", and

(b) in sub-paragraph (2A) (vehicle not covered elsewhere in Schedule with engine cylinder capacity not exceeding 1,549cc), for "£220" substitute "£230".

(3) In paragraph 1B, for the Table substitute—

"CO2 Emissions Figure

(1) Exceeding or, in the first row, equal to or exceeding	(2) Not exceeding	(3) Rate
g/km	g/km	£
0	100	20
100	110	20
110	120	35
120	130	170
130	140	200
140	150	225
150	165	275
165	175	325
175	185	360
185	200	410
200	225	445
225	255	760

"CO2 Emissions Figure		
255	–	790".

(4) In the sentence immediately following the Table in that paragraph, for the words from "as if" to the end substitute "as if, in column (3), in the last two rows, "445" were substituted for "760" and "790"."

(5) In paragraph 1GC, for Table 1 (vehicles other than higher rate diesel vehicles) substitute—

"CO2 Emissions Figure

(1)	**(2)**	**(3)**
Exceeding or, in the first row, equal to	**Not exceeding**	**Rate**
g/km	**g/km**	**£**
0	0	10
0	50	115
50	75	135
75	90	280
90	100	365
100	110	405
110	130	455
130	150	560
150	170	1410
170	190	2270
190	225	3420
225	255	4850
255	–	5690".

(6) In that paragraph, for Table 2 (higher rate diesel vehicles) substitute—

"CO2 Emissions Figure		Rate
(1)	**(2)**	**(3)**
Exceeding or, in the first row, equal to or exceeding	**Not exceeding**	**Rate**
g/km	**g/km**	**£**
0	50	135

"CO2 Emissions Figure		Rate
50	75	280
75	90	365
90	100	405
100	110	455
110	130	560
130	150	1410
150	170	2270
170	190	3420
190	225	4850
225	255	5690
255	–	5690".

(7) In paragraph 1GD(1)(rates for any other licence for light passenger vehicles registered on or after 1 April 2017), for "£195" substitute "£200".

(8) In paragraph 1GE(2) (rates for light passenger vehicles registered on or after 1 April 2017 with a price exceeding £40,000), for "£620" substitute "£640".

(9) In paragraph 1J(a) (rates for light goods vehicles that are not pre-2007 or post-2008 lower emission vans), for "£345" substitute "£360".

(10) In paragraph 2(1) (rates for motorcycles)—

(a) in paragraph (a) (engine cylinder capacity not exceeding 150cc), for "£26" substitute "£27",

(b) in paragraph (b) (motorbicycles with engine cylinder capacity exceeding 150cc but not exceeding 400cc), for "£57" substitute "£59",

(c) in paragraph (c) (motorbicycles with engine cylinder capacity exceeding 400cc but not exceeding 600cc), for "£87" substitute "£90", and

(d) in paragraph (d) (other cases), for "£121" substitute "£125".

(11) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2026.

93 Vehicle excise duty for rigid goods vehicles without trailers and tractive units

(1) Schedule 1 to VERA 1994 (annual rates of vehicle excise duty) is amended as follows.

(2) In paragraph 9 (rigid goods vehicles exceeding 3,500 kgs revenue weight), for the table in sub-paragraph (1) substitute—

"Revenue weight of vehicle		**Rate**		
(1)	*(2)*	*(3)*	*(4)*	*(5)*
Exceeding	*Not exceeding*	*Two axle vehicle*	*Three axle vehicle*	*Four or more axle vehicle*
kgs	*kgs*	£	£	£
3,500	7,500	177	177	177
7,500	11,999	215	215	215
11,999	14,000	102	102	102
14,000	15,000	113	102	102
15,000	19,000	322	102	102
19,000	21,000	322	135	102
21,000	23,000	322	226	102
23,000	25,000	322	322	226
25,000	27,000	322	322	322
27,000	44,000	322	322	601".

(3) In paragraph 11(1) (tractive units), for Table 1 and Table 2 substitute—

"Table 1

Tractive unit with two axles

Revenue weight of vehicle		**Rate**		
(1)	*(2)*	*(3)*	*(4)*	*(5)*
Exceeding	*Not exceeding*	*Any no of semi-trailer axles*	*2 or more semi-trailer axles*	*3 or more semi-trailer axles*
kgs	*kgs*	£	£	£
3,500	11,999	177	177	177
11,999	22,000	86	86	86
22,000	23,000	90	86	86
23,000	25,000	163	86	86
25,000	26,000	285	108	86

Revenue weight of vehicle		Rate		
26,000	28,000	285	157	86
28,000	31,000	322	322	86
31,000	33,000	601	601	226
33,000	34,000	601	654	226
34,000	38,000	741	741	601
38,000	44,000	913	913	913

Table 2

Tractive unit with three or more axles

Revenue weight of vehicle		Rate		
(1)	*(2)*	*(3)*	*(4)*	*(5)*
Exceeding	*Not exceeding*	*Any no of semi-trailer axles*	*2 or more semi-trailer axles*	*3 or more semi-trailer axles*
kgs	*kgs*	£	£	£
3,500	11,999	177	177	177
11,999	25,000	86	86	86
25,000	26,000	108	86	86
26,000	28,000	157	86	86
28,000	29,000	226	86	86
29,000	31,000	311	86	86
31,000	33,000	601	226	86
33,000	34,000	654	322	86
34,000	36,000	654	322	226
36,000	38,000	741	601	322
38,000	44,000	913	913	601”.

(4) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2026.

94 Vehicle excise duty for rigid goods vehicles with trailers

(1) In paragraph 10 of Schedule 1 to VERA 1994 (supplement to annual rate of duty for rigid goods vehicles with trailers), in sub-paragraph (6), for the Tables 1 to 6 substitute—

"Table 1

Vehicles with road-friendly suspension and 2 axles

Vehicle excise duty band	**Plated gross weight of trailer**		**Total weight**		**Rate**
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
	Exceeding (kgs)	*Not exceeding (kgs)*	*Exceeding (kgs)*	*Not exceeding (kgs)*	*£*
B(T)	4,000	12,000	-	27,000	247
B(T)	12,000	-	-	33,000	317
B(T)	12,000	-	33,000	36,000	431
B(T)	12,000	-	36,000	38,000	343
B(T)	12,000	-	38,000	-	477
D(T)	4,000	12,000	-	30,000	392
D(T)	12,000	-	-	38,000	462
D(T)	12,000	-	38,000	-	477

Table 2

Vehicles with road-friendly suspension and 3 axles

Vehicle excise duty band	**Plated gross weight of trailer**		**Total weight**		**Rate**
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
	Exceeding (kgs)	*Not exceeding (kgs)*	*Exceeding (kgs)*	*Not exceeding (kgs)*	*£*
B(T)	4,000	12,000	-	33,000	247
B(T)	12,000	-	-	38,000	317
B(T)	12,000	-	38,000	40,000	421
B(T)	12,000	-	40,000	-	317

Vehicle excise duty band	Plated gross weight of trailer		Total weight		Rate
C(T)	4,000	12,000	-	35,000	328
C(T)	12,000	-	-	38,000	397
C(T)	12,000	-	38,000	40,000	421
C(T)	12,000	-	40,000	-	397
D(T)	4,000	10,000	-	33,000	392
D(T)	4,000	10,000	33,000	36,000	431
D(T)	10,000	12,000	-	38,000	392
D(T)	12,000	-	-	-	462

Table 3

Vehicles with road-friendly suspension and 4 or more axles

Vehicle excise duty band	Plated gross weight of trailer		Total weight		Rate
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
	Exceeding (kgs)	*Not exceeding (kgs)*	*Exceeding (kgs)*	*Not exceeding (kgs)*	*£*
B(T)	4,000	12,000	-	35,000	247
B(T)	12,000	-	-	-	317
C(T)	4,000	12,000	-	37,000	328
C(T)	12,000	-	-	-	397
D(T)	4,000	12,000	-	39,000	392
D(T)	12,000	-	-	-	462
E(T)	4,000	12,000	-	-	575
E(T)	12,000	-	-	-	645

Table 4

Vehicles without road-friendly suspension with 2 axles

Vehicle excise duty band	**Plated gross weight of trailer**		**Total weight**		**Rate**
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
	Exceeding (kgs)	*Not exceeding (kgs)*	*Exceeding (kgs)*	*Not exceeding (kgs)*	*£*
B(T)	4,000	12,000	-	27,000	247
B(T)	12,000	-	-	31,000	317
B(T)	12,000	-	31,000	33,000	431
B(T)	12,000	-	33,000	36,000	654
B(T)	12,000	-	36,000	38,000	477
B(T)	12,000	-	38,000	-	649
D(T)	4,000	12,000	-	30,000	392
D(T)	12,000	-	-	33,000	462
D(T)	12,000	-	33,000	36,000	654
D(T)	12,000	-	36,000	38,000	477
D(T)	12,000	-	38,000	-	649

Table 5

Vehicles without road-friendly suspension with 3 axles

Vehicle excise duty band	**Plated gross weight of trailer**		**Total weight**		**Rate**
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
	Exceeding (kgs)	*Not exceeding (kgs)*	*Exceeding (kgs)*	*Not exceeding (kgs)*	*£*
B(T)	4,000	10,000	-	29,000	247
B(T)	4,000	10,000	29,000	31,000	311
B(T)	10,000	12,000	-	33,000	247
B(T)	12,000	-	-	36,000	317
B(T)	12,000	-	36,000	38,000	421
B(T)	12,000	-	38,000	-	583

Vehicle excise duty band	Plated gross weight of trailer		Total weight		Rate
C(T)	4,000	10,000	-	31,000	328
C(T)	4,000	10,000	31,000	33,000	431
C(T)	10,000	12,000	-	35,000	328
C(T)	12,000	-	-	36,000	397
C(T)	12,000	-	36,000	38,000	421
C(T)	12,000	-	38,000	-	583
D(T)	4,000	10,000	-	31,000	392
D(T)	4,000	10,000	31,000	33,000	431
D(T)	4,000	10,000	33,000	35,000	654
D(T)	10,000	12,000	-	36,000	392
D(T)	10,000	12,000	36,000	37,000	421
D(T)	12,000	-	-	38,000	462
D(T)	12,000	-	38,000	-	583

Table 6

Vehicles without road-friendly suspension with 4 or more axles

Vehicle excise duty band	Plated gross weight of trailer		Total weight		Rate
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
	Exceeding (kgs)	*Not exceeding (kgs)*	*Exceeding (kgs)*	*Not exceeding (kgs)*	£
B(T)	4,000	12,000	-	35,000	247
B(T)	12,000	-	-	-	317
C(T)	4,000	12,000	-	37,000	328
C(T)	12,000	-	-	-	397
D(T)	4,000	10,000	-	36,000	392
D(T)	4,000	10,000	36,000	37,000	477
D(T)	10,000	12,000	-	39,000	392
D(T)	12,000	-	-	-	462

Vehicle excise duty band	Plated gross weight of trailer		Total weight		Rate
E(T)	4,000	10,000	-	38,000	575
E(T)	4,000	10,000	38,000	-	649
E(T)	10,000	12,000	-	-	575".

(2) In that paragraph, in sub-paragraph (7), for "£631" substitute "£654".

(3) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2026.

95 Vehicle excise duty for vehicles with exceptional loads etc

(1) In—

(a) paragraph 6(2A)(a) of Schedule 1 to VERA 1994 (vehicles with exceptional loads),

(b) paragraph 9(3) of that Schedule (rigid goods vehicle which has weight exceeding 44,000 kg and is not an island goods vehicle), and

(c) paragraph 11(3) of that Schedule (tractive unit vehicle which has weight exceeding 44,000 kg and is not an island goods vehicle),

for "£1,643" substitute "£1,703".

(2) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2026.

96 Vehicle excise duty for haulage vehicles other than showman's vehicles

(1) In paragraph 7(3A) of Schedule 1 to VERA 1994 (which specifies the rate applicable to haulage vehicles other than showman's vehicles), for £365" substitute "£380".

(2) The amendment made by this section has effect in relation to licences taken out on or after 1 April 2026.

97 Vehicle excise duty: expensive car supplement

(1) In paragraph 1GE of Schedule 1 to VERA 1994 (rates for light passenger vehicles registered on or after 1 April 2017 with a price exceeding £40,000)—

(a) in sub-paragraph (1)(a), for "£40,000" substitute "the applicable amount", and

(b) after sub-paragraph (1) insert—

"(1A) For the purposes of sub-paragraph (1) "the applicable amount" is—

(a) in the case of a vehicle whose applicable CO2 emissions figure in grams per kilometre driven is zero, £50,000, and

(b) in any other case, £40,000."

(2) The amendments made by this section have effect in relation to any licence where the period for which the licence has effect begins on or after 1 April 2026 (whenever the licence is taken out).

98 Rates of HGV road user levy

(1) Schedule 1 to the HGV Road User Levy Act 2013 (rates of the levy) is amended as follows.

(2) In paragraph 5, for Table 1 substitute—

"TABLE 1: VEHICLES MEETING EURO 6 EMISSIONS STANDARDS — RATES FOR EACH BAND

Band	*Daily rate*	*Weekly rate*	*Monthly rate*	*Half-yearly rate*	*Yearly rate*
A	£3.22	£8.05	£16.10	£96.60	£161
B	£7.74	£19.35	£38.70	£232.20	£387
C	£9.67	£30.95	£61.90	£371.40	£619".

(3) In paragraph 5, for Table 1A substitute—

"TABLE 1A: VEHICLES NOT MEETING EURO 6 EMISSIONS STANDARDS — RATES FOR EACH BAND

Band	*Daily rate*	*Weekly rate*	*Monthly rate*	*Half-yearly rate*	*Yearly rate*
A	£4.18	£10.45	£20.90	£125.40	£209
B	£10.06	£25.15	£50.30	£301.80	£503
C	£10.74	£40.20	£80.40	£482.40	£804".

(4) The amendments made by this section come into force on 1 April 2026.

99 Rates of air passenger duty

(1) Section 30 of FA 1994 (air passenger duty: rates) is amended as follows.

(2) In subsection (1B) (journeys ending in the United Kingdom)—

(a) in paragraph (a), for "£8" substitute "£8.26", and

(b) in paragraph (b), for "£16" substitute "£16.52".

(3) In subsection (2) (short-haul journeys)—
  (a) in paragraph (a), for "£15" substitute "£15.49", and
  (b) in paragraph (b), for "£32" substitute "£33.04".

(4) In subsection (2A) (long-haul journeys)—
  (a) in paragraph (a), for "£102" substitute "£105.33", and
  (b) in paragraph (b), for "£244" substitute "£251.95".

(5) In subsection (4A) (ultra-long haul journeys)—
  (a) in paragraph (a), for "£106" substitute "£109.46", and
  (b) in paragraph (b), for "£253" substitute "£261.25".

(6) In subsection (4E) (journeys on aircraft equipped to carry fewer than 19 passengers)—
  (a) in paragraph (za), for "£142" substitute "£146.63",
  (b) in paragraph (a), for "£142" substitute "£146.63",
  (c) in paragraph (aa), for "£1,097" substitute "£1132.76", and
  (d) in paragraph (d), for "£1,141" substitute "£1178.20".

(7) The amendments made by this section have effect in relation to the carriage of passengers beginning on or after 1 April 2027.

Environmental taxes

100 Rates of climate change levy

(1) In paragraph 42(1) of Schedule 6 to FA 2000 (climate change levy: amount payable by way of levy), for the table substitute—

"TABLE

Taxable commodity supplied	*Rate at which levy payable if supply is not a reduced-rate supply*
Electricity	£0.00827 per kilowatt hour
Gas supplied by a gas utility or any gas supplied in a gaseous state that is of a kind supplied by a gas utility	£0.00827 per kilowatt hour
Any petroleum gas, or other gaseous hydrocarbon, supplied in a liquid state	£0.02175 per kilogram
Any other taxable commodity	£0.06468 per kilogram".

(2) The amendment made by this section has effect in relation to supplies treated as taking place on or after 1 April 2027.

101 Rates of landfill tax

(1) Section 42 of FA 1996 (amount of landfill tax) is amended as follows.

(2) In subsection (1)(a) (standard rate), for "£126.15" substitute "£130.75".

(3) In subsection (2) (reduced rate for certain disposals), in the words after paragraph (b)—

(a) for "£126.15" substitute "£130.75", and

(b) for "£4.05" substitute "£8.65".

(4) The amendments made by this section have effect in relation to disposals made (or treated as made) on or after 1 April 2026.

102 Rate of aggregates levy

(1) In section 16(4) of FA 2001 (rate of aggregates levy), for "£2.08" substitute "£2.16".

(2) The amendment made by this section has effect in relation to aggregate subjected to commercial exploitation on or after 1 April 2026.

103 Aggregates levy: amendments relating to disapplication of levy to Scotland

Schedule 14 (aggregates levy: amendments relating to disapplication of levy to Scotland) has effect.

104 Rate of plastic packaging tax

(1) In section 45(1) of FA 2021 (rate of plastic packaging tax), for "£223.69" substitute "£228.82".

(2) The amendment made by this section has effect in relation to packaging components produced in, or imported into, the United Kingdom on or after 1 April 2026.

105 Chemical recycling: mass balance approach

(1) Part 2 of FA 2021 (plastic packaging tax) is amended as follows.

(2) In section 47(1)(a) (chargeable plastic packaging components)—

(a) before "proportion" insert "combined";

(b) after "recycled plastic" insert "and attributed recycled plastic".

(3) In section 49 (meaning of "plastic" and "recycled plastic")—

(a) in the heading, for "and "recycled plastic"" substitute ", "recycled plastic" and "attributed recycled plastic"";

(b) after subsection (2) insert—

"(2A) "Attributed recycled plastic" is plastic to which recovered material has been attributed in accordance with a chemical recycling certification scheme.";

(c) after subsection (7) insert—

"(7A) Plastic is not to be taken as attributed recycled plastic unless it is shown that it is attributed recycled plastic.";

(d) in subsection (8), for "and "recycled plastic"" substitute ", "recycled plastic" and "attributed recycled plastic"";

(e) in subsection (10), after "recycled plastic" insert "or attributed recycled plastic".

(4) After section 49 insert—

"49A Meaning of "chemical recycling certification scheme"

(1) For the purposes of this Part, a scheme is a "chemical recycling certification scheme" if—

(a) it is a scheme under which a certified person produces plastic from recovered material and other material by means of one or more mass balance processes,

(b) that process or (as the case may be) at least one of those processes alters the chemical structure of the recovered material, and

(c) the scheme meets such conditions as may be specified in regulations made by the Commissioners.

(2) A "mass balance process" is a process under which—

(a) qualifying input material is added to other material to form a mixture ("the mixture"),

(b) the mixture is processed, and

(c) a certified person attributes recovered material to—

(i) material withdrawn from the mixture after the processing, and

(ii) any waste material.

(3) The certified person may attribute recovered material under subsection (2)(c) in any way, provided that—

(a) the quantity of recovered material so attributed does not exceed the quantity of qualifying input material added to the mixture under subsection (2)(a),

(b) the proportion of withdrawn fuel to which recovered material is attributed is the same as the proportion of the mixture (before it is processed) that is qualifying input material, and

(c) the attribution meets such conditions as may be specified in regulations made by the Commissioners.

(4) In subsections (2) and (3) "qualifying input material" means—

(a) recovered material, or

(b) material to which recovered material has been attributed under subsection (2)(c) in connection with an earlier mass balance process.

(5) In this section—

"certified person" means a person certified under a chemical recycling certification scheme;

"consumed fuel" means fuel added to the mixture that is consumed to provide energy for the processing of the mixture;

"process losses" means material, other than consumed fuel, added to the mixture which is converted to waste products as part of the processing (and which is not withdrawn from the mixture);

"waste material" means any consumed fuel and process losses;

"withdrawn fuel" means material withdrawn from the mixture after processing that—

(a) is fuel, or

(b) might reasonably be expected to be reprocessed (otherwise than as part of a mass balance process) into fuel.

(6) The Commissioners may by regulations—

(a) make provision about cases in which the chemical structure of recovered material is to be regarded as having been altered, or not altered, for the purposes of subsection (1)(b);

(b) make provision about materials which are, or are not, to be regarded as withdrawn fuel for the purposes of this section.

49B Chemical recycling certification schemes: further conditions

The conditions that may be specified under section 49A(1)(c) (scheme conditions) include, in particular, conditions about—

(a) the assessment of the scheme by an accreditation body specified, or of a description specified, in the regulations;

(b) the types of material that may be used in a mass balance process under the scheme;

(c) when, and the circumstances in which, materials may be mixed together as part of a mass balance process under the scheme;

(d) the methodology that may be used as part of a mass balance process under the scheme in connection with the calculation of amounts of waste material (within the meaning of section 49A);

(e) the measurement of materials under a mass balance process under the scheme;

(f) the operation of a mass balance process under the scheme by reference to accounting periods or other periods of time;

(g) which persons are required to be certified under the scheme;

(h) the accreditation of certification bodies recognised by the scheme;

(i) the keeping and retention of records by persons under the scheme;

(j) the auditing of scheme members by certification bodies under the scheme;

(k) compliance with, and enforcement of, the scheme rules;

(l) the provision of information to HMRC and others regarding compliance by scheme members with the scheme rules."

(5) In section 83 (interpretation), at the appropriate places insert—

""attributed recycled plastic" is to be construed in accordance with section 49;";

""chemical recycling certification scheme" is to be construed in accordance with section 49A;".

(6) In section 84(5)(b) (regulations), for "and "recycled plastic"" substitute ", "recycled plastic" and "attributed recycled plastic"".

106 Pre-consumer plastic

In section 49 of FA 2021 (meaning of "plastic" and "recycled plastic")—

(a) in subsection (4), in the opening words, omit "pre-consumer plastic or";

(b) omit subsection (5).

107 Sections 105 and 106: commencement

(1) The following come into force on the day on which this Act is passed—

(a) this section;

(b) any provision of, or amendment made by, section 105 so far as it confers a power to make regulations or relates to the exercise of such a power.

(2) The following come into force on 1 April 2027—

(a) section 105, so far as not brought into force by subsection (1)(b);

(b) section 106.

Soft drinks industry levy

108 Rates of levy

(1) In section 36(1) of FA 2017 (rates of soft drinks industry levy)—

(a) in paragraph (a) (soft drinks that meet higher sugar threshold), for "£2.59" substitute "£2.78", and

(b) in paragraph (b) (other soft drinks), for "£1.94" substitute "£2.08".

(2) The amendments made by this section have effect in relation to chargeable events occurring on or after 1 April 2026.

Customs duties

109 Amendment of customs tariff power

(1) Section 8 of TCTA 2018 (the customs tariff) is amended as follows.

(2) After subsection (3) insert—

"(3A) The provision that the customs tariff may make under subsection (1)(c), by virtue of section 32(7), includes provision specifying different rates of import duty applicable to goods falling within a code by reference to their nature, origin or any other factor."

(3) After subsection (8) insert—

"(9) Regulations under this section may amend provision made under section 9 or 10 so as to provide that the rate of import duty that applies to goods in a standard case applies in any specified case to which either of those sections applies (instead of the rate of import duty for the time being applicable by virtue of provision made under either of them)."

110 Dumping and subsidisation investigations

(1) Schedule 4 to TCTA 2018 (dumping of goods or foreign subsidies causing injury to UK industry) is amended as follows.

(2) In the italic heading before paragraph 9, after "investigation" insert ": request made to TRA".

(3) In paragraph 9 (initiation of a dumping or a subsidisation investigation)—

(a) in sub-paragraph (1)—

(i) in the opening words, omit "only";

(ii) in paragraph (a), omit sub-paragraph (ii) and the "or" before it;

(b) in sub-paragraph (2)—

(i) in paragraph (a), omit "in the case of an application under sub-paragraph (1)(a)(i),";

(ii) omit paragraph (b).

(4) After paragraph 9 insert—

"Initiation of a dumping or a subsidisation investigation: Secretary of State direction

9A (1) The Secretary of State may, in exceptional circumstances, direct the TRA to initiate a dumping or a subsidisation investigation in relation to goods if the Secretary of State is satisfied that—

(a) there is sufficient evidence that—

(i) the goods have been or are being dumped in the United Kingdom and the dumping has caused or is causing injury to a UK industry in those goods, or

(ii) as the case may be, the goods have been or are being imported into the United Kingdom and are subsidised, and the importation of the subsidised goods has caused or is causing injury to a UK industry in those goods, and

(b) it appears from that evidence that—

(i) the volume of dumped goods (whether actual or potential), and the injury, is more than negligible, and the margin of dumping in relation to those goods is more than minimal, or

(ii) as the case may be, the volume of subsidised goods (whether actual or potential), and the injury, is more than negligible, and the amount of the subsidy in relation to those goods is more than minimal.

(2) Regulations may make provision about—

(a) the giving of directions under sub-paragraph (1), including in particular provision about—

(i) the form and content of directions;

(ii) when directions are made for the purposes of sub-paragraph (1);

(iii) the publication of directions;

(b) what constitutes or does not constitute "negligible" and "minimal" for the purposes of sub-paragraph (1)(b)(i) or (ii);

(c) how it is to be determined for those purposes whether those thresholds have been exceeded.

(3) Before giving a direction under sub-paragraph (1), the Secretary of State must consult the TRA.

(4) The TRA must comply with a direction given under sub-paragraph (1).

(5) Where the Secretary of State gives a direction under sub-paragraph (1) in respect of a dumping investigation, the TRA must take the following steps in the order in which they are set out—

(a) notify the governments of the relevant foreign countries or territories;

(b) initiate the investigation;

(c) publish notice that it has initiated the investigation (including notice of the goods which are the subject of the investigation);

(d) notify the Secretary of State and interested parties (see paragraph 32(3)) accordingly.

(6) Where the Secretary of State gives a direction under sub-paragraph (1) in respect of a subsidisation investigation, the TRA must take the following steps in the order in which they are set out—

(a) invite the governments of the relevant foreign countries or territories to participate in consultations;

(b) initiate the investigation;

(c) publish notice that it has initiated the investigation (including notice of the goods which are the subject of the investigation);

(d) notify the Secretary of State and interested parties accordingly.

(7) Notices under sub-paragraphs (5)(c) and (d) and (6)(c) and (d) must specify the date of the initiation of the investigation.

(8) Nothing in this paragraph prevents the Secretary of State from directing the TRA to initiate both a dumping investigation and a subsidisation investigation in relation to the same goods if the requirements of sub-paragraph (1)(a) and (b) are met in the case of each investigation.

(9) In this paragraph "relevant foreign country or territory" means—

(a) in the case of a direction to initiate a dumping investigation, the exporting foreign country or territory (within the meaning of paragraph 1(2)) of the alleged dumped goods;

(b) in the case of a direction to initiate a subsidisation investigation, a foreign country or territory within whose territory is located a foreign authority which is alleged to have granted one or more of the subsidies in question."

(5) In paragraph 10(2) (conduct of a dumping or a subsidisation investigation), after paragraph (d) insert—

"(da) the information which must or may be provided or made available by the Secretary of State to the TRA or others in connection with the giving of a direction to initiate a dumping or a subsidisation investigation;".

(6) In paragraph 17(8B) (TRA's duty to recommend an anti-dumping amount or countervailing amount)—

(a) for "The Secretary of State may by regulations" substitute "Regulations may";

(b) after "specified circumstances, to" insert "give or".

(7) In paragraph 18 (TRA's recommendations about an anti-dumping amount or a countervailing amount)—

(a) in sub-paragraph (6), omit paragraph (b) and the "or" before it;

(b) after sub-paragraph (6) insert—

"(6A) Regulations may provide that a recommendation must be such that an anti-dumping amount or a countervailing amount applicable to goods does not exceed a specified amount that is lower than the amount referred to in sub-paragraph (6)(a).";

(c) in sub-paragraph (7) omit the words from "for the purposes of" to the end and insert "about how an amount specified in regulations under sub-paragraph (6A) is to be determined by the TRA".

111 Safeguarding investigations

(1) Schedule 5 to TCTA 2018 (increase in imports causing serious injury to UK producers) is amended in accordance with subsections (2) to (5).

(2) In the italic heading before paragraph 7, after "investigation" insert ": request made to TRA".

(3) In paragraph 7 (initiation of a safeguarding investigation)—

(a) in sub-paragraph (1)—

(i) in the opening words, omit "only";

(ii) in paragraph (a), omit sub-paragraph (ii) and the "or" before it;

(b) in sub-paragraph (2)—

(i) in paragraph (a), omit "in the case of an application under sub-paragraph (1)(a)(i),";

(ii) omit paragraph (b);

(c) in sub-paragraph (3)—

(i) in paragraph (a), omit "in the case of an application under sub-paragraph (1)(a)(i),";

(ii) omit paragraph (b).

(4) After paragraph 7 insert—

"Initiation of a safeguarding investigation: Secretary of State direction

7A (1) The Secretary of State may direct the TRA to initiate a safeguarding investigation in relation to goods if the Secretary of State is satisfied that there is sufficient evidence that—

(a) the goods have been or are being imported into the United Kingdom in increased quantities, and

(b) the importation of the goods in increased quantities has caused or is causing serious injury to UK producers of those goods.

(2) A direction given under sub-paragraph (1) may be accompanied by a preliminary adjustment plan setting out how UK producers of the goods might be able to adjust to the importation of the goods in increased quantities.

(3) Regulations may make provision about—

(a) the giving of directions under sub-paragraph (1), including in particular provision about—

(i) the form and content of directions;

(ii) when directions are made for the purposes of sub-paragraph (1);

(iii) the publication of directions;

(b) the form and content of a preliminary adjustment plan.

(4) Before giving a direction under sub-paragraph (1), the Secretary of State must consult the TRA.

(5) The TRA must comply with a direction given under sub-paragraph (1).

(6) Where the Secretary of State gives a direction under sub-paragraph (1) in respect of a safeguarding investigation, the TRA must take the following steps in the order in which they are set out—

(a) initiate the investigation;

(b) publish notice that it has initiated the investigation (including notice of the goods which are the subject of the investigation);

(c) notify the Secretary of State and interested parties (see paragraph 31(3)) accordingly.

(7) Notices under sub-paragraph (6)(b) and (c) must specify the date of the initiation of the investigation."

(5) In paragraph 16 (final affirmative determination), for sub-paragraph (6) substitute—

"(6) But the requirement in sub-paragraph (5)(b) does not apply in a case where—

(a) the safeguarding investigation was initiated in accordance with paragraph 7 (application made by or on behalf of UK producers) and the TRA waived the requirement for the application to initiate the safeguarding investigation to be accompanied by a preliminary adjustment plan, or

(b) the safeguarding investigation was initiated in accordance with paragraph 7A (Secretary of State direction) and the TRA waives the requirement in sub-paragraph (5)(b) of this paragraph."

(6) Schedule 5A to TCTA 2018 (increase in imports as a result of free trade agreement causing serious injury to UK producers) is amended in accordance with subsections (7) and (8).

(7) In paragraph 5 (initiation of a bilateral safeguarding investigation), for sub-paragraphs (3) and (4) substitute—

"(3) Sub-paragraph (2) is to be read as if in paragraph (a)—

(a) for "the TRA" there were substituted "the Secretary of State";

(b) for "applicant UK producers" there were substituted "UK producers of the goods".

(4) Sub-paragraph (3) is to be read as if in paragraph (a), for "the applicant UK producers think they" there were substituted "UK producers of the goods"."

(8) After paragraph 5 insert—

"5A Paragraph 7A (Secretary of State direction to initiate safeguarding investigation) does not apply."

(9) This section and section 110 come into force on such day as the Secretary of State may by regulations made by statutory instrument appoint; and different days may be appointed for different purposes.

112 Customs facilities at approved wharves and other places

(1) Section 20 of CEMA 1979 (approval of wharves) is amended as follows.

(2) In subsection (1A)—

(a) omit the "or" after paragraph (a),

(b) after paragraph (a) insert—

"(aa) impose conditions, or specify conditions which may be imposed, after an approval has been granted,".

(c) after paragraph (b) insert—

"(c) specify restrictions—

(i) that apply in all cases, or

(ii) which may be imposed, in any particular case, at the time of the approval,

(d) impose restrictions, or specify restrictions which may be imposed, after an approval has been granted, or

(e) provide for the imposition of conditions or restrictions by direction made by the Commissioners."

(3) After subsection (1B) insert—

"(1C) Conditions and restrictions which may be imposed by or specified in regulations under subsection (1A) include—

(a) conditions requiring the provision at the place approved under subsection (1) of specified facilities, services or infrastructure for purposes in connection with facilitating the administration, collection or enforcement of any duty of customs,

(b) conditions requiring the provision of specified facilities, services or infrastructure for such purposes otherwise than at the place approved under subsection (1), including conditions—

(i) requiring that provision at a specified place,

(ii) requiring a person to whom an approval has been, or may be, given to propose a place at which facilities, services or infrastructure are to be provided, and

(iii) requiring the agreement of the Commissioners to any proposal for the provision of facilities, services or infrastructure at a place, and

(c) conditions and restrictions as respects the movements of goods between a place approved under subsection (1) and an off-site facility.

(1D) For the purposes of subsection (1C)(a) and (b) "specified" means specified in—

(a) the regulations,
(b) an approval under subsection (1), or
(c) a direction.

(1E) For the purposes of this section and section 20A, an "off-site facility" means a place at which facilities, services or infrastructure are provided (in accordance with an approval or conditions attaching to it) other than a place approved under subsection (1)."

(4) Section 20(A) of CEMA 1979 (approved wharves) is amended as follows.

(5) Renumber that section as section 20A.

(6) In subsection (1)—
(a) in paragraph (a), for "20" substitute "20(1)", and
(b) after that paragraph insert "or

(aa) an off-site facility."

(7) In subsection (1A), after "imposed" insert "by or".

(8) The amendments made by this section come into force on the day on which this Act is passed.

(9) But CEMA 1979 continues to have effect, for any purpose in connection with duty under section 30A(3) or 40A of TCTA 2018, as if the amendments made by this section had not been made.

Economic crime (anti-money laundering) levy

113 Increases to rates of levy

(1) In section 54 of FA 2022 (charge to the levy)—
(a) in subsection (1)(b), for the words from "is" to the end substitute "is in any of the bands set out in section 55", and
(b) in subsection (2)—
(i) in paragraph (a), for "medium" substitute "in band A" and for "£10,000" substitute "£10,200",
(ii) in paragraph (b), for "large" substitute "in band B",
(iii) after paragraph (b) insert—

"(ba) in the case of a person whose UK revenue for the financial year is in band C, £500,000;", and

(iv) in paragraph (c), for "very large" substitute "in band D" and for "£500,000" substitute "£1million".

(2) In section 55 of FA 2022 (UK revenue: amount), in subsection (1)—
(a) in paragraph (a), for "medium" substitute "in band A",
(b) in paragraph (b), for "large" substitute "in band B" and for "£1billion" substitute "£500 million",

(c) after paragraph (b) insert—

"(ba) is in band C for a financial year if the person's UK revenue for the relevant accounting period is more than £500 million but not more than £1 billion;", and

(d) in paragraph (c), for "very large" substitute "in band D".

(3) In consequence of the amendments made by the preceding subsections, in section 189 of the Economic Crime and Corporate Transparency Act 2023, in subsections (3)(b)(ii) and (11) (which operate by reference to provisions amended by this section), for "large or very large" substitute "in any of bands B to D".

(4) The amendments made by this section have effect for the financial year beginning with April 2026 and subsequent financial years.

Annual tax on enveloped dwellings

114 Removal of time limit to claim relief under section 106(3) of FA 2013

(1) In section 106 of FA 2013 (adjustment of amount chargeable), omit subsection (6).

(2) The amendment made by this section is treated as always having been in force.

PART 4

VAPING PRODUCTS DUTY

Charge

115 Excise duty: charge

(1) An excise duty is charged on vaping products produced in, or imported into, the United Kingdom.

(2) The duty is charged at a rate of £2.20 per 10 millilitres, rounded down to the nearest penny.

(3) In this Part, "vaping products duty" means excise duty charged under this section.

116 Vaping products

(1) In this Part, "vaping product" means a liquid that—

(a) contains nicotine and either or both of glycerine and a glycol, or

(b) is intended to be vaporised by a vape,

and is not a medicinal product or a tobacco product.

(2) For the purposes of this Part—

(a) a liquid may be intended to be vaporised by a vape even if a consumer would be required to mix it with another substance before vaporising it by a vape;
(b) a reference to vaporisation includes a reference to aerosolisation;
(c) a reference to a liquid includes a reference to a liquid that has been frozen.

117 Production of vaping products

(1) For the purposes of this Part, a vaping product is produced if—
(a) a substance that is not duty-paid is—
(i) combined or mixed with another substance (whether or not that substance is duty-paid), or
(ii) otherwise processed, and
(b) the resulting substance is a vaping product.

(2) If a liquid that is not duty-paid is packaged, labelled or advertised so as to indicate it is intended to be vaporised by a vape, the act of packaging, labelling or advertising is to be treated, for the purposes of this Part, as producing a vaping product.

(3) In this section, a reference to a substance or liquid that is not duty-paid is a reference to a substance or liquid that—
(a) is not a vaping product, or
(b) is a vaping product on which duty has not been paid or deferred under a duty deferment arrangement.

(4) Vaping products must not be produced except in accordance with regulations under section 45 of TCTA 2018.

118 Excise duty point and payment

Vaping products duty is to be paid, and the amount chargeable is to be determined and become due, in accordance with provision made by or under—
(a) section 1 of F(No.2)A 1992 (powers to fix excise duty point);
(b) section 45 of TCTA 2018 (general power for excise duty purposes etc).

Administration

119 Administration

(1) The Commissioners are responsible for the collection and management of vaping products duty.

(2) For the purposes of this Part, the Commissioners may by regulations make provision—
(a) requiring vaping products to be held in duty suspense arrangements, including in premises of a kind specified in the regulations;

(b) requiring the giving of a guarantee or other security;
(c) for exceptions to sections 129 to 131 (offences);
(d) about civil penalties and forfeiture, including provision for exceptions and joint and several liability;
(e) about appeals, including provision amending FA 1994.

Duty stamps

120 Stamping of vaping products

(1) A vaping product must be stamped in accordance with regulations made under this Part and section 45 of TCTA 2018.

(2) For the purposes of this Part, a vaping product is stamped if a duty stamp is affixed to—
(a) the vaping product, or
(b) the retail packaging of the vaping product,
and a reference to a stamp being affixed to a vaping product includes a reference to a stamp being affixed to its retail packaging.

(3) The Commissioners may by regulations make provision—
(a) requiring a stamp to be linked to a particular vaping product;
(b) specifying information to be provided to HMRC for the purpose of paragraph (a) or otherwise in connection with a stamped vaping product.

(4) In this Part, a "duty stamp" means a document issued by the Commissioners that—
(a) is designed to be affixed to a vaping product or the retail packaging of a vaping product,
(b) is uniquely identifiable, and
(c) indicates that the product to which it is affixed is liable to vaping products duty.

121 Issue and management of duty stamps

(1) The Commissioners must make arrangements for the issue and management of duty stamps.

(2) The Commissioners may by regulations provide for the charging of fees in connection with the issue and management of duty stamps (but such a fee may not offset any liability to vaping products duty).

(3) The Commissioners may by published notice authorise a person to act as a stamp issuer for the purposes of this Part.

(4) In this Part, "stamp issuer" means—
(a) a person authorised under subsection (3), or
(b) if no person is authorised, the Commissioners.

122 Approved stamp holders

(1) A duty stamp may not be issued to a person who is not approved under this section.

(2) The Commissioners may approve a person if they are satisfied that the person—

(a) has a fixed place of business in the United Kingdom, and

(b) meets such other requirements as may be specified in regulations under section 45 of TCTA 2018.

(3) An approved stamp holder may not transfer a duty stamp to any person before it has been affixed to, and activated in respect of, a vaping product (in which case it may be transferred as part of the vaping product).

(4) Subsection (3) does not prevent the return of stamps to a stamp issuer.

(5) The Commissioners may by regulations make provision—

(a) about what it means to have a fixed place of business in the United Kingdom;

(b) for exceptions to subsection (3);

(c) limiting the number of duty stamps that may be issued to (or, in the case of an overseas person, in respect of) a person within a specified period;

(d) permitting or requiring duty stamps to be voided, destroyed or returned in certain circumstances, including on the expiry of a specified period.

123 United Kingdom representatives

(1) The Commissioners may approve an approved stamp holder to represent a person who does not have a fixed place of business in the United Kingdom.

(2) A duty stamp may, at the request of a UK representative, be issued to the UK representative by way of delivery to an overseas person.

(3) A UK representative is responsible for a stamp issued as described in subsection (2) from the point at which it is delivered to the overseas person.

(4) Section 122(3) (restriction on transfer) does not apply in relation to the transfer of a duty stamp between a UK representative and an overseas person.

(5) A UK representative who transfers a duty stamp to an overseas person remains responsible for the stamp after transfer.

(6) For the purposes of subsections (3) and (5), a person who is responsible for a stamp is also liable to penalties arising under this Part or regulations made under this Part in respect of it.

(7) The Commissioners may by regulations make provision about UK representatives, including provision—

(a) about their dealings with an overseas person and what it means to be responsible for duty stamps, and

(b) providing for exceptions to this section.

(8) In this Part—

"overseas person" means, when used in connection with a UK representative, someone in respect of whom the UK representative is approved under subsection (1);

"UK representative" means a person approved under subsection (1),

and a reference to a stamp being delivered to an approved stamp holder includes, in the case of a UK representative, a reference to a stamp being delivered to an overseas person.

Forfeiture

124 Forfeiture

(1) The following things are liable to forfeiture—

(a) an unstamped vaping product;

(b) an invalid duty stamp and any product to which an invalid duty stamp is affixed;

(c) a duty stamp that, after the end of the period of 12 months beginning with the day on which it was issued, has not been—

(i) affixed to, and activated in respect of, a vaping product, or

(ii) returned to a stamp issuer.

(2) In subsection (1)(b), an "invalid duty stamp" means—

(a) a duty stamp which has been altered after it has been issued;

(b) a document which purports to be (but is not) a duty stamp;

(c) a voided duty stamp.

(3) For things that are liable to forfeiture only in particular circumstances, see—

(a) section 128 (civil penalties);

(b) section 133 (criminal offences).

Civil penalties and enforcement

125 Dealing in unstamped vaping products

(1) A person who sells, offers for sale or otherwise deals in unstamped vaping products packaged for retail sale is liable to a penalty.

(2) The penalty under subsection (1) is the amount indicated in the table, to be determined by cross-referencing—

(a) the number of units in respect of which the penalty is imposed, and

(b) whether it is the first, second or further time that the person has been liable to a penalty under subsection (1) since the beginning of the relevant period.

	1 to 99 units	*100 to 299 units*	*300 to 499 units*	*500 units or more*
First time	£2,500	£5,000	£7,500	£10,000
Second time	£5,000	£7,500	£10,000	£10,000
Further time	£7,500	£10,000	£10,000	£10,000

(3) For the purpose of determining a penalty under subsection (2)—

"relevant period" means the period of 24 months ending with the day on which the person becomes liable to the penalty being determined;

"unit" means an amount of vaping product packaged for individual retail sale.

126 Loss and misuse of duty stamps

(1) An approved stamp holder to whom a duty stamp is issued and delivered is liable to a penalty if—

(a) the stamp is lost, or

(b) at the end of the period of 12 months beginning with the day on which the stamp was issued, the stamp has not been—

(i) affixed to, and activated in respect of, a vaping product,

(ii) returned to a stamp issuer, or

(iii) destroyed.

(2) Subsection (1) does not apply if the stamp was lost in circumstances where the approved stamp holder—

(a) did not cause the loss, and

(b) took all reasonable steps to protect against the loss.

(3) The penalty under subsection (1) is an amount equal to five times the monetary amount specified in section 115 (excise duty: charge).

(4) The following is conduct which attracts a penalty under section 9 of FA 1994—

(a) altering a duty stamp after it has been issued;

(b) affixing an invalid duty stamp to a vaping product.

(5) In this section, an "invalid duty stamp" means—

(a) a duty stamp which has been altered after it has been issued;

(b) a document which purports to be (but is not) a duty stamp;

(c) a voided duty stamp.

127 Failure to comply with this Part etc

(1) Failure to comply with a provision or requirement specified in subsection (2) is conduct which attracts a penalty under section 9 of FA 1994.

(2) The following provisions and requirements are specified for the purpose of subsection (1)—

(a) provision contained in this Part or regulations made under this Part;

(b) provision contained in regulations made under section 45 of TCTA 2018 insofar as it applies in relation to vaping products duty;

(c) any requirements imposed under such provision.

128 Forfeiture: civil penalties

(1) This section applies (in addition to section 124) where a person is liable to a penalty under section 125 or 127(1).

(2) Where a person is liable to a penalty under section 125 (dealing in unstamped vaping products), any stamped vaping product—

(a) that is in the person's possession at the time of the conduct in respect of which the liability arises, and

(b) which the Commissioners have reason to believe is owned or used in the course of a business carried out by any person,

is liable to forfeiture.

(3) Where a person is liable to a penalty for a failure of a kind described in section 127(1) (failure to comply with this Part etc), the following things are liable to forfeiture—

(a) any vaping product or duty stamp to which the failure relates, or

(b) where the failure relates to premises—

(i) any stamped vaping product found on the premises which the Commissioners have reason to believe is owned or used in the course of a business carried out by any person, and

(ii) any duty stamp found on the premises.

Offences

129 Dealing in duty stamps

(1) It is an offence for a person who is not an approved stamp holder to possess a duty stamp that has not been affixed to a vaping product.

(2) It is an offence for a person to transfer a duty stamp that has not been affixed to a vaping product to another person.

(3) It is a defence for a person charged with an offence under this section to prove that they did not know, suspect or have reason to suspect that they were possessing or transferring a duty stamp that had not been affixed to a vaping product.

(4) Subsection (1) and (2) do not apply in relation to—

(a) a transfer between a UK representative and an overseas person,

(b) possession by the overseas person, or

(c) a person providing a delivery service on a commercial basis.

(5) Subsection (2) does not apply in relation to a transfer to a stamp issuer.

130 Dealing in unstamped vaping products

(1) It is an offence to—

(a) possess, transport or display, or

(b) sell, offer for sale or otherwise deal in,

an unstamped vaping product.

(2) It is an offence for a person who is a manager of premises to cause or permit the premises to be used for the sale of an unstamped vaping product.

(3) It is a defence for a person charged with an offence under this section to prove that they did not know, suspect or have reason to suspect that the product to which the charge relates was an unstamped vaping product.

(4) A manager of premises is a person who—

(a) is entitled to control their use,

(b) is entrusted with their management, or

(c) is in charge of them.

131 Sales ban following conviction for unlawful use of premises

(1) If a person is convicted of an offence under section 130(2), the court by which the person is convicted of the offence may make an order prohibiting the use of the premises in respect of which the offence was committed for the sale of vaping products.

(2) The term of the order may not exceed twelve months.

(3) It is an offence for a manager of premises to cause or permit the premises to be used in breach of an order under this section.

(4) In this section, "manager of premises" has the meaning given in section 130.

132 Offences: penalties

(1) A person who commits an offence under sections 129 to 131 is liable on summary conviction—

(a) in England and Wales, to imprisonment for a term not exceeding the general limit in a magistrates' court, or a fine, or both;

(b) in Scotland, to imprisonment for a term not exceeding 12 months, or a fine not exceeding the statutory maximum, or both;

(c) in Northern Ireland, to imprisonment for a term not exceeding six months, or a fine not exceeding the statutory maximum, or both.

(2) A person who commits an offence under sections 129 to 131 is liable, on conviction on indictment, to imprisonment for a term not exceeding 2 years, or a fine, or both.

133 Forfeiture: offences

(1) This section applies (in addition to section 124) where a person has committed an offence under sections 129 to 131.

(2) In the case of an offence under section 129 (dealing in duty stamps), the following things are liable to forfeiture—

(a) any duty stamp in relation to which the offence is committed, and

(b) any duty stamp that is not affixed to a vaping product and that is in the person's possession at the time the offence is committed.

(3) In the case of an offence under section 130(1) (dealing in unstamped vaping products), any stamped vaping product—

(a) that is in the person's possession at the time the offence is committed, and

(b) which the Commissioners have reason to believe is owned or used in the course of a business carried out by any person,

is liable to forfeiture.

(4) In the case of an offence under section 130(2) or 131 (unlawful use of premises), any stamped vaping product—

(a) that is on the premises at the time the offence is committed, and

(b) which the Commissioners have reason to believe is owned or used in the course of a business carried out by any person,

is liable to forfeiture.

General provision

134 Publication of information

The Commissioners may publish information provided to HMRC under section 120(3)(b) (stamping of vaping products) for the purpose of enabling retailers, consumers and other persons to assess whether a duty stamp has been activated in respect of a vaping product.

135 Information sharing

(1) The Commissioners may disclose such information as the Commissioners consider appropriate in connection with—

(a) the Commissioners' functions relating to vaping products duty, or

(b) the recipient's functions relating to vaping products duty.

(2) Any person with functions relating to vaping products duty may disclose to HMRC such information as the person considers appropriate in connection with—

(a) the Commissioners' functions relating to vaping products duty, or

(b) the person's functions relating to vaping products duty.

(3) A person who receives information from the Commissioners as a result of this section may not—

(a) use the information for a purpose other than the purpose for which it was disclosed, or

(b) further disclose the information,

except with the consent of the Commissioners (which may be general or specific).

(4) If—

(a) a person discloses information in contravention of subsection (3)(b), and

(b) the information relates to a person whose identity is specified in, or can be deduced from, the disclosure,

section 19 of CRCA 2005 (offence of wrongful disclosure) applies in relation to that disclosure as it applies in relation to a disclosure of information in contravention of section 20(9) of that Act.

(5) Nothing in this section limits the circumstances in which information may be disclosed under section 18(2) of CRCA 2005 or under any other enactment or rule of law.

(6) In this section, a reference to the Commissioners or HMRC include a reference to anyone acting on their behalf.

136 Investigation and enforcement

(1) A local enforcement authority may investigate compliance with this Part, regulations made under this Part and regulations made under section 45 of TCTA 2018 in relation to vaping products duty, and may carry out inspections of vaping products for that purpose.

(2) In this section, "local enforcement authority" means—

(a) in Great Britain, a local weights and measures authority within the meaning of section 69 of the Weights and Measures Act 1985;

(b) in Northern Ireland, a district council.

137 Regulations: further provision

(1) Regulations under this Part may—

(a) confer a discretion on any specified person to do anything under, or for the purposes of, the regulations;

(b) make provision by reference to things specified in a notice published in accordance with the regulations;

(c) make supplementary, incidental and consequential provision;

(d) make transitional or transitory provision and savings.

(2) A power to make regulations under this Part, or a power to exercise a discretion or publish a notice under regulations made under this Part, may be exercised—

(a) in relation to all cases to which the power extends, or in relation to those cases subject to specified exceptions, or in relation to any specified case or description of case;

(b) so as to make different provision for different purposes or areas.

(3) A notice published under this Part may be withdrawn or revised by further published notice.

(4) A power to make regulations under this Part does not restrict any power to make legislation under any other enactment relating to excise duty.

138 Regulations: procedure

(1) Regulations under this Part must be made by statutory instrument.

(2) A statutory instrument containing regulations under this Part is subject to made affirmative procedure if it contains (whether alone or with other provision) provision that—

(a) amends an Act of Parliament,

(b) restricts any rebate of or relief from vaping products duty, or

(c) extends the cases in which vaping products are required to be stamped.

(3) Where a statutory instrument is subject to made affirmative procedure—

(a) it must be laid before the House of Commons after being made, and

(b) it ceases to have effect at the end of the period of 28 days beginning with the day on which the instrument is made, unless within that period the instrument is approved by a resolution of the House of Commons.

(4) Where a statutory instrument ceases to have effect as a result of subsection (3), that does not—

(a) affect the validity of anything previously done under the instrument, or

(b) prevent the making of a new statutory instrument.

(5) In calculating the period of 28 days for the purposes of subsection (3), no account is to be taken of any whole days that fall within a period during which—

(a) Parliament is dissolved or prorogued, or

(b) the House of Commons is adjourned for more than 4 days.

(6) A statutory instrument containing regulations under this Part is subject to annulment in pursuance of a resolution of the House of Commons if it does not contain provision of a kind described in subsection (2).

(7) Subsections (2) to (6) do not apply to regulations made under section 141 (commencement and transitional provision).

139 Amendments of other enactments

Schedule 15 contains amendments of other enactments.

140 Interpretation

In this Part—

"activated", in relation to a duty stamp, means linked to a particular vaping product in accordance with regulations made under section 120 and section 45 of TCTA 2018;

"approved stamp holder" means a person approved under section 122 (approved stamp holders);

"Commissioners" means the Commissioners for His Majesty's Revenue and Customs;

"duty deferment arrangement" means provision made by or under the customs and excise Acts that permits the payment of excise duty to be deferred;

"duty stamp" has the meaning given in section 120(4);

"HMRC" means His Majesty's Revenue and Customs;

"medicinal product" has the meaning given in the Human Medicines Regulations 2012 (S.I. 2012/1916);

"overseas person" has the meaning given in section 123(8) (United Kingdom representatives);

"retail packaging", in relation to a product, means the packaging in which it is, or is intended to be, presented for sale by retail;

"stamp issuer" has the meaning given in section 121(4);

"stamped vaping product" means a vaping product which is stamped in accordance with this Part and regulations made under section 45 of TCTA 2018;

"tobacco product" has the meaning given in section 1 of TPDA 1979;

"UK representative" has the meaning given in section 123(8);

"unstamped vaping product" means a vaping product which is required to be stamped in accordance with this Part and regulations made under section 45 of TCTA 2018, but is not so stamped;

"vape" means a device that vaporises substances for the purpose of inhalation through a mouthpiece;

"vaping product" has the meaning given in section 116(1) (but see subsection (2));

"vaping products duty" has the meaning given in section 115(3).

141 Commencement and transitional provision

(1) Section 115 comes into force on 1 October 2026.

(2) Section 115 has effect in relation to vaping products that—

(a) were produced in, or imported into, the United Kingdom before 1 October 2026, and

(b) are stamped (see section 120(2)),

as though they were produced in, or imported into, the United Kingdom on 1 October 2026.

(3) Sections 117(4) (production only in accordance with regulations) and 120(1) (duty to stamp in accordance with regulations) come into force on such day as the Treasury may by regulations appoint.

(4) Section 129 comes into force two months after this Act is passed.

(5) Sections 130 and 131 (dealing in unstamped vaping products and sales ban) come into force on 1 April 2027, and have effect in relation to vaping products irrespective of when they were produced or imported.

(6) The Treasury may by regulations provide that, for a specified period, this Part has effect as though—

(a) a reference to a duty stamp includes a reference to a transitional duty stamp;

(b) in section 122(3) the words "and activated in respect of" were omitted;

(c) sections 124(1)(c) and 126(1)(b) were omitted.

(7) Regulations under subsection (6) may—

(a) define "transitional duty stamp";

(b) make further provision about the specified period and transitional duty stamps.

(8) The Treasury may by regulations provide that, for a specified period, this Part has effect as though a reference to an approved stamp holder or UK representative is a reference to a person being approved or treated as an approved stamp holder or UK representative.

(9) Regulations under subsection (8) may make provision about when a person is to be treated as an approved stamp holder or UK representative.

(10) The Treasury may by regulations extend a period specified in regulations under this section.

(11) Regulations under subsection (7)(b) may include provision imposing penalties and for forfeiture.

(12) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of the House of Commons.

PART 5

CARBON BORDER ADJUSTMENT MECHANISM

Introduction

142 Introduction to CBAM

(1) A tax called the carbon border adjustment mechanism ("CBAM") is to be charged in accordance with this Part.

(2) In this Part—

(a) sections 143 to 150 and Schedule 16 set out the charge to CBAM (and include exemptions and relief);

(b) section 151 and Schedule 17 provide for the administration and enforcement of CBAM;

(c) section 152 and Schedule 18 provide for criminal offences relating to CBAM;

(d) sections 153 to 158 and Schedule 19 make general provision.

The charge

143 Charge to CBAM

(1) CBAM is charged on the emissions embodied in a CBAM good when the good is imported into the United Kingdom.

(2) In this Part, "CBAM good" means a good specified by Schedule 16 (but see section 145(3)).

(3) Schedule 16 specifies the following kinds of goods—

(a) aluminium goods;

(b) cement;

(c) fertilisers;

(d) hydrogen;

(e) iron and steel goods.

144 Importation

(1) For the purposes of this Part, a reference to a good being imported into the United Kingdom is a reference to—

(a) the first time a good is imported as described in this section, and

(b) if a good is imported as described in this section and subsequently exported from the United Kingdom, the next time the good is imported as described in this section.

(2) If a CBAM good is chargeable to import duty under section 1 of TCTA 2018, it is imported when liability to import duty is incurred in respect of the good.

(3) If a CBAM good is chargeable to duty under section 30C of TCTA 2018, it is imported when liability to that duty is incurred in respect of the good.

(4) If a CBAM good is chargeable to duty under section 30A(3) or 40A(1)(a) of TCTA 2018 (or would be so chargeable but for regulations within section 30B(1)(a) or 40B(1)(a) of that Act), it is imported when liability to that duty is incurred in respect of the good (or would be incurred but for the regulations).

(5) If a CBAM good is—

(a) a Union good that is imported into the United Kingdom as a result of its entry into Northern Ireland and not excluded by regulations made by the Treasury,

(b) a good that is imported into the United Kingdom from the Isle of Man and not excluded by regulations made by the Treasury,

(c) a domestic good by virtue of regulations made under section 33(8) of TCTA 2018 relating to goods declared for an outward processing procedure, or

(d) a domestic good by virtue of subsection (6) of section 36 of TCTA 2018 or regulations made under that section,

it is imported at the time of importation for the purposes of the customs and excise Acts.

(6) If a CBAM good would be chargeable to duty under section 30C of TCTA 2018 but for regulations within subsection (6)(a) of that section, it is imported at the time of entry of the good in Great Britain in the course of the removal of the good to Great Britain from Northern Ireland.

(7) The reference in subsection (4) to when liability to duty under section 30A(3) or 40A(1)(a) of TCTA 2018 is incurred in respect of a good is to when, for the purpose of the duty, a customs debt on import is incurred under UCC 2013.

(8) For the purposes of determining, in accordance with subsection (5), when a CBAM good is imported into the United Kingdom from the Isle of Man, section 8 of the Isle of Man Act 1979 (removal of goods from the Isle of Man) has effect as if, in subsection (2) of that Act, at the end of paragraph (c), there were inserted "; or

(d) goods which are CBAM goods."

(9) Section 5 of CEMA 1979 applies for the purpose of subsection (6) to determine the time of entry of a CBAM good in Great Britain in the course of the removal of the good to Great Britain from Northern Ireland as it applies for the purpose of the customs and excise Acts to determine the time of importation of goods—

(a) reading references in that section to the time of importation of goods as the time of entry of the CBAM good in Great Britain, and

(b) reading references in subsections (2) and (6) of that section to the United Kingdom as Great Britain.

(10) Regulations made by the Treasury may exclude from subsection (4) or (6) (as the case may be) goods that would be chargeable to duty under section 30A(3), 30C or 40A(1)(a) of TCTA 2018 but for regulations within section 30B(1)(a), 30C(6)(a) or 40B(1)(a) of that Act.

145 Goods processed under a special customs procedure

(1) Subsection (2) applies where—

(a) a CBAM good has been declared for a special customs procedure,

(b) the CBAM good is processed under the procedure,

(c) the processing produces a good that is not a CBAM good, and

(d) that good is imported into the United Kingdom.

(2) When the good that is not a CBAM good is first imported as described in section 144, CBAM is charged on so much of the emissions embodied in that good as were embodied in the CBAM good when it was declared for the special customs procedure.

(3) References in this Part to a CBAM good include a reference to a good imported in the circumstances described in subsection (1).

(4) In this section, "special customs procedure" means—

(a) a special Customs procedure (within the meaning of section 3(4) of TCTA 2018);

(b) a special procedure provided for by Title 7 of UCC 2013, other than the outward processing procedure.

146 Person liable: the importer

(1) The person liable to CBAM on the emissions embodied in a CBAM good is the importer.

(2) If a CBAM good is imported as described in section 144(2), (3) or (6), the importer is—

(a) if liability to import duty, or duty under section 30C of TCTA 2018, is incurred when a declaration for a Customs procedure is accepted, or when there is a breach of a requirement relating to the procedure—

(i) the person in whose name the declaration for the procedure was made, or

(ii) if the declaration was made on behalf of another person, the person on whose behalf the declaration was made, or

(b) if paragraph (a) does not apply, the person on whose behalf the good is imported.

(3) If a CBAM good is imported as described in section 144(4), the importer is—

(a) if liability to duty under section 30A(3) or 40A(1)(a) of TCTA 2018 is incurred when a Union customs declaration in respect of the good is accepted, or when there is a breach of a requirement relating to the procedure for which it is accepted—

(i) the declarant, or

(ii) if the declaration was made on behalf of another person, the person on whose behalf the declaration was made, or

(b) if paragraph (a) does not apply, the person on whose behalf the good is imported.

(4) If a CBAM good is imported as described in section 144(5), the importer is the person on whose behalf the good is imported.

(5) In this section—

"Customs procedure" means a procedure set out in section 3(3) of TCTA 2018;

"declarant", in relation to a Union customs declaration, has the meaning given by Article 5(15) of UCC 2013;

"Union customs declaration" means a customs declaration for the purposes of UCC 2013.

147 Exemptions

(1) CBAM is not charged on the emissions embodied in a CBAM good if the importer—

(a) is, at the time the good is imported, neither registrable nor registered (see Part 2 of Schedule 17), or

(b) is importing the good otherwise than in the course of a business.

(2) CBAM is not charged on the emissions embodied in a CBAM good if—

(a) the place of origin of the good is the United Kingdom, determined in accordance with provision applicable in relation to the customs tariff in its standard form (see section 17(1) to (6) of TCTA 2018);

(b) the good is imported as described in section 144(2) or (3) and returned goods relief is available in respect of the good;

(c) the good is imported as described in section 144(4) and relief under Article 203 of UCC 2013 (returned goods) is available in respect of the good;

(d) the good is within section 144(5)(a) and was—

(i) exported from the United Kingdom as a Union good as a result of its removal from Northern Ireland, and

(ii) imported into the United Kingdom as described in section 144(5)(a) not more than 3 years later, in the state in which it was exported (see Article 203(5) of UCC 2013);

(e) the good is imported as described in section 144(5)(b) and returned goods relief would be available in respect of it if liability to import duty were incurred by reference to its importation into the United Kingdom.

(3) CBAM is not charged on so much of the emissions embodied in a CBAM good ("the chargeable good") as are attributable to the production of another CBAM good which—

(a) originated from the United Kingdom, determined in accordance with provision applicable in relation to the customs tariff in its standard form (see section 17(1) to (6) of TCTA 2018), and

(b) was processed to produce the chargeable good.

(4) If, but for this subsection, a liability to duty would have been incurred for the purposes of section 144(2) or (3) in circumstances where—

(a) liability to duty was incurred in accordance with section 4(4)(a) of TCTA 2018,

(b) liability to duty was incurred by virtue of HMRC accepting a declaration of the good for a temporary admission procedure, and

(c) full relief was given from the liability to duty incurred,

the liability to duty is treated as not having been incurred on that occasion for the purposes of section 144(2) or (3) (and, accordingly, the good is treated as not having been imported as described in section 144(2) or (3) on that occasion).

(5) But subsection (4) does not apply if—

(a) there was no entitlement to make the declaration mentioned in subsection (4)(b), or

(b) the full relief given, mentioned in subsection (4)(c), was not available.

(6) The Treasury may by regulations specify other circumstances in which CBAM is not charged on emissions, or certain emissions, embodied in a CBAM good.

(7) Regulations under subsection (6) may also treat an importation into the United Kingdom, for any purpose of this Part, of a CBAM good in respect of which the regulations apply as not having occurred (including by virtue of provision similar to subsection (4)).

(8) In this section—

"customs tariff in its standard form" means the customs tariff, as defined in section 8 of TCTA 2018, as it has effect without regard to any provision made under sections 9 to 15 or section 19(4) of that Act;

"returned goods relief" means relief for import duty available—

(a) by virtue of the UK Reliefs document, and

(b) by reference to the fact the good is being returned to the United Kingdom, or Great Britain, having previously been exported;

"temporary admission procedure" has the meaning given by paragraph 15 of Schedule 2 to TCTA 2018;

"UK Reliefs document" has the meaning given by regulations under section 19 of TCTA 2018.

148 Embodied emissions

(1) In this Part, "emissions embodied in a CBAM good" means emissions that are attributable to the production of a CBAM good.

(2) The Treasury may by regulations make provision about what it means for emissions to be attributable to the production of a CBAM good.

(3) Regulations under subsection (2) may (among other things) make provision about emissions that are emitted in the course of an activity carried out in connection with the production of—

(a) a CBAM good, or

(b) materials used (including goods processed) to produce a CBAM good.

(4) See paragraphs 10 and 11 of Schedule 17 for provision about how to determine and evidence emissions embodied in a CBAM good.

149 Rate

(1) CBAM is charged at an amount equal to the sectoral domestic price applicable in respect of the CBAM good multiplied by the number of tonnes of carbon dioxide equivalent emissions embodied in the CBAM good.

(2) The "sectoral domestic price" applicable in respect of a CBAM good is the price calculated and published by the Treasury for—

(a) the CBAM sector in which the good falls, and

(b) the quarter in which the liability to CBAM is incurred in respect of the good.

(3) The Treasury must calculate and publish the sectoral domestic price for each CBAM sector for each quarter ("quarter Q") as follows—

Step 1

Calculate the average price per tonne of specified emissions under the UK Emissions Trading Scheme in the quarter preceding quarter Q—

(a) by reference to auction clearing prices for UK ETS allowances at auctions during the quarter preceding quarter Q, or

(b) if no allowances were sold at auction during that quarter, as provided in regulations under subsection (6).

Step 2

Reduce that price by a percentage equal to the baseline free allocation percentage for the CBAM sector, as adjusted by a factor specified by regulations under subsection (6)—

(a) for the CBAM sector for the year in which quarter Q falls, and

(b) in light of reduction factors applicable in determining, under the UK Emissions Trading Scheme, the allocation in that year of free UK ETS allowances in respect of sub-installations that have a process that serves production of goods falling within the CBAM sector.

(4) In this section—

"auction" means an auction under the Greenhouse Gas Emissions Trading Scheme Auctioning Regulations 2021 (S.I. 2021/484);

"auction clearing price", in relation to a UK ETS allowance, has the same meaning as in those Regulations (see regulation 7);

"baseline free allocation percentage" means, in relation to a CBAM sector, the average percentage of sectoral emissions that were covered—

(a) in the 2019 scheme year, by free EU ETS allowances, and

(b) in the 2022 and 2023 scheme years, by free UK ETS allowances,

allocated in the scheme years mentioned here in respect of sub-installations that have a process that serves the production of goods falling within the CBAM sector;

"CBAM sector" means the commodity codes set out under a single heading in the Table in Schedule 16 other than the commodity codes that the Table indicates are excepted;

"the ETS Regulations" means the Greenhouse Gas Emissions Trading Scheme Regulations 2012 (S.I. 2012/3038);

"free EU ETS allowance" means an allowance allocated free of charge in accordance with Directive 2003/87/EC of the European Parliament and of the Council establishing a scheme for greenhouse gas emissions allowance trading within the Community and amending Council Directive 96/61/EC;

"free UK ETS allowance" means an allowance allocated free of charge under Part 4A of the UK ETS Order;

"quarter" means a period of 3 months ending at the end of March, June, September or December;

"regulated activity" and "specified emissions" have the meaning given by paragraph 3 of Schedule 2 to the UK ETS Order (or, in relation the 2019 scheme year, given by regulation 3 of the ETS Regulations as it had effect during that year);

"scheme year" has the meaning—

(a) in relation to the 2019 scheme year, given by regulation 3 of the ETS Regulations;

(b) in relation to the 2022 and 2023 scheme years, given by article 4 of the UK ETS order;

"sectoral emissions" means, in relation to a CBAM sector, the specified emissions that were emitted in the course of regulated activities carried out at sub-installations in the United Kingdom that have a process that serves the production of goods falling within the CBAM sector;

"sub-installation" means each kind of sub-installation defined by Article 2 of Commission Delegated Regulation (EU) 2019/331 determining transitional Union-wide rules for harmonised free allocation of emission allowances pursuant to Article 10a of Directive 2003/87/EC of the European Parliament and of the Council (or, in relation to the 2019 scheme year, has the meaning given by regulation 3 of the ETS Regulations as it had effect during that year);

"UK ETS allowance" means an allowance created under the UK ETS Order (see article 18);

"UK ETS Order" means the Greenhouse Gas Emissions Trading Scheme Order 2020 (S.I. 2020/1265).

(5) In determining the "baseline free allocation percentage" in relation to a CBAM sector, ignore any scheme year in which there were no sectoral emissions.

(6) The Treasury may by regulations make further provision about the calculation of the sectoral domestic price.

(7) In this section—

(a) references to a good falling within a CBAM sector are references to the good falling within one of the commodity codes comprising the sector;

(b) references to emissions are references to tonnes of carbon dioxide equivalent emissions;

(c) references to regulated activities carried out to produce goods include regulated activities consisting in the production of heating and cooling consumed during the regulated activities.

150 Carbon price relief

(1) The amount of CBAM charged on emissions may be reduced under this section if another monetary amount is payable in relation to the emissions, whether the amount is—

(a) in the form of taxation,

(b) in exchange for allowances (however expressed) under an emissions trading scheme, or

(c) required to be paid under the law of a country or territory in connection with the importation of goods into the country or territory.

(2) The Treasury may by regulations make provision about relief under this section, including provision—

(a) describing which monetary amounts may generate relief,

(b) about when a monetary amount is to be treated as being payable in relation to emissions, and how the emissions are to be identified, and

(c) about determining the amount of relief.

(3) In this Part, "carbon price" means a monetary amount of a kind described in regulations under subsection (2)(a).

(4) Regulations under subsection (2) may (among other things) make provision—

(a) for the amount of relief to be determined by reference to averages, estimates, assumptions or by reference to information provided by a third party;

(b) to take account of other reliefs, allowances, offsets or similar relating to a carbon price;

(c) about cases where two or more carbon prices are payable in relation to the same emissions;

(d) for the amount of relief to differ depending on where the carbon price is payable;

(e) specifying periods by reference to which calculations or measurements are to be made.

(5) In this section, references to an amount being payable in relation to emissions includes a reference to—

(a) an amount that indirectly relates to emissions, and

(b) an amount having been payable, or that is going to become payable, in relation to emissions.

Administration and enforcement

151 Administration and enforcement

Schedule 17 makes provision for the administration and enforcement of CBAM.

152 Criminal offences

Schedule 18 makes provision for criminal offences relating to CBAM and about proceedings for those offences.

General

153 Supplementary amendments

Schedule 19 contains supplementary amendments of other legislation.

154 Emissions: meaning etc

(1) In this Part, "emissions" means emissions of greenhouse gases (within the meaning of section 92 of the Climate Change Act 2008) into the atmosphere that are attributable to human activity.

(2) For the purposes of this Part, "emissions" are determined or expressed in tonnes of carbon dioxide equivalent.

(3) In this Part, a "tonne of carbon dioxide equivalent" means one metric tonne of carbon dioxide or an amount of any other greenhouse gas with an equivalent global warming potential.

(4) The Commissioners may by regulations make provision setting, or about the determination of, such amounts.

155 Interpretation

(1) In this Part—

"business" includes any activity of a government department or other public authority, or of a charity, that is carried out for commercial purposes;

"CBAM good": see section 143;

"the Commissioners" means the Commissioners for His Majesty's Revenue and Customs;

"the customs and excise Acts" has the meaning given by section 1 of CEMA 1979;

"emissions": see section 154;

"HMRC" means His Majesty's Revenue and Customs;

"import": see section 144;

"import duty" has the meaning given by section 1 of TCTA 2018;

"importer": see section 146;

"registered person" and "registrable person": see paragraph 2(10) of Schedule 17;

"tonne of carbon dioxide equivalent" see section 154;

"UCC 2013" means Regulation (EU) No 952/2013 of the European Parliament and of the Council of 9 October 2013 laying down the Union Customs Code, as it has effect by virtue of section 7A of the European Union (Withdrawal) Act 2018;

"UK Emissions Trading Scheme" has the meaning given in Article 16 of the Greenhouse Gas Emissions Trading Order 2020 (S.I. 2020/1265);

"Union good" has the meaning given by Article 5(23) of UCC 2013;

"working day" means any day other than—

(a) a Saturday or Sunday, or

(b) a day that is a bank holiday in any part of the United Kingdom under the Banking and Financial Dealings Act 1971.

(2) In this Part—

(a) a person imports a CBAM good only if the person is "the importer" of the good (within the meaning of section 146);

(b) references to the production of goods include the manufacture of goods;

(c) references to the processing of goods have the same meaning as in TCTA 2018 (see section 37(4) of that Act).

(3) The Treasury may by regulations make such amendments to this Part as they consider appropriate in consequence of UCC 2013, or any legislation replacing it, being amended or replaced.

156 Power to make provision for linked emissions trading schemes

(1) The Treasury may by regulations amend this Part for the purpose of—

(a) excluding emissions embodied in goods that originate from a country or territory with a linked emissions trading scheme from the charge to CBAM;

(b) providing that such goods are to be disregarded when calculating the aggregate value of imports for the purposes of Part 2 of Schedule 2 (registration).

(2) In this section, "a country or territory with a linked emissions trading scheme" means—

(a) a country or territory that has entered into arrangements with the United Kingdom for the purpose of linking its emissions trading scheme with the UK Emissions Trading Scheme, or

(b) a country or territory that has entered into arrangements with a country or territory of a kind referred to in paragraph (a) for the purpose of linking its emissions trading scheme with that country or territory's emissions trading scheme.

157 Regulations and notices

(1) Regulations under this Part—

(a) may make different provision for different purposes;

(b) may include incidental, consequential, supplementary or transitional provision.

(2) Regulations under this Part may make provision by reference to things specified in a notice that is—

(a) published by the Treasury or the Commissioners in accordance with the regulations, and

(b) not withdrawn by a further notice.

(3) Regulations under this Part are to be made by statutory instrument.

(4) A statutory instrument containing regulations under section 156(1) (linked emission trading schemes) is subject to the affirmative procedure.

(5) A statutory instrument containing regulations under any of the following provisions is subject to the made affirmative procedure—

(a) section 149(6) (rate of CBAM);

(b) section 150(2) (carbon price relief);

(c) paragraph 47 of Schedule 17 (amount of penalties).

(6) A statutory instrument containing regulations under paragraph 2(3) of Schedule 16 and under section 8 of TCTA 2018 is subject to the procedure under section 32 of TCTA 2018 that applies by virtue of the instrument containing regulations section 8 of TCTA 2018.

(7) A statutory instrument containing regulations under this Part, other than regulations in respect of which subsection (4), (5) or (6) applies, is subject to the negative procedure.

(8) Subsection (7) does not apply to a statutory instrument containing only regulations under section 158 (transitory provision).

(9) Where a statutory instrument is subject to the affirmative procedure, it may not be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.

(10) Where a statutory instrument is subject to the made affirmative procedure—

(a) it must be laid before the House of Commons after being made, and

(b) it ceases to have effect at the end of the period of 28 days beginning with the day on which the instrument is made, unless within that period the instrument is approved by a resolution of the House of Commons.

(11) Where a statutory instrument is subject to the negative procedure, it is subject to annulment in pursuance of a resolution of the House of Commons.

(12) Where a statutory instrument ceases to have effect as a result of subsection (10), that does not—

(a) affect the validity of anything previously done under the instrument, or

(b) prevent the making of a new statutory instrument.

(13) In calculating the period of 28 days for the purposes of subsection (10), no account is to be taken of any whole days that fall within a period during which—

(a) Parliament is dissolved or prorogued, or

(b) the House of Commons is adjourned for more than 4 days.

(14) Any provision that may be included in regulations in a statutory instrument under this Part subject to the negative procedure may be included in regulations in a statutory instrument subject to the affirmative procedure or the made affirmative procedure.

(15) Any provision that may be included in regulations in a statutory instrument under this Part subject to the made affirmative procedure may be included in regulations in a statutory instrument subject to the affirmative procedure.

(16) A notice published by the Treasury or the Commissioners under this Part—

(a) may be amended or withdrawn by a further notice;

(b) may include provision mentioned in subsection (1)(a) and (b).

158 Commencement and transitory provision

(1) This Part has effect in relation to goods imported into the United Kingdom on or after 1 January 2027.

(2) The Treasury may by regulations modify the effect of—

(a) paragraph 2(4) of Schedule 17 as regards any person who triggers registration in 2027 or 2028;

(b) paragraph 6(2) or (3) or 7(2) for the purposes of any accounting period in respect of CBAM falling in 2027 or 2028.

(3) Provision included in regulations under this section by virtue of section 157(1)(b) may modify the effect of any enactment.

PART 6

AVOIDANCE

CHAPTER 1

PROHIBITION OF PROMOTION OF CERTAIN TAX AVOIDANCE ARRANGEMENTS

Prohibition

159 Prohibition of promotion of certain tax avoidance arrangements

(1) A person must not promote arrangements that—
  (a) have been, or are likely to be, marketed as a means by which a person may seek a particular tax advantage if there is no realistic prospect that the arrangements will result in the tax advantage, or
  (b) are of a kind specified in regulations under subsection (2).

(2) The Commissioners may by regulations specify arrangements that in the reasonable opinion of the Commissioners—
  (a) have been, or are likely to be, marketed as a means by which a person may seek a particular tax advantage,
  (b) are unlikely to result in the tax advantage, and
  (c) are likely to cause harm to participants.

(3) The following factors would, for example, indicate that arrangements are likely to cause harm to participants—
  (a) a large number of participants;
  (b) participants that are not independently advised;
  (c) participants with otherwise straightforward tax affairs;
  (d) mass-marketing;
  (e) standardised implementation documents;
  (f) promoters that are unknown to, or not able to be contacted by, participants.

(4) Regulations under subsection (2) may specify arrangements by—
  (a) describing—
    (i) some or all of the steps to be taken by participants or other persons;
    (ii) the tax advantage sought;
    (iii) the marketing;
    (iv) characteristics of participants;
  (b) providing examples or illustrations;
  (c) such other means as the Commissioners consider appropriate.

(5) It does not matter for the purposes of this section whether a person knows, or has reason to believe, that the arrangements fall within subsection (1).

160 Meaning of promotion

(1) For the purposes of section 159, a person promotes arrangements if, in the course of a business or with a view to monetary gain, the person—

(a) communicates information with a view to encouraging another person to implement the arrangements or part of the arrangements,

(b) makes the arrangements available for implementation by another person,

(c) in circumstances where the arrangements have been implemented by another person, organises or manages any aspect of the arrangements, or

(d) arranges (whether directly or indirectly) for another person or persons to take the steps above.

(2) A person does not promote arrangements merely by—

(a) providing goods or services on commercial terms in circumstances where the person does not know, and could not reasonably be expected to know, that the goods or services are being procured or used for the purposes of arrangements falling within section 159(1) (prohibition of promotion), or

(b) providing legally privileged advice or legally privileged information.

(3) For the purposes of subsection (2)(b), advice or information is legally privileged if a claim to legal professional privilege, or (in Scotland) to confidentiality of communications as between client and professional legal adviser, could be maintained in respect of it in legal proceedings.

161 Procedure

(1) Regulations under section 159(2) are to be made by statutory instrument.

(2) A statutory instrument containing regulations under section 159(2) must be laid before the House of Commons after being made.

(3) Regulations contained in a statutory instrument laid before the House of Commons under subsection (2) cease to have effect at the end of the period of 28 days beginning on the day on which the instrument is made unless, during that period, the instrument is approved by a resolution of the House of Commons.

(4) In calculating the period of 28 days, no account is to be taken of any whole days that fall within a period during which—

(a) Parliament is dissolved or prorogued, or

(b) the House of Commons is adjourned for more than four days.

(5) If the regulations cease to have effect as a result of subsection (3), that does not—

(a) affect the validity of anything previously done under the regulations, or

(b) prevent the making of new regulations.

Sanctions

162 Civil penalties

(1) A person who promotes arrangements in breach of section 159(1) is liable to a penalty.

(2) The maximum penalty under this section is the sum of—

(a) £1,000,000, and

(b) £5,000 for each person who participated in the arrangements.

(3) Before imposing a penalty under this section, an authorised officer of Revenue and Customs must—

(a) notify the person of the fact that the authorised officer considers subsection (1) to apply, and

(b) allow the person 30 days from the date of notification to make representations to HMRC.

(4) In imposing a penalty under this section, an authorised officer of Revenue and Customs must have regard to—

(a) the number of persons participating, or targeted to participate, in the arrangements,

(b) the amount of tax that was likely at risk in connection with the arrangements,

(c) whether and to what extent the person cooperated with HMRC, and

(d) whether the wrongdoing was repeated, or continued over an extended period.

(5) A penalty imposed under this section is to be treated as a penalty determined under section 100(1) of TMA 1970.

(6) A penalty imposed under this section is to carry interest in accordance with section 101 of FA 2009.

(7) A person is not liable to a penalty under this section in respect of anything for which the person has been convicted of an offence.

(8) In paragraph 5(6) of Schedule 13 to FA 2020 (joint and several liability of company directors etc) after paragraph (f) insert—

"(g) section 162 of FA 2026 (prohibition of promotion of certain tax avoidance arrangements: penalties)."

163 Criminal offence

(1) A person who promotes arrangements in breach of section 159(1) commits an offence.

(2) A person who commits an offence under this section is liable—

(a) on summary conviction, to—

(i) in England and Wales, a fine, or

(ii) in Scotland or Northern Ireland, a fine not exceeding the statutory maximum, or

(b) on conviction on indictment, to imprisonment for a term not exceeding two years or to a fine or both.

164 Criminal liability of responsible persons

(1) If an offence under section 163 is committed by a body corporate or a partnership and—

(a) is committed with the consent or connivance of a responsible person, or

(b) is attributable to the neglect of a responsible person,

the responsible person commits the offence (as well as the body or partnership).

(2) A "responsible person" means—

(a) in relation to a body corporate other than one whose affairs are managed by its members—

(i) a director, manager, secretary or other similar officer of the body, or a person purporting to act in such a capacity, or

(ii) a shadow director within the meaning given in section 251 of the Companies Act 2006;

(b) in relation to a limited liability partnership or other body corporate whose affairs are managed by its members—

(i) a member exercising management functions, or purporting to do so, or

(ii) in the case of a limited liability partnership, a shadow member;

(c) in relation to a partnership, a partner or a person purporting to act in that capacity.

(3) In this section, a "shadow member" means a person in accordance with whose directions or instructions the members of the limited liability partnership are accustomed to act, save that a person is not a shadow member by reason only of the fact that the members act on advice given by that person in a professional capacity.

General

165 Interpretation and commencement

(1) In this Chapter—

"arrangements" includes any agreement, scheme, arrangement or understanding of any kind whether or not legally enforceable involving one or more transactions, and includes a proposal for arrangements;

"authorised officer of Revenue and Customs" means an officer of Revenue and Customs who is, or is a member of a class of officers who are, authorised by the Commissioners for the purpose of this Chapter;

"Commissioners" means the Commissioners for His Majesty's Revenue and Customs;

"HMRC" means His Majesty's Revenue and Customs;

"promotion" has the meaning given in section 160;

"tax advantage" includes—

(a) relief or increased relief from tax,

(b) repayment or increased repayment from tax,

(c) avoidance or reduction of a charge to tax or an assessment to tax,

(d) avoidance of a possible assessment to tax,

(e) deferral of a payment of tax or advancement of a repayment of tax, and

(f) avoidance of an obligation to deduct or account for tax.

(2) Section 159(1) comes into force two months after the day on which this Act is passed.

CHAPTER 2

PROMOTER ACTION NOTICES

Promoter action notices

166 Certification of promoters

(1) An authorised officer of Revenue and Customs may, for the purposes of this Chapter, certify that a person is promoting arrangements—

(a) in breach of section 236B of FA 2014 (effect of stop notices), or

(b) in breach of section 159(1) (prohibition of promotion of certain tax avoidance arrangements).

(2) A certification under subsection (1) must be in writing and include the following—

(a) the name of the person,

(b) a statement to the effect that—

(i) an authorised officer of Revenue and Customs has certified that the person is promoting arrangements as described in subsection (1)(a) or (b), and

(ii) accordingly, the person is a certified promoter for the purposes of this Chapter,

(c) a summary of the officer's reasons for coming to the conclusion certified, including a description of the arrangements and promotion, and

(d) information about how the person may make representations to HMRC (see subsection (4)(b)).

(3) For the purposes of this Chapter, a "certified promoter" means a person certified under this section.

(4) Before issuing a notice under section 167 (promoter action notice) in respect of a certified promoter, an authorised officer of Revenue and Customs must—

(a) provide the certified promoter with a copy of the certification, and

(b) allow the certified promoter 30 days from the date of provision to make representations to HMRC.

167 Promoter action notices

(1) An authorised officer of Revenue and Customs may issue a notice to a person if the officer reasonably suspects that—

(a) the person (the "recipient") is providing goods or services to a certified promoter (the "target"), and

(b) the goods or services are being procured or used wholly or partly in connection with the promotion of arrangements in respect of which the target is certified.

(2) For the purposes of this Chapter, a "promoter action notice" means a notice issued under subsection (1).

(3) A promoter action notice may, for the purpose of impeding the target's promotion of the arrangements, require the recipient of the notice to—

(a) stop providing some or all of the goods or services,

(b) provide the goods or services subject to specified conditions, or

(c) take specified steps in relation to the provision of the goods or services.

(4) A promoter action notice must identify the target and specify—

(a) the goods or services in respect of which it is issued,

(b) the requirements applicable under subsection (3), and

(c) the time by which the recipient must comply with the requirements under subsection (3).

(5) A time specified under subsection (4)(c)—

(a) must be the end of—

(i) the period of 30 days beginning with the day on which the notice is issued, or

(ii) such longer period as an authorised officer of Revenue and Customs considers appropriate, and

(b) takes precedence over any statutory or regulatory requirement to provide a period of notice before terminating or modifying a contract.

(6) A promoter action notice may not—

(a) require the recipient to monitor or assess whether or how particular goods or services are being procured or used in connection with the promotion or arrangements,

(b) restrict the provision of services that provide access to the internet, or

(c) restrict the provision of legal or auditing services.

(7) An authorised officer of Revenue and Customs may withdraw a promoter action notice.

(8) The recipient is not liable in damages in respect of anything done, or omitted to be done, in good faith for the purposes of complying with a promoter action notice.

168 Preliminary notices

(1) An authorised officer of Revenue and Customs may issue a notice to a person who the officer reasonably suspects is providing goods or services as described in section 167(1).

(2) A notice under this section must—

(a) identify the target referred to in section 167(1);

(b) give reasons for the suspicion referred to in subsection (1);

(c) allow the recipient of the notice a period of 30 days from the date of the notice to make representations to HMRC.

(3) A notice under this section may request information from the recipient.

(4) A disclosure of information by the recipient in response to a request under subsection (3) does not breach—

(a) any obligation of confidence owed by the person making the disclosure, or

(b) any other restriction on the disclosure of information (however imposed).

(5) A person who receives a notice under this section may not disclose the existence or contents of the notice to—

(a) the target identified in the notice, or

(b) any person who might reasonably be expected to disclose the existence or contents of the notice to the target.

(6) An authorised officer of Revenue and Customs may withdraw a notice under this section.

169 Disclosure of information by HMRC

(1) An authorised officer of Revenue and Customs may for the purposes of this Chapter disclose—

(a) information relating to the target identified in a promoter action notice to the recipient of the notice, or

(b) information relating to the target identified in a notice issued under section 168 (preliminary notices) to the recipient of the notice.

(2) A person to whom an authorised officer of Revenue and Customs discloses information under this section—

(a) may use it only for the purpose for which it was disclosed, and

(b) may not further disclose it without the consent of HMRC (which may be general or specific).

(3) Where a person contravenes subsection (2)(b) by disclosing information relating to a person whose identity—

(a) is specified in the disclosure, or

(b) can be deduced from it,

section 19 of CRCA 2005 (offence of wrongful disclosure) applies in relation to the disclosure as it applies in relation to a disclosure in contravention of section 20(9) of that Act.

(4) Nothing in this section limits the circumstances in which information may be disclosed under section 18(2) of CRCA 2005 or under any other enactment or rule of law.

170 Appeal against a decision to issue a promoter action notice

(1) A recipient of a promoter action notice may appeal to the tribunal against a decision to issue the notice on the grounds that—

(a) the recipient is not providing the goods or services specified in the notice to the target identified in the notice;

(b) the goods or services are not being used wholly or partly in connection with the arrangements referred to in section 167(1).

(2) Notice of an appeal must—

(a) state the ground of appeal, and

(b) be given in writing to HMRC before the end of the period of 30 days beginning with the day on which the promoter action notice was issued.

(3) The provisions of Part 5 of TMA 1970 relating to appeals have effect in relation to appeals under this section as they have effect in relation to an appeal against an assessment to income tax.

(4) In this section, the "tribunal" means the First-tier Tribunal or, where determined by or under the Tribunal Procedure Rules, the Upper Tribunal.

Sanctions

171 Civil penalties

(1) A recipient of a promoter action notice is liable to a penalty if the recipient—
  (a) fails to comply with the notice, and
  (b) does so without reasonable excuse.

(2) The maximum penalty under this section is £1,000 for each day on which the recipient failed, without reasonable excuse, to comply with the notice.

(3) Before imposing a penalty under this section, an authorised officer of Revenue and Customs must—
  (a) notify the recipient of the fact that the authorised officer considers subsection (1) to apply, and
  (b) allow the recipient 30 days from the date of notification to make representations to HMRC.

(4) In imposing a penalty under this section, an authorised officer of Revenue and Customs must have regard to—
  (a) the likely cost to the recipient of complying with the notice;
  (b) any benefit for the recipient of not complying with the notice;
  (c) whether and to what extent the recipient cooperated with HMRC or made efforts to comply with the notice.

(5) A penalty imposed under this section is to be treated as a penalty determined under section 100(1) of TMA 1970.

(6) A penalty imposed under this section is to carry interest in accordance with section 101 of FA 2009.

(7) In paragraph 5(6) of Schedule 13 to FA 2020 (joint and several liability of company directors etc) after paragraph (g) (inserted by section 162(8)) insert—

"(h) section 171 of FA 2026 (promoter action notices: penalties)."

172 Publication

(1) Subsection (2) applies if—
  (a) a penalty under section 171 has been imposed on a recipient of a promoter action notice, and
  (b) notice of appeal against the penalty can no longer be given or, if notice has been given, the appeal has been determined or withdrawn.

(2) An authorised officer of Revenue and Customs may publish—
  (a) the recipient's name (including any trading name, previous name or pseudonym);
  (b) any address used by the recipient;
  (c) any other information that the authorised officer considers appropriate for the purposes of identifying the recipient or their business;

(d) details of the recipient's failure to comply;
(e) details of the penalty imposed on the recipient under section 171.

(3) Before publishing information under this section, an authorised officer of Revenue and Customs must—
(a) notify the recipient of their intention to publish, including the information that they intend to publish, and—
(b) allow the recipient 30 days from the date of notification to make representations to HMRC.

(4) Information published under this section must be withdrawn no later than 12 months after its publication.

(5) Nothing in this section limits the circumstances in which information may be disclosed under section 18(2) of CRCA 2005 or under any other enactment or rule of law.

173 Reporting to regulators etc

(1) This section applies if an authorised officer of Revenue and Customs considers that a recipient of a promoter action notice—
(a) failed to comply with the notice, and
(b) did so without reasonable excuse.

(2) An authorised officer of Revenue and Customs may, for the permitted purpose, disclose the following information to a regulator, representative body or trade body of the recipient—
(a) the recipient's name (including any trading name, previous name or pseudonym);
(b) any address used by the recipient;
(c) any other information that the authorised officer considers appropriate for the purposes of identifying the recipient or their business;
(d) details of the recipient's failure to comply;
(e) details of any penalty imposed on the recipient under section 171;
(f) any other information that the authorised officer considers appropriate for the permitted purpose.

(3) In this section, the "permitted purpose" means assisting the person to whom the information is disclosed in relation to—
(a) a current or future investigation into the failure referred to in subsection (1), or
(b) any other action taken, or to be taken, by the person in relation to that failure.

(4) Before disclosing information under this section, an authorised officer of Revenue and Customs must—
(a) notify the recipient of their intention to disclose it, including—
(i) their reasons for considering that subsection (1) applies, and

(ii) the information that they intend to disclose, and

(b) allow the recipient 30 days from the date of notification to—

(i) comply with any requirements specified in the promoter action notice, or

(ii) make representations to HMRC.

(5) A person to whom an authorised officer of Revenue and Customs discloses information under this section—

(a) may use it only for the purpose for which it was disclosed, and

(b) may not further disclose it without the consent of HMRC (which may be general or specific).

(6) Where a person contravenes subsection (5)(b) by disclosing information relating to a person whose identity—

(a) is specified in the disclosure, or

(b) can be deduced from it,

section 19 of CRCA 2005 (offence of wrongful disclosure) applies in relation to the disclosure as it applies in relation to a disclosure in contravention of section 20(9) of that Act.

(7) Nothing in this section limits the circumstances in which information may be disclosed under section 18(2) of CRCA 2005 or under any other enactment or rule of law.

174 Extension of time periods

For the purposes of sections 171 and 173, a failure of a person to do anything within a limited period of time is to be disregarded if the person did the thing within such further period of time, if any, as an officer of Revenue and Customs allowed.

175 Reasonable excuse

For the purposes of sections 171 and 173—

(a) an insufficiency of funds is not a reasonable excuse unless attributable to events outside the person's control,

(b) if the person relies on any other person to do anything, that is not a reasonable excuse unless the first person took reasonable care to avoid the failure,

(c) if the person had a reasonable excuse for the failure but the excuse has ceased, the person is to be treated as having continued to have the excuse if the failure is remedied without unreasonable delay after the excuse ceased, and

(d) reliance on legal advice is to be taken automatically not to constitute a reasonable excuse if either—

(i) the advice was not based on a full and accurate description of the facts, or

(ii) the conclusions in the advice that the person relied upon were unreasonable.

General

176 Interpretation

In this Chapter—

"arrangements" includes any agreement, scheme, arrangement or understanding of any kind whether or not legally enforceable involving one or more transactions, and includes a proposal for arrangements;

"authorised officer of Revenue and Customs" means an officer of Revenue and Customs who is, or is a member of a class of officers who are, authorised by the Commissioners for the purpose of this Chapter;

"certified promoter" has the meaning given in section 166(3);

"Commissioners" means the Commissioners of His Majesty's Revenue;

"HMRC" means His Majesty's Revenue and Customs;

"promoter action notice" has the meaning given in section 167(2);

"promotion" has the meaning it has in section 236B(1) of FA 2014 (effect of stop notices) or section 159 (prohibition of promotion of certain tax avoidance arrangements) (as the context requires).

CHAPTER 3

ANTI-AVOIDANCE INFORMATION NOTICES

Key definitions

177 Connected persons

(1) In this Chapter, a "connected person" means a person who an officer of Revenue and Customs reasonably suspects is or has been—

(a) contravening an anti-avoidance enactment,

(b) connected to a person who is or has been contravening an anti-avoidance enactment, or

(c) connected to arrangements by reference to which a person is or has been contravening an anti-avoidance enactment.

(2) For the purposes of subsection (1)(b), two persons ("A" and "B") are connected if—

(a) A is a director, manager, secretary or other officer or employee of B,

(b) A is a member of, or partner in, B,

(c) A is a trustee, settlor, beneficiary or administrator of a trust in respect of which B is a trustee, settlor, beneficiary or administrator, or

(d) A is accustomed to acting in accordance with B's directions or instructions.

(3) For the purposes of subsection (1)(c), a person is connected to arrangements if the person is—

(a) to any extent involved in making the arrangements available for implementation by another person,

(b) to any extent involved in the organisation or management of the arrangements, or

(c) directly or indirectly benefiting from the arrangements.

178 Anti-avoidance enactments

(1) In this Chapter, an "anti-avoidance enactment" means—

(a) Part 7 of FA 2004 (disclosure of tax avoidance schemes);

(b) Part 5 of FA 2014 (promoters of tax avoidance schemes);

(c) Schedule 16 to F(No.2)A 2017 (penalties for enablers of defeated tax avoidance);

(d) Schedule 17 to F(No.2)A 2017 (disclosure of tax avoidance schemes: VAT and other indirect taxes);

(e) Chapter 1 of this Part (prohibition on promotion of certain tax avoidance arrangements).

(2) And a reference to taking action under an anti-avoidance enactment includes a reference to taking action under—

(a) sections 8ZF and 8ZG of the Company Directors Disqualification Act 1986 (disqualification for promoting tax avoidance);

(b) Schedule 13 to FA 2020 (joint and several liability);

(c) section 85 of FA 2022 (winding up petitions by an officer of HMRC);

(d) section 86 of FA 2022 (publication by HMRC of information about tax avoidance schemes);

(e) sections 87, 88 and 89 of FA 2022 (freezing orders etc);

(f) Schedule 13 to FA 2022 (penalties for facilitating avoidance schemes involving non-resident promoters);

(g) Chapter 2 of this Part (promoter action notices).

Notices by type

179 Information notices: connected persons

(1) An officer of Revenue and Customs may by notice require a connected person to provide information that is, in the opinion of the officer, reasonably required for the purposes of—

(a) monitoring the compliance of the connected person with an anti-avoidance enactment, or

(b) HMRC taking, or considering whether HMRC could take, action against the connected person under an anti-avoidance enactment.

(2) An officer of Revenue and Customs may seek the approval of the tribunal before issuing a notice under this section.

180 Information notices: third parties

(1) An officer of Revenue and Customs may by notice require a person to provide information that is, in the opinion of the officer, reasonably required for the purposes of—

(a) monitoring the compliance of a connected person with an anti-avoidance enactment, or

(b) HMRC taking, or considering whether HMRC could take, action against a connected person under an anti-avoidance enactment.

(2) A notice under this section must identify the connected person to whom it relates.

(3) Before issuing a notice under this section, an officer of Revenue and Customs must—

(a) notify the intended recipient of—

(i) the officer's intention to issue the notice, and

(ii) the information that would be required under the notice, and

(b) allow the intended recipient reasonable opportunity to make representations to HMRC.

(4) An officer of Revenue and Customs may not issue a notice under this section without either—

(a) the agreement of the connected person identified in the notice, or

(b) the approval of the tribunal.

(5) The tribunal may not approve a notice unless it has been given a summary of any representations made under subsection (3)(b).

(6) After issuing a notice under this section, an officer of Revenue and Customs must provide to the connected person identified in the notice—

(a) a copy of the notice, and

(b) a summary of the officer's reasons for requiring the information.

(7) Subsections (2), (3) and (6) do not apply to the extent the tribunal is satisfied that taking the steps in those subsections might prejudice the investigation of tax avoidance.

181 Information notices: unidentified connected persons

(1) An officer of Revenue and Customs may by notice require a person to provide information that is, in the opinion of the officer, reasonably required for the purposes of—

(a) monitoring the compliance of an unidentified connected person with an anti-avoidance enactment, or

(b) HMRC taking, or considering whether HMRC could take, action against an unidentified connected person under an anti-avoidance enactment.

(2) In this section, "unidentified connected person" means—

(a) a connected person whose identity is not known to the officer, or

(b) a class of persons whose individual identities are not known to the officer but, of which, one or more members is a connected person.

(3) A notice under this section may only require information that is not readily available from another source.

(4) An officer of Revenue and Customs may not issue a notice under this section without the approval of the tribunal.

(5) In subsection (1)(b), the reference to taking action against an unidentified connected person includes a reference to taking action against one or more members of a class referred to in subsection (2)(b).

182 Information notices: identification

(1) An officer of Revenue and Customs may by notice require a person to provide identifying information that is, in the opinion of the officer, reasonably required for the purpose of identifying an unidentified connected person.

(2) An officer of Revenue and Customs may not issue a notice under subsection (1) unless the officer has reason to believe that—

(a) the intended recipient of the notice could identify the unidentified connected person by reference to information provided by the officer, and

(b) the recipient obtained the identifying information in the course of a business.

(3) A notice under this section may only require information that is not readily available from another source.

(4) In this section—

"identifying information" means one or more of an unidentified connected person's—

(a) name;

(b) last known address;

(c) in the case of an individual, date of birth;

"unidentified connected person" has the meaning given in section 181.

(5) An officer of Revenue and Customs who is not an authorised officer may not issue a notice under this section without the approval of either—

(a) the tribunal, or

(b) an authorised officer of Revenue and Customs.

(6) An authorised officer of Revenue and Customs may seek the approval of the tribunal before issuing a notice under this section.

183 Information notices: financial institutions

(1) An officer of Revenue and Customs may by notice require a financial institution to provide information that is, in the opinion of the officer, reasonably required for the purposes of—

(a) monitoring the compliance of a connected person with an anti-avoidance enactment, or

(b) HMRC taking, or considering whether HMRC could take, action against a connected person under an anti-avoidance enactment.

(2) A notice under this section must identify the connected person to whom it relates.

(3) An officer of Revenue and Customs may not issue a notice under this section without the approval of the tribunal.

(4) After issuing a notice under this section, an officer of Revenue and Customs must provide to the connected person identified in the notice—

(a) a copy of the notice, and

(b) a summary of the officer's reasons for requiring the information.

(5) Subsection (4) does not apply to the extent the tribunal is satisfied that taking the steps in that subsection might prejudice the investigation of tax avoidance.

(6) In this section—

"financial institution" means—

(a) a financial institution under the CRS other than one which is such an institution only because it is an investment entity within section 8(A)(6)(b) of the CRS;

(b) a person who issues credit cards;

"CRS" means the common reporting standard for automatic exchange of financial account information developed by the Organisation for Economic Co-operation and Development, as that standard has effect from time to time.

Content, requirements and withdrawal of notices

184 Content and requirements of notices

(1) An information notice must specify (or, in the case of paragraphs (a) and (b), describe)—

(a) the information that the recipient is required to provide;

(b) the form in which, and the means by which, the information is to be provided;

(c) a reasonable period within which the information is to be provided;

(d) the provision under which the notice is issued;

(e) whether the notice is issued with the approval of the tribunal.

(2) An information notice issued under sections 180 to 183 may only require information that would not, in the reasonable opinion of an officer of Revenue and Customs, be unduly onerous for the recipient to provide.

(3) An information notice may not require a person to produce a document if the whole of the document originates more than 6 years before the date of the notice without the agreement of an authorised officer of Revenue and Customs.

(4) An information notice may be issued to a person outside the United Kingdom.

185 Restriction on disclosure of notices

(1) An information notice may require the recipient not to disclose the existence or contents of the notice to—

(a) the connected person to whom the notice relates,

(b) in the case of a notice under section 181, members of the class of persons to which the notice relates,

(c) any person who might reasonably be expected to disclose the existence or contents of the notice to the connected person or members of the class, or

(d) any other person.

(2) A requirement under subsection (1)(d) may not prohibit disclosure for, or in connection with, the purpose of—

(a) complying with the notice, or

(b) seeking legal advice.

(3) A requirement imposed under subsection (1) has effect until the end of the period of 12 months beginning with the day on which the notice is issued, unless before the end of that period—

(a) the requirement is withdrawn in accordance with subsection (4), or

(b) the period is extended in accordance with subsection (5).

(4) An officer of Revenue and Customs may withdraw the requirement by notifying the recipient in writing.

(5) An officer of Revenue and Customs may by notice to the recipient—

(a) extend the period during which a requirement imposed under subsection (1) has effect by a period of 12 months beginning with the day after the last day of the previous period of 12 months, and

(b) do so on one or more occasions.

(6) An officer of Revenue and Customs may not issue a notice under subsection (5) unless—

(a) the officer considers that there are reasonable grounds for believing that failure to extend the period might prejudice the investigation of tax avoidance, and

(b) where the officer is not an authorised officer of Revenue and Customs, an authorised officer agrees with the officer's—

(i) decision to extend the period, and

(ii) assessment under paragraph (a).

186 Excepted information

(1) An information notice does not require a person to provide information that is not in the possession or power of that person.

(2) An information notice does not require a person to provide—

(a) information that relates to the conduct of a pending tax appeal or appeal against a decision under an anti-avoidance enactment;

(b) personal records (as defined in section 12 of the Police and Criminal Evidence Act 1984) or information contained in such records, except that a notice may require a person to produce a redacted version of a document omitting any information that would otherwise make it personal records;

(c) journalistic material (as defined in section 13 of that Act) or information contained in such material;

(d) information in respect of a which a claim to legal professional privilege or, (in Scotland) to confidentiality of communications as between a client and professional legal advisor, could be maintained by the person in legal proceedings.

(3) An information notice does not require a person who has been appointed auditor for the purposes of an enactment to provide information held or created in connection with the performance of the person's functions under the enactment, other than information that the recipient of the notice has assisted any client in preparing for, or delivering to, HMRC.

(4) Subsection (3) does not apply in relation to—

(a) a notice under section 182 (identification), or

(b) identifying information (within the meaning given in section 182) required by a notice under section 181 in respect of—

(i) the connected person to whom the notice relates, or

(ii) a person who has acted on behalf of the connected person.

(5) The Commissioners may by regulations make provision for the resolution by the tribunal of disputes as to whether any information falls within subsection (2)(d) (privilege).

(6) Regulations under subsection (5) are to be made by statutory instrument and a statutory instrument containing regulations under subsection (5) is subject to annulment in pursuance of a resolution of the House of Commons.

187 Tribunal approval of notices

(1) An application to the tribunal for approval of a notice, or disapplication of requirements, under this Chapter may be made without notice.

(2) An officer of Revenue and Customs (other than an authorised officer) may not seek the approval of, or disapplication of requirements by, the tribunal without the agreement of an authorised officer of Revenue and Customs.

(3) The tribunal may not approve the issue of a notice under sections 179 to 183 unless it is satisfied that the requirements of the relevant section are met.

(4) A decision of the tribunal is final (despite sections 11 and 13 of the Tribunals, Courts and Enforcement Act 2007).

188 Withdrawal of notices

An officer of Revenue and Customs may withdraw an information notice by notifying the recipient in writing.

Criminal sanctions

189 Offence of failing to comply with a notice

(1) A recipient of an information notice commits an offence if the recipient—
  (a) fails to comply with the notice, or
  (b) in purporting to comply with the notice, carelessly or deliberately provides inaccurate information.

(2) It is a defence for a person charged with an offence under subsection (1)(a) to show that they had a reasonable excuse.

(3) In this section, a reference to carelessness is a reference to a failure to take reasonable care.

(4) This section does not apply in respect of a notice under section 183 (financial institutions).

190 Offence of concealing information

(1) A recipient of an information notice commits an offence if the recipient conceals, destroys or otherwise disposes of information that is required to be provided under the notice.

(2) It is a defence for a person charged with an offence under subsection (1) to show that they concealed, destroyed or otherwise disposed of the information only after the information had been provided in accordance with the notice.

(3) Subsection (2) does not apply where an officer of Revenue and Customs had notified the person in writing that the information must continue to be available (and had not withdrawn that notification).

(4) A person commits an offence if—

(a) an officer of Revenue and Customs has notified the person under section 180(3) that—

(i) the officer intends to issue an information notice to the person, and

(ii) certain information would be required under the notice, and

(b) the person conceals, destroys or otherwise disposes of the information.

(5) It is a defence for a person charged with an offence under subsection (4) to show that they concealed, destroyed or otherwise disposed of the information only—

(a) after the end of the period of six months beginning with the day on which they were last notified under section 180(3) in respect of the information, or

(b) after an information notice has been issued to the person in respect of the information.

(6) In this section, a reference to concealing, destroying or otherwise disposing of information includes a reference to arranging for the concealment, destruction or disposal of information.

(7) This section does not apply in respect of a notice under section 183 (financial institutions).

191 Criminal liability of responsible persons

(1) If an offence under section 189 or 190 is committed by a body corporate or a partnership and—

(a) is committed with the consent or connivance of a responsible person, or

(b) is attributable to the neglect of a responsible person,

the responsible person commits the offence (as well as the body or partnership).

(2) A "responsible person" means—

(a) in relation to a body corporate other than one whose affairs are managed by its members—

(i) a director, manager, secretary or other similar officer of the body, or a person purporting to act in such a capacity, or

(ii) a shadow director within the meaning given in section 251 of the Companies Act 2006;

(b) in relation to a limited liability partnership or other body corporate whose affairs are managed by its members—

(i) a member exercising management functions, or purporting to do so, or

(ii) in the case of a limited liability partnership, a shadow member;

(c) in relation to a partnership, a partner or a person purporting to act in that capacity.

(3) In this section, a "shadow member" means a person in accordance with whose directions or instructions the members of the limited liability partnership are accustomed to act, save that a person is not a shadow member by reason only of the fact that the members act on advice given by that person in a professional capacity.

192 Criminal liability of responsible persons: no prosecution of recipient

(1) Subsection (2) applies where a body corporate or partnership that is the recipient of an information notice—

(a) fails to comply with the notice, or

(b) in purporting to comply with the notice, carelessly or deliberately provides inaccurate information.

(2) If the recipient's failure or careless or deliberate provision of inaccurate information—

(a) occurred with the consent or connivance of a responsible person, or

(b) is attributable to the neglect of a responsible person,

the responsible person commits an offence.

(3) It is a defence for a person charged with an offence under subsection (2) to show that they or the recipient had a reasonable excuse.

(4) In this section—

(a) a reference to carelessness is a reference to a failure to take reasonable care, and

(b) "responsible person" has the same meaning as in section 191.

(5) This section does not apply in respect of a notice under section 183 (financial institutions).

193 Imprisonment or a fine

A person who commits an offence under section 189, 190 or 192 is liable—

(a) on summary conviction, to—

(i) in England and Wales, a fine, or

(ii) in Scotland or Northern Ireland, a fine not exceeding the statutory maximum, or

(b) on conviction on indictment, to imprisonment for a term not exceeding two years or to a fine or both.

Civil sanctions

194 Penalty for failing to comply with a notice

(1) A recipient of an information notice is liable to a penalty if the recipient—

(a) fails to comply with the notice, and

(b) does so without reasonable excuse.

(2) The penalty under subsection (1) is—

(a) in relation to a notice under section 183 (financial institutions), £300;

(b) otherwise, £5,000.

(3) If a failure referred to in subsection (1) continues after the day on which a penalty is imposed in respect of it, the recipient is liable to a further penalty for each day on which the failure continues.

(4) The penalty under subsection (3) is—

(a) in relation to a notice under section 183 (financial institutions), an amount not exceeding £60;

(b) otherwise, an amount not exceeding £1,000.

(5) Before imposing a penalty under this section, an officer of Revenue and Customs must—

(a) notify the recipient of the fact that the officer considers subsection (1) or (3) to apply, and

(b) allow the recipient a period of 30 days beginning with the date of notification to make representations to HMRC.

(6) This section does not apply in relation to a failure to comply with a requirement imposed under section 185 (restriction on disclosure of notices).

195 Penalty for concealing information

(1) A recipient of an information notice is liable to a penalty if the recipient—

(a) is required to provide information under the notice issued, and

(b) conceals, destroys or otherwise disposes of the information—

(i) before the information has been provided in accordance with the notice, or

(ii) in circumstances where an officer of Revenue and Customs has notified the person in writing that the information must continue to be available (and has not withdrawn that notification).

(2) A person is liable to a penalty if—

(a) an officer of Revenue and Customs has notified the person under section 180(3) that—

(i) the officer intends to issue an information notice to the person, and

(ii) certain information would be required under the notice, and

(b) the person conceals, destroys or otherwise disposes of the information.

(3) Subsection (2) does not apply if the person concealed, destroyed or otherwise disposed of the information only—

(a) after the end of the period of 6 months beginning with the day on which they were last notified under section 180(3) in respect of the information, or

(b) after an information notice has been issued to the person in respect of the information.

(4) The penalty under subsection (1) or (2) is—

(a) in relation to a notice under section 183 (financial institutions), £300, or

(b) otherwise, £20,000.

(5) In this section, a reference to concealing, destroying or otherwise disposing of information includes a reference to arranging for the concealment, destruction or disposal of information.

196 Penalty for inaccurate information

(1) A recipient of an information notice is liable to a penalty if the recipient—

(a) in purporting to comply with the notice, carelessly or deliberately provides inaccurate information, or

(b) after purporting to comply with the notice—

(i) discovers that, in doing so, they provided inaccurate information, and

(ii) does not take reasonable steps to notify HMRC of that fact.

(2) The maximum penalty under subsection (1) is—

(a) in relation to a notice under section 183 (financial institutions), £3,000 for each inaccuracy, or

(b) otherwise, £20,000 for each inaccuracy.

(3) Before imposing a penalty under this section, an officer of Revenue and Customs must—

(a) notify the recipient of the fact that the officer considers subsection (1) to apply, and

(b) allow the recipient a period of 30 days beginning with the date of notification to make representations to HMRC.

(4) In this section, a reference to carelessness is a reference to a failure to take reasonable care.

197 Penalty for disclosing a notice

(1) A recipient of an information notice is liable to a penalty if the recipient—

(a) fails to comply with a requirement imposed under section 185 (restriction on disclosure of notices), and

(b) does so without reasonable excuse.

(2) The penalty under subsection (1) is—

(a) in relation to a notice under section 183 (financial institutions), £1,000, or

(b) otherwise, £10,000.

198 Penalty based on monies received

(1) Subsection (3) applies if—

(a) a penalty has been imposed on a person under section 194(1) for failure to comply with a notice,

(b) the person, without reasonable excuse, continues to fail to comply with the notice,

(c) an officer of Revenue and Customs has reason to believe that—

(i) the person received money or money's worth in connection with the contravening arrangements to which the notice relates, and

(ii) the continuing failure is significant, and

(d) the Upper Tribunal decides that it is appropriate for a penalty to be imposed under this section.

(2) For the purposes of subsection (1)(c)(ii), a continuing failure is significant if—

(a) it continues beyond the end of the period of six months beginning with the day on which the penalty referred to in subsection (1)(a) was imposed, or

(b) as a result of the continuing failure, it is or is likely to be significantly more difficult for HMRC to—

(i) monitor the compliance of a connected person with an anti-avoidance enactment, or

(ii) take, or consider whether HMRC could take, action against a connected person under an anti-avoidance enactment.

(3) The person is liable to a penalty equal to the amount of money or money's worth received, or likely to have been received, by the person in connection with the contravening arrangements to which the notice relates.

(4) The amount of a penalty to which a person is liable under subsection (3) must be determined by the Upper Tribunal (with such determination being treated as assessment).

(5) An application to the Tribunal for the purposes of subsection (1)(d) or (4) may be made by an officer of Revenue and Customs and must be made before the end of the period of 12 months beginning with—

(a) in the case of a penalty relating to a notice against which the recipient may appeal under section 204, the latest of—

(i) the day on which the person became liable to a penalty under section 194(1),

(ii) the last day of the period in which notice of appeal against the notice could have been given, and

(iii) if notice of such an appeal has been given, the day on which the appeal is determined or withdrawn, or

(b) in any other case, the day on which the person became liable to a penalty under section 194(1).

(6) An officer of Revenue and Customs who makes an application for the purposes of subsection (1)(d) or (4) must notify the person concerned.

(7) For the purposes of this section, a reference to contravening arrangements to which a notice relates is a reference to arrangements by reference to which the person to whom the notice relates is considered to be a connected person under section 177(1) (including, where the person is a connected person under section 177(1)(b), arrangements by reference to which the other person is considered to be a connected person).

(8) This section does not apply in relation to a notice under section 183 (financial institutions).

199 Increased daily default penalty

(1) An officer of Revenue and Customs may apply to the tribunal for a determination that an increased penalty should be available under section 194(4) in respect of a person's failure to comply with an information notice if—

(a) a penalty has been imposed under section 194(3) (daily penalties for continuing failure) in respect of the failure,

(b) the failure continues after the end of the period of 30 days beginning with the day on which notification of the penalty under section 194(3) was issued (see paragraph 46 to Schedule 36 to FA 2008), and

(c) the officer has notified the person of their intention to apply to the tribunal under this section.

(2) If the tribunal decides that an increased penalty should be available under section 194(4) in respect of a person's failure, the tribunal must determine—

(a) the amount of the increased penalty, and

(b) the day from which it is to be applicable.

(3) The increased penalty is available under section 194(4) in respect of the failure—

(a) from the day determined by the tribunal, and

(b) as though the figure in that subsection were replaced with the amount of the increased penalty.

(4) An increased penalty under this section may not exceed—

(a) in relation to a notice under section 183 (financial institutions), £1,000, or

(b) otherwise, £5,000.

(5) In determining the amount of the increased penalty, the tribunal must have regard to—

(a) the likely cost to the person of complying with the notice,

(b) any benefits to the person of not complying with the notice, and

(c) any benefits to anyone else resulting from the person's non-compliance.

(6) If the tribunal makes a determination under subsection (2), an officer of Revenue and Customs must notify the person to whom it relates of—

(a) the amount of the increased penalty, and

(b) the day from which it is to be applicable.

Sanctions: general

200 Extension of time periods

For the purposes of sections 189 to 199 (sanctions), a failure of a person to do anything within a limited period of time is to be disregarded if the person did the thing within such further period of time, if any, as an officer of Revenue and Customs or the tribunal allowed.

201 Reasonable excuse

For the purposes of sections 189(1)(a) (offence of failing to comply), 192 (criminal liability of responsible persons: no prosecution of recipient), 194 (penalty for failing to comply), 197 (penalty for disclosing) and 198 (penalty based on monies received)—

(a) an insufficiency of funds is not a reasonable excuse unless attributable to events outside the person's control,

(b) if the person relies on any other person to do anything, that is not a reasonable excuse unless the first person took reasonable care to avoid the failure,

(c) if the person had a reasonable excuse for the failure but the excuse has ceased, the person is to be treated as having continued to have the excuse if the failure is remedied without unreasonable delay after the excuse ceased, and

(d) reliance on legal advice is to be taken automatically not to constitute a reasonable excuse if either—

(i) the advice was not based on a full and accurate description of the facts, or

(ii) the conclusions in the advice that the person relied upon were unreasonable.

202 Double jeopardy

A person is not liable to a penalty under this Chapter in respect of anything in respect of which the person has been convicted of an offence.

203 Assessment etc of penalties: application of Schedule 36 to FA 2008

(1) The following paragraphs of Schedule 36 to FA 2008 apply as set out below.

(2) Paragraph 46 (assessment of penalty) applies to—

(a) a penalty under sections 194 (failure to comply) and 195 (concealing information) as it applies to a penalty under paragraphs 39 and 40 of the Schedule;

(b) a penalty under section 196 (inaccurate information) as it applies to a penalty under paragraph 40A of the Schedule.

(3) Paragraph 51B(2) and (3) (assessment of a penalty for disclosure) apply to a penalty under section 197 (disclosure of a notice) as they apply to a penalty under paragraph 51B(1) of the Schedule.

(4) Paragraph 49 (enforcement of penalty) applies to a penalty under sections 194 to 197 as it applies to a penalty under paragraphs 39, 40 and 40A of the Schedule and, in the case of a penalty under section 197 (disclosure of a notice), the reference to notification under paragraph 46 of the Schedule is to be read as a reference to notification under paragraph 51B(2)(b) of the Schedule).

(5) Paragraph 51 (enforcement of a tax-related penalty) applies to a penalty under section 198 (penalties based on monies received) as it applies to a penalty under paragraph 50 of the Schedule.

Appeals

204 Appeals against notices

(1) A recipient of a notice under section 179 (connected persons) may appeal against the issue of the notice or any requirement in the notice.

(2) A recipient of a notice under section 180 (third parties) may appeal against the issue of the notice or any requirement in the notice on the grounds that it would be unduly onerous to comply with the notice or requirement.

(3) A recipient of a notice under section 182 (identification) may appeal against the issue of the notice or any requirement in the notice on the grounds that it would be unduly onerous to comply with the notice or requirement.

(4) Subsections (1) to (3) do not apply in relation to a notice that was issued with tribunal approval.

(5) Paragraph 32 of Schedule 36 to FA 2008 applies to appeals under this section as it applies to appeals under Part 5 of that Schedule (and references to information notices are to be read as references to notices under this Chapter).

205 Appeals against penalties

(1) A person may appeal against any of the following decisions—

(a) a decision of an officer of Revenue and Customs that a penalty is payable under sections 194 to 197, and

(b) a decision of an officer of Revenue and Customs as to the amount of a penalty under sections 194 to 197.

(2) Paragraph 48 of Schedule 36 to FA 2008 (procedure on appeal against penalty) applies to appeals under this section as it applies to appeals under paragraph 47 of that Schedule (and references to paragraph 47(1)(a) and (b) in paragraph 48 are to be read as references to subsection (1)(a) and (b) of this section).

Miscellaneous and interpretation

206 Interpretation

(1) In this Chapter—

"arrangements" includes any agreement, scheme, arrangement or understanding of any kind whether or not legally enforceable involving one or more transactions;

"authorised officer of Revenue and Customs" means an officer of Revenue and Customs who is, or is a member of a class of officers who are, authorised by the Commissioners for the purpose of this Chapter;

"Commissioners" means the Commissioners for His Majesty's Revenue and Customs;

"document" includes any part of a document (and see subsection (2));

"HMRC" means His Majesty's Revenue and Customs;

"information" includes a document (and see subsection (2));

"information notice" means a notice issued under any of sections 179 to 183;

"investigation of tax avoidance" includes the exercise of a function under an anti-avoidance enactment;

"recipient", in relation to a notice, means the person to whom the notice is issued;

"tribunal" means the First-tier Tribunal or, where determined by or under the Tribunal Procedure Rules, the Upper Tribunal.

(2) For the purposes of this Chapter—

(a) a reference to providing information includes a reference to producing documents;

(b) a reference to a document is a reference to anything in which information of any description is recorded.

(3) Paragraphs 7(2) to (4), 8, 15 and 16 of Schedule 36 to FA 2008 (provision relating to documents) apply in relation to documents required under this Chapter as they apply in relation to documents required under that Schedule.

207 Application of provisions of TMA 1970

The following provisions of TMA 1970 apply for the purposes of this Chapter as they apply for the purposes of the Taxes Acts—

(a) section 108 (responsibility of officers);

(b) section 114 (want of form);

(c) section 115 (delivery and service of documents).

208 Repeals

(1) Section 272A of FA 2014 is repealed.

(2) Subsection (1) comes into force on such day as the Treasury may by regulations made by statutory instrument appoint.

CHAPTER 4

MISCELLANEOUS

Legal professionals

209 Declaration in relation to privileged material

(1) Subsection (2) applies where—

(a) HMRC have notified a lawyer that they intend to publish, or are considering publishing, information identifying the lawyer under a provision listed in subsection (5), and

(b) the lawyer—

(i) intends to make representations to the effect that the information should not be published, but

(ii) will not be able to substantiate some or all of those representations without disclosing the content of privileged communications.

(2) A lawyer (whether or not the lawyer intending to make the representations) may make a declaration to the effect that—

(a) the representations are true, and

(b) the content of privileged communications would be sufficient (whether alone or with other information) to demonstrate this on the balance of probabilities.

(3) When considering whether the information referred to in subsection (1)(a) may be published, HMRC and, in the context of proceedings, a court or tribunal must treat a declaration made under subsection (2) and provided under a provision listed in subsection (5) as conclusive evidence of the information included in the declaration.

(4) But subsection (3) does not apply if HMRC, or the court or tribunal, is satisfied that the declaration includes any information that is incorrect.

(5) The provisions are—

(a) section 316C of FA 2004 (disclosure of tax avoidance schemes);

(b) paragraph 36 of Schedule 17 to F(No.2)A 2017 (disclosure of tax avoidance schemes: VAT and other indirect taxes);

(c) section 86 of FA 2022 (publication of information about tax avoidance schemes).

(6) For the purposes of this section—

(a) references to a lawyer are references to a person in respect of whose communications a claim to legal professional privilege, or (in Scotland) to confidentiality of proceedings as between client and professional legal adviser, could be maintained in legal proceedings, and

(b) a communication is "privileged" if such a claim could be maintained in respect of it.

(7) In this section—

"HMRC" means—

(a) where the provision referred to in subsection (1)(a) is section 316C of FA 2004, HMRC as defined for the purposes of that section;

(b) where the provision referred to in subsection (1)(a) is paragraph 36 of Schedule 17 to F(No.2)A 2017, HMRC as defined for the purposes of that paragraph;

(c) where the provision referred to in subsection (1)(a) is section 86 of FA 2022—

(i) in subsection (1)(a), an officer of Revenue and Customs;

(ii) in subsections (3) and (4), an authorised officer as defined for the purposes of that section;

"tribunal" means the First-tier Tribunal or, where determined by or under Tribunal Procedure Rules, the Upper Tribunal.

(8) The Commissioners for His Majesty's Revenue and Customs may by regulations make provision about—

(a) the form of a declaration made under subsection (2),

(b) the information to be included in a declaration,

(c) when and how a declaration is to be provided.

(9) Regulations under this section—

(a) are to be made by statutory instrument, and

(b) may make different provision for different purposes.

(10) A statutory instrument containing regulations made under this section is subject to annulment in pursuance of a resolution of the House of Commons.

210 Penalties for an incorrect declaration

(1) A person who makes a declaration under section 209(2) and carelessly or deliberately includes any incorrect information in the declaration is liable to a penalty not exceeding £10,000.

(2) Where—

(a) a person ("A") provides a declaration under a provision listed in section 209(5) which is made under section 209(2) by another person,

(b) the declaration includes incorrect information, and

(c) A knew, or could reasonably have been expected to have known, that the information was incorrect,

A is liable to a penalty not exceeding £10,000.

(3) For the purposes of subsection (1), incorrect information is included in a declaration carelessly if the person who makes the declaration has failed to take reasonable care to verify the information before including it.

211 Penalties: procedure, appeals etc

(1) Subject to subsection (2), a penalty under section 210 is to be treated as a penalty imposed under the Taxes Acts and, accordingly, is a penalty to be determined and imposed by an authorised officer under section 100(1) of TMA 1970.

(2) A penalty under section 210 is not required to be paid before the penalty becomes final.

(3) For the purposes of subsection (2) and sections 212 and 213 a penalty becomes "final" at the time when the period for any appeal or further appeal relating to the penalty expires or, if later, when any appeal or final appeal relating to the penalty is finally determined.

212 Publication following an incorrect declaration

(1) An authorised officer may publish information about a person where—
  (a) the person has incurred a penalty under section 210 in relation to a declaration, and
  (b) the penalty has become final.

(2) The information that may be published under this section is—
  (a) the person's name (including any trading name, previous name or pseudonym);
  (b) any address used by the person;
  (c) any other information that the authorised officer considers appropriate for the purposes of identifying the person or their business;
  (d) details of the arrangements to which the declaration relates including the nature of the person's involvement in those arrangements;
  (e) details of the penalty imposed on the person under section 210.

(3) The information may be published in any way that the authorised officer considers appropriate.

(4) Before publishing information under this section, the authorised officer must—
  (a) notify the person that they are considering doing so,
  (b) give the person 30 days from that notification in which to make representations about whether it should be published, and
  (c) have regard to any representations received.

(5) In this section—
  "arrangements" means—

(a) in relation to a declaration provided under section 316C(6)(b)(ii) of FA 2004, arrangements or proposed arrangements, with those terms having the same meaning as in that section;

(b) in relation to a declaration provided under paragraph 36(6)(b)(ii) of Schedule 17 to F(No.2)A 2017, arrangements or proposed arrangements, with those terms having the same meaning as in that paragraph;

(c) in relation to a declaration provided under section 86(5)(b)(ii) of FA 2022, a proposal or arrangements, with those terms having the same meaning as in that section;

"authorised officer" means an officer of Revenue and Customs authorised for the purposes of this section.

213 Time limits for publication

(1) Publication of any information under section 212 on the basis of a penalty incurred by a person may not take place after the end of the period of 12 months beginning with the date on which the penalty became final.

(2) Subsection (1) is not to be taken to prevent the re-publication, or continued publication, after the end of the period referred to in that subsection, of information published under section 212 before the end of the period.

214 Amendments to existing legislation: removal of privilege exemption

(1) In section 316C of FA 2004 (disclosure of tax avoidance schemes)—

(a) omit subsection (4A);

(b) in subsection (6)(b)—

(i) the words from "make representations" to the end become sub-paragraph (i);

(ii) after that sub-paragraph insert ", and

(ii) where section 209(2) of FA 2026 applies, provide a declaration made under that subsection substantiating those representations.".

(2) In paragraph 36 of Schedule 17 to F(No.2)A 2017 (disclosure of tax avoidance schemes: VAT and other indirect taxes)—

(a) omit sub-paragraph (4A);

(b) in sub-paragraph (6)(b)—

(i) the words from "make representations" to the end become sub-paragraph (i);

(ii) after that sub-paragraph insert ", and

(ii) where section 209(2) of FA 2026 applies, provide a declaration made under that subsection substantiating those representations.".

(3) In section 86 of FA 2022 (publication of information about tax avoidance schemes)—

(a) omit subsection (3)(b) (and the "or" before it);

(b) in subsection (5)(b)—

(i) the words from "make representations" to the end become sub-paragraph (i);

(ii) after that sub-paragraph insert ", and

(ii) where section 209(2) of FA 2026 applies, provide a declaration made under that subsection substantiating those representations.";

(c) in subsection (6), after "representations" insert "and any declaration".

215 Commencement

(1) Subject to subsection (2), sections 209 to 214 have effect from the day on which this Act is passed.

(2) The amendments made by section 214 have effect only in relation to conduct occurring on or after the day on which this Act is passed.

Disclosure of tax avoidance schemes: consequences for failure to comply

216 Penalties for non-disclosure of tax avoidance schemes

(1) In TMA 1970—

(a) omit section 98C (notifications under Part 7 of FA 2004);

(b) in section 100(2) (determination of penalties by an officer of the Board), omit paragraph (f);

(c) in section 103A (interest on penalties), omit "(other than section 98C)".

(2) In Part 7 of FA 2004 (disclosure of tax avoidance schemes)—

(a) in section 313(4), for "98C of the Taxes Management Act 1970" substitute "315";

(b) for section 315 substitute—

"315 Penalties

(1) A person who fails to comply with a duty imposed by a provision mentioned in the first column of the table is liable to a penalty not exceeding the amount specified in relation to that provision in the second column.

Provision	*Maximum penalty amount*
Section 308(1) or (3) (promoter's duty to notify)	The applicable rate for each day on which the person fails to comply or, if subsection (3) applies, £1 million

Provision	***Maximum penalty amount***
Section 309(1) (client's duty to notify: no UK promoter)	The applicable rate for each day on which the person fails to comply or, if subsection (3) applies, £1 million
Section 310 (client's duty to notify: no promoter)	The applicable rate for each day on which the person fails to comply or, if subsection (3) applies, £1 million
Section 310A (duty to provide further information)	The applicable rate for each day on which the person fails to comply or, if subsection (3) applies, £1 million
Section 310C (promoter's duty to update information)	£5,000
Section 311C (duty to provide further information: section 311(3) case)	The applicable rate for each day on which the person fails to comply or, if subsection (3) applies, £1 million
Section 312(2) (promoter's duty to notify client of SRN)	£5,000
Section 312ZA(2) (duty to notify client of SRN: section 311(3) case)	£5,000
Section 312A(2) or (2A) (client's duty to notify other persons of SRN)	£5,000
Section 312B (client's duty to provide client information to promoter or service provider)	£5,000
Section 313(1) or regulations under section 313(3) (other party's duty to provide information)	The amount specified in subsection (4)
Section 313ZA (promoter's or service provider's	£5,000

Provision	***Maximum penalty amount***
duty to provide client information)	
Section 313ZB (service provider's duty to provide other party's information)	£5,000
Section 313ZC (employer's duty to provide employee information)	£5,000
Section 313A (duty to provide statement on notifiability)	£5,000
Section 313B (duty to provide supporting evidence on notifiability)	£5,000
Section 313C (introducer's duty to provide other person's information)	£5,000
Section 316A (duty to provide information in addition to SRN to client or other persons)	£5,000

(2) The "applicable rate" means—

(a) £600, or

(b) where an order has been made under section 306A or 314A (orders about notifiability) in respect of the arrangements or proposal in relation to which the person fails to comply—

(i) £600 for each day falling before the end of the period of ten days beginning with the day on which the order was made, and

(ii) £5,000 for each day falling after the end of that period.

(3) This subsection applies where an authorised officer considers that the amount otherwise specified in relation to the provision is inappropriately low.

(4) The amount specified for section 313(1) or regulations under section 313(3) is—

(a) £10,000, if the person has failed to comply with the section or regulations on two or more other occasions during the period of 36 months ending with the date of the current failure,

(b) £7,500, if the person has failed to comply with the section or regulations on one other occasion during the period of 36 months ending with the date of the current failure, or

(c) £5,000, in any other case.

(5) In subsection (1), a reference to a day on which a person fails to comply with a duty is a reference to a day that—

(a) begins after the day by which the person was required to comply with the duty, and

(b) ends before the earlier of—

(i) the day on which the person complies with the duty,

(ii) the day on which any reference number is allocated to the arrangements or proposed arrangements concerned in the circumstances described in subsection (6), and

(iii) the day on which a penalty under subsection (1) is imposed in relation to the failure.

(6) The circumstances are—

(a) the duty referred to in subsection (5) is a duty imposed by section 308(1) or (3), 309(1) or 310, and

(b) it is a case within section 311(3).

315A Further penalties

(1) If—

(a) a penalty under section 315 is imposed in relation to a person's failure to comply with a duty, and

(b) after the penalty has been imposed, the person continues to fail to comply with the duty,

the person is liable to a further penalty not exceeding the applicable rate (as defined in section 315(2)) for each day on which the failure continues.

(2) Subsection (1) does not apply to a failure to comply with a duty imposed by section 313(1) or regulations under section 313(3).

315B Determination of penalties

(1) A penalty under this Part is to be treated as a penalty under a provision of the Taxes Acts and, accordingly, is a penalty to be determined and imposed by an authorised officer under section 100(1) of TMA 1970.

(2) In determining an amount of a specified penalty (including considering whether an amount is inappropriately low under section 315(3)), the authorised officer must have regard to all relevant considerations, including—

(a) the desirability of the penalty being set at a level which appears appropriate for deterring the person, or other persons, from similar failures to comply on future occasions;

(b) the amount of any fees received, or likely to have been received, by the person in connection with the proposal or arrangements concerned;

(c) in the case of a person entering into the arrangements, the amount of any advantage gained, or sought to be gained, by that person.

(3) In this section, a "specified penalty" is a penalty under section 315 that is imposed in relation to a person's failure to comply with a duty imposed by section 308(1) or (3), 309(1), 310, 310A or 311C.

315C Failure to comply with time limit

A failure to do anything required to be done within a limited period of time does not give rise to liability to a penalty under section 315 or 315A if the person did it within such further time, if any, as an officer of Revenue and Customs or the tribunal may have allowed.

315D Other exemptions from liability to a penalty

(1) A person is deemed not to have failed to comply with a duty imposed by a provision mentioned in the first column of the table in section 315(1) if the person had a reasonable excuse for the failure and—

(a) the reasonable excuse continues to apply, or

(b) the reasonable excuse has ceased to apply, but the person complied with the duty without unreasonable delay after the cessation.

(2) Where an order is made under section 306A or 314A—

(a) the order is not evidence that a person either does or does not have a reasonable excuse for non-compliance before the order was made, and

(b) the person identified in the order as the promoter cannot rely on doubt as to notifiability as a reasonable excuse for a failure to comply with section 308.

(3) Where a person fails to comply with—

(a) section 309 and the promoter for the purposes of that section is a monitored promoter, or

(b) section 310 and the arrangements for the purposes of that section are arrangements of a monitored promoter,

then any legal advice which was given or procured by that monitored promoter and which the person took into account is to be disregarded in determining whether the person has a reasonable excuse for the failure.

(4) In determining whether or not a person who is a monitored promoter has a reasonable excuse for a failure to do anything required to be done, reliance on legal advice does not constitute a reasonable excuse if either—

(a) the advice was not based on a full and accurate description of the facts, or

(b) the conclusions in the advice that the person relied on were unreasonable.

(5) For the purposes of this section, "monitored promoter" has the meaning given by section 244(5) of FA 2014.

315E Regulations to vary amounts

(1) The Treasury may by regulations make provision for the purpose of varying any of the amounts specified in section 315 or 315A.

(2) Regulations under this section—

(a) must be made by statutory instrument, and

(b) may not be made unless a draft has been laid before and approved by resolution of the House of Commons.";

(c) in section 318, in the appropriate places insert—

""authorised officer" means an officer of Revenue and Customs authorised by His Majesty's Revenue and Customs for the purposes of this Part or, as the case may be, section 100 of TMA 1970;

"Taxes Acts" has the same meaning as in TMA 1970 (see section 118(1) of that Act);".

(3) In Part 2 of Schedule 17 to F(No.2)A 2017 (disclosure of tax avoidance schemes: VAT and other indirect taxes)—

(a) in the cross heading before paragraph 39 omit "(apart from paragraph 26)";

(b) for paragraphs 39 to 44 substitute—

"39 (1) A person who fails to comply with a duty imposed by a provision of Part 1 of this Schedule mentioned in the first column of the table is liable to a penalty not exceeding the amount specified in relation to that provision in the second column.

Provision	*Maximum penalty amount*
Paragraph 11(1) or 12(1) (promoter's duty to notify)	The applicable rate for each day on which the person fails to comply or, if sub-paragraph (3) applies, £1 million
Paragraph 17(2) (client's duty to notify: no UK promoter)	The applicable rate for each day on which the person fails to comply or, if sub-paragraph (3) applies, £1 million
Paragraph 18(2) (client's duty to notify: no promoter)	The applicable rate for each day on which the person fails to comply or, if sub-paragraph (3) applies, £1 million
Paragraph 19 (duty to provide further information)	The applicable rate for each day on which the person fails to comply or, if sub-paragraph (3) applies, £1 million
Paragraph 21 (promoter's duty to update information)	£5,000
Paragraph 22C (duty to provide further information: paragraph 22(3) case)	The applicable rate for each day on which the person fails to comply or, if sub-paragraph (3) applies, £1 million
Paragraph 23(2) (promoter's duty to notify client of SRN)	£5,000
Paragraph 23A(2) (duty to notify client of SRN: paragraph 22(3) case)	£5,000

Provision	***Maximum penalty amount***
Paragraph 24(3) (client's duty to notify other persons of SRN)	£5,000
Paragraph 25(2) (client's duty to provide client information to promoter or service provider)	£5,000
Paragraph 26(1) or regulations under paragraph 26(3) (other party's duty to provide information)	The amount specified in sub-paragraph (4)
Paragraph 27(3) (promoter's or service provider's duty to provide client information)	£5,000
Paragraph 28 (service provider's duty to provide other party's information)	£5,000
Paragraph 29 (duty to provide statement on notifiability)	£5,000
Paragraph 30 (duty to provide supporting evidence on notifiability)	£5,000
Paragraph 31 (introducer's duty to provide other person's information)	£5,000
Paragraph 33 (duty to provide information in addition to SRN to client or other persons)	£5,000

(2) The "applicable rate" means—

(a) £600, or

(b) where an order has been made under paragraph 4 or 5 (orders about notifiability) in respect of the arrangements or proposal in relation to which the person fails to comply—

(i) £600 for each day falling before the end of the period of eleven days beginning with the day on which the order was made, and

(ii) £5,000 for each day falling after the end of that period.

(3) This sub-paragraph applies where an authorised officer considers that the amount otherwise specified in relation to the provision is inappropriately low.

(4) The amount specified for paragraph 26(1) or regulations under paragraph 26(3) is—

(a) £10,000, if the person has failed to comply with the paragraph or regulations on two or more other occasions during the period of 36 months ending with the date of the current failure,

(b) £7,500, if the person has failed to comply with the paragraph or regulations on one other occasion during the period of 36 months ending with the date of the current failure, or

(c) £5,000, in any other case.

(5) In sub-paragraph (1), a reference to a day on which a person fails to comply with a duty is a reference to a day that—

(a) begins after the day by which the person was required to comply with the duty, and

(b) ends before the earlier of—

(i) the day on which the person complies with the duty,

(ii) the day on which any reference number is allocated to the arrangements or proposed arrangements concerned in the circumstances described in sub-paragraph (6), and

(iii) the day on which a penalty under sub-paragraph (1) is imposed in relation to the failure.

(6) The circumstances are—

(a) the duty referred to in sub-paragraph (5) is a duty imposed by paragraph 11(1), 12(1), 17(2) or 18(2), and

(b) it is a case within paragraph 22(3).

(7) In this paragraph "authorised officer" means an officer of Revenue and Customs authorised by HMRC for the purposes of this paragraph.

40 (1) If—

(a) a penalty under paragraph 39 is imposed in relation to a person's failure to comply with a duty, and

(b) after the penalty has been imposed, the person continues to fail to comply with the duty,

the person is liable to a further penalty not exceeding the applicable rate (as defined in paragraph 39(2)) for each day on which the failure continues.

(2) Sub-paragraph (1) does not apply to a failure to comply with a duty imposed by paragraph 26(1) or regulations under paragraph 26(3).

41 (1) In assessing the amount of a specified penalty (including considering whether an amount is inappropriately low under paragraph 39(3)), an authorised officer must have regard to all relevant considerations, including—

(a) the desirability of the penalty being set at a level which appears appropriate for deterring the person, or other persons, from similar failures to comply on future occasions;

(b) the amount of any fees received, or likely to have been received, by the person in connection with the proposal or arrangements concerned;

(c) in the case of a person entering into the arrangements, the amount of any advantage gained, or sought to be gained, by that person.

(2) In this paragraph—

(a) "authorised officer" means an officer of Revenue and Customs authorised by HMRC for the purposes of this paragraph;

(b) a "specified penalty" is a penalty under paragraph 39 that is imposed in relation to a person's failure to comply with a duty imposed by paragraph 11(1), 12(1), 17(2), 18(2), 19 or 22C.

42 (1) The Treasury may by regulations make provision for the purpose of varying any of the amounts specified in paragraph 39 or 40.

(2) Regulations under this paragraph may include incidental or transitional provision.";

(c) omit paragraph 45 and the cross heading before paragraph 45;

(d) in the italic cross heading before paragraph 46, omit "under paragraph 39(1)(b) or 44";

(e) in paragraph 46(1), for "39(1)(b) or 44" substitute "39 or 40";

(f) in paragraph 49(2)(a), for "prescribed period mentioned in paragraph 41" substitute "period mentioned in paragraph 39(2)(b)".

217 Removal of time limits on publication by HMRC

(1) In Part 7 of FA 2004 (disclosure of tax avoidance schemes), in section 316C (publication by HMRC), omit subsections (6A) and (6B).

(2) In Part 1 of Schedule 17 to F(No.2)A 2017 (disclosure of tax avoidance schemes: VAT and other indirect taxes), in paragraph 36 (publication by HMRC), omit sub-paragraphs (7) and (8).

218 Consequential amendments

(1) In paragraph 5 of Schedule 34 to FA 2014 (promoters of tax avoidance schemes: threshold conditions)—

(a) in sub-paragraph (3)(a), for "the tribunal" substitute "an authorised officer";

(b) in sub-paragraph (4)(a)—

(i) at the beginning insert "on appeal,";

(ii) for "section 118(2) of TMA 1970" substitute "section 315D(1) of FA 2004";

(c) for sub-paragraph (6) substitute—

"(6) For the purposes of this paragraph—

"appeal period" means—

(a) the period during which an appeal could be brought against the determination of an authorised officer or the tribunal, as applicable, or

(b) where an appeal mentioned in paragraph (a) has been brought, the period during which that appeal has not been finally determined, withdrawn or otherwise disposed of;

"authorised officer" means an officer of Revenue and Customs who is, or is a member of a class of officers who are, authorised by HMRC for the purposes of the provision concerned.".

(2) In paragraph 5 of Schedule 13 to FA 2020 (joint and several liability of company directors), for sub-paragraph (6)(a) substitute—

"(a) sections 315 and 315A of FA 2004 (penalties for non-disclosure of tax avoidance schemes);".

(3) In section 132A(2) of the Social Security Administration Act 1992 (disclosure of contributions avoidance arrangements)—

(a) in paragraph (a), at the end insert "or to a penalty under that Part";

(b) in paragraph (b)—

(i) for "section 98C of the Taxes Management Act 1970 (penalties for failure to comply with Part 7 of the Finance Act 2004) and any other" substitute "any";

(ii) for "that section" substitute "Part 7 of the Finance Act 2004".

(4) In FA 2022—

(a) in section 90(3) (freezing orders: interpretation etc)—

(i) omit paragraph (a);

(ii) omit paragraph (d);

(b) in Schedule 13 (penalties for facilitating avoidance schemes involving non-resident promoters), in paragraph 1(4), for paragraph (a) substitute—

"(a) section 315 or 315A of FA 2004 (disclosure of tax avoidance schemes);".

219 Commencement

The amendments made by sections 216 and 218 do not have effect in relation to a penalty for which proceedings have been commenced under section 100C TMA or paragraph 45 of Schedule 17 to F(No.2)A 2017 before sections 216 and 218 come into force.

Construction industry scheme: amendments

220 Construction industry scheme: amendments

(1) Chapter 3 of Part 3 of FA 2004 (construction industry scheme) is amended as follows.

(2) After section 62 insert—

"Liability for things done in the knowledge of deliberate failures to comply

62A Payments made in the knowledge of deliberate failures to comply

(1) This section applies to a person who—

(a) has made a payment under a construction contract, and

(b) before making a payment, knew or should have known that a connected party had deliberately failed, or would deliberately fail, to comply with a requirement to—

(i) deduct a sum under section 61,

(ii) pay a sum to the Commissioners under section 62, or

(iii) deduct or pay an amount to His Majesty's Revenue and Customs under PAYE regulations.

(2) If this section applies, an officer of Revenue and Customs may determine that the person is liable to pay to the Commissioners an amount equal to 20% of the payment referred to in subsection (1).

(3) In this section, a "connected party" is

(a) another party to the construction contract referred to in subsection (1)(a), or

(b) a party to another construction contract relating to the same construction operations as the construction contract referred to in subsection (1)(a).

62B Returns made in the knowledge of deliberate failures to comply

(1) This section applies to a person who—

(a) makes a return which treats a sum as deducted and paid on account of the person's liabilities under section 62(2) or (3), and

(b) before doing so, knew or should have known that the sum—

(i) had not been deducted, or

(ii) had deliberately not been, or would deliberately not be, paid on account of the person's liabilities.

(2) If this section applies, an officer of Revenue and Customs may determine that the person is liable to pay to the Commissioners an amount equal to the sum which the return treats as paid on account of the person's liabilities.

62C Regulations

The Commissioners may make regulations with respect to the determination, collection and recovery of amounts described in sections 62A(2) and 62B(2).".

(3) In section 66—

(a) after subsection (3) insert—

"(3A) The Commissioners may at any time make a determination cancelling a person's registration for gross payment if—

(a) section 62A (payments made in the knowledge of deliberate failures to comply), or

(b) section 62B (returns made in the knowledge of deliberate failures to comply),

applies to the person.";

(b) in subsection (4)—

(i) for "the Board" substitute "the Commissioners";

(ii) after "subsection (3)" insert "or subsection (3A)";

(c) in subsection (6)—

(i) the words from "the person must" to the end become paragraph (a);

(ii) after that paragraph insert ", and

(b) the person may not, within the period of one year beginning with the day on which the cancellation takes effect (see subsection (2) and section 67(5)), apply for registration for gross payment.";

(d) in subsection (7)—

(i) after "subsection (3)" insert "or subsection (3A)";

(ii) for the words from "the person may" to the end substitute—

"(a) the person may, if the Commissioners think fit, be registered for payment under deduction, and

(b) the person may not, within the period of five years beginning with the day on which the cancellation takes effect (see subsection (4)), apply for registration for gross payment.";

(e) omit subsection (8).

(4) In section 72, in the heading, at the end insert ": false statements and documentation".

(5) After section 72 insert—

"72A Penalties: deliberate failures to comply

(1) A person is liable to a penalty not exceeding 30% of any amount that they are determined to be liable to pay under section 62A (payments made in the knowledge of deliberate failures to comply) or 62B (returns made in the knowledge of deliberate failures to comply).

(2) A penalty under this section may not be determined more than three years after the date on which the determination under section 62A or 62B becomes final.

(3) For the purposes of subsection (2) and section 72B(3), a determination becomes final at the time when the period for any appeal or further appeal relating to the determination expires or, if later, when any appeal or final appeal relating to the penalty is finally determined.

(4) Section 103(4) TMA 1970 (time limits) does not apply to a penalty under this section.

72B Penalties under section 72A: officers' liability

(1) Where—

(a) a company is liable to a penalty under section 72A, and

(b) the actions of the company which give rise to that liability were attributable to an officer of the company,

the officer is liable to pay such portion of the penalty (which may be equal to or less than 100%) as the Commissioners may specify in a notice given to the officer (a "decision notice").

(2) Before giving the officer a decision notice, the Commissioners must—
  (a) inform the officer that they are considering doing so, and
  (b) afford the officer the opportunity to make representations about whether a decision notice should be given or the portion that should be specified.

(3) A decision notice—
  (a) may not be given before the amount of the penalty due from the company has been determined (but it may be given immediately after that has happened), and
  (b) may not be given more than three years after the date on which the determination mentioned in section 72A(1) becomes final.

(4) Where the Commissioners have specified a portion of the penalty in a decision notice given to the officer—
  (a) the officer must pay the specified portion before the end of the period of 30 days beginning with the day on which the notice is given,
  (b) the specified portion shall be recoverable as if it were tax due from the officer, and
  (c) a further decision notice may be given in respect of a portion of any additional penalty for which the company is determined to be liable.

(5) The Commissioners may not recover more than 100% of the penalty through issuing decision notices in relation to two or more persons.

(6) A person is not liable to pay an amount by virtue of this section if the actions of the company concerned are attributable to the person by reference to conduct for which the person has been convicted of an offence.
In this subsection "conduct" includes omissions.

(7) In this section and section 72C—
"company" means a body corporate or unincorporated association;
"officer" means—
  (a) in relation to a body corporate other than one whose affairs are managed by its members—
    (i) a director, manager, secretary or other similar officer of the body, or a person purporting to act in such a capacity, or
    (ii) a shadow director within the meaning of section 251 of the Companies Act 2006;

(b) in relation to a limited liability partnership or other body corporate whose affairs are managed by its members—

(i) a member who exercises management functions with respect to it, or purports to do so, or

(ii) in the case of a limited liability partnership, a shadow member;

(c) in relation to an unincorporated association, a person who exercises functions of management with respect to it, or purports to do so;

"shadow member" means a person in accordance with whose directions or instructions the members of a limited liability partnership are accustomed to act, save that a person is not a shadow member by reason only of the fact that the members act on advice given by that person in a professional capacity.

72C Appeals in relation to a decision notice under section 72B

(1) An officer may appeal—

(a) the decision to give a decision notice under section 72B, including on the grounds that the company is not liable to the penalty under section 72A to which the decision notice relates;

(b) the amount of the specified portion.

(2) Notice of an appeal must—

(a) state the ground of appeal, and

(b) be given in writing to HMRC before the end of the period of 30 days beginning with the day on which the decision notice was given to the officer.

(3) The provisions of Part 5 of TMA 1970 relating to appeals have effect in relation to appeals under this section as they have effect in relation to an appeal against an assessment to income tax."

(6) In section 75, at the end insert—

"(4) In this Chapter "the Commissioners" means the Commissioners for His Majesty's Revenue and Customs.".

221 Construction industry scheme regulations: amendments

(1) The Income Tax (Construction Industry Scheme) Regulations 2005 (S.I. 2005/2045) are amended as follows.

(2) After regulation 13 insert—

"Determination of amounts payable as a result of things done in the knowledge of deliberate failures to comply and appeal against determination

13A.—(1) This regulation applies if a determination is made under section 62A(2) (payments made in the knowledge of deliberate failures to comply) or 62B(2) (returns made in the knowledge of deliberate failures to comply) of the Act.

(2) An officer of Revenue and Customs must serve notice of the determination on the person to whom it relates.

(3) The determination may cover one or more amounts the person is liable to pay under section 62A(2) or 62B(2) of the Act.

(4) The determination is subject to Parts 4, 5, 5A and 6 of TMA (assessment, appeals, collection and recovery) as if—

(a) the determination were an assessment, and

(b) the amount determined were income tax charged on the person,

and those Parts of that Act apply accordingly with any necessary modifications, except that the amount determined is due and payable 14 days after the determination is made."

(3) In regulation 16—

(a) in paragraph (1)—

(i) the words from "a contractor" to the end become paragraph (a);

(ii) after that paragraph insert ", or

(b) a person is liable to pay under regulation 13A(2).";

(b) in paragraph (3), in Table 1, in the first row, for "and 13(2)" substitute ", 13(2) and 13A(2)".

222 Commencement

(1) Subject to subsection (2), the amendments made by sections 220 and 221 have effect from 6 April 2026.

(2) The amendments made by section 220(3)(d)(ii) and 220(3)(e) have effect in relation to a determination under section 66(3) of FA 2004 if the determination is made by reference to behaviour occurring on or after 6 April 2026.

PART 7

TAX ADVISERS

CHAPTER 1

REGISTRATION

Prohibition against unregistered tax advisers interacting with HMRC

223 Prohibition against unregistered tax advisers interacting with HMRC

(1) A tax adviser may not interact with HMRC in relation to the tax affairs of a client unless—

(a) the adviser is registered under this Chapter, or

(b) an exception in Schedule 20 (exceptions) applies.

(2) A person interacts with HMRC if the person does or attempts to do any of the following—

(a) contact HMRC by telephone, post or email;

(b) send a message to HMRC through a website or internet portal;

(c) file a return, claim, notice or other document with HMRC (whether electronically or otherwise);

(d) communicate with HMRC in any other way.

(3) Subsection (1) applies even if the tax adviser or the client (or both) are outside the United Kingdom.

(4) Where an individual—

(a) works for a tax adviser, and

(b) interacts with HMRC in the course of a business carried on by that tax adviser,

the interaction is to be regarded as being carried out by that tax adviser.

224 Meaning of "tax adviser" and "client"

(1) In this Chapter "tax adviser" means—

(a) an organisation that, in the course of a business carried on by it, assists other persons with their tax affairs, or

(b) an individual who, in the course of a business carried on by the individual as a sole trader, assists other persons with their tax affairs.

(2) An organisation or individual assists another person with their tax affairs if the organisation or individual does any of the following—

(a) advises the other person in relation to tax;

(b) acts or purports to act as an agent on behalf of the other person in relation to tax;

(c) provides assistance with any document that is likely to be relied on by HMRC to determine the other person's tax position.

(3) A person can be a tax adviser even if they are appointed indirectly (for example, at the request of someone other than their client).

(4) In this Chapter "client", in relation to a tax adviser, means a person who the adviser, in the course of a business carried on by the adviser, assists with their tax affairs.

Application process

225 Application for registration

(1) A tax adviser may apply to HMRC to be registered under this Chapter.

(2) An application must be made in the form and manner specified in a notice published by HMRC.

(3) An application must contain the following—

(a) the name and address of the tax adviser;

(b) if the tax adviser is an organisation, the name of each of the tax adviser's relevant individuals (see section 226 (meaning of "relevant individual" etc));

(c) a statement—

(i) that the tax adviser meets the registration conditions (see section 227 (registration conditions)), or

(ii) explaining why those conditions are not met;

(d) any other information or evidence relating to the tax adviser or the registration conditions that may be specified in a notice published by HMRC.

(4) A notice under subsection (3)(d) may, in particular, specify different types of information or evidence for different descriptions of tax advisers (for example, for tax advisers who are established in, or who otherwise have a connection with, a territory outside the United Kingdom).

226 Meaning of "relevant individual" and "officer"

(1) For the purposes of this Chapter "relevant individual", in relation to a tax adviser that is an organisation with fewer than six officers, means—

(a) each individual who works for the tax adviser and who plays a significant role in—

(i) the making of decisions about how the whole or a substantial part of the tax adviser activities of the organisation are to be managed or organised, or

(ii) the actual managing or organising of the whole or a substantial part of those activities, and

(b) each officer of the tax adviser who is not within paragraph (a).

(2) For the purposes of this Chapter "relevant individual", in relation to a tax adviser that is an organisation with six or more officers, means—

(a) each individual who works for the tax adviser and who plays a significant role in—

(i) the making of decisions about how the whole or a substantial part of the tax adviser activities of the organisation are to be managed or organised, or

(ii) the actual managing or organising of the whole or a substantial part of those activities, and

(b) if the organisation has fewer than five officers within paragraph (a), each officer of the tax adviser nominated by the adviser to be a relevant individual (see section 227(4) (registration conditions)).

(3) In this Chapter "officer" means—

(a) in relation to a company, a director;

(b) in relation to a body corporate whose affairs are managed by its members, a member who exercises functions of management with respect to it;

(c) in relation to a body corporate not within paragraph (a) or (b), an officer of the body whose functions correspond to those of a director of a company;

(d) in relation to a partnership, a partner;

(e) in relation to any other organisation, a person who exercises functions of management with respect to it.

227 Registration conditions

(1) A reference in this Chapter to the registration conditions is to the following three conditions.

(2) The first registration condition is that the tax adviser and, if the adviser is an organisation, each of the adviser's relevant individuals—

(a) does not have a relevant amount overdue or a relevant return outstanding,

(b) is not subject to a decision by HMRC to refuse to deal with them,

(c) is not subject to a relevant anti-avoidance measure,

(d) has not, in the previous 12 months, had a relevant anti-avoidance penalty imposed on them,

(e) is not subject to a relevant suspension or a relevant ineligibility order,

(f) is not disqualified under the directors disqualification legislation or subject to a similar disqualification in a territory outside the United Kingdom,

(g) does not have an insolvency practitioner acting in relation to them, and

(h) does not have an unspent conviction for a relevant offence (see section 229 (offences)).

(3) The second registration condition is that the adviser—

(a) is registered with a supervisory authority for the purposes of anti-money laundering supervision, or

(b) meets such conditions about applying to register with a supervisory authority for those purposes as may be specified in a notice published by HMRC.

(4) The third registration condition is that, if the adviser is an organisation within section 226(2)(b) (organisations with six or more officers etc), the adviser has nominated as many officers to be relevant individuals as are necessary to ensure that the adviser has at least five relevant individuals who are officers.

228 Registration conditions: interpretation

(1) In section 227 and this section, "relevant amount", other than in relation to a person within subsection (2), means an amount of—

(a) tax payable to HMRC;

(b) national insurance contributions;

(c) devolved tax corresponding to a tax payable to HMRC or to national insurance contributions;

(d) a civil penalty relating to a tax mentioned in paragraph (a) or (c) or to national insurance contributions;

(e) a civil penalty (not within paragraph (d)) relating to an obligation contained in a provision made by or under any enactment relating to tax;

(f) interest on an amount within paragraphs (a) to (e).

(2) A person is within this subsection if, in the previous 12 months, the person—

(a) was not liable to pay an amount within subsection (1)(a) to (f), and

(b) was liable to pay an amount corresponding to an amount within subsection (1)(a) to (f) under the law of a territory outside the United Kingdom.

(3) In relation to a person within subsection (2), "relevant amount" means an amount corresponding to an amount within subsection (1)(a) to (f) that the person is liable to pay—

(a) under the law of the territory mentioned in subsection (2)(b), or

(b) if the person was, during the 12-month period, liable to pay such an amount under the law of more than one territory outside the United Kingdom, under whichever of those territories the person earned the most income in relation to tax adviser activities during the 12-month period.

(4) For the purposes of section 227(2)(a)—

(a) a relevant amount is overdue if the amount has become due and payable but the amount has not been paid;

(b) a relevant return is outstanding if the return is required to have been made or delivered but it has not been made or delivered.

(5) But a relevant amount is not overdue if it is subject to a time to pay agreement that has not been broken.

(6) For the purposes of section 227(2)(c), a person is subject to a "relevant anti-avoidance measure" if—

(a) the person is subject to a stop notice given under section 236A of FA 2014 (power to give stop notices);

(b) the person is subject to a monitoring notice given under section 244 of FA 2014 (monitoring notices: content and issuing);

(c) information about the person has been published under paragraph 46 of Schedule 16 of F(No.2)A 2017 (penalties for enablers of defeated tax avoidance) and the information has not been withdrawn;

(d) information identifying or about the person has been published under section 86(1) of FA 2022 (publication by HMRC of information about tax avoidance schemes) and the information has not been withdrawn.

(7) In section 227 and this section "relevant anti-avoidance penalty" means a penalty under any of the following—

(a) paragraph 2(1) of Schedule 35 to FA 2014 in respect of a failure to comply with section 236B(1) of that Act (stop notices);

(b) paragraph 1 of Schedule 16 to F(No.2)A 2017 (penalties for enablers of defeated tax avoidance);

(c) section 162 (ban on promotion of certain tax arrangements).

(8) For the purposes of section 227(2)(d), if a relevant anti-avoidance penalty is imposed on a person and the penalty is at any time subsequently set aside or otherwise cancelled, the penalty is to be treated from that time as if it was not imposed on the person.

(9) For the purposes of section 227(2)(e), a person is subject to a relevant suspension if the person's registration under this Chapter is suspended under section 232 (suspension of registration).

(10) In section 227 and this section—

"devolved tax" means a devolved tax within the meaning of the Scotland Act 1998 (see section 80A of that Act) or the Government of Wales Act 2006 (see section 116A of that Act);

"disqualified under the directors disqualification legislation" has the same meaning as in the Companies Act 2006 (see section 159A of that Act);

"insolvency practitioner" means—

(a) a person who acts as an insolvency practitioner within the meaning of section 388 of the Insolvency Act 1986 or article 3 of the Insolvency (Northern Ireland) Order 1989, or

(b) a person in a territory outside the United Kingdom who exercises functions similar to those of a person mentioned in paragraph (a);

"relevant ineligibility order" means a temporary or permanent ineligibility order issued under section 236 or 237 (ineligibility orders);

"relevant return" means a return relating to a relevant amount;

"supervisory authority" means—

(a) a supervisory authority within the meaning given by regulation 3(1) of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (S.I. 2017/692), or

(b) an authority in a territory outside the United Kingdom which exercises functions similar to those of an authority mentioned in paragraph (a);

"time to pay agreement" means an agreement between HMRC and a person that payment of an amount may, subject to the person complying with any conditions determined by HMRC, be deferred for a period.

229 Registration conditions: offences

(1) The reference in section 227(2)(h) to a relevant offence is to any of the following offences—

(a) an offence under section 20BB of TMA 1970 (falsification of documents);

(b) an offence under CEMA 1979;

(c) an offence under section 112 (false representations for obtaining benefit) or section 114 (offences relating to contributions) of the Social Security Administration Act 1992;

(d) an offence under VATA 1994;

(e) an offence under section 35 of the Tax Credits Act 2002 (offence of fraud);

(f) an offence under CRCA 2005;

(g) an offence under section 45 or 46 of the Criminal Finances Act 2017 (failure to prevent facilitation of tax evasion offences);

(h) an offence at common law of cheating the public revenue;

(i) an offence under the law of any part of the United Kingdom consisting of being knowingly concerned in, or in taking steps with a view to, the fraudulent evasion of tax;

(j) an offence of aiding, abetting, counselling or procuring the commission of an offence mentioned in paragraphs (a) to (i);

(k) an offence under the law of a territory outside the United Kingdom which would be an offence otherwise referred to in this section if the conduct constituting that offence was carried out in any part of the United Kingdom.

(2) For the purposes of subsection (1)(k), an act punishable under the law of a territory outside the United Kingdom constitutes an offence under that law, however it is described in that law.

230 Registration of tax advisers etc

(1) Where a tax adviser applies to be registered under this Chapter in accordance with section 225 (application for registration), an officer of Revenue and Customs must—

(a) decide whether to approve the application;

(b) notify the tax adviser of the decision and—

(i) where the application is approved, of the date from which the registration has effect, and

(ii) where the application is not approved, of the reasons for the decision.

(2) The officer must approve the application if satisfied that the tax adviser meets the registration conditions.

(3) The officer may otherwise approve the application only if—

(a) the tax adviser fails to meet the registration conditions solely by virtue of the adviser, or a relevant individual of the adviser, not meeting the condition in section 227(2)(a) (amount of tax etc overdue), and

(b) having regard to the relevant amount that is overdue or (as the case may be) the circumstances of the outstanding relevant return, the officer considers it appropriate to approve the application.

In this subsection "relevant amount" and "relevant return" have the same meaning as in section 227 (registration conditions).

(4) An officer of Revenue and Customs may cancel the registration of a registered tax adviser if—

(a) the adviser requests the cancellation, or

(b) the tax adviser has been wound up or dissolved or has died.

Monitoring of registration conditions and suspension of registration

231 Monitoring of registration conditions

An officer of Revenue and Customs may by notice require a registered tax adviser to provide such information or evidence as the officer reasonably requires for the purpose of monitoring whether the tax adviser meets the registration conditions.

232 Suspension of registration

(1) An authorised officer of Revenue and Customs may, by notice, suspend the registration of a registered tax adviser if the officer is not satisfied that the adviser meets the registration conditions.

(2) An authorised officer of Revenue and Customs may, by notice, suspend the registration of a registered tax adviser for a period of up to 12 months if the officer considers that the adviser has, in the course of interacting with HMRC,

behaved in a manner which falls below the standards that might reasonably be expected of a tax adviser in their interactions with HMRC.

(3) In considering whether a tax adviser has behaved as described in subsection (2), the officer may in particular have regard to any provisions of a relevant HMRC standard that relate to interactions between tax advisers and HMRC. In this subsection "relevant HMRC standard" means a standard published by HMRC that is specified for the purposes of this section in a notice published by HMRC.

(4) Before suspending the registration of a registered tax adviser under this section, the officer must—

(a) notify the adviser of the fact that the officer considers subsection (1) or (2) to apply, and

(b) allow the adviser a period of—

(i) 30 days, or

(ii) if subsection (5) applies, 60 days,

beginning with the date of the notification, to take action to meet the conditions or to make representations to HMRC.

(5) This subsection applies where—

(a) the tax adviser is an individual and the officer considers subsection (1) to apply solely by virtue of the adviser not meeting the condition in section 227(2)(a) (amount of tax etc overdue), or

(b) the tax adviser is an organisation and the officer considers subsection (1) to apply solely by virtue of a relevant individual of the adviser not meeting the condition in section 227(2)(a) (amount of tax etc overdue).

(6) A notice suspending the registration of a registered tax adviser under this section must state the following—

(a) the date on which it is issued;

(b) the date on which the suspension has effect, which must not be before the end of the period of 30 days beginning with the date mentioned in paragraph (a);

(c) in a case within subsection (2), the period of the suspension;

(d) details of—

(i) in a case within subsection (1), which of the registration conditions the officer is not satisfied that the adviser meets;

(ii) in a case within subsection (2), the behaviour mentioned in that subsection;

(e) the period within which an appeal against the decision to suspend the registration of the adviser may be made.

(7) An authorised officer of Revenue and Customs must, by notice, lift a suspension imposed under subsection (1) if satisfied that the adviser meets the registration conditions.

Compliance notice

233 Compliance notice

(1) Where a tax adviser contravenes section 223(1) (prohibited interaction with HMRC), an authorised officer of Revenue and Customs may give a notice (a "compliance notice") to the adviser.
For provision about the effect of a compliance notice, see sections 234(1)(a) and 235(1)(a) (financial penalties for prohibited interaction with HMRC).

(2) A compliance notice must state the following—
(a) the date on which it is issued;
(b) the contravention to which the notice relates;
(c) the period within which an appeal against the notice may be made.

(3) An authorised officer of Revenue and Customs may withdraw a compliance notice at any time; and if they do so, they must notify the tax adviser.

(4) A compliance notice is to be treated as withdrawn if subsection (5) or (6) applies.

(5) This subsection applies if—
(a) the tax adviser was not registered under this Chapter at the time of the contravention mentioned in subsection (1), and
(b) the tax adviser subsequently registers under this Chapter.

(6) This subsection applies if—
(a) the tax adviser's registration was suspended under section 232 (suspension of registration) at the time of the contravention mentioned in subsection (1), and
(b) the suspension is subsequently lifted under section 232(7) or expires.

(7) Before giving a compliance notice under this section, the authorised officer must—
(a) notify the adviser of the fact that the officer considers subsection (1) to apply, and
(b) allow the adviser a period of 30 days, beginning with the date of the notification, to make representations to HMRC.

Financial penalties

234 Financial penalties for prohibited interaction with HMRC

(1) This section applies where—
(a) a tax adviser has been given a compliance notice under section 233 that has not been withdrawn,
(b) the tax adviser subsequently contravenes section 223(1) (prohibited interaction with HMRC), and

(c) if the tax adviser is an organisation, an authorised officer of Revenue and Customs does not consider that the contravention is attributable to a relevant individual of the tax adviser (see section 235 (liability of relevant individuals)).

(2) The tax adviser is liable in respect of the contravention to a penalty of—

(a) £5,000, or

(b) if subsection (3) or (4) applies, £10,000.

(3) This subsection applies if—

(a) in the period of two years ending with the date of the contravention, the tax adviser has been assessed to a penalty under this section or section 235 on four or more occasions, and

(b) subsection (4) does not apply.

(4) This subsection applies if the contravention takes place at a time when the tax adviser is subject to—

(a) a temporary ineligibility order issued under this Chapter, or

(b) a permanent ineligibility order issued under this Chapter.

(5) For the purposes of subsection (3)(a), if a tax adviser is assessed to a penalty under this section or section 235 and the penalty is, at any time, subsequently set aside or otherwise cancelled, the penalty is to be treated from that time as if it was not assessed on the adviser.

235 Financial penalties for prohibited interaction with HMRC: liability of relevant individuals

(1) This section applies where—

(a) a tax adviser that is an organisation has been given a compliance notice under section 233 that has not been withdrawn,

(b) the tax adviser subsequently contravenes section 223(1) (prohibited interaction with HMRC), and

(c) an authorised officer of Revenue and Customs considers that the contravention is attributable to a relevant individual of the tax adviser.

(2) The individual is liable in respect of the contravention to a penalty of—

(a) £5,000, or

(b) if subsection (3) or (4) applies, £10,000.

(3) This subsection applies if—

(a) in the period of two years ending with the date of the contravention, the relevant individual has been assessed to a penalty under this section or section 234 on four or more occasions, and

(b) subsection (4) does not apply.

(4) This subsection applies if the contravention takes place at a time when the relevant individual is subject to—

(a) a temporary ineligibility order issued under this Chapter, or

(b) a permanent ineligibility order issued under this Chapter.

(5) For the purposes of subsection (3)(a), if a relevant individual is assessed to a penalty under this section or section 234 and the penalty is, at any time, subsequently set aside or otherwise cancelled, the penalty is to be treated from that time as if it was not assessed on the individual.

(6) In this section references to a relevant individual of a tax adviser include a former relevant individual of the tax adviser.

Ineligibility orders

236 Tax advisers: ineligibility orders

(1) Where an authorised officer of Revenue and Customs assesses a tax adviser to a penalty under section 234(2)(b) (financial penalties for prohibited interaction with HMRC) in a case where section 234(3) applies (repeated contravention), the officer must issue a temporary ineligibility order to the tax adviser.
For provision about the effect of a temporary ineligibility order, see in particular section 227(2)(e) (registration conditions) and sections 234(4) and 235(4) (financial penalties for prohibited interaction with HMRC).

(2) A temporary ineligibility order issued under subsection (1) has effect for a period of 12 months from the end of the period of 30 days beginning with the date on which the order was issued to the person.

(3) Where an authorised officer of Revenue and Customs assesses a tax adviser to a penalty under section 234(2)(b) (financial penalties for prohibited interaction with HMRC) in a case where section 234(4)(a) applies (contravention while subject to temporary ineligibility order), the officer must—

(a) issue a permanent ineligibility order to the tax adviser, and

(b) in a case where the adviser's registration is suspended under section 232, cancel the adviser's registration.

For provision about the effect of a permanent ineligibility order, see in particular section 227(2)(e) (registration conditions) and sections 234(4) and 235(4) (financial penalties for prohibited interaction with HMRC).

(4) A permanent ineligibility order issued under subsection (3) has effect indefinitely from the end of the period of 30 days beginning with the date on which the order was issued to the person.

(5) Before issuing an order to a person under subsection (1) or (3), the authorised officer must—

(a) notify the person of the fact that the officer considers subsection (1) or (3) (as the case may be) to apply, and

(b) allow the person a period of 30 days, beginning with the date of the notification, to make representations to HMRC.

(6) An order under subsection (1) or (3) must state—

(a) the date on which it is issued, and

(b) the period within which an appeal against the decision to issue the order may be made.

237 Relevant individuals: ineligibility orders

(1) Where an authorised officer of Revenue and Customs assesses a tax adviser to a penalty under section 234(2)(b) (financial penalties for prohibited interaction with HMRC), the officer may—

(a) in a case where section 234(3) applies (repeated contravention), issue a temporary ineligibility order to any relevant individual of the tax adviser;

(b) in a case where section 234(4) applies (contravention while subject to an ineligibility order), issue a permanent ineligibility order to any relevant individual of the tax adviser.

(2) Where an authorised officer of Revenue and Customs assesses a relevant individual of a tax adviser to a penalty under section 235(2)(b) (liability of relevant individuals) in a case where section 235(3) applies (repeated contravention), the officer must issue a temporary ineligibility order to the individual.

(3) Where an authorised officer of Revenue and Customs assesses a relevant individual of a tax adviser to a penalty under section 235(2)(b) (liability of relevant individuals) in a case where section 235(4)(a) applies (contravention while subject to temporary ineligibility order), the officer must issue a permanent ineligibility order to the individual.

(4) For provision about the effect of a temporary or a permanent ineligibility order, see in particular section 227(2)(e) (registration conditions) and sections 234(4) and 235(4) (financial penalties for prohibited interaction with HMRC).

(5) A temporary ineligibility order issued under subsection (1)(a) or (2) has effect for a period of 12 months from the end of the period of 30 days beginning with the date on which the order was issued to the person.

(6) A permanent ineligibility order issued under subsection (1)(b) or (3) has effect indefinitely from the end of the period of 30 days beginning with the date on which the order was issued to the person.

(7) Before issuing an order to a relevant individual under subsection (1), (2) or (3), the authorised officer must—

(a) notify the relevant individual and the tax adviser of the fact that the officer considers subsection (1), (2) or (3) (as the case may be) to apply, and

(b) allow the relevant individual and the tax adviser a period of 30 days, beginning with the date of the notification, to make representations to HMRC.

(8) An order under subsection (1), (2) or (3) must state—

(a) the date on which it is issued, and

(b) the period within which an appeal against the decision to issue the order may be made.

(9) Where an authorised officer of Revenue and Customs issues an order to a relevant individual under this section, the officer must also notify the tax adviser in question.

(10) In this section references to a relevant individual of a tax adviser include a former relevant individual of the tax adviser.

Requirement for tax adviser to notify clients of suspension or ineligibility orders

238 Requirement for tax adviser to notify clients of suspension or ineligibility orders

(1) Where a registered tax adviser's registration has been suspended under section 232(1) (suspension of registration: registration conditions) for a period of more than 30 days, the adviser must take reasonable steps to notify each of their clients about the suspension within the period of 30 days beginning with the 31st day of the suspension.

(2) Where a registered tax adviser's registration has been suspended under section 232(2) (suspension of registration: behaviour of adviser), the adviser must take reasonable steps to notify each of their clients about the suspension within the period of 30 days beginning with the day on which the suspension first has effect.

(3) Where a registered tax adviser is issued with a temporary or permanent ineligibility order under this Chapter, the adviser must take reasonable steps to notify each of their clients about the issuing of the order within the period of 30 days beginning with the day on which the order first has effect.

(4) A notification to a client under subsection (1), (2) or (3) must be in the form and manner set out in a notice published by HMRC.

(5) If a tax adviser contravenes subsection (1), (2) or (3) the adviser is liable to a penalty of £5,000.

(6) Where the contravention relates to more than one client, the tax adviser is liable to a penalty under this section in respect of each client.

Reasonable excuse

239 Reasonable excuse

(1) A person is not liable to a penalty under section 234, 235 or 238 if the person satisfies an authorised officer of Revenue and Customs or, on an appeal to the tribunal, the tribunal that there is a reasonable excuse for the contravention.

(2) If a person had a reasonable excuse for a contravention but the excuse has ceased, the person is to be treated as having continued to have the excuse if the contravention is remedied without unreasonable delay after the excuse ceased.

Extension of period for making representations

240 Extension of period for making representations

Where a provision of this Chapter requires an authorised officer of Revenue and Customs to allow a specified period of time for a person to make representations, the officer may, by notice to the person, extend that period.

Assessment of financial penalties etc

241 Assessment of financial penalties

(1) Where a person becomes liable to a penalty under section 234, 235 or 238, an authorised officer of Revenue and Customs must—

(a) assess the penalty, and

(b) notify the person.

(2) A notice under subsection (1) may relate to more than one contravention by the person.

(3) A notice under subsection (1) must state—

(a) the date on which it is issued;

(b) each contravention in respect of which the penalty is assessed;

(c) the amount of the penalty;

(d) the period within which an appeal against the assessment may be made.

(4) Before assessing a tax adviser to a penalty under section 234, 235 or 238, the authorised officer must—

(a) notify the person of the fact that the officer considers the person is liable to the penalty, and

(b) allow the person a period of 30 days, beginning with the date of the notification, to make representations to HMRC.

242 Time limits and treatment of financial penalties

(1) An assessment of a penalty under section 234 or 235 must be made within the period of 12 months beginning with the day on which the person became liable to the penalty.

(2) An assessment of a penalty under section 238 must be made within the period of 12 months beginning with the day on which the contravention first came to the attention of an officer of Revenue and Customs.

(3) A penalty assessed under section 234, 235 or 238 is due and payable at the end of the period of 30 days beginning with the day on which the notice of assessment of the penalty is issued.

(4) A penalty assessed under section 234, 235 or 238 is, subject to subsection (3), to be treated for all purposes as if it were tax charged in an assessment and due and payable.

243 Double jeopardy

A person is not liable to a financial penalty under this Chapter in respect of anything in respect of which the person has been convicted of an offence.

Reviews and appeals

244 Reviews and appeals

Schedule 21 contains provision about reviews and appeals.

Disclosure of information

245 Disclosure of information

(1) HMRC may disclose information acquired under, or held in connection with, this Chapter to a person for the purpose of facilitating the exercise by the person of a function relating to the regulation or supervision of—

(a) tax advisers, or

(b) the tax system.

(2) A person to whom HMRC discloses information under this section—

(a) may use it only for the purpose for which it was disclosed, and

(b) may not further disclose it without the consent of HMRC (which may be general or specific).

(3) Where a person contravenes subsection (2)(b) by disclosing information relating to a person whose identity—

(a) is specified in the disclosure, or

(b) can be deduced from it,

section 19 of CRCA 2005 (offence of wrongful disclosure) applies in relation to the disclosure as it applies in relation to a disclosure in contravention of section 20(9) of that Act.

(4) Nothing in this section limits the circumstances in which information may be disclosed under section 18(2) of CRCA 2005 or under any other enactment or rule of law.

Power to publish information

246 Power to publish information

(1) An authorised officer of Revenue and Customs may publish information about a person if—

(a) the person is assessed to a financial penalty under this Chapter, or

(b) the person is issued with a relevant ineligibility order.

(2) The information that may be published under this section is—

(a) the person's name, including any trading name, previous name or pseudonym;

(b) the postcode of any address used by person;

(c) any other information the authorised officer considers appropriate to publish in order to make clear the person's identity;

(d) the amount of the financial penalty or (as the case may be) the type of the relevant ineligibility order issued.

(3) Before publishing information under this section, the authorised officer must—

(a) notify the person that they are considering doing so,

(b) allow the person a period of 30 days, beginning with the date of the notification, to make representations to HMRC, and

(c) after considering any such representations, notify the person of the authorised officer's decision as to whether to publish the information.

(4) Information may be published under this section in any manner that the authorised officer considers appropriate.

(5) No information may be published under this section before the day on which the financial penalty or relevant ineligibility order becomes final.

(6) No information may be published under this section for the first time after the end of the period of one year beginning with the day on which the penalty or relevant ineligibility order becomes final.

(7) Where—

(a) information has been published under this section on a government website, and

(b) the information remains accessible on the website after the end of the period of one year beginning with the day on which it was first published,

an authorised officer of HMRC must take steps to remove the information from the website.

(8) But subsection (7) does not apply in a case where the information was published under subsection (1)(b) by virtue of the person being issued with a permanent ineligibility order under section 236 or 237 (ineligibility orders).

(9) For the purposes of this section a financial penalty or ineligibility order becomes "final" if—

(a) the time for bringing any appeal or further appeal relating to it expires (ignoring any possibility of an appeal being brought out of time with permission), or

(b) if later, any appeal or final appeal (other than an appeal brought out of time with permission) relating to it is finally determined.

(10) In this section "relevant ineligibility order" means a temporary or permanent ineligibility order issued under section 236 or 237 (ineligibility orders).

Power to amend Schedule 20 (exceptions)

247 Power to amend Schedule 20 (exceptions)

(1) The Treasury may by regulations made by statutory instrument amend Schedule 20 (exceptions) to make provision about exceptions for the purposes of section 223(1) (prohibited interaction with HMRC).

(2) Regulations under this section may in particular—

(a) add an exception, or

(b) delete or amend an exception for the time being included in the Schedule.

(3) Regulations under this section may—

(a) make different provision for different purposes;

(b) make transitional or saving provision.

(4) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of the House of Commons.

Interpretation

248 Interpretation of Chapter

(1) In this Chapter—

"authorised officer" means an officer of Revenue and Customs who is, or is a member of a class of officers who are, authorised by the Commissioners for the purposes of this Chapter;

"Commissioners" means the Commissioners for His Majesty's Revenue and Customs;

"HMRC" means His Majesty's Revenue and Customs;

"organisation" means a body corporate, partnership or other organisation carrying on a business;

"registered tax adviser" means a tax adviser who is registered under this Chapter;

"tribunal" means the First-tier Tribunal or, where determined by or under the Tribunal Procedure Rules, the Upper Tribunal.

(2) A reference in this Chapter to working for an organisation includes being a director, partner or member of an organisation.

Commencement

249 Commencement

(1) This section comes into force on the day on which this Act is passed.

(2) The rest of this Chapter comes into force on such day as the Treasury may by regulations appoint.

(3) Different days may be appointed for different purposes.

(4) The Treasury may by regulations make transitional or saving provision in connection with the coming into force of any provision of this Chapter.

(5) The power to make regulations under subsection (4) includes power to make different provision for different purposes.

(6) Regulations under this section are to be made by statutory instrument.

CHAPTER 2

CONDUCT ETC

Conduct of tax advisers

250 Conduct of tax advisers

(1) Schedule 22 contains provision about the conduct of tax advisers.

(2) Schedule 22 comes into force on 1 April 2026 and has effect in relation to acts or omissions on or after that date.

(3) The Treasury may by regulations make transitional or saving provision in connection with the coming into force of any provision of Schedule 22.

(4) The power to make regulations under subsection (3) includes power to make different provision for different purposes.

(5) Regulations under this section are to be made by statutory instrument.

Power to publish information about tax advisers etc

251 Power to publish information

(1) An authorised officer may publish information about a tax adviser if—

(a) in consequence of the tax adviser's behaviour or conduct, HMRC has made a decision to—

(i) refuse to deal with the adviser (whether temporarily or permanently), or

(ii) suspend the adviser's access to HMRC's online services for tax agents or tax advisers, and

(b) the officer considers that publication would be in the public interest.

(2) The information that may be published under subsection (1) is—

(a) the tax adviser's name, including any trading name, previous name or pseudonym;

(b) the postcode of any address used by the tax adviser;

(c) any other information the authorised officer considers appropriate to publish in order to make clear the tax adviser's identity;

(d) details of the decision mentioned in subsection (1)(a) made in respect of the tax adviser, including the reasons why it was made and its effect on the tax adviser.

(3) If, in acting as a tax adviser, an individual works or worked for a person carrying on a business, subsection (2)(c) includes power to publish such information about that person as the authorised officer considers appropriate in order to make clear the individual's identity.

(4) Before publishing information under subsection (1), the authorised officer must—

(a) notify the tax adviser and, in a case within subsection (3), the person mentioned in that subsection that they are considering doing so,

(b) give the tax adviser and (as the case may be) the person a period of at least 30 days, beginning with the date of the notification mentioned in paragraph (a), to make representations about whether the information should be published, and

(c) after considering any such representations, notify the adviser and (as the case may be) the person of the authorised officer's decision as to whether to publish the information.

(5) Subsection (6) applies if—

(a) information about a tax adviser is published under subsection (1), and

(b) the tax adviser is a body corporate controlled by another person.

(6) An authorised officer may, if they consider that publication would be in the public interest, publish—

(a) the other person's name, including any trading name, previous name or pseudonym;

(b) the postcode of any address used by the other person;

(c) any other information about the other person that the authorised officer considers appropriate to publish in order to make clear the other person's identity;

(d) details of the relationship between the tax adviser and the other person.

(7) Before publishing information under subsection (6), the authorised officer must—

(a) notify the tax adviser and the person that they are considering doing so,

(b) give the tax adviser and the person a period of at least 30 days, beginning with the date of the notification mentioned in paragraph (a), to make representations about whether the information should be published, and

(c) after considering any such representations, notify the tax adviser and the person of the authorised officer's decision as to whether to publish the information.

(8) Information may be published under this section in any manner that the authorised officer considers appropriate.

252 Power to publish information: change of circumstances

(1) Where—

(a) information has been published under section 251 or this section, and

(b) an authorised officer considers that there has been a material change in the circumstances of the tax adviser or (as the case may be) the person mentioned in section 251(3) or (6),

the authorised officer must publish such information about the change as the authorised officer considers appropriate.

(2) Before publishing information under this section, the authorised officer must, so far as is reasonably practicable, notify the tax adviser and (as the case may be) the person mentioned in section 251(3) or (6) of the information that is going to be published and of the expected date of publication.

(3) Where—

(a) information has been published under section 251 or this section on a government website,

(b) the information remains accessible on the website, and

(c) any of the circumstances mentioned in subsection (4) apply,

an authorised officer of HMRC must take steps to remove the information from the website.

(4) The circumstances are that—

(a) the decision mentioned in section 251(1)(a) made in respect of the tax adviser in question has expired or been withdrawn by HMRC;

(b) an authorised officer becomes aware that the tax adviser in question—

(i) has ceased to be a tax adviser for a period of at least five years, or

(ii) has died;

(c) an authorised officer considers that publication of the information is no longer in the public interest.

(5) Information may be published under this section in any manner that the authorised officer considers appropriate.

253 Power to publish information: interpretation and commencement

(1) In this section and sections 251 and 252—

"authorised officer" means an officer of Revenue and Customs who is, or is a member of a class of officers who are, authorised by the Commissioners for the purposes of sections 251 and 252;

"Commissioners" means the Commissioners for His Majesty's Revenue and Customs;

"control" has the same meaning as in the Corporation Tax Acts (see section 1124 of CTA 2010);

"HMRC" means His Majesty's Revenue and Customs;

"tax adviser" has the same meaning as in Schedule 38 to FA 2012 (see paragraph 2 of that Schedule).

(2) Sections 251 and 252 come into force on 1 April 2026.

PART 8

MISCELLANEOUS AND FINAL

Fiscal mandate assessments by the OBR

254 Fiscal mandate assessments prepared by the Office for Budget Responsibility

(1) In section 4 of the Budget Responsibility and National Audit Act 2011 (main duty of the Office for Budget Responsibility)—

(a) in subsection (3) (matters to be prepared on at least two occasions for each financial year), omit paragraph (b) (assessment of the fiscal mandate) and the "and" before it, and

(b) in subsection (4) (matters to be prepared on at least one occasion for each financial year), before paragraph (a) insert—

"(za) an assessment of the extent to which the fiscal mandate has been, or is likely to be, achieved,".

(2) In consequence of the amendments made by subsection (1), in section 4A of that Act (announcement of fiscally significant measures), in subsection (7), in the definition of a "section 4(3) report", omit "and an assessment".

(3) The amendments made by this section have effect in relation to the financial year beginning with April 2025 and subsequent financial years.

Provision of data by third parties

255 Data-gathering

Schedule 23 contains provision about requiring data-holders to provide data to His Majesty's Revenue and Customs on an ongoing basis.

Making tax digital

256 Persons on whom digital reporting requirements may be imposed

(1) Schedule A1 to TMA 1970 (as inserted by section 60 of F(No.2)A 2017) is amended as follows.

(2) For the heading of Part 1 substitute "Introduction".

(3) For paragraphs 1 to 4 and the cross-heading before paragraph 1 substitute—

"Overview

A1 (1) This Schedule confers powers on the Commissioners to make regulations requiring or authorising certain persons and certain partnerships ("relevant persons" and "relevant partnerships") to take certain steps relating to digital reporting and record-keeping.

(2) This Part of this Schedule contains introductory provision, in particular explaining what is meant by a "relevant person" and a "relevant partnership".

(3) Part 2 of this Schedule contains the powers to make regulations and sets out the penalties for non-compliance with certain obligations which may be imposed by the regulations.

(4) Part 3 of this Schedule contains provision about exempting relevant persons or relevant partnerships from requirements imposed by the regulations.

(5) Part 4 of this Schedule contains supplementary provision.

Interpretation: relevant persons

1 (1) For the purposes of this Schedule a person is a "relevant person" if the person is carrying on or has carried on a relevant activity.

(2) A "relevant activity", in relation to a person, means any activity which may give rise to profits or other income for which the person would be liable to income tax chargeable under Part 2 or Part 3 of ITTOIA 2005 if the person were UK resident.

(3) But the following activities are not relevant activities—

(a) any activity carried on in partnership;

(b) any activity carried on by the trustees of a charitable trust or the trustees of an exempt unauthorised unit trust (within the meaning of the Unauthorised Unit Trusts (Tax) Regulations 2013 (S.I. 2013/2819));

(c) the underwriting business of a member of Lloyd's (within the meaning of section 184 of the Finance Act 1993);

(d) holding shares in respect of which a distribution may be made which is chargeable to income tax under Part 3 of

ITTOIA 2005 by virtue of section 548(6) of CTA 2010 (distributions to shareholders in real estate investment trusts);

(e) participating in an open-ended investment company which may make distributions chargeable to income tax under Part 3 of ITTOIA 2005 by virtue of regulation 69Z18 of the Authorised Investment Funds (Tax) Regulations 2006 (S.I. 2006/964) (property income distributions).

Interpretation: relevant partnerships

2 (1) For the purposes of this Schedule a partnership is a "relevant partnership" if one or more of the partners is an individual, unless all of the activities of the partnership which may give rise to profits or income are activities falling within sub-paragraph (2).

(2) The following activities fall within this sub-paragraph—

(a) the underwriting business of a Lloyd's partnership (as defined in section 184(1) of the Finance Act 1993);

(b) holding shares in respect of which a distribution may be made which is chargeable to income tax under Part 3 of ITTOIA 2005 by virtue of section 548(6) of CTA 2010 (distributions to shareholders in real estate investment trusts);

(c) participating in an open-ended investment company which may make distributions chargeable to income tax under Part 3 of ITTOIA 2005 by virtue of regulation 69Z18 of the Authorised Investment Funds (Tax) Regulations 2006 (S.I. 2006/964) (property income distributions)."

(4) For paragraph 6 (interpretation) substitute—

"6 In this Part of this Schedule "business"—

(a) in relation to a relevant person (see paragraph 1), means the relevant activity or activities that the person is carrying on or has carried on, and

(b) in relation to a relevant partnership (see paragraph 2), means the activity or activities of the partnership that may give rise to profits or income and do not fall within paragraph 2(2)."

(5) In paragraph 7 (periodic updates), in sub-paragraph (1), for "person or partnership to whom this Schedule applies" substitute "relevant person or relevant partnership".

(6) In paragraph 10 (partnership return), in sub-paragraph (1), for "partnership to which this Schedule applies" substitute "relevant partnership".

(7) In paragraph 11 (record-keeping), in sub-paragraph (1), for "person or partnership to whom this Schedule applies" substitute "relevant person or relevant partnership".

(8) In paragraph 18 (regulations), in sub-paragraph (3) for "person or partnership to whom this Schedule applies" substitute "relevant person or relevant partnership".

(9) The amendments made by this section come into force on the same day as section 60 of F(No.2)A 2017 comes into force.

257 Exemptions from digital reporting requirements

(1) Part 3 of Schedule A1 to TMA 1970 (as inserted by section 60 of F(No.2)A 2017) is amended as follows.

(2) In paragraph 14 (exemption for the digital excluded), after sub-paragraph (1) insert—

"(1A) The regulations may provide that where the Commissioners are satisfied that a person or partnership is digitally excluded, prior requirements imposed on the person or partnership are to be treated as never having been imposed.

(1B) In sub-paragraph (1A) "prior requirements" means requirements imposed by regulations under paragraphs 7, 9 and 11 which are required to be complied with before the date on which the Commissioners are satisfied that the person or partnership is digitally excluded."

(3) In paragraph 15 (further exemptions)—

(a) in sub-paragraph (1), at the end insert ", including exemptions the conditions of which are to be taken to be satisfied only where the Commissioners are satisfied as to specified matters";

(b) after sub-paragraph (2) insert—

"(3) The regulations may provide that where the conditions of a further exemption are met by a person or partnership, prior requirements imposed on the person or partnership are to be treated as never having been imposed.

(4) In sub-paragraph (3) "prior requirements", in relation to a further exemption, means requirements imposed by regulations under paragraphs 7, 9 and 11 which are required to be complied with before the date on which the conditions of the further exemption are met.

(5) The regulations may allow any exemption for which the regulations may provide to be given by means of a specific or general direction given by the Commissioners."

(4) The amendments made by this section come into force on the same day as section 60 of F(No.2)A 2017 comes into force.

258 Returns to be delivered by electronic communications etc.

(1) Schedule A1 to TMA 1970 (digital reporting and record-keeping) (as inserted by section 60 of F(No.2)A 2017) is amended as follows.

(2) Omit paragraph 8.

(3) For paragraph 9 and the cross-heading before it substitute—

"Personal or trustee return etc.

9 The Commissioners may by regulations require or authorise the use of electronic communications for the delivery by a relevant person of —

(a) a return required by section 8(1)(a) or 8A(1)(a) of this Act;

(b) any accounts, statements and documents required by section 8(1)(b) or 8A(1)(b) of this Act;

(c) a notice amending a return under section 9ZA of this Act."

(4) In paragraph 13 (electronic communications and records: supplementary powers)—

(a) in sub-paragraph (1), omit ", 8";

(b) in sub-paragraph (2), before paragraph (a) insert—

"(za) as to the means of electronic communication to be used for providing information;".

(5) In paragraph 14 (exemptions for the digitally excluded), in sub-paragraph (1)(a), for "8" substitute "9".

(6) Schedule 14 to F(No.2)A 2017 is repealed.

(7) In consequence of the repeal made by subsection (6), in section 61 of F(No.2)A 2017—

(a) omit subsection (1);

(b) in subsection (2), omit "or Schedule 14";

(c) in subsection (6)—

(i) for "(1)" substitute "(2)";

(ii) omit "and Schedule 14".

(8) The amendments made by subsections (2) to (5) come into force on the same day as section 60 of F(No.2)A 2017 comes into force.

259 Penalties: amendments consequential on section 258 etc

(1) Schedule 24 to FA 2021 (penalties for failure to make returns etc) is amended as follows.

(2) In paragraph 2 (returns), in the Table—

(a) in the entry in item 1, in columns A and B—

(i) in paragraph (1), for "return under section 8" substitute "return, accounts, statements or documents required under section 8";

(ii) omit paragraph (2);

(b) in the entry in item 2, in columns A and B—

(i) in paragraph (1), for "return under section 8A" substitute "return, accounts, statements or documents required under section 8A";

(ii) omit paragraph (2);

(c) in the entries in item 1 and 2, in column B, omit paragraph (3);

(d) in the entry in item 3, in column A—

(i) in paragraph (1), for "return under section 12AA(2)(a) or (3)(a)" substitute "return, accounts, statements or documents required under section 12AA(2) or (3)";

(ii) omit paragraph (2).

(3) In paragraph 2 (returns), omit sub-paragraphs (3) and (4).

(4) In paragraph 5 (liability to penalty points)—

(a) in sub-paragraph (2)—

(i) in the opening words for "the following groups of returns" substitute "group 4A, 4B or 4C";

(ii) omit paragraphs (a) and (b);

(b) omit sub-paragraph (4).

(5) In paragraph 6 (award of penalty points), in sub-paragraph (3)(b), omit "(3) or".

(6) In paragraph 15, omit sub-paragraph (6).

(7) In paragraph 17 (time limit for assessments), in sub-paragraph (1)(b), omit "(3) or".

(8) In Schedule 25 to FA 2021 (penalties for deliberately withholding information), in paragraph 1—

(a) in the Table—

(i) for "section 8(1AB)(b)" substitute "section 8(1)(b)";

(ii) for "section 8A(1AB)(b)" substitute "section 8A(1)(b)";

(b) omit sub-paragraphs (3) and (4).

(9) The amendments made by subsections (2)(c), (3) and (8)(b) come into force on the day on which this Act is passed.

(10) The other amendments made by this section come into force—

(a) for the purposes for which the Schedule being amended is in force immediately before 1 April 2026, on 1 April 2026, and

(b) for any other purposes, at the same time as the Schedule being amended comes into force for those purposes.

260 Powers relating to electronic communications: directions

(1) In section 132 of FA 1999 (power to provide for use of electronic communications), in subsection (5)(a)—

(a) for "or requirement" substitute ", requirement or other provision (other than provision under subsection (6)(a) or (b))";

(b) for "or imposed" substitute ", imposed or made".

(2) In section 135 of FA 2002 (e-filing), in subsection (4)(a)—

(a) for "or requirement" substitute ", requirement or other provision (other than provision under subsection (7)(a) to (ba))";

(b) for "or imposed" substitute ", imposed or made".

261 Power to require digital contact details

(1) The Commissioners may by regulations require persons who use an online service provided by HMRC—

(a) to provide specified digital contact details,

(b) to inform HMRC if they cease to use specified digital contact details, and

(c) if they cease to use specified digital contact details, to provide alternative specified digital contact details.

(2) Regulations under this section may—

(a) make complying with requirements by virtue of this section a condition of using an online service provided by HMRC;

(b) provide for a failure to comply with a requirement by virtue of this section to attract a penalty of a specified amount not exceeding £1,000;

(c) provide that specified enactments relating to penalties imposed for the purposes of any taxation matter (including enactments relating to assessments, review and appeal) are to apply, with or without modifications, in relation to penalties for failures to comply with a requirement by virtue of this section;

(d) specify the way in which a person must provide digital contact details, and inform HMRC if the person ceases to use a digital contact detail, as required by virtue of this section;

(e) allow anything for which the regulations may provide, other than provision under paragraph (b), to be provided by means of a specific or general direction given by the Commissioners.

(3) Regulation under this section may—

(a) make provision in relation to any specified case or description of case;

(b) make provision subject to specified exceptions;

(c) make different provision for different purposes;

(d) make supplementary, incidental and consequential provision;

(e) make transitional or transitory provision and savings.

(4) The power to make regulations under this section is exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.

(5) Where digital contact details have been provided to HMRC in compliance with a requirement by virtue of this section, the functions in connection with which the Revenue and Customs may under section 17 of CRCA 2005 use the digital contact details include any function relating to an online service provided by HMRC, including any function in relation to which provision is made by virtue of section 132 of FA 1999 or section 135 of FA 2002 (electronic communications).

(6) In this section—

"the Commissioners" means the Commissioners for His Majesty's Revenue and Customs;

"digital contact detail" means email address, mobile telephone number or any other contact detail for the purpose of communicating by digital means;

"HMRC" means His Majesty's Revenue and Customs;

"the Revenue and Customs" has the meaning given by section 17 of CRCA 2005;

"taxation matter" means anything the collection and management of which is the responsibility of the Commissioners.

(7) References in this section to an online service provided by HMRC include an online service provided on behalf of HMRC.

(8) In relation to an online service provided on behalf of HMRC—

(a) references in this section to providing digital contact details include providing those details to the person providing the service, and

(b) reference in this section to informing HMRC include informing the person providing the service.

Penalties

262 Penalty points and late submission penalties (power to cancel etc)

(1) Schedule 24 to FA 2021 (penalties for failure to make returns etc) is amended as follows.

(2) In paragraph 6, in sub-paragraph (2), for the words from ", and state in the notice" to the end substitute "and, in the notice—

(a) state the failure (or failures) in respect of which the penalty point is awarded, and

(b) include sufficient information for the person to be able to identify the group of returns for which the penalty point is awarded."

(3) After paragraph 6 insert—

"Cancellation of individual penalty points

6A (1) HMRC may cancel a penalty point awarded under paragraph 6.

(2) Where HMRC cancel a penalty point after a notice under paragraph 6(2) in respect of the penalty point is given, they must notify the person and, in the notice—

(a) state the failure (or failures) in respect of which the penalty point was awarded, and

(b) include sufficient information for the person to be able to identify the group of returns for which the penalty point was awarded.

(3) Where HMRC cancel a penalty point before a notice under paragraph 6(2) in respect of the penalty point is given, HMRC is not required to give the notice under paragraph 6(2).

(4) Where HMRC cancel a penalty point, any assessment of a penalty under this Schedule for which the person is liable by virtue of the penalty point ceases to have effect (and is to be taken as never having had any effect).

(5) The cancellation of a penalty point does not prevent HMRC from subsequently awarding a penalty point for the failure (or failures) in respect of which the cancelled penalty point was awarded.

(6) Sub-paragraph (7) applies if—

(a) HMRC cancel a penalty point,

(b) after that penalty point was given by HMRC and before it was cancelled, the person failed to make a return on or before the due date, and

(c) at the time the failure occurred, the person already had the maximum number of penalty points for the group of returns to which that return belongs (see paragraph 5(8)).

(7) HMRC may award a penalty point in respect of the failure before the end of the period of 12 months beginning with the day after HMRC cancel the penalty point (and paragraph 6(3) does not apply)."

(4) In paragraph 8 (expiry of all penalty points for a group of returns)—

(a) in sub-paragraph (1)—

(i) the words from "at the beginning" to the end become paragraph (a);

(ii) after that paragraph insert ", or

(b) if HMRC notify the person before that time that HMRC have decided the points should expire, at the beginning of the day specified in the

notice (which may be before the day on which the notice is given).";

(b) in sub-paragraph (6) for "this paragraph" substitute "paragraph (1)(a)";

(c) after sub-paragraph (6) insert—

"(7) For the purposes of this paragraph, where—

(a) a person fails to make a return, and

(b) by virtue of paragraph 19(1) (reasonable excuse) no liability to a penalty point or penalty in respect of the failure arises under this Schedule,

the person is to be treated as if they made the return on or before the due date."

(5) After paragraph 16 insert—

"Withdrawal of assessments

16A(1) This paragraph applies where HMRC have assessed a penalty for which a person is liable under this Schedule in respect of a failure (or failures) to make a return.

(2) HMRC may withdraw the assessment by notice to the person.

(3) The withdrawn assessment ceases to have effect (and is to be taken as never having had any effect).

(4) But the withdrawal of the assessment does not prevent HMRC from subsequently assessing a penalty for the failure (or failures) mentioned in sub-paragraph (1)."

(6) In paragraph 24, in sub-paragraph (4)—

(a) in paragraph (a)(ii), omit ", for a group of returns,";

(b) in paragraph (b), omit "in the same group";

(c) in paragraph (c), for "that group of returns" substitute "the group of returns to which that return belongs".

(7) For the purposes for which Schedule 24 to FA 2021 is in force immediately before 1 April 2026—

(a) the amendment made by subsection (4)(c) is treated as always having been in force, and

(b) the other amendments made by this section come into force on 1 April 2026.

(8) For the purposes for which the amendments made by this section come into force by virtue of subsection (7)—

(a) the amendments made by subsections (2), (3) and (6) have effect in relation to penalty points awarded on or after 1 April 2026;

(b) the amendments made by subsection (4)(a) and (b) have effect in relation to penalty points whenever awarded;

(c) the amendment made by subsection (5) has effect in relation to penalties assessed on or after 1 April 2026.

(9) The amendments made by this section come into force for any other purposes at the same time as Schedule 24 to FA 2021 comes into force for those other purposes.

263 Assessments of late payment penalties etc.

(1) Schedule 26 to FA 2021 (penalties for failure to pay tax) is amended as follows.

(2) In paragraph 16 (assessments), in sub-paragraph (3)(c), for "the period to which the penalty relates" substitute ", where the penalty is assessed under paragraph 8, the period by reference to which the penalty has been calculated".

(3) After paragraph 17 insert—

"17A (1) This paragraph applies where HMRC has assessed a penalty for which a person is liable under this Schedule in respect of a failure to pay the tax due.

(2) HMRC may withdraw the assessment by notice to the person.

(3) The withdrawn assessment ceases to have effect (and is to be taken as never having had any effect).

(4) But the withdrawal of the assessment does not prevent HMRC from subsequently assessing a penalty for the failure mentioned in sub-paragraph (1)."

(4) In paragraph 18 (time limit for assessments), in sub-paragraph (2), omit the words from "(that is to say" to the end.

(5) In section 16 of the Social Security Contributions and Benefits Act 1992 (application of Income Tax Acts and destination of Class 4 contributions), in subsection (1)(f), for the words from "and 25" to the end substitute "to 26 to the Finance Act 2021 (penalties)".

(6) The amendments made by subsections (2) to (4) come into force on 1 April 2026 for the purposes for which Schedule 26 to FA 2021 is in force immediately before 1 April 2026 and have effect in relation to penalties assessed on or after 1 April 2026.

(7) The amendments made by subsections (2) to (4) come into force for any other purposes at the same time as Schedule 26 to FA 2021 comes into force for those other purposes.

(8) The amendment made by subsection (5) comes into force—

(a) for the purposes for which paragraph 13 of Schedule 27 to FA 2021 is in force immediately before 1 April 2026, on 1 April 2026;

(b) for any other purposes, at the same time as that paragraph comes into force for those other purposes.

264 Penalties for failure to pay tax due on further appeal

(1) In paragraph 1 of Schedule 56 to FA 2009 (penalty for failure to make payments on time), in item 18 of the Table—

(a) in column 3, after "under section 55" insert "or 56(3)(b)";

(b) in column 4, after "or (9)" insert "or section 56(3)(b)".

(2) In paragraph 1(1) of Schedule 26 to FA 2021 (penalties for failure to pay tax), in item 1 of the table relating to income tax or capital gains tax, in columns 2 and 3, after "section 55" insert "or 56(3)(b)".

(3) The amendment made by subsection (1) has effect in relation to amounts that become payable on or after 1 April 2026.

(4) The amendment made by subsection (2) comes into force—

(a) for the purposes for which the table relating to income tax or capital gains tax in paragraph 1(1) of Schedule 26 to FA 2021 (penalties for failure to pay tax) is in force immediately before 1 April 2026, on 1 April 2026;

(b) for any other purposes, at the same time as that table comes into force for those other purposes.

265 Failure to deliver company tax returns

(1) In paragraph 17 of Schedule 18 to FA 1998 (failure to deliver company tax return: flat-rate penalty)—

(a) in sub-paragraph (2)—

(i) in paragraph (a), for "£100" substitute "£200";

(ii) in paragraph (b), for "£200" substitute "£400";

(b) in sub-paragraph (3), in the opening words—

(i) for "£500" substitute "£1000";

(ii) for "£1000" substitute "£2000";

(c) after sub-paragraph (4) insert—

"(5) The Commissioners for His Majesty's Revenue and Customs may by regulations amend sub-paragraph (2) or (3) so as to increase or decrease the amount of a penalty for the time being specified in those sub-paragraphs.

(6) Regulations under sub-paragraph (5) may include transitional and saving provision.

(7) A statutory instrument containing regulations under sub-paragraph (5) which increase the amount of a penalty by more than is necessary to reflect changes in the value of money may not be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons."

(2) The amendments made by subsection (1)(a) and (b) have effect in relation to a failure to deliver a company tax return for which the filing date is on or after 1 April 2026.

Advance tax clearances

266 Clearances

(1) An HMRC officer may, on the application of a qualifying person and if the officer considers it appropriate, give a clearance (an "advance tax clearance") on how HMRC would decide, in relation to a qualifying investment project, questions relating to—

(a) corporation tax;
(b) value added tax;
(c) stamp duty land tax;
(d) income tax;
(e) the PAYE Regulations;
(f) the construction industry scheme.

(2) An investment project is a "qualifying investment project" if it is expected to result in at least £1 billion of UK expenditure.

(3) The reference here to "UK expenditure" is to expenditure on—

(a) goods, intangible assets, or services (other than the provision of financing), which are used or consumed in, or
(b) immovable property in,

the United Kingdom or the UK sector of the continental shelf.

(4) Any apportionment of expenditure between expenditure that is and is not UK expenditure is to be made on a just and reasonable basis.

(5) A person is a "qualifying person", in relation to a qualifying investment project, if the person will incur (or is incurring) the UK expenditure for the purpose of the project or if the person—

(a) controls, or will control, such a person,
(b) is a member of a consortium which owns, or will own, such a person,
(c) jointly controls, or will jointly control, a company that is a joint venture and such a person, or
(d) is a partner in a partnership and those partners together control, or will control, such a person.

(6) Where there is more than one qualifying person in relation to an investment project, an application under this section must be made by one only of them with the agreement in writing of the other qualifying persons in relation to the project in existence at the time the application is made.

(7) In this section—

"company" has the meaning given by section 1121 of CTA 2010;

"construction industry scheme" means Chapter 3 of Part 3 of FA 2004 and provision made under or in connection with that Chapter;

"control" has the meaning given by section 1124 of CTA 2010;

"intangible asset" means an asset which falls to be treated as an intangible asset in accordance with generally accepted accountancy practice (within the meaning given by section 1127 of CTA 2010);

"partnership" includes an entity established under the law of a country or territory outside the United Kingdom of a similar nature to a partnership;

"the PAYE Regulations" means the Income Tax (Pay As You Earn) Regulations 2003 (S.I. 2003/2682);

"the UK sector of the continental shelf" means the areas designated by Order in Council under section 1(7) of the Continental Shelf Act 1964;

"United Kingdom" includes the territorial sea adjacent to the United Kingdom.

(8) For the purposes of this section—

(a) a person is a member of a consortium if it is a member of a consortium within the meaning of Part 5 of CTA 2010, and

(b) references to a person jointly controlling a company that is a joint venture are to be read in accordance with those provisions of international accounting standards which relate to joint ventures.

267 Binding effect

(1) An advance tax clearance binds HMRC for a period of 5 years, beginning with the day on which the clearance is given as regards—

(a) the investment project, as described in the clearance, and

(b) the qualifying person or persons specified or described in the clearance only.

(2) But HMRC is not bound so far as—

(a) a change in the law, or

(b) a decision of an appeal court that has become final,

alters how HMRC must decide a question.

(3) In this section, "appeal court" means—

(a) the Upper Tribunal;

(b) the Court of Appeal in England and Wales;

(c) the Court of Session;

(d) the Court of Appeal in Northern Ireland;

(e) the Supreme Court.

(4) For the purposes of this section, a decision of an appeal court is "final" if it is—

(a) a ruling of the Supreme Court, or

(b) a ruling of another appeal court in circumstances where—

(i) no appeal may be made against the ruling,

(ii) if an appeal may be made against the ruling with permission (or, in Northern Ireland, leave), the time limit for applications has expired and either no application has been made or permission (or leave) has been refused,

(iii) if such permission (or leave) to appeal against the ruling has been granted or is not required, no appeal has been made within the time limit for appeals, or

(iv) if an appeal was made, it was abandoned or otherwise disposed of before it was determined by the court or tribunal to which it was addressed.

268 Extension

(1) An HMRC officer may, on the application of the nominated person and if the officer considers it appropriate, extend (or further extend) by up to 5 years the period for which an advance tax clearance binds HMRC.

(2) The "nominated person" is—

(a) the qualifying person who made the application for the clearance, or

(b) a qualifying person notified to HMRC by the person who is for the time being the nominated person.

269 Modification

(1) If a decision is taken to change an aspect of an investment project for which an advance tax clearance binds HMRC from how it is described in the clearance, or if anything which is set out in the clearance and is material to it ceases to be accurate—

(a) the nominated person must notify an HMRC officer as soon as reasonably practicable after the decision was taken or the thing ceased to be accurate, and

(b) an HMRC officer may, if the officer considers it appropriate, modify or revoke the clearance.

(2) A modification under subsection (1)—

(a) may—

(i) revoke any part of the clearance;

(ii) otherwise adapt the clearance;

(b) does not alter the period for which a clearance binds HMRC.

(3) An HMRC officer may also modify a clearance so that it specifies a person as regards whom it is binding instead of describing the person.

(4) A modification or revocation under subsection (1) or (3)—

(a) may be made on the application of the nominated person or by an HMRC officer on the officer's own initiative;

(b) takes effect from such time (which may be any time at or after the time at which the clearance was given) as the HMRC officer may determine.

(5) A nominated person is liable to a penalty of £5,000 if the person fails to comply with the duty under subsection (1)(a).

270 Information

(1) An HMRC officer may require a qualifying person to provide, within such period as the officer may specify, such information as may reasonably be required in connection with an, or an application for an, advance tax clearance.

(2) If a qualifying person fails to comply with a duty imposed under this section in connection with a clearance, an HMRC officer may revoke the clearance or any part of it.

(3) The effect of a revocation under this section is that the clearance, or (as the case may be) the part of the clearance, is treated as never having been given.

(4) A qualifying person is liable to a penalty of £5,000 if the person fails to comply with a duty imposed under this section.

271 Misrepresentation

(1) If a qualifying person has provided an HMRC officer with information which is false or misleading—

(a) in, or in connection with, an application for an advance tax clearance, or

(b) otherwise in connection with such a clearance,

an HMRC officer may revoke the clearance.

(2) The effect of a revocation under subsection (1) is that the clearance is treated as never having been given.

(3) A person is liable to a penalty of £10,000 if the person carelessly or deliberately makes a false or misleading statement to an HMRC officer—

(a) in, or in connection with, an application for or in relation to an advance tax clearance, or

(b) otherwise in connection with such a clearance.

272 Commissioners notice

(1) The Commissioners may set out in a notice published by them—

(a) matters on which an HMRC officer may not give an advance tax clearance;

(b) things that an HMRC officer must, may or may not take into consideration in deciding whether it is appropriate to—

(i) give or modify an advance tax clearance in relation to a qualifying investment project or any particular question relating to such a project, or

(ii) extend the period for which an advance tax clearance binds HMRC;

(c) provision about who an HMRC officer must, may or may not include in an advance tax clearance, if given, as the qualifying person or persons as regards whom the clearance is binding;

(d) steps qualifying persons must take before an HMRC officer may give an advance tax clearance;

(e) how to make, the information to be provided in and the documents to be supplied with applications and notifications under sections 266 to 269.

(2) Unless it is prohibited by a notice under this section, nothing in such a notice prevents an HMRC officer taking into consideration things not mentioned in the notice in deciding whether it is appropriate to—

(a) give, or modify, an advance tax clearance, or

(b) extend the period for which such a clearance binds HMRC.

(3) A notice published by the Commissioners under this section may be amended or withdrawn by a further notice.

273 Powers

(1) The Treasury may by regulations made by statutory instrument—

(a) amend section 266(1)—

(i) to add a tax, or a matter relating to tax, to the matters in relation to which an HMRC officer may give an advance tax clearance, or

(ii) to remove a matter in relation to which an HMRC officer may give such a clearance;

(b) amend section 266(2) to (4) (definition of qualifying investment project).

(2) Regulations under subsection (1)—

(a) may make transitional and saving provision;

(b) may make incidental or consequential provision amending sections 266 to 272 and 274.

(3) A statutory instrument containing regulations under subsection (1) may not be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.

(4) The Treasury may by regulation made by statutory instrument provide that specified enactments relating to penalties imposed in connection with tax (including enactments relating to assessments, review and appeal) are to apply, with or without modifications, in relation to penalties imposed under section 269, 270 or 271.

(5) A statutory instrument containing regulations under subsection (4) is subject to annulment in pursuance of a resolution of the House of Commons.

274 Interpretation

(1) In sections 266 to 273—

"advance tax clearance" means a clearance under section 266;
"HMRC" means His Majesty's Revenue and Customs;
"HMRC officer" means an officer of Revenue and Customs;
"nominated person" has the meaning given by section 268(2);
"qualifying investment project" has the meaning given by section 266(2);
"qualifying person" has the meaning given by section 266(5).

Cryptoasset reporting framework

275 Cryptoasset reporting: users and controlling persons resident in the UK

(1) The duty under regulation 6 of the Reporting Cryptoasset Service Providers (Due Diligence and Reporting Requirements) Regulations 2025 (S.I. 2025/744) ("the Regulations") to make a report to HMRC applies to UK reporting cryptoasset service providers in respect of information relating to cryptoasset users resident in the United Kingdom, or who have controlling persons that are resident in the United Kingdom, as it applies in respect of cryptoasset users that are reportable users or that have controlling persons that are reportable persons.

(2) The duty under regulation 8 of the Regulations (notification to reportable users and reportable persons) applies where, by virtue of subsection (1), a UK reporting cryptoasset service provider must make a report to HMRC under regulation 6 of the Regulations that will include information relating to a cryptoasset user resident in the United Kingdom, or who has a controlling person that is resident in the United Kingdom, as it applies where such a service provider must make a report under regulation 6 of the Regulations that will include information relating to a reportable user or a reportable person, but—

(a) reading references in regulation 8 of the Regulations to a reportable user or a reportable person as references to the cryptoasset user resident in the United Kingdom, or who has a controlling person that is resident in the United Kingdom, and

(b) as if regulation 8(1)(b) of the Regulations were omitted.

(3) For the purposes of this section—

(a) regulation 2 of the Regulations (interpretation) applies as it applies for the purposes of the Regulations,

(b) "resident" means resident for income tax purposes or corporation tax purposes.

(4) For the purposes of this section, and the Regulations as they apply for the purposes of this section, regulation 3 of the Regulations (UK reporting cryptoasset service provider) is to be read as if the reference in regulation 3(1)(b) to Section I(C) to (H) of the rules were a reference to Section I(C) to (G) of the rules.

276 International cryptoasset reporting framework: connected matters

The reference in section 349 of F(No. 2)A 2023 (international arrangements for exchanging information) to making regulations in connection with international tax compliance arrangements includes, in the case of any provision of the OECD Crypto-Asset Reporting Framework, published in 2022, such regulations making provision which—

(a) is similar or connected to regulations under that section giving effect to the provision of the Framework, and

(b) is for cases to which the provision of the Framework does not apply.

Miscellaneous

277 Stamp duty: piloting of digital service etc

(1) The Treasury may by regulations make provision for the purpose of enabling or facilitating the testing by HMRC of modern stamp tax procedures by applying such procedures to relevant transfers on sale.

(2) A transfer on sale is "relevant" for the purposes of this section if—

(a) the transfer is executed in a prescribed period,

(b) the purchaser—

(i) is a designated person, and

(ii) does not determine that the transfer is to be excluded from the procedures mentioned in subsection (1),

(c) stamp duty is, or would but for an exemption or other relief be, chargeable on the transfer, and

(d) the transfer meets any other conditions that may be prescribed.

(3) "Modern stamp tax procedures" means any procedure, technology, system or process that could be used for the payment, collection, recovery or other administration of a future tax replacing stamp duty under which the purchaser in relation to a transfer on sale is liable to the tax.

(4) Regulations under this section may—

(a) provide that, if a designated person complies with prescribed requirements in relation to a relevant transfer on sale, a prescribed step required or contemplated by any legislation relating to stamp duty is to be treated as having been carried out;

(b) make further provision about designations under subsection (2)(b)(i);

(c) treat designated persons as liable to stamp duty on any relevant transfers on sale in respect of which they are the purchaser;

(d) confer functions on HMRC, including functions involving the exercise of a discretion.

(5) Regulations under this section may—

(a) enable the claiming by designated persons of reliefs or refunds in respect of relevant transfers on sale;

(b) make provision about the keeping of records;

(c) make provision about the time at which payments of stamp duty are to be made and the methods of payment;

(d) require any person liable by virtue of this section to pay stamp duty on a relevant transfer—

(i) to notify HMRC and submit a self-assessed return;

(ii) to comply with any request of HMRC to provide information in connection with the relevant transfer;

(e) make provision about enforcement (including provision for the imposition of civil penalties or other sanctions for a failure to comply with requirements under the regulations);

(f) include provision about—

(i) the information to be included in a self-assessed return;

(ii) the form of, and method of submitting, such a return;

(g) require designated persons to use a prescribed facility for the making of payments or the submission of returns;

(h) provide for Schedule 36 to FA 2008 (information and inspection powers) to have effect as if in paragraph 63(1) of that Schedule (meaning of "tax"), after paragraph (g) there were inserted—

"(ga) stamp duty on a relevant transfer on sale (as defined in section 277(2) of FA 2026),".

(6) Regulations under this section may provide for any provisions of TMA 1970 specified in the regulations to apply in relation to stamp duty on relevant transfers as they apply in relation to a tax within the meaning of that Act, subject to any modifications that may be prescribed.

(7) Regulations under this section may—

(a) disapply or otherwise modify any enactment;

(b) make different provision for different purposes;

(c) make incidental, supplementary or consequential provision.

(8) In the case of a transfer on sale executed by two or more joint purchasers, the reference in subsection (2)(b) to the purchaser is to be read as a reference to the purchaser who is first named on the transfer.

(9) In this section—

"designated person" means a person designated by HMRC with the person's consent;

"HMRC" means His Majesty's Revenue and Customs;

"prescribed" means prescribed in regulations under this section.

(10) A power to make regulations under this section is exercisable by statutory instrument subject to annulment in pursuance of a resolution of the House of Commons.

278 Oversight of HMRC tax enforcement functions in Northern Ireland

(1) After section 28 of CRCA 2005 (complaints and misconduct relating to England and Wales) insert—

"28A Complaints and misconduct: Northern Ireland

(1) The Commissioners for His Majesty's Revenue and Customs and the Police Ombudsman for Northern Ireland may enter into an agreement to establish procedures which correspond to, or are similar to, any of those established by virtue of Part 7 of the Police (Northern Ireland) Act 1998.

(2) An agreement under this section must only relate to the exercise, in Northern Ireland, of functions of enforcement relating to tax by the Commissioners and officers of Revenue and Customs.

(3) Where no procedures as mentioned in subsection (1) are in force in relation to His Majesty's Revenue and Customs, the Treasury may by regulations establish such procedures.

(4) An agreement under this section may be varied or terminated by a further agreement entered into by the Commissioners and the Ombudsman.

(5) Nothing in any other statutory provision prevents the Commissioners and officers of Revenue and Customs from carrying into effect procedures established by virtue of this section.

(6) In this section, "tax" includes any other obligation to pay an amount to His Majesty's Revenue and Customs.

(7) Regulations under subsection (3) are to be made by statutory instrument and are subject to annulment in pursuance of a resolution of the House of Commons.

(8) Section 72(2) of the Police (Northern Ireland) Act 1998 applies in relation to regulations under this section as it applies in relation to regulations under that Act (reading the reference to the Secretary of State as a reference to the Treasury)."

(2) In section 18(2) of that Act (exceptions to confidentiality), after paragraph (g) insert—

"(ga) which is made to the Police Ombudsman for Northern Ireland, or a person acting on the Ombudsman's behalf, for the purpose of a procedure established by virtue of section 28A,".

(3) In section 29 of that Act (confidentiality etc), after subsection (3) insert—

"(3A) Where the Police Ombudsman of Northern Ireland or a person acting on the Ombudsman's behalf obtains information from the Commissioners or an officer of Revenue and Customs in the course of a procedure established by virtue of section 28A—

(a) the Ombudsman or person may not disclose it without the consent of the Commissioners, and

(b) the Ombudsman or person may not use the information for any purpose other than the procedure."

279 Repeal of obsolete provision in FA 1925 concerning Dominion Governments

Section 25 of FA 1925 (which refers to the liability of Dominion Governments to taxation in respect of trading operations and which is obsolete) is repealed.

280 Repeal of other obsolete provisions and correction of wrong cross-references

(1) In Table A in section 660 of ITEPA 2003 (taxable UK benefits), omit the entry relating to bereavement allowance (which is no longer payable).

(2) In Table B in section 677 of that Act (UK social security benefits wholly exempt from tax), omit the following entries to benefits that are no longer payable—

"back to work bonus",

"bereavement payment",

"child's special allowance ",

"council tax benefit",

"health in pregnancy grant",

"in-work credit",

"in-work emergency discretion fund payment", and

"return to work credit".

(3) In the Table in paragraph 1(4) of Schedule 24 to FA 2007—

(a) in the entry relating to general betting duty, for "paragraph 2 of Schedule 1 to BGDA 1981" substitute "section 166 of FA 2014",

(b) in the entry relating to pool betting duty, for "paragraph 2A of Schedule 1 to BGDA 1981" substitute "section 166 of FA 2014", and

(c) in the entry relating to remote gaming duty, for "section 26K of BGDA 1981" substitute "section 166 of FA 2014".

(4) In the Table in paragraph 1 of Schedule 41 to FA 2008, in the entry relating to alcohol duty which refers to section 88 of F(No. 2)A 2023, for "section 88" substitute "section 82".

Final

281 Interpretation

In this Act the following abbreviations are references to the following Acts—

CAA 2001	Capital Allowances Act 2001
CEMA 1979	Customs and Excise Management Act 1979
CRCA 2005	Commissioners for Revenue and Customs Act 2005
CTA 2009	Corporation Tax Act 2009
CTA 2010	Corporation Tax Act 2010
FA followed by a year	Finance Act of that year
F(No.2)A followed by a year	Finance (No.2) Act of that year
IHTA 1984	Inheritance Tax Act 1984
ITA 2007	Income Tax Act 2007
ITEPA 2003	Income Tax (Earnings and Pensions) Act 2003
ITTOIA 2005	Income Tax (Trading and Other Income) Act 2005
TCGA 1992	Taxation of Chargeable Gains Act 1992
TCTA 2018	Taxation (Cross-border Trade) Act 2018
TIOPA 2010	Taxation (International and Other Provisions) Act 2010
TMA 1970	Taxes Management Act 1970
TPDA 1979	Tobacco Products Duty Act 1979
VATA 1994	Value Added Tax Act 1994
VERA 1994	Vehicle Excise and Registration Act 1994

282 Short title

This Act may be cited as the Finance Act 2026.

SCHEDULES

SCHEDULE 1

Section 6

PROPERTY AND SAVINGS RATES OF INCOME TAX: CONSEQUENTIAL AMENDMENTS

PART 1

AMENDMENTS OF ITA 2007

1 ITA 2007 is amended as follows.

2 In section 6(3) (other rates of income tax)—

(a) in paragraph (zb), for "Welsh basic, higher and additional rates" substitute "the Welsh rates",

(b) after paragraph (zc) insert—

"(zd) section 6D (property basic, higher and additional rates),", and

(c) in paragraph (c), after "(trust rate" insert ", property trust rate, savings trust rate".

3 In section 6B (the Welsh basic, higher and additional amounts)—

(a) after subsection (1) insert—

"(1A) The Welsh property basic rate, the Welsh property higher rate and the Welsh property additional rate for a tax year are calculated as follows.

Step 1

Take the property basic rate, property higher rate or property additional rate.

Step 2

Deduct 10 percentage points.

Step 3

Add the Welsh rate (if any) set by Senedd Cymru for that year for the purpose of calculating the Welsh basic rate, the Welsh higher rate or the Welsh additional rate (as the case may be).", and

(b) for the heading substitute "The Welsh rates".

4 In section 9 (the trust and dividend trust rate)—

(a) after subsection (1) insert—

"(1A) The property trust rate is 47%.

(1B) The savings trust rate is 47%.", and

(b) in the heading, after "The trust rate" insert ", property trust rate, savings trust rate".

5 In section 9A (overview of sections 10 to 15), in the table—

(a) after the second column, insert the following column—

"Rates payable on property income
Property rates
Scottish rates
Welsh property rates
Property rates
Property basic rate", and

(b) in the second column, in the final row, for "Default basic rate" substitute "Savings basic rate".

6 In section 10 (income charged at the basic, higher and additional rates: individuals), in subsection (4), after the entry relating to section 11C insert—

"section 11CA (income charged at the property basic, higher and additional rates: individuals),

section 11CB (income charged at the Welsh property basic, higher and additional rates: individuals),".

7 In section 11 (income charged at the default basic rate: non-individuals), in subsection (2)—

(a) at the beginning insert—

"section 11CC (income charged at the property basic rate: non-individuals),

section 11DA (income charged at the savings basic rate: non-individuals),", and

(b) in the entry relating to Chapters 3 to 5 of Part 9, after "charged at" insert "the property trust rate, the savings trust rate or".

8 In section 11B (income charged at the Welsh basic, higher and additional rates)—

(a) in subsections (1)(a), (2)(a) and (3)(a), for "non-savings income" substitute "neither property income nor savings income",

(b) omit subsection (4), and

(c) in subsection (6) —

(i) for "Section 16 has" substitute "Sections 16 and 16A have", and

(ii) for "non-savings income of a Welsh taxpayer" substitute "income of a Welsh taxpayer which is neither property income nor savings income".

9 In section 11C (income charged at the default basic, higher and additional rates: non-UK resident individuals), in subsection (4), before the entry relating to section 11D insert—

"section 11CA (income charged at the property basic, higher and additional rates: individuals),".

10 After section 11CA, as inserted by section 6(3) of this Act, insert—

"11CB Income charged at the Welsh property basic, higher and additional rates: individuals

(1) Income tax is charged at the Welsh property basic rate on the income of a Welsh taxpayer which—
(a) is property income, and
(b) would otherwise be charged at the Welsh basic rate.

(2) Income tax is charged at the Welsh property higher rate on the income of a Welsh taxpayer which—
(a) is property income, and
(b) would otherwise be charged at the Welsh higher rate.

(3) Income tax is charged at the Welsh property additional rate on the income of a Welsh taxpayer which—
(a) is property income, and
(b) would otherwise be charged at the Welsh additional rate.

(4) This section is subject to any provisions of the Income Tax Acts which provide for income to be charged at different rates of income tax in some circumstances.

(5) Sections 16 and 16A have effect for determining the extent to which the property income of a Welsh taxpayer would otherwise be charged at the Welsh basic, higher or additional rate.

11CC Income charged at the property basic rate: non-individuals

(1) Income tax is charged at the property basic rate on the income of persons other than individuals which—
(a) is property income,
(b) would otherwise be charged at the default basic rate, and
(c) is not relevant foreign income charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).

(2) This is subject to—

Chapters 3 to 5 of Part 9 (which provide for some income of trustees to be charged at special trust rates), and

any other provisions of the Income Tax Acts (apart from section 11) which provide for income of persons other than

individuals to be charged at different rates of income tax in some circumstances."

11 In section 11D (income charged at the savings basic, higher and additional rates), in the heading, at the end insert ": individuals".

12 After that section insert—

"11DA Income charged at the savings basic rate: non-individuals

(1) Income tax is charged at the savings basic rate on the income of persons other than individuals which—

(a) is savings income,

(b) would otherwise be charged at the default basic rate, and

(c) is not relevant foreign income charged in accordance with section 832 of ITTOIA 2005 (relevant foreign income charged on the remittance basis).

(2) This is subject to—

Chapters 3 to 5 of Part 9 (which provide for some income of trustees to be charged at special trust rates), and

any other provisions of the Income Tax Acts (apart from section 11) which provide for income of persons other than individuals to be charged at different rates of income tax in some circumstances."

13 In section 12B (individual's entitlement to a savings allowance), in subsection (8)—

(a) in paragraph (a)(i) and (iv) (which sets out what counts as additional-rate income), after "the additional rate" insert ", property additional rate", and

(b) in paragraph (b)(i) and (iv) (which sets out what counts as higher-rate income), after "the higher rate" insert ", property higher rate".

14 In section 14 (income charged at the dividend ordinary rate: other persons)—

(a) in subsection (1)(b), for "the basic rate" substitute "the default basic rate", and

(b) in the heading, for "other persons" substitute "non-individuals".

15 In section 15 (income charged at the trust rate and the dividend trust rate)—

(a) after "charged at the trust rate" insert ", the property trust rate, the savings trust rate", and

(b) in the heading, after "charged at the trust rate" insert ", the property trust rate, the savings trust rate".

16 In section 16 (savings and dividend income to be treated as highest part of total income), for subsection (1)(zb) substitute—

"(zb) the rate at which income tax would be charged on the income of a Welsh taxpayer which is neither property income nor savings income apart from section 11B but taking into account the effect of section 16A,".

17 In section 18 (meaning of "savings income"), in subsection (4)(b)—

(a) after "personal representatives" insert "or trustees", and

(b) for "or 466" substitute ", 466 or 467".

18 In section 31 (total income: supplementary), in subsection (2), after "the basic rate," insert "the property basic rate, the savings basic rate,".

19 In section 55B (transferable tax allowance for married couples and civil partners: entitlement to tax reduction), in subsection (2)(b)—

(a) after "other than the basic rate," insert "the property basic rate," and

(b) after "the Welsh basic rate," insert "the Welsh property basic rate,".

20 In section 55C (transferable tax allowance for married couples and civil partners: election to reduce personal allowance), in subsection (1)(c)—

(a) after "other than the basic rate," insert "the property basic rate," and

(b) after "the Welsh basic rate," insert "the Welsh property basic rate,".

21 In section 399B(3) (which provides for relief for finance costs relating to residential property to be given at the basic rate for property partnerships)—

(a) for "BR", in both places, substitute "PBR", and

(b) for "basic rate" substitute "property basic rate".

22 In section 462 (overview of Part 9), in subsection (3) (which explains the provision made by Chapter 3), after "charged at" insert "the property trust rate, the savings trust rate or".

23 In section 463 (general provision about settlements etc)—

(a) in subsection (1), in the definition of "other income" for the words from "neither" to "nor" substitute "not property income, dividends income or", and

(b) in subsection (2), after "charged at" insert "the property trust rate, the savings trust rate or".

24 In section 479 (trustees' accumulated or discretionary income to be charged at special rates), after subsection (2) insert—

"(2A) Income tax is charged on the income at the property trust rate so far as the income is property income.

(2B) Income tax is charged on the income at the savings trust rate so far as the income is savings income."

25 In section 481 (other amounts to be charged at special rates for trustees), after subsection (3) insert—

"(3A) If the amount is within Type 2, 6 or 7 as set out in section 482, income tax is charged on the amount at the savings trust rate.

(3B) If the amount is within Type 5 as set out in section 482, income tax is charged on the amount at the property trust rate."

26 In section 483 (sums paid by personal representatives to trustees), in subsection (1)(b), after "that income at" insert "the property trust rate, the savings trust rate or".

27 In section 486 (how allowable expenses are to be set against trust rate income)—

(a) in subsection (1), in step 2, after "savings income" insert ", property income",

(b) in that subsection, in step 5, in paragraph (a), for "the basic rate" substitute "the savings basic rate",

(c) in that subsection, after that step insert—

"Step 5A

If there are remaining expenses and there is property income—

(a) gross up by reference to the property basic rate so much of the remaining expenses as is necessary to give a result equal to the amount of that income, or

(b) if there are not enough remaining expenses to give that result, gross them all up by reference to that rate.

For the purposes of this step "the remaining expenses" are the allowable expenses so far as they have not been grossed up at Step 3, 4 or 5.", and

(d) in that subsection, in step 6, in the final sentence, for "or 5" substitute ", 5 or 5A".

28 In section 503 (how beneficiary's income is reduced), in subsection (2), omit the "and" before "fourth" and for the entry relating to "fourth" substitute—

"fourth, reduce property income (if any), and

fifth, reduce other income (if any)."

29 In section 874 (duty to deduct from certain payments of yearly interest), in subsection (2), for "the basic rate" substitute "the savings basic rate".

30 In section 889 (payments in respect of building society securities), in subsection (4), for "the basic rate" substitute "the savings basic rate".

31 In section 919 (manufactured interest on UK securities: payments by UK residents etc), in subsection (2), for "the basic rate" substitute "the savings basic rate".

32 In section 939 (duty to retain bonds where issue treated as payment of interest), in subsection (2), for "the basic rate" substitute "the savings basic rate".

33 In section 974 (Real Estate Investment Trusts: regulations under section 973), in subsection (1)(a), for "the basic rate" substitute "the property basic rate".

34 In section 975A (statements about certain payments of interest), in subsection (4)(b), for "the basic rate" substitute "the savings basic rate".

35 In section 989 (definitions), at the appropriate places insert—

""property additional rate" means the rate of income tax of that name determined pursuant to section 6D,";

""property basic rate" means the rate of income tax of that name determined pursuant to section 6D,";

""property higher rate" means the rate of income tax of that name determined pursuant to section 6D,";

""property income" has the meaning given by section 17A,";

""property trust rate" means the rate of income tax specified in section 9(1A),";

""savings trust rate" means the rate of income tax specified in section 9(1B),";

""Welsh property additional rate" means the rate of income tax of that name determined pursuant to section 6B(1A),";

""Welsh property basic rate" means the rate of income tax of that name determined pursuant to section 6B(1A),";

""Welsh property higher rate" means the rate of income tax of that name determined pursuant to section 6B(1A),".

36 In Schedule 4 (index of defined expressions), at the appropriate places insert –

"property additional rate	section 6D (as applied by section 989)";
"property basic rate	section 6D (as applied by section 989)";
"property higher rate	section 6D (as applied by section 989)";
"property income	section 17A (as applied by section 989)";
"property trust rate	section 9(1A) (as applied by section 989)";
"savings trust rate	section 9(1B) (as applied by section 989)";
"Welsh property additional rate	section 6B(1A) (as applied by section 989)";
"Welsh property basic rate	section 6B(1A) (as applied by section 989)";
"Welsh property higher rate	section 6B(1A) (as applied by section 989)".

PART 2

AMENDMENTS OF OTHER TAX LEGISLATION

TMA 1970

37 In section 7 of TMA 1970 (notice of liability to income tax and capital gains tax), in subsection (6) –

(a) in subsection (6) –

(i) after "other than the basic rate," insert "the property basic rate, the savings basic rate," and

(ii) after "the Welsh basic rate," insert "the Welsh property basic rate,", and

(b) after that subsection insert –

"(6ZA) A source of income falls within this subsection in relation to any person and any year of assessment if for that year –

(a) all income from the source is savings income (see section 18 of ITA 2007), and

(b) the person—

(i) is UK resident,

(ii) is not liable to tax at the savings basic rate,

(iii) is not liable to tax at the savings higher rate,

(iv) is not liable to tax at the savings additional rate, and

(v) is not charged to tax under section 832 of ITTOIA 2005 (relevant foreign income charged on remittance basis) on any savings income."

TCGA 1992

38 In section 1J of TCGA 1992 (section 1I: definitions and other supplementary provision)—

(a) in subsection (1), after paragraph (a) insert—

"(ab) the property higher rate,", and

(b) in subsection (5), in the words after paragraph (c), after "the default higher rate" insert ", the property higher rate, the savings higher rate".

ITTOIA 2005

39 ITTOIA 2005 is amended as follows.

40 In sections 274AA(5) and 274C(2) (which provide for relief for finance costs relating to residential property to be given at the basic rate)—

(a) for "BR", in both places, substitute "PBR", and

(b) for "basic rate" substitute "property basic rate".

41 In section 465A (gains from life insurance contracts: amounts for which individuals liable to be treated as highest part of total income), in subsection (1)(b), for "the basic rate" substitute "the savings basic rate".

42 In section 466 (gains from life insurance contracts: personal representatives as person liable), in subsection (2), in the opening words, for "the basic rate" substitute "the savings basic rate".

43 In section 467 (gains from life insurance contracts: trustees as person liable), in subsection (7), for "the basic rate" substitute "the savings basic rate".

44 In section 530 (gains from life insurance contracts: income tax treated as paid etc), in subsection (1), for "the basic rate" substitute "the savings basic rate".

45 In section 533 (meaning of "comparable EEA tax charge"), in subsection (4), for "20%" substitute "22%".

46 In section 535 (gains from life insurance contracts: top slicing relief), in subsection (3)—

(a) for "BRL", in both places, substitute "SBRL", and

(b) for "the basic rate" substitute "the savings basic rate".

47 In section 536 (gains from life insurance contracts: top slicing relief where one chargeable event), in subsection (1), in paragraph (b) of Step 2, for "the basic rate" substitute "the savings basic rate".

48 In section 537 (gains from life insurance contracts: top slicing relief where two or more chargeable events), in paragraph (b) of Step 2, for "the basic rate" substitute "the savings basic rate".

49 In section 539 (gains from life insurance contracts: relief for deficiencies), in subsection (8)—

(a) after the entry relating to the default higher and default basic rate insert—

"the property higher rate the property basic rate", and

(b) at the end insert—

"the Welsh property higher rate the Welsh property basic rate".

50 In section 669 (reduction in residuary income: inheritance tax on accrued income), in subsection (3), omit the "and" before paragraph (b) and after that paragraph insert—

"(c) income charged at the property additional rate or the property higher rate were charged at the property basic rate, and

(d) income charged at the savings additional rate or the savings higher rate were charged at the savings basic rate."

51 In section 680 (beneficiaries' income etc: income treated as bearing income tax), in subsection (4), for "the basic rate" substitute "the savings basic rate".

52 After section 680B insert—

"680C Income treated as property income

(1) This section applies to estate income relating to a person's interest in the residue of an estate so far as that interest relates to income that—

(a) falls within section 664(2)(a) (income of personal representatives charged to UK income tax), and

(b) is property income (see section 17A of ITA 2007).

(2) The income is treated as being property income."

CTA 2010

53 In section 552 of CTA 2010 (distributions by Real Estate Investment Trusts)—

(a) in subsection (2)—

(i) for "BRT", in both places, substitute "PBRT", and

(ii) in the definition of "BRT", for "the basic rate" substitute "the property basic rate", and

(b) in subsection (3), for "BRT", in both places, substitute "PBRT".

FA 2012

54 In section 102 of FA 2012 (I - E profit: policyholders' rate of tax), in subsection (3), for "the basic rate" substitute "the savings basic rate".

PART 3

AMENDMENT OF SCOTLAND ACT 1998

Scotland Act 1998

55 In section 80C of the Scotland Act 1998 (power to set Scottish rates for Scottish taxpayers), for subsection (2B) (which prevents a Scottish rate resolution from applying different rates in relation to different types of income) substitute—

"(2B) If income tax is charged at Scottish rates on the non-savings income of a Scottish taxpayer for a tax year (within the meaning of section 11A of the Income Tax Act 2007), those rates are treated for income tax purposes as if they were—

(a) Scottish rates for all non-savings income other than property income which are set for the tax year at the same rates as the Scottish rates, and

(b) separate Scottish rates for property income which are set for the tax year at the same rates as the Scottish rates,

but, subject to that, a Scottish rate resolution may not provide for different rates to apply in relation to different types of income."

SCHEDULE 2

Section 8

SCOTTISH AND WELSH PROPERTY INCOME RATES

PART 1

SCOTLAND

1 In section 80C of the Scotland Act 1998 (power to set Scottish rates for Scottish taxpayers), for subsection (2B) (which prevents a Scottish rate

resolution from applying different rates in relation to different types of income), as substituted by paragraph 55 of Schedule 1, substitute—

"(2B) A Scottish rate resolution—

(a) may provide for the rates applicable in relation to property income to be different from the rates applicable in relation to other income, but

(b) may not provide for different rates to apply in relation to different types of other income.

(2BA) But Scottish rates applicable in relation to property income must set the same limits or make the same other provision enabling those rates to be ascertained as are set or made in relation to rates applicable in relation to income other than property income."

PART 2

WALES

Amendments of ITA 2007

2 In section 6B (the Welsh rates), in subsection (1A), as inserted by paragraph 3 of Schedule 1, for Step 3 substitute—

"Step 3

Add the Welsh rate (if any) set by Senedd Cymru for that year for the purpose of calculating the Welsh property basic rate, the Welsh property higher rate or the Welsh property additional rate (as the case may be)."

Amendments of Government of Wales Act 2006

3 Chapter 2 of Part 4A of the Government of Wales Act 2006 (income tax) is amended as follows.

4 (1) Section 116D (power to set Welsh rates for Welsh taxpayers) is amended as follows.

(2) In subsection (1), at the end insert—

"(d) a Welsh rate for the purpose of calculating the Welsh property basic rate;

(e) a Welsh rate for the purpose of calculating the Welsh property higher rate;

(f) a Welsh rate for the purpose of calculating the Welsh property additional rate."

(3) In subsection (2)—

(a) after "additional rates" insert "and the Welsh property basic, higher and additional rates,", and

(b) for "section 11B" substitute "sections 11B and 11CB".

5 (1) Section 116I (supplemental powers to modify enactments) is amended as follows.

(2) In subsection (1)—

(a) in the opening words, for the words from "section 11B" to "additional rates)" substitute "sections 11B and 11CB of the Income Tax Act 2007 (income charged at Welsh rates)", and

(b) in paragraphs (a) and (b), after "the section" insert "concerned".

(3) After subsection (2) insert—

"(2A) The Treasury may by order modify any enactment not contained in Chapter 2 of Part 2 of the Income Tax Act 2007 (rates at which income tax is charged) so that it makes provision, in relation to a Welsh taxpayer, by reference to the Welsh property basic rate, the Welsh property higher rate or the Welsh property additional rate, instead of the property basic rate, the property higher rate or the property additional rate."

(4) In subsection (3)(a), after "additional rate" insert "or, as the case may be, the Welsh property basic rate, the Welsh property higher rate or the Welsh property additional rate".

6 In section 116K (report by the Comptroller and Auditor General), in subsection (3)(b), at end insert "or relating to the Welsh property basic rate, the Welsh property higher rate or the Welsh property additional rate".

SCHEDULE 3

Section 43

NON-RESIDENT, AND PREVIOUSLY NON-DOMICILED INDIVIDUALS

PART 1

RELIEF FOR NEW RESIDENTS ON FOREIGN INCOME AND GAINS

Reliefs only deductible against income or gains to which they relate

1 (1) In section 845A of ITTOIA 2005 (claim for relief for qualifying new residents: qualifying foreign income), after subsection (3) insert—

"(3A) But a deduction for that purpose is to be made only from qualifying foreign income."

(2) In section 41P of ITEPA 2003 (claim for relief for qualifying new residents: qualifying foreign employment income), after subsection (4) insert—

"(4A) But a deduction for that purpose is to be made only from qualifying foreign employment income."

(3) In section 25 of ITA 2007 (reliefs and allowances deductible at Steps 2 and 3: supplementary), in subsection (3), at the appropriate places insert—

"section 41P of ITEPA 2003 (qualifying foreign employment income)";

"section 845A of ITTOIA 2005 (qualifying foreign income)".

(4) In Schedule D1 to TCGA 1992, in paragraph 2(2) (relief for qualifying foreign gains)—

(a) for "chargeable" substitute "qualifying foreign", and

(b) after "individual" insert "in that tax year".

(5) The amendments made by this paragraph have effect for the tax year 2025-26 and subsequent tax years.

QAHCs

2 (1) In the table in section 845H of ITTOIA 2005—

(a) in item 23—

(i) for "paragraph 46" substitute "paragraph 46(4) to (6)",

(ii) after "arising" insert "to an individual who provided investment management services in connection with investment arrangements to which a QAHC is party", and

(iii) for "a QAHC (within the meaning of that Schedule)" substitute "the QAHC as a result of an interest the individual acquired during the course of the provision of those services", and

(b) after the row containing item 23 insert—

"	"QAHC" and "investment management services" have the meanings they have in that Schedule."

(2) In Schedule D1 to TCGA 1992, in paragraph 6—

(a) in the definition of "qualifying QAHC gain"—

(i) after "accruing" insert "to an individual who provided investment management services in connection with investment arrangements to which a QAHC is party", and

(ii) for the words from "a QAHC" to the end substitute "the QAHC that were acquired during the course of the provision of those services", and

(b) at the end insert—

""QAHC" and "investment management services" have the meanings they have in that Schedule."

(3) In paragraph 46 of Schedule 2 to FA 2022 (qualifying asset holding companies), in sub-paragraph (6A) for "item 22" substitute "item 23".

(4) This paragraph has effect in relation to income arising and gains accruing on or after the day on which this Act is passed.

Children under 10

3 In section 845B of ITTOIA 2005 (meaning of "qualifying new resident"), in subsection (1)—

(a) omit the "and" after paragraph (b), and

(b) after paragraph (c) insert ", and

(d) the individual is at least 10 years old at the commencement of that tax year."

Residence of personal representatives

4 (1) In section 62 of TCGA 1992 (death: general provisions), in subsection (3) (residence of personal representatives), omit "or a long-term UK resident within the meaning of IHTA 1984".

(2) The amendment made by this paragraph is to be treated as having come into force on 6 April 2025 and has effect where the deceased person died on or after that date.

Foreign gains treated as accruing when remitted to UK

5 (1) In paragraph 2 of Schedule 9 to FA 2025 (amendments of TCGA 1992 connected with end of remittance basis), in sub-paragraph (7)(b), after ""applies"" insert ", in the second place it occurs,".

(2) Paragraph 2 of Schedule 9 to FA 2025 has effect, and is to be treated as always having had effect, with the amendment made by this paragraph (and the amendment made by that paragraph has effect accordingly).

Capital gains tax: amendments connected with end of remittance basis

6 (1) In section 8C of TMA 1970 (returns so far as relating to capital gains tax)—

(a) in subsection (1), in paragraph (a), the words from "does not" to the end become sub-paragraph (i) of that paragraph,

(b) after that sub-paragraph insert "or

(ii) where the person is not entitled to the annual exempt amount for the tax year, is nil,",

(c) omit subsection (1)(c) (but not the "and" following it),

(d) in subsection (2), for "to (c)" substitute "and (b)", and

(e) omit subsection (4).

(2) In section 1K of TCGA 1992 (annual exempt amount), omit subsection (6)(a).

(3) The amendments made by this paragraph have effect for the tax year 2025-26 and subsequent tax years.

Definitions

7 (1) In section 989 of ITA 2007, at the appropriate place insert—

""foreign gain claim" means a claim under paragraph 1 of Schedule D1 to TCGA 1992,".

(2) In Schedule 4 to ITA 2007, at the appropriate places insert—

"foreign employment election	section 989 (and see section 41M of ITEPA 2003)";
"foreign gain claim	section 989 (and see paragraph 1 of Schedule D1 to TCGA 1992)";
"foreign income claim	section 989 (and see section 845A of ITTOIA 2005)";
"qualifying new resident	section 989 (and see section 845B of ITTOIA 2005)".

(3) In Part 2 of Schedule 4 to ITTOIA 2005, at the appropriate places insert—

"foreign employment election	section 989 of ITA 2007 (and see section 41M of ITEPA 2003)";
"foreign gain claim	section 989 of ITA 2007 (and see paragraph 1 of Schedule D1 to TCGA 1992)";
"foreign income claim	section 989 of ITA 2007 (and see section 845A of this Act)";
"qualifying new resident	section 989 of ITA 2007 (and see section 845B of this Act)".

(4) In Part 2 of Schedule 1 to ITEPA 2003, at the appropriate places insert—

"foreign employment election	section 989 of ITA 2007 (and see section 41M of this Act)";
"qualifying new resident	section 989 of ITA 2007 (and see section 845B of ITTOIA 2005)".

PART 2

TEMPORARY REPATRIATION FACILITY

Introduction

8 Schedule 10 to FA 2025 (temporary repatriation facility) is amended as follows.

Deemed income under section 732 of ITA 2007

9 In paragraph 7—

(a) after sub-paragraph (1) insert—

"(1A) For the purposes of applying those paragraphs for the purposes of sub-paragraph (1)(c)—

(a) those paragraphs have effect as if—

(i) for sub-paragraph (1)(a) (in each paragraph) there were substituted—

"(a) an individual is treated as having an amount of income for any of the tax years 2025-26, 2026-27 or 2027-28 as a result of section 732 of ITA 2007 (individuals receiving a benefit as a result of relevant transactions),",

(ii) the reference in sub-paragraph (2) (in each paragraph) to "the payment" were to the benefit by reference to which the income is treated as arising,

(iii) sub-paragraph (3)(b)(ii) (in each paragraph) were omitted, and

(iv) the references in each paragraph, and in section 87A of TCGA 1992 as applied by those paragraphs, to "capital payments" were to benefits falling within sub-paragraph (1)(c) of this paragraph, and

(b) those paragraphs are to be applied after they have been applied for the purposes of determining whether any amount of a capital payment is qualifying overseas capital.", and

(b) in sub-paragraph (2), after "amount", in the first place it occurs, insert "of income".

Value of amounts of qualifying overseas capital

10 In paragraph 8 (designation of qualifying overseas capital), after sub-paragraph (2) insert—

"(2A) For the purposes of designating an amount of qualifying overseas capital of an individual that—

(a) is qualifying overseas capital as a result of paragraph 2(2) or (5), or

(b) is treated as qualifying overseas capital as a result of paragraph 6(1)(b),

the value of that amount is the value of the amount when it first arose to the individual."

Designation where tax paid from other sources

11 In paragraph 8, after sub-paragraph (4) insert—

"(4A) But where—

(a) an amount of relevant foreign tax has been paid, or will be paid, in respect of an amount of qualifying overseas capital ("the related qualifying overseas capital"), and

(b) it has been, or will be, paid out of funds other than the related qualifying overseas capital,

sub-paragraph (3) does not apply to the related qualifying overseas capital to the extent that the tax has been, or will be, paid out of those funds."

Income tax or capital gains tax reduction where TRF charge paid on same amount

12 In paragraph 8, after sub-paragraph (6) insert—

"(6A) Sub-paragraph (6B) applies where—

(a) an amount ("the TRF amount") is treated as designated qualifying overseas capital of an individual as a result of sub-paragraph (6),

(b) on or after 6 April 2025, an officer of Revenue and Customs, in relation to the tax year 2024-25 or an earlier tax year—

(i) amends the individual's self-assessment while an enquiry under section 9A of TMA 1970 (enquiry into return) into the individual's return for that tax year is in progress,

(ii) issues a partial or final closure notice under section 28A of that Act (completion of enquiry) in relation to that return, or

(iii) makes an assessment under section 29 of that Act, and

(c) the effect of the officer taking that step is that income tax or capital gains tax is charged in respect of the TRF amount.

(6B) The amount of income tax or capital gains tax due and payable under section 59B of TMA 1970 in respect of the TRF amount is to be treated as reduced (but not below nil) by the amount of the TRF charge paid in respect of the TRF amount.

(6C) Where sub-paragraph (6B) applies, the individual may not amend the return in which the designation election relating to the TRF amount was included to alter or revoke that election (if the return otherwise could have been amended) so as to cause the TRF amount not to be designated."

Capital payment derived from foreign income or gains

13 (1) In paragraph 10—

(a) in sub-paragraph (1) (income tax exemptions and relief)—

(i) the words from "the" to the end become paragraph (a),

(ii) in that paragraph, after "capital" insert "that is designated on the basis that it is qualifying overseas capital as a result of a remittance provision", and

(iii) after that paragraph insert ", or

(b) an amount of income treated as qualifying overseas capital under paragraph 6 that—

(i) falls within sub-paragraph (1)(b) of that paragraph, and

(ii) is designated on the basis that it is qualifying overseas capital as a result of a remittance provision.", and

(b) in sub-paragraph (2), after "paragraph 6" insert ", and that falls within sub-paragraph (1)(a) or (c) of that paragraph,".

(2) In paragraph 12(1) (capital gains tax: main exemption), after "capital" insert "that is designated on the basis that it is qualifying overseas capital as a result of a remittance provision (other than paragraph 6(1)(b))".

(3) In paragraph 8—

(a) in sub-paragraph (2)—

(i) omit the "and" after paragraph (a), and

(ii) after that paragraph insert—

"(aa) for each amount designated, whether or not it is designated on the basis it is qualifying overseas capital as a result of a remittance provision, and"

(iii) in paragraph (b), after "designated" insert "on that basis",

(b) after sub-paragraph (2A) (as inserted by paragraph 10) insert—

"(2B) In this Part and in Part 2 "remittance provision" means paragraph 2(2) or (5) or paragraph 6(1)(b).

(2C) Where—

(a) an amount is designated on the basis it is qualifying overseas capital as a result of a remittance provision, and

(b) the amount would (ignoring this sub-paragraph) also be regarded as designated under paragraph 3 or 5 (matched capital payments),

it is not to be regarded as designated under that paragraph for the purposes of paragraph 10(7) (relief for offshore income gains) or paragraph 13 (relief for matched capital payments) as a result of that designation on that basis.

(2D) Accordingly two designations of the amount are required to secure the benefit of all of the reliefs that may be available under paragraphs 10(1), 10(7),12(1) and 13—

(a) one designation of the amount on the basis it is qualifying overseas capital as a result of a remittance provision, and

(b) another not on that basis.", and

(c) after sub-paragraph (5) insert—

"(5A) Where the individual considers that an amount designated under sub-paragraph (5) could, if it were qualifying overseas capital, be designated on the basis that it is qualifying overseas capital as a result of a remittance provision, the individual may designate it on that basis."

Amounts derived from designated qualifying overseas capital

14 After paragraph 13 insert—

"Amounts derived from designated qualifying overseas capital

13A(1) This paragraph applies to an amount ("amount A") if—

(a) either—

(i) the remittance of the amount to the United Kingdom would have the effect mentioned in paragraph 2(3)(a) or (b) by reference to income or gains, or

(ii) the remittance of the amount would result in income being treated as arising to a settlement in accordance with section 648(3) (and accordingly would result in an amount falling within paragraph 6(1)(b) arising), and

(b) the remittance of an amount ("amount B") of designated qualifying overseas capital to the United Kingdom would have one of the effects mentioned in paragraph (a)(i) or (ii) by reference to that same income or those same gains ("the reference income or gains") if it had not been designated.

(2) Where amount A falls within sub-paragraph (1)(a)(i), so much of amount A (so far as it relates to the reference income or gains) as does not exceed amount B (so far as it relates to the reference income or gains) is to be treated—

(a) as designated qualifying overseas capital, and

(b) as designated on the basis it is qualifying overseas capital as a result of a remittance provision.

(3) Where amount A falls within sub-paragraph (1)(a)(ii), so much of the amount falling within paragraph 6(1)(b) as would result from the remittance of amount A as does not exceed amount B (so far as it relates to the reference income or gains) is to be treated—

(a) as designated qualifying overseas capital, and

(b) as designated on the basis it is qualifying overseas capital as a result of a remittance provision."

Effect on section 65(5)(b) IHTA charge etc

15 After paragraph 13A (as inserted by paragraph 14 of this Schedule) insert—

"Effect of this Schedule on section 65(5) IHTA 1984 and section 260(2) of TCGA 1992

13B (1) The effects of Parts 1 and 2 of this Schedule are to be ignored for the purposes of section 65(5)(b) of IHTA 1984 (and accordingly will not prevent any amount being regarded as income of a person for the purposes of income tax for the purposes of that section).

(2) Where—

(a) the trustees of a settlement make a capital payment to an individual,

(b) the making of that payment results in the individual having qualifying overseas capital,

(c) that qualifying overseas capital is designated,

so much of the deemed disposal under section 71 of TCGA 1992 arising on the making of the payment as reflects the designated qualifying overseas capital is (despite sub-paragraph (1)) treated as a chargeable transfer within the meaning of IHTA 1984 for the purposes only of section 260(2)(a) of TCGA 1992 (gifts on which inheritance tax is chargeable etc)."

Amendment of returns

16 In paragraph 9 (payment of the TRF charge through the income tax system), after sub-paragraph (7) insert –

"(8) Paragraph 8(6) is not to be taken as preventing the amendment of a return so as to alter or revoke a designation of qualifying overseas capital made in that return, provided that amendment is made in accordance with section 9ZA of TMA 1970 (taxpayer permitted to amend return within 12 months of filing date)."

Transfers from mixed funds

17 In section 809Q of ITA 2007, in subsection (9) –

(a) omit paragraph (a), and

(b) in paragraph (b) –

(i) for "that Part of that Schedule" substitute "Part 1 of Schedule 10 to FA 2025", and

(ii) after "8(7)" insert "of that Schedule".

Commencement of this Part

18 (1) Schedule 10 to FA 2025 has effect, and is to be deemed always to have had effect, with the amendments made by paragraphs 9 to 16 of this Schedule.

(2) Subsection (9) of section 809Q of ITA 2007 has effect, and is to be deemed always to have had effect, with the amendments made by paragraph 17 of this Schedule.

PART 3

TEMPORARY NON-RESIDENCE

19 (1) Section 401C of ITTOIA 2005 is amended as follows.

(2) After subsection (6) insert –

"(6A) Where –

(a) a company ("company A") makes a payment (including by way of a loan) to the individual in the temporary period of non-residence,

(b) the individual is, at a relevant time, a material participator in, or is an associate of a material participator in, another company that is a close company ("company B"),

(c) at the time the payment is made, company B controls (within the meaning of sections 450 and 451 of CTA 2010) company A, and

(d) it is reasonable to suppose that the making of that payment is intended to avoid an amount being received by the

individual by way of relevant distribution made, or treated as made, by company B,

company A is to be treated as making a relevant distribution of that amount to the individual in that period.

(6B) Where—

(a) a company makes a payment (including by way of a loan) to any person other than the individual at any time in the temporary period of non-residence,

(b) if the company had made a dividend to the individual at that time, it would have been a relevant distribution, and

(c) the individual receives an amount or a benefit ("the relevant receipt") as a result of arrangements that it is reasonable to suppose are intended to secure that—

(i) the individual receives the benefit of the payment or any part of it, but

(ii) without a relevant distribution having been made, or treated as made, to the individual in that period,

the company is to be treated as making a relevant distribution to the individual in that period in the amount of the value of the relevant receipt.

(6C) For the purposes of subsection (6B)(c) "arrangements" include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."

(3) After subsection (6C) (as inserted by sub-paragraph (2)) insert—

"(6D) Where tax of a similar character to income tax is payable by the individual under the law of a territory outside the United Kingdom on a relevant distribution—

(a) credit for any such tax paid by the individual is to be allowed against income tax chargeable in respect of the relevant distribution, and

(b) the credit is to be given effect by treating the amount of the relevant distribution as reduced to such amount as would secure that so much of the credit is given as does not exceed the income tax chargeable in respect of the relevant distribution."

(4) Omit subsections (7) to (9).

(5) In subsection (12) omit the definition of "trade profits of the close company".

20 (1) Section 408A of ITTOIA 2005 is amended as follows.

(2) In subsection (4), omit paragraphs (a) to (c).

(3) After that subsection insert—

"(4A) Where—

(a) a company ("company A") makes a payment (including by way of a loan) to the individual in the temporary period of non-residence,

(b) the individual is, at a relevant time, a material participator in, or an associate of a material participator in, another company ("company B") that would be a close company if it were UK resident,

(c) at the time the payment was made, company B controls (within the meaning of sections 450 and 451 of CTA 2010) company A, and

(d) it is reasonable to suppose that the making of that payment is intended to avoid—

(i) an amount being received by the individual by way of dividend that falls within subsection (3)(c), or

(ii) the individual becoming entitled to such a dividend,

the individual is to be treated as having received, at that time, a dividend in that amount that falls within subsection (3)(b) and (c).

(4B) Where—

(a) a company makes a payment (including by way of a loan) to any person other than the individual in the temporary period of non-residence,

(b) if the company had made a dividend to the individual at that time, it would have been a dividend within subsection (3), and

(c) the individual receives an amount or a benefit ("the relevant receipt") as a result of arrangements that it is reasonable to suppose are intended to secure that—

(i) the individual receives the benefit of the payment or any part of it, but

(ii) without the individual receiving, or becoming entitled to, a dividend that falls within subsection (3)(c),

the individual is to be treated as having received, in that period, a dividend in the amount of the value of the relevant receipt, that falls within subsection (3)(b) and (c).

(4C) For the purposes of subsection (4B)(c) "arrangements" include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."

(4) After subsection (4C) (as inserted by sub-paragraph (3)) insert—

"(4D) Where tax of a similar character to income tax is payable by the individual under the law of a territory outside the United Kingdom on a dividend within subsection (3)—

(a) credit for any such tax paid by the individual is to be allowed against income tax chargeable in respect of the dividend, and

(b) the credit is to be given effect by treating the amount of the dividend as reduced to such amount as would secure that so much of the credit is given as does not exceed the income tax chargeable in respect of the dividend."

(5) Omit subsections (5) to (8).

(6) For subsection (10) substitute—

"(10) In this section—

(a) "associate" and "participator" have the same meanings as in Part 10 of CTA 2010 (see sections 448 and 454),

(b) a "material participator" is a participator who has a material interest in the company, as defined in section 457 of that Act,

(c) "relevant time" means—

(i) any time in the year of departure or, if the year of departure is a split year as respects the individual, the UK part of that year, or

(ii) any time in one or more of the 3 tax years preceding that year."

21 (1) Section 413A of ITTOIA 2005 is amended as follows.

(2) After subsection (6) insert—

"(6A) Where—

(a) a company ("company A") makes a payment (including by way of a loan) to the individual in the temporary period of non-residence,

(b) the individual is, at a relevant time, a material participator in, or is an associate of a material participator in, another company that is a close company ("company B"),

(c) at the time the payment was made, company B controls (within the meaning of sections 450 and 451 of CTA 2010) company A, and

(d) it is reasonable to suppose that the making of that payment is intended to avoid an amount of relevant stock dividend income being treated under this Chapter as arising to the individual in that period,

relevant stock dividend income in that amount is treated as arising to the individual in that period.

(6B) Where—

(a) a company makes a payment (including by way of a loan) to any person other than the individual at any time in the temporary period of non-residence,

(b) if the company had issued share capital in lieu of a cash dividend shares at that time that the individual is beneficially entitled to, relevant stock dividend income would have been treated under this Chapter as arising to the individual in that period, and

(c) the individual receives an amount or a benefit ("the relevant receipt") as a result of arrangements that it is reasonable to suppose are intended to secure that—

(i) the individual receives the benefit of the payment or any part of it, but

(ii) without relevant stock dividend income in that amount being treated under this Chapter as arising to the individual in that period,

relevant stock dividend income in amount of the value of the relevant receipt is treated as arising to the individual in that period.

(6C) For the purposes of subsection (6B)(c) "arrangements" include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."

(3) After subsection (6C) (as inserted by sub-paragraph (2)) insert—

"(6D) Where tax of a similar character to income tax is payable by the individual under the law of a territory outside the United Kingdom on relevant stock dividend income—

(a) credit for any such tax paid by the individual is to be allowed against income tax chargeable in respect of the relevant stock dividend income, and

(b) the credit is to be given effect by treating the amount of the relevant stock dividend income as reduced to such amount as would secure that so much of the credit is given as does not exceed the income tax chargeable in respect of the relevant stock dividend income."

(4) Omit subsections (7) to (9).

(5) In subsection (11) omit the definition of "trade profits of the close company".

22 (1) Section 812A of ITA 2007 is amended as follows.

(2) After subsection (4) insert—

"(4A) Where—

(a) a company ("company A") makes a payment (including by way of a loan) to the individual in the non-resident year,

(b) the individual is, at a relevant time, a material participator in, or is an associate of a material participator in, another company that is a close company ("company B"),

(c) at the time the payment was made, company B controls (within the meaning of sections 450 and 451 of CTA 2010) company A, and

(d) it is reasonable to suppose that the making of that payment is intended to avoid the amount of the payment being included in the individual's income for the non-resident year as relevant investment income,

the amount of the payment is to be treated as relevant investment income of the individual for the non-resident year.

(4B) Where—

(a) a company makes a payment (including by way of a loan) to any person other than the individual at any time in the non-resident year,

(b) if the company had made a dividend to the individual at that time, it would be relevant investment income of the individual, and

(c) the individual receives an amount or a benefit ("the relevant receipt") as a result of arrangements that it is reasonable to suppose are intended to secure that—

(i) the individual receives the benefit of the payment or any part of it, but

(ii) without the amount being included in the individual's income for the non-resident year as relevant investment income,

the amount of the value of the relevant receipt is to be treated as relevant investment income of the individual for the non-resident year.

(4C) For the purposes of subsection (4B)(c) "arrangements" include any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."

(3) After subsection (4C) (as inserted by sub-paragraph (2)) insert—

"(4D) Where tax of a similar character to income tax is payable by the individual under the law of a territory outside the United Kingdom on relevant investment income—

(a) credit for any such tax paid by the individual is to be allowed against income tax chargeable in respect of the relevant investment income, and

(b) the credit is to be given effect by treating the amount of the relevant investment income as reduced to such amount as would secure that so much of the credit is given as does not

exceed the income tax chargeable in respect of the relevant investment income."

(4) Omit subsections (5) and (6).

(5) In subsection (8), omit paragraph (a).

(6) In subsection (11) omit the definition of "trade profits of the distributing company".

23 (1) The amendments made by paragraphs 19(2), 20(2), (3) and (6), 21(2) and 22(2) have effect for the tax year 2026-27 and subsequent tax years in relation to payments made by companies, whenever made.

(2) The amendments made by paragraphs 19(3) to (5), 20(4) to (5), 21(3) to (5) and 22(3) to (6) have effect for the tax year 2026-27 and subsequent tax years in relation to—

(a) dividends, or other distributions, whenever made,

(b) relevant stock dividend income, whenever it is treated as having arose, and

(c) relevant investment income, whenever it arose.

SCHEDULE 4

Section 45

PAYE FOR TREATY NON-RESIDENTS ETC

PART 1

TREATY NON-RESIDENTS

Introduction

1 ITEPA 2003 is amended as follows.

Notifications in respect of treaty non-resident employees

2 (1) Section 690D (employer notification for qualifying new residents) is amended as follows.

(2) At the end of the heading insert "or treaty non-residents".

(3) In subsection (1)—

(a) in paragraph (a), for "qualifying", in the second place it occurs, substitute "notifiable";

(b) in paragraph (b), for "qualifying" substitute "notifiable".

(4) After subsection (1) insert—

"(1A) This section also applies in relation to an employee if—

(a) the employee is or is likely to be a treaty non-resident at any time in a tax year ("the notifiable year"), and

(b) the employee works or is likely to work outside the UK during the notifiable year."

(5) In subsection (2)—

(a) in the opening words—

(i) for "The" substitute "If this section applies in relation to the employee by virtue of subsection (1), the";

(ii) for "qualifying" substitute "notifiable";

(b) at the end of paragraph (b) insert "(but see subsections (5A) and (5B))".

(6) After subsection (2) insert—

"(2A) If this section applies in relation to the employee by virtue of subsection (1A), the appropriate person may give a notice to an officer of Revenue and Customs at any time during the notifiable year—

(a) that the employer is proposing to treat the treaty relieved proportion of any treaty affected payment made by the employer to the employee as not being PAYE income of the employee for the purposes of PAYE regulations, and

(b) specifying that proportion (but see subsections (5A) and (5B))."

(7) In subsection (3), after paragraph (b) insert—

"(c) a "treaty affected payment" means a payment of, or on account of, an amount of employment income of the employee a proportion in respect of which UK tax is likely to be relieved under double taxation arrangements as a result of the employee being treaty non-resident in the notifiable year;

(d) the "treaty relieved proportion" is the best estimate that can reasonably be made of the overall proportion of the amount of all treaty affected payments made by the employer to the employee in respect of which UK tax is likely to be relieved under double taxation arrangements."

(8) In subsection (4), after "qualifying payment" insert "or treaty affected payment (as applicable)".

(9) After subsection (5) insert—

"(5A) Subsection (5B) applies for the purposes of determining the proportion to be specified in a notice or notices under this section in circumstances where, if the notice or notices were to be given and acknowledged by an officer of Revenue and Customs, a notice given under both subsection (2) and subsection (2A) would have effect in relation to the employee and the notifiable year.

(5B) The proportion specified in the notice or notices must produce the result that no amount is reflected in both—

(a) the foreign proportion specified in the notice under subsection (2) as an amount that is likely to be qualifying foreign employment income, and

(b) the treaty relieved proportion specified in the notice under subsection (2A) as an amount in respect of which UK tax is likely to be relieved under double taxation arrangements."

(10) In subsection (5)(a)—

(a) after "qualifying new residents" insert "or treaty non-residents";

(b) for "qualifying year" substitute "notifiable year".

(11) In subsection (6)—

(a) in paragraph (a), for "qualifying" substitute "notifiable";

(b) for paragraph (b) substitute—

"(b) a subsequent notice—

(i) is given by the appropriate person in relation to the employee and the notifiable year under the same subsection, and

(ii) is acknowledged by an officer of Revenue and Customs,

(c) the appropriate person notifies (in writing or otherwise) an officer of Revenue and Customs that the notice is to cease to have effect, or";

(c) in paragraph (c)(i), for "qualifying" substitute "notifiable".

(12) In subsection (9)—

(a) omit the "and" at the end of paragraph (a);

(b) at the end of paragraph (b) insert—

"(c) an individual is "treaty non-resident" at any time if, at that time, the individual falls to be regarded as resident in a territory outside the UK for the purposes of double relief arrangements having effect at the time, and

(d) "double taxation arrangements" means arrangements that have effect under section 2(1) of TIOPA 2010."

Consequential amendments

3 In section 690B (direction by HMRC in relation to internationally mobile employees), in subsection (6), in paragraph (b)(i)—

(a) after "new resident", in the first place it occurs, insert "or treaty non-resident";

(b) after "mobile tax year" insert "or treaty non-resident at any time in the mobile tax year".

4 (1) Section 690E (direction by HMRC in relation to qualifying new residents) is amended as follows.

(2) At the end of the heading insert "or treaty non-residents".

(3) In subsections (1)(a), (3)(a) and (6)(a), for "qualifying" substitute "notifiable".

(4) In subsections (2)(a) and (4)(b), after "qualifying payment" insert "or treaty affected payment (as applicable)".

PART 2

OTHER AMENDMENTS OF ITEPA 2003

5 ITEPA 2003 is amended as follows.

6 (1) Section 690 (internationally mobile employees) is amended as follows.

(2) In subsection (3), after "entire" insert "uncertain".

(3) In subsection (4), in the opening words—

(a) after "a payment" insert "or part of a payment";

(b) for "to the extent that" substitute "in respect of which".

(4) In subsection (4)(a), after "the income" insert "relating to that payment or part".

7 (1) Section 690A (employer notification for internationally mobile employees) is amended as follows.

(2) In subsection (2)(a) for "a proportion of any uncertain payment" substitute "the non-PAYE proportion of any mobile payment".

(3) After subsection (2) insert—

"(2A) For the purposes of this section and section 690B—

(a) "mobile payment" means a payment of, or on account of, an amount of employment income of the employee in respect of which—

(i) the extent to which the income is PAYE income depends or may depend on the extent to which the employee's duties during the mobile tax year are performed in the United Kingdom, and

(ii) the reason it depends or may depend on that extent is connected to the employee being or having been internationally mobile in the mobile tax year;

(b) "non-PAYE proportion" means the best estimate that can reasonably be made of the overall proportion of the amount of all mobile payments made by the employer to the employee that would not be PAYE income if the employee were non-UK resident for the mobile tax year or the mobile tax year were a split year as respects the employee (as appropriate)."

(4) In subsection (3), for "uncertain" substitute "mobile".

(5) For subsection (4) substitute—

"(4) But subsection (3) does not apply to a mobile payment—

(a) to the extent that section 690D(4) or 690E(4) (qualifying payments or treaty affected payments) also applies to the payment, or

(b) if the payment is made after the end of the mobile tax year, other than to the extent the payment is also an uncertain payment."

(6) In subsection (6)—

(a) after paragraph (a) insert—

"(aa) as a result of a change in the employee's circumstances, the proportion specified in the notice ceases to be a reasonable estimate of the non-PAYE proportion,";

(b) in paragraph (b) after "this section" insert "in relation to the employee and the mobile tax year";

(c) for paragraph (c) substitute—

"(c) section 690D (qualifying new resident or treaty non-resident employee) begins to apply in relation to the employee and the mobile tax year and the mobile tax year is not likely to be a split year as respects the employee."

8 (1) In section 690D (employer notification for qualifying new residents)—

(a) in subsection (3)(b)—

(i) for the words from "the proportion" to the end substitute "—

(i) the best estimate that can reasonably be made of the overall proportion of the amount of all qualifying payments made by the employer to the employee that is likely to be qualifying foreign employment income,";

(ii) at the end of that sub-paragraph insert "or

(ii) if the best estimate mentioned in sub-paragraph (i) is greater than 30%, 30%.";

(b) in subsection (6), after paragraph (a) insert—

"(aa) as a result of a change in the employee's circumstances, the proportion specified in the notice

ceases to be a reasonable estimate of the overall proportion of the amount (as applicable) of—

(i) all qualifying payments that is likely to be qualifying foreign employment income, or

(ii) all treaty affected payments in respect of which UK tax is likely to be relieved under double taxation arrangements,".

(2) The amendment made by sub-paragraph (1)(a)(ii) does not apply to a notification relating to an employee and tax year 2026-27 or 2027-28 if section 41R of ITEPA 2003 (limit on relief) would not apply to a foreign employment relief claim made by the employee for that year, if that year was the qualifying year (see paragraph 7 of Schedule 8 to FA 2025 (limit on relief not to apply to certain foreign employment relief claims)).

9 (1) In section 690B (direction by HMRC in relation to internationally mobile employees)—

(a) in subsection (1), omit paragraph (b) and the "and" before it;

(b) in subsection (2), in paragraph (a), for the words from "a proportion" to the end substitute "the non-PAYE proportion, or";

(c) in subsection (2), in paragraph (b) for "such" substitute "uncertain";

(d) in subsection (4), in paragraph (b) after "uncertain payment" insert "or mobile payment (as applicable)";

(e) after subsection (4) insert—

"(4A) But a direction for determining the non-PAYE proportion does not apply in relation to a mobile payment—

(a) to the extent that section 690D(4) or 690E(4) (qualifying payments or treaty affected payments) also applies to the payment, or

(b) if the payment is made after the end of the mobile tax year, other than to the extent the payment is also an uncertain payment.".

(2) In section 690E (direction by HMRC in relation to qualifying new residents), in subsection (1), omit paragraph (b) and the "and" before it.

10 In section 690C (employees who were internationally mobile etc. before 2025-26), in subsection (2)(b) for "spilt" substitute "split".

SCHEDULE 5

section 46

UNASSESSED TRANSFER PRICING PROFITS

Assessment of transfer pricing profits that should have been included in a return

1 (1) In TIOPA 2010, after Part 4 insert—

"PART 4A

ASSESSMENT OF UNASSESSED TRANSFER PRICING PROFITS

CHAPTER 1

UNASSESSED TRANSFER PRICING PROFITS

217A Introduction

(1) Where a company within the charge to corporation tax has unassessed transfer pricing profits for an accounting period, HMRC may assess those profits to corporation tax in accordance with this Part.

(2) Where the conditions in section 217C(1) are met, corporation tax is charged at the UTPP rate on unassessed transfer pricing profits assessed under this Part (instead of at the main rate or any other rate).

(3) The UTPP rate in relation to profits for an accounting period assessed under this Part means the sum of—

(a) the underlying corporation tax rate, and

(b) 6%.

(4) In subsection (3) "the underlying corporation tax rate", in relation to an amount of unassessed transfer pricing profits for an accounting period, means the sum of—

(a) the rate at which corporation tax would be chargeable on those profits if the amount of those profits were added to the amount of the company's profits for the accounting period (which may be nil) on which corporation tax would otherwise be chargeable, and

(b) the percentage given by dividing the total of any amounts that would, ignoring this Part, be assessable or chargeable on the unassessed transfer pricing profits as if they were corporation tax (reduced by any reliefs that would be specific to those amounts) by the amount of the unassessed transfer pricing profits.

(5) Section 217B sets out when a company has unassessed transfer pricing profits and what the amount of those profits are.

(6) Chapter 2 sets out the conditions for a company to be assessed at the UTPP rate under this Part.

(7) Chapter 3 sets out the process to be followed in making an assessment (including provision for a company to be assessed not at the UTPP rate).

(8) Chapter 4 contains minor definitions.

(9) In Schedule A1—

(a) Part 1 sets out when a company has unassessed transfer pricing profits as a partner of a partnership,

(b) Parts 2 and 3 set out how Chapters 2 and 3 of this Part apply in that case, and

(c) Part 4 sets out how Parts 1 to 3 of the Schedule apply to a company as a corporate member of a Lloyd's syndicate.

217B Unassessed transfer pricing profits

(1) For the purposes of this Part, a company has unassessed transfer pricing profits for an accounting period if—

(a) the company has made a self-assessment for the period,

(b) provision has been made or imposed as between the company and another person (referred to in this Part as "the other party") by means of a transaction or series of transactions,

(c) the profits of the company for the period are subject to a transfer pricing requirement in relation to that provision, and

(d) the transfer pricing requirement was not reflected, or is not wholly reflected, in the company's self-assessment.

(2) The unassessed transfer pricing profits of the company for the accounting period are—

(a) to the extent that the transfer pricing requirement requires profits that are not reflected in the company's self-assessment to be brought into account, those profits, and

(b) to the extent that the transfer pricing requirement requires losses that are reflected in the company's self-assessment to not be brought into account, the profits that would, if they were brought into account, produce the same result as not bringing into account those losses.

(3) For the purposes of subsection (2), the references to profits or losses being brought into account are to profits or losses being brought into account in calculating the company's profit or loss for the period for corporation tax purposes.

(4) The profits of a company are subject to a transfer pricing requirement in relation to the provision if—

(a) the company's profits and losses are required to be calculated as if the arm's length provision (within the meaning of Part 4) had been made or imposed instead of the provision, or

(b) an adjustment to the company's profits and losses that result from the provision is required by virtue of any other enactment where, but for that enactment, paragraph (a) would have applied in relation to the provision.

(5) In this Part "self-assessment" means a self-assessment under paragraph 7 of Schedule 18 to FA 1998 (and where that assessment has been amended, reference to the self-assessment is to that assessment as amended).

(6) This section does not apply to a company in its capacity as a corporate partner of a partnership or a corporate member of a Lloyd's syndicate (as to which see Schedule A1) (but this does not prevent this section from otherwise applying in circumstances where a company holds an interest in another person whose profits are treated for the purposes of corporation tax as profits of the company).

CHAPTER 2

CONDITIONS FOR BEING ASSESSED

217C Conditions for being assessed under this Part at the UTPP rate

(1) Unassessed transfer pricing profits of a company may be assessed under this Part at the UTPP rate only to the extent that—

(a) the provision to which the profits relate has an effective tax mismatch outcome for the accounting period to which the profits relate,

(b) the tax design condition is met, and

(c) the unassessed transfer pricing profits do not arise wholly from excepted loan relationship arrangements.

(2) In this section "excepted loan relationship arrangements" means—

(a) any arrangements that would produce debits or credits under Part 5 of CTA 2009 (loan relationships and deemed loan relationships) ("a loan relationship"), or

(b) a loan relationship and a relevant contract (within the meaning of Part 7 of that Act (derivative contracts)) taken together, where the relevant contract is entered into entirely as a hedge of risk in connection with the loan relationship.

217D Effective tax mismatch outcome

(1) Provision between the company and the other party has an effective tax mismatch outcome for an accounting period if the corresponding amount is less than 80% of the underlying corporation tax amount.

(2) "The underlying corporation tax amount" is the amount determined by multiplying the amount of the unassessed transfer pricing profits by the underlying corporation tax rate (within the meaning of section 217A(4)).

(3) "The corresponding amount" means the amount (which may be nil) of relevant tax—

(a) that is due and payable by the other party and that—

(i) where it has been paid, has not been refunded and would not be refunded if all reasonable steps were taken to secure that it was refunded;

(ii) otherwise, would remain due and payable if all reasonable steps were taken to minimise the amount, and

(b) charged (in any period) on profits that correspond to the unassessed transfer pricing profits.

(4) The steps mentioned in subsection (3)(a) include—

(a) claiming, or otherwise securing the benefit of, reliefs, deductions, reductions or allowances, and

(b) making elections for the purposes of the relevant tax.

(5) For the purposes of subsection (3)—

(a) an amount of relevant tax is refunded if and to the extent that—

(i) any repayment of tax, or any payment in respect of a credit for tax, is made to any person, and

(ii) that repayment or payment is directly or indirectly in respect of the whole or part of the amount of relevant tax paid by the other party;

(b) any withholding tax which is due and payable on payments made to the other party is (unless it is refunded within the meaning of paragraph (a)) to be treated as tax which is due and payable by the other party (and not the person making the payment).

(6) Where the other party is a transparent entity, the provision is to be treated as having an effective tax mismatch outcome for an accounting period unless HMRC is satisfied that it does not have such an outcome for the accounting period.

(7) For the purposes of this section, the other party is a "transparent entity" if, for the purposes of relevant tax charged under the law

of the territory in which the other party is legally constituted, profits that correspond to the unassessed transfer pricing profits are treated as the income or profits of a person or persons other than the other party.

(8) Where the other party is a transparent entity—

(a) references in this section to relevant tax that is due and payable or paid by the other party include a reference to relevant tax that is due and payable or paid by any person as a result of profits which correspond to the unassessed transfer pricing profits being treated for the purposes of relevant tax charged under the law of any territory as the income or profits of that person;

(b) subsection (5)(b) applies to any such persons as it applies to the other party.

(9) In this section "relevant tax" means—

(a) income tax,

(b) corporation tax on income,

(c) any amount chargeable as if it were corporation tax or treated as if it were corporation tax (other than the CFC charge within the meaning of Part 9A of this Act), or

(d) any foreign tax.

217E Tax design condition

(1) The tax design condition is met if it is reasonable to assume that the structure of—

(a) the transaction or series of transactions by which the provision to which the unassessed transfer pricing profits relate is imposed, or

(b) any arrangements to which the transaction or series of transactions relate,

is designed to have the effect of reducing, eliminating or delaying the liability of any person to pay UK tax.

(2) In subsection (1)—

(a) "arrangements" means any scheme or arrangement of any kind (whether or not it is, or is intended to be, legally enforceable);

(b) "UK tax" means income tax, corporation tax or capital gains tax.

CHAPTER 3

ASSESSMENT

217F Preliminary notices

(1) A designated officer may issue a preliminary notice to a company if they consider that the company has unassessed transfer pricing profits by virtue of section 217B.

(2) A preliminary notice issued under this section must —

(a) state the accounting period to which the unassessed transfer pricing profits relate;

(b) set out the officer's best judgement of the amount of unassessed transfer pricing profits;

(c) set out the basis on which the officer considers that the conditions mentioned in section 217C(1) are met.

(3) A preliminary notice under this section may not be issued in respect of an accounting period more than 4 years after the end of that period.

217G Representations by the company

(1) Where a preliminary notice is issued to a company, the company may make representations to a designated officer in accordance with this section

(2) Representations are only made in accordance with this section if—

(a) they are made in writing,

(b) they are made within the period of 30 days beginning with the day on which the officer issued the preliminary notice, and

(c) they are made solely on the grounds specified in subsection (3).

(3) Those grounds are—

(a) that there is an arithmetical error in the calculation of any profits stated in the preliminary notice or an error in a figure on which an assumption in the notice is based;

(b) that one or both of the conditions in section 217C(1)(a) and (c) are not met.

(4) But where the preliminary notice sets out that the basis on which the officer considers the condition mentioned in section 217C(1)(a) is met is because the other party is a transparent entity, representations are also made in accordance with this section if they are—

(a) made within the period of 60 days beginning with the day on which the officer issued the preliminary notice, and

(b) made solely on the grounds that the condition in section 217C(1)(a) is not met.

217H Assessment

(1) This section applies where—

(a) a designated officer has issued a preliminary notice to a company under section 217F in relation to the company's unassessed transfer pricing profits for an accounting period, and

(b) a designated officer has considered any representations made by the company in accordance with section 217G.

(2) A designated officer may assess the company to corporation tax at the UTPP rate on the unassessed transfer pricing profits that the company has for the period by virtue of section 217B.

(3) But where an officer of HMRC is required by a direction under paragraph 33 of Schedule 18 to FA 1998 to give a relevant closure notice, an assessment under this section may not be made before the relevant closure notice is given.

(4) An assessment under this section must be made before—

(a) the end of the period of—

(i) in a case where the preliminary notice to which the assessment relates sets out that the basis on which the officer considers the condition mentioned in section 217C(1)(a) is met is because the other party is a transparent entity, 90 days beginning with the day on which the preliminary notice was issued, or

(ii) otherwise, 60 days beginning with the day on which the preliminary notice to which the assessment relates was issued,

(but nothing in this subsection prevents a further preliminary notice being issued), or

(b) if later, in a case where a relevant closure notice required to be given by a direction under paragraph 33 of Schedule 18 to FA 1998 has been given before the end of the period mentioned in paragraph (a), the end of the period of 30 days beginning with the day on which the closure notice was given.

(5) In this section a "relevant closure notice" means a partial or final closure notice in relation to an enquiry into the company tax return for the accounting period mentioned in subsection (1)(a).

217I Amendment of company tax return by company

(1) This section applies where a designated officer assesses a company's unassessed transfer pricing profits for an accounting period under section 217H.

(2) At any time before the end of the period for amendments, the company may amend its company tax return for the accounting period so that its self-assessment more fully reflects the transfer pricing requirement to which the unassessed transfer pricing profits relate.

(3) In this Chapter "the period for amendments" means the period of 15 months beginning with the day after the day on which the designated officer assesses the company's unassessed transfer pricing profits under section 217H.

(4) If, before the end of the period of 15 months referred to in subsection (3), a designated officer and the company agree (in writing) that the period for amendments is to terminate, the period ends when that agreement is made.

(5) An amendment under subsection (2) may not be made in the last 21 days of the period for amendments, unless the period for amendments ends by agreement in accordance with subsection (4).

(6) Paragraph 31(3) of Schedule 18 to FA 1998 (amendment not to take effect during enquiry) does not apply in relation to an amendment made under subsection (2).

217J Amendment of assessment by HMRC

(1) This section applies where a designated officer assesses a company's unassessed transfer pricing profits for an accounting period under section 217H.

(2) If at any time before the end of the period for amendments a designated officer is satisfied that the total corporation tax charged at the UTPP rate on the company's unassessed transfer pricing profits for the period is excessive, the designated officer must amend or withdraw the assessment accordingly.

(3) If at any time (whether or not before the end of the period for amendments) a designated officer is satisfied that one or more of the conditions mentioned in section 217C(1) do not apply in respect of unassessed transfer pricing profits so assessed, the designated officer must—

(a) withdraw the assessment, or

(b) amend the assessment to assess the unassessed transfer pricing profits to corporation tax not at the UTPP rate.

(4) Where an assessment is amended under subsection (2) or (3) any tax overpaid must be repaid.

(5) If a designated officer is satisfied at any time before the end of the period for amendments that the total corporation tax charged at the UTPP rate on the company's unassessed transfer pricing profits for the period is insufficient, the designated officer may amend the assessment accordingly.

(6) An amendment under subsection (5) may not be made in the last 30 days of the period for amendments, unless the period for amendments ends by agreement in accordance with section 217I(4).

217K No postponement except before assessment is finalised for tax on same profits

(1) This section applies where—

(a) a designated officer has assessed a company's unassessed transfer pricing profits for an accounting period under section 217H or section 217J(5), and

(b) the amount of paid relevant tax is greater than nil.

(2) The company may—

(a) first apply by notice in writing to HMRC for a determination of the amount of the corporation tax charged on the unassessed transfer pricing profits the payment of which is to be postponed until the assessment is finalised (see subsection (3));

(b) where such a determination is not agreed, refer the application for a determination to the tribunal within the period of 30 days beginning with the date of the document notifying the company of HMRC's determination.

(3) For the purposes of this section—

(a) the amount of corporation tax charged on the unassessed transfer pricing profits the payment of which is to be postponed until the assessment is finalised is an amount equal to the amount of paid relevant tax, and

(b) the assessment is finalised when—

(i) the period of 30 days mentioned in section 217M(2) ends without notice of an appeal to the tribunal against the assessment being given,

(ii) an appeal against the assessment is finally determined otherwise than by the assessment being cancelled, or

(iii) an appeal against the assessment is withdrawn.

(4) An application under subsection (2)(a)—

(a) must be made within the period of 30 days beginning with the day after—

(i) the day on which the unassessed transfer pricing profits are assessed under section 217H or section 217J(5), or

(ii) if later, any day on which the amount of paid relevant tax ceases to be nil, and

(b) must state the amount of paid relevant tax and include documentary evidence of that amount.

(5) If, after any determination of the amount of corporation tax the payment of which should be so postponed—

(a) the company or HMRC has grounds for believing that the amount so determined has become excessive or insufficient, and

(b) the parties cannot agree on a revised determination,

the party mentioned in paragraph (a) may, at any time before the assessment is finalised, apply to the tribunal for a revised determination of that amount.

(6) Any application to the tribunal under subsection (2)(b) or subsection (5) is subject to the relevant provisions of Part 5 of TMA 1970 (see, in particular, section 48(2)(b) of that Act).

(7) If the company and HMRC reach an agreement as to the amount of corporation tax the payment of which should be postponed until the assessment is finalised, the agreement shall not have effect unless—

(a) the agreement is in writing, or

(b) the fact that the agreement has been reached, and the terms of the agreement, are confirmed by notice in writing given—

(i) by the company to HMRC, or

(ii) by HMRC to the company.

(8) The payment of corporation tax charged on the unassessed transfer pricing profits—

(a) may not be postponed other than in accordance with this section, and

(b) accordingly, any amount of the corporation tax that is not postponed in accordance with this section or ceases to be postponed in accordance with this section is due and payable in accordance with section 59D of TMA 1970 or regulations made under section 59E of that Act.

(9) In this section—

(a) "appeal" means any appeal under the Taxes Acts;

(b) "paid relevant tax" means relevant tax within the meaning of section 217D(9)—

(i) charged (in any period) on profits that correspond to the unassessed transfer pricing profits, and

(ii) that has been paid by the other party and not refunded within the meaning of section 217D(5);

(c) "tribunal" means the First-tier Tribunal or, where determined by or under Tribunal Procedure Rules, the Upper Tribunal;

(d) references to agreements between a company and HMRC, and to the giving of notices between the parties, include references to agreements, and the giving of notices, between a person acting on behalf of the company and HMRC.

(10) For the purposes of subsection (9)(b)—

(a) any withholding tax which has been paid on payments made to the other party is (unless it is refunded within the meaning of section 217D(5)) to be treated as tax which has been paid by the other party (and not by the person making the payment);

(b) where the other party is a transparent entity within the meaning of section 217D(7)—

(i) the reference to relevant tax that has been paid by the other party includes a reference to relevant tax that has been paid by any person as a result of profits that correspond to the unassessed transfer pricing profits being treated for the purposes of relevant tax charged under the law of any territory as the income or profits of that person;

(ii) paragraph (a) applies to any such persons as it applies to the other party.

217L Closure notices: rules relating to period for amendments

(1) This section applies where a designated officer assesses a company's unassessed transfer pricing profits for an accounting period under section 217H.

(2) A relevant closure notice may not be issued under paragraph 32 of Schedule 18 to FA 1998 at any time before the end of the period for amendments.

(3) Accordingly, a tribunal direction given under paragraph 33 of Schedule 18 to FA 1998 in relation to a relevant closure notice has no effect until the period for amendments has ended.

(4) A relevant closure notice issued after the end of the period for amendments may not make any amendments to the company tax return which have the effect that its self-assessment more fully

reflects the transfer pricing requirement to which the unassessed transfer pricing profits relate.

(5) In this section a "relevant closure notice" means a partial or final closure notice in relation to an enquiry into the company tax return for the accounting period mentioned in subsection (1).

217M Appeal against assessment

(1) A company may only appeal against an assessment of its unassessed transfer pricing profits under section 217H or section 217J(5) where—

(a) the company has paid (in full) the corporation tax charged on the profits assessed other than any amount the payment of which has been postponed in accordance with section 217K, and

(b) the period for amendments has ended.

(2) Notice of an appeal must be given before the end of the period of 30 days beginning with—

(a) the end of the period for amendments, or

(b) in a case where section 217I(4) applies, the day after the day on which the period for amendments ends,

(and accordingly paragraph 48(2)(b) of Schedule 18 to FA 1998 does not apply).

(3) Subsection (4) applies where, on an appeal against an assessment of a company's unassessed transfer pricing profits, the tribunal decides that the company is overcharged by the assessment as a result of one or more of the conditions mentioned in section 217C(1) not applying in respect of unassessed transfer pricing profits so assessed.

(4) The tribunal may, in addition to any other powers exercisable by the tribunal in those circumstances, reduce the tax charged on the amount assessed to assess the unassessed transfer pricing profits to corporation tax not at the UTPP rate.

217N Review of assessment

(1) This section applies if—

(a) HMRC are required by section 49B or 49C of TMA 1970 to review the assessment of a company's unassessed transfer pricing profits, and

(b) the review finds that one or more of the conditions mentioned in section 217C(1) do not apply in respect of unassessed transfer pricing profits so assessed.

(2) The reference in section 49E(5) of TMA 1970 (nature of review etc) to the review concluding that HMRC's view of the matter in

question is to be varied is to be read as including a reference to the review concluding that the assessment is to be amended to assess the unassessed transfer pricing profits to corporation tax not at the UTPP rate.

217P Settling of appeal by agreement

Where a company gives notice of appeal against an assessment of its unassessed transfer pricing profits, references in section 54 of TMA 1970 to the assessment being varied are to be read as including a reference to the assessment being amended to assess the unassessed transfer pricing profits to corporation tax not at the UTPP rate.

217Q No repayment

No claim may be made under section 59DA of TMA 1970 (repayment in advance of liability being established) or regulations under section 59E of that Act for the repayment of any amount of corporation tax charged on unassessed transfer pricing profits assessed under this Part at the UTPP rate.

217R Exclusion of reliefs, deductions and set-offs

No relief, deduction or set-off of any description is allowed against—

(a) a company's unassessed transfer pricing profits assessed under this Part at the UTPP rate, or

(b) corporation tax charged at the UTPP rate on unassessed transfer pricing profits assessed under this Part.

217S Assessment otherwise than at UTPP rate: no deduction for excess losses

(1) Where an assessment under this Part is amended to assess the unassessed transfer pricing profits to corporation tax otherwise than at the UTPP rate, no deduction from the unassessed transfer pricing profits is allowed for excess losses.

(2) "Excess losses" means any losses—

(a) that are reflected in the company's self assessment, and

(b) that the transfer pricing requirement to which the unassessed transfer pricing profits relate requires to not be brought into account in calculating the company's profits or loss for the period for corporation tax purposes.

CHAPTER 4

INTERPRETATION

Interpretation

217T Interpretation

(1) In this Part—

"designated officer" means an officer of Revenue and Customs who has been designated by the Commissioners for His Majesty's Revenue and Customs for the purposes of this Part;

"foreign tax" means a tax falling within subsection (2) of section 259B (see also subsections (3) and (3ZA) of that section);

"HMRC" means His Majesty's Revenue and Customs.

(2) References in this Part to a power to assess include any power to otherwise determine amounts of tax that are chargeable or payable by a company (and references to assessment and any other cognate expressions are to be construed accordingly)."

(2) Before Schedule 1 to TIOPA 2010 insert—

"SCHEDULE A1 section 217A

ASSESSMENT OF UNASSESSED TRANSFER PRICING PROFITS: PARTNERSHIPS AND LLOYD'S SYNDICATES

PART 1

CORPORATE PARTNER'S UNASSESSED TRANSFER PRICING PROFITS

Unassessed transfer pricing profits: corporate partners

1 (1) For the purposes of this Part of this Act, a company has unassessed transfer pricing profits as a corporate partner of a partnership in relation to a return period if—

(a) the company is or has been a partner in the partnership;

(b) a partnership return in respect of the partnership has been made and delivered in respect of the return period,

(c) provision has been made or imposed as between the partnership and another person by means of a transaction or series of transactions,

(d) the partnership's profits and losses calculated under section 1259 of CTA 2009 for one or more relevant accounting periods are subject to a transfer pricing requirement in relation to that provision,

(e) a share of the partnership's profit or loss calculated under section 1259 of CTA 2009 for one or more of those relevant accounting periods is brought into account in calculating the company's profit or loss for one or more accounting periods for corporation tax purposes, and

(f) the transfer pricing requirement was not reflected, or is not wholly reflected, in the partnership's profits and losses that were—

(i) included in the partnership return, and

(ii) calculated under section 1259 of CTA 2009.

(2) For the purposes of this Part of this Act, the unassessed transfer pricing profits of the company for an accounting period are the profits that would be brought into account in calculating the company's profit or loss for that accounting period for corporation tax purposes, if the amount of the partnership's profit calculated under section 1259 of CTA 2009 for each of the relevant accounting periods mentioned in sub-paragraph (1)(e) was taken to be the amount of the partnership's unassessed transfer pricing profits for that relevant accounting period (and no other amount).

(3) For the purposes of sub-paragraph (2), the partnership's unassessed transfer pricing profits for a relevant accounting period are—

(a) to the extent that the transfer pricing requirement requires profits that are not reflected in the partnership return to be brought into account in calculating the partnership's profits or losses calculated under section 1259 of CTA 2009 for the relevant accounting period, those profits, and

(b) to the extent that the transfer pricing requirement requires losses that are reflected in the partnership's return to not be brought into account in calculating the partnership's profits or losses calculated under section 1259 of CTA 2009 for the relevant accounting period, the profits that would, if they were brought into account in that calculation, produce the same result as not bringing into account those losses.

(4) The partnership's profits and losses calculated under section 1259 of CTA 2009 for a relevant accounting period are subject to a transfer pricing requirement in relation to the provision if—

(a) the partnership's profits and losses calculated under section 1259 of CTA 2009 for the relevant accounting period are required to be calculated as if the arm's length provision (within the meaning of Part 4) had been made or imposed instead of the provision, or

(b) an adjustment to the partnership's profits and losses calculated under section 1259 of CTA 2009 for the relevant

accounting period that result from the provision is required by virtue of any other enactment where, but for that enactment, paragraph (a) would have applied in relation to the provision.

(5) In this paragraph—

(a) for the purposes of sub-paragraph (1)(a), a company that is or has been a partner in the partnership includes a company that is or has been an indirect partner in the partnership for the purposes of section 12AA of TMA 1970, and

(b) accordingly, the reference in sub-paragraph (2) to the partnership's profits or losses being brought into account in calculating the profit or loss of a company that is or has been a partner in a partnership includes those profits or losses being brought into account indirectly.

(6) In Parts 1 to 3 of this Schedule—

(a) "partnership return" means a return in pursuance of a notice under section 12AA(2) or (3) of TMA 1970 (and where the return has been amended, reference to the return is to that return as amended);

(b) "relevant corporate partner", in relation to a partnership and a return period, means a company which has unassessed transfer pricing profits for one or more accounting periods as a corporate partner of the partnership in relation to the return period by virtue of this paragraph (and references to the relevant corporate partner's unassessed transfer pricing profits are to be construed accordingly);

(c) "return period" means the period in respect of which a partnership return is required pursuant to the notice under section 12AA(2) or (3) of TMA 1970;

(d) "relevant accounting period", in relation to a partnership return, means an accounting period of the firm (within the meaning of Part 17 of CTA 2009) ending within the return period.

PART 2

CONDITIONS FOR BEING ASSESSED

Conditions for being assessed

2 (1) In its application to the unassessed transfer pricing profits which a company has for one or more accounting periods as a corporate partner of a partnership in relation to a return period by virtue

of paragraph 1, Chapter 2 of this Part of this Act has effect as if—

(a) references to the other party were to the other person mentioned in paragraph 1(1)(c);

(b) the reference in section 217D(1) to the company were a reference to the partnership;

(c) where the partnership has more than one relevant corporate partner in relation to the return period, for section 217D(2) there were substituted—

"(2) "The underlying corporation tax amount" is the sum of the amounts determined in relation to each relevant corporate partner by multiplying the amount of the relevant corporate partner's unassessed transfer pricing profits by the underlying corporation tax rate.";

(d) the reference in section 217D(3) to relevant tax charged (in any period) on profits that correspond to the unassessed transfer pricing profits were to the relevant corporate partners' proportion of relevant tax charged (in any period) on profits that correspond to the partnership's unassessed transfer pricing profits within the meaning of paragraph 1(3) of this Schedule.

(2) In sub-paragraph (1)(d) "the relevant corporate partners' proportion" means the proportion that—

(a) where the partnership has one relevant corporate partner, the relevant corporate partner's unassessed transfer pricing profits, or

(b) where the partnership has more than one relevant corporate partner, the sum of each relevant corporate partner's unassessed transfer pricing profits,

bears to the partnership's unassessed transfer pricing profits within the meaning of paragraph 1(3) of this Schedule.

PART 3

ASSESSMENT

Preliminary notices

3 (1) Where a designated officer considers that a company has unassessed transfer pricing profits for one or more accounting periods as a corporate partner of a partnership in relation to a return period by virtue of paragraph 1, a designated officer may issue a preliminary notice to the representative partner.

(2) A preliminary notice issued under this paragraph must—

(a) set out the officer's best judgement of the amount of the partnership's unassessed transfer pricing profits (within the meaning of paragraph 1(3));

(b) state the return period to which the partnership's unassessed transfer pricing profits relate;

(c) set out the officer's best judgement of the amount of the unassessed transfer pricing profits of all of the relevant corporate partners;

(d) state the accounting periods to which the unassessed transfer pricing profits of all of the relevant corporate partners relate;

(e) set out the basis on which the officer considers that the conditions mentioned in section 217C(1) are met.

(3) A preliminary notice under this paragraph may not be issued in respect of a return period more than 4 years after the end of that period.

(4) In this Part of this Schedule, the "representative partner" means the partner who made and delivered the partnership return to which the unassessed transfer pricing profits relate or that partner's successor within the meaning of TMA 1970 (see section 12AA(11) and (12) of that Act).

Representations by the partnership

4 Section 217G has effect in relation to a preliminary notice issued to the representative partner under paragraph 3 as it has effect in relation to a preliminary notice issued to a company but as if the reference in subsection (4) of that section to the other party were to the other person mentioned in paragraph 1(1)(c).

Assessment

5 (1) This paragraph applies where—

(a) a designated officer has issued a preliminary notice to the representative partner under paragraph 3 in relation to a return period of the partnership, and

(b) a designated officer has considered any representations made by the representative partner in accordance with section 217G (as applied by paragraph 4).

(2) A designated officer may assess the unassessed transfer pricing profits of all of the relevant corporate partners of the partnership in relation to the return period to corporation tax at the UTPP rate.

(3) For the purposes of sub-paragraph (2), a designated officer assesses the unassessed transfer pricing profits of all of the relevant corporate partners of the partnership by—

(a) where the partnership has one relevant corporate partner in relation to the return period, assessing the relevant corporate partner on the relevant corporate partner's unassessed transfer pricing profits for the accounting period or periods stated in the preliminary notice;

(b) where the partnership has more than one relevant corporate partner in relation to the return period, assessing each relevant corporate partner on the relevant corporate partner's unassessed transfer pricing for the accounting periods stated in the preliminary notice, on the same day.

(4) Notices of any assessments under this paragraph issued to a relevant corporate partner must also be issued to the representative partner.

(5) Subsections (3) to (5) of section 217H have effect in relation to an assessment under this paragraph as they have effect in relation to an assessment under section 217H but as if—

(a) the reference in subsection (4) to the other party were to the other person mentioned in paragraph 1(1)(c),

(b) references to paragraph 33 of Schedule 18 to FA 1998 were to section 28B of TMA 1970, and

(c) the reference in subsection (5) to the company tax return for the accounting period mentioned in subsection (1)(a) were to the partnership return for the return period mentioned in sub-paragraph (1)(a).

Amendment of partnership return by partnership

6 (1) This paragraph applies where a designated officer assesses the unassessed transfer pricing profits of all of the relevant corporate partners of a partnership in relation to a return period under paragraph 5.

(2) At any time before the end of the period for amendments, the representative partner may amend the partnership return for the return period so that the calculation of the partnership's profits and losses under section 1259 of CTA 2009 more fully reflects the transfer pricing requirement to which the unassessed transfer pricing profits relate.

(3) In this Part of this Schedule "the period for amendments" means the period of 15 months beginning with the day after the day on which the designated officer assesses the unassessed transfer pricing profits of all of the relevant corporate partners under paragraph 5.

(4) If, before the end of the period of 15 months referred to in sub-paragraph (3), a designated officer and the representative partner agree (in writing) that the period for amendments is to terminate, the period ends when that agreement is made.

(5) An amendment under sub-paragraph (2) may not be made in the last 21 days of the period for amendments, unless the period for amendments ends by agreement in accordance with sub-paragraph (4).

(6) Section 12AD(3) of TMA 1970 (amendment not to take effect during enquiry) does not apply in relation to an amendment made under sub-paragraph (2).

Amendment of assessment by HMRC

7 (1) This paragraph applies where a designated officer assesses the unassessed transfer pricing profits of all of the relevant corporate partners of a partnership in relation to a return period under paragraph 5.

(2) If at any time before the end of the period for amendments a designated officer is satisfied that the total corporation tax charged on any relevant corporate partner's unassessed transfer pricing profits for an accounting period by an assessment under paragraph 5 is excessive, the designated officer must amend or withdraw the assessment accordingly.

(3) If at any time (whether or not before the end of the period for amendments) a designated officer is satisfied that one or more of the conditions mentioned in section 217C(1) do not apply in respect of unassessed transfer pricing profits so assessed, the designated officer must—

(a) withdraw all of the assessments made under paragraph 5, or

(b) amend all of the assessments to assess the unassessed transfer pricing profits to corporation tax not at the UTPP rate.

(4) Where an assessment is amended under sub-paragraph (2) or (3) any tax overpaid must be repaid.

(5) If a designated officer is satisfied at any time before the end of the period for amendments that the total corporation tax charged on any relevant corporate partner's unassessed transfer pricing profits for the period is insufficient, the designated officer may amend the assessment accordingly.

(6) An amendment under sub-paragraph (5) may not be made in the last 30 days of the period for amendments, unless the period for

amendments ends by agreement in accordance with paragraph 6(4).

(7) Where an assessment is withdrawn or amended under this paragraph, notice of the withdrawal or amendment must be given to the representative partner.

No postponement except before assessment is finalised for tax on same profits

8 (1) Section 217K applies where a designated officer has assessed the unassessed transfer pricing profits of all of the relevant corporate partners of a partnership in relation to a return period under paragraph 5 or paragraph 7(5) as it applies where a designated officer has assessed a company's unassessed transfer pricing profits under section 217H or section 217J(5) but as if—

(a) references to the company were to the representative partner;

(b) where the partnership has more than one relevant corporate partner in relation to the return period—

(i) in subsection (2)(a) after "determination" there were inserted "in relation to each assessment";

(ii) references to the assessment being finalised were to all of the assessments being finalised;

(iii) the reference in subsection (3)(b)(i) to the assessment were to the assessments;

(iv) the references in subsection (3)(b)(ii) and (iii) to an appeal against the assessment were to all appeals against the assessments;

(c) references to the other party were to the other person mentioned in paragraph 1(1)(c);

(d) the reference in subsection (3)(b) to section 217M(2) were to paragraph 10(3);

(e) the reference in subsection (9)(b) to relevant tax charged (in any period) on profits that correspond to the unassessed transfer pricing profits were to the relevant corporate partner's share of relevant tax charged (in any period) on profits that correspond to the partnership's unassessed transfer pricing profits within the meaning of paragraph 1(3).

(2) In sub-paragraph (1)(e) "the relevant corporate partner's share" means the share of the partnership's profits or losses calculated under section 1259 of CTA 2009 for all of the relevant accounting periods mentioned in paragraph 1(1)(e) that is brought into account in calculating the relevant corporate partner's profit or loss for any accounting period for corporation tax purposes.

Closure notices: rules relating to period for amendments

9 (1) This paragraph applies where a designated officer assesses the unassessed transfer pricing profits of all of the relevant corporate partners of a partnership in relation to a return period under paragraph 5.

(2) A relevant closure notice may not be issued under section 28B of TMA 1970 at any time before the end of the period for amendments.

(3) Accordingly, a tribunal direction given under section 28B of TMA 1970 in relation to a relevant closure notice has no effect until the period for amendments has ended.

(4) A relevant closure notice issued after the end of the period for amendments may not make any amendments to the partnership return which have the effect that the calculation of the partnership's profits and losses under section 1259 of CTA 2009 more fully reflects the transfer pricing requirement to which the unassessed transfer pricing profits relate.

(5) In this paragraph a "relevant closure notice" means a partial or final closure notice in relation to an enquiry into the partnership return for the return period mentioned in sub-paragraph (1).

Appeal against assessment

10 (1) An appeal against the assessment of the unassessed transfer pricing profits of a relevant corporate partner of a partnership in relation to a return period under this Schedule may only be made—

(a) by the representative partner, and

(b) where the partnership has more than one relevant corporate partner in relation to the return period, by the representative partner appealing at the same time against the assessments of the unassessed transfer pricing profits of all of the relevant corporate partners.

(2) The representative partner in the partnership may only bring an appeal against such an assessment where—

(a) all of the relevant corporate partners have paid (in full) the corporation tax charged on the profits assessed other than any amount the payment of which has been postponed in accordance with paragraph 8, and

(b) the period for amendments has ended.

(3) Notice of an appeal must be given before the end of the period of 30 days beginning with—

(a) the end of the period for amendments, or

(b) in a case where paragraph 6(4) applies, the day after the day on which the period for amendments ends,

(and accordingly paragraph 48(2)(b) of Schedule 18 to FA 1998 does not apply).

(4) Sub-paragraphs (5) and (6) apply where, on an appeal against an assessment of a relevant corporate partner's unassessed transfer pricing profits, the tribunal decides that the company is overcharged by the assessment as a result of one or more of the conditions mentioned in section 217C(1) not applying in respect of unassessed transfer pricing profits so assessed.

(5) The tribunal may, in addition to any other powers exercisable by the tribunal in those circumstances, reduce the tax charged on the amount assessed to assess the unassessed transfer pricing profits to corporation tax not at the UTPP rate.

(6) But where the partnership has more than one relevant corporate partner in relation to the return period the tribunal may only exercise the power in sub-paragraph (5) if the tribunal exercises the power on the appeal against the assessment of the unassessed transfer pricing profits of each relevant corporate partner.

Review of assessment

11 In its application in relation to an appeal against the assessment of the unassessed transfer pricing profits of a relevant corporate partner of a partnership in relation to a return period in respect of which the partnership has more than one relevant corporate partner, section 217N has effect as if after subsection (2) there were inserted—

"(3) But the review may only conclude that the assessment is to be amended as described in subsection (2) if the review concludes that the assessment of each of the relevant corporate partner's unassessed transfer pricing profits is to be amended in that way."

Settling of appeal by agreement

12 (1) Where the representative partner gives notice of appeal against an assessment of the unassessed transfer pricing profits of a relevant corporate partner of a partnership in relation to a return period, references in section 54 of TMA 1970 to an agreement that the assessment should be varied are to be read as including a reference to an agreement that the assessment should be amended to assess the unassessed transfer pricing profits to corporation tax not at the UTPP rate.

(2) But where the partnership has more than one relevant corporate partner in relation to the return period, an agreement that the

assessment should be amended as described in sub-paragraph (1) may only be made if an agreement of that kind is made in relation to the assessment of each of the relevant corporate partner's unassessed transfer pricing profits.

PART 4

APPLICATION TO LLOYD'S SYNDICATES

Introduction

13 (1) Parts 1 to 3 of this Schedule apply to a company as a corporate member of a syndicate as they apply to a company as a corporate partner of a partnership as if references to—

(a) partnership were to syndicate;

(b) corporate partner or corporate partners were to corporate member or corporate members;

(c) partnership return were to syndicate return;

(d) return period were to underwriting year;

(e) the representative partner were to the syndicate's managing agent;

(f) "calculated under section 1259 of CTA 2009" were omitted.

(2) The application of Parts 1 to 3 of this Schedule to a corporate member of a syndicate is also subject to the modifications set out in paragraph 14.

(3) For the purposes of this Part of this Schedule—

(a) "corporate member", in relation to a syndicate—

(i) means a body corporate which is a member of Lloyd's and is or has been an underwriting member, and

(ii) where the body corporate is a partnership, includes any company that is or has been a partner in that partnership (and for these purposes, partner includes any person who is or has been an indirect partner in the partnership within the meaning of section 12AA of TMA 1970);

(b) "syndicate" and "underwriting year" have the same meanings as in Chapter 5 of Part 4 of FA 1994 (see section 230 of that Act);

(c) "managing agent" and "syndicate return" have the same meanings as in regulation 4 of the Lloyd's Underwriters (Tax) Regulations 2005 (S.I. 2005/3338).

Modifications to Parts 1 to 3 of this Schedule

14 (1) Paragraph 1 (unassessed transfer pricing profits) has effect as if—

(a) references to relevant accounting period, one or more relevant accounting periods, one or more of those relevant accounting periods and each of the relevant accounting periods mentioned in sub-paragraph (1)(e) were to the underwriting year;

(b) the references in sub-paragraph (1)(a) and (5)(b) to partner were to corporate member;

(c) in sub-paragraph (2) after "brought into account", in the first place it occurs, there were inserted "during the period for amendments (see paragraph 6)";

(d) sub-paragraph (5)(a) (and the "accordingly" at the start of sub-paragraph (5)(b)) and sub-paragraphs (6)(a), (c) and (d) were omitted.

(2) Paragraph 3 (preliminary notices) has effect as if sub-paragraph (4) were omitted.

(3) Paragraph 5 (assessment) has effect as if sub-paragraph (5)(b) were omitted.

(4) Paragraph 6 (amendment of return) has effect as if—

(a) after sub-paragraph (2) there were inserted—

"(2A) Where the syndicate return is amended under sub-paragraph (2), a designated officer must, by notice to each of the relevant corporate members, amend the corporate member's company tax return so as to give effect to the amendment of the syndicate return.";

(b) in sub-paragraph (6), the reference to section 12AD(3) of TMA 1970 were to paragraph 31(3) of Schedule 18 to FA 1998.

(5) Paragraph 8 (no postponement except before assessment is finalised for tax on same profits) has effect as if the reference in sub-paragraph (2) to all of the relevant accounting periods mentioned in paragraph 1(1)(e) were to the underwriting year.

(6) Paragraph 9 has effect as if—

(a) the reference in sub-paragraph (2) to section 28B of TMA 1970 were to paragraph 32 of Schedule 18 to FA 1998;

(b) the reference in sub-paragraph (3) to section 28B of the TMA 1970 were to paragraph 33 of Schedule 18 to FA 1998;

(c) for sub-paragraph (4) there were substituted—

"(4) Where a relevant closure notice issued after the end of the period for amendments amends the syndicate return to more fully reflect the transfer pricing requirement to which the unassessed

transfer pricing profits relate, the amendment may not be given effect—

(a) by amending any relevant corporate member's tax return in a closure notice, or

(b) otherwise by an assessment to corporation tax on any of the relevant corporate members.""

(3) Part 3 of FA 2015 (diverted profits tax) is repealed.

(4) In Schedule 11 to TIOPA 2010 (index of defined expressions used in Parts 2 to 8), after Part 2 insert—

"PART 2A

UNASSESSED TRANSFER PRICING PROFITS: INDEX OF DEFINED EXPRESSIONS USED IN PART 4A

corporate member (in Part 4 of Schedule A1)	paragraph 13(3) of Schedule A1
designated officer (in Part 4A)	section 217T
foreign tax (in Part 4A)	section 217T
HMRC (in Part 4A)	section 217T
managing agent (in Part 4 of Schedule A1)	paragraph 13(3) of Schedule A1
the other party (in Part 4A)	section 217B(1)
partnership return (in Parts 1 to 3 of Schedule A1)	paragraph 1(6) of Schedule A1
the period for amendments (in Chapter 3 of Part 4A)	section 217I(3) and (4)
relevant corporate partner (in Parts 1 to 3 of Schedule A1)	paragraph 1(6) of Schedule A1
representative partner (in Part 3 of Schedule A1)	paragraph 3(4) of Schedule A1
return period (in Parts 1 to 3 of Schedule A1)	paragraph 1(6) of Schedule A1
relevant accounting period (in Parts 1 to 3 of Schedule A1)	paragraph 1(6) of Schedule A1
self-assessment (in Part 4A)	section 217B(5)
syndicate (in Part 4 of Schedule A1)	paragraph 13(3) of Schedule A1
syndicate return (in Part 4 of Schedule A1)	paragraph 13(3) of Schedule A1

underwriting year (in Part 4 of Schedule A1)	paragraph 13(3) of Schedule A1"

(5) In section 48 of TMA 1970 (application to appeals and other proceedings), in subsection (2)(b) after "section 55 below" insert "or section 217K of TIOPA 2010".

(6) In section 49E of TMA 1970 (nature of review etc), after subsection (5A) insert—

"(5B) See section 217N of TIOPA 2010 concerning the application of this section in the case of an assessment of a company's unassessed transfer pricing profits under Part 4A of that Act."

Consequential amendments

2 In section A1 of CTA 2009, in subsection (2), after paragraph (g) insert—

"(ga) Part 4A of that Act (assessment of unassessed transfer pricing profits),".

3 (1) In section 206(3) of FA 2013 (taxes to which the general anti-abuse rule applies) omit paragraph (da).

(2) In paragraph 7 of Schedule 6 to FA 2010 (enactments to which definition of "charity" in Part 1 of that Schedule applies)—

(a) after paragraph (h) insert "and", and

(b) omit paragraph (j) (and the "and" before it).

(3) In Schedule 23 to FA 2011 (data-gathering powers), in paragraph 45(1) (taxes to which powers apply), omit paragraph (ca).

(4) In section 1139 of CTA 2010 (definition of "tax advantage" for the purposes of provisions of the Corporation Tax Acts which apply this section), in subsection (2)—

(a) after paragraph (da) insert "or", and

(b) omit paragraph (f) (and the "or" before it).

(5) In Schedule 56 to FA 2009 (penalty for failure to make payments on time)—

(a) in the Table at the end of paragraph 1, omit the entry relating to diverted profits tax;

(b) in paragraph 3 (amount of penalty: occasional amounts and amounts in respect of periods of 6 months or more), omit sub-paragraph (1)(aa).

(6) In Schedule 36 to FA 2008 (information and inspection powers), in paragraph 63(1) (taxes to which powers apply), omit paragraph (ca).

(7) In Schedule 41 to FA 2008 (penalties: failure to notify etc)—

(a) in the Table in paragraph 1, omit the entry relating to diverted profits tax;

(b) in paragraph 7 (meaning of "potential lost revenue"), omit sub-paragraph (4A).

(8) In section 178 of FA 1989 (setting rates of interest), in subsection (2), omit paragraph (v).

(9) In section 1 of the Provisional Collection of Taxes Act 1968 (temporary statutory effect of House of Commons resolutions affecting income tax, purchase tax or customs or excise duties), in subsection (1) omit "diverted profits tax,".

SCHEDULE 6

Section 47

TRANSFER PRICING

PART 1

AMENDMENTS OF PART 4 OF TIOPA 2010

Introduction

1 Part 4 of TIOPA 2010 (transfer pricing) is amended as follows.

Transfer pricing notice where participation condition not otherwise met

2 (1) After section 148 insert—

"148A Participation condition treated as met: transfer pricing notice

(1) Subsection (3) applies where—

(a) the basic pre-condition would be met, if the participation condition in section 148 were met,

(b) as a result of the application of sections 157 to 161, the participation condition is not met, and

(c) either (ignoring those sections, which give particular meanings to the following words for the purposes of section 148)—

(i) one of the affected persons was, at the time of the making or imposition of the actual provision, directly or indirectly participating in the management, control or capital of the other, or

(ii) the same person or persons was or were, at that time, directly or indirectly participating in the management, control or capital of each of the affected persons.

(2) Whether a person was directly or indirectly participating in the management, control or capital of another person is, for the purposes

of subsection (1)(c), to be determined having regard to all of the circumstances.

(3) The Commissioners for His Majesty's Revenue and Customs may give the potentially advantaged person a notice under this section.

(4) The effect of the notice is that the participation condition is to be treated as met for the purposes of applying this Part in relation to the chargeable period in which it is given and subsequent chargeable periods.

(5) Where the Commissioners consider that a particular case is analogous to a case that would meet the participation condition only as a result of section 161 (actual provision relates, to any extent, to financing arrangements)—

(a) the Commissioners must state that in the notice, and

(b) subsections (1)(d), (2)(b), (3), (4)(b) and (5) of section 147 have effect in relation to that case as if reference to "the actual provision" were to the actual provision so far as relating to the financing arrangements concerned.

(6) A notice under subsection (3) is referred to in Chapter 3 as a transfer pricing notice.

(7) Sections 169 to 171 in that Chapter make general provision about the giving of, and effect of, transfer pricing notices.

(8) But neither section 169(3) (no transfer pricing notice before notice of enquiry given) nor section 171 (tax returns where transfer pricing notice given) applies to a transfer pricing notice under this section."

(2) In section 157 (direct participation), in subsection (1)(a), after "Part" insert "(other than for the purposes of section 148A(1)(c))".

(3) In section 164(1)(a) (Part to be interpreted in accordance with OECD principles), after "148" insert ", 148A".

(4) In section 170 (appeals against transfer pricing notices)—

(a) in subsection (1), before paragraph (a) insert—

"(za) in the case of a transfer pricing notice given under section 148A(3), that the condition in section 148A(1)(c) is not met,",

(b) after subsection (1) insert—

"(1A) A person to whom a transfer pricing notice is given under section 148A(3) may appeal against a decision of the Commissioners for His Majesty's Revenue and Customs to consider the case to which the notice relates analogous to a case that would meet the participation condition only as a result of section 161 (actual provision relates, to any extent, to financing arrangements).", and

(c) in subsection (2), for "Any such appeal" substitute "An appeal under this section".

Intangible fixed assets

3 In section 151 ("arm's length provision"), after subsection (2) insert—

"(3) For the purposes of determining the arm's length provision in relation to the actual provision involving—

(a) the transfer of intangible fixed assets for consideration other than money, or

(b) the grant of a licence or any other right in respect of intangible fixed assets for consideration other than money,

assume that the transfer or grant at arm's length would be for consideration of a sum of money.

(4) For the purposes of subsection (3) "intangible fixed assets" has the meaning it has in Part 8 of CTA 2009."

Guarantees

4 (1) Omit section 152.

(2) Omit section 153.

(3) Before section 154 insert—

"153A Certain guarantees not capable of being arm's length

Where—

(a) the actual provision includes provision for the borrowing of an amount,

(b) the amount would not have been lent between independent enterprises but for a guarantee, and

(c) such a guarantee was provided by a person with whom the borrower has a participatory relationship,

provision for the guarantee (to the extent it relates to the borrowing of that amount) is never to be regarded as arm's length provision for the purposes of this Part."

(4) After section 153A (as inserted by sub-paragraph (3)) insert—

"153B Election for deemed guarantee

(1) This section applies where the actual provision includes provision for the borrowing of an amount.

(2) A UK resident company ("the deemed guarantor") with whom the borrower has a qualifying participatory relationship may elect to be treated, in relation to that borrowing—

(a) for the purposes of this Part (as it applies to the deemed guarantor, the borrower and any other person), and

(b) while the deemed guarantor is UK resident and has that relationship,

as having provided a guarantee in respect of so much of the borrowing as is excessive.

(3) Borrowing is excessive to the extent that it—

(a) would not have been lent between independent enterprises but for a guarantee, and

(b) was not the subject of such a guarantee.

(4) The election—

(a) applies at all times when the condition in subsection (2)(b) is met, from the beginning of the day on which the first chargeable period of the borrower for which the election is made commences, and

(b) is irrevocable (so continues indefinitely).

(5) The election—

(a) must specify the first chargeable period of the borrower for which the election is made,

(b) may not be made more than 4 years after the end of that period.

(6) Where the borrower is the subject of a discovery assessment in relation to a chargeable period of the borrower, the deemed guarantor may make an election for that period to be the first chargeable period of the borrower for which the election is made (despite subsection (5)(b)) at any time within the period of one year beginning with the making of that discovery assessment.

(7) Nothing in this section is to be taken as permitting the amendment of a return, or the making of any claim or election, in consequence of an election made under this section after the time for which that amendment, claim or other election could otherwise be made.

(8) Where the lender makes a claim under section 174 or a guarantor makes a claim under section 192 in relation to the provision for the borrowing before the election made under this section, the election only applies to so much of the excessive borrowing as is not taken account of in the calculation of that person's profits and losses as a result of the claim.

(9) For the purposes of this section—

(a) a participatory relationship is "qualifying" if the participatory relationship does not arise only as a result of any of sections 148A (participation condition treated as met following transfer pricing notice) or 159 to 161 (indirect participation);

(b) "discovery assessment" means—

(i) an assessment under section 29(1) of TMA 1970, or

(ii) a discovery assessment or discovery determination under Schedule 18 to FA 1998 (company tax returns).

(10) See also Chapter 5 for provision about claims by a guarantor (which includes a person making an election under subsection (2)).”

(5) In section 154 (interpretation of sections 152 and 153)—

(a) in the heading, for “152 and 153” substitute “153A and 153B”,

(b) omit subsections (1) to (3),

(c) in subsection (4)(b), for “issuing company”, in both places it occurs, substitute “borrower”,

(d) after subsection (4) insert—

“(4A) But any implicit support is not to be regarded as a guarantee.”,

(e) for subsection (5) substitute—

“(5) A person has a participatory relationship with another person at any time if provision relating to financing arrangements made or imposed between them at that time would meet the participation condition in section 148.”

(f) after subsection (5) insert—

“(5A) “Borrowing” includes the issuing of a security.

(5B) “Implicit support” means any incidental benefit, in relation to borrowing by a company, that it is reasonable to assume would arise to the company as a result of it having a participatory relationship with one or more other companies.”, and

(g) omit subsections (6) and (7).

(6) In section 164(1)(a) (Part to be interpreted in accordance with OECD principles), after “148A” (as inserted by paragraph 2(3)) insert “, 154(5B)”.

(7) In section 174 (claim by the affected person who is not potentially advantaged), in subsection (3), for “claim not allowed in some cases where actual provision relates to a security issued by one of the affected persons” substitute “application of section 174 where guarantee disallowed”.

(8) For section 175 substitute—

“175 Application of section 174 where guarantee disallowed

(1) Subsection (2) applies where—

(a) the actual provision includes provision for the borrowing of an amount,

(b) that amount would not have been lent between independent enterprises but for a guarantee,

(c) such a guarantee was provided by a person with whom the borrower has a participatory relationship, and

(d) the participation condition, in relation to the actual provision for the borrowing—

(i) would not be satisfied but for section 161 (indirect participation), or

(ii) is satisfied as a result of a notice given under section 148A(3), and the Commissioners for His Majesty's Revenue and Customs consider that the case is analogous to a case that would meet the participation condition only as a result of section 161.

(2) For the purposes of section 174(2), the amount is to be treated as if it had been lent to the guarantor on equivalent terms to the terms on which it was lent to the borrower.

(3) Section 154 (interpretation of section 153A and 153B) applies for the purposes of this section as it applies for the purposes of sections 153A and 153B."

(9) In consequence of the amendment made by sub-paragraph (8)—

(a) in section 158, in subsection (2), for "148(2)(a) and (3)(a) and 175(2)(a)" substitute "148(2) and (3) and 175",

(b) in section 159, in subsection (1)(a), for "175(2)" substitute "175", and

(c) in section 160, in subsection (1)(a), for "175(2)" substitute "175".

Position of guarantor of affected person's liabilities under a security issued by the person

5 In the italic heading before section 191, for the words from "liabilities" to the end substitute "borrowing liabilities".

6 (1) Section 191 (when sections 192 to 194 apply) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (a)—

(i) for "issuing company" substitute "borrower", and

(ii) for the words from "is" to the end substitute " has borrowing liabilities",

(b) in paragraph (c)—

(i) for "issuing company" substitute "borrower", and

(ii) for "under the security" substitute "in respect of the borrowing", and

(c) for paragraph (d) substitute—

"(d) the reduction is a result of provision for the guarantee not being regarded as arm's length in accordance with section 153A (certain guarantees not capable of being arm's length)."

(3) Omit subsections (2) to (4).

(4) In subsection (5)—

(a) in the definition of "the issuing company", for "issuing company" substitute "borrower",

(b) omit the definition of "the security", and

(c) at the appropriate places insert—

""borrowing", "guarantee" and "implicit support" have the meanings they have in sections 153A and 153B (see section 154);"

""the borrowing transaction" means the transaction mentioned in subsection (1)(a);".

7 (1) Section 192 is amended as follows.

(2) In the heading, for "issuing company" substitute "borrower".

(3) In subsection (1)—

(a) in the words before paragraph (a)—

(i) for "section 191(1)(c)" substitute "subsection (1)(c) of section 191 (so far as it meets the condition in subsection (1)(d) of that section)", and

(ii) for "issuing company" substitute "borrower",

(b) omit paragraph (a),

(c) for paragraph (b) substitute—

"(b) was the person that owed the borrowing liabilities under the borrowing transaction, and", and

(d) in paragraph (c), for "issuing company" substitute "borrower".

(4) In subsection (3) for "issuing company's liabilities under the security" substitute "borrower's liabilities under the borrowing transaction".

(5) Omit subsection (6).

8 In section 192A (provision for cases within Part 6A), in subsection (1)—

(a) in paragraph (a), for "issuing company under the security" substitute "borrower in respect of the borrowing transaction", and

(b) in paragraph (d), for "issuing company" substitute "borrower".

9 In section 193 (interaction between claims under sections 184 and 192(1))—

(a) in subsection (1)—

(i) in paragraph (a), for "issuing company" substitute "borrower",

(ii) for paragraph (b) substitute—

"(b) another person ("the lender")", and

(iii) in the words after paragraph (b), for "security" substitute "borrowing transaction",

(b) in subsection (2) in paragraph (b), for "lending company" substitute "lender",

(c) in subsection (3) for "lending company's" substitute "lender's", and

(d) in subsection (4)—

(i) in paragraph (a), for "lending company" substitute "lender", and

(ii) in paragraph (b), for "lending company's" substitute "lender's".

10 (1) Section 194 (claims under section 192(1)) is amended as follows.

(2) In subsection (1), in paragraph (c), for "issuing company" substitute "borrower".

(3) In subsection (2) for "issuing company" substitute "borrower".

(4) In subsection (3), in paragraph (a), for "issuing company" substitute "borrower".

Other references to securities

11 (1) In the italic heading before section 181, for "a security" substitute "borrowing".

(2) In section 181 (section 182 claims)—

(a) in the heading, for "a security" substitute "borrowing",

(b) in subsection (1)—

(i) omit paragraph (a), and

(ii) in paragraph (b), for "a security issued by one of those companies" substitute "borrowing", and

(c) for subsection (4) and (5) substitute—

"(4) For the purposes of this section "borrowing" has the meaning it has in sections 153A and 153B (see section 154)."

(3) In section 197 (qualifying conditions for purposes of section 198)—

(a) in subsection (2)—

(i) omit "("the issuing company") is a company that", and

(ii) for "liabilities under a security issued by it" substitute "borrowing liabilities",

(b) in subsection (4)—

(i) for "issuing company" substitute "borrower", and

(ii) for "under the security" substitute " in respect of the borrowing",

(c) in subsection (5), for "153" substitute "section 153A",

(d) in subsection (6) for "issuing company" substitute "borrower",

(e) in subsection (7)(a), for "153" substitute "section 153A", and

(f) for subsections (8) to (10) substitute—

"(8) For the purposes of this Chapter, "borrowing" and "guarantee" have the meanings they have in sections 153A and 153B (see section 154)."

(4) In section 198 (balancing payments by guarantor to issuer: no charge to, or relief from, tax)—
  (a) in the heading, for "issuer" substitute "borrower",
  (b) in subsection (1)—
    (i) for "guarantor companies" substitute "guarantors", and
    (ii) after "197(4)" insert "that are result of the application of section 153A,
  (c) in subsection (2)(a)—
    (i) for "the purposes of corporation tax" substitute "tax purposes", and
    (ii) for "issuing company" substitute "borrower",
  (d) in subsection (2)(b) omit "Corporation",
  (e) in subsection (3) omit the definition of "the issuing company".

(5) In section 199 (pre-conditions for making election under section 200)—
  (a) in subsection (5), for "a security (the "relevant security")" substitute "borrowing ("the relevant borrowing")", and
  (b) omit subsections (7) and (8).

(6) In section 200 (election to pay tax rather than make balancing payments)—
  (a) in subsection (1)—
    (i) for "section 152", in both places it occurs, substitute "section 153A", and
    (ii) for "security", in both places it occurs, substitute "borrowing", and
  (b) in subsection (3), for "security" substitute "borrowing".

(7) In section 201 (pre-conditions for making election under section 202)—
  (a) in subsection (5)(a)—
    (i) for "the issuing of a security ("the relevant security")" substitute "borrowing ("the relevant borrowing")",
    (ii) omit "("the issuing company")",
  (b) omit subsections (7) to (9).

(8) In section 202 (election, in guarantee case, to pay tax rather than make balancing payments)—
  (a) in subsection (1)—
    (i) for "section 153", in both places it occurs, substitute "section 153A", and
    (ii) for "security", in both places it occurs, substitute "borrowing", and
  (b) in subsection (3), for "security" substitute "borrowing".

(9) In section 203 (elections under section 200 or 202—
  (a) in subsection (2) for "security is issued" substitute "borrowing first occurs",

(b) in subsection (4), for "security is issued" substitute "borrowing first occurs",

(c) in subsection (8) for "security" substitute "borrowing", and

(d) in subsection (9)—

(i) for "security was issued" substitute "borrowing first occurred",

(ii) for "been issued" substitute "first borrowed".

Commencement of paragraphs 4 to 11

12 The amendments made by paragraphs 4 to 11 have effect—

(a) in relation to chargeable periods ending on or after 1 January 2026 but that commence before the end of the period of two years beginning with that date, in relation to borrowing occurring on, or after, 1 January 2026, and

(b) for all purposes—

(i) in relation to chargeable periods commencing on or after the end of that period, or

(ii) where a person has elected that the amendments should apply in relation to it in relation to any earlier chargeable period of the person ending on or after 1 January 2026, in relation to that period.

Financing cases

13 (1) For section 161 substitute—

"161 Indirect participation: involvement in financing arrangements

(1) At any time this subsection applies, a person ("P"), with a qualifying interest in a body corporate or firm ("A") is to be regarded as indirectly participating in the management, control or capital of A for the purposes of applying any of—

(a) section 148(2) or (3) (participation condition),

(b) section 175 (application of section 174 where guarantee disallowed), or

(c) section 219(2) (in Part 5),

in relation to provision comprising financing arrangements for A to which P and one or more other persons with a qualifying interest in A are party.

(2) Subsection (1) applies at any time if—

(a) one or more of those other persons act together (within the meaning given by subsection (4)) with P in relation to A, or have acted together in relation to A within the previous 6 months, and

(b) if all of the rights and powers of P and each of the persons mentioned in paragraph (a) were held by one person ("H"), that person would be taken to have control of A.

(3) In determining whether H would be taken to have control of A, the rights and powers of any person (and not just H) are to be taken to include those that would be attributed to that person by section 159(2) were it being decided under section 159(2) whether that person is indirectly participating in the management, control or capital of A.

(4) A person ("Q") with a qualifying interest in another person ("B"), and another person ("U") with such an interest, are to be regarded as acting together in relation to B if at any time while they both hold such an interest—

(a) Q and U are connected (within the meaning of section 163),

(b) for the purposes of influencing the conduct of B's affairs—

(i) Q is able to secure that U acts in accordance with Q's wishes,

(ii) U can reasonably be expected to act, or typically acts, in accordance with Q's wishes,

(iii) U is able to secure that Q acts in accordance with U's wishes, or

(iv) Q can reasonably be expected to act, or typically acts, in accordance with U's wishes, or

(c) Q and U are party to any financing arrangements for B to which Q and U are party that—

(i) it is reasonable to suppose is designed to affect the value of any of U's or Q's rights or interests in relation to B, or

(ii) relates to the exercise of any of U's or Q's rights in relation to B.

(5) But for the purposes of subsection (4), ignore any rights or powers of Q that only arise as a result of loan made by Q and that are conferred in relation to property of U by the terms of any security relating to the loan.

(6) A person ("R") has a qualifying interest in a company ("C") if it is reasonable to suppose that—

(a) R possesses, or is entitled to acquire, any amount of the share capital or issued share capital of C,

(b) R possesses, or is entitled to acquire, any amount of the voting power in C, or

(c) if the whole of C's share capital were disposed of, R would receive (directly or indirectly and whether at the time of disposal or later) any amount of the proceeds of the disposal,

other than as a result only of the terms of a normal commercial loan under which R is the creditor of C.

(7) A person ("R") has an qualifying interest in a firm ("F") if it is reasonable to suppose that, other than as a result only of the terms of a normal commercial loan under which R is the creditor of F—

(a) if the whole of the income of the firm were distributed, R would receive (directly or indirectly and whether at the time of the distribution or later) any amount of the distributed amount, or

(b) in the event of a winding-up of the firm or in any other circumstances, R would receive (directly or indirectly and whether or not at the time of the winding-up or other circumstances or later) any amount of F's assets which would then be available for distribution.

(8) In this section—

"arrangements" includes any agreement, understanding, scheme, transaction or series of transactions, whether or not legally enforceable;

"financing arrangements" means arrangements made for providing or guaranteeing, or otherwise in connection with, any debt, capital or other form of finance;

"normal commercial loan" means a loan which is a normal commercial loan for the purposes of section 158(1)(b) or 159(4)(b) of CTA 2010."

(2) Omit section 162.

(3) In section 158 (indirect participation defined by sections 159 to 162)—

(a) in the heading, for "162" substitute "161", and

(b) omit subsection (3).

(4) In section 163 (meaning of "connected")—

(a) in the heading, for "section 159" substitute "sections 159 and 161", and

(b) in subsection (1), for "section 159" substitute "sections 159 and 161".

(5) In section 219 (in Part 5), in subsection (4), for ", 161(1) and 162(1)" substitute "and 161(1)".

Agreements for common management etc

14 (1) Before section 163 insert—

"162A Agreements for common management

(1) Where a person ("A") and another person ("B") are the subject of common management arrangements, each of A and B is to be

treated, for the purposes of this Chapter, as having control of the other.

(2) Common management arrangements means arrangements that—

(a) result in the management of A and B by the same person or group of persons, and

(b) include a mechanism that it is reasonable to suppose is intended to secure that the economic interests of shareholders in A and B being aligned.

(3) In this section "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions, whether or not legally enforceable."

(2) In section 157 (direct participation), after subsection (2) insert—

"(3) See also section 162A, which provides for circumstance in which a person will be regarded as having control of another."

Participation condition: anti avoidance

15 After section 162A (as inserted by paragraph 14) insert—

"162B Arrangements to avoid participation condition

(1) Any arrangements that would result in the participation condition not being met are to be disregarded if the main purpose, or one of the main purposes, of the arrangements is to secure that the participation condition is not met.

(2) In this section "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions, whether or not legally enforceable."

UK to UK exemption

16 (1) Before section 165 (at the beginning of Chapter 3) insert—

"164A UK to UK Exemption

(1) Section 147(3) and (5) do not apply in calculating, for a chargeable period of a potentially advantaged person, the profits and losses of that person in relation to actual provision that is qualifying UK to UK provision in relation to that person for that period.

(2) Actual provision is qualifying UK to UK provision in relation to a potentially advantaged person for a chargeable period of that person ("the relevant period") if—

(a) the potentially advantaged person and the other affected person (whether or not also a potentially advantaged person) are both companies and are UK resident throughout the relevant period,

(b) the provision is relevant to the calculation of the profits and losses of both companies, and throughout the relevant period, any profits (if there are any) arising are chargeable to corporation tax,

(c) each company is charged to corporation tax on such profits at the same rate as the other company is charged on such profits,

(d) there is no time in the relevant period at which the reference currency used by one company in relation to the provision or a part of the provision differs from the reference currency used by the other in relation to the provision or that part,

(e) the actual provision does not comprise or include, a contract to which section 589 of CTA 2009 (contracts not derivative contracts because of underlying subject matter) applies in relation to one or other of the affected persons (but not both),

(f) no exemption adjustments under section 18A(1) of CTA 2009 (exemption for profits or losses of foreign permanent establishments) are made in respect of profits or losses arising from the relevant activities of the potentially advantaged person or the other affected person in calculating the taxable profits of that person,

(g) the actual provision is not patent box provision in relation to the relevant period, and

(h) neither the potentially advantaged person nor the other affected person is an excluded company at any time in the relevant period.

(3) For the purposes of subsection (2)(d) the "reference currency" used by a company in relation to provision, or part of a provision, means the currency by reference to which the profits of the company, so far as they relate to the provision or part, are calculated for corporation tax purposes.

(4) Actual provision is patent box provision in relation to the relevant period if—

(a) it results in at least one of the affected persons having relevant IP income (within the meaning of Part 8A of CTA 2010) for an accounting period of that person falling (wholly or partially) within the relevant period, and

(b) an election under section 357A of that Act applies to that company for that accounting period.

(5) A company is an excluded company at any time if—

(a) it carries on a ring fence trade (within the meaning of Part 8 of CTA 2010) at that time,

(b) it has previously carried on (and has ceased carrying on) a ring fence trade, it has incurred general decommissioning

expenditure (within the meaning given by section 163 of CAA 2001) and the time falls within the post-cessation period (within the meaning given by section 165(2) of that Act),

(c) it carries on oil contractor activities (within the meaning of Part 8ZA of CTA 2010) as part of a trade at that time,

(d) it carries on basic life assurance and general annuity business (within the meaning of Part 2 of FA 2012) at that time,

(e) it is a tonnage tax company (within the meaning of Schedule 22 to FA 2000) at that time,

(f) it is a banking company (within the meaning of Part 7A of CTA 2010) in relation to the accounting period of the company in which that time falls,

(g) it is, at that time, a company incorporated in the United Kingdom to which section 236 of FISMA 2000 applies (open-ended investment companies),

(h) it is a unit trust scheme in respect of which an order under section 243 of FISMA 2000 (authorised unit trust schemes) is in force at that time (see also section 617 of CTA 2010 which treats the trustees of such a scheme as a UK resident company for the purposes of the Tax Acts),

(i) it is an investment trust (see section 1158 of CTA 2010) with respect to the accounting period of the company in which that time falls,

(j) it is, or is a member of, a UK REIT (within the meaning of Part 12 of CTA 2010) at that time,

(k) section 83(1) of FA 2005 (application of accounting standards to securitisation companies) applies to the company in relation to a period of account in which that time falls,

(l) it is, at that time, a securitisation company within the meaning of the Taxation of Securitisation Companies Regulations 2006 to which those regulations apply,

(m) it is, at that time, an insurance securitisation company within the meaning of the Taxation of Insurance Securitisation Companies Regulations 2007,

(n) it is, at that time, a qualifying transformer vehicle within the meaning of the Risk Transformation (Tax) Regulations 2017 (see regulation 3),

(o) it is a QAHC (within the meaning of Schedule 2 to FA 2022) at that time,

(p) it is, or is a member of, a generating undertaking (within the meaning of Part 5 of F(No.2)A 2023) to whom generation receipts or allowable costs are attributed, in accordance with that Part, for the qualifying period in which that time falls, or

(q) it is a residential property developer (within the meaning of Part 2 of FA 2022) that has residential property developer profits (within the meaning of that Part) for the accounting period of the company in which that time falls.

(6) Subsection (1) does not apply to qualifying UK to UK provision in relation to a potentially advantaged person for a chargeable period of that person if the person elects—

(a) that subsection (1) does not apply (in relation to the person) in respect of that provision, or

(b) that subsection (1) does not apply to the person for that period.

(7) An election under subsection (6) may not be revoked.

(8) Subsection (1) also does not apply to qualifying UK to UK provision in relation to a potentially advantaged person for a chargeable period of that person if the Commissioners for His Majesty's Revenue and Customs give the person a notice that states—

(a) that subsection (1) does not apply (in relation to the person) in respect of that provision for that period, or

(b) that subsection (1) does not apply to the person for that period.

(9) The Commissioners may only give a notice under subsection (8) if they consider that it is expedient to give the notice for the purposes of avoiding any loss of tax that would, or may, otherwise result from the application of subsection (1).

(10) For the purposes of subsection (9), and section 170(1)(zb), the question of whether there is or may be a loss of tax is to be determined having regard to the positions of both of the affected persons.

(11) A notice under subsection (8) is referred to in this Chapter as a transfer pricing notice.

(12) See sections 169 to 171 for further provision about the giving of, and effect of, transfer pricing notices."

(2) In section 170 (appeals against transfer pricing notices) in subsection (1), after paragraph (za) (as inserted by paragraph 2(4)(a) of this Schedule) insert—

"(zb) in the case of a transfer pricing notice given under section 164A(8), that there would be no loss of tax resulting from—

(i) in the case of a notice under section 164A(8)(a), the application of section 164A(1) in relation to the chargeable period and provision to which the notice relates, or

(ii) in the case of a notice under section 164A(8)(b), the application of section 164A(1) in relation to that period and any qualifying UK to UK provision for which the person is the potentially advantaged person, or"

(3) In consequence of the amendment made by sub-paragraph (1), in section 371SD (CFC corporation tax assumptions as to residence), after subsection (5) insert—

"(5A) The assumption in subsection (1) is to be ignored for the purposes of applying section 164A (and accordingly the CFC will not get the benefit of the transfer pricing exemption for qualifying provision between UK resident companies)."

Losses

17 In section 156 ("losses"), in subsection (1), in the words before paragraph (a) after "with" insert "the Tax Acts including (for example)".

Interpretation in accordance with OECD principles

18 In Section 164 (part to be interpreted in accordance with OECD principles)—

(a) in subsection (1), for paragraph (b) substitute—

"(b) the effect that would be given under double taxation arrangements that incorporate the OECD model in accordance with the transfer pricing guidelines."

(b) for subsections (3) and (4) substitute—

"(3) In this section "the OECD model" means the rules contained in Article 9 of the Model Tax Convention on Income and on Capital approved by the OECD Council on 18 November 2025, as interpreted in accordance with, or supplemented by, the OECD's commentary on that Article, also approved on that date.

(4) In this section "the transfer pricing guidelines" means the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022 published by the OECD on 20th January 2022 as interpreted in accordance with, or supplemented by, such documents as may be published by the OECD from time to time as are relevant to the application of those guidelines.

(4A) The reference to the Model Tax Convention approved on 18 November 2025, the OECD commentary approved on that date or the OECD Transfer Pricing Guidelines published on 20th January 2022, is to that document as it may be amended or replaced from time to time.

(4B) And each of those documents, and any other document referred to in subsection (4), is to be read in accordance with any reservation, declaration or election made by the United Kingdom in relation to that document.

(4C) The Treasury may by regulations make provision—

(a) for subsection (4A) not to apply in relation to any specified amendment or replacement of the OECD model or the OECD Transfer Pricing Guidelines,

(b) providing that the reference in subsection (4) to other documents is not to include any specified document, and

(c) about the effect of any provision of any document referred to in subsection (4) that has been published, amended or replaced on or after 26 November 2025 where that provision is elective (however expressed)."

Compensating adjustments

19 (1) In section 174 (claim by the affected person who is not potentially advantaged)—

(a) in the heading, at the end insert "etc",

(b) after subsection (1) insert—

"(1A) Subsection (2) also applies in any case where—

(a) one of the affected persons is a non-UK resident company with a permanent establishment in the United Kingdom,

(b) the taxable profits of that company are calculated, as a result of section 21 of CTA 2009, as if the arm's length provision (to some extent) had been made or imposed between the permanent establishment and the other affected person, and

(c) if the actual provision (to the extent corresponding to the arm's length provision treated as made or imposed between the permanent establishment and the other person) had been made or imposed between the permanent establishment and the other person, that provision—

(i) would confer a potential advantage on the non-UK resident company in relation to United Kingdom taxation, and

(ii) would not confer a potential advantage on the other person in relation to United Kingdom taxation.

(1B) For the purposes of applying that subsection in such a case—

(a) the permanent establishment is to be regarded as "the advantaged person",

(b) the other affected person is to be regarded as the "disadvantaged person",

(c) the reference to the arm's length provision is to that provision to the extent it is treated as having been made or imposed between the permanent establishment and the other affected person for the purpose of calculating the profits of the non-UK resident company, and

(d) the reference to the actual provision is to that provision to the extent that it as corresponds to the arm's length provision treated as having been made or imposed between the permanent establishment and the other affected person for that purpose."

(2) In section 176 (claims under section 174: advantaged person must have made return), in subsection (3)(a), after "Part" insert "or Chapter 4 of Part 2 of CTA 2009".

(3) Part 4 of TIOPA 2010 has effect, and is to be deemed always to have had effect, with the amendment made by this paragraph.

Removal of requirement for Commissioners' sanction

20 (1) Omit sections 208 to 211 and the italic heading before section 208 (determinations requiring Commissioners' sanction).

(2) The amendment made by this paragraph has effect in relation to any transfer-pricing determination made on or after the day on which this Act comes into force.

PART 2

OTHER AMENDMENTS

CHAPTER 1

LOAN RELATIONSHIPS ETC

Loan relationships where provision falls within Part 4 of TIOPA 2010

21 (1) Section 445 of CTA 2009 (disapplication of independent terms assumption) is amended as follows.

(2) For subsection (1) substitute—

"(1) Section 444 does not apply in relation to credits or debits of a company if—

(a) as a result of Part 4 of TIOPA 2010 (transfer pricing), the profits and losses of the company are to be calculated for

tax purposes as if the arm's length provision to which those credits or debits would relate had been made or imposed instead of the actual provision to which they relate, or

(b) those profits would be so calculated if the actual provision –

(i) conferred a potential advantage in relation to United Kingdom taxation (within the meaning of that Part) on the company, and

(ii) differed from the arm's length provision."

(3) Omit subsections (3) and (3A).

Disallowed debits allowed where corresponding credit previously taken into account

22 (1) In section 446 of CTA 2009 (bringing into account adjustments made under Part 4 of TIOPA 2010: loan relationships), for subsection (8) substitute –

"(8) Where a company makes a claim under this subsection, any qualifying credit of the company which (ignoring this subsection) would be brought into account for the purposes of this Part is not to be brought into account.

(9) But subsection (8) does not apply –

(a) if the corresponding profits of the company are less than the corresponding arm's length profits, or

(b) to the extent that its application would result in the corresponding profits being less than the corresponding arm's length profits.

(10) A credit of a company is a "qualifying credit" to the extent it corresponds to an amount which, as a result of Part 4 of TIOPA 2010, has not previously been brought into account as a debit.

(11) Where a company makes a claim under this subsection, neither subsection (3) nor (5) of section 147 of TIOPA 2010 applies to prevent the bringing into account of a qualifying debit which (ignoring this subsection) would not be brought in account for the purposes of this Part as a result of the application of either subsection.

(12) But subsection (11) does not apply –

(a) if the corresponding profits of the company are less than the corresponding arm's length profits, or

(b) to the extent that its application would result in the corresponding profits being less than the corresponding arm's length profits.

(13) A debit of a company is a "qualifying debit" to the extent it corresponds to a matched credit.

(14) The relevant amount of a credit of a company is a "matched credit" if—

(a) the credit was previously brought into account,

(b) the credit relates to actual provision made or imposed between the company and another person to which neither subsection (3) or (5) of section 147 of that Act applied in relation to the company,

(c) the only reason neither subsection applied in relation to the company and the actual provision was because the actual provision did not confer a potential advantage on the company (see section 155 of that Act), and

(d) if the profits of the company were calculated as if the arm's length provision had been made or imposed instead of the actual provision, the credit would not have been brought into account to some extent.

(15) The "relevant amount" of a credit means so much of the credit as would not have been brought into account if the arm's length provision had been made or imposed instead of the actual provision to which the credit relates.

(16) For the purposes of subsections (9) and (12), the corresponding profits of the company means the sum of the profits and losses of the company—

(a) for each accounting period for which there was actual provision made or imposed between the company and another person ("the other affected person") to which the qualifying credit or qualifying debit relates,

(b) that arose from—

(i) each such provision where the profits and losses of the company were not (as a result of Part 4 of TIOPA 2010) required to be calculated as if the arm's length provision had been made or imposed instead of that provision, and

(ii) the arm's length provision in relation to each such provision where the profits and losses of the company are to be calculated as if that arm's length provision had been made or imposed instead (as a result of that Part), and

(c) ignoring the effect (if any) of Part 10 of TIOPA 2010 (corporate interest restriction).

(17) For the purposes of those subsections, the corresponding arm's length profits means the corresponding profits calculated as if the arm's length provision had been made or imposed instead of the actual provision referred to in subsection (16)(a) in each case.

(18) In this section "actual provision", "arm's length provision" and "potential advantage" are to be construed in accordance with Part 4 of TIOPA 2010 (transfer pricing).

(19) A claim under subsection (8) or (11) must be made—

(a) within the period of two years after the end of the accounting period to which the claim relates, or

(b) within such further period as an officer of Revenue and Customs may allow.

(20) A claim may not be made under either of those subsections if—

(a) the profits and losses of other affected person were required, for any chargeable period of that person, to be calculated as if the arm's length provision had been made or imposed instead of the actual provision relating to the qualifying credit or qualifying debit, and

(b) those profits and losses were not so calculated for that chargeable period."

(2) In section 693 of CTA 2009 (bringing into account adjustments made under Part 4 of TIOPA 2010: derivative contracts), for subsection (6) substitute—

"(6) Where a company makes a claim under this subsection, any qualifying credit which (ignoring this subsection) would be brought into account for the purposes of this Part is not to be brought into account.

(7) But subsection (6) does not apply—

(a) if the corresponding profits of the company are less than the corresponding arm's length profits, or

(b) to the extent that its application would result in the corresponding profits being less than the corresponding arm's length profits.

(8) A credit of a company is a "qualifying credit" to the extent it corresponds to an amount which, as a result of Part 4 of TIOPA 2010, has not previously been brought into account as a debit.

(9) Where a company makes a claim under this subsection, neither subsection (3) nor (5) of section 147 of TIOPA 2010 applies to prevent the bringing into account of a qualifying debit which (ignoring this subsection) would not be brought in account for the purposes of this Part as a result of the application of either subsection.

(10) But subsection (9) does not apply—

(a) if the corresponding profits of the company are less than the corresponding arm's length profits, or

(b) to the extent that bringing the qualifying debit into account would have that result.

(11) A debit of a company is a "qualifying debit" to the extent it corresponds to a matched credit.

(12) The relevant amount of a credit of a company is a "matched credit" if—

(a) the credit was previously brought into account,

(b) the credit relates to actual provision made or imposed between the company and another person to which neither subsection (3) or (5) of section 147 of that Act applied in relation to the company,

(c) the only reason neither subsection applied in relation to the company and the actual provision was because the actual provision did not confer a potential advantage on the company (see section 155 of that Act), and

(d) if the profits of the company were calculated as if the arm's length provision had been made or imposed instead of the actual provision, the credit would not have been brought into account to some extent.

(13) The "relevant amount" of a credit means so much of the credit as would not have been brought into account if the arm's length provision had been made or imposed instead of the actual provision to which the credit relates.

(14) For the purposes of subsections (7) and (10), the corresponding profits of the company means the sum of the profits and losses of the company—

(a) for each accounting period for which there was actual provision made or imposed between the company and another person ("the other affected person") to which the qualifying credit or qualifying debit relates,

(b) that arose from—

(i) each such provision where the profits and losses of the company were not (as a result of Part 4 of TIOPA 2010) required to be calculated as if the arm's length provision had been made or imposed instead of that provision, and

(ii) the arm's length provision in relation to each such provision where the profits and losses of the company are to be calculated as if that arm's length provision had been made or imposed instead (as a result of that Part), and

(c) ignoring the effect (if any) of Part 10 of TIOPA 2010 (corporate interest restriction).

(15) For the purposes of those subsections, the corresponding arm's length profits means the corresponding profits calculated as if the

arm's length provision had been made or imposed instead of the actual provision referred to in subsection (14)(a) in each case.

(16) In this section "actual provision", "arm's length provision" and "potential advantage" are to be construed in accordance with Part 4 of TIOPA 2010 (transfer pricing).

(17) A claim under subsection (6) or (9) must be made—

(a) within the period of two years after the end of the accounting period to which the claim relates, or

(b) within such further period as an officer of Revenue and Customs may allow.

(18) A claim may not be made under either of those subsections if—

(a) the profits and losses of other affected person were required, for any chargeable period of that person, to be calculated as if the arm's length provision had been made or imposed instead of the actual provision relating to the qualifying credit or qualifying debit, and

(b) those profits and losses were not so calculated for that chargeable period."

Credits and debits treated as relating to capital expenditure

23 (1) In section 320 of CTA 2009 (loan relationships: credits and debits treated as relating to capital expenditure), after subsection (3) insert—

"(3A) Subsection (2) does not apply in relation to an amount so far as—

(a) the amount is treated in the company's accounts as an amount recognised in determining the carrying value of an interest in an entity,

(b) the fair value of the loan relationship when it was entered into differs from the transaction price, and

(c) the amount represents that difference."

(2) In section 604 of that Act (derivative contracts: credits and debits treated as relating to capital expenditure), after subsection (3) insert—

"(3A) Subsection (2) does not apply in relation to an amount so far as—

(a) the amount is treated in the company's accounts as an amount recognised in determining the carrying value of an interest in an entity,

(b) the fair value of the derivative contract when it was entered into differs from the transaction price, and

(c) the amount represents that difference."

CHAPTER 2

INTANGIBLE FIXED ASSETS

Proceeds of realisation

24 (1) Section 739 (meaning of "proceeds of realisation") of CTA 2009 is amended as follows.

(2) After subsection (1A) insert—

"(1B) Subsection (1A) does not apply to a realisation by a company if—

(a) either—

(i) as a result of Part 4 of TIOPA 2010 (transfer pricing), the profits and losses of the company are to be calculated for tax purposes as if the arm's length provision in relation to the realisation had been made or imposed instead of the actual provision in relation to it, or

(ii) those profits would be so calculated if the actual provision conferred a potential advantage in relation to United Kingdom taxation (within the meaning of that Part) on the company and differed from the arm's length provision, and

(b) the realisation is a cross-border realisation.

See also section 151(3) of that Part for provision about applying the arm's length provision in relation to intangible fixed assets."

(3) After subsection (2) insert—

"(3) But where subsection (1A) applies in relation to an amount recognised for accounting purposes, that amount is not to be adjusted as a result of any adjustment required by Part 4 of TIOPA 2010.

(4) For the purposes of subsection (1B)—

(a) a realisation is a cross-border realisation if, at the time of the realisation, the other party to the realisation transaction is—

(i) a UK resident company, but only if it has a qualifying permanent establishment in a territory outside the United Kingdom,

(ii) a non-UK resident company, other than a non-UK resident company that has a permanent establishment in the United Kingdom with a relevant connection to the transaction,

(iii) a non-UK resident individual, other than an individual that carries on a trade, profession or vocation in the United Kingdom through a branch

or agency where the transaction is for the purposes of that trade, profession or vocation, or

(iv) a partnership, but only if all of its members are non-UK resident or it has a qualifying permanent establishment in a territory outside the United Kingdom.

(b) where the other party has a permanent establishment in a territory outside the United Kingdom, that permanent establishment is "qualifying" if—

(i) exemption adjustments under section 18A(1) of CTA 2009 (exemption for profits or losses of foreign permanent establishments) would be made in calculating the taxable profits of the other party, and

(ii) those adjustments would include adjustments in respect of the realisation transaction,

(c) a permanent establishment of the other party in the United Kingdom has a relevant connection to the realisation transaction if the transaction is, in accordance with Chapter 4 of Part 2, attributable to that permanent establishment,

(d) "branch or agency"—

(i) means any factorship, agency, receivership, branch or management, but

(ii) does not include any person within any of the exemptions under sections 835G to 835K of ITA 2007 (persons who are not UK representatives).

(e) "actual provision" and "arm's length provision" are to be construed in accordance with Part 4 of TIOPA 2010 (transfer pricing)."

Transfers of intangible fixed assets

25 (1) Section 845 of CTA 2009 (transfer between company and related party treated as at market value) is amended as follows.

(2) In subsection (4) omit paragraph (a).

(3) After that subsection insert—

"(4ZA) But the basic rule does not apply in relation to a transfer if—

(a) the transfer is a cross-border transfer, and

(b) the transfer is subject to transfer pricing.

(4ZB) See also section 846 for a different rule where—

(a) the basic rule doesn't apply as a result of subsection (4ZA), and

(b) the profits and losses of the company or the related person are not required, under Part 4 of TIOPA 2010, to be calculated as if the arm's length provision had been made

instead of the provision comprising the transfer or of which the transfer forms part.

(4ZC) Where, as a result of section 846 or Part 4 of TIOPA 2010, the profits and losses of the company or the related person are to be calculated as if the arm's length provision had been made instead of the actual provision for the transfer, the transfer is treated for all purposes of the Taxes Acts as being for the price it would have under that arm's length provision (as respects both the company and the related party).

(4ZD) For the purposes of subsection (4ZA)(a) a transfer is a cross-border transfer if, at the time of the transfer, the related party is—

(a) a UK resident company, but only if it has a qualifying permanent establishment in a territory outside the United Kingdom,

(b) a non-UK resident company, other than a non-UK resident company that has a permanent establishment in the United Kingdom with a relevant connection to the transferred asset,

(c) a non-UK resident individual, other than an individual that carries on a trade, profession or vocation in the United Kingdom through a branch or agency that has a relevant connection to the transferred asset, or

(d) a partnership, but only if all of its members are non-UK resident or it has a qualifying permanent establishment in a territory outside the United Kingdom.

(4ZE) Where the related party has a permanent establishment in a territory outside the United Kingdom, that permanent establishment is "qualifying" if—

(a) exemption adjustments under section 18A(1) of CTA 2009 (exemption for profits or losses of foreign permanent establishments) would be made in calculating the taxable profits of the related party, and

(b) those adjustments include adjustments in respect of the transferred asset.

(4ZF) A permanent establishment of the related party in the United Kingdom has a relevant connection to the transferred asset if the asset is, in accordance with Chapter 4 of Part 2, attributable to that permanent establishment.

(4ZG) A branch or agency of the related party has a relevant connection to the transferred asset if—

(a) where the related party is the transferor, it was used or held for the purposes of the branch or agency immediately before the transfer, or

(b) where the related party is the transferee, it was acquired for use by, to be held by or for the purposes of, the branch or agency."

(4) After subsection (5) insert—

"(6) In this section "branch or agency"—

(a) means any factorship, agency, receivership, branch or management, but

(b) does not include any person within any of the exemptions under sections 835G to 835K of ITA 2007 (persons who are not UK representatives).

(7) For the purposes of this section and section 846—

"provision" and "arm's length provision" are to be construed in accordance with Part 4 of TIOPA 2010 (transfer pricing);

a transfer is "subject to transfer pricing" if—

(a) as a result of Part 4 of TIOPA 2010 (transfer pricing), the profits and losses of the company or the related party are to be calculated for tax purposes as if the arm's length provision to which those credits or debits would relate had been made or imposed instead of the actual provision to which they relate, or

(b) those profits would be so calculated if the actual provision —

(i) conferred a potential advantage in relation to United Kingdom taxation (within the meaning of that Part) on the company, and

(ii) differed from the arm's length provision."

(5) For section 846 of CTA 2009 substitute—

"846 Transfers where provision subject to transfer pricing but section 147(3) or (5) does not apply

(1) This section applies to a person who is a company or related party to whom, or from whom, a transfer of an intangible fixed asset is made if—

(a) the basic rule in section 845 would apply in relation to that person and that transfer but does not as a result of subsection (4ZA) of that section (provision subject to transfer pricing), and

(b) the profits and losses of that person are not required, under section 147(3) or (5) of TIOPA 2010, to be calculated as if the arm's length provision had been made instead of the provision comprising the transfer or of which the transfer forms part.

(2) Section 147(3) of that Act applies to that person in relation to the provision comprising the transfer, or of which the transfer forms part, as if—

(a) the reference to the "potentially advantaged person" were to that person, and

(b) the reference to the "actual provision" were to the provision comprising the transfer or of which the transfer forms part.

See also section 151(3) of that Act for provision about applying the arm's length provision in relation to intangible fixed assets."

Grant of licence or other right treated as at market value

26 (1) Section 849AB of CTA 2009 (grant of licence or other right treated as at market value) is amended as follows.

(2) After subsection (1) insert—

"(1A) But this section does not apply in relation to a person (either the company or the related party) if—

(a) either—

(i) the profits and losses of the person are to be calculated for tax purposes as if the arm's length provision in relation to the grant had been made or imposed instead of the actual provision in relation to the grant as a result of Part 4 of TIOPA 2010 (transfer pricing), or

(ii) they would be so calculated if the actual provision conferred a potential advantage in relation to United Kingdom taxation (within the meaning of that Part) on the person, and

(b) the grant is a cross-border grant.

(1B) A grant is a cross-border grant if, at the time of the grant, the related party is—

(a) a UK resident company, but only if it has a qualifying permanent establishment in a territory outside the United Kingdom,

(b) a non-UK resident company, other than a non-UK resident company that has a permanent establishment in the United Kingdom with a relevant connection to the licence or other right that is the subject of the grant,

(c) a non-UK resident individual, other than an individual that carries on a trade, profession or vocation in the United Kingdom through a branch or agency that has a relevant connection to the licence or other right that is the subject of the grant, or

(d) a partnership, but only if all of its members are non-UK resident or it has a qualifying permanent establishment in a territory outside the United Kingdom.

(1C) Where the related party has a permanent establishment in a territory outside the United Kingdom, that permanent establishment is "qualifying" if—

(a) exemption adjustments under section 18A(1) of CTA 2009 (exemption for profits or losses of foreign permanent establishments) would be made in calculating the taxable profits of the related party, and

(b) those adjustments would include adjustments in respect of the licence or other right that is the subject of the grant.

(1D) A permanent establishment of the related party in the United Kingdom has a relevant connection to the licence or other right that is the subject of the grant if the licence or other right is, in accordance with Chapter 4 of Part 2, attributable to that permanent establishment.

(1E) A branch or agency of the related party has a relevant connection to the licence or other right that is the subject of the grant if—

(a) where the related party is the grantor, if the asset from which the licence or other right is derived was used or held for the purposes of the branch or agency immediately before the grant, or

(b) where the related party is the grantee, the licence or other right was acquired for use by, to be held by or for the purposes of, the branch or agency.

(1F) In this section "branch or agency"—

(a) means any factorship, agency, receivership, branch or management, but

(b) does not include any person within any of the exemptions under sections 835G to 835K of ITA 2007 (persons who are not UK representatives)."

(3) In subsection (6) omit paragraph (a).

(4) In subsection (12), at the appropriate place insert—

""actual provision" and "arm's length provision" are to be construed in accordance with Part 4 of TIOPA 2010 (transfer pricing),".

(5) Omit section 849AC of CTA 2009.

Deemed market value acquisition: adjustment where nil accounting value

27 (1) Section 857 of CTA 2009 (deemed market value acquisition: adjustment where nil accounting value) is amended as follows.

(2) In the heading—

(a) after "value", in the first place it occurs, insert "or arm's length", and

(b) after "nil" insert "or negligible".

(3) In subsection (1)—

(a) in paragraph (a), after "value" insert "or by reference to the arm's length provision", and

(b) in paragraph (b), after "nil" insert ", or a negligible value,".

(4) In subsection (2), in the words after paragraph (c), after "value", in the second place it occurs, insert "or (as the case may be) by reference to the arm's length provision".

Commencement of Chapter

28 (1) The amendments made by this Chapter have effect in relation to transfers and grants made on or after 1 January 2026.

(2) But they do not have effect in relation to a transfer or grant made on or after that date if the transfer or grant is made pursuant to an obligation, under a contract, that was unconditional before that date.

(3) An obligation is "unconditional" if it may not be varied or extinguished by the exercise of a right (whether under the contract or otherwise).

CHAPTER 3

EXCHANGE GAINS AND LOSSES ETC

Treatment of exchange gains and losses under Part 4 of TIOPA 2010

29 (1) In section 147(6) of TIOPA 2010—

(a) after paragraph (b) insert—

"(bza) section 173A,", and

(b) omit paragraphs (e) and (f) (exclusion of exchange gains and losses from loan relationships and derivative contracts).

(2) After section 173 of that Act insert—

"173A Exchange gains and losses arising as a result of qualifying loan relationships and derivative contracts

(1) Neither subsection (3) nor (5) of section 147 applies in relation to exchange gains and losses to the extent they arise, or would arise if either subsection applied, in relation to a qualifying financial instrument of a company.

(2) Accordingly, for the purposes of determining whether actual provision confers a potential advantage on a person, ignore the

effect of so much of any exchange gain or loss as arises, or would have arisen, in relation to a qualifying financial instrument.

(3) In this section a qualifying financial instrument of a company means a financial instrument that is, or forms part of, actual provision to the extent—

(a) it is matched with another financial instrument of the company,

(b) it forms part of a currency tax offset arrangement,

(c) an exchange gain or loss arising to the company in relation to the financial instrument would be—

(i) prescribed an exchange gain or loss under regulation 3(1) or (5), 4(1) or (4A) or 5A(1) of the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004,

(ii) an excluded amount for the purposes of sections 598(1)(a) and 606(4) of CTA 2009 as a result of regulation 5ZA(1) of those regulations, or

(iii) an excluded amount for the purposes of section 598(1)(a) of CTA 2009 as a result of regulation 7A of those regulations,

(d) the financial instrument gives rise to regulation 7 fair value profits or losses within the meaning of regulation 7 of those regulations, or

(e) the financial instrument is wholly denominated in the reference currency used by the company in relation to the actual provision, or the part of the actual provision, to which the financial instrument relates.

(4) A financial instrument of a company is matched with another financial instrument of the company to the extent that one is intended by the company to act to eliminate or substantially reduce the currency risk of the other.

(5) A financial instrument of a company forms part of a currency tax offset arrangement to the extent that—

(a) the company ("the first company") has an exchange gain or loss arising in relation to the instrument and that would (ignoring this Part) be brought into account,

(b) that gain or loss is offset by a corresponding exchange loss or gain arising to another company in relation to that financial instrument or another financial instrument and that would (ignoring this Part) be brought into account by that other company, and

(c) the companies intended that the gain or loss referred to in paragraph (a) would be offset by the loss or gain referred to in paragraph (b).

(6) In this section—

"currency risk" means a risk which can be attributed to fluctuations in exchange rates between currencies over a period of time;

"financial instrument" means—

(a) a loan relationship, or

(b) a derivative contract;

"reference currency", in relation to a company and actual provision or part of actual provision, means the currency by reference to which the profits of the company, so far as they relate to the provision or part, are calculated for corporation tax purposes."

Amendments of CTA 2009

30 (1) Sections 447, 449 to 451 and 694 of CTA 2009 are repealed (treatment of exchange gains and losses subject to Part 4 of TIOPA 2010).

(2) In section 445 of CTA 2009 (disapplication of section 444 where Part 4 of TIOPA 2010 applies), in subsection (2), omit paragraph (b) (and the "and" before it).

(3) In section 452 of that Act (exchange gains and losses where loan not on arm's length terms)—

(a) in subsection (1) for subsection (a) substitute—

"(a) a company would be treated as having a debtor relationship, or would be treated as borrowing more under an existing debtor relationship, in relation to an accounting period if—

(i) an election were made under section 153B(2) of TIOPA 2010 in relation to that period,

(ii) a claim were made under section 192(1) of that Act in relation to that period, or

(iii) such an election and such a claim were made in relation to that period, and",

(b) in subsection (2), for "claim" substitute "election, claim or election and claim",

(c) in subsection (3)—

(i) in the words before paragraph (a), for the words from "a claim" to the end substitute "one or more elections or claims made under section 153B(2) or 192(1) of TIOPA 2010 or assumed to have been made as a result of subsection (2)—", and

(ii) in paragraph (a), after "relationship" insert ", or is treated as borrowing more under an existing debtor relationship",

(d) in subsection (4)—

(i) omit "under section 447",

(ii) for "issuing company" substitute "borrower", and

(iii) after "relationship", in the second place it occurs, insert "as a result of Part 4 of TIOPA 2010",

(e) in subsection (5)—

(i) omit "under section 447",

(ii) for "issuing company" substitute "borrower", and

(iii) after "relationship", in the second place it occurs, insert "as a result of Part 4 of TIOPA 2010", and

(f) in subsection (5A) for "issuing company" substitute "borrower".

(4) In consequence of the amendments made by this paragraph—

(a) in section 440(2) of CTA 2009, in paragraph (c), for "447 to" substitute "448 and",

(b) in section 444(6) of that Act, for "447 to" substitute "448 and",

(c) in section 164(2) of TIOPA 2010—

(i) after "trades)," insert "and", and

(ii) omit from "section 447(5)" to the end, and

(d) in section 174(4) of that Act—

(i) after "relief)," insert "and", and

(ii) omit from "section 447(5)" to the end.

Designated currency elections

31 In section 9A of CTA 2010, after subsection (2) insert—

"(2A) For the purposes of determining whether an election under this section takes effect, ignore the effect (if any) of Part 4 of TIOPA 2010 (transfer pricing)."

PART 3

COMMENCEMENT

32 (1) The amendments made by this Schedule have effect in relation to chargeable periods commencing on or after 1 January 2026.

(2) But sub-paragraph (1) does not apply to the amendments made by—

(a) paragraphs 4 to 11,

(b) paragraphs 19 and 20, and

(c) paragraphs 24 to 27.

(3) And for the purposes of sub-paragraph (1) as it applies in relation to paragraphs 29 and 30, an accounting period beginning before and ending

on or after 1 January 2026 is to be treated as if so much of the period as falls before that date, and so much of the period as falls on or after that date, were separate accounting periods (and see further sections 307 and 595 of CTA 2009).

SCHEDULE 7

Section 49

PERMANENT ESTABLISHMENTS

PART 1

AMENDMENTS TO CTA 2009

Introduction

1 CTA 2009 (charge to corporation tax: basic provisions) is amended as follows.

References to Model Tax Convention

2 In section 18S (other interpretation), in the definition of "the OECD model"—

(a) for "published by the Organisation for Economic Co-operation and Development in July 2010 ("the OECD")" substitute "approved by the OECD Council on 18 November 2025", and

(b) for "or" to the end substitute "as it may be amended or replaced from time to time".

Attribution of profits

3 In section 19 (chargeable profits)—

(a) in subsection (2)(b), for "32" substitute "24";

(b) in subsection (5), for "32" substitute "24".

4 In section 20 (profits attributable to permanent establishment: introduction), for subsections (1) and (2) substitute—

"(1A) Sections 21 and 24—

(a) apply for the purpose of determining the amount of profits of a non-UK resident company that are attributable to a permanent establishment of the company in the United Kingdom, and

(b) contain provision about the separate enterprise principle.

(1B) So far as provisions in those sections are in substantially the same terms as Article 7(2) of the Model Tax Convention on Income and on Capital approved by the OECD Council on 18 November 2025

they are to be read and given effect, so far as possible, in a way that is consistent with—

(a) the 2010 Report on the Attribution of Profits to Permanent Establishments published by the OECD on 22 July 2010,

(b) the OECD's commentary on Article 7(2) approved by the OECD Council on 18 November 2025,

(c) the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations 2022, published by the OECD on 20 January 2022, and

(d) the Additional Guidance on the Attribution of Profits to Permanent Establishments published by the OECD in March 2018.

(1C) Any reference in subsection (1B) to a document published by the OECD, or approved by the OECD Council, is to that document as it may be amended or replaced from time to time.

(1D) And any such document is to be read in accordance with any reservation, declaration or election made by the United Kingdom in relation to that document.

(1E) The Treasury may by regulations make provision—

(a) for subsection (1C) not to apply in relation to any specified amendment or replacement of a document referred to in subsection (1B),

(b) about the effect of any provision of a document referred to in subsection (1B) that has been amended or replaced on or after 26 November 2025 where that provision is elective (however expressed), and

(c) amending subsection (1B) to add a reference to a further document published by the OECD.

"Specified" means specified in regulations."

5 (1) Section 21 (the separate enterprise principle) is amended as follows.

(2) In subsection (1)—

(a) for "would have made" substitute "might be expected to make", and

(b) for the words from "distinct" to the end substitute "separate and independent enterprise engaged in the same or similar activities under the same or similar conditions, taking into account the functions performed, assets used and risks assumed by the non-UK resident company through the permanent establishment and through the other parts of the non-UK resident company".

(3) Omit subsection (3).

6 Omit—

(a) section 22 (transactions treated as being at arm's length);

(b) section 23 (provision of goods or services for permanent establishment).

7 In section 24 (application to insurance companies)—

(a) in subsection (2), in the words after paragraph (b), for the words from "distinct" to the end substitute "separate and independent enterprise acting as mentioned in that subsection";

(b) omit subsections (4), (5) and (6).

8 Omit—

(a) section 25 (non-UK resident banks: introduction);

(b) section 26 (transfer of financial assets);

(c) section 27 (loans: attribution of financial assets and profits arising);

(d) section 28 (borrowing: permanent establishment acting as agent or intermediary);

(e) section 29 (allowable deductions);

(f) section 30 (restriction on deductions: costs);

(g) section 31 (restriction on deductions: payments in respect of intangible assets);

(h) section 32 (restriction on deductions: interest or other financing costs).

Exclusion of income tax charge

9 (1) In section 3 (exclusion of charge to income tax), in subsection (1)(b) for "for an exemption." substitute "is not as a result of—

"(i) an exemption, or

(ii) the application of sections 1142 to 1144 of CTA 2010 (circumstances in which a company is not regarded as having a permanent establishment)."

(2) In consequence of the amendment made by sub-paragraph (1), in ITA 2007—

(a) in section 816 (meaning of disregarded company income)—

(i) in subsection (1), omit paragraphs (c) and (d), and

(ii) omit subsection (2) to (4), and

(b) in section 817 (the independent broker conditions)—

(i) in subsection (1), for the words from "Kingdom" to the end substitute "Kingdom if conditions A to D are met.", and

(ii) omit subsection (6).

PART 2

AMENDMENTS TO CTA 2010

Introduction

10 CTA 2010 is amended as follows.

General interpretation

11 Before section 1141 (but after the heading "General") insert –

"1140A Introduction

(1) This Chapter applies for the purpose of determining when a company has a permanent establishment in a territory for the purposes of the Corporation Tax Acts.

(2) So far as provisions in this Chapter are in substantially the same terms as Article 5 of the Model Tax Convention on Income and on Capital approved by the OECD Council on 18 November 2025 they are to be read and given effect, so far as possible, in a way that is consistent with the OECD's commentary on that Article, also approved by the OECD Council on that date.

(3) Any reference in subsection (2) to a document approved by the OECD Council is to that document as it may be amended or replaced from time to time.

(4) And any such document is to be read in accordance with any reservation, declaration or election made by the United Kingdom in relation to that document.

(5) The Treasury may by regulations make provision –

(a) for subsection (3) not to apply in relation to any specified amendment or replacement of a document referred to in subsection (2),

(b) about the effect of any provision of a document referred to in subsection (2) that has been amended or replaced on or after 26 November 2025 where that provision is elective (however expressed), and

(c) amending subsection (2) to add a reference to a further document published by the OECD.

"Specified" means specified in regulations."

Dependent agents

12 In section 1141 (permanent establishment of companies), in subsection (1), for paragraph (b) substitute—

"(b) a person acting on behalf of the company in the territory habitually concludes contracts, or habitually plays the principal role leading to the conclusion of contracts, that are routinely concluded without material modification by the company, and the contracts are—

(i) for the transfer of the ownership of, or for the granting of the right to use, property owned by the company or that the company has the right to use, or

(ii) for the provision of services by the company."

Independent agents

13 (1) Section 1142 (agent of independent status) is amended as follows.

(2) After subsection (1) insert—

"(1A) A person is not to be regarded for the purposes of subsection (1) as an agent of independent status in relation to a company where the person—

(a) is closely related to the company, and

(b) acts exclusively or almost exclusively on behalf of—

(i) the company, or

(ii) the company and other companies to which the person is closely related.

(1B) In subsection (1A), "closely related" has the meaning that it has in section 1143 (see subsection (2CA) of that section)."

(3) In subsection (2)—

(a) for "apply for the purpose of supplementing subsection (1)" substitute "modify the application of this section";

(b) at the end of paragraph (a) insert "or";

(c) omit paragraph (c) (and the "or" at the end of paragraph (b)).

Meaning of "closely related"

14 In section 1143 (preparatory or auxiliary activities), for subsection (2D) substitute—

"(2CA) For the purposes of this section, one person ("A") is closely related to another person ("B") if, based on all the relevant facts and circumstances, A has control of B or A and B are under the control of the same persons, including if the 50% investment condition is met in relation to A and B."

Independent investment manager conditions not sole means of showing independent status

15 In section 1146 (the independent investment manager conditions), in subsection (2)—

(a) after "transaction," insert "the circumstances in which", and

(b) for "if", in the first place it occurs, to the end substitute "include where each of the following conditions (the independent investment manager conditions) are met."

Removal of the 20% rule

16 (1) In section 1146, omit subsection (6).

(2) In consequence of the amendment made by sub-paragraph (1)—

(a) omit section 1147 (investment managers: the 20% rule),

(b) omit section 1148 (interpretation of section 1147), and

(c) omit section 1149 (application of 20% rule to collective investment schemes).

New definition of "investment transaction"

17 (1) For section 1150 (meaning of investment manager and investment transaction) substitute—

"1150 Meaning of "investment manager" and "investment transaction"

(1) The following definitions apply for the purposes of this Chapter.

(2) An "investment manager" means a person who provides investment management services (which may include or comprise the provision of investment advice).

(3) An "investment transaction" means any transaction other than a transaction with an excluded subject matter.

(4) The following are excluded subject matters—

(a) land in the United Kingdom, and

(b) any commodity or other physical asset.

(5) But a transaction is to be treated as not having an excluded subject matter if—

(a) it is a derivative contract whose subject matter is a commodity but which does not result in the physical delivery of the commodity, or

(b) it is a derivative contract whose subject matter is an excluded subject matter only because it operates by reference to a qualifying index, provided that index is not maintained by a person who is connected to any of the parties to the transaction.

(6) For the purposes of subsection (5) a "qualifying index" means an index relating to an excluded subject matter that—

(a) is publicly available, and

(b) is an index of a substantial number of assets."

(2) In section 1171 (orders and regulations), in subsection (2)(g) omit sub-paragraph (ii).

(3) In Schedule 4 (index of defined expressions)—

(a) in the entry for "investment manager (in Chapter 5 of Part 8B)" for "1150(1)" substitute "1150",

(b) in the entry for "investment manager (in Chapter 2 of Part 24)" for "1150(1)" substitute "1150", and

(c) in the entry for "investment transaction (in Chapter 5 of Part 8B)" for "1150(1)" substitute "1150".

Removal of disregard of certain chargeable profits attributable to permanent establishment represented by investment manager

18 (1) Omit section 1152 (investment managers: disregard of certain chargeable profits).

(2) In consequence of the amendment made by sub-paragraph (1), in section 20 of CTA 2009 (profits attributable to permanent establishment: introduction), omit subsection (3).

Lloyd's agents

19 In section 1142 (agent of independent status), in subsection (2)—

(a) in the words before paragraph (a) for "1151" substitute "1150",

(b) in paragraph (a), at the end insert "or", and

(c) omit paragraph (c) (and the "or" at the end of paragraph (b)).

20 Omit section 1151 (Lloyd's agents).

Northern Ireland regional establishments

21 (1) In section 357LD (the independent investment manager conditions)—

(a) in subsection (2)—

(i) after "transaction," insert "the circumstances in which", and

(ii) for "if (and only if)" substitute "include where", and

(b) omit subsection (6).

(2) Omit sections 357LE to 357LG (20% rule).

(3) In section 357LH (meaning of investment manager and investment transaction), for "1150(1)" substitute "1150".

(4) Omit section 357LJ (disregard of certain chargeable profits).

PART 3

AMENDMENTS TO ITA 2007

Introduction

22 ITA 2007 is amended as follows.

Investment managers (removal of the 20% rule)

23 (1) In section 818 (the independent investment manager conditions) omit subsection (5).

(2) In section 835M (the independent investment manager conditions) omit subsection (5).

(3) Omit sections 819 and 835N (investment managers: the 20% rule).

(4) In consequence of the amendments made by sub-paragraph (3)—

(a) omit sections 820 to 824,

(b) omit sections 835O to 835Q, and

(c) in Schedule 4 (index of defined expressions), in the table omit both entries relating to relevant disregarded income.

Meaning of investment transaction

24 (1) In section 827 (meaning of investment manager and investment transaction)—

(a) in subsection (1), after "services" insert "(which may include or comprise the provision of investment advice)", and

(b) for subsections (2) and (3) substitute—

"(2) An "investment transaction" means any transaction other than a transaction with an excluded subject matter.

(3) The following are excluded subject matters—

(a) land in the United Kingdom, and

(b) any commodity or other physical asset.

(4) But a transaction is to be treated as not having an excluded subject matter if—

(a) it is a derivative contract whose subject matter is a commodity but which does not result in the physical delivery of the commodity, or

(b) it is a derivative contract whose subject matter is an excluded subject matter only because it operates by reference to a qualifying index, provided that index is not maintained by a person who is connected to any of the parties to the transaction.

(5) For the purposes of subsection (4) a "qualifying index" means an index relating to an excluded subject matter that—

(a) is publicly available, and

(b) is an index of a substantial number of assets."

(2) In section 835S (interpretation of Chapter 2B of Part 14)—

(a) in subsection (3), for "has the same meaning" substitute "and "investment transaction" have the same meanings", and

(b) omit subsection (4).

Lloyd's agents

25 In section 814 (meaning of "disregarded transaction income") omit subsection (6).

26 In section 835E (branch or agency treated as UK representative), in subsection (5) for "835K" substitute "835J".

27 Omit section 835K (Lloyd's agents).

PART 4

AMENDMENTS TO TCGA 1992

28 (1) TCGA 1992 is amended as follows.

(2) In section 2B (territorial scope of charge to corporation tax on chargeable gains), in subsection (3)—

(a) in paragraph (a) omit "that have a relevant connection to the company's UK permanent establishment (see section 2C)";

(b) in paragraph (b), for "that permanent establishment" substitute "a UK permanent establishment (see section 2C)";

(c) in paragraph (c), for "to 32" substitute "and 24".

(3) In section 2C (non-UK resident company with UK permanent establishment) omit subsection (2).

PART 5

CONSEQUENTIAL AMENDMENTS

FA 2011

29 In FA 2011, in Schedule 19 (the bank levy), in paragraph 26—

(a) in sub-paragraph (2)—

(i) for "would have" substitute "might be expected to have", and

(ii) for the words from "distinct" to the end substitute "separate and independent enterprise engaged in the same or similar activities under the same or similar conditions, taking into

account the functions performed, assets used and risks assumed by the relevant foreign bank through the permanent establishment and through the other parts of the relevant foreign bank.";

(b) in sub-paragraph (3), for "to 28" substitute "and 24".

PART 6

COMMENCEMENT

30 The amendments made by this Schedule have effect in relation to chargeable periods beginning on or after 1 January 2026.

SCHEDULE 8

Section 50

PILLAR TWO

Introduction

1 F(No.2)A 2023 (multinational top-up tax) is amended in accordance with paragraphs 2 to 31 and 33 to 51 of this Schedule.

Application of the income inclusion rule to cases involving permanent establishments

2 In section 128 (responsible members), in each of subsections (4) and (6)—

(a) omit the "and" at the end of paragraph (a);

(b) at the end insert ", and

(c) every permanent establishment of a member of the group it has an ownership interest in other than a permanent establishment located in the territory it is located in."

3 (1) Section 237 (intermediate and partially-owned parent members) is amended as follows.

(2) For subsection (1)(b) substitute—

"(b) it has—

(i) a direct or indirect ownership interest in another member of the group, or

(ii) a permanent establishment, and".

(3) For subsection (2)(b) substitute—

"(b) it has—

(i) a direct or indirect ownership interest in another member of the group, or

(ii) a permanent establishment."

Elective qualifying domestic top-up taxes

4 In section 128 (responsible members), after subsection (7) insert—

"(7A) If for an accounting period—

(a) the application in relation to an entity located in a territory of a tax equivalent to the IIR provisions of multinational top-up tax depends on the making by any person of an election or claim, and

(b) the tax does not apply in relation to the entity because such an election or claim is or is not made,

subsection (7)(b)(i) has effect in relation to the entity as though the tax were not in force in the territory for the period."

5 In Schedule 16A (qualifying domestic top-up tax safe harbour election), in paragraph 1, at the end insert—

"(5) If for an accounting period—

(a) the application of a qualifying domestic top-up tax in relation to the members of a multinational group located in a territory depends on the making by any person of an election or claim, and

(b) the tax does not apply in relation to those members because such an election or claim is or is not made,

sub-paragraph (3)(a) has effect in relation to the group as though the tax did not apply in the territory for the period."

Other provision about permanent establishments

6 In section 135 (underlying profits of permanent establishments), in subsection (1)—

(a) in paragraph (a), after "financial accounts" insert "prepared in accordance with acceptable accounting standards";

(b) in paragraph (b), for "in accordance with section 159" substitute "on the same principles as those set out in section 159(1), (2) or (3) (as the case may be)".

7 In section 159 (permanent establishment income and expense attribution), at the end insert—

"(5) See also section 135(1)(b) (by virtue of which equivalent adjustments to those set out in subsections (1) to (3) will already be reflected in the underlying profits accounts of a permanent establishment that does not have separate financial accounts from the main entity prepared in accordance with acceptable accounting standards)."

8 (1) Section 232 (permanent establishments) is amended as follows.

(2) In the heading, omit "treated as entities".

(3) In subsection (1)—

(a) in the words before paragraph (a), omit "that";

(b) in paragraph (a), for "is located" substitute "that is situated";

(c) omit the "and" at the end of paragraph (a) and after that paragraph insert—

"(aa) any profits in relation to which are reflected in the financial statements of the main entity, and";

(d) in paragraph (b), at the beginning insert "that";

(4) In subsection (2)—

(a) in paragraphs (b) and (c), for "is in" substitute "is situated in";

(b) in paragraph (d), for paragraph (ii) substitute—

"(ii) the income attributable to the place of business's operations is exempted from tax by the territory of the main entity or, where the main entity is a flow-through entity, by the territory in which the reference entity (within the meaning of section 168) is located."

(5) After subsection (2) insert—

"(2A) For the purposes of subsection (1)(a)—

(a) section 240(2) (flow-through entities treated as stateless) is to be disregarded, and

(b) a flow-through entity that would otherwise be a stateless entity under section 240(2) is instead treated as located in the territory in which it is created."

(6) At the end insert—

"(6) See also section 232ZA (modifications that apply where legal main entity is distinct from main entity)."

9 After section 232 insert—

"232ZA Legal main entity distinct from main entity

(1) Where a permanent establishment has a legal main entity that is distinct from the main entity, this Part applies with the following modifications in relation to the permanent establishment.

(2) In section 127 (excluded entities), in subsection (5)(a) (definition of qualifying non-profit subsidiary), the reference to the main entity is to be read as a reference to the main entity and each legal main entity.

(3) In section 135 (underlying profits of permament establishments)—

(a) in subsection (1)(b) (underlying profits of permanent establishment that does not have separate financial accounts), the reference to the main entity is to be read as a reference

to whichever of the main entity and the legal main entities is relevant to the attribution exercise under section 159;

(b) in subsection (3) (permanent establishments within section 232(2)(d)), the references to the main entity are to be read as references to the main entity or any legal main entity;

(c) in subsection (4) (no double counting between permanent establishment and main entity), the reference to the main entity is to be read as a reference to the main entity or any legal main entity.

(4) In section 159 (permanent establishment income and expense attribution), the references to the main entity are to be read as references to whichever of the main entity and the legal main entities is relevant to the attribution exercise under the subsection in question.

(5) In section 198 (eligible payroll costs etc: permanent establishments), in subsection (5) (double counting), the references to the main entity are to be read as references to any of the main entity and the legal main entities.

(6) In section 236 (investment funds and investment entities), in subsection (1)(f)(ii) (regulatory regime condition), the reference to the main entity is to be read as a reference to a legal main entity.

(7) In section 253 (disqualified and qualified refundable imputation taxes), in subsection (2)(a)(ii), the reference to the main entity is to be read as a reference to a legal main entity.

(8) For the purposes of this section a "legal main entity" in relation to a permanent establishment means—

(a) in the case of a permanent establishment within section 232(2)(a), an entity of which it is regarded as being a permanent establishment in accordance with an applicable tax treaty;

(b) in the case of a permanent establishment within section 232(2)(b), an entity of which it is regarded as being a permanent establishment under the domestic law of the territory in which the permanent establishment is situated;

(c) in the case of a permanent establishment within section 232(2)(c), an entity of which it would be regarded as being a permanent establishment in accordance with Article 7 of the OECD tax model;

(d) in the case of a permanent establishment within section 232(2)(d), any reference entity (within the meaning of section 168) by reference to which the condition in section 232(2)(d)(ii) is satisfied."

Intragroup accounting discrepancies

10 After section 150 insert—

"150A Instruments held intragroup: issuer's accounting treatment to prevail

If—

(a) a member of a multinational group ("the holder") holds an interest (of any description) in another member of the group ("the issuer"), and

(b) the interest is accounted for as equity in the underlying profits accounts of one of the members and as debt in the underlying profits accounts of the other,

the underlying profits of the holder are to be adjusted to what they would be if the interest were accounted for in the holder's underlying profits accounts in the same way as it is accounted for in the issuer's."

Tax-transparent investment entities: double counting

11 In section 168 (underlying profits of transparent entities), after subsection (10) insert—

"(10ZA) Where M is treated as a flow-through entity by virtue of an election made in relation to R and M under section 213 (investment entity tax transparency election), the underlying profits of R are to be adjusted so as to exclude any gain, profit or loss—

(a) that arises from changes in the fair value of, or from the impairment of, R's interest in M, and

(b) that is not an excluded equity gain or loss (taking into account any election under section 165),

but the amount excluded under this subsection is not to exceed the amount of M's underlying profits that is allocated to R under subsection (3)."

Adjustments for ultimate parent that is a flow-through entity

12 (1) Section 170 (adjustments for ultimate parent that is a flow-through entity) is amended as follows.

(2) In subsection (1), in the words after paragraph (b), for "its profits" substitute "those profits".

(3) In subsection (2)—

(a) in the words before paragraph (a), for "profits" substitute "those profits";

(b) in paragraph (a), for "the ultimate parent's profits" substitute "those profits".

(4) For subsection (2A) substitute—

"(2A) For the purposes of this section—

(a) each holder of a direct ownership interest in the ultimate parent is treated as entitled as a result of that interest to a proportion of the ultimate parent's adjusted profits (that is to say, its adjusted profits ignoring this section), and

(b) the proportion of those adjusted profits to which each holder is treated as entitled is the proportion of those profits to which it would have been entitled had the actual amount of profits accruing to the ultimate parent been equal to its adjusted profits."

(5) In subsection (3), in the words before paragraph (a), for "of the group" substitute "mentioned in subsection (1)(b)".

(6) After subsection (5) insert—

"(5A) Subsections (5B) and (5C) apply where—

(a) the holder of the ownership interest is not subject to tax on an amount of the ultimate parent's profits for a taxable period that ends within 12 months of the accounting period mentioned in subsection (1)(b), and

(b) the holder would be subject to tax on the amount for a taxable period ending within that 12-month period but for a difference which will be eliminated over time between—

(i) the time when any income, expense, gain or loss is recognised in the ultimate parent's financial statements, and

(ii) the time when that income, expense, gain or loss is reflected in the profits of the ultimate parent on which the holder is subject to tax ("the holder's taxable profits").

(5B) Condition A has effect, for each accounting period up to and including the period in which that timing difference is eliminated, as if the income, expense, gain or loss were instead reflected in the holder's taxable profits in the taxable period in which it is recognised in the ultimate parent's financial statements.

(5C) In a period for which, under subsection (5B), the holder's taxable profits of a particular type are treated for the purposes of condition A as greater or less than what they actually are, it is to be assumed—

(a) that any excess is subject to tax at the same nominal rate at which the holder's taxable profits of that type are actually subject to tax,

(b) that the holder pays tax on any excess at that rate,

(c) that any shortfall is not subject to tax, and

(d) that the holder pays no tax on any shortfall."

Qualifying current tax expense

13 (1) Section 174 (amount of covered tax balance) is amended as follows.

(2) In subsection (5), in the definition of "qualifying current tax expense", for "underlying profits" substitute "partially adjusted profits".

(3) At the end insert—

"(6) For the purposes of the definition of "qualifying current tax expense" in subsection (5), the member's "partially adjusted profits" are its underlying profits with the adjustments contained in the following sections applied—

section 137A (use of substituted values);

section 139 (profits adjusted to be profits before consolidation adjustments to eliminate intragroup transactions);

section 140 (profits adjusted to be profits before certain purchase accounting adjustments)."

14 In section 176 (amounts to be reflected in qualifying current tax expense), in subsection (2)(i), at the end insert "in accordance with this Part".

15 (1) Section 182 (total deferred tax adjustment amount) is amended as follows.

(2) In subsection (1), from the words from "underlying profits" to the end substitute "partially adjusted profits, but with that deferred tax expense adjusted as follows".

(3) After subsection (2) insert—

"(2A) The deferred tax expense is to be adjusted to include (so far as it would not already) any amount of deferred tax expense in respect of covered taxes within section 176(2)(g) or (h) (amounts reflected in other comprehensive income etc)."

(4) In subsection (8), at the appropriate place insert—

""partially adjusted profits", in relation to a member of a multinational group, means its underlying profits with the adjustments contained in the following sections applied—

section 137A (use of substituted values);

section 139 (profits adjusted to be profits before consolidation adjustments to eliminate intragroup transactions);

section 140 (profits adjusted to be profits before certain purchase accounting adjustments)."

Intragroup transactions

16 In section 175 (amounts excluded from qualifying current tax expense), at the end insert—

"(3) The reference in subsection (2)(a) to income or gains that are not included in the member's adjusted profits does not include any income or gains that are not included in its adjusted profits solely because of an election under section 164 (intra-group transactions)."

17 In section 182 (total deferred tax adjustment amount), in subsection (2)(a), at the end insert "(other than items that are not reflected solely because of an election under section 164 (intra-group transactions))".

Tax equity partnerships: calculation of excess return for clawback

18 In section 176G (clawback of earlier qualifying flow-through tax benefits), for subsection (4) substitute—

"(4) For the purposes of this section an investor has an "excess return" from an arrangement in an accounting period ("the current period") if the total relevant return exceeds the amount of capital investment provided by the investor to the arrangement at its commencement. The amount of the excess return is the amount of the excess.

(5) In subsection (4) "the total relevant return" means the sum of—

(a) the amounts of the qualifying flow-through tax benefits provided to the investor under the arrangement that have been excluded under section 176D(1) in the current period or any earlier accounting period,

(b) the amounts of any distributions made to the investor under the arrangement in the current period or any earlier accounting period,

(c) the amounts received by the investor for the sale of any part of its investment in the arrangement in the current period or any earlier accounting period, and

(d) the amounts of any qualifying refundable tax credits and marketable transferable tax credits made available to be used by the investor under the arrangement in the current period or any earlier accounting period,

less the amount of any excess return that the investor had from the arrangement in any earlier accounting period."

Cross-border allocation of deferred tax assets and liabilities

19 In section 181B (cross-border allocation of deferred tax assets and liabilities), in subsection (5), at the end insert "(and accordingly no allocation of deferred tax assets or liabilities is to be made under this Chapter in cases to which the deferred taxes methodology applies)."

Deferred tax assets and liabilities: exclusions

20 (1) Section 185 (inclusion of existing deferred tax assets and liabilities on entry into regime) is amended as follows.

(2) In subsection (1), for "that is reflected" substitute "that are reflected".

(3) In subsection (6)—

(a) in the words before paragraph (a) omit "qualifying";

(b) for paragraph (a) substitute—

"(a) before the commencement of the first accounting period for which Pillar Two rules apply to the member and as a result of a transaction carried out after 30 November 2021, and"

(4) After subsection (7) insert—

"(7A) Subsection (7D) applies to a deferred tax asset of a member of a multinational group that arises before the commencement of the first accounting period for which Pillar Two rules apply to the member and as a result of the occurrence of either of the following after 30 November 2021—

(a) the making available of a tax credit, or other tax relief, by virtue of the exercise of a discretion in relation to a member of the group by a national, regional or local government or by a governmental entity;

(b) the making (or modifying) of an election or of another choice by a member of the group where the effect of the election or choice is to change the tax treatment of an earlier transaction retrospectively.

(7B) Subsection (7D) also applies to a deferred tax asset or a deferred tax liability of a member of a multinational group that arises—

(a) after 30 November 2021 and before the commencement of the first accounting period for which Pillar Two rules apply to the member,

(b) because of a difference between the value (or base cost) of an asset or liability for the purposes of a corporate income tax and its value for accounting purposes, and

(c) in circumstances where the corporate income tax mentioned in paragraph (b) was introduced on or after 1 December 2021 in a territory that did not previously have a corporate income tax.

(7C) Subsection (7D) also applies to a deferred tax asset of a member of a multinational group that arises before the commencement of the first accounting period for which Pillar Two rules apply to the member if—

(a) where the member is located in a territory which did not have a corporate income tax before 1 December 2021 and in which one is introduced on or after that date, the deferred tax asset is attributable to a loss occurring before the fifth accounting period before the accounting period in which that corporate income tax came into force, or

(b) the deferred tax asset arises in relation to non-economic expenses or losses (within the meaning of the Pillar Two rules) incurred after 30 November 2021.

(7D) A deferred tax asset or deferred tax liability to which this subsection applies is to be ignored in determining the member's deferred tax expense."

(5) In subsection (8), omit "qualifying".

21 (1) Schedule 16 (transitional provision) is amended as follows.

(2) In paragraph 2 (intra-group transfers before entry into regime), in sub-paragraph (3)—

(a) omit the "and" after paragraph (a);

(b) at the end insert ", and

(c) a deferred tax asset is ignored if it is a deferred tax asset arising as described in section 185(7A) or (7B)."

(3) In paragraph 5 (general transitional safe harbour election: qualifying income tax expense)—

(a) in sub-paragraph (1)—

(i) omit the "and" after paragraph (a);

(ii) at the end insert ", and

(c) any amount that relates to a deferred tax asset arising as described in section 185(7A) or (7B) or that relates to a relevant pre-entry deferred tax liability."

(4) At the end insert—

"PART 4

PRE-ENTRY DEFERRED TAX ASSETS AND LIABILITIES

Straddle periods

14 (1) This paragraph applies in relation to an accounting period of a member of a multinational group if—

(a) 21 July 2025 falls during the period (but is not the first day of the period),

(b) the member has a relevant pre-entry deferred tax asset or a relevant pre-entry deferred tax liability, and

(c) the asset or liability is reversed (to any extent) in the period.

(2) Despite section 185(7D) and paragraphs 2(3)(c) and 5(1)(c) of this Schedule, an amount in respect of the reversal may be reflected in—

(a) the member's deferred tax expense for the purposes of this Part of this Act, or

(b) the member's qualifying income tax expense for the purposes of Part 2 of this Schedule.

(3) The amount that may be reflected in respect of the reversal is the pre-commencement proportion of the amount that could be so reflected if section 185(7D) or paragraph 2(3)(c) or 5(1)(c) of this Schedule (as the case may be) did not apply to the asset or liability.

(4) In this paragraph "the pre-commencement proportion" means—

(a) the number of days in the accounting period before 21 July 2025, divided by

(b) the total number of days in the accounting period.

Grace period

15 (1) This paragraph applies for an accounting period in relation to a relevant pre-entry deferred tax asset of a member of a multinational group if—

(a) the accounting period falls within the applicable grace period,

(b) the relevant pre-entry deferred tax asset is a deferred tax asset that arises as described in section 185(7A) or (7B), and

(c) the action that results in the asset arising (that is to say, the action referred to in section 185(7A)(a) or (b) or (7B)) takes place on or before 18 November 2024.

(2) If any relevant pre-entry deferred tax asset falling within a particular category is reversed, an amount in respect of that reversal may, despite section 185(7D) and paragraphs 2(3)(c) and 5(1)(c) of this Schedule, be reflected in—

(a) the member's deferred tax expense for the purposes of this Part of this Act, or

(b) the member's qualifying income tax expense for the purposes of Part 2 of this Schedule,

so far as it does not exceed the available grace period amount in relation to the category.

(3) But an amount may not be reflected in respect of the reversal of a deferred tax asset so far as the reversal takes place as a result

of (and would not have taken place but for) a change after 18 November 2024 to—

(a) any law or election in effect in relation to the deferred tax asset,

(b) the accounting methodology applicable to the deferred tax asset, or

(c) the way in which a discretion of the kind mentioned in section 185(7A)(a) (government discretions) is exercised.

(4) Take the following steps to find the "available grace period amount" (if any) in relation to a category of deferred tax asset for an accounting period.

Step 1

Determine, in relation to each deferred tax asset of the member falling within the category, the carrying value of the asset as at the time when it was first reflected in the underlying profits of the member.

For that purpose, determine the carrying value of the asset on the basis of the lower of—

(a) the nominal tax rate that applied in relation to it at that time, and

(b) a tax rate of 15%.

Step 2

Find the sum of the values determined at Step 1.

Step 3

Multiply the result of Step 2 by 20%.

Step 4

Deduct any amount—

(a) that has been taken into account in determining the deferred tax expense of the member—

(i) in relation to assets falling within the category, and

(ii) in an accounting period that falls within the applicable grace period, or

(b) that would have been so taken into account in such a period had the Pillar Two rules applied to the member in question for that period.

(5) For the purposes of this paragraph each of following is a "category" of relevant pre-entry deferred tax asset—

(a) assets falling within section 185(7A)(a);

(b) assets falling within section 185(7A)(b);

(c) assets falling within section 185(7B).

(6) For the purposes of this paragraph an accounting period "falls within the applicable grace period"—

(a) in relation to the categories of asset mentioned in sub-paragraph (5)(a) and (b), if—

(i) it begins on or after 1 January 2024 and before 1 January 2026, and

(ii) it ends before 1 July 2027;

(b) in relation to the category of asset mentioned in sub-paragraph (5)(c), if—

(i) it begins on or after 1 January 2025 and before 1 January 2027, and

(ii) it ends before 1 July 2028.

(7) This paragraph is subject to paragraph 14 (and accordingly, that paragraph is to be applied in precedence to this in determining for the purposes of Step 4 in sub-paragraph (4) whether an amount has been taken into account in an accounting period in relation to a deferred tax asset).

General

16 (1) In this Schedule, in relation to a member of a multinational group—

"relevant pre-entry deferred tax asset" means a deferred tax asset that arises as described in section 185(7A), (7B) or (7C);

"relevant pre-entry deferred tax liability" means a deferred tax liability that arises as described in section 185(7B).

(2) For the purposes of those definitions the references in section 185(7A) to (7C) to an accounting period for which Pillar Two rules apply to a member include an accounting period for which the Pillar Two rules would have applied to the member but for a transitional safe harbour election."

22 (1) Schedule 16A (safe harbours) is amended as follows.

(2) In paragraph 3 (disqualifying conditions)—

(a) in sub-paragraph (1), for "Conditions A to D" substitute "The following conditions";

(b) at the end insert—

"(7) Condition E is that—

(a) a member of the group located in the territory has a relevant pre-entry deferred tax asset or relevant pre-entry deferred tax liability, and

(b) the qualifying domestic top-up tax applying in the territory either—

(i) does not make provision corresponding to section 185(7A) to (7D) (exclusion for deferred tax assets arising as a result of government arrangements etc) in relation to relevant pre-entry deferred tax assets and relevant pre-entry deferred tax liabilities, or

(ii) makes such corresponding provision in a way that is inconsistent with the Pillar Two commentary in relation to relevant pre-entry deferred tax assets or relevant pre-entry deferred tax liabilities.

(8) In subsection (7) "relevant pre-entry deferred tax asset" and "relevant pre-entry deferred tax liability" have the same meaning as in Schedule 16, but for that purpose the words "or (7C)" in the definition of "relevant pre-entry deferred tax asset" are to be disregarded."

(3) In paragraph 4(1)—

(a) omit paragraph (a);

(b) in paragraph (b)—

(i) for "after sub-paragraph (6), there were inserted" substitute "at the end there were inserted the following disqualifying condition";

(ii) the inserted sub-paragraph (7) becomes an inserted unnumbered sub-paragraph.

(4) In paragraph 5(1)(b)—

(a) omit sub-paragraph (i);

(b) in sub-paragraph (ii)—

(i) for "after sub-paragraph (6), there were inserted" substitute "at the end there were inserted the following disqualifying condition";

(ii) the inserted sub-paragraph (7) becomes an inserted unnumbered sub-paragraph.

Post-filing adjustments of covered taxes

23 (1) Section 217 (post-filing adjustments of covered taxes) is amended as follows.

(2) In subsections (2)(a) and (b) and (3), for "that liability" substitute "the relevant aggregate liability".

(3) In subsection (4), for "that increase or decrease" substitute "the increase or decrease referred to in subsection (1),".

(4) In subsection (5)(a), (b) and (c), after "the decrease" insert "referred to in subsection (3)".

(5) In subsection (8)(a), for "the aggregate covered tax balance of the standard members of the group in the territory of the member for the prior period" substitute "the relevant aggregate liability".

(6) At the end insert—

"(9) In this section "the relevant aggregate liability", in relation to the member referred to in subsection (1), means the aggregate liability to covered taxes of the standard members of the group in the territory of the member for the prior period."

Securitisation companies

24 In section 229C (UTPR: allocation of untaxed amounts to members), in subsection (3)—

(a) omit the "or" after paragraph (a);

(b) at the end insert ", or

(c) a securitisation company within the meaning of the Taxation of Securitisation Companies Regulations 2006 (S.I. 2006/3296)."

25 In Part 1 of Schedule 16A (qualifying domestic top-up tax safe harbour election), in paragraph 3, after subsection (8) (as inserted by paragraph 22 above) insert—

"(9) Condition F is that the qualifying domestic top-up tax applying in the territory is not charged in respect of a member of the group located in the territory because of an exemption (however framed) or special regime relating to persons concerned in securitisation transactions."

Location of stateless entities

26 In section 239 (location of entities)—

(a) in subsection (7), omit paragraph (a);

(b) at the end insert—

"(8) As regards stateless entities see also section 132(3)(b) (stateless member of group treated as located in its own nominal territory)."

27 In Schedule 16A, in paragraph 7, at the end insert—

"(6) For the purposes of this paragraph, "territory" does not include the nominal territory of a stateless member of a multinational group (see section 132(3)(b))."

Qualifying undertaxed profits tax

28 In section 241 (Pillar Two territories), omit subsection (4).

29 In section 256 (qualifying domestic top-up tax), omit subsection (5).

30 (1) Section 257 (qualifying undertaxed profits tax) is amended as follows.

(2) After subsection (1) insert—

"(1A) Regulations under subsection (1)(b) may provide for the specification of a tax to be made by notice published by the Commissioners for His Majesty's Revenue and Customs in accordance with the regulations."

(3) In subsection (2), for "A tax may only be specified in regulations if the Treasury consider" substitute "A person may only specify a tax by virtue of this section if the person considers".

31 In Schedule 16A (safe harbours), in paragraph 2 (accredited qualifying domestic top-up tax), omit sub-paragraphs (2) and (3).

32 (1) For the purposes of Part 3 of F(No.2)A 2023, a tax is to be treated as a qualifying undertaxed profits tax for any accounting period that ends before the first regulations under section 257 of that Act have been made if—

(a) it is a Qualified UTPR for that accounting period for the purposes of the Pillar Two rules, or

(b) it is reasonable to conclude that it is likely to be a Qualified UTPR for that accounting period for the purposes of the Pillar Two rules.

(2) In sub-paragraph (1) "Pillar Two rules" has the same meaning as in Part 3 of F(No.2)A 2023 (see section 255 of that Act).

Definition of "ownership interest"

33 In section 242 (ownership interests and controlling interests), in subsection (2), for paragraph (b) substitute—

"(b) that interest is accounted for as equity in—

(i) where B is a member of a consolidated group, the consolidated financial statements of the ultimate parent of the group (ignoring any requirement to consolidate the assets, liabilities, income, expenses and cash flows of B in those statements), or

(ii) otherwise, B's financial statements."

REITs: domestic top-up tax

34 In section 267 (DTT excluded entities), after subsection (1) insert—

"(1A) A UK REIT is a DTT excluded entity (so far as would not already be the case by virtue of subsection (1)(b) or (c))."

Domestic top-up tax: exchange rates

35 In section 270 (domestic top-up tax: amount charged), at the end insert—

"(4) The exchange rate to be used for a conversion to sterling required by Step 2 in subsection (A1) or Step 3 in subsection (1) is—

(a) the average exchange rate published by the European Central Bank for the accounting period in question;

(b) where no such rate is published by the European Central Bank, the average exchange rate published by the Bank of England for the accounting period in question;

(c) where no such rate is published by either the European Central Bank or the Bank of England, such rate as appears, on a just and reasonable basis, to reflect the average exchange rate for the accounting period in question."

Domestic top-up tax: covered tax to include group relief payments

36 Section 272 (domestic top-up tax: determining top-up amounts of entity that is a member of a group) is amended as follows.

37 In subsection (8)—

(a) after paragraph (a) insert—

"(aa) section 138 (profits adjusted to be before tax) has effect as if at the end of subsection (2) there were inserted—

"(g) a group relief payment so far as excluded (and for that purpose "group relief payment" and "excluded" have the meaning given in section 173(3)).";

(ab) section 173 (covered taxes) has effect, subject to paragraph (f) below, as if (in addition to the modification made by subsection (4)(a))—

(i) in subsection (1), the "and" after paragraph (c) were omitted and after paragraph (d) there were inserted ", and

(e) a group relief payment so far as it is not excluded.";

(ii) at the end there were inserted—

"(3) For the purposes of subsection (1)(e)—

(a) "group relief payment" means a payment—

(i) in relation to which section 183 or 188FA of CTA 2010 applies to the member, and

(ii) that relates to group relief which the member claims under section 130 or 188CB of that Act by virtue of the group condition being met (see sections 132 and 188CE of that Act);

(b) a group relief payment is "excluded" so far as it exceeds 15% of the agreed loss amounts (within the meaning of section 183 or 188FA of that Act, as the case may be) to which the group relief payment relates.

(4) It follows from subsection (1)(e) that a group relief payment, so far as not excluded, operates to reduce the covered tax balance of the recipient.""";

(b) at the end insert—

"(f) section 239(4)(a) (location of entities: tie-breaker by reference to covered taxes) has effect without the modification made by paragraph (ab)."

Domestic top-up tax: allocation of CFC mobile income

38 In section 272 (domestic top-up tax: determining top-up amounts of group member), in subsection (8), for paragraph (d) substitute—

"(d) section 179 (controlled foreign companies) has effect as if for subsection (2) there were substituted—

"(2) But the amount of qualifying current tax expense in respect of mobile income allocated to F is not to exceed 15% of the adjusted profits of F.""

Simplified calculations for non-material members

39 In Schedule 16A (safe harbours), at the end insert—

"PART 3

SIMPLIFIED CALCULATIONS FOR NON-MATERIAL MEMBERS OF GROUP

Election in respect of non-material members

8 (1) The filing member of a multinational group may for an accounting period make an election under this paragraph in respect of one or more members of the group in a territory.

(2) An election may be made only if for the accounting period in question—

(a) the specified members are non-material members of the group,

(b) the accounting conditions are met, and

(c) any of the following is met—

(i) the routine profits test;

(ii) the de minimis test;

(iii) the effective tax rate test.

(3) Where an election is made, the total top-up amount for the accounting period for the territory is assumed to be nil for the purpose of determining the liability of any member of the group to multinational top-up tax.

(4) Paragraph 2 of Schedule 15 (annual elections) applies to an election under this paragraph.

"Non-material member"

9 For the purposes of paragraph 8(2)(a), a member of a multinational group is a "non-material member" of the group for an accounting period if for the period in question—

(a) the member's assets, liabilities, income, expenses and cash flows are not included in the consolidated financial statements of the ultimate parent on a line-by-line basis,

(b) their non-inclusion in those statements is solely on the grounds of size or materiality, and

(c) an external auditor has agreed (without qualification) to their non-inclusion in those statements on those grounds,

or if for the period in question the member is a permanent establishment of a member that meets the conditions in paragraphs (a) to (c).

Accounting conditions

10 (1) For the purposes of paragraph 8(2)(b), "the accounting conditions" for an accounting period are—

(a) that consolidated financial statements falling within section 249(1)(a) or (c) have been prepared by the ultimate parent of the group,

(b) that those consolidated financial statements have been externally audited, and

(c) that financial statements have been prepared in accordance with an acceptable accounting standard or an authorised accounting standard in respect of any specified member whose revenue exceeds 50 million euros.

(2) The reference in sub-paragraph (1)(c) to the revenue of a specified member is to its revenue as it would be determined under the country-by-country reporting rules.

Routine profits test

11 (1) For the purposes of paragraph 8(2)(c), "the routine profits test" is met for an accounting period if, on the assumption in sub-paragraph (2), the result of Step 4 in section 194 would be nil or less for the period for the relevant territory.

(2) The assumption is that for the period in question the adjusted profits of each specified member are equal to the revenue of that member as it would be determined under the country-by-country reporting rules.

De minimis test

12 (1) For the purposes of paragraph 8(2)(c), "the de minimis test" is met for an accounting period if, on the assumption in sub-paragraph (2), an election under section 199 (de minimis exclusion) could be made for the period for the relevant territory.

(2) The assumption is that for the period in question—

(a) the revenue of each specified member, and

(b) the adjusted profits of each specified member,

is or are equal to the revenue of that member as it would be determined under the country-by-country reporting rules.

Effective tax rate test

13 (1) For the purposes of paragraph 8(2)(c), "the effective tax rate test" is met for an accounting period if, on the assumption in sub-paragraph (2), the effective tax rate of the standard members of the group in the relevant territory for the period would be 15% or more.

(2) The assumption is that for the period in question—

(a) the adjusted profits of each specified member are equal to the revenue of the member as it would be determined under the country-by-country reporting rules, and

(b) the covered tax balance of each specified member is equal to the member's income tax expense as it would be determined under the country-by-country reporting rules.

Interpretation etc

14 In this Part of this Schedule, in relation to an election under paragraph 8—

"the country-by-country reporting rules" means—

(a) where legislation implementing the OECD's guidance on country-by-country reporting has effect in the relevant territory, that legislation;

(b) otherwise, that guidance;

"the relevant territory" means the territory in which the specified members are located;

"the specified members" means the members of the group in respect of which the election is made.

15 Nothing in this Part of this Schedule requires a country-by-country report actually to be filed in respect of a multinational group in order for an election under paragraph 8 to be made."

Minor amendments

40 In section 131 (whether de-merged groups meet the revenue threshold), in subsection (3)(b), at the end insert ", or would do ignoring any transitional safe harbour election".

41 In section 132 (effective tax rate), in subsection (1), in Step 7, at the end insert "and rounded to the nearest fourth decimal place (if it would otherwise have more than four)."

42 In section 144 (adjustments for asymmetric foreign currency income and losses), in subsection (4)(b), for "income" substitute "gain".

43 In section 197A (operating leases), in subsections (2) and (3), for "operating lease" substitute "property".

44 In section 210 (transfer of assets or liabilities from a member of a multinational group), in subsection (2), for "transferee" (in each place it occurs) substitute "transferor".

45 In section 247 (timing of transfers of interests), in subsection (1), in the words after paragraph (b), for "earlier time when the transfer is effective" substitute "other time".

46 (1) Section 267 (DTT excluded entities) is amended as follows.

(2) In subsection (3C)—

(a) in the words before paragraph (a), for "An investment entity that" substitute "Where an investment entity";

(b) in paragraph (a), at the beginning insert "that entity";

(c) in paragraph (b), for "272(8)(e)" substitute "272(3A)".

(3) In subsection (3D)(c)—

(a) omit "(8)(e)";

(b) at the end insert "and the section 193A(2) contained in subsection (3A) of that section".

47 In section 272 (determining top-up amounts of entity that is a member of a group)—

(a) in subsection (8)(da), for "in section 182(2)(e)," substitute "section 182 (total deferred tax adjustment amount) has effect as if in subsection (2)(e),";

(b) in subsection (10)(a), for "(8)(e)" substitute "(3A)".

48 In section 273 (domestic top-up tax: determining top-up amounts of entity that is not a member of a group), in the section 132 contained in subsection (2)—

(a) in each of Steps 1 to 3, for "member" substitute "entity";

(b) in Step 6, at the end insert "and rounded to the nearest fourth decimal place (if it would otherwise have more than four)."

49 In Schedule 14 (administration of multinational top-up tax)—

(a) in the italic heading before paragraph 50, after "Multiple" insert "tax-geared";

(b) in paragraph 50—

(i) in sub-paragraph (1), for "in", in the second place it occurs, substitute "whose amount falls to be determined by reference to the tax payable in relation to";

(ii) in sub-paragraph (2), after "penalties" insert ", so far as determined by reference to any particular part of the tax,";

(iii) in that sub-paragraph, after "penalty", in the second place it occurs, insert "(so far as so determined)".

50 In Schedule 15 (elections) in each of paragraphs 1(1) and 2(1), for the words before paragraph (a) substitute "For the elections to which this paragraph applies, see—".

51 In Schedule 16 (multinational top-up tax: transitional provision), after paragraph 2 insert—

"Transitional extension to deadline for elections

2A (1) Schedule 15 (multinational top-up tax: elections) has effect in its application to a pre-2026 election as if in paragraphs 1(2)(b) and 2(2)(b) of that Schedule for "no later than" there were substituted "before the end of the period of 12 months beginning with the day after".

(2) In sub-paragraph (1), a "pre-2026 election" means an election which specifies an accounting period ending before 31 December 2025 as—

(a) in the case of an election to which paragraph 1 of Schedule 15 applies, the first accounting period for which the election is to have effect, or

(b) in the case of an election to which paragraph 2 of Schedule 15 applies, the accounting period for which the election is to have effect."

52 (1) In FA 1989, in section 178 (setting of rates of interest), subsection (2) is amended as follows.

(2) In paragraph (x)—

(a) for "51" substitute "33A";

(b) after "Finance" insert "(No.2)";

(3) In paragraph (y), for "51" substitute "33A".

Commencement

53 (1) The amendments made by paragraphs 4 and 5 (elective qualifying domestic top-up taxes) and paragraphs 28 to 31 (qualifying undertaxed profits tax) have effect in relation to accounting periods beginning on or after 31 December 2025.

(2) The amendments made by paragraphs 20 to 22 (deferred tax assets and liabilities: exclusions) have effect in relation to accounting periods ending on or after 21 July 2025.

(3) Paragraph 32 (qualifying undertaxed profits tax: periods before regulations come into force) is treated as having come into force on 2 December 2025.

(4) The amendment made by paragraph 51 has effect in relation to accounting periods beginning on or after 31 December 2023.

(5) The amendments made by the other provisions of this Schedule have effect in relation to—

(a) where a retrospection election has been made in relation to a multinational group, a group, or a qualifying entity that is not a member of a group, accounting periods of that multinational group, group or entity beginning on or after 31 December 2023, or

(b) otherwise, accounting periods beginning on or after 31 December 2025.

(6) A retrospection election—

(a) is to be made—

(i) in the case of a multinational group or group, by the filing member, or

(ii) in the case of a qualifying entity that is not a member of a group, by that entity,

(b) must be made on or before the day on which the self-assessment return or below-threshold notification for the first accounting period of the multinational group, group or entity beginning on or after 31 December 2023 is made, and

(c) may not be revoked.

(7) But sub-paragraph (8) applies where any member, or former member, of a multinational group or group is, or would be on either or both of the relevant assumptions—

(a) a person chargeable to domestic top-up tax that has top-up amounts or additional top-up amounts for any accounting period beginning before 31 December 2025 as a result of the person's membership of the multinational group or group, or

(b) a qualifying entity that has top-up amounts or additional top-up amounts for any accounting period beginning before 31 December 2025 as a result of the entity's membership of the multinational group or group in respect of which a person is chargeable to domestic top-up tax.

(8) Where this sub-paragraph applies, a retrospection election may not be made without the written consent of each such person.

(9) For the purposes of sub-paragraph (7), "the relevant assumptions" are—

(a) that the retrospection election had been made, and

(b) that no election under section 271 of F(No.2)A 2023 had been made.

(10) Where—

(a) the filing member of a multinational group is not a responsible member of that multinational group, or

(b) there is more than one responsible member of that multinational group,

a retrospection election may not be made without the written consent of each responsible member.

(11) Sub-paragraph (12) applies where—

(a) the filing member of a multinational group or group has made a retrospection election,

(b) at the time the election was made it was reasonable for the filing member to consider that the consent of a person was not required,

(c) that consent was not given,

(d) the filing member becomes aware that the consent of that person was, or may have been, required, and

(e) the written consent of that person is given within the period of 60 days beginning with the day on which the condition in paragraph (d) is first met.

(12) The consent of that person is to be treated as having been given before the election was made.

(13) References in this paragraph to a "group", other than in the expression "multinational group", are to a group for the purposes of Part 4 of F(No.2)A 2023 (domestic top-up tax).

SCHEDULE 9

Section 56

TAINTED CHARITY DONATIONS

Income tax

1 Chapter 8 of Part 13 of ITA 2007 (tainted charity donations) is amended as follows.

2 In section 809ZH (overview), in subsection (2), for "section 257A" substitute "sections 257A and 257B".

3 In section 809ZI (relievable charity donations), in subsection (3)(b), for "section 257A" substitute "sections 257A and 257B".

4 (1) Section 809ZJ (tainted donations) is amended as follows.

(2) In subsection (1)–

(a) the words from "is a tainted donation" to the end become paragraph (a);

(b) after that paragraph insert ", and

(b) becomes a tainted donation at the earliest time when all those conditions are met."

(3) In subsection (2)(b), at the end of sub-paragraph (i) (but before the "and" that follows it) insert "as at the later of the time when the donation is made and the time when the arrangements are entered into".

(4) In subsection (4), in the words before paragraph (a), for the words from "a time" to "the following times" substitute "any time after the earliest of the following times".

(5) In subsection (8), in the definition of "qualifying charity-owned company", for "potentially advantaged person" (in both places it occurs) substitute "linked person".

(6) In subsection (10), for "advantages" substitute "assistance".

5 Omit section 809ZK (circumstances in which financial advantage deemed to be obtained).

6 (1) Section 809ZL (certain financial advantages to be ignored) is amended as follows.

(2) In the heading, for "advantages" substitute "assistance".

(3) In subsection (1)–

(a) for "a financial advantage" substitute "financial assistance";

(b) for "(2)" substitute "(2A)".

(4) Omit subsection (2).

(5) Before subsection (3) insert—

"(2A) Financial assistance is within this subsection if it constitutes a payment made by a charity, on arm's length terms, in respect of—

(a) work carried out by a person for or on behalf of the charity, or

(b) expenses incurred by a person in the course of such work."

(6) In each of subsections (3), (4) and (5), for "A financial advantage" substitute "Financial assistance".

(7) In subsections (4)(b) and (5)(b), for "the advantage" substitute "the assistance".

(8) In subsection (6), at the appropriate place insert—

""financial assistance" has the same meaning as in section 809ZJ;".

7 (1) Section 809ZM (removal of income tax relief in respect of tainted donations etc) is amended as follows.

(2) In the heading, for "in respect of tainted donations etc" substitute "where donation becomes tainted in same tax year".

(3) For subsection (1) substitute—

"(1) This section applies where—

(a) a person makes a relievable charity donation, and

(b) the donation becomes a tainted donation in the same tax year in which it is made."

(4) Omit subsection (3).

(5) In subsection (4), omit the definitions of "associated donation", "qualifying charity-owned company", "relevant housing provider" and "the relevant arrangements".

8 After section 809ZM insert—

"809ZMA Clawback of income tax relief where donation becomes tainted in later tax year

(1) This section applies where—

(a) a person makes a relievable charity donation in a tax year ("the donation year"),

(b) the donation becomes a tainted donation in a later tax year ("the tainting year"), and

(c) if the donation had become a tainted donation in the donation year, the person's liability to income tax for the donation year would have been greater than it in fact was for that year.

(2) Income tax is charged under this section, for the tainting year, of an amount equal to the difference between—

(a) the amount of income tax for which the person who made the donation would have been liable for the donation year had the donation become a tainted donation in that year, and

(b) the amount of income tax for which that person was in fact liable for the donation year.

(3) The person liable for tax charged under this section is the person who made the donation.

(4) Section 101 of FA 2009 (late payment interest) has effect in relation to tax charged under this section as though the tax had become due and payable on 1 February in the tax year following the donation year.

809ZMB Removal or clawback of income tax relief for associated donations

(1) This section applies where—

(a) a person makes a relievable charity donation that becomes a tainted donation, and

(b) a person makes an associated donation in relation to the tainted donation.

(2) If the donation mentioned in subsection (1)(a) becomes a tainted donation before the end of the tax year in which the associated donation is made, any income tax relief that would otherwise be available in respect of the associated donation is not available.

(3) Section 809ZM(5) to (8) (treatment of donation where entitlement to relief is withdrawn) applies to the withdrawal of relief under subsection (2) as it applies to the withdrawal of relief under that section.

(4) Subsection (5) applies where—

(a) the donation mentioned in subsection (1)(a) becomes a tainted donation after the end of the tax year in which the associated donation is made, and

(b) if the donation mentioned in subsection (1)(a) had become a tainted donation before the end of that tax year, the liability to income tax for that tax year of the person who made the associated donation would have been greater than it in fact was for that tax year.

(5) Income tax is charged under this section, for the tax year in which the donation mentioned in subsection (1)(a) becomes a tainted donation, of an amount equal to the difference between—

(a) the amount of income tax for which the person who made the associated donation would have been liable for the tax

year in which the associated donation was made had the tainted donation become a tainted donation before the end of that tax year, and

(b) the amount of income tax for which that person was in fact liable for the tax year in which the associated donation was made.

(6) The person liable for tax charged under subsection (5) is the person who made the associated donation.

(7) Subsection (5) does not apply in relation to an associated donation if the person who would be liable for tax charged under that subsection—

(a) is already liable for tax charged under that subsection by reference to the tax year in which the associated donation was made, or

(b) is liable for tax charged under section 809ZMA(2) by reference to that tax year,

and for that purpose the tax year "by reference to which" tax is charged is the earlier tax year for which the person's liability falls to be considered under (as the case may be) subsection (5)(a) and (b) or section 809ZMA(2)(a) and (b).

(8) Section 101 of FA 2009 (late payment interest) has effect in relation to tax charged under subsection (5) as though the tax had become due and payable on 1 February in the tax year following the one in which the associated donation was made.

(9) In this section—

"associated donation", in relation to a tainted donation, means a relievable charity donation made—

(a) in accordance with the arrangements by reference to which Conditions A and B in section 809ZJ are met, and

(b) by a person other than—

(i) a qualifying charity-owned company in relation to that relievable charity donation, or

(ii) a relevant housing provider linked (within the meaning of section 809ZJ(7)) with the charity to which that donation is made;

"income tax relief" has the same meaning as in section 809ZM;

"qualifying charity-owned company" has the meaning given by section 809ZJ(8) (except that paragraph (b) of that definition does not apply);

"relevant housing provider" has the meaning given by section 809ZJ(8)."

9 (1) Section 809ZN (income tax charge where gift aid is withdrawn) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (a), for "tainted donation" substitute "relievable charity donation";

(b) after paragraph (a) insert—

"(aa) the donation becomes a tainted donation (whether in that tax year or a later tax year),".

(3) After subsection (2) insert—

"(2A) Tax charged under this section is charged for the tax year in which the donation mentioned in subsection (1)(a) becomes a tainted donation."

(4) In subsection (4), for paragraph (c) substitute—

"(c) each linked person (as defined in section 809ZJ(3)) by reference to whom Condition B in section 809ZJ(5) is met in relation to the tainted donation,".

(5) In subsection (5)—

(a) in paragraph (a), for "the relevant arrangements relating to" substitute "the arrangements by reference to which Conditions A and B in section 809ZJ are met in relation to";

(b) for paragraph (b) substitute—

"(b) was aware or ought reasonably to have been aware, at the time it entered into those arrangements, that Condition B in section 809ZJ was or would be met by reference to the arrangements."

(6) In subsection (7)—

(a) in the definition of "associated donation", for "809ZM" substitute "809ZMB";

(b) omit the definition of "the relevant arrangements".

10 (1) Section 809ZO (income tax charge where payment of trust income to charity) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (a), for "tainted donation" substitute "relievable charity donation";

(b) after paragraph (a) insert—

"(aa) the donation becomes a tainted donation (whether in that tax year or a later tax year),"

(3) After subsection (2) insert—

"(2A) Tax charged under this section is charged for the tax year in which the donation mentioned in subsection (1)(a) becomes a tainted donation."

(4) In subsection (4), for paragraph (d) substitute—

"(d) each linked person (as defined in section 809ZJ(3)) by reference to whom Condition B in section 809ZJ(5) is met in relation to the tainted donation,".

(5) In subsection (5)—

(a) in paragraph (a), for "the relevant arrangements relating to" substitute "the arrangements by reference to which Conditions A and B in section 809ZJ are met in relation to";

(b) for paragraph (b) substitute—

"(b) the charity was aware or ought reasonably to have been aware, at the time it entered into those arrangements, that Condition B in section 809ZJ was or would be met by reference to the arrangements."

(6) In subsection (7)—

(a) in the definition of "associated donation", for "809ZM" substitute "809ZMB";

(b) omit the definition of "the relevant arrangements".

Corporation tax on income

11 Part 21C of CTA 2010 (tainted charity donations) is amended as follows.

12 In section 939A (overview), in subsection (2), for "section 257A" substitute "sections 257A and 257B".

13 In section 939B (relievable charity donations), in subsection (3)(b), for "section 257A" substitute "sections 257A and 257B".

14 (1) Section 939C (tainted donations) is amended as follows.

(2) In subsection (1)—

(a) the words from "is a tainted donation" to the end become paragraph (a);

(b) after that paragraph insert ", and

(b) becomes a tainted donation at the earliest time when all those conditions are met."

(3) In subsection (2)(b), at the end of sub-paragraph (i) (but before the "and" that follows it) insert "as at the later of the time when the donation is made and the time when the arrangements are entered into".

(4) In subsection (4), in the words before paragraph (a), for the words from "a time" to "the following times" substitute "any time after the earliest of the following times".

(5) In subsection (8), in the definition of "qualifying charity-owned company", for "potentially advantaged person" (in both places it occurs) substitute "linked person".

(6) In subsection (10), for "advantages" substitute "assistance".

15 Omit section 939D (circumstances in which financial advantage deemed to be obtained).

16 (1) Section 939E (certain financial advantages to be ignored) is amended as follows.

(2) In the heading, for "advantages" substitute "assistance".

(3) In subsection (1)—

(a) for "a financial advantage" substitute "financial assistance";

(b) for "(2)" substitute "(2A)".

(4) Omit subsection (2).

(5) Before subsection (3) insert—

"(2A) Financial assistance is within this subsection if it constitutes a payment made by a charity, on arm's length terms, in respect of—

(a) work carried out by a person for or on behalf of the charity, or

(b) expenses incurred by a person in the course of such work."

(6) In each of subsections (3), (4) and (5), for "A financial advantage" substitute "Financial assistance".

(7) In subsections (4)(b) and (5)(b), for "the advantage" substitute "the assistance".

(8) In subsection (6), at the appropriate place insert—

""financial assistance" has the same meaning as in section 939C;".

17 (1) Section 939F (removal of corporation tax relief in respect of tainted donations etc) is amended as follows.

(2) In the heading, for "in respect of tainted donations etc" substitute "where donation becomes tainted in same accounting period".

(3) For subsection (1) substitute—

"(1) This section applies where—

(a) a company makes a relievable charity donation, and

(b) the donation becomes a tainted donation in the same accounting period in which it is made."

(4) Omit subsection (3).

(5) In subsection (4), omit the definitions of "associated donation", "qualifying charity-owned company", "relevant housing provider" and "the relevant arrangements".

18 After section 939F (but beneath the same italic heading) insert—

"939FA Clawback of corporation tax relief where donation becomes tainted in later accounting period

(1) This section applies where—

(a) a company makes a relievable charity donation in an accounting period ("the donation period"),

(b) the donation becomes a tainted donation in a later accounting period ("the tainting period"), and

(c) if the donation had become a tainted donation in the donation period, the company's liability to corporation tax for the donation period would have been greater than it in fact was for that period.

(2) The company's liability to corporation tax for the tainting period is increased by an amount equal to the difference between—

(a) the amount of corporation tax for which it would have been liable for the donation period had the donation become a tainted donation in that period, and

(b) the amount of corporation tax for which it was in fact liable for the donation period.

(3) Section 87A of TMA 1970 (interest on overdue corporation tax etc) has effect in relation to tax for which a company is liable by virtue of subsection (2) as though the tax had become due and payable on the day following the expiry of 9 months from the end of the donation period.

939FB Removal or clawback of corporation tax relief for associated donations

(1) This section applies where—

(a) a person makes a relievable charity donation that becomes a tainted donation, and

(b) a company makes an associated donation in relation to the tainted donation.

(2) If the donation mentioned in subsection (1)(a) becomes a tainted donation before the end of the accounting period of the company in which the associated donation is made, any corporation tax relief that would otherwise be available in respect of the associated donation is not available.

(3) Subsection (4) applies where—

(a) the donation mentioned in subsection (1)(a) becomes a tainted donation after the end of the accounting period of the company in which the associated donation is made, and

(b) if the donation mentioned in subsection (1)(a) had become a tainted donation before the end of that accounting period, the company's liability to corporation tax for that accounting period would have been greater than it in fact was for that period.

(4) The liability of the company to corporation tax for the accounting period in which the donation mentioned in subsection (1)(a) becomes a tainted donation is increased by an amount equal to the difference between—

(a) the amount of corporation tax for which it would have been liable for the accounting period in which the associated donation was made, had the tainted donation become a tainted donation before the end of that period, and

(b) the amount of corporation tax for which it was in fact liable for the accounting period in which the associated donation was made.

(5) Subsection (4) does not apply in relation to an associated donation if the company—

(a) is already liable for tax by virtue of that subsection by reference to the accounting period in which the associated donation was made, or

(b) is liable for tax by virtue of section 939FA(2) by reference to that accounting period,

and for that purpose the accounting period "by reference to which" the company is liable for tax is the earlier accounting period for which the company's liability falls to be considered under (as the case may be) subsection (4)(a) and (b) or section 939FA(2)(a) and (b).

(6) Section 87A of TMA 1970 (interest on overdue corporation tax etc) has effect in relation to tax for which a company is liable by virtue of subsection (4) as though the tax had become due and payable on the day following the expiry of 9 months from the end of the accounting period in which the associated donation was made.

(7) In this section—

"associated donation", in relation to a tainted donation, means a relievable charity donation made—

(a) in accordance with the arrangements by reference to which Conditions A and B in section 939C are met, and

(b) by a person other than—

(i) a qualifying charity-owned company in relation to that relievable charity donation, or

(ii) a relevant housing provider linked (within the meaning of section 939C(7)) with the charity to which that donation is made;

"corporation tax relief" has the same meaning as in section 939F;

"qualifying charity-owned company" has the meaning given by section 939C(8) (except that paragraph (b) of that definition does not apply);

"relevant housing provider" has the meaning given by section 939C(8)."

Capital gains tax and corporation tax on chargeable gains

19 In TCGA 1992, for section 257A (tainted charity donations) substitute—

"257A Tainted charity donations

(1) Section 257 does not apply in relation to a relievable charity donation that becomes a tainted donation in the same tax year in which it is made.

(2) Subsection (3) applies if—

(a) a person makes a relievable charity donation in a tax year ("the donation year"),

(b) the donation becomes a tainted donation in a later tax year ("the tainting year"), and

(c) if the donation had become a tainted donation in the donation year, the liability to tax for the donation year of the person who made the donation would have been greater than it in fact was for the donation year.

(3) The liability to tax for the tainting year of the person that made the donation is increased by an amount equal to the difference between—

(a) the amount of tax for which the person would have been liable for the donation year had the donation become a tainted donation in the donation year, and

(b) the amount of tax for which the person was in fact liable for the donation year.

(4) Section 101 of FA 2009 (interest on CGT etc) has effect in relation to capital gains tax for which a person is liable by virtue of subsection (3) as though the tax had become due and payable on 1 February in the tax year following the donation year.

(5) Section 87A of TMA 1970 (interest on overdue corporation tax etc) has effect in relation to corporation tax for which a company is

liable by virtue of subsection (3) as though the tax had become due and payable on the day following the expiry of 9 months from the end of the accounting period of the company in which the donation mentioned in subsection (2)(a) was made.

(6) In this section—

"relievable charity donation" means a relievable charity donation within the meaning of Chapter 8 of Part 13 of ITA 2007 or Part 21C of CTA 2010;

"tainted donation" means a tainted donation within the meaning of Chapter 8 of Part 13 of ITA 2007 or Part 21C of CTA 2010;

"tax" means—

(a) in relation to a company, corporation tax on chargeable gains;

(b) otherwise, capital gains tax;

and a reference to a donation "becoming" a tainted donation is to be read with section 809ZJ(1)(b) of ITA 2007 and 939C(1)(b) of CTA 2010.

(7) In relation to any donation made by a company, references in this section to a tax year are to be read as references to an accounting period.

257B Associated donations in relation to tainted charity donations

(1) This section applies where—

(a) a person makes a relievable charity donation that becomes a tainted donation, and

(b) a person makes an associated donation in relation to the tainted donation.

(2) If the donation mentioned in subsection (1)(a) becomes a tainted donation before the end of the tax year in which the associated donation is made, section 257 does not apply in relation to the associated donation.

(3) Subsection (4) applies where—

(a) the donation mentioned in subsection (1)(a) becomes a tainted donation after the end of the tax year in which the associated donation is made, and

(b) if the donation had become a tainted donation before the end of that tax year, the liability to tax for that tax year of the person who made the associated donation would have been greater than it in fact was for that tax year.

(4) The liability to tax of the person who made the associated donation, for the tax year in which the donation mentioned in subsection

(1)(a) becomes a tainted donation, is increased by an amount equal to the difference between—

(a) the amount of tax for which the person would have been liable for the tax year in which the associated donation was made had the donation mentioned in subsection (1)(a) become a tainted donation before the end of that tax year, and

(b) the amount of tax for which the person was in fact liable for the tax year in which the associated donation was made.

(5) Subsection (4) does not apply in relation to an associated donation if the person who makes the associated donation—

(a) is already liable for tax by virtue of that subsection by reference to the tax year in which the associated donation was made, or

(b) is liable for tax by virtue of section 257A(3) by reference to that tax year,

and for that purpose the tax year "by reference to which" a person is liable for tax is the earlier tax year for which the person's liability falls to be considered under (as the case may be) subsection (4)(a) and (b) or section 257A(3)(a) and (b).

(6) Section 101 of FA 2009 (interest on CGT etc) has effect in relation to capital gains tax for which a person is liable by virtue of subsection (4) as though the tax had become due and payable on 1 February in the tax year following the tax year in which the associated donation was made.

(7) Section 87A of TMA 1970 (interest on overdue corporation tax etc) has effect in relation to corporation tax for which a company is liable by virtue of subsection (4) as though the tax had become due and payable on the day following the expiry of 9 months from the end of the accounting period of the company in which the associated donation was made.

(8) In this section—

"associated donation" means an associated donation within the meaning of section 809ZMB of ITA 2007 or section 939FB of CTA 2010;

"relievable charity donation" means a relievable charity donation within the meaning of Chapter 8 of Part 13 of ITA 2007 or Part 21C of CTA 2010;

"tainted donation" means a tainted donation within the meaning of Chapter 8 of Part 13 of ITA 2007 or Part 21C of CTA 2010;

"tax" means—

(a) in relation to a company, corporation tax on chargeable gains;

(b) otherwise, capital gains tax;

and a reference to a donation "becoming" a tainted donation is to be read with section 809ZJ(1)(b) of ITA 2007 and 939C(1)(b) of CTA 2010.

(9) Where the associated donation mentioned in subsection (1)(b) is made by a company, references in this section to a tax year are to be read as references to an accounting period of the company."

Consequential amendments

20 In CAA 2001, in section 63 (cases in which disposal value is nil), in subsection (4)(b)—

(a) for "section 809ZM" substitute "sections 809ZM and 809ZMB";

(b) for "section 939F" substitute "sections 939F and 939FB".

21 In ITEPA 2003, in section 713 (donations to charity: payroll deduction scheme), in subsection (6), for "section 809ZM" substitute "sections 809ZM and 809ZMB".

22 In ITTOIA 2005, in section 108 (gifts of trading stock to charities etc), in subsection (5)(b), for "section 809ZM" substitute "sections 809ZM and 809ZMB".

23 (1) ITA 2007 is amended as follows.

(2) In section 30 (additional tax), in subsections (1) and (2), at the appropriate place insert—

"section 809ZMA (tainted donations: clawback where tainting occurs in later year),

section 809ZMB (tainted donations: associated donations)".

(3) In section 58 (meaning of "adjusted net income"), for subsection (4) substitute—

"(4) This section is subject to section 809ZM(6) and section 809ZMB(3) (which prevent tainted donations and associated donations from being deducted at Step 2 in subsection (1))."

(4) In section 413 (gift aid: overview), in subsection (4A), for "section 809ZM" substitute "sections 809ZM and 809ZMB".

(5) In section 431 (gifts of shares, securities and real property to charities etc), in subsection (7), for "section 809ZM" substitute "sections 809ZM and 809ZMB".

(6) In Schedule 4 (index of defined expressions), omit the entry for "potentially advantaged person (in Chapter 8 of Part 13)".

24 In CTA 2009, in section 105 (gifts of trading stock to charities etc), in subsection (6), for "section 939F" substitute "sections 939F and 939FB".

25 In CTA 2010, in Schedule 4 (index of defined expressions), omit the entry for "potentially advantaged person (in Part 21C)".

SCHEDULE 10

Section 57

WINTER FUEL PAYMENT CHARGE

The winter fuel payment charge

1 (1) Part 10 of ITEPA 2003 (social security income) is amended as follows.

(2) At the end of the heading insert "etc".

(3) In section 655 (structure of Part 10), in subsection (1), at the end insert—

"Chapter 9 makes provision for the winter fuel payment charge."

(4) After Chapter 8 insert—

"CHAPTER 9

WINTER FUEL PAYMENT CHARGE

681I Winter fuel payment charge

(1) A person ("P") is liable to a charge to income tax for a tax year if—

(a) P is entitled to a winter fuel payment in respect of the qualifying week, and

(b) P's total income for the tax year exceeds £35,000.

(2) The charge is to be known as the "winter fuel payment charge".

(3) The amount of the charge is equal to the amount of the winter fuel payment.

(4) But P is not liable for the charge if P is entitled to a relevant benefit on any day in the qualifying week.

(5) The following are "relevant benefits"—

(a) income support under section 124 of SSCBA 1992 or section 123 of SSCB(NI)A 1992;

(b) an income-based jobseeker's allowance under section 1 of JSA 1995 or Article 3 of JS(NI)O 1995;

(c) state pension credit under section 1 of SPCA 2002 or section 1 of SPCA(NI) 2002;

(d) an income-related employment and support allowance under section 1(2)(b) of WRA 2007 or Part 1 of the Welfare Reform Act (Northern Ireland) 2007;

(e) universal credit under Part 1 of WRA 2012 or Part 2 of the Welfare Reform (Northern Ireland) Order 2015.

(6) In this section—

(a) a "winter fuel payment" means a payment under the Social Fund Winter Fuel Payment Regulations 2025, the Winter Heating Assistance (Pension Age) (Scotland) Regulations 2024 or the Social Fund Winter Fuel Payment Regulations (Northern Ireland) 2025;

(b) the "qualifying week", in relation to a tax year, means the week beginning on the third Monday in the September of that tax year.

681J Alteration of income limit by Treasury order

(1) The Treasury may by order substitute another amount for the amount for the time being specified in section 681I(1)(b).

(2) An order under this section has effect for tax years beginning after the order is made.

(3) A statutory instrument containing an order under this section which increases any person's liability to income tax may not be made unless a draft of it has been laid before and approved by a resolution of the House of Commons."

Consequential amendments

2 In section 7 of TMA 1970 (notice of liability to income tax and capital gains tax), in subsection (3)(c), at the end insert "other than Chapter 9 of Part 10 of ITEPA 2003 (winter fuel payment charge)".

3 (1) ITEPA 2003 is amended as follows.

(2) In section 1 (overview of contents of this Act), in subsection (3), after paragraph (aa) insert—

"(ab) makes provision for the winter fuel payment charge (see Chapter 9 of Part 10),".

(3) In section 684 (PAYE regulations), in subsection (2), after Item 2ZA insert—

"2ZB. Provision—

(a) for deductions to be made, if and to the extent that the payee does not object, with a view to securing that income tax payable for a tax year by the payee by virtue of section 681I (winter fuel payment charge) is deducted from PAYE income of the payee paid during that year,

(b) for repayments to be made in a tax year, if and to the extent that the payee does not object, in respect of any amounts overpaid on account of income tax under that section for that tax year, and

(c) as to the circumstances and manner in which a payee may object to the making of deductions or repayments."

(4) In section 717 (orders and regulations made by Treasury or Commissioners), in subsection (4)—

(a) after "section 681F(3)" insert "or 681J(3)";

(b) after "benefit" insert "or winter fuel payment".

4 (1) ITA 2007 is amended as follows.

(2) In section 1 (overview of the Income Tax Acts), in subsection (1)(a), after "benefit" insert "and winter fuel payment".

(3) In section 30 (additional tax), in subsection (1), after "Chapter 8 of Part 10 of ITEPA 2003 (high income child benefit charge)," insert—

"Chapter 9 of Part 10 of ITEPA 2003 (winter fuel payment charge),".

Commencement

5 The amendments made by this Schedule have effect for the tax year 2025-26 and subsequent tax years.

SCHEDULE 11

Section 58

TAX TREATMENT OF CARRIED INTEREST

PART 1

CARRIED INTEREST: INTERPRETATION OF KEY TERMS

1 Before Schedule 1 to ITTOIA 2005 insert—

"SCHEDULE A1

Section 23I

CARRIED INTEREST: INTERPRETATION OF KEY TERMS

PART 1

MEANING OF CARRIED INTEREST

Meaning of "carried interest"

1 (1) A sum (including a sum in the form of a loan or advance or an allocation of profits) which arises to an individual from an investment scheme under arrangements is "carried interest" if it arises by way of profit-related return.

(2) A sum which arises to an individual from an investment scheme under arrangements does so by way of "profit-related return" if under the arrangements—

(a) the sum is to, or may, arise only if—

(i) there are profits for a period on the investments, or on particular investments, made for the purposes of the scheme, or

(ii) there are profits arising from a disposal of the investments, or of particular investments, made for those purposes,

(b) the amount of the sum which is to, or may, arise is variable, to a substantial extent, by reference to those profits, and

(c) returns to external investors are also determined by reference to those profits;

but where any part of the sum does not meet these conditions, that part is not to be regarded as arising by way of "profit-related return".

(3) But where—

(a) one or more sums ("actual sums") arise to an individual from an investment scheme under the arrangements by way of profit-related return in a tax year, and

(b) there was no significant risk that a sum of at least a certain amount ("the minimum amount") would not arise to the individual from that scheme,

so much of the actual sum, or of the aggregate of the actual sums, as is equal to the minimum amount is not "carried interest".
(See sub-paragraphs (7) and (8) as to how the minimum amount is to be apportioned between the actual sums where more than one actual sum arises in the tax year.)

(4) For the purposes of sub-paragraph (3)(b) assess the risk both—

(a) in relation to each actual sum (and the investments to which it relates) individually, taking into account also any other sums that might have arisen to the individual from that scheme under the arrangements instead of that sum, and

(b) in relation to the actual sum or sums and any other sums that might have arisen to the individual from that scheme under the arrangements by way of profit-related return in the tax year (and the investments to which all those sums relate) taken as a whole;

(so that, in a particular case, some of the minimum amount may arise by assessing the risk in accordance with paragraph (a) and some by assessing it in accordance with paragraph (b)).

(5) For the purposes of sub-paragraph (3)(b) assess the risk as at the latest of—

(a) the time when the individual becomes party to the arrangements,

(b) the time when the individual begins to perform investment management services directly or indirectly in respect of an investment scheme under the arrangements, and

(c) the time when a material change is made to the arrangements so far as relating to the sums which are to, or may, arise to the individual.

(6) For the purposes of sub-paragraph (3)(b) ignore any risk that a sum is prevented from arising to the individual (by reason of insolvency or otherwise).

(7) Where more than one actual sum arises in the tax year, the minimum amount is to be apportioned between the actual sums as follows for the purposes of sub-paragraph (3)—

(a) so much of the minimum amount as is attributable to a particular actual sum is to be apportioned to that actual sum, and

(b) so much of the minimum amount as is not attributable to any particular actual sum is to be apportioned between the actual sums on a just and reasonable basis.

(8) For the purpose of sub-paragraph (7) any part of the minimum amount is attributable to a particular actual sum to the extent that there was no significant risk that that part would not arise to the individual in relation to that actual sum, assessing the risk in accordance with sub-paragraph (4)(a).

(9) See also paragraphs 2 to 5 which set out when certain sums are to be treated and not treated as carried interest.

Sums treated as "carried interest"

2 (1) A sum arising to an individual from an investment scheme under arrangements which falls within sub-paragraph (2) or (3)—

(a) is to be assumed to meet the conditions in paragraph 1(2),

(b) is to be assumed to not be a sum in relation to which paragraph 1(3) applies, and

(c) accordingly, is to be treated as constituting "carried interest".

(2) A sum falls within this sub-paragraph if, under the arrangements, it is to, or may, arise to the individual out of profits on the investments made for the purposes of the scheme, but only after—

(a) all, or substantially all, of the investments in the scheme made by the participants have been repaid to the participants, and

(b) each external investor has received a preferred return on all, or substantially all, of the investor's investments in the scheme.

(3) A sum falls within this sub-paragraph if, under the arrangements, it is to, or may, arise to the individual out of profits on a particular investment made for the purposes of the scheme, but only after—

(a) all, or substantially all, of the relevant investments made by participants have been repaid to those participants, and

(b) each of those participants who is an external investor has received a preferred return on all, or substantially all, of the investor's relevant investments;

and for this purpose "relevant investments" means those investments in the scheme to which the particular investment made for the purposes of the scheme is attributable.

(4) In this paragraph "preferred return" means a return of not less than the amount that would be payable on the investment by way of interest if—

(a) compound interest were payable on the investment for the whole of the period during which it was invested in the scheme, and

(b) the interest were calculated at a rate of 6% per annum, with annual rests.

Consideration for right to sum of carried interest treated as "carried interest"

3 (1) Sub-paragraph (2) applies to consideration that is received or receivable—

(a) by an individual for the disposal, variation, loss or cancellation of the individual's right to a sum arising from an investment scheme under arrangements by way of profit-related return, or

(b) by a person who is a relevant person in relation to the individual, for the disposal, variation, loss or cancellation of the relevant person's right to a sum arising from an investment scheme under arrangements by way of profit-related return.

(2) The consideration, to the extent that it is not a disguised fee arising to the individual for the purposes of section 809EZA of ITA 2007—

(a) is to be treated as a sum which arises to the individual from the scheme under the arrangements by way of profit-related return at the time of the disposal, variation, loss or cancellation, and

(b) accordingly, is to be treated as constituting "carried interest".

(3) For the purposes of sub-paragraph (1), a person is a "relevant person" in relation to an individual if carried interest arising to that person would be treated as arising to the individual for the purposes of section 23I (see paragraph 7 and paragraph 8 of this Schedule).

Tax distribution treated as "carried interest"

4 (1) A tax distribution arising to an individual from an investment scheme under arrangements is to be treated as constituting "carried interest".

(2) A sum which arises to an individual from an investment scheme under arrangements is a "tax distribution" if—

(a) under the arrangements the sum is to, or may, arise only if tax (including non-UK tax within the meaning of Part 5 of CTA 2010) becomes payable or is expected to become payable as a result of any individual's entitlement to carried interest under the arrangements, and

(b) the sum arising to the individual results in a corresponding deduction in the individual's entitlement to carried interest.

Co-investment returns not "carried interest"

5 (1) A sum which arises to an individual from an investment scheme under arrangements by way of profit-related return is not to be treated as "carried interest" to the extent that it constitutes a co-investment repayment or return.

(2) In sub-paragraph (1)—

"co-investment", in relation to an individual and a scheme, means an investment made directly or indirectly by the individual, or a person who is connected with the individual, in the scheme, where there is no return on the investment which is not an arm's length return within the meaning of section 809EZB(2) of ITA 2007;

"co-investment repayment or return" means a repayment in whole or in part of, or a return on, a co-investment.

(3) Section 993 of ITA 2007 (meaning of "connected") applies for the purposes of this paragraph but as if—

(a) subsection (4) of that section were omitted, and

(b) partners in a partnership in which the individual is also a partner were not "associates" of the individual for the purposes of sections 450 and 451 of CTA 2010 ("control").

Definitions

6 (1) In this Part of this Schedule, "profits", in relation to an investment made for the purposes of an investment scheme, means profits (including unrealised profits) arising from the acquisition, holding, management or disposal of the investment (taking into account items of a revenue nature and items of a capital nature).

(2) In this Part of this Schedule a reference to an investment made by a person in an investment scheme is a reference to a contribution by the person (whether by way of capital, loan or otherwise) towards the property subject to the scheme (but does not include a sum committed but not yet invested).

(3) For the purposes of sub-paragraph (2) a person who holds a direct or indirect interest in an investment scheme and who acquired the interest from a person other than the scheme is to be taken to have made a contribution towards the property subject to the scheme equal to—

(a) the consideration given by the person for the acquisition of the interest, or

(b) if less, the market value within the meaning of the TCGA 1992 (see sections 272 and 273 of that Act) of the interest at the time of the acquisition.

(4) In this Part of this Schedule, in relation to an investment scheme which is a company limited by shares—

(a) references to a repayment of, or a return on, an investment in the scheme include a repayment of, or a return on, an investment represented by a share in the scheme resulting from—

(i) the purchase of the share by the scheme,

(ii) the redemption of the share by the scheme,

(iii) the distribution of assets in respect of the share on the winding up of the scheme, or

(iv) any similar process;

(b) references to a return on an investment in the scheme include a dividend or similar distribution in respect of a share in the scheme representing the investment.

PART 2

SUMS ARISING TO OTHER PERSONS TREATED AS ARISING TO THE INDIVIDUAL

Sums arising to connected persons other than companies

7 (1) This paragraph applies in relation to an individual ("A") if—

(a) a sum arises to a person ("B") who is connected with A,

(b) B is not a company, and

(c) the sum does not arise to A apart from this paragraph.

(2) The sum referred to in sub-paragraph (1)(a) arises to A for the purposes of this Schedule and this group of sections.

(3) Where a sum arises to A by virtue of this paragraph, it arises to A at the time the sum referred to in sub-paragraph (1)(a) arises to B.

(4) Section 993 of ITA 2007 (meaning of "connected") applies for the purposes of this paragraph but as if—

(a) subsection (4) of that section were omitted, and

(b) partners in a partnership in which A is also a partner were not "associates" of A for the purposes of sections 450 and 451 of CTA 2010 ("control").

Sums arising to connected company or unconnected person

8 (1) This paragraph applies in relation to an individual ("A") if—

(a) a sum arises to—

(i) a company connected with A, or

(ii) a person not connected with A,

(b) any of the enjoyment conditions are met, and

(c) the sum does not arise to A apart from this paragraph.

(2) The enjoyment conditions are—

(a) the sum, or part of the sum, is in fact so dealt with by any person as to be calculated at some time to enure for the benefit of A or a person connected with A;

(b) the arising of the sum operates to increase the value to A or a person connected with A of any assets which—

(i) A or the connected person holds, or

(ii) are held for the benefit of A or the connected person;

(c) A or a person connected with A receives or is entitled to receive at any time any benefit provided or to be provided out of the sum or part of the sum;

(d) A or a person connected with A may become entitled to the beneficial enjoyment of the sum or part of the sum if one or more powers are exercised or successively exercised (and for these purposes it does not matter who may exercise the powers or whether they are exercisable with or without the consent of another person);

(e) A or a person connected with A is able in any manner to control directly or indirectly the application of the sum or part of the sum.

In this sub-paragraph, in a case where the sum referred to in sub-paragraph (1)(a) arises to a company connected with A, references to a person connected with A do not include that company.

(3) There arises to A for the purposes of this Schedule and this group of sections—

(a) the sum referred to in sub-paragraph (1)(a), or

(b) if the enjoyment condition in sub-paragraph (2)(a), (c), (d) or (e) is met in relation to part of the sum, that part of that sum, or

(c) if the enjoyment condition in sub-paragraph (2)(b) is met, such part of that sum as is equal to the amount by which the value of the assets referred to in that condition is increased.

(4) Where a sum (or part of a sum) arises to A by virtue of this paragraph, it arises to A at the time it arises to the person referred to in sub-paragraph (1)(a)(i) or (ii) (whether the enjoyment condition was met at that time or at a later date).

(5) In determining whether any of the enjoyment conditions are met in relation to a sum or part of a sum—

(a) regard must be had to the substantial result and effect of all the relevant circumstances, and

(b) all benefits which may at any time accrue to a person as a result of the sum arising as specified in sub-paragraph (1)(a) must be taken into account, irrespective of—

(i) the nature or form of the benefits, or

(ii) whether the person has legal or equitable rights in respect of the benefits.

(6) The enjoyment condition in sub-paragraph (2)(b), (c) or (d) is to be treated as not met if it would be met only by reason of A or a person connected with A holding shares or an interest in shares in a company.

(7) The enjoyment condition in sub-paragraph (2)(a) or (e) is to be treated as not met if the sum referred to in sub-paragraph (1)(a) arises to a company and—

(a) the company is liable to pay corporation tax in respect of its profits and the sum is included in the computation of those profits, or

(b) sub-paragraph (a) does not apply but—

(i) the company is a CFC and the exemption in Chapter 14 of Part 9A of TIOPA 2010 applies for the accounting period in which the sum arises, or

(ii) the company is not a CFC but, if it were, that exemption would apply for that period.

In this sub-paragraph "CFC" has the same meaning as in Part 9A of TIOPA 2010.

(8) But sub-paragraphs (6) and (7) do not apply if the sum referred to in sub-paragraph (1)(a) arises to the company referred to in sub-paragraph (1)(a)(i) or the person referred to in sub-paragraph (1)(a)(ii) as part of arrangements where—

(a) it is reasonable to assume that in the absence of the arrangements the sum or part of the sum would have arisen to A or an individual connected with A, and

(b) it is reasonable to assume that the arrangements have as their main purpose, or one of their main purposes, the avoidance of a liability to pay income tax, capital gains tax, inheritance tax or corporation tax.

(9) The condition in sub-paragraph (8)(b) is to be regarded as met in a case where—

(a) the sum arose from an investment scheme,

(b) the sum is applied directly or indirectly as an investment in an investment scheme, and

(c) the persons providing investment management services to the schemes mentioned in paragraphs (a) and (b) are the same or substantially the same.

(10) Section 993 of ITA 2007 (meaning of "connected") applies for the purposes of this paragraph, but as if—

(a) subsection (4) of that section were omitted, and

(b) partners in a partnership in which A is also a partner were not "associates" of A for the purposes of sections 450 and 451 of CTA 2010 ("control").

Deferred sums

9 (1) But paragraph 8 does not apply in relation to a sum arising to—

(a) a company connected with A, or

(b) a person not connected with A,

for as long as the sum is a deferred sum in relation to A.

(2) In this paragraph, "deferred sum", in relation to A—

(a) means a sum where the provision of the sum to A or a person connected with A is deferred (whether pending the meeting of any conditions (including conditions which may never be met) or otherwise), and

(b) includes A's share (as determined on a just and reasonable basis) of any sum the provision of which to A and one or more other persons, taken together, has been deferred (whether pending the meeting of any conditions (including conditions which may never be met) or otherwise).

In this sub-paragraph, in a case where the sum referred to in sub-paragraph (1) arises to a company connected with A, the reference to a person connected with A does not include that company.

(3) Where—

(a) paragraph 8 has been disapplied in relation to a deferred sum by virtue of sub-paragraph (1), and

(b) the sum ceases to be a deferred sum in relation to A,

the sum is to be regarded as arising to the company or person mentioned in sub-paragraph (1) at the time it ceases to be a deferred sum.

(4) Section 993 of ITA 2007 (meaning of "connected") applies for the purposes of this paragraph but as if—

(a) subsection (4) of that section were omitted, and

(b) partners in a partnership in which A is also a partner were not "associates" of A for the purposes of sections 450 and 451 of CTA 2010 ("control").

(5) A sum which is deferred carried interest within the meaning of section 103KG(3) of TCGA 1992 when this paragraph comes into force is to be treated for the purposes of sub-paragraph (3) as a deferred sum in relation to which paragraph 8 has been disapplied virtue of sub-paragraph (1).

Deferred sums: exceptions

10 (1) Paragraph 9 does not apply in relation to any sum in relation to which the condition in sub-paragraph (8)(b) of paragraph 8 is met by virtue of sub-paragraph (9) of that paragraph.

(2) Paragraph 9 also does not apply if—

(a) it is reasonable to assume that the deferral referred to in sub-paragraph (2) of paragraph 9 is not the effect of genuine commercial arrangements, or

(b) that deferral is the effect of such arrangements but it is reasonable to assume that the arrangements have as their main purpose, or one of their main purposes, the avoidance of a liability to pay income tax, capital gains tax, corporation tax or inheritance tax.

(3) In sub-paragraph (2), "genuine commercial arrangements" means arrangements involving A (alone or jointly with others performing investment management services) and external investors in the investment scheme.

PART 3

QUALIFYING CARRIED INTEREST

CHAPTER 1

QUALIFYING CARRIED INTEREST

Overview

11 (1) This Part of this Schedule determines when carried interest arising to an individual from an investment scheme is "qualifying carried interest" for the purposes of section 23I.

(2) Paragraph 12 contains the general rule, under which the extent to which carried interest is qualifying carried interest depends on the average holding period of the investment scheme.

(3) Chapters 2 to 5 of this Part contain further provision relating to average holding periods.

(4) Chapter 6 contains an exception to the general rule for carried interest which is treated as being 100% qualifying carried interest.

(5) Chapters 7 and 8 contain supplementary and interpretative provision.

(6) Nothing in this Part of this Schedule affects the liability to any tax of—

(a) the investment scheme, or

(b) external investors in the investment scheme.

Qualifying carried interest: general rule

12 (1) "Qualifying carried interest" is the relevant proportion of a sum of carried interest arising to an individual from an investment scheme.

(2) The relevant proportion is determined by reference to the investment scheme's average holding period as follows.

Average holding period	Relevant proportion
Less than 36 months	0%
At least 36 months but less than 37 months	20%
At least 37 months but less than 38 months	40%
At least 38 months but less than 39 months	60%
At least 39 months but less than 40 months	80%

Average holding period	Relevant proportion
40 months or more	100%

(3) This paragraph is subject to the following provisions of this Part of this Schedule.

CHAPTER 2

AVERAGE HOLDING PERIOD

Average holding period

13 (1) The average holding period of an investment scheme, in relation to a sum of carried interest, is the average length of time for which relevant investments have been held for the purposes of the scheme.

(2) In this paragraph, "relevant investments" means investments—

(a) which are made for the purposes of the scheme, and

(b) by reference to which the carried interest is calculated.

(3) The average holding period is calculated by reference to the time the carried interest arises.

(4) It is calculated as follows.

Step 1 For each relevant investment, multiply the value invested at the time the investment was made by the length of time for which the investment has been held.

Step 2 Add together the amounts produced under *step 1* in respect of all relevant investments.

Step 3 Divide the amount produced under *step 2* by the total value invested in all relevant investments.

(5) Disregard intermediate holdings or intermediate holding structures (including intermediate investment schemes) by or through which investments are made or held—

(a) when identifying, for the purpose of determining the average holding period of an investment scheme, what relevant investments are held for the purposes of an investment scheme, and

(b) for any other purpose relating to the determination of the average holding period.

This is subject to the following provisions of this Part of this Schedule.

(6) In this paragraph references to the length of time for which a relevant investment has been held are—

(a) in the case of an investment which has been disposed of before the carried interest arises, references to the time for which it was held before being disposed of, and

(b) in any other case, references to the time for which it has been held up to the time the carried interest arises.

(7) For the purposes of this Part of this Schedule a sum which is a deferred sum in relation to an individual within the meaning of paragraph 9 of this Schedule is to be treated as arising to that individual at the time it would have arisen had it not been deferred as specified in paragraph 9(2)(a) or (b).

(8) Chapters 3 to 5 of this Part of this Schedule apply for the purposes of determining the average holding period of an investment scheme.

(9) In those Chapters—

(a) references to the value invested for the purposes of an investment scheme in investments are to the value invested at the time the investments were made, and

(b) references to the base amount held in investments for the purposes of an investment scheme at any time are to the value invested for the purposes of the scheme (within the meaning of paragraph (a)) in the investments that are held for the purposes of the scheme at that time.

CHAPTER 3

AVERAGE HOLDING PERIOD: MAKING AND DISPOSALS OF INVESTMENTS

Timing of making investments

14 (1) An investment made by acquiring an asset disposed of under a contract is made when the asset is acquired for the purposes of TCGA 1992 (see section 28 of that Act).

(2) An investment in newly issued shares is made when the shares are issued.

Disposals

15 (1) An investment or part of an investment is disposed of where—

(a) there is a disposal of the investment or the part of the investment for the purposes of the investment scheme,

(b) there is a disposal for the purposes of the investment scheme of an intermediate holding or intermediate holding structure (including an intermediate investment scheme) by or through which the investment is held, or

(c) in any other case, there is a deemed disposal under sub-paragraph (2).

(2) There is a deemed disposal of an investment or part of an investment under this sub-paragraph where—

(a) under any arrangements—

(i) the scheme in substance closes its position on the investment or the part of the investment, or

(ii) the scheme ceases to be exposed to risks and rewards in the respect of the investment or the part of the investment, and

(b) it is reasonable to assume that the arrangements were designed to secure that result.

(3) In the case of a disposal of part of a holding of securities in a company which are of the same class, suppose for the purposes of determining which investments have been disposed of that the disposal affects the securities in the order in which they were acquired (that is, on a first in first out basis).

(4) The references in sub-paragraph (1)(a) and (b) to a disposal are to something which is a disposal for the purposes of TCGA 1992; but for the purposes of sub-paragraph (1)(a) disregard section 116 of TCGA 1992 (which disapplies sections 127 to 130 of that Act in relation to qualifying corporate bonds).

Part disposals

16 (1) Where there is a disposal of part of an investment, the part disposed of and the part not disposed of are to be treated as two separate investments which were made at the same time.

(2) The value of each of those two separate investments is the appropriate proportion of the value first invested in the whole investment.

(3) The appropriate proportion is the proportion of the value of the part in question to the value of the whole investment at the time of the disposal.

(4) The disposal of part of an asset includes the disposal of an interest in or right over the asset (and "part disposed of" is to be construed accordingly).

Acquisitions from associated investment schemes

17 (1) This paragraph applies where an investment scheme ("the acquiring scheme") acquires an investment on its disposal by an associated investment scheme.

(2) The investment is treated as made by the acquiring scheme when it was made by the associated investment scheme.

(3) The disposal of the investment by the associated investment scheme is to be disregarded.

Unwanted short-term investments

18 (1) The making and disposal of an investment or part of an investment for the purposes of an investment scheme are to be disregarded if the investment or part of the investment is an unwanted short-term investment.

(2) An investment or part of an investment is an unwanted short-term investment to the extent that—

(a) the investment or part investment is made as part of a transaction under which investments are made for the purposes of the scheme,

(b) the value of the investment or part investment does not exceed 50% of the total value of the investments made for the purposes of the scheme by the transaction,

(c) it is reasonable to assume that the investment or part investment had to be made in order for the investments to be made,

(d) at the time of the transaction, managers of the scheme have a firm, settled and evidenced intention to dispose of the investment or part investment for the purposes of the scheme within 12 months,

(e) the investment or part investment is disposed of for the purposes of the scheme (whether or not within 12 months), and

(f) any profit resulting from the disposal has no significant bearing on whether a sum of carried interest arises or on the amount of any sum of carried interest which does arise.

Debt investments made by advancing money

19 (1) In this Part of this Schedule, "debt investment" means an investment in an asset representing a loan relationship or a relevant non-lending relationship (but see paragraph 29(6)(a)).

(2) Sub-paragraph (3) applies where an investment in an asset representing a loan relationship is made for the purposes of an investment scheme by money being advanced.

(3) The debt investment in the asset representing the loan relationship is to be treated as having been made when there was an unconditional obligation to advance the money.

(4) For the purposes of sub-paragraph (3), an obligation is not to be regarded as conditional by reason only that it was contingent on one or more of the following conditions—

(a) a condition the fulfilment of which was outside the control of the scheme or any person connected with the scheme;

(b) a condition that it is reasonable to assume a prudent investor would have obtained on making an investment at arm's length of the same size and nature as the debt investment.

(5) For the purposes of sub-paragraph (4), an investment scheme is connected with another person if—

(a) the scheme directly or indirectly has control of the person, or

(b) the same person, directly or indirectly, has control of the scheme and the person.

(6) For the purposes of sub-paragraph (5) "control"—

(a) in the case of control of a company, is to be read in accordance with sections 450 and 451 of CTA 2010;

(b) in the case of control of a partnership, has the meaning given in section 995(3) of ITA 2007;

(c) in the case of control of an investment scheme which is not a company or partnership, or of any other person which is not a company or partnership, means the ability to secure that the affairs of that scheme or other person are conducted in accordance with one's wishes.

Disposals of debt investments

20 (1) References to a "disposal", in the case of a debt investment, do not include—

(a) any event that is part of a transaction which extends the period for which the loan relationship or relevant non-lending relationship is to subsist on substantially the same terms,

(b) a release of debt which meets condition A, B, C or E in section 322 of CTA 2009 (release of debts where credits not required to be brought into account),

(c) a modification or replacement of a loan relationship to which section 323A(2) of CTA 2009 (substantial modification) applies (see subsection (1) of that section), or

(d) any event that is part of a transaction falling within sub-paragraph (2).

(2) A transaction falls within this sub-paragraph if—

(a) it is undertaken for commercial purposes, and

(b) immediately before and after the transaction the economic exposure to the debtor's group is substantially the same.

(3) In sub-paragraph (2), the "debtor's group" means the debtor of the debt investment and each member of the same consolidated group as the debtor.

(4) Where an event is not a disposal of a debt investment made for the purposes of an investment scheme by virtue of this paragraph—

(a) any assets acquired as part of the transaction of which the event is part are to be treated as a single investment with the debt investment, and

(b) the value invested in that single investment is the value that was invested in the debt investment for the purposes of the investment scheme.

(5) For the purposes of determining the average holding period of an investment scheme, where—

(a) any amount of the money debt under a debt investment made for the purposes of the scheme is repaid by the debtor before it was due to be repaid in accordance with the debt investment's initial repayment terms, and

(b) it is reasonable to assume that the debtor's decision to repay that amount of the money debt was not affected by considerations relating to the application of this Part of this Schedule,

that amount of the money debt is to be treated as if it had been repaid in accordance with the debt investment's initial repayment terms (and the debt investment, or corresponding part of the debt investment, is to be treated as being disposed of accordingly).

(6) But if the application of sub-paragraph (5) would otherwise result in the debt investment, or any part of it, being treated as held for more than 40 months, the debt investment, or that part of it, is to be treated as held for 40 months.

(7) Sub-paragraph (5) does not apply to the repayment of an amount of the money debt under a debt investment made for the purposes of the scheme if, at any time before the repayment, the scheme—

(a) did not have the ability to hold the debt investment, or any part of it, until it was due to be disposed of in accordance with its initial repayment terms, or

(b) had the intention to dispose of the debt investment, or any part of it, before it was due to be disposed of in accordance with its initial repayment terms.

(8) In sub-paragraphs (5) and (7) "initial repayment terms", in relation to a debt investment, means the terms of the debt investment at the time when the investment was made.

CHAPTER 4

AVERAGE HOLDING PERIOD: DERIVATIVES AND HEDGING

Derivatives

21 (1) A derivative contract entered into for the purposes of an investment scheme is an investment, subject to the following provisions of this paragraph.

(2) The value invested in the derivative contract is—

(a) where the contract is an option, the cost of acquiring the option (whether from the grantor or another person),

(b) where the contract is a future, the price specified in the contract for the underlying subject matter, or

(c) where the contract is a contract for differences, the notional principal of the contract.

(3) But where entering into a derivative contract constitutes a deemed disposal of an investment or part of an investment by virtue of paragraph 15(2)(a)(ii)—

(a) the derivative contract is not an investment, and

(b) the subsequent disposal of the derivative contract without a corresponding disposal of the investment or part investment is to be regarded as the making of a new investment to the extent that the scheme becomes materially exposed to risks and rewards in respect of the investment or part investment.

(4) For the purposes of this Part of this Schedule, references to disposal, in the case of a derivative contract, include any of the following events (to the extent that the event is not otherwise a disposal under paragraph 15(1) or (2))—

(a) the expiry of the contract,

(b) the termination of the contract (whether or not in accordance with its terms),

(c) the disposal, substantial variation, loss or cancellation of the investment scheme's rights under the contract, and

(d) in the case of a derivative contract which is an option, the exercise of the option,

but do not include the renewal of the contract with the same counterparty on substantially the same terms.

(5) The substantial variation of an investment scheme's rights under a derivative contract constitutes (in addition to the disposal of the contract as originally entered into (see sub-paragraph (4)(c)) a new investment consisting of the contract as varied.

Hedging: exchange gains and losses

22 (1) This paragraph applies where—

(a) an investment scheme has a hedging relationship between a hedging instrument and a hedged item, and

(b) the hedging relationship relates to exchange gains or losses.

(2) In this paragraph—

"hedging instrument" means a derivative contract or a liability representing a loan relationship, and

"hedged item" means—

(a) where the hedging instrument is a derivative contract, an investment made for the purposes of the scheme or a liability representing a loan relationship;

(b) where the hedging instrument is a liability representing a loan relationship, an investment made for the purposes of the scheme.

(3) An investment scheme has a hedging relationship between a hedging instrument and a hedged item if or to the extent that—

(a) the instrument and the item are designated by the scheme as a hedge, or

(b) in any other case, the instrument is intended to act as a hedge of exposure to—

(i) changes in fair value of the hedged item or an identified portion of the hedged item, or

(ii) variability in cash flows,

where the exposure is attributable to exchange gains or losses and could affect profit or loss of the investment scheme.

(4) Where the hedged item is an investment, entering into the hedging relationship is not a deemed disposal of the investment under paragraph 15(2).

(5) The hedging instrument is not an investment for the purposes of the investment scheme to the extent that the conditions in sub-paragraph (3)(a) or (b) are met.

(6) But the termination of the hedging relationship is the making of an investment constituting the hedging instrument if or to the extent that that instrument continues to subsist.

Hedging: interest rates

23 (1) This paragraph applies where an investment scheme has a hedging relationship between—

(a) an interest rate contract, and

(b) a qualifying hedged item held for the purposes of the scheme.

(2) An investment scheme has a hedging relationship between an interest rate contract and a qualifying hedged item if or to the extent that—

(a) the interest rate contract and the qualifying hedged item are designated by the scheme as a hedge, or

(b) in any other case, the interest rate contract is intended to act as a hedge of exposure to—

(i) changes in fair value of the qualifying hedged item or an identified portion of the hedged item, or

(ii) variability in cash flows,

where the exposure is attributable to interest rates and could affect profit or loss of the investment scheme.

(3) Where the qualifying hedged item is an investment, entering into the hedging relationship is not a deemed disposal of the investment under paragraph 15(2).

(4) The interest rate contract is not an investment for the purposes of the investment scheme to the extent that the conditions in sub-paragraph (2)(a) or (b) are met.

(5) But the termination of the hedging relationship is the making of an investment constituting the interest rate contract if or to the extent that the interest rate contract continues to subsist.

(6) In this paragraph "qualifying hedged item" means—

(a) money placed at interest,

(b) securities (excluding shares issued by companies),

(c) an asset representing an alternative finance arrangement, and

(d) a liability representing a loan relationship.

CHAPTER 5

AVERAGE HOLDING PERIOD: AGGREGATION OF ACQUISITIONS AND DISPOSALS

Significant interests

24 (1) Where an investment scheme has a controlling interest in a trading company or the holding company of a trading group—

(a) any investment made for the purposes of the scheme in that company after the time when the controlling interest was acquired is to be regarded as having been made at that time, and

(b) any disposal for the purposes of the scheme of an investment in the company after the time the controlling interest was acquired is to be regarded as not being made until a relevant disposal is made.

(2) In sub-paragraph (1)(b) "relevant disposal", in relation to a company, means a disposal which (apart from sub-paragraph (1)) has the effect that the investment scheme ceases to have a 40% interest in the company.

(3) For the purposes of this paragraph, in determining whether an investment scheme has a controlling interest or a 40% interest in a company, any share capital of the company which is held for the purposes of an associated investment scheme is to be regarded as held for the purposes of the investment scheme.

Venture capital funds

25 (1) Where a venture capital fund has a relevant interest in a trading company or the holding company of a trading group—

(a) any venture capital investment made for the purposes of the fund in the company after the time the relevant interest was acquired (and before a relevant disposal) is to be regarded as having been made at the time the relevant interest was acquired, and

(b) any disposal for the purposes of the fund of a venture capital investment in the company after that time is to be regarded as not being made until—

(i) a relevant disposal is made, or

(ii) the scheme (or the scheme and one or more investment schemes acting together) ceases to be entitled directly or indirectly to exercise relevant rights in relation to the company.

(2) For the purposes of sub-paragraph (1) a venture capital fund has a relevant interest in a company if —

(a) by virtue of its venture capital investments the fund has at least a 5% interest in the company, or

(b) the total value invested for the purposes of the scheme in venture capital investments that are held for the purposes of the scheme in the company is more than £1 million.

(3) For the purposes of sub-paragraph (1) "relevant disposal" means a disposal immediately following which (ignoring sub-paragraph (1)) the base amount held in investments in the company for the purposes of the venture capital fund is less than 20% of the greatest base amount held in investments in the company for the purposes of the venture capital fund at any one time.

(4) In this Part of this Schedule, "venture capital fund" means an investment scheme in relation to which the condition in sub-paragraph (5) is met.

(5) The condition is that when the scheme starts to invest it is reasonable to assume that over the investing life of the scheme—

(a) at least two-thirds of the total value invested for the purposes of the scheme will be invested in venture capital investments, and

(b) at least two-thirds of the total value invested for the purposes of the scheme will be invested in investments which are held for 40 months or more.

(6) In determining whether sub-paragraph (5)(b) is met in relation to an investment scheme, apply the rule in sub-paragraph (1) to the scheme.

(7) In this paragraph, "venture capital investment", in relation to an investment scheme, means an investment in a trading company or the holding company of a trading group where—

(a) at the time the investment is made the company is unlisted and is likely to remain so,

(b) at least 75% of the total value of the investment is invested in—

(i) newly issued shares, or

(ii) newly issued securities convertible into shares,

(c) the investment is used in a trade carried on by the trading company or the trading group—

(i) to support its growth, or

(ii) for the development of new products or services,

and is not used directly or indirectly to acquire shares in the company which are not newly issued,

(d) if the investment is the first investment made in the company for the purposes of the scheme, the trading company or group has not carried on that trade for more than 7 years, and

(e) the investment scheme (or the scheme and one or more investment schemes acting together) is entitled directly or indirectly to exercise relevant rights in relation to the company.

(8) In this Part of this Schedule, "relevant rights", in relation to an investment scheme and a company, are rights which—

(a) relate to the conduct of the business and affairs of the company, and

(b) are at least equivalent to the rights which it is reasonable to assume a prudent investor would have obtained on making an investment in the company at arm's length of

the same size and nature as that held in the company for the purposes of the investment scheme.

(9) In determining whether the condition in sub-paragraph (2)(a) or (b) is met in relation to a venture capital fund, any share capital of a company which is held for the purposes of an associated investment scheme is to be regarded as held for the purposes of the venture capital fund.

Significant equity stake funds

26 (1) Where a significant equity stake fund has a significant equity stake investment in a trading company or the holding company of a trading group—

(a) any investment made for the purposes of the fund in that company after the time the significant equity stake investment was acquired is to be regarded as having been made at that time, and

(b) any disposal for the purposes of the fund of an investment in the company after that time is to be regarded as not being made until—

(i) a relevant disposal is made, or

(ii) the fund (or the fund and one or more investment schemes acting together) ceases to be entitled directly or indirectly to exercise relevant rights in relation to the company.

(2) In sub-paragraph (1)(b) "relevant disposal" means a disposal which (apart from sub-paragraph (1)) has the effect that the significant equity stake fund ceases to have a 15% interest in the company.

(3) In this Part of this Schedule "significant equity stake fund" means an investment scheme—

(a) which is not a venture capital fund, and

(b) in relation to which the condition in sub-paragraph (4) is met.

(4) The condition is that when the scheme starts to invest it is reasonable to assume that over the investing life of the scheme—

(a) more than 50% of the total value invested for the purposes of the scheme will be invested in investments which are significant equity stake investments, and

(b) more than 50% of the total value will be invested in investments which are held for 40 months or more.

(5) In determining whether sub-paragraph (4)(b) is met in relation to an investment scheme, apply the rule in sub-paragraph (1) to the scheme.

(6) In this paragraph, "significant equity stake investment", in relation to an investment scheme, means an investment in a trading company or the holding company of a trading group where—

(a) at the time the investment is made, the company is unlisted and likely to remain so,

(b) by virtue of the investment (on its own or with other investments) the scheme has a 20% interest in the company, and

(c) the investment scheme (or the scheme and one or more investment schemes acting together) is entitled directly or indirectly to exercise relevant rights in relation to the company.

(7) For the purposes of this Part of this Schedule, in determining whether a significant equity stake fund has an interest of a particular percentage in a company, any share capital of the company which is held for the purposes of an associated investment scheme is to be regarded as held for the purposes of the significant equity stake fund.

Controlling equity stake funds

27 (1) Where a controlling equity stake fund has a 25% interest in a trading company or the holding company of a trading group—

(a) any investment made for the purposes of the controlling equity stake fund in the company after the time the 25% interest was acquired is to be regarded as having been made at that time, and

(b) any disposal for the purposes of the controlling equity stake fund of an investment in the company after that time is to be regarded as not being made until a relevant disposal is made.

(2) In sub-paragraph (1)(b), "relevant disposal", in relation to a company, means a disposal which (apart from sub-paragraph (1)) has the effect that the controlling equity stake fund ceases to have a 25% interest in the company.

(3) In this Part of this Schedule, "controlling equity stake fund" means an investment scheme—

(a) which is not a venture capital fund or significant equity stake fund, and

(b) in relation to which the condition in sub-paragraph (4) is met.

(4) The condition is that when the scheme starts to invest it is reasonable to assume that, over the investing life of the scheme—

(a) more than 50% of the total value invested for the purposes of the scheme will be invested in investments which are controlling interests in trading companies or holding companies of trading groups, and

(b) more than 50% of the total value invested for the purposes of the scheme will be invested in investments which are held for 40 months or more.

(5) In determining whether sub-paragraph (4)(b) is met in relation to an investment scheme, apply the rule in sub-paragraph (1) to the scheme.

(6) For the purposes of this paragraph, in determining whether a controlling equity stake fund has a controlling interest or an interest of a particular percentage in a company, any share capital of the company which is held for the purposes of an associated investment scheme is to be regarded as held for the purposes of the controlling equity stake fund.

Real estate funds

28 (1) Where a real estate fund has a major interest in any land—

(a) any investment made for the purposes of the fund in that land after the time the major interest was acquired is to be regarded as having been made at that time, and

(b) any disposal for the purposes of the fund of an investment in the land after that time is to be regarded as not being made until a relevant disposal is made.

(2) In sub-paragraph (1)(b) "relevant disposal" means a disposal immediately following which (ignoring sub-paragraph (1)) the base amount held in investments in the land for the purposes of the real estate fund is less than 50% of the greatest base amount held in investments in the land for the purposes of the real estate fund at any one time.

(3) Where a real estate fund has a major interest in any land ("the original land") and subsequently acquires a major interest in any adjacent land—

(a) the acquisition is an investment in the original land for the purposes of sub-paragraph (1)(a), and

(b) after the acquisition, the adjacent land is to be regarded as part of the original land for the purposes of sub-paragraphs (1) and (2).

(4) In this Part of this Schedule, "real estate fund" means an investment scheme—

(a) which is not a venture capital fund, significant equity stake fund or controlling equity stake fund, and

(b) in relation to which the condition in sub-paragraph (5) is met.

(5) The condition is that when the scheme starts to invest it is reasonable to assume that over the investing life of the scheme—

(a) more than 50% of the total value invested for the purposes of the scheme will be invested in land, and

(b) more than 50% of the total value invested for the purposes of the scheme will be invested in investments which are held for 40 months or more.

(6) In determining whether sub-paragraph (5)(b) is met in relation to an investment scheme, apply the rule in sub-paragraph (1) to the scheme.

Credit funds

29 (1) Where a credit fund has a significant debt investment—

(a) any debt investment or investment in shares made for the purposes of the fund after the time the significant debt investment was made that is associated with the significant debt investment is to be regarded as having been made at that time, and

(b) any disposal for the purposes of the fund of the significant debt investment or any debt investment or investment in shares associated with the significant debt investment (all together, "associated investments") after that time is to be regarded as not being made until a relevant disposal is made.

(2) In sub-paragraph (1)(b) "relevant disposal" means a disposal immediately following which (ignoring sub-paragraph (1)) the base amount held in associated investments for the purposes of the credit fund is less than 50% of the greatest base amount held in associated investments for the purposes of the credit fund at any one time.

(3) In this Part of this Schedule, "credit fund" means an investment scheme—

(a) which is not a venture capital fund, significant equity stake fund, controlling equity stake fund, or real estate fund, and

(b) in relation to which the condition in sub-paragraph (4) is met.

(4) The condition is that when the scheme starts to invest it is reasonable to assume that over the investing life of the scheme—

(a) more than 50% of the total value invested for the purposes of the scheme will be invested in debt investments, and

(b) more than 50% of the total value invested for the purposes of the scheme will be invested in investments which are held for 40 months or more.

(5) In determining whether sub-paragraph (4)(b) is met in relation to an investment scheme, apply the rule in sub-paragraph (1) to the scheme.

(6) For the purposes of this paragraph—

(a) "debt investment" includes an investment in—

(i) any arrangement which produces a return which is economically equivalent to interest within the meaning of Chapter 2A of Part 6 of CTA 2009 (see section 486B(2) of that Act), or

(ii) an asset representing an alternative finance arrangement, a creditor repo, a creditor-quasi repo or a manufactured interest relationship;

(b) a "significant debt investment", in relation to a credit fund, means a debt investment of at least £1 million or at least 5% of the total amounts raised or to be raised from external investors in the fund;

(c) "shares" includes—

(i) stock;

(ii) any other interest of a member in a company (including a company that has no share capital);

(iii) any interest as co-owner of shares (whether the shares are owned jointly or in common and whether or not the interests of the co-owners are equal);

(iv) rights of unit holders in unit trust schemes that are treated as if they were shares for the purposes of TCGA 1992 as a result of section 99(1) of that Act;

(v) units in tax transparent funds that are treated as assets for the purposes of that Act as a result of section 103D(3) of that Act;

(vi) any derivative contract to the extent that the underlying subject matter of the contract is shares;

(vii) any contract which is not a derivative contract within the meaning of Part 7 of CTA 2009 only as a result of section 589(2)(b) of that Act (general exclusion of contracts whose underlying subject matter consists of shares);

(d) a debt investment is "associated" with a significant debt investment if the debtor of the debt investment is—

(i) also the debtor of the significant debt investment, or

(ii) a member of the same consolidated group as the debtor of the significant debt investment;

(e) an investment in shares is "associated" with a significant debt investment if the shares are in—

(i) the debtor of the significant debt investment, or

(ii) a member of the same consolidated group as the debtor of the significant debt investment.

Funds of funds

30 (1) Paragraph 13(5) (disregard of intermediate holdings and holding structures) does not apply to an investment made for the purposes of a fund of funds in an investment scheme (and, accordingly, such an investment is regarded as an investment in the investment scheme itself).

(2) Sub-paragraph (1) does not apply in relation to a fund of funds in relation to an investment scheme if it is reasonable to assume that the main purpose or one of the main purposes of the making of any investment in any investment scheme for the purposes of the fund of funds is to increase the proportion of carried interest arising to any person which is qualifying carried interest.

(3) Where by virtue of sub-paragraph (1) a fund of funds has a significant investment in an investment scheme ("the underlying scheme")—

(a) any qualifying investment made for the purposes of the fund in the underlying scheme after the time the significant investment was made is to be regarded as having been made at that time, and

(b) any disposal for the purposes of the fund of a qualifying investment in the underlying scheme after that time is to be regarded as not being made until a relevant disposal is made.

(4) In sub-paragraph (3)(b) "relevant disposal", in relation to an underlying scheme, means a disposal which (apart from sub-paragraph (3)) has the effect that the fund of fund's investment in the underlying scheme is worth less than whichever is the greater of—

(a) £1 million, or

(b) 5% of the total value invested for the purposes of the fund of funds in investments in the underlying scheme made before the disposal.

(5) In this Part of this Schedule, "fund of funds" means an investment scheme in relation to which the condition in sub-paragraph (6) is met.

(6) The condition is that when the scheme starts to invest it is reasonable to assume that over the investing life of the scheme—

(a) at least 80% of the total value invested for the purposes of the scheme will be invested in—

(i) investment schemes that are independent from the scheme;

(ii) portfolios of investments acquired from investment schemes that are independent from the scheme;

(iii) direct co-investments;

(b) more than 50% of the total value invested for the purposes of the scheme will be invested in investments which are held for 40 months or more.

(7) In determining whether sub-paragraph (6)(b) is met in relation to an investment scheme, apply the rule in sub-paragraph (3) to the scheme.

(8) In this paragraph—

(a) "direct co-investment": an investment made for the purposes of an investment scheme (the "investing scheme") is a "direct co-investment" if it is made alongside and on substantially the same terms as an investment made by another investment scheme—

(i) in which an investment has been made for the purposes of the investing scheme, and

(ii) which is independent from the investing scheme;

(b) "independent": an investment scheme is independent from another investment scheme if the persons providing investment management services to the first scheme and the persons providing investment management services to the second scheme are not the same or substantially the same;

(c) "significant investment", in relation to an investment scheme means—

(i) an investment of a least £1 million in the scheme, or

(ii) an investment of at least 5% of the total amounts raised or to be raised from external investors in the scheme;

(d) "qualifying investment" means an investment made for the purposes of a fund of funds in an investment scheme ("the underlying scheme") where it is reasonable to assume that—

(i) the investment is held on substantially the same terms as other investments made by external investors in the underlying scheme,

(ii) the underlying scheme has not made an investment in the fund of funds,

(iii) the underlying scheme is independent from the fund of funds, and

(iv) the investment in the underlying scheme is not part of arrangements the main purpose or one of the main purposes of which is to reward any person involved in providing investment management services to the underlying scheme or a scheme that is not independent from the underlying scheme.

(9) For the purposes of this paragraph—

(a) when an investment in an investment scheme is made by subscribing for an interest in the scheme—

(i) the investment is to be treated as having been made where there was an a unconditional obligation to subscribe for the interest, and

(ii) paragraph 19(4) applies for the purposes of determining when such an obligation is not to be regarded as unconditional as if the reference in paragraph 19(4)(b) to the debt investment were a reference to the investment in the investment scheme;

(b) an investment made for the purposes of a fund of funds in an investment scheme includes an investment in an entity that, when the fund makes the investment, it is reasonable to assume is an investment scheme;

(c) an investment or part of an investment in an investment scheme is disposed of where the investment or part of the investment would be disposed by virtue of paragraph 15 if the investment were an asset for the purposes of TCGA 1992;

(d) any distribution made by the underlying scheme to the fund of funds is to be treated as a part disposal of the investment in the scheme.

CHAPTER 6

CONDITIONALLY QUALIFYING CARRIED INTEREST

Conditionally qualifying carried interest

31 (1) Carried interest which—

(a) arises to an individual from an investment scheme,

(b) is not 100% qualifying carried interest, and

(c) is conditionally qualifying carried interest,

is to be treated as if it were 100% qualifying carried interest.

(2) Carried interest is conditionally qualifying carried interest if Conditions A to C are met.

(3) Condition A is that the carried interest arises to the individual in the period of ten years beginning with the day on which the scheme starts to invest.

(4) Condition B is that it is reasonable to assume that, were the carried interest to arise to the individual at the relevant time (but by reference to the same investments), it would be 100% qualifying carried interest.

(5) The "relevant time" is whichever is the earliest of—

(a) the time when it is reasonable to assume that the investment scheme will be wound up;

(b) the end of the period of four years beginning with the time when it is reasonable to assume that the scheme will cease to invest;

(c) the end of the period of—

(i) four years beginning with the day on which the sum of carried interest arises to the individual, or

(ii) ten years beginning with that day if the carried interest was calculated on the realisation model;

(d) the end of the period of four years beginning with the end of the period by reference to which the amount of the carried interest was determined.

(6) Sub-paragraph (4) does not affect what would otherwise be the time at which an investment is disposed of for the purposes of this Part of this Schedule.

(7) Condition C is that the individual makes a claim under this paragraph for this paragraph to apply to the carried interest.

Carried interest which ceases to be conditionally qualifying carried interest

32 (1) Carried interest which is conditionally qualifying carried interest ceases to be conditionally qualifying carried interest at whichever is the earliest of—

(a) the time when the investment scheme is wound up;

(b) the end of the period of four years beginning with the time the scheme ceases to invest;

(c) the end of the period of—

(i) four years beginning with the day on which the sum of carried interest arises to the individual, or

(ii) ten years beginning with that day if the carried interest was calculated on the realisation model;

(d) the end of the period of four years beginning with the end of the period by reference to which the amount of the carried interest is determined;

(e) the time at which Condition B in paragraph 31(4) ceases to be met.

(2) Carried interest which ceases to be conditionally qualifying carried interest is to be treated as arising to the individual at the time when the carried interest ceases to be conditionally qualifying carried interest (but in relation to the same investments) to the extent that, had it in fact arisen to the individual at that time (but in relation to the same relevant investments), it would not have been qualifying carried interest.

(3) Carried interest which is conditionally exempt from income tax by virtue of section 809FZS of ITA 2007 when this paragraph comes into force is to be treated as if it were conditionally qualifying carried interest for the purposes of this paragraph.

(4) Any amount paid by way of income tax or capital gains tax in respect of carried interest to which paragraph 31 applies is to be treated as if it had been paid in respect of any income tax liability arising under sub-paragraph (2).

CHAPTER 7

SUPPLEMENTARY

Anti-avoidance

33 (1) For the purposes mentioned in sub-paragraph (2), no regard is to be had to any arrangements the main purpose of which, or one of the main purposes of which, is to increase the proportion of carried interest which is qualifying carried interest.

(2) The purposes referred to in sub-paragraph (1) are—

(a) determining the average holding period, or

(b) determining whether an investment scheme is a venture capital fund, significant equity stake fund, controlling equity stake fund, real estate fund, credit fund or fund of funds.

Treasury regulations

34 (1) The Treasury may by regulations make provision relating to the calculation of the average holding period in some or all cases.

(2) The provision referred to in sub-paragraph (1) includes in particular—

(a) provision for a method of calculating that period which is different from that in paragraph 13;

(b) provision as to what is and is not to be regarded as an investment;

(c) provision as to when an investment is to be regarded as made or disposed of;

(d) anti-avoidance provision.

(3) Regulations under this paragraph may—

(a) amend this Part of this Schedule;

(b) make different provision for different purposes;

(c) contain incidental, supplemental, consequential and transitional provision and savings.

CHAPTER 8

INTERPRETATION

Interpretation of Part 3

35 (1) In this Part of this Schedule—

"5% interest", "15% interest", "20% interest", "25% interest" and "40% interest" are to be construed in accordance with sub-paragraph (4);

"act together": two or more investment schemes act together in relation to a company if—

(a) they enter into contractual arrangements (with or without other persons) in relation to the conduct of the company's affairs,

(b) the arrangements are negotiated on arm's length terms, and

(c) the investment schemes act together to secure greater control or influence over the company's affairs than they would be able to secure individually;

"alternative finance arrangements" has the same meaning as in Part 6 of CTA 2009 (see section 501(2) of that Act), disregarding section 508 of that Act;

"associated": two or more investment schemes are "associated" if, under arrangements including those investment schemes, an investor in one of those schemes would reasonably regard that investment as an investment in the arrangements as a whole rather than exclusively in any particular scheme;

"consolidated group" means a group within the meaning given by international accounting standards;

"contract for differences" has the same meaning as in Part 7 of CTA 2009 (see section 582 of that Act);

"controlling equity stake fund" has the meaning given in paragraph 27;

"controlling interest" has the meaning given in sub-paragraph (3);

"credit fund" has the meaning given in paragraph 29;

"creditor repo" and "creditor quasi-repo" have the same meaning as in Part 6 of CTA 2009 (see sections 543 and 544 of that Act) (but see sub-paragraph (7));

"debt investment" has the meaning given in paragraph 19 (but see also paragraph 29(6)(a) which expands the definition for the purposes of that paragraph);

"debtor" –

(a) in relation to a debt investment within the meaning of paragraph 19, means the person standing in the position of debtor as respects the debt;

(b) in relation to a debt investment falling within paragraph 29(6)(a)(i), means the party from whom the return is due;

(c) in relation to alternative finance arrangements means any person by whom sums are payable under the arrangements for the purposes of the investment scheme;

(d) in relation to an asset representing a creditor repo or creditor quasi-repo means the person described in section 543(2) or 544(2) of CTA 2009;

(e) in relation to an asset representing a manufactured interest relationship means the person by whom the manufactured interest within the meaning of Chapter 9 of Part 6 of CTA 2009 (see section 539(5) of that Act) is payable;

"derivative contract" has the same meaning as in Part 7 of CTA 2009 (but see sub-paragraph (6));

"designated" has the same meaning as for accounting purposes;

"exchange gain or loss" is to be construed in accordance with section 475 of CTA 2009;

"fund of funds" has the meaning given in paragraph 30;

"future" has the same meaning as in Part 7 of CTA 2009 (see section 581 of that Act);

"interest rate contract" means –

(a) a derivative contract whose underlying subject-matter is, or includes, interest rates, or

(b) a swap contract in which payments fall to be made by reference to a rate of interest;

"investing life" is to be construed in accordance with sub-paragraph (2);

"investment" does not include—

(a) cash awaiting investment, or

(b) cash representing the proceeds of the disposal of an investment, where the cash is to be distributed as soon as reasonably practicable to investors in the scheme;

"loan relationship" has the meaning given by section 302(1) of CTA 2009 (but see sub-paragraph (7));

"major interest in land"—

(a) in relation to land in England and Wales, Scotland or Northern Ireland has the same meaning as in section 1178A of CTA 2009, but as if the reference in subsection (4) of that section to "7 years" were to "21 years";

(b) in relation to land in a territory outside the United Kingdom, means any equivalent interest under the law of that territory;

"manufactured interest relationship" has the same meaning as in the Corporation Tax Acts (see section 539 of the CTA 2009) (but see sub-paragraph (7));

"money debt" means a debt which is a money debt for the purposes of Part 5 of CTA 2009 (see section 303(1) of that Act) or Chapter 2 of Part 6 of that Act (see section 478(3) of that Act);

"option" has the same meaning as in Part 7 of CTA 2009, disregarding section 580(2) of that Act;

"real estate fund" has the meaning given by paragraph 28;

"realisation model": a sum of carried interest is calculated on the "realisation model" if—

(a) it falls within paragraph 2(2) or (3) (disregarding paragraph 2(2)(b) and (3)(b)), or

(b) in the case of consideration or a tax distribution treated as a sum of carried interest as a result of paragraph 3 or 4, if the carried interest to which the consideration or tax distribution relates were to arise, it would fall within paragraph 2(2) or (3) (disregarding paragraph 2(2)(b) and (3)(b));

"relevant non-lending relationship" has the same meaning as in Chapter 2 of Part 6 of CTA 2009 (see section 478(2) of that Act) (but see sub-paragraph (7));

"relevant rights" has the meaning given by paragraph 25;

"significant equity stake fund" has the meaning given by paragraph 26;

"trading company" and "trading group" have the meanings given by paragraphs 20 and 21 of Schedule 7AC to TCGA 1992;

"underlying subject matter" has the same meaning as in Part 7 of CTA 2009;

"unlisted": a company is unlisted if—

(a) no shares of any class issued by the company are listed on any stock exchange, and

(b) there are no other trading arrangements in place in respect of shares of any class issued by the company;

"venture capital fund" has the meaning given by paragraph 25.

(2) In this Part of this Schedule—

(a) references to when a scheme starts or ceases to invest are to the time when investments start or cease to be made for the purposes of the scheme, and

(b) references to the investing life of the scheme are to the time between when a scheme starts and ceases to invest.

(3) For the purposes of this Part of this Schedule, an investment scheme has a controlling interest in a company if share capital of the company is held for the purposes of the scheme which—

(a) amounts to more than 50% of the ordinary share capital of the company, and

(b) carries an entitlement to more than 50% of—

(i) voting rights in the company,

(ii) profits available for distribution to shareholders, and

(iii) assets of the company available for distribution to shareholders in a winding-up.

(4) For the purposes of this Part of this Schedule, an investment scheme has an interest of a particular percentage in a company (for example, a 40% interest) if share capital of the company is held for the purposes of the scheme which—

(a) amounts to at least that percentage of the ordinary share capital of the company, and

(b) carries an entitlement to at least that percentage of—

(i) voting rights in the company,

(ii) profits available for distribution to shareholders, and

(iii) assets of the company available for distribution to shareholders in a winding-up.

(5) For the purposes of sub-paragraphs (3) and (4) any share capital held by a company controlled by an investment scheme is to be regarded as held for the purposes of the investment scheme.

(6) For the purposes of the definition of "derivative contract", read Part 7 of CTA 2009 as if—

(a) references to a company were references to an investment scheme, and

(b) references to a contract of a company were references to a contract for the purposes of an investment scheme.

(7) For the purposes of the definition of "creditor repo", "creditor quasi-repo", "loan relationship", "manufactured interest relationship" and "relevant non-lending relationship" read the relevant provisions of Part 5 and 6 of CTA 2009 as if—

(a) references to a company were references to an investment scheme, and

(b) the reference to a company having such a relationship were a reference to there being such a relationship for the purposes of an investment scheme.

PART 4

CARRIED INTEREST ELECTIONS

Election for carried interest to be chargeable as scheme profits arise

36 (1) An individual ("A") who performs investment management services under arrangements mentioned in section 23I(1)(a) may make an election under this paragraph in respect of an investment scheme if—

(a) a sum of carried interest arises to A from the scheme under the arrangements for the purposes of section 23I(1)(b), or

(b) it is reasonable to expect that such a sum will arise to A.

(2) Sub-paragraph (3) applies for a tax year ("the relevant tax year") where an election made under this Part of this Schedule has effect for that tax year in respect of an investment scheme (in this Part of this Schedule, "the relevant scheme").

(3) The amount determined in accordance with sub-paragraph (4) is to be treated for the purposes of section 23I as a sum of carried interest arising to A from the relevant scheme under the arrangements on the last day of the relevant tax year.

(4) The amount determined in accordance with this sub-paragraph is the amount given by reducing—

(a) the amount of carried interest that would arise to A from the relevant scheme under the arrangements for the

purposes of section 23I(1)(b) in the relevant tax year in the circumstances mentioned in sub-paragraph (5), by

(b) the sum of the amounts treated under this paragraph as sums of carried interest arising to A from the relevant scheme under the arrangements in previous tax years.

(5) Those circumstances are that—

(a) all of the investments held by the relevant scheme in the relevant tax year, and previously held by the scheme, whose disposal would be relevant to A's entitlement to carried interest, were disposed of in the relevant tax year,

(b) the amount realised on the disposal of each investment that was not actually disposed of in, or before, the relevant tax year were the amount of the costs to the relevant scheme in acquiring that investment,

(c) all income that was received by the scheme (whether before or during the relevant tax year) and that would be relevant to A's entitlement to carried interest, were received in the relevant tax year, and

(d) all profits realised by the scheme as a result of those disposals and the receipt of that income were distributed to its investors in the relevant tax year.

(6) Where—

(a) distributions were made by the scheme to external investors before the relevant tax year, and

(b) the timing of those distributions affects the amount of carried interest that actually arises to A,

the amount of carried interest to be presumed to arise in the circumstances mentioned in sub-paragraph (5) is to reflect the fact those distributions were made before the relevant tax year.

(7) But if reflecting that fact would lead to a presumption that an amount of carried interest had arisen before the relevant tax year, any such amount is to be presumed to arise in the relevant tax year.

(8) An election under this paragraph—

(a) must be made by notice given to an officer of Revenue and Customs, and

(b) may not be revoked.

(9) A notice making an election—

(a) must state the first tax year for which it is to have effect, and

(b) may not be given after 31 January following the end of that tax year.

(10) For the purposes of this Part of this Schedule where an election has been made under section 103KFA of TCGA 1992 in respect of a scheme (election for carried interest gains to be chargeable as scheme profits arise)—

(a) the election is to be treated as if it were an election made under this paragraph, and

(b) references to an amount treated as a sum of carried interest arising to an individual from a scheme under sub-paragraph (3) (howsoever expressed) include chargeable gains treated as accruing to the individual under section 103KFA(3) of TCGA 1992 (election for carried interest gains to be chargeable as scheme profits arise) in respect of the scheme.

Election in relation to scheme to apply to associated schemes

37 (1) Where an election has been made under paragraph 36 in relation to an investment scheme ("S") that is associated with another investment scheme, the election has effect in respect of the other scheme for any tax year for which it has effect in relation to S (whether or not the conditions for an election to be made in respect of the other scheme were met at that time).

(2) "Associated", in relation to two or more investments schemes, has the same meaning as in Part 3 of this Schedule.

Interaction with other charges

38 (1) The treatment of an amount under paragraph 36(3) as a sum of carried interest arising to an individual does not prevent the individual being charged to income tax or national insurance contributions as a result of section 23I in relation to carried interest that arises to the individual from the relevant scheme.

(2) But sub-paragraph (3) applies where—

(a) the individual has made an election under paragraph 36,

(b) an amount is to be treated as a sum of carried interest arising to the individual for the purposes of section 23I from the relevant scheme under paragraph 36(3),

(c) the individual has paid (and has not been repaid)—

(i) an amount of income tax or national insurance contributions to which the individual was chargeable as a result of the amount being so treated, or

(ii) where paragraph 36(10)(b) applies, an amount of capital gains tax that is attributable to a chargeable gain treated as accruing to the individual,

(d) the individual is charged to income tax and national insurance contributions by virtue of section 23I in relation to carried interest that—

(i) arises to the individual from the relevant scheme under the arrangements mentioned in section 23I(1)(a), and

(ii) arises in or after the tax year for which an amount was first treated as a sum of carried interest arising to the individual from the scheme under paragraph 36(3).

(3) The individual may make a claim for one or more consequential adjustments to be made in respect of the profits chargeable by virtue of section 23I in relation to carried interest mentioned in sub-paragraph (2)(d) to take account of the amounts paid as mentioned in sub-paragraph (2)(c).

(4) On a claim under sub-paragraph (3) an officer of Revenue and Customs must make such of the consequential adjustments claimed (if any) as are just and reasonable.

(5) Consequential adjustments in respect of the profits chargeable by virtue of section 23I must not have the effect that—

(a) the total of—

(i) the amount of income tax and national insurance contributions charged on the adjusted profits by virtue of section 23I, and

(ii) any amounts paid as mentioned in sub-paragraph (2)(c), is less than

(b) the amount of income tax and national insurance contributions to which the individual was chargeable by virtue of section 23I in respect of the sum of carried interest mentioned in sub-paragraph (2)(d) before the making of any consequential adjustments.

(6) Consequential adjustments may be made—

(a) in respect of any period, and

(b) by way of an assessment, the modification of an assessment, the amendment of a claim, or otherwise.

(7) No claim may be made under section 23Q (carried interest: avoidance of double taxation) in respect of tax charged as a result of an amount being treated as a sum of carried interest under paragraph 36(3).

Deemed trade losses where carried interest never arises

39 (1) Sub-paragraph (3) applies where—

(a) an individual has made an election under paragraph 36,

(b) an amount is treated under paragraph 36(3) as a sum of carried interest arising to the individual from the relevant scheme under the arrangements mentioned in section 23I(1)(a), and

(c) the conditions in sub-paragraph (2) are met.

(2) Those conditions are that—

(a) all, or substantially all, of the investments of the relevant scheme have been disposed of,

(b) the amount of carried interest that has actually arisen to the individual from the relevant scheme under the arrangements since the beginning of the first tax year in which an amount was treated under paragraph 36(3) as a sum of carried interest arising to the individual is less than the sum of the amounts treated as carried interest under that paragraph, and

(c) no further amount of carried interest can reasonably be expected to arise to the individual from the relevant scheme under those arrangements.

(3) The amount determined in accordance with sub-paragraph (4) is to be treated for income tax purposes as a loss of the trade treated as carried on by the individual under section 23I for the tax year in which the conditions in sub-paragraph (2) are first met.

(4) The amount of that loss is the amount given by subtracting—

(a) the amount treated as the profits of a trade carried on by the individual under section 23I by virtue of the carried interest that actually arose to the individual from the relevant scheme under the arrangements since the beginning of the first tax year in which an amount was treated as a sum of carried interest arising to the individual under paragraph 36(3), from

(b) the amount treated as the profits of a trade carried on by the individual under section 23I by virtue of the amounts being treated under paragraph 36(3) as sums of carried interest arising to the individual from the relevant scheme.

(5) Where an amount is treated as a loss of the trade for a tax year as a result of sub-paragraph (3)—

(a) paragraph 36(3) does not apply (in relation to the individual and the relevant scheme) for any tax year after that tax year, and

(b) if carried interest arises to the individual in respect of the relevant scheme after that tax year, the individual may not make a claim under paragraph 38(3) in respect of tax charged in relation to it.

Anti-avoidance

40 (1) This paragraph applies where an election was made by an individual under paragraph 36 and the main purpose, or one of the main purposes, of making the election is to cause an amount to be treated as a loss of the trade under paragraph 39(3).

(2) Any such amount that would (in the absence of this paragraph) be treated as a loss of the trade under that paragraph is to be counteracted by the making of such adjustments as are just and reasonable.

(3) Any adjustments required to be made under this paragraph (whether or not by an officer of Revenue and Customs) may be made by way of—

(a) an assessment,

(b) the modification of an assessment, or

(c) amendment or disallowance of a claim, or otherwise."

PART 2

CONSEQUENTIAL AND CONNECTED AMENDMENTS

TCGA 1992

2 (1) TCGA 1992 is amended as follows.

(2) In section 1H (the main rates of CGT)—

(a) in subsection (3), omit "other than carried interest gains (see subsections (4B) and (9) to (11))";

(b) omit subsections (4B) and (5);

(c) in subsection (6), omit "Other";

(d) omit subsections (9) to (11).

(3) In section 1I (income taxed at higher rates or gains exceeding unused basic rate band), omit subsection (A1).

(4) In section 1M (temporary non-residents), after subsection (1) insert—

"(1A) Subsection (1) does not apply to a gain that accrues to an individual who was temporarily non-resident in tax year 2025-26 or an earlier tax year under section 103KA(2) or (3) of TCGA 1992 (as it then had effect).
But see section 23M of ITTOIA 2005 which charges the amount of the gain to income tax in the period of return."

(5) In section 86 (attribution of gains to settlors with interest in non-resident or dual resident settlements), for subsection (4ZB), substitute—

"(4ZB) Where (apart from this subsection) the amount mentioned in subsection (1)(e) would include an amount of chargeable gains accruing by virtue of the trustee's entitlement to a sum of carried

interest, the amount of the gains is to be disregarded for the purposes of subsection (1)(e).

(4ZC) In subsection (4ZB)—

(a) "carried interest" has the same meaning as in section 23I of ITTOIA 2005 (see Part 1 of Schedule A1 to that Act), and

(b) that definition has effect as if references to a sum arising to an individual included a reference to a sum arising to the trustees."

(6) In section 87 (non-UK resident settlements: attribution of gains to beneficiaries), for subsection (5B) substitute—

"(5B) Where (apart from this subsection)—

(a) the amount mentioned in subsection (4)(a) would include an amount of chargeable gains accruing by virtue of the trustee's entitlement to a sum of carried interest, and

(b) at the time when those chargeable gains accrue, income tax is chargeable by virtue of section 23I of ITTOIA 2005 in respect of the sum of carried interest,

the amount of the gains is to be disregarded for the purposes of determining the section 1(3) amount.

(5C) In subsection (5B) and section 87BA—

(a) "carried interest" has the same meaning as in section 23I of ITTOIA 2005 (see Part 1 of Schedule A1 to that Act), and

(b) that definition has effect as if references to a sum arising to an individual included a reference to a sum arising to the trustees."

(7) After section 87B insert—

"87BA Sections 87 and 87A: disregard of capital payments made from carried interest gains

(1) This section applies to a settlement where—

(a) a chargeable gain accruing by virtue of the trustee's entitlement to a sum of carried interest in respect of which income tax is chargeable by virtue of section 23I of ITTOIA 2005 ("a carried interest gain") is or has been disregarded for the purposes of determining the section 1(3) amount for the settlement for a tax year as a result of section 87(5B), and

(b) the unused disregarded amount in relation to the carried interest gain is not nil.

(2) For the purposes of sections 87 and 87A as they apply in relation to the settlement, no account is to be taken of a capital payment (or part of a capital payment) received by a beneficiary from the trustees at or after the time when the carried interest gain accrued if (or to

the extent that) the amount of the capital payment does not exceed the unused disregarded amount.

(3) But if subsection (2) applies in a case where—

(a) two or more capital payments are received by beneficiaries at the same time, and

(b) the total of those capital payments exceeds the unused disregarded amount,

no account is to be taken of the amount of each capital payment that is the relevant proportion of the unused disregarded amount.

(4) In subsection (3), the "relevant proportion" means the proportion that the amount of the capital payment concerned bears to the total amount of all of the capital payments received by beneficiaries at the same time.

(5) In this section the "unused disregarded amount", in relation to a carried interest gain, means—

(a) the sum of—

(i) the amount of the carried interest gain, and

(ii) the amount of any other carried interest gains that accrued to the trustees prior to the carried interest gain accruing that are or have been disregarded for the purposes of determining the section 1(3) amount for the settlement for a tax year as a result of section 87(5B), minus

(b) the amount of any capital payments (or part of capital payments) received by beneficiaries from the trustees of which no account has been taken as a result of the application of this section."

(8) For section 103KA (carried interest) substitute—

"103KA Carried interest: no chargeable gain

(1) This section applies where—

(a) an individual performs investment management services directly or indirectly in respect of an investment scheme under any arrangements, and

(b) the individual is entitled to carried interest under the arrangements.

(2) Any gain or loss accruing to the individual by virtue of the individual's entitlement to carried interest is treated as not accruing.

(3) In this section "arrangements", "carried interest", "investment scheme" and "investment management services" have the same meaning as in section 23I of ITTOIA 2005 (see section 23R of and Part 1 of Schedule A1 to that Act)."

(9) Omit sections 103KB to 103KE.

(10) In section 103KF (relief for external investors on disposal of partnership asset), after subsection (2) insert—

"(3) In this section, "external investor" and "investment scheme" have the same meaning as in section 23I of ITTOIA 2005 (see section 23R of that Act)."

(11) Omit sections 103KFA to 103KH.

ITA 2007

3 (1) ITA 2007 is amended as follows.

(2) In section 809EZA (disguised investment management fees: charge to income tax)—

(a) omit subsections (2A) to (2C);

(b) in subsection (6), for paragraph (b) substitute—

"(b) an AIF within the meaning of regulation 3 of the Alternative Investment Fund Managers Regulations 2013, or any part of an AIF (within that meaning), that is not a collective investment scheme.";

(c) in subsection (7)—

(i) for the opening words substitute "The references in subsection (6) to a collective investment scheme or AIF include—";

(ii) in paragraphs (a) and (b), after "collective investment scheme" insert "or AIF";

(iii) in paragraphs (a) and (b), after "the scheme" insert "or AIF".

(3) In section 809EZB (meaning of "management fee" in section 809EZA)—

(a) in subsection (1)(a) after "individual" insert ", or a person who is connected with the individual,";

(b) in subsection (1)(b) after "individual" insert ", or a person who is connected with the individual,";

(c) at the end of subsection (1)(b), omit "or";

(d) in subsection (1)(c), for the words from "which" to the end substitute "within the meaning of section 23I of ITTOIA 2005 arising to the individual for the purposes of that section, or";

(e) after subsection (1)(c) insert—

"(d) a sum that would fall within paragraph (c) had it not been deferred as specified in paragraph 9(2)(a) or (b) of Schedule A1 to ITTOIA 2005.";

(f) in the opening words of subsection (2), after "if" insert "(and only if)";

(g) after subsection (4) insert—

"(5) Section 993 (meaning of "connected") applies for the purposes of this section, but as if—

(a) subsection (4) of that section were omitted, and

(b) partners in a partnership in which the individual is also a partner were not "associates" of the individual for the purposes of sections 450 and 451 of CTA 2010 ("control")."

(4) Omit sections 809EZC and 809EZD.

(5) In section 809EZDA (sums arising to connected persons other than companies), in subsection (1), omit paragraphs (c) and (d).

(6) In section 809EZDB (sums arising to connected company or unconnected person)—

(a) in subsection (1)(b), for "is" substitute "are";

(b) in the opening words of subsection (5) for "is" substitute "are";

(c) in subsection (6) after "A" insert "or a person connected with A";

(d) in subsection (7), in the opening words, omit "connected with A";

(e) in subsection (9), for the words from "the sum is applied" to the end substitute "—

(a) the sum arose from an investment scheme,

(b) the sum is applied directly or indirectly as an investment in an investment scheme, and

(c) the persons providing investment management services to the schemes mentioned in paragraphs (a) and (b) are the same or substantially the same."

(7) In section 809EZE (interpretation of Chapter)—

(a) in subsection (1), in the definition of "investment management services"—

(i) before paragraph (a) insert—

"(za) the provision of investment advice,";

(ii) omit the "and" at the end of paragraph (c);

(iii) at the end of paragraph (d) insert ", and

(e) any activity incidental or ancillary to any activity mentioned in paragraphs (za) to (d);";

(b) in the opening words of subsection (3), for the words from "a share" to "the share" substitute "a direct or indirect interest in an investment scheme and who acquired the interest";

(c) in subsections (3)(a) and (b) for "share" substitute "interest".

(8) In section 809EZH (powers to amend Chapter), omit subsection (1)(c).

(9) Omit Chapter 5F.

SCHEDULE 12

Section 65

REFORM OF RELIEFS FOR BUSINESS PROPERTY AND AGRICULTURAL PROPERTY

PART 1

BUSINESS PROPERTY RELIEF AND AGRICULTURAL PROPERTY RELIEF

Introduction

1 IHTA 1984 is amended as follows.

Business property

2 (1) Section 104 (business property relief) is amended as follows.

(2) In subsection (1)—

(a) in the words before paragraph (a), after "reduced" insert "by 50%.", and

(b) omit paragraphs (a) and (b) and the words after paragraph (b).

(3) After that subsection insert—

"(1A) But so much of the value transferred as—

(a) is attributable to the value of relevant business property that falls within section 105(1)(a), (b) or (bb),

(b) constitutes a chargeable transfer that is not an occasion on which tax is chargeable under Chapter 3 of Part 3 (charges on certain settlements etc), and

(c) does not exceed the amount of the 100% relief allowance available in relation to that chargeable transfer (see section 124D),

is to be treated (instead) as reduced by 100%.

(1B) And so much of the value transferred as—

(a) is attributable to the value of relevant business property that falls within section 105(1)(a), (b) or (bb),

(b) constitutes a chargeable transfer that is an occasion on which tax is chargeable under Chapter 3 of Part 3, and

(c) does not exceed the amount of the 100% trust relief allowance available in relation to that occasion (see sections 124G to 124K),

is to be treated (instead) as reduced by 100%.

(1C) Subsections (1) to (1B) are subject to the following provisions of this Chapter."

Agricultural property

3 (1) Section 116 (agricultural property relief) is amended as follows.

(2) In subsection (1), for the words from "the appropriate" to the end substitute "50%".

(3) After that subsection insert—

"(1A) But so much of that whole or that part as—

(a) constitutes a chargeable transfer that is not an occasion on which tax is chargeable under Chapter 3 of Part 3 (charges on certain settlements etc), and

(b) does not exceed the amount of the 100% relief allowance available in relation to that chargeable transfer (see section 124D),

is to be treated (instead) as reduced by 100%, but only if the transferor's interest condition is met.

(1B) And so much of that whole or that part as—

(a) constitutes a chargeable transfer that is an occasion on which tax is chargeable under Chapter 3 of Part 3, and

(b) does not exceed the amount of the 100% trust relief allowance available in relation to that occasion (see sections 124G to 124K),

is to be treated (instead) as reduced by 100%, but only if the transferor's interest condition is met.

(1C) Subsections (1) to (1B) are subject to the following provisions of this Chapter."

(4) In subsection (2)—

(a) in the words before paragraph (a), for "The appropriate percentage is 100 per cent." substitute "For the purposes of subsections (1A) and (1B), the transferor's interest condition is met", and

(b) omit the words after paragraph (c).

(5) In subsection (4)—

(a) for "appropriate percentage would be 100 per cent." substitute "transferor's interest condition would be met", and

(b) for the words from "the appropriate percentage", in the second place it occurs, to the end substitute "subsections (1A) and (1B) have effect as if—

(a) the transferor's interest condition were met, and

(b) after paragraph (a) of each subsection there were inserted—

"(aa) does not exceed the amount which would have attracted relief under

Schedule 8 to the Finance Act 1975, and"".

100% relief allowance

4 In Part 5, after Chapter 2 insert—

"CHAPTER 2A

100% RELIEF ALLOWANCE AND 100% TRUST RELIEF ALLOWANCE

124D 100% relief allowance

(1) This section applies for the purpose of determining the amount of the 100% relief allowance available in relation to a chargeable transfer that is not an occasion on which tax is chargeable under Chapter 3 of Part 3 for the purposes of—

(a) section 104(1A) (business property relief), and

(b) section 116(1A) (agricultural property relief).

(2) The 100% relief allowance available in relation to a chargeable transfer ("the relevant transfer") is equal to—

(a) £2.5 million, less

(b) the total amount by which the values transferred by chargeable transfers made by the transferor in the allowance period were treated as reduced as a result of section 104(1A) or 116(1A).

(3) The allowance period means the period—

(a) beginning with the commencement of the period of seven years ending with the day on which the relevant transfer was made, and

(b) ending—

(i) where the relevant transfer is the transfer made under section 4, immediately before that transfer is deemed to have occurred, or

(ii) otherwise, with the day before the relevant transfer was made.

(4) But where—

(a) more than one conditionally relievable transfer in relation to the transferor occurs on the same day, and

(b) the sum of the potentially relievable values of those transfers exceeds the amount of the 100% relief allowance that would have been available in relation to a transfer made on that same day, if no other transfer had occurred on that day,

the 100% relief allowance available in relation to those transfers is to be determined under subsection (5) (instead of under subsection (2)).

(5) The 100% relief allowance available in relation to each of those transfers is the amount given by multiplying—

(a) the amount given by dividing the potentially relievable value of that transfer by the sum of the potentially relievable values of all of those transfers, by

(b) the amount of the 100% relief allowance that would have been available in relation to a transfer made on that same day, if no other transfer had occurred on that day.

(6) Subsection (7) applies where—

(a) the relevant transfer is the transfer made under section 4 (so far as it is a chargeable transfer), and

(b) the potentially relievable value of that transfer exceeds the amount of the 100% relief allowance available in relation to it.

(7) The 100% relief allowance available in relation to the relevant transfer is to be attributed between the properties transferred in proportion to the amount of the value of each property as is attributable to—

(a) the value of relevant business property that falls within section 105(1)(a), (b) or (bb),

(b) the agricultural value of agricultural property in relation to which the transferor's interest condition in section 116(2) is met, or

(c) so much of the agricultural value of agricultural property in relation to which the transferor's interest condition in section 116(2) is treated as met as a result of section 116(4) as does not exceed the amount which would have attracted relief under Schedule 8 to the Finance Act 1975.

(8) Subsection (9) applies where section 131(2) (relief where value of transferred property subsequently decreases) applies in relation to a chargeable transfer—

(a) made by the transferor in the allowance period, and

(b) the value of which is treated as reduced as a result of section 104(1A) or 116(1A).

(9) Subsection (2)(b) applies as if the amount by which that value is treated as reduced under section 104(1A) or 116(1A) is the amount by which it would have been treated as reduced if section 131(2) did not apply.

(10) For the purposes of this section—

(a) a chargeable transfer is a "conditionally relievable transfer" in relation to a transferor if—

(i) it was made by the transferor,

(ii) it is not the transfer made under section 4, and

(iii) section 104(1A) or 116(1A) would apply to reduce the value transferred if there were an amount of the 100% relief allowance available in relation to it, and

(b) the potentially relievable value of a chargeable transfer is so much of the value transferred as would be treated as reduced as a result of section 104(1A) or 116(1A) if the 100% relief allowance available in relation to it were unlimited.

124E Transfer of unused 100% relief allowance

(1) This section applies where—

(a) immediately before the death of a person (a "deceased person"), the deceased person had a spouse or civil partner ("the survivor"), and

(b) an amount of the 100% relief allowance of the deceased person is unused on death.

(2) A person has an amount of unused 100% relief allowance on death if the total 100% relieved amount is less than the deceased person's final allowance amount.

(3) Accordingly, the "unused 100% relief allowance" in relation to the person is the difference between those amounts.

(4) In this section—

(a) the "total 100% relieved amount" is the total amount by which values transferred by chargeable transfers made by the deceased person in the period of seven years ending with the day on which the deceased person died were treated as reduced as a result of section 104(1A) or 116(1A), and

(b) the "final allowance amount" in relation to a person means the amount specified in section 124D(2)(a) that has effect on the day on which the person dies.

(5) Where a claim is made under this section, the survivor's final allowance amount, for the purposes of the charge to tax on the death of the survivor, is increased by the lesser of the amount of the survivor's final allowance amount and—

(a) the amount given by multiplying the survivor's final allowance amount by the unused percentage of the deceased person, or

(b) where the survivor is the survivor in relation to more than one deceased person, the amount given by multiplying the

survivor's final allowance amount by the sum of the unused percentages of those deceased persons.

(6) The unused percentage of the deceased person means the percentage given by dividing—

(a) the unused 100% relief allowance in relation to the deceased person, by

(b) the deceased person's final allowance amount.

124F Claims under section 124E

(1) A claim under section 124E may be made—

(a) by the personal representatives of the survivor within the permitted period, or

(b) (if no claim is so made) by any other person liable to the tax chargeable on the survivor's death within such later period as an officer of Revenue and Customs may in the particular case allow.

(2) If no claim under section 124E above has been made in relation to a person (P) by reference to whose death that section applies in relation to the survivor, the claim under that section in relation to the survivor may include a claim under that section in relation to P if that does not affect the tax chargeable on the value transferred by the chargeable transfer of value made on P's death.

(3) In subsection (1)(a) "the permitted period" means—

(a) the period of four years from the end of the month in which the survivor dies or (if it ends later) the period of six months beginning with the date on which the personal representatives first act as such, or

(b) such longer period as an officer of Revenue and Customs may in the particular case allow.

(4) A claim made within either of the periods mentioned in subsection (3)(a) may be withdrawn no later than one month after the end of the period concerned."

100% trust relief allowance

5 After section 124F (as inserted by paragraph 4) insert—

"124G 100% trust relief allowance (relevant property)

(1) This section applies for the purpose of determining the amount of the 100% trust relief allowance available in relation to an occasion on which tax is charged under section 64 or 65 in relation to a settlement ("the relevant settlement") for the purposes of—

(a) section 104(1B) (business property relief), and

(b) section 116(1B) (agricultural property relief).

(2) The 100% trust relief allowance available in relation to an occasion on which tax is charged under section 64 or 65 ("the relevant occasion") in relation to the relevant settlement is equal to—

(a) the trust maximum allowance (see sections 124H and 124I) for the relevant occasion, less

(b) the total amount by which the values charged on occasions on which tax was charged under section 64 or 65 in relation to the relevant settlement in the allowance period were treated as reduced as a result of section 104(1B) or 116(1B).

(3) The allowance period means the period—

(a) beginning with—

(i) the first day of the second quarter in the period beginning with the date of the most recent ten-year anniversary (within the meaning of Chapter 3 of Part 3) of the relevant settlement, or

(ii) if there has not yet been a ten-year anniversary of the relevant settlement, the first day of the second quarter in the period beginning with the date on which the settlement commenced, and

(b) ending with the day before the relevant occasion occurred.

(4) But where—

(a) more than one conditionally relievable occasion occurs on the same day, and

(b) the sum of the potentially relievable values in relation to those occasions exceeds the amount of the 100% trust relief allowance that would have been available in relation to a conditionally relievable occasion occurring on that same day, if no other such occasion had occurred on that day,

the 100% trust relief allowance available in relation to those occasions is to be determined under subsection (5) (instead of under subsection (2)).

(5) The 100% trust relief allowance available in relation to each of those occasions is the amount given by multiplying—

(a) the amount given by dividing the potentially relievable value in relation to that occasion by the sum of the potentially relievable values in relation to each of those occasions, by

(b) the amount of the 100% trust relief allowance that would have been available in relation to a conditionally relievable occasion occurring on that same day, if no other such occasion had occurred on that day.

(6) For the purposes of this section—

(a) a "conditionally relievable occasion" means an occasion on which—

(i) tax is charged under section 64 or 65 in relation to the relevant settlement, and

(ii) section 104(1B) or 116(1B) would apply to reduce the value charged if there were an amount of the 100% trust relief allowance available in relation to it, and

(b) the potentially relievable value, in relation to an occasion on which tax is charged under section 64 or 65, is so much of the value as otherwise would have been charged on that occasion as would be treated as reduced as a result of section 104(1B) or 116(1B) if the 100% trust relief allowance available in relation to it were unlimited.

124H Trust maximum allowance

(1) The trust maximum allowance for an occasion on which tax is chargeable under section 64 or 65 in relation to a settlement ("the relevant settlement"), other than a qualifying pre-commencement settlement (within the meaning of section 124I), is the sum of transferred allowance amounts the relevant settlement has acquired.

(2) The relevant settlement acquires a transferred allowance amount if—

(a) there is a chargeable transfer of qualifying relievable property that results in the property becoming comprised in the relevant settlement, or

(b) tax is charged as if there was a transfer of value of qualifying relievable property comprised in the relevant settlement as a result of section 4(1) (transfers on death) or section 52(1) (charge on termination of interest in possession).

(3) The transferred allowance amount in relation to a transfer (or deemed transfer) is equal to so much of the value of the qualifying relievable property as does not exceed the maximum allowance cap in relation to it (and if the cap is nil or less, no transferred allowance amount is acquired).

(4) The maximum allowance cap in relation to qualifying relievable property is equal to—

(a) £2.5 million, less

(b) the sum of transferred allowance amounts previously acquired by—

(i) the relevant settlement, or

(ii) any other settlement made by the settlor of the relevant settlement.

(5) But where more than one transfer referred to in subsection (2)(a) or (b), occurs (or is deemed to occur for the purpose of charging tax) on the same day, the maximum allowance cap is allocated between the qualifying relievable property that is the subject of each transfer in proportion to their value.

(6) Property is qualifying relievable property to the extent that on its transfer (or deemed transfer)—

(a) it becomes relevant property, and

(b) the value of the transfer is treated as reduced as a result of section 104(1A) or 116(1A).

(7) For the purposes of this section, the value of qualifying relievable property is equal to so much of the amount of the value transferred on its transfer (or deemed transfer) as is treated as reduced as a result of section 104(1A) or 116(1A).

(8) The determination of whether property is qualifying relievable property, and its value, is to be made as it would be made at the time of the transfer (and accordingly ignoring the occurrence of any subsequent events).

(9) In this section and in section 124I "relevant property" has the meaning it has in Chapter 3 of Part 3 (see section 58).

124I Trust maximum allowance (qualifying pre-commencement settlements)

(1) The trust maximum allowance for an occasion on which tax is chargeable under section 64 or 65 in relation to a qualifying pre-commencement settlement is £2.5 million.

(2) A settlement is a qualifying pre-commencement settlement if—

(a) the settlement commenced before 30 October 2024, and

(b) had there been an occasion on which tax is chargeable under Chapter 3 of Part 3 (apart from section 79), immediately before that date in relation to all of the property comprised in the settlement, at least some of the amount on which tax would then be chargeable would be treated as reduced as a result of subsection (1B) of section 104 or 116 if—

(i) the amendments made to those sections by paragraphs 2, 3 and 12 of Schedule 12 to the Finance Act 2026 had been in force,

(ii) sections 106, 117 and 123 (minimum periods of ownership or occupation) were ignored,

(iii) all of the property had been relevant property, and

(iv) there were an amount of the 100% trust relief allowance available in relation to it.

(3) The condition in subsection (2)(b) is to be treated as met if—

(a) some or all of the property comprised in the settlement is agricultural property let on a tenancy beginning before 1st September 1995,

(b) the transferor's interest condition in section 116(2) was not met in relation to that property immediately before 30 October 2024, and

(c) the condition in subsection (2)(b) of this section would have been met if the transferor's interest condition had been met in relation to that property at that time.

124J 100% trust relief allowance (special trusts)

(1) This section applies for the purpose of determining the amount of the 100% trust relief allowance available in relation to an occasion on which tax is charged under a special trust charging provision for the purposes of—

(a) section 104(1B) (business property relief), and

(b) section 116(1B) (agricultural property relief).

(2) The 100% trust relief allowance available in relation to an occasion on which tax is charged under a special trust charging provision ("the relevant occasion") in relation to a settlement ("the relevant settlement") is equal to—

(a) £2.5 million, less,

(b) the total amount by which the values charged on occasions on which tax was charged under that special trust charging provision in relation to the relevant settlement before the day on which the relevant occasion occurred were treated as reduced as a result of section 104(1B) or 116(1B).

(3) But where—

(a) more than one conditionally relievable occasion in relation to the relevant settlement and that special trust charging provision occurs on the same day, and

(b) the sum of the potentially relievable values in relation to those occasions exceeds the amount of the 100% trust relief allowance that would have been available in relation to a conditionally relievable occasion occurring on that same day, if no other such occasion had occurred on that day,

the 100% trust relief allowance available in relation to those occasions is to be determined under subsection (4) (instead of under subsection (2)).

(4) The 100% trust relief allowance available in relation to each of those occasions is the amount given by multiplying—

(a) the amount given by dividing the potentially relievable value in relation to that occasion by the sum of the potentially relievable values in relation to each of those occasions, by

(b) the amount of the 100% trust relief allowance that would have been available in relation to a conditionally relievable occasion occurring on that same day, if no other such occasion had occurred on that day.

(5) For the purposes of this section—

(a) a "conditionally relievable occasion", in relation to the relevant settlement and a special trust charging provision, means an occasion—

(i) on which tax is charged under that provision, and

(ii) on which section 104(1B) or 116(1B) would apply to reduce the value charged if there were an amount of the 100% trust relief allowance available in relation to it,

(b) the potentially relievable value, in relation to an occasion on which tax is charged under a special trust charging provision, is so much of the value as otherwise would have been charged on that occasion as would be treated as reduced as a result of section 104(1B) or 116(1B) if the 100% trust relief allowance available in relation to it were unlimited, and

(c) a special trust charging provision means—

(i) section 70 (property leaving temporary charitable trusts),

(ii) section 71 (accumulation and maintenance trusts),

(iii) section 71B (trusts for bereaved minors),

(iv) section 72 (property leaving employee trusts and newspaper trusts),

(v) section 73 (pre-1978 protective trusts),

(vi) section 74 (pre-1981 trusts for disabled persons), or

(vii) paragraph 8 of Schedule 4 (maintenance funds for historic buildings).

124K 100% trust relief allowance (age 18-to-25 trusts)

(1) This section applies for the purpose of determining the amount of the 100% trust relief allowance available in relation to an occasion on which tax is charged under section 71E(1)(a) (charge on age 18-to-25 trusts) in relation to a settlement ("the relevant settlement") and a beneficiary of that settlement ("B") for the purposes of—

(a) section 104(1B) (business property relief), and

(b) section 116(1B) (agricultural property relief).

(2) There is no 100% trust relief allowance available in relation to an occasion on which tax is charged under section 71E(1)(b).

(3) The 100% trust relief allowance available in relation to an occasion on which tax is charged under section 71E(1)(a) ("the relevant occasion") in relation to the relevant settlement and B is equal to—

(a) the 18-25 trust allowance in relation to the relevant settlement and B, less,

(b) the total amount by which the values charged on occasions on which tax was charged under that section in relation to the relevant settlement and B before the day on which the relevant occasion occurred were treated as reduced as a result of section 104(1B) or 116(1B).

(4) The 18-to-25 trust allowance in relation to the relevant settlement and B is—

(a) where there is only one qualifying settlement, £2.5 million, or

(b) where there is more than one qualifying settlement, £2.5 million divided by the number of qualifying settlements.

(5) For the purposes of subsection (4), a settlement is a qualifying settlement—

(a) if it is the relevant settlement, or

(b) where the relevant settlement was made by a parent of B on their death on or after 30 October 2024, if it is another settlement—

(i) of which B is a beneficiary,

(ii) to which section 71D applies, and

(iii) that was made by the same parent of B on their death.

(6) But where—

(a) more than one conditionally relievable occasion in relation to the relevant settlement and B occurs on the same day, and

(b) the sum of the potentially relievable values in relation to those occasions exceeds the amount of the 100% trust relief allowance that would have been available in relation to a conditionally relievable occasion occurring on that same day, if no other such occasion had occurred on that day,

the 100% trust relief allowance available in relation to those occasions is to be determined under subsection (7) (instead of under subsection (3)).

(7) The 100% trust relief allowance available in relation to each of those occasions is the amount given by multiplying—

(a) the amount given by dividing the potentially relievable value in relation to that occasion by the sum of the potentially relievable values in relation to each of those occasions, by

(b) the amount of the 100% trust relief allowance that would have been available in relation to a conditionally relievable occasion occurring on that same day, if no other such occasion had occurred on that day.

(8) For the purposes of this section—

(a) a "conditionally relievable occasion", in relation to the relevant settlement and B, means an occasion—

(i) on which tax is charged under section 71E(1)(a) (charge on age 18-to-25 trusts) in relation to the settlement and B, and

(ii) on which section 104(1B) or 116(1B) would apply to reduce the value charged if there were an amount of the 100% trust relief allowance available in relation to the settlement and B,

(b) the potentially relievable value, in relation to an occasion on which tax is charged under section 71E(1)(a) in relation to the relevant settlement and B, is so much of the value as otherwise would have been charged on that occasion as would be treated as reduced as a result of section 104(1B) or 116(1B) if the 100% trust relief allowance available in relation to it were unlimited, and

(c) "parent" has the meaning given by section 71H."

Indexation of relief allowances

6 (1) After section 124K (as inserted by paragraph 5) insert—

"124L Indexation of allowance amounts

(1) If the consumer prices index for the month of September in any year is higher than it was for the previous September, then each relief allowance amount applies to chargeable transfers made on or after 6th April in the following year as if—

(a) increased by the percentage that is the same as the percentage by which the consumer prices index is higher than it was for the previous September, and

(b) rounded up to the nearest amount which is a multiple of £1000 (where it would not otherwise be).

(2) The Treasury must before 6th April 2031 and each subsequent 6th April make an order by statutory instrument amending each relief allowance amount to achieve the result in subsection (1).

(3) In this section—

"consumer prices index" means the all items consumer prices index published by the Statistics Board;

"relief allowance amount" means an amount (for the time being) specified in any of the following provisions—

(a) section 124D(2)(a) (100% relief allowance);

(b) subsection (4)(a) of section 124H (100% trust relief allowance cap);

(c) section 124I(1) (100% trust relief allowance: qualifying pre-commencement settlements);

(d) section 124J(2)(a) (100% trust relief allowance: special trusts);

(e) section 124K(4) (100% trust relief allowance: age 18-to-25 trusts)."

(2) The amendment made by sub-paragraph (1) comes into force on 6 April 2030 (and accordingly no relief allowance amount is to be increased by virtue of it before 6 April 2031).

100% relief allowance where relief prevented by section 113A(2) or 124A(2)

7 (1) In section 113A (business property: transfers within seven years before death of transferor), after subsection (2) insert—

"(2A) Where subsection (2) applies, the chargeable transfer is to be ignored for the purposes of determining the amount of the 100% relief allowance available in relation to a chargeable transfer under section 124D."

(2) In section 124A (agricultural property: transfers within seven years before death of transferor), after subsection (2) insert—

"(2A) Where subsection (2) applies, the chargeable transfer is to be ignored for the purposes of determining the amount of the 100% relief allowance available in relation to a chargeable transfer under section 124D."

Application of section 131 relief

8 (1) Section 131 is amended as follows.

(2) In subsection (2), in the words after paragraph (b), for "were reduced by the amount of the excess" substitute "reflected the market value of the transferred property on the relevant date, rather than its market value at the time of the chargeable transfer".

(3) Omit subsection (2A).

Rate between ten-year anniversaries

9 (1) Section 69 is amended as follows.

(2) In subsection (1) (rate between ten-year anniversaries), for "was" to the end substitute "would have been last charged under section 64 if the following were disregarded—

(a) section 66(2) (reduction of rate where value attributable to property that is not comprised in the settlement or is not relevant property), and

(b) Chapters 1 to 2A of Part 5 (business property relief and agricultural property relief)."

(3) In subsection (2A), for "above (apart from section 66(2) above)" substitute ", disregarding section 66(2) and Chapters 1 to 2A of Part 5,".

Property moving between settlements

10 In section 81 (property moving between settlements), after subsection (1) insert—

"(1A) Subsection (1) applies for the purposes of Chapters 1 to 2A of Part 5 as it applies for the purposes of this Chapter."

Scottish agricultural leases

11 (1) Section 177 (Scottish agricultural leases) is amended as follows.

(2) In subsection (1) for the words "tacit relocation" substitute "—

(a) tacit relocation (or any provision in the lease having the same effect as tacit relocation),

(b) continuation by virtue of section 4, 8(6) or 8E(1) of the Agricultural Holdings (Scotland) Act 2003, or

(c) continuation by virtue of a specified enactment.".

(3) In subsection (2), for paragraph (a) substitute—

"(a) held by virtue of—

(i) tacit relocation (or any provision in the lease having the same effect as tacit relocation),

(ii) continuation by virtue of section 4, 8(6) or 8E(1) of the Agricultural Holdings (Scotland) Act 2003, or

(iii) continuation by virtue of a specified enactment, and".

(4) After subsection (4) insert—

"(5) The Treasury may by regulations make provision about relevant interests, corresponding to the provision made by this section in relation to the interest of a tenant in a lease of agricultural property in Scotland.

(6) For the purposes of subsection (5), a "relevant interest" is the interest of a tenant in a specified type of lease or tenancy of agricultural

property in Scotland forming part of the value of a person's estate immediately before that person's death.

(7) Regulations under subsection (5) must specify the value which is to be left out of account for the purposes of determining the value of a person's estate or, as the case may be, part of a person's estate.

(8) Regulations under this section are to be made by statutory instrument.

(9) Regulations under this section may make such amendments or repeals of this section as appear to the Treasury to be expedient in consequence of provision made by virtue of subsections (1)(c), (2)(a)(iii) or (5).

(10) Regulations under subsections (1)(c), (2)(a)(iii) or (5) may have effect in relation to deaths occurring before the regulations are made.

(11) A statutory instrument containing regulations made under this section is subject to annulment in pursuance of a resolution of the House of Commons.

(12) In this section—

"agricultural property" has the same meaning as in Chapter 2 of Part 5,

"enactment" includes an enactment contained in or made under an Act of the Scottish Parliament,

"specified" means specified by regulations made by the Treasury.".

Certain shares no longer eligible for 100% relief

12 (1) In section 105 (relevant business property), in subsection (1)—

(a) after paragraph (a) insert—

"(aa) any unquoted shares that are traded on a recognised stock exchange;

(ab) any unquoted securities of a company that are traded on a recognised stock exchange;",

(b) in paragraph (ab) (as inserted by this sub-paragraph)—

(i) the words from "that" to the end become sub-paragraph (i), and

(ii) after that sub-paragraph insert ", and

(ii) which (either by themselves or together with any unquoted shares in, or other unquoted securities of, the company that are owned by the transferor) gave the transferor control

of the company immediately before the transfer;",

(c) after paragraph (ab) (as inserted by this sub-paragraph) insert—

"(ac) any unquoted shares that are traded on an exchange outside the United Kingdom that is not a recognised stock exchange;

(ad) any unquoted securities of a company—

(i) that are traded on an exchange outside the United Kingdom that is not a recognised stock exchange, and

(ii) which (either by themselves or together with any unquoted shares in, or other unquoted securities of, the company that are owned by the transferor) gave the transferor control of the company immediately before the transfer;",

(d) in paragraph (b), at the beginning insert "any other", and

(e) in paragraph (bb), after "any" insert "other".

(2) In section 107, in subsection (4) for "105(1)(bb)" substitute "105(1)(aa) or (bb)".

(3) In that subsection (as amended by sub-paragraph (2)) after "105(1)(aa)", insert ", (ac)".

(4) In section 113A, in subsection (3A)(b), for "paragraph (b) or" substitute "any of paragraphs (aa) to".

(5) In Chapter 3 of Part 6 (valuation)—

(a) in section 178 (sale of shares from deceased's estate), in subsection (2)—

(i) omit "or dealing on the Unlisted Securities Market", and

(ii) omit "or dealt in",

(b) in section 180 (effect of purchasing qualifying investments), in subsection (3) omit "or separately dealt in on the Unlisted Securities Market", and

(c) in section 186B (suspended investments), in subsection (1) omit "or dealing on the Unlisted Securities Market".

(6) In section 272(1)—

(a) in the definition of "quoted"—

(i) omit "or dealt in on the Unlisted Securities Market", and

(ii) for "neither so listed nor so dealt in" substitute "not so listed", and

(b) at the appropriate place insert—

""recognised stock exchange" has the meaning it has in the Income Tax Acts (see subsection (1) of section 1005 of the Income Tax Act 2007), and subsection (3) of that section

(meaning of "listed" on a recognised stock exchange) applies for the purposes of this Act as it applies for the purposes of the Income Tax Acts;".

(7) In consequence of the amendments made by sub-paragraph (1), in Schedule 20 to FA 1986, in paragraph 8(1A)(a), for "paragraph (b), (bb) or" substitute "any of paragraphs (aa) to".

Instalments and interest

13 (1) In section 227 (payment by instalments), in subsection (2)—

(a) after paragraph (a) insert—

"(aa) property that is relevant business property for the purposes of Chapter 1 of Part 5;", and

(b) in paragraph (b), after "applies" insert "and that are not relevant business property for the purposes of that Chapter".

(2) In section 234 (interest on instalments)—

(a) in subsection (1)(a), for the words from "the value" to the end substitute "—

(i) value treated as reduced under Chapter 1 or 2 of Part 5 of this Act, or

(ii) the value of any shares, securities, business or interest in a business, if that value is not treated as reduced under either Chapter of that Part, or", and

(b) in subsection (2), for "(not being tax attributable to value treated as reduced under Chapter II of Part V of this Act)" substitute "that is not tax attributable to value treated as reduced under Chapter 1 or 2 of Part 5 of this Act".

Certificates of discharge

14 In section 239 (certificates of discharge), in subsection (4), in paragraph (aa) for "above" substitute "or 124E(5)".

Temporary relaxation of ownership and occupation conditions

15 (1) This paragraph applies where—

(a) property becomes comprised in a settlement as a result of a transfer of value made on or after 30 October 2024 but before 6 April 2026,

(b) some or all of the value transferred was reduced by 100% as a result of section 104 or section 116 of IHTA 1984,

(c) an occasion on which tax is chargeable under section 65 of that Act occurs as a result of the property ceasing to be comprised in that settlement before 6 April 2026, and

(d) some or all of the amount on which tax is charged would have been reduced by 100% as a result of section 104 or section 116 of that Act, but was not only as a result of an ownership or occupation condition.

(2) For the purposes of that occasion, Chapters 1 and 2 of Part 5 of IHTA 1984 have effect as if the ownership or occupation conditions were omitted.

(3) Where this paragraph applies the transfer of value mentioned in sub-paragraph (1)(a) is not to be regarded as a chargeable transfer of qualifying relievable property for the purposes of section 124H of IHTA 1984 (as inserted by paragraph 5).

(4) In this paragraph, an "ownership or occupation condition" means—

(a) section 106 of IHTA 1984 (minimum period of ownership for business property relief);

(b) section 117 or 123 of that Act (minimum period of occupation or ownership for agricultural property relief).

(5) This paragraph is to be treated as having come into force on 30 October 2024 and has effect in relation to occasions on which tax is chargeable under Chapter 3 of Part 3 of IHTA 1984 on or after that date (but which occur before 6 April 2026).

Application of section 124E in cases where the deceased dies before 6 April 2026

16 For the purposes of applying section 124E in relation to a deceased person who died before 6 April 2026—

(a) the person is to be treated as having an amount of unused 100% relief allowance on death, and

(b) the unused percentage in relation to that person is to be treated as 100%.

Commencement

17 (1) The amendments made by this Part of this Schedule, other than the amendment made by paragraph 6 and the modifications made by paragraph 15, have effect in relation to transfers of value made, and occasions on which tax is chargeable under Chapter 3 of Part 3 of IHTA 1984, on or after 6 April 2026.

(2) Sub-paragraph (3) applies where—

(a) a potentially exempt transfer, or a chargeable transfer, is made after 29 October 2024 but before 6 April 2026, and

(b) the transferor dies on or after 6 April 2026, and

(c) that death is within seven years of the transfer.

(3) The amendments made by this Part of this Schedule, other than the amendments made by sub-paragraphs (1)(b) and (c) and (3) of paragraph 12, are to be treated as having had effect at the time the transfer was made

for the purposes of determining the amount of tax, or additional tax, that falls to be calculated in respect of the transfer.

(4) During the period beginning on the date of the transfer and ending immediately before—

(a) the seventh anniversary of that date, or

(b) if it is earlier, the death of the transferor,

it is to be assumed for the purposes of this Act that sub-paragraph (3) will not apply.

(5) For the purpose of determining the trust maximum allowance under section 124H of IHTA 1984 (as inserted by paragraph 5)—

(a) the amendment made by that paragraph is to be treated as if it had come into force on 30 October 2024, and

(b) that section has effect for that purpose in the period beginning with that date and ending with 5 April 2026 as if in subsections (6)(b) and (7), for "as a result of section 104(1A) or 116(1A)" there were substituted "by 100% as a result of section 104(1)(a) or 116(2)".

(6) Where property is comprised in a qualifying pre-commencement settlement before 30 October 2024, the amendments made by paragraphs 2 to 5 of this Schedule do not have effect in relation to that property, at any time while that property is relevant property, until the first ten-year anniversary that falls on or after 6 April 2026.

(7) For the purposes of section 66(2) of IHTA 1984 as it applies in connection with the first occurrence on or after 6 April 2026 of the charge under section 64(1) of that Act in relation to a settlement, previously relievable property is to be treated as if it were not comprised in the settlement until 6 April 2026.

(8) For the purposes of sub-paragraph (7) "previously relievable property" means relevant property comprised in the settlement before 6 April 2026 to the extent the value of that property charged on the occasion of that charge would have been treated as reduced by 100% as a result of section 104(1)(a) or 116(2) of IHTA 1984 if the amendments made by this Part of this Schedule had not been made.

(9) Sub-paragraph (10) applies for the purposes of—

(a) section 70(7) of IHTA 1984 as it applies in connection with a charge under a special trust charging provision occurring on or after 6 April 2026 in relation to a settlement that commenced before that date, and

(b) sections 71F(6) and 71G(3) of that Act as they apply in connection with a charge under section 71E(1)(a) of that Act occurring on or after 6 April 2026 in relation to a settlement that commenced before that date.

(10) Previously relievable special property is to be treated as if it were excluded property for the purposes of those sections until—

(a) in the case of previously relievable special property in relation to a charge under a special trust charging provision, the commencement of the first successive quarter in the relevant period (within the meaning given by section 70(8) of IHTA 1984) to commence on or after 6 April 2026, or

(b) in the case of previously relievable special property in relation to a charge under section 71E(1)(a) of that Act, the commencement of the first successive quarter in the qualifying period to commence on or after 6 April 2026.

(11) The "qualifying period" in relation to a charge under section 71E(1)(a) of IHTA 1984 means—

(a) in a case where the tax falls to be calculated in accordance with section 71F of that Act, the period referred to in subsection (5) of that Act, or

(b) otherwise, the relevant period (within the meaning given by section 70(8) of that Act as applied by section 71G(3) of that Act).

(12) For the purposes of sub-paragraph (10) "previously relievable special property", in relation to a charge under a special trust charging provision or under section 71E(1)(a) of IHTA 1984, means property comprised in the settlement before 6 April 2026 to the extent the value of that property charged on the occasion of that charge would have been treated as reduced by 100% as a result of section 104(1)(a) or 116(2) of that Act if the amendments made by this Part of this Schedule had not been made.

(13) But property ceases to be previously relievable special property after the first occasion on or after 6 April 2026 of a charge under a special trust charging provision or under section 71E(1)(a) of that Act in relation to that property.

PART 2

INHERITANCE TAX ON OVERSEAS PROPERTY WITH VALUE ATTRIBUTABLE TO UK AGRICULTURAL PROPERTY

Amendment of Schedule A1

18 (1) Schedule A1 to IHTA 1984 is amended as follows.

(2) In the heading of Part 1 of that Schedule, after "property", in the second place it occurs, insert "or UK agricultural property".

(3) In the following provisions, for "a UK residential property interest" substitute "relevant UK property"—

(a) in paragraph 2—

(i) sub-paragraph (2)(a) and (b), and

(ii) sub-paragraph (5), and

(b) in paragraph 4—

(i) sub-paragraph (1)(a)(i), and

(ii) sub-paragraph (3) (in both places).

(4) In that paragraph, in sub-paragraphs (4) and (5), for "UK residential property interest" substitute "relevant UK property".

(5) Before paragraph 8 (and before the italic heading before it) insert—

"Relevant UK property

7A In this Schedule "relevant UK property" means—
(a) UK agricultural property, or
(b) a UK residential property interest.

UK agricultural property

7B (1) In this Schedule "UK agricultural property" means agricultural land or pasture in the United Kingdom and includes—
(a) woodland and any building used in connection with the intensive rearing of livestock or fish if the woodland or building is occupied with agricultural land or pasture and the occupation is ancillary to that of the agricultural land or pasture, and
(b) cottages, farm buildings and farmhouses, together with the land occupied with them.

(2) For the purposes of sub-paragraph (1), the breeding and rearing of horses on a stud farm and the grazing of horses in connection with those activities shall be taken to be agriculture and any buildings used in connection with those activities to be farm buildings."

Consequential amendments

19 (1) IHTA 1984 is amended as follows.

(2) In section 48ZA (excluded property: situated outside the UK etc), in subsection (10), after "property", in the second place it occurs, insert "or UK agricultural property".

(3) In section 53 (exceptions from charge under section 52), in subsection (4A)(d)(i), after "property", in the third place it occurs, insert "or UK agricultural property".

(4) In section 54 (exceptions from charge on death), in subsection (2C)(e)(i), after "property", in the third place it occurs, insert "or UK agricultural property".

(5) In section 237 (imposition of charge), in subsection (2A), for "UK residential property interest" substitute "relevant UK property".

(6) In section 102 of FA 1986 (gifts with reservation), in subsection (7A)(d)(i), after "property", in the third place it occurs, insert "or UK agricultural property".

Commencement

20 (1) The amendments made by this Part of this Schedule have effect in relation to times on or after 6 April 2026.

(2) But for the purposes of paragraph 5(1) of Schedule A1 to IHTA 1984—

(a) paragraph (a) of that paragraph does not apply in relation to a disposal of property—

(i) to which paragraph 2 or 3(a) of that Schedule only applies as a result of the amendments made by this Part of this Schedule, and

(ii) that occurs before 6 April 2026, and

(b) paragraph (b) of that paragraph does not apply in relation to a payment of money or money's worth—

(i) in relation to a relevant loan that is only a relevant loan as a result of the amendments made by this Part of this Schedule, and

(ii) that occurs before 6 April 2026.

SCHEDULE 13

Section 88

ABOLITION OF BINGO DUTY: CONSEQUENTIAL AND TRANSITIONAL PROVISION

Consequential provision

1 In FA 1969, omit section 3 and Schedule 9.

2 In FA 1982—

(a) in section 8, in subsection (1), omit paragraph (c);

(b) omit Part 4 of Schedule 6.

3 In FA 1983, in section 5, omit subsection (1).

4 In FA 1986—

(a) in section 6—

(i) omit paragraph (b) of subsection (1) (and the "and" before it);

(ii) omit paragraph (b) of subsection (3) (and the "and" before it);

(iii) in subsection (5), omit the definition of "the bingo commencement date";

(b) in paragraph 16 of Schedule 4, omit sub-paragraph (2).

5 In F(No.2)A 1992, omit section 7.

6 In FA 1994, in section 12(2)(c) omit "Schedule 3 to the Betting and Gaming Duties Act 1981 or".

7 In VATA 1994, in section 23A—

(a) in subsection (2), for paragraph (c) substitute—

"(c) it is a game of bingo in the United Kingdom, other than a game of unlicensed bingo where every person playing the game participates by use of—

(i) the internet,

(ii) telephone,

(iii) television,

(iv) radio, or

(v) any other kind of electronic or other technology for facilitating communication,";

(b) after subsection (2) insert—

"(3) In this section—

"bingo" includes any version of that game, whatever name it is called;

"unlicensed bingo"—

(a) in Great Britain, means bingo which is not played at premises licensed under a bingo premises licence (within the meaning of Part 8 of the Gambling Act 2005), and

(b) in Northern Ireland, means bingo played at premises licensed under Chapter 2 of Part 3 of the Betting, Gaming, Lotteries and Amusements (Northern Ireland) Order 1985;".

8 In FA 1997—

(a) in section 10 (gaming duty)—

(i) in subsection (3AA)(a) omit "bingo duty or";

(ii) after subsection (3AA) insert—

"(3AB) This section does not apply to the playing of bingo.";

(iii) after subsection (6) insert—

"(7) In this section, "bingo" includes any version of that game, whatever name it is called.";

(b) in Schedule 1 (administration and enforcement of gaming duty), for paragraph 16 substitute—

"16 Where an officer of Revenue and Customs takes any action in pursuance of instructions of the Commissioners for His Majesty's Revenue and Customs in connection with the enforcement of the enactments relating to gaming duty and, apart from this paragraph, the officer would in taking that action be committing an offence under the enactments relating to betting or gaming, the officer is not be guilty of that offence."

9 In FA 2003, omit section 9.

10 In FA 2006, in section 11, omit subsection (3).

11 In FA 2007, omit—

(a) paragraph 4 of Schedule 1;

(b) paragraph 9 of Schedule 25 (and the italic heading before it).

12 In FA 2008, in Schedule 41, in the Table in paragraph 1, omit the entry relating to "bingo duty".

13 In FA 2009, omit—

(a) section 20;

(b) subsection (2) of section 115.

14 In the Borders, Citizenship and Immigration Act 2009, in section 7(2)(e), omit sub-paragraph (ii).

15 In FA 2010, omit section 19.

16 In FA 2012, in Schedule 24, in paragraph 3—

(a) in sub-paragraph (1), for paragraph (b) substitute—

"(b) it is a game of bingo in which two or more persons participate on the same premises,";

(b) after sub-paragraph (4) insert—

"(5) In this paragraph, "bingo" includes any version of that game, whatever name it is called."

17 In FA 2014—

(a) omit sections 122 and 123 (and the italic heading before section 122);

(b) in section 154(4), omit paragraph (b) (and the "and" before it);

(c) In section 161—

(i) in subsection (3), omit paragraph (a) (and the "and" after it);

(ii) in subsection (4), omit paragraph (b);

(iii) after subsection (4) insert—

"(4A) Remote gaming duty is not charged on a chargeable person's participation in remote gaming where the remote gaming in question is the playing in the United Kingdom of a game of—

(a) licensed bingo, or

(b) unlicensed bingo, if at least one other person's participation in the game does not constitute remote gaming.

(4B) In subsection (4A)—

"bingo" includes any version of that game, whatever name it is called;

"licensed bingo"—

(a) in Great Britain, means bingo played at premises licensed under a bingo premises licence (within the meaning of Part 8 of the Gambling Act 2005), and

(b) in Northern Ireland, means bingo played at premises licensed under Chapter 2 of Part 3 of the Betting, Gaming, Lotteries and Amusements (Northern Ireland) Order 1985;

"United Kingdom" includes the territorial sea of the United Kingdom;

"unlicensed bingo" means bingo which is not licensed bingo.";

(d) in Schedule 28, in paragraph 20, omit sub-paragraph (3).

18 In FA 2016, in paragraph 4(2) of Schedule 18, omit "bingo duty".

19 In F(No.2)A 2017, in paragraph 2(1) of Schedule 17, omit "bingo duty".

20 In FA 2024, in the Table in section 32(1), omit the entry relating to "BGDA 1981".

Transitional and saving provision

21 (1) The repeals and amendments made by section 88 and this Schedule do not affect—

(a) the operation on and after 1 April 2026 of any enactment repealed or amended by section 88 or this Schedule, or revoked by virtue of those repeals and amendments, as the enactment stood immediately before that date, so far as relating to accounting periods for bingo duty that end before that date;

(b) the exercise on and after 1 April 2026 of any power of the Commissioners for His Majesty's Revenue and Customs or an officer of Revenue and Customs saved by paragraph (a).

(2) Sub-paragraph (1) does not prejudice the generality of section 16(1) of the Interpretation Act 1978.

SCHEDULE 14

Section 103

AGGREGATES LEVY: AMENDMENTS RELATING TO DISAPPLICATION OF LEVY TO SCOTLAND

Amendments of Part 2 of FA 2001

1 Part 2 (aggregates levy) of FA 2001 is amended as follows.

2 Section 17 (exemption etc of quantity of aggregate) is amended as follows.

3 In subsection (2), after paragraph (c) insert—

"(ca) it has on or after the day appointed under section 18(4) of the Scotland Act 2016 (and prior to being moved to England, Wales or Northern Ireland) been removed from a relevant Scottish site to premises in Scotland of a person carrying on a business in Scotland;

(cb) it has—

(i) on or after the day appointed under section 18(4) of the Scotland Act 2016 been removed from a site in England, Wales or Northern Ireland that falls within section 19(2) in relation to that quantity of aggregate, and

(ii) subsequently been moved to premises in Scotland of a person carrying on a business in Scotland, prior to being moved to the place in England, Wales or Northern Ireland where it is subjected to commercial exploitation;".

4 After subsection (3) insert—

"(3A) In subsection (2)(ca) the reference to premises in Scotland does not include any premises located at a site that is a relevant Scottish site in relation to the quantity of aggregate."

5 In subsection (7), at the appropriate place insert—

""relevant Scottish site", in relation to a quantity of aggregate, means a site in Scotland that falls within section 19(2) in relation to that quantity of aggregate, or would so fall if in section 20(1)(a)—

(a) the reference to England, Wales or Northern Ireland included Scotland, and

(b) the reference to relevant waters included Scottish waters."

6 Section 19 (commercial exploitation) is amended as follows.

7 In subsection (1)—

(a) in paragraph (a), after "site" insert "in England, Wales or Northern Ireland";

(b) after paragraph (a) insert—

"(aa) it is removed to a place in England, Wales or Northern Ireland from a site in Scotland that falls within subsection (2) below, or would fall within that subsection if in subsection (1)(a) of section 20 (originating sites)—

(i) the reference to England, Wales or Northern Ireland included Scotland, and

(ii) the reference to relevant waters were to United Kingdom waters."

8 In subsection (5)—

(a) the words from "the aggregate" to the end become paragraph (a) of that subsection;

(b) in that paragraph for "United Kingdom waters" substitute "relevant waters";

(c) at the end insert ", or

(b) the exploitation falls within subsection (1)(aa)."

9 After subsection (5) insert—

"(5A) The Treasury may by regulations made by statutory instrument make further provision with regard to the circumstances in which the subjection of a quantity of aggregate to commercial exploitation is to be taken to occur in England, Wales or Northern Ireland, including provision amending this section or any other provision of this Part."

10 At the end insert—

"(8) A statutory instrument containing regulations under subsection (5A) may not be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons."

11 In section 20 (originating sites), in subsection (1)(a), for "United Kingdom waters" substitute "relevant waters".

12 In section 48 (interpretation of Part), in subsection (1), at the appropriate places insert—

""relevant waters" means—

(a) the territorial sea adjacent to the United Kingdom, other than Scottish waters, or

(b) any area designated by Order in Council under section 1(7) of the Continental Shelf Act 1964;";

""Scottish waters" means so much of the territorial sea adjacent to the United Kingdom as is to be treated as adjacent to Scotland for the purposes of the Scotland Act 1998 (see section 126(2) of that Act);".

Amendments of Aggregates Levy (General) Regulations 2002

13 The Aggregates Levy (General) Regulations 2002 (S.I. 2002/761) are amended as follows.

14 In regulation 13 (which relates to tax credits)—

(a) in paragraph (2), before sub-paragraph (a) insert—

"(za) is moved without further processing from premises in England, Wales or Northern Ireland operated or used by a person registered under section 24 of the Act for any purpose specified in subsection (6) of that section to a place in Scotland or Scottish waters;"

(b) in paragraph (2)(a), after "Kingdom" insert "from a place in England, Wales or Northern Ireland".

15 In consequence of the amendment made by paragraph 14(b), in regulation 15(3) after "United Kingdom" insert "from a place in England, Wales or Northern Ireland".

Repeals: the levy register etc

16 In the Scotland Act 2016, in Schedule 1 (disapplication of UK aggregates levy)—

(a) in paragraph 5 (amendments relating to the levy register), in sub-paragraph (3) for "both places," substitute "the first place it occurs,";

(b) paragraph 9 (which amends the definition of "United Kingdom waters" for Part 2 of FA 2001) is omitted.

17 Omit—

(a) section 44 of FA 2001 (destination of receipts), and

(b) paragraph 8 of Schedule 1 to the Scotland Act 2016.

Commencement

18 Paragraphs 1 to 15 have effect in relation to commercial exploitation of aggregate which takes place on or after such date as is appointed under section 18(4) of the Scotland Act 2016.

19 Paragraphs 16 and 17 come into force on the day on which this Act is passed.

SCHEDULE 15

Section 139

VAPING PRODUCTS DUTY: AMENDMENTS OF OTHER ENACTMENTS

Penalties

1 (1) In paragraph 1 of Schedule 24 to FA 2007 (penalties for errors), in the table after the entry for tobacco products duty insert—

"Vaping products duty	Vaping products duty return."

(2) In paragraph 1 of Schedule 41 to FA 2008 (penalties for failure to notify etc), in the table after the entry for tobacco products duty insert—

"Vaping products duty	Obligation not to produce vaping products unless approved or registered (in regulations under section 45 of TCTA 2018).
Vaping products duty	Obligation to produce vaping products only on approved or registered premises (in regulations under section 45 of TCTA 2018).
Vaping products duty	Obligation to be approved under section 122 of FA 2026 (approved stamp holders)."

(3) In paragraph 2 of Schedule 24 to FA 2021 (penalties for failure to make returns etc), in the table after item 4 and in the first, second and fifth columns insert—

"5	Vaping products duty	Vaping products duty return under regulations under section 45 of TCTA 2018."

(4) In paragraph 1 of Schedule 25 to FA 2021 (penalties for deliberately withholding information), in the table after item 4 insert—

"5	Vaping products duty	Vaping products duty return under regulations under section 45 of TCTA 2018."

(5) In paragraph 1 of Schedule 26 to FA 2021 (penalties for failure to pay tax), in the table at the end insert—

"Vaping products duty		
1	Amount of vaping products duty payable under Part 4 of FA 2026 (except an amount within item 2 or 3)	The date determined by or under regulations under section 45 of TCTA 2018 as the date by which the amount must be paid
2	Amount of vaping products duty shown in an assessment made by HMRC in default of a return	The date by which the amount would have been required to be paid if it had been shown in the return in question
3	Amount of vaping products duty shown in an amendment or correction of a return	The date falling 30 days after the date on which the amendment or correction is made"

Reviews and appeals

2 FA 1994 is amended as follows—

(a) in section 13A(2), after paragraph (gc) insert—

"(gd) any decision by HMRC that a person is liable to a penalty, or as the amount of the person's liability, under—

(i) section 125 of FA 2026;

(ii) section 126(1) of FA 2026;";

(b) in section 16(9), after paragraph (b) insert—

"(ba) paragraph 5B;"

(c) in section 16A(2), after paragraph (g) insert—

"(h) approved under section 122 of FA 2026 (approved stamp holders);";

(d) in Schedule 5 (decisions subject to review and appeal), after paragraph 5A insert—

"Part 4 of FA 2026 (vaping products duty)

5B Any decision as to whether or not any person is to be, or continues to be, approved under section 122 of FA 2026.".

Other amendments

3 CEMA 1979 is amended as follows—

(a) in section 1(1), in the definition of "the Customs and Excise Act 1979" after "(alcohol duty)" insert "and Part 4 of FA 2026 (vaping products duty)";

(b) in section 1(3) at end insert—

"*Part 4 of FA 2026 (vaping products duty)*

"vaping products"";

(c) in section 112 (powers of entry upon premises, etc. of revenue traders)—

(i) in subsection (3) after "alcoholic products" insert "or vaping products,";

(ii) in subsection (5) after "tobacco products" insert "or vaping products";

(d) in section 113(6) (power to search for concealed pipes, etc) after "alcoholic products" insert "or vaping products";

(e) in section 160(2A) (power to take samples) after "alcoholic products" insert "or vaping products";

(f) in section 161A(3) (power to search premises: search warrant) after "manufacture of spirits" insert "or vaping products";

(g) in section 163A(2) (power to search articles) after "alcoholic products," insert "vaping products,".

4 In section 1 of the Excise Duties (Surcharges or Rebates) Act 1979 after subsection (1)(a) insert—

"(ab) that chargeable in respect of vaping products;".

5 In paragraph 11 of Schedule 5 to the Consumer Rights Act 2015, in the table, after the last entry insert—

A local weights and measures authority in Great Britain or a district council in Northern Ireland	Section 136 of the Finance Act 2026 (vaping products duty)

6 In paragraph 2(1) of Schedule 17 to F(No.2)A 2017 (disclosure of tax avoidance schemes: indirect taxes), after "duties on spirits, beer, wine, made-wine and cider" insert—

"vaping products duty"

7 In section 49 of TCTA 2018 in the definition of "excise duty"—

(a) omit the "or" after paragraph (b), and

(b) after paragraph (c), insert— "or

(d) Part 4 of the Finance Act 2026 (vaping products duty)".

SCHEDULE 16

Section 143

CBAM GOODS

1 The goods specified by this Schedule are goods within a commodity code set out in the following Table, other than those within a commodity code that the Table indicates are excepted.

Commodity code	**Classification**
Aluminium goods	
7601	Unwrought aluminium
7603	Aluminium powders and flakes
7604	Aluminium bars, rods and profiles
7605	Aluminium wire
7606	Aluminium plates, sheets and strip, of a thickness exceeding 0.2 mm
7607	Aluminium foil (whether or not printed or backed with paper, paper-board, plastics or similar backing materials)

Commodity code	Classification
	of a thickness (excluding any backing) not exceeding 0.2 mm
7608	Aluminium tubes and pipes
7609	Aluminium tube or pipe fittings (for example, couplings, elbows, sleeves)
7610	Certain Aluminium structures (excluding prefabricated buildings of heading 9406) and parts of structures (for example, bridges and bridge-sections, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors, balustrades, pillars and columns); aluminium plates, rods, profiles, tubes and the like, prepared for use in structures
7611	Aluminium reservoirs, tanks, vats and similar containers, for any material (other than compressed or liquefied gas), of a capacity exceeding 300 litres, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment
7612	Aluminium casks, drums, cans, boxes and similar containers (including rigid or collapsible tubular containers), for any material (other than compressed or liquefied gas), of a capacity not exceeding 300 litres, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment
7613	Aluminium containers for compressed or liquefied gas
7614	Stranded wire, cables, plaited bands and the like, of aluminium, not electrically insulated
7616	Other articles of aluminium
Cement	
2507 00 80	Other kaolinic clays
2523 10	Cement clinkers
2523 21	White Portland cement, whether or not artificially coloured
2523 29	Other Portland cement
2523 30	Aluminous cement
2523 90	Other hydraulic cements
Fertilisers	
2808 00	Nitric acid; sulphonitric acids
2814	Ammonia, anhydrous or in aqueous solution

Commodity code	Classification
2834 21	Nitrates of potassium
3102	Mineral or chemical fertilisers, nitrogenous
3105 *Except:* 3105 60	Mineral or chemical fertilisers containing two or three of the fertilising elements nitrogen, phosphorus and potassium; other fertilisers; goods of this chapter in tablets or similar forms or in packages of a gross weight not exceeding 10 kg *Except:* Mineral or chemical fertilisers containing the two fertilising elements phosphorus and potassium
Hydrogen	
2804 10	Hydrogen
Iron and steel goods	
2601 12	Agglomerated
72 *Except:*	Iron and steel *Except:*
7202 21	Ferro-silicon
7202 30	Ferro-silico-manganese
7202 50	Ferro-silico-chromium
7202 70	Ferro-molybdenum
7202 80	Ferro-tungsten and ferro-silico-tungsten
7202 91	Ferro-titanium and ferro-silico-titanium
7202 92	Ferro-vanadium
7202 93	Ferro-niobium
7202 99 10	Ferro-phosphorus
7202 99 30	Ferro-silico-magnesium
7202 99 80	Other
7204	Ferrous waste and scrap; remelting scrap ingots and steel
7301	Sheet piling of iron or steel, whether or not drilled, punched or made from assembled elements; welded angles, shapes and sections, of iron or steel
7302	Railway or tramway track construction material of iron or steel, the following: rails, check-rails and rack rails, switch blades, crossing frogs, point rods and other crossing pieces, sleepers (cross-ties), fish- plates, chairs, chair wedges, sole plates (base plates), rail clips, bedplates, ties and other material specialised for jointing or fixing rails
7303	Tubes, pipes and hollow profiles, of cast iron
7304	Tubes, pipes and hollow profiles, seamless, of iron (other than cast iron) or steel

Commodity code	Classification
7305	Other tubes and pipes (for example, welded, riveted or similarly closed), having circular cross-sections, the external diameter of which exceeds 406.4 mm, of iron or steel
7306	Other tubes, pipes and hollow profiles (for example, open seam or welded, riveted or similarly closed), of iron or steel
7307	Tube or pipe fittings (for example, couplings, elbows, sleeves), of iron or steel
7308	Structures (excluding prefabricated buildings of heading 9406) and parts of structures (for example, bridges and bridge-sections, lock- gates, towers, lattice masts, roofs, roofing frameworks, doors and windows and their frames and thresholds for doors, shutters, balustrades, pillars and columns), of iron or steel; plates, rods, angles, shapes, sections, tubes and the like, prepared for use in structures, of iron or steel
7309	Reservoirs, tanks, vats and similar containers for any material (other than compressed or liquefied gas), of iron or steel, of a capacity exceeding 300 litres, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment
7310	Tanks, casks, drums, cans, boxes and similar containers, for any material (other than compressed or liquefied gas), of iron or steel, of a capacity not exceeding 300 litres, whether or not lined or heat-insulated, but not fitted with mechanical or thermal equipment
7311	Containers for compressed or liquefied gas, of iron or steel
7318	Screws, bolts, nuts, coach screws, screw hooks, rivets, cotters, cotter pins, washers (including spring washers) and similar articles, of iron or steel
7326	Other articles of iron or steel

2 (1) In this Schedule "commodity code" means a code assigned to a classification of goods by the Goods Classification Table.

(2) Regulations under section 8 of TCTA 2018 about determining within which commodity code a good falls apply for the purposes of CBAM.

(3) The Commissioners may by regulations make such amendments to the Table in paragraph 1 as they consider appropriate in consequence of the Goods Classification Table, or a document replacing it, being amended or replaced.

(4) In this paragraph, references to the Goods Classification Table are references to the Goods Classification Table as defined in regulations under section 8 of TCTA 2018.

SCHEDULE 17

Section 151

ADMINISTRATION OF CBAM

PART 1

INTRODUCTION

1 (1) The Commissioners are responsible for the collection and management of CBAM.

(2) In this Schedule—

(a) Part 2—

(i) requires a person to register with HMRC for the purposes of CBAM if the person triggers registration, and

(ii) makes further provision relating to registration and de-registration;

(b) Part 3 makes provision about the payment of CBAM, accounting periods and returns;

(c) Part 4 makes provision about the determination and evidencing of emissions embodied in a CBAM good and relief under section 150;

(d) Part 5 confers power to make regulations about the measurement of weight;

(e) Part 6 makes provision about records;

(f) Part 7 makes provision about the artificial separation of business activities;

(g) Part 8 makes provision about death, incapacity and insolvency;

(h) Parts 9 and 10 make provision about the recovery of CBAM and repayments;

(i) Parts 11 and 12 make provision about penalties, reviews and appeals relating to CBAM.

PART 2

REGISTRATION

Duty to register with HMRC

2 (1) A person must register with HMRC if the person triggers registration.

(2) A person triggers registration if—

(a) it is the first day of the month and, during the preceding 12 months, the person imported into the United Kingdom CBAM goods with an aggregate value of £50,000 or more in the course of a business, or

(b) the person is expected to import into the United Kingdom, in the course of a business, CBAM goods with an aggregate value of £50,000 or more before the end of a period of 30 days.

(3) For the purposes of sub-paragraph (2)—

(a) disregard any CBAM good—

(i) in respect of which section 147(2) applies (goods originating in the United Kingdom and returned goods), or

(ii) that has been subject to the charge to CBAM by operation of section 145 (special customs procedures) and subsequently exported from the United Kingdom;

(b) if a good is, or would be, subject to the charge to CBAM by operation of section 145 (special customs procedures) the value of the good is taken to be the amount of its value that is attributable to the CBAM good that entered, or would enter, the special customs procedure.

(4) A person who triggers registration must register before the end of the period of 30 days beginning with the day on which the person first triggered registration.

(5) When registering, a person must provide—

(a) information specified by the Commissioners in regulations, and

(b) a declaration that the person believes the information provided to be complete and correct.

(6) An officer of Revenue and Customs may require a person to—

(a) provide such information as the officer considers necessary in order to determine whether the person is required to register under this paragraph, and

(b) provide that information within such period as the officer considers reasonable.

(7) If it appears to an officer of Revenue and Customs that a person has triggered registration under this paragraph and has failed to register before the end of the period of 30 days in sub-paragraph (4), the officer may register the person.

(8) If an officer of Revenue and Customs registers a person under sub-paragraph (7), the officer must notify the person of this.

(9) The Commissioners may specify in a notice published by them the way in which a person is to register, provide information and make a declaration under this paragraph.

(10) For the purposes of this Part of this Act—

(a) a person is a "registered person" if the person—
  (i) has registered, or been registered by an officer of Revenue and Customs, under this paragraph, and
  (ii) has not been deregistered (see paragraph 3);
(b) a person is a "registrable person" if the person—
  (i) has triggered registration under this paragraph, but
  (ii) has not registered, or been registered by an officer of Revenue and Customs, under this paragraph;
(c) references to registering or a registration are to registering or a registration under this paragraph.

Deregistration

3 (1) An officer of Revenue and Customs must deregister a registered person if the officer is satisfied that—
  (a) the person is not required to be registered and either—
    (i) the person has requested that they be deregistered, or
    (ii) the person has not been required to be registered at any time in the period of 12 months ending with the day on which the officer of Revenue and Customs deregisters the person, or
  (b) the person was not required to be registered on the day on which they registered and has not been required to be registered since,

but this is subject to sub-paragraph (2).

(2) An officer of Revenue and Customs may decide not to deregister a person if—
  (a) there are outstanding amounts of CBAM, or amounts recoverable on the basis that they are amounts of CBAM, due from the person,
  (b) there are one or more outstanding returns under Part 3 of this Schedule due from the person, or
  (c) the officer considers that the person will be required to be registered before the end of the period of 12 months beginning with the day on which the person would otherwise be deregistered.

(3) For the purposes of this paragraph, a person is "required to be registered" on a day if—
  (a) the person triggers registration on the day, or
  (b) on the first day of the month in which the day falls, the person triggered registration under paragraph 2(2)(a).

(4) An officer of Revenue and Customs deregisters a person by issuing the person with a notice of deregistration.

(5) A notice of deregistration must specify when the de-registration takes effect (which may be in the past).

(6) A request under sub-paragraph (1)(a) must be made in the way specified in a notice published by the Commissioners.

(7) If a person has requested under sub-paragraph (1)(a) that they be deregistered and the request is rejected, an officer of Revenue and Customs must issue the person with a notice—

(a) informing them that their request has been rejected, and

(b) giving reasons.

Notification of changed or incorrect information

4 (1) A registered person must notify HMRC if—

(a) information they provided under paragraph 2 changes, or

(b) they discover that such provided information is incorrect.

(2) The notification must be given before the end of the period of 30 days beginning with the day on which the information changed or they discovered that the information is incorrect.

(3) The notification must be given in the way specified in a notice published by the Commissioners.

Value of CBAM goods

5 The Commissioners may by regulations make provision about determining the value of CBAM goods for the purposes of this Part of this Schedule.

PART 3

PAYMENT, ACCOUNTING PERIODS AND RETURNS

Payment and accounting periods

6 (1) A registered or registrable person must account for and pay CBAM in respect of each accounting period.

(2) The accounting periods are the periods of 3 months ending at the end of March, June, September and December.

(3) Payment in respect of an accounting period must be made before the end of the last working day of the second month after the end of the accounting period.

(4) Payment must be made by a method specified in a notice published by the Commissioners.

Returns

7 (1) A registered or registrable person must make a return to HMRC for each accounting period.

(2) A return under this paragraph must be made before the end of the last working day of the second month after the end of the accounting period to which it relates.

(3) The Commissioners may by regulations make provision about what is to be included in a return under this paragraph.

(4) The Commissioners may specify in a notice published by them—

(a) the way in which the return is to be made;

(b) that a digital facility provided by HMRC must be used to calculate the amount of CBAM shown in the return, subject to such exceptions as may be specified in the notice.

8 (1) A person who has made a return under paragraph 7 may amend the return by notice to HMRC (and may further amend the return by further notice to HMRC) only in order to correct an error.

(2) No amendment may be made to replace information on the emissions embodied in CBAM goods determined using default values set under paragraph 11 with such information determined in accordance with regulations under paragraph 10.

(3) The Commissioners may specify in a notice published by them—

(a) the way in which an amendment is to be made, and

(b) by when it must be made.

Power to change accounting periods and deadlines

9 The Commissioners may by regulations amend—

(a) paragraph 6(2) or (3) or 7(2);

(b) item 5 in the table in paragraph 2(1) of Schedule 24 to FA 2021 (which relates to penalties for a failure to make returns under paragraph 7 of this Schedule) in consequence of an amendment under this paragraph of paragraph 6(2).

PART 4

DETERMINATION AND EVIDENCE OF EMISSIONS AND CARBON PRICE RELIEF

10 (1) The Commissioners may by regulations make provision about how emissions embodied in CBAM goods are to be determined and evidenced.

(2) Regulations under this paragraph may (among other things)—

(a) make different provision in relation to different goods, sectors, places, circumstances or activities;

(b) make provision for methods of calculating figures;

(c) make provision about measurement, sampling or analysis;

(d) make provision by reference to information or technical standards published by a third party (including by an international organisation);

(e) make provision about the treatment of gaps in data or measurement;

(f) provide for the use of estimates or standard values or factors (including how estimates are to be made or standard values or factors are to be determined);

(g) make provision about the treatment of anything used or done in the course of activities in the course of which the emissions were emitted;

(h) make provision requiring information to be verified by a specified person or body.

11 (1) The Treasury may by notice set default values that may be used for determining the emissions embodied in CBAM goods.

(2) Default values set under this paragraph may (among other things)—

(a) vary depending on where the emissions embodied in a CBAM good were emitted;

(b) be in respect of any portion of the emissions embodied in a CBAM good.

(3) A default value may be set at a level that ensures that there would not be an advantage to any person liable to CBAM in using the value instead of determining the emissions embodied in a CBAM good in accordance with regulations under paragraph 10.

(4) In sub-paragraph (3), "advantage" includes an advantage arising from—

(a) the emissions embodied in a CBAM good being lower if determined using default values;

(b) not bearing the cost of determining or verifying emissions in accordance with regulations under paragraph 10.

12 (1) The Commissioners may by regulations make provision about how relief under section 150 (carbon price relief) is to be determined and evidenced.

(2) Regulations under sub-paragraph (1) may (among other things)—

(a) make provision for methods of calculating the relief in accordance with principles for determining the amount of relief set out in regulations made under section 150;

(b) make provision otherwise supplementing regulations made under section 150 about how relief under that section is to be determined;

(c) make different provision in relation to different goods, sectors, places, circumstances or activities or by reference to where a carbon price is payable;

(d) make provision requiring information to be verified by a specified person or body or by reference to information provided by a third party;

(e) make provision about currency conversion.

PART 5

MEASUREMENT OF WEIGHT

13 (1) The Commissioners may by regulations make provision about the measurement of weight for the purposes of CBAM.

(2) Regulations under this paragraph may (among other things) include provision about—

(a) how weight is to be measured;

(b) the time at which weight is to be measured;

(c) how weight is to be evidenced;

(d) agreements between HMRC and particular persons about how weight is to be measured or evidenced, including provision for HMRC to disregard the terms of an agreement in circumstances set out in the regulations;

(e) an officer of Revenue and Customs making their own assessment or best judgement of weight in relation to CBAM goods and substituting that assessment or judgement for the assessment or judgement of any other person;

(f) an officer of Revenue and Customs inspecting or weighing CBAM goods or samples;

(g) the assessment of weight by an officer of Revenue and Customs being based on estimates or assumptions.

PART 6

RECORDS

General requirements

14 (1) The Commissioners may by regulations require specified persons—

(a) to keep, for purposes connected with CBAM, records of specified matters, and

(b) to preserve records for a specified period.

(2) Regulations under sub-paragraph (1) may provide that a duty to preserve records under the regulations may be discharged by preserving them, or the information contained in them, in any form and by any means, subject to any conditions or exceptions specified in the regulations.

(3) The period specified in regulations under sub-paragraph (1) may not exceed—

(a) in a case where the records relate to an accounting period, 6 years beginning with the day after the end of the accounting period to which the records relate, or

(b) in any other case, 6 years beginning with the day on which the records are created.

Directions

15 (1) An officer of Revenue and Customs may direct a registered or registrable person—

(a) to keep such records as are specified in the direction;

(b) to preserve those records for a specified period.

(2) The officer may not give a direction under sub-paragraph (1) unless they have reasonable grounds for believing that the records specified in the direction might assist in identifying CBAM goods in respect of which CBAM might not be paid.

(3) A direction under sub-paragraph (1)—

(a) must be in writing,

(b) must specify the consequences under Part 11 of this Schedule of a failure to comply with a requirement imposed by the direction, and

(c) may be revoked or replaced by a further direction.

(4) The period specified in a direction under sub-paragraph (1)(b) may not exceed 6 years.

PART 7

ARTIFICIAL SEPARATION OF BUSINESS ACTIVITIES

16 (1) This paragraph applies for the purpose of preventing the maintenance or creation of any artificial separation of business activities carried on by two or more persons resulting in an avoidance of CBAM.

(2) An officer of Revenue and Customs may make a direction naming any person if they are satisfied that—

(a) the person is importing CBAM goods into the United Kingdom in the course of a business,

(b) the activities in the course of which the person does so form only part of certain activities, the other activities being carried on concurrently or previously (or both) by one or more other persons,

(c) the activities carried on by those persons have been, or are, artificially separated, having regard to whether the persons carrying on those activities are connected within the meaning of section 1122 of CTA 2010 ("connected" persons), and

(d) if all the activities of those persons were taken into account, a single person carrying on that business would at the time of the direction be required to register under paragraph 2.

(3) The effect of a direction under sub-paragraph (2) is that for the purposes of this Part of this Act—

(a) the persons named in the direction are to be treated as a single taxable person ("the taxable person") carrying on the activities of a business described in the direction,

(b) the taxable person is deemed to have registered on the date of the direction or on such earlier or later date as may be specified in the direction—

(i) in the name of one of the persons named in the direction nominated jointly by them in writing to the officer of Revenue and Customs who made the direction within the period of 14 days beginning with the date of the direction, or

(ii) if no such name is nominated, in such name as may be determined by the officer;

(c) the importation of CBAM goods by, or on behalf of, a person named in the direction in the course of the activities carried on by the taxable person is to be treated as the importation of CBAM goods in the course of a business by the taxable person;

(d) each person named in the direction is jointly and severally liable for any CBAM due from the taxable person;

(e) any failure by the taxable person to comply with any requirement imposed by or under this Part of this Act is to be treated as a failure by each person named in the direction severally.

(4) The earliest date a direction may specify under sub-paragraph (3)(b) is the date on which the persons named in the direction would, if they were treated as a single taxable person on that date, have first triggered registration under paragraph 2.

(5) Sub-paragraph (6) applies where, after a direction is made under sub-paragraph (2), it appears to an officer of Revenue and Customs that—

(a) a person who was not named in the direction is importing CBAM goods in the course of activities which should be regarded as part of the activities of the business described in the direction, or

(b) a person who is named in the direction should no longer be named in the direction.

(6) The officer of Revenue and Customs may by direction modify the earlier direction so that—

(a) it names the person mentioned in sub-paragraph (5)(a), or

(b) the person mentioned in sub-paragraph (5)(b) is removed from the earlier direction (as the case may be).

(7) A modification under sub-paragraph (6)(a) comes into force on—

(a) the date on which the person began to import CBAM goods in the course of activities which should be regarded as part of the activities of the business described in the direction, or

(b) if later, the date on which the single taxable person referred to in the earlier direction is deemed to have registered.

(8) A modification under sub-paragraph (6)(b) comes into force on the date specified in the direction.

(9) A direction under sub-paragraph (2), and any determination under sub-paragraph (3)(b)(ii), must be given to each person named in the direction.

(10) A direction under sub-paragraph (6)(a) must be given to each person named in the earlier direction as modified.

(11) A direction under sub-paragraph (6)(b) must be given to—

(a) each person named in the earlier direction as modified, and

(b) the person being removed from the earlier direction.

(12) A registered person is to be treated as no longer being a registered person in their own right from such time as they begin to form part of a single taxable person under a direction under this paragraph.

PART 8

DEATH, INCAPACITY AND INSOLVENCY

17 (1) This paragraph applies where a registered person, who is an individual, is deceased or incapacitated and another person (P) carries on the business to which the registered person's registration relates.

(2) Where this paragraph applies, P must notify HMRC of their carrying on of the business before the end of the period of 21 days beginning with the day on which they began to carry on the business.

(3) The notification must—

(a) be accompanied by evidence of P's authority to carry on the business;

(b) include information, and be accompanied by evidence about, the death or incapacitation of the registered person.

(4) The Commissioners may specify in a notice published by them—

(a) the particular items of information to be included in, and evidence to accompany, the notification;

(b) the way in which the notification is to be given.

(5) Where this paragraph applies, HMRC may treat P as if they were the registered person for the purposes of CBAM for a period of up to 6 months beginning with the day on which the period under sub-paragraph (2) ends.

(6) An officer of Revenue and Customs may extend the period under sub-paragraph (5) as they think fit by notice in writing to P.

18 (1) This paragraph applies where a registered person is subject to an insolvency procedure and a person (P) acts as an insolvency office holder in relation to that registered person.

(2) Where this paragraph applies, HMRC may treat P as if they were the registered person for the purposes of CBAM.

(3) Where P is treated under sub-paragraph (2) as if they were the registered person—

(a) any liability of the registered person to pay CBAM which arose at a time before the date on which the insolvency procedure began continues to be payable by the registered person;

(b) any liability of the registered person to pay CBAM which arises at a time on or after the date on which the insolvency procedure began is to be regarded as an expense of that procedure (unless the procedure is within sub-paragraph (4)(b)(vii)).

(4) In this paragraph—

(a) "insolvency office holder" means—

(i) an administrative receiver;

(ii) an administrator;

(iii) a liquidator;

(iv) a receiver appointed by the courts or by a mortgagee;

(v) a trustee in bankruptcy;

(vi) a trustee (or interim trustee) in the sequestration of an estate;

(vii) a person acting in an equivalent capacity under the law of a country or territory outside the United Kingdom;

(b) "insolvency procedure" means—

(i) administration;

(ii) administrative receivership;

(iii) bankruptcy;

(iv) receivership;

(v) sequestration;

(vi) winding up;

(vii) an equivalent procedure under the law of a country or territory outside the United Kingdom.

PART 9

RECOVERY

Recovery as a debt due

19 CBAM is recoverable as a debt due to the Crown.

Assessments of amounts of CBAM

20 (1) Sub-paragraph (2) applies where it appears to an officer of Revenue and Customs that—

(a) any period is an accounting period by reference to which a registered or registrable person is liable to CBAM,

(b) an amount of CBAM for which the person is liable to account by reference to that period has become due, and

(c) there has been a relevant default by the person (see sub-paragraph (3)).

(2) The officer of Revenue and Customs—

(a) may—

(i) in a case where the amount of CBAM due from the person for that period cannot be ascertained, assess the amount due from the person for that period to the best of their judgement;

(ii) in any other case, assess the amount due from the person for that period, and

(b) where such an assessment is made, must notify the person of that amount.

(3) The following are "relevant defaults"—

(a) a failure to comply with a requirement of paragraph 2 (registration) or paragraph 4 (updating or correcting registration information);

(b) the provision, in purported compliance with paragraph 2 or 4, of incomplete or incorrect information;

(c) a failure to make a return required by paragraph 7;

(d) a failure to keep documents, or provide facilities, necessary to verify returns required by paragraph 7;

(e) the submitting, in purported compliance with paragraph 7, of an incomplete or incorrect return;

(f) a failure to comply with a requirement imposed under paragraph 14 or by paragraph 15 (keeping and preserving records);

(g) a failure to provide HMRC with complete or accurate information in complying with any requirement imposed by or under this Part of this Act;

(h) an unreasonable delay in complying with a requirement, where the failure to comply would be a default within any of paragraphs (a) to (g).

21 (1) Sub-paragraph (2) applies where—

(a) an officer of Revenue and Customs has made an assessment under paragraph 20(2) for an accounting period as a result of a person's failure to submit a return for that period,

(b) the CBAM assessed has been paid but no proper return has been made for that period, and

(c) as a result of a failure to make a return for a later accounting period, an officer of Revenue and Customs makes another assessment ("the later assessment") under paragraph 20(2) in relation to the later period.

(2) The officer of Revenue and Customs may, if the officer considers it appropriate in light of the absence of a proper return for the earlier period, specify in the later assessment an amount of CBAM due that is greater

than the amount that they would have considered to be appropriate had they had regard only to the later period.

Supplementary assessments

22 (1) Sub-paragraph (2) applies where—

(a) an assessment has been notified to a person under paragraph 20(2), and

(b) it appears to an officer of Revenue and Customs that the amount which ought to have been assessed as due exceeds the amount that has already been assessed.

(2) The officer of Revenue and Customs—

(a) may make a supplementary assessment of the amount of CBAM due from the person to the best of their judgement, and

(b) where such an assessment is made, must notify the person of that amount.

Further provision about assessments under paragraphs 20 and 22

23 (1) An amount assessed and notified to a person under paragraph 20 or 22 is recoverable on the basis that it is an amount of CBAM due from that person.

(2) But sub-paragraph (1) does not apply if, or to the extent that, the assessment has been withdrawn or reduced.

Time limits for assessments

24 (1) An assessment under paragraph 20 or 22 may not be made after the relevant time.

(2) Except in a case within sub-paragraph (3) the relevant time is the earlier of—

(a) the end of the period of 4 years from the end of the accounting period to which the assessment relates, or

(b) the end of the period of 1 year beginning with the day on which evidence of facts, sufficient in the opinion of the officer of Revenue and Customs making the assessment to justify making it, comes to the knowledge of any officer of Revenue and Customs.

(3) Where an assessment of an amount due from a person is made in a case involving loss of CBAM—

(a) brought about deliberately by the person, or

(b) attributable to a failure by the person to comply with a requirement of paragraph 2 or 4,

the relevant time is the end of the period of 20 years from the end of the accounting period to which the assessment relates.

(4) In sub-paragraph (3) the reference to a loss brought about by a person includes a reference to a loss brought about by another person acting on behalf of that person.

PART 10

REPAYMENTS

Repayments of overpaid tax

25 (1) This paragraph applies where a person (P) has paid an amount to the Commissioners by way of CBAM which was not tax due.

(2) The Commissioners are liable, on the making of a claim by P, to repay the amount.

(3) A claim under this paragraph must be made in the way, and be supported by the information, specified in a notice published by the Commissioners.

(4) Except as provided by this paragraph, the Commissioners are not liable to repay any amount paid by way of CBAM by reason of the fact that it was not tax due.

(5) This paragraph is subject to paragraph 26.

Supplementary provision about repayment etc

26 (1) The Commissioners are not liable, on any claim for a repayment of CBAM, to repay any amount paid more than 3 years before the making of the claim.

(2) It is a defence to any claim for repayment of an amount of CBAM that the repayment of that amount would unjustly enrich the claimant.

27 (1) This paragraph applies where—

(a) an amount has been paid by way of CBAM which (apart from paragraph 26(2)) would fall to be repaid to a person (P), and

(b) the whole or a part of the cost of the payment of that amount to the Commissioners has, for practical purposes, been borne by a person other than P.

(2) Where loss or damage has been, or may be, incurred by P as a result of mistaken assumptions made in P's case about the operation of any provisions relating to CBAM, that loss or damage is to be disregarded, except to the extent of the quantified amount, in the making of a relevant determination.

(3) In sub-paragraph (2)—

(a) "the quantified amount" means the amount (if any) which is shown by P to constitute the amount that would appropriately compensate P for loss or damage shown by P to have resulted, for any business carried on by P, from the making of the mistaken assumptions;

(b) a "relevant determination" means a determination for the purposes of paragraph 26(2) as to—

(i) whether or to what extent the repayment of an amount would enrich P, or

(ii) whether or to what extent any enrichment of P would be unjust.

(4) The reference in sub-paragraph (2) to provisions relating to CBAM is a reference to—

(a) any provision made by or under any enactment which relates to the tax or to any matter connected with it, or

(b) any notice published by the Commissioners under or for the purposes of any such provision.

Reimbursement arrangements

28 (1) The Commissioners may by regulations provide for reimbursement arrangements to be disregarded for the purposes of paragraph 26(2) except where the arrangements—

(a) contain such provision as may be required by the regulations, and

(b) are supported by such undertakings to comply with the provisions of the arrangements as may be required by the regulations to be given to the Commissioners.

(2) In this paragraph "reimbursement arrangements" means arrangements for the purposes of a claim to a repayment of CBAM which—

(a) are made by a person for the purpose of securing that the person is not unjustly enriched by the repayment of any amount in pursuance of the claim, and

(b) provide for the reimbursement of a person who has for practical purposes borne the whole or any part of the cost of the original payment of that amount to the Commissioners.

(3) Regulations under this paragraph may (among other things) make provision requiring reimbursement arrangements to contain provision—

(a) requiring a reimbursement for which the arrangements provide to be made within a specified period after the repayment to which it relates;

(b) for the repayment of amounts to the Commissioners where those amounts are not reimbursed in accordance with the arrangements;

(c) requiring interest paid by the Commissioners on any amount repaid by them to be treated in the same way as that amount for the purposes of any requirement under the arrangements to make reimbursement or to repay the Commissioners;

(d) requiring records of a specified description relating to the arrangements to be kept and produced to the Commissioners, or to an officer of Revenue and Customs;

(e) imposing obligations on specified persons for the purposes of provision made under paragraphs (a) to (d).

(4) Regulations under this paragraph may—

(a) make provision about the form, manner and timing of undertakings given to the Commissioners in accordance with the regulations;

(b) provide for those matters to be determined by the Commissioners in accordance with the regulations.

Assessment for excessive repayment

29 (1) Sub-paragraph (3) applies where—

(a) an amount has been paid at any time to a person by way of a repayment of CBAM, and

(b) the amount paid exceeded the amount which the Commissioners were liable at that time to repay to that person.

(2) Sub-paragraph (3) also applies where a person is liable to pay any amount to the Commissioners in pursuance of an obligation imposed by regulations under paragraph 28(3)(b), (c) or (e).

(3) The Commissioners may—

(a) to the best of their judgement, assess the amount of the excess (in a case within sub-paragraph (1)) or the amount due (in a case within sub-paragraph (2)), and

(b) where such an assessment is made, notify the amount to the person.

(4) Subject to sub-paragraph (5), where—

(a) an assessment is made on any person under this paragraph in respect of a repayment of CBAM, and

(b) the Commissioners have power under Part 9 of this Schedule to make an assessment on that person as to an amount of CBAM due from that person,

the assessments may be combined and notified to the person as one assessment.

(5) A notice of a combined assessment under sub-paragraph (4) must separately identify the amount being assessed in respect of repayments of CBAM.

Supplementary assessments

30 (1) Sub-paragraph (2) applies where—

(a) an assessment has been notified to a person under paragraph 29, and

(b) it appears to an officer of Revenue and Customs that the amount which ought to have been assessed as due exceeds the amount that has already been assessed.

(2) The officer of Revenue and Customs may—

(a) on or before the last day on which the assessment under paragraph 29 could have been made (see paragraph 32), make a supplementary assessment of the amount of CBAM due from the person, and

(b) where such a supplementary assessment is made, notify the amount to that person.

Further provision about assessments under paragraphs 29 and 30

31 (1) Where an amount has been assessed and notified to a person under paragraph 29 or 30, it is recoverable on the basis that it is an amount of CBAM due from that person.

(2) But sub-paragraph (1) does not have effect if, or to the extent that, the assessment has been withdrawn or reduced.

Time limit for assessments

32 An assessment under paragraph 29 or 30 may not be made more than 2 years after evidence of facts, sufficient in the opinion of the officer of Revenue and Customs making the assessment to justify making it, comes to the knowledge of any officer of Revenue and Customs.

PART 11

PENALTIES

Penalties payable in connection with this Schedule

33 This Part of this Schedule provides for penalties payable in connection with this Schedule, as follows—

(a) paragraph 34 amends Schedule 41 to FA 2008 to impose a penalty for a failure to register with, or provide information to, HMRC under paragraph 2 of this Schedule;

(b) paragraph 35 amends Schedule 24 to FA 2021 to impose a penalty for a failure to make a return under paragraph 7 of this Schedule;

(c) paragraph 36 amends Schedule 24 to FA 2007 to impose a penalty for errors in returns under paragraph 7 of this Schedule and in other documents;

(d) paragraph 37 amends Schedule 26 to FA 2021 to impose a penalty for a failure to pay CBAM;

(e) paragraph 38 imposes a penalty for failing to make a notification under—

(i) paragraph 4 (changed or incorrect registration information);

(ii) Part 8 (death, incapacity or insolvency);

(f) paragraph 39 imposes a penalty for failing to keep or preserve records under Part 6 of this Schedule or regulations under that Part.

34 (1) Schedule 41 to FA 2008 (penalties: failure to notify and certain VAT and excise wrongdoing) is amended in accordance with sub-paragraphs (2) and (3).

(2) In the table in paragraph 1 (failure to notify etc), after the entry related to climate change levy, insert—

"Carbon border adjustment mechanism	Obligation of a person under paragraph 2 of Schedule 17 to FA 2026."

(3) In paragraph 7, after sub-paragraph (9) insert—

"(10) In the case of a relevant obligation under paragraph 2 of Schedule 17 to FA 2026 (which relates to the carbon border adjustment mechanism), the potential lost revenue is the amount of the tax (if any) for which P is liable for the period—

(a) beginning with the end of the period specified in paragraph 2(4) of Schedule 17 of FA 2026, and

(b) ending with the day on which P registers under paragraph 2 of Schedule 17 to FA 2026 or HMRC otherwise becomes fully aware of P's obligation to register."

(4) No failure to comply with an obligation under paragraph 2 of this Schedule "involves an offshore matter" for the purposes of Schedule 41 to FA 2008 (see paragraph 6A of that Schedule).

(5) Paragraph 16(1) of Schedule 41 to FA 2008 (penalties: failure to notify etc) has effect in its application to CBAM as if for "shall" there were substituted "may".

35 In Schedule 24 to FA 2021 (penalties for failure to make returns etc), in the Table in paragraph 2(1), after item 5 (inserted by paragraph 1(3) of Schedule 15 to this Act) insert—

"6	Carbon border adjustment mechanism	-	Return under paragraph 7 of Schedule 17 to FA 2026	-".

36 (1) In the table in paragraph 1 of Schedule 24 to FA 2007 (penalties for errors), after the entry relating to climate change levy, insert—

"Carbon border adjustment mechanism	Return under paragraph 7 of Schedule 17 to FA 2026."

(2) No inaccuracy in a return under paragraph 7 of this Schedule "involves an offshore matter" for the purposes of Schedule 24 to FA 2007 (see paragraph 4A of that Schedule).

(3) Paragraph 13(1) of Schedule 24 to FA 2007 (penalties for errors) has effect in its application to CBAM as if for "shall" there were substituted "may".

37 In Schedule 26 to FA 2021 (penalties for failure to pay tax), in paragraph 1(1), after the table relating to value added tax insert—

"Carbon border adjustment mechanism

1	Amount of CBAM payable under paragraph 6 of Schedule 17 to FA 2026 (except an amount within item 2, 3 or 4)	The date determined by paragraph 6 of Schedule 17 to FA 2026 as the date by which the amount must be paid
2	Amount of CBAM shown in an assessment made by HMRC in default of a return (see paragraph 3)	The date by which the amount would have been required to be paid if it had been shown in the return in question
3	Amount of CBAM shown in an amendment of a return	The date falling 30 days after the date on which the amendment is made
4	Amount of CBAM shown in an assessment made by HMRC otherwise than in default of a return (see paragraph 3)	The date falling 30 days after the date on which the assessment is made".

38 (1) A person (P) is liable to a penalty if P fails to comply with a requirement to make a notification under—

(a) paragraph 4 (changed or incorrect registration information);

(b) paragraph 17 (death or incapacity).

(2) The penalty is—

(a) a fixed penalty of £500, and

(b) a daily penalty of £40 for each day on which P continues to fail to make the required notification after the last day on which P was permitted to do so.

39 A person (P) is liable to a penalty of £500 if P fails to comply with a requirement to keep or preserve a record under Part 6 of this Schedule or regulations under that Part.

40 (1) But a penalty is not payable under paragraph 38 or 39 if—

(a) P satisfies an officer of Revenue and Customs or, on appeal, the tribunal that there is a reasonable excuse for the failure, or

(b) the penalty would subject P to double jeopardy.

(2) For the purpose of sub-paragraph (1)(a)—

(a) an insufficiency of funds is not a reasonable excuse,

(b) where P relies on any other person to do anything, that is not a reasonable excuse unless P took reasonable care to avoid the failure, and

(c) where P had a reasonable excuse for the failure but the excuse has ceased, P is to be treated as having continued to have the excuse only if the failure is remedied without unreasonable delay after the excuse ceased.

(3) For the purpose of sub-paragraph (1)(b), the penalty would subject P to double jeopardy if, by reason of the conduct constituting the failure, P has been—

(a) convicted of an offence, or

(b) assessed to a penalty other than under paragraph 38 or 39.

Penalties under paragraphs 38 or 39: administration and supplementary provision

41 The following paragraphs of this Part of this Schedule apply in relation to a penalty under paragraph 38 or 39.

42 (1) Where a person is liable to a penalty, an officer of Revenue and Customs—

(a) may assess the amount of the penalty, and

(b) where such an assessment is made, must notify the person of the amount.

(2) Sub-paragraph (3) applies where—

(a) an officer of Revenue and Customs has made an assessment of a penalty, and

(b) it appears to the officer that the amount which ought to have been assessed exceeds the amount that has already been assessed.

(3) The officer may—

(a) may make a supplementary assessment of the amount of the penalty, and

(b) where such an assessment is made, must notify the person of that amount.

(4) An amount assessed and notified to a person under sub-paragraph (1) or (3) is recoverable on the basis that it is an amount of CBAM due from that person.

(5) But sub-paragraph (4) does not apply if, or to the extent that, the assessment has been withdrawn or reduced.

(6) The fact that conduct giving rise to a penalty has ended before an assessment is made under sub-paragraph (1) or (3) does not affect the power of an officer of Revenue and Customs to make such an assessment.

43 (1) Sub-paragraph (2) applies where—

(a) an officer of Revenue and Customs assesses a person to an amount of penalty under paragraph 42(1) or (3), and

(b) the person is also assessed under Part 9 of this Schedule for an accounting period to which the conduct attracting the penalty relates.

(2) The assessments under paragraph 42(1) or (3) and under Part 9 of this Schedule may be combined and notified to the person as one assessment.

(3) A notice of a combined assessment under sub-paragraph (2) must separately identify the penalty being assessed.

44 (1) Where an assessment is made under paragraph 42(1) or (3) to an amount of daily penalty under paragraph 38(2)(b), the notification of that amount must specify a date, not later than the day on which the notification is given, to which the amount is assessed.

(2) If the failure attracting the penalty continues after that date, a further assessment or further assessments may be made under paragraph 42(1) or (3) in respect of the continued failure.

(3) Sub-paragraph (4) applies where—

(a) a notification of an amount of a penalty specifies a date under sub-paragraph (1), and

(b) the failure in question is remedied within such period as may for the purpose of this sub-paragraph be specified in the notification.

(4) The failure is to be deemed to be remedied on the date specified under sub-paragraph (1).

45 (1) An officer of Revenue and Customs assessing a penalty or, on appeal, the tribunal may reduce the penalty to such amount (including nil) as they think proper.

(2) On an appeal relating to a penalty reduced by an officer of Revenue and Customs under sub-paragraph (1), the tribunal may cancel the whole or any part of the officer's reduction.

46 (1) An assessment under paragraph 42(1) or (3) may not be made after the end of the relevant period.

(2) Except in a case within sub-paragraph (3), the relevant period is the period of 4 years beginning with the day on which the failure attracting the penalty began.

(3) Where an assessment under paragraph 42(1) or (3) is made in a case involving loss of CBAM—

(a) brought about deliberately by the person liable to the penalty, or

(b) attributable to a failure by that person to comply with a requirement under Part 2 of this Schedule,

the relevant period is the period of 20 years beginning with the day on which the failure attracting the penalty began.

(4) In sub-paragraph (3) the reference to a loss brought about by a person includes a reference to a loss brought about by another person acting on behalf of that person.

Penalties under paragraphs 38 and 39: power to amend in light of inflation

47 The Treasury may by regulations amend paragraph 38 or 39 so as to substitute for an amount for the time being specified there another amount that takes account of inflation.

PART 12

REVIEWS AND APPEALS

Appealable decisions

48 (1) A person may appeal against a decision of the Commissioners or an officer of Revenue and Customs in respect of any of the following matters—

(a) where a person has made a return under paragraph 7 (returns) in respect of an accounting period—

(i) whether or not the person is liable to pay an amount of CBAM for that period;

(ii) the amount of CBAM payable by the person for that period;

(b) the registration, or de-registration, of a person under Part 2 of this Schedule;

(c) whether to treat a person as if they were a registered person for the purposes of CBAM under paragraph 17(5) or 18(2);

(d) whether to extend such treatment under paragraph 17(6);

(e) whether the Commissioners are liable to repay an amount to a person under paragraph 25(2) or the amount of such a repayment;

(f) whether or not the repayment of an amount under paragraph 25(2) is excessive (see paragraph 29);

(g) the amount that a person is liable to pay the Commissioners to comply with an obligation under paragraph 28(3)(b), (c) or (e);

(h) whether a person is liable to a penalty under paragraph 38 or 39 or the amount of such a penalty;

(i) the period by reference to which payments of CBAM are to be made.

(2) A person may also appeal against the following directions of the Commissioners or an officer of Revenue and Customs—

(a) a direction under paragraph 15;

(b) a direction under paragraph 16(2) or (6).

(3) In sub-paragraph (1), "amount of CBAM" includes an amount recoverable on the basis that it is an amount of CBAM.

(4) In the following provisions of this Part of this Schedule—

(a) "decision" means a decision, determination or direction within sub-paragraph (1) or (2);

(b) references to appealing against a decision are to appealing against the decision under paragraph 48

Offer of a review to a person notified of a decision

49 (1) HMRC must offer a person (P) who has been notified of a decision that they may appeal against a review of the decision.

(2) The offer of a review must be made by notice given to P at the same time as the decision is notified to P.

(3) P has a period of 30 days, beginning with the date of the document notifying P of the decision, to accept the offer (if P chooses to) by notifying HMRC.

(4) The offer is to be treated as withdrawn if P has appealed against the decision.

(5) This paragraph does not apply in relation to a decision consisting of a conclusion of a review.

Right of other persons to require review

50 (1) A person, other than P, who has the right to appeal against a decision may require a review of the decision by notifying HMRC.

(2) But that right to require a review ceases if the person appeals against the decision.

(3) A notification under sub-paragraph (1) must be made within the period of 30 days beginning with the day on which the person becomes aware of the decision.

Duty to review

51 (1) An officer of Revenue and Customs must review a decision if—

(a) P has notified HMRC under paragraph 49 accepting the offer of a review, or

(b) a person other than P has notified HMRC under paragraph 50 that they require a review.

(2) But the officer must not review the decision if any person who has the right to appeal against the decision has done so before HMRC has been notified as described in sub-paragraph (1).

Extension of time to accept or require review

52 (1) An officer of Revenue and Customs may by notice extend (or further extend) the period mentioned in paragraph 49(3) or 50(3).

(2) The period is extended to the end of the period of 30 days beginning with—

(a) the date of the notice, or

(b) any other date set out in the notice or a further notice.

Review out of time

53 (1) This paragraph applies if—

(a) P has not accepted the offer of a review of a decision within the period mentioned in paragraph 49(3) (including as extended under paragraph 52) and makes a request to HMRC in writing for a review out of time, or

(b) a person other than P who may require a review of a decision has not done so within the period mentioned in paragraph 50(3) (including as extended under paragraph 52) and makes a request to HMRC in writing for a review out of time.

(2) An officer of Revenue and Customs must review the decision if the officer is satisfied that the person—

(a) had a reasonable excuse for not accepting the offer of a review or requiring the review within the applicable period, and

(b) made the request without unreasonable delay after the excuse had ceased to apply.

(3) But the officer must not review the decision if any person who has the right to appeal against the decision has done so before the request was made.

The review

54 (1) This paragraph applies if an officer of Revenue and Customs is required to undertake a review under paragraph 51 or 53.

(2) The nature and extent of the review are to be such as appear appropriate to the officer in the circumstances.

(3) For the purposes of sub-paragraph (2), the officer must have regard to steps taken before the beginning of the review by—

(a) the decision-maker in reaching the decision, and

(b) any person in seeking to resolve disagreement about the decision.

(4) The review must take account of any representations made by the person requiring the review, at a stage which gives the officer a reasonable opportunity to consider them.

(5) The review may conclude that the decision is to be—

(a) upheld,

(b) varied, or

(c) cancelled.

(6) The officer must give the person who required the review notice of the conclusions of the review and their reasoning before the end of—

(a) the period of 45 days beginning with the relevant date, or

(b) such other period as the officer and the person who required the review may agree.

(7) In sub-paragraph (6), "the relevant date" means—

(a) in a case falling within paragraph 49, the date HMRC received the person's notification accepting the offer of a review,

(b) in a case falling within paragraph 50, the date HMRC received notification from the person requiring a review, or

(c) in a case falling within paragraph 53, the date on which the officer decided they were under a duty to undertake the review.

(8) Where an officer of Revenue and Customs is required to undertake a review but does not give notice of the conclusions within the period specified in sub-paragraph (6), the review is to be treated as having concluded that the decision is upheld.

(9) If sub-paragraph (8) applies, the officer must notify the person who required the review of the conclusion which the review is treated as having reached.

The review: penalties under Schedule 24 to FA 2021

55 (1) This paragraph applies if HMRC are required, by virtue of paragraph 23(1) of Schedule 24 to FA 2021, to undertake a review under paragraph 51 or 53 of a penalty decision in respect of which an appeal lies under paragraph 22(b) of that Schedule.

(2) The review may also conclude that HMRC's decision that the person requiring the review was liable to any of the penalty points by virtue of which they were liable to the penalty in respect of which the appeal lies is to be—

(a) upheld, or

(b) cancelled.

(3) Sub-paragraph (2) applies in relation to a penalty point even if the time limit for appealing against it expired before the relevant date.

(4) Sub-paragraph (2) does not apply in relation to a penalty point if—

(a) it was concluded on an earlier review required to be undertaken under paragraph 51 or 53 that HMRC's decision that the person who required the review was liable to the penalty point was to be upheld, or

(b) HMRC's decision that the person who required the review was liable to the penalty point has been affirmed on appeal.

(5) In sub-paragraph (3) "relevant date" has the same meaning as in paragraph 54(6) (see paragraph 54(7)).

56 (1) If the conclusions of a review include conclusions reached by virtue of paragraph 55 and the conclusions of the review are final, sub-paragraphs (4) and (5) of paragraph 24 of Schedule 24 to FA 2021 apply but with the following modifications—

(a) references to the appeal under paragraph 22(b) of that Schedule are to be read as references to the review required to be undertaken under paragraph 51 or 53 (as the case may be),

(b) references to the tribunal are to be read as references to HMRC, and

(c) references to cancelling a decision are to be read as references to concluding that HMRC's decision is to be cancelled.

(2) For the purposes of sub-paragraph (1), the conclusions of a review are to be treated as final only if the period specified in paragraph 57(3)(b), (4)(b) or (5) for appealing the reviewed decision has ended and no appeal has been made within that period.

Bringing of appeals

57 (1) An appeal under paragraph 48 is to be made to the tribunal before—

(a) the end of the period of 30 days beginning with—

(i) in a case where P is the appellant, the date of the document notifying P of the decision to which the appeal relates, or

(ii) in a case where a person other than P is the appellant, the day on which that person becomes aware of the decision, or

(b) if later, the end of the period in which the appellant may accept or require a review (see paragraph 49(3) or 50(3)), including as extended under paragraph 52.

(2) But this is subject to sub-paragraphs (3) to (5).

(3) In a case where a review of the decision has been required under paragraph 51—

(a) an appeal may not be made until the conclusion date, and

(b) any appeal is to be made within the period of 30 days beginning with that date.

(4) In a case where a review of the decision has been requested under paragraph 53—

(a) an appeal may not be made—

(i) unless an officer of Revenue and Customs has notified the person who requested the review as to whether or not a review will be undertaken, and

(ii) if an officer of Revenue and Customs has notified that person that a review will be undertaken, before the conclusion date;

(b) any appeal where paragraph (a)(ii) applies is to be made within the period of 30 days beginning with the conclusion date;

(c) if an officer of Revenue and Customs has notified the person who requested the review that a review will not be undertaken, an appeal may be made only if the tribunal gives permission to do so.

(5) In a case where paragraph 54(8) applies, any appeal is to be made at any time in the period beginning with the end of the applicable period in paragraph 54(6) and ending with the date 30 days after the conclusion date.

(6) An appeal may be made after the end of any period specified by this paragraph if the tribunal gives permission to do so.

(7) In this paragraph, "conclusion date" means the date of the document notifying the conclusions of the review.

Further provision about appeals

58 (1) An appeal under paragraph 48 relating to a decision that an amount is due from a person may not be entertained by the tribunal unless the amount which HMRC have determined to be due has been paid to or deposited with the Commissioners.

(2) But sub-paragraph (1) does not apply if—

(a) HMRC are satisfied or, if HMRC are not satisfied but the tribunal has decided, on the application of the appellant, that the requirement to pay or deposit the amount would cause the appellant to suffer hardship, and

(b) the appellant has—

(i) paid or deposited such other amount (if any) by way of security, or

(ii) provided such other security,

as HMRC or, as the case may be, the tribunal consider appropriate.

(3) Notwithstanding sections 11 and 13 of the Tribunals, Courts and Enforcement Act 2007, the decision of the tribunal as to the issue of hardship is final.

Determination on appeal

59 (1) Where, on an appeal under paragraph 48—

(a) it is found that an assessment in respect of the appellant is an assessment for an amount that is less than it ought to have been, and

(b) the tribunal give a direction specifying the correct amount,

the assessment has effect as an assessment of the amount specified in the direction and (without prejudice to any power under this Schedule to reduce the amount of interest payable on the amount of an assessment) as if it were an assessment notified to the appellant in that amount at the same time as the original assessment.

(2) Where the tribunal allows an appeal under paragraph 48(1)(c), (d) or (i) or (2) on the ground that the decision-maker could not reasonably have arrived at the decision, the tribunal may—

(a) direct that the decision, so far as it remains in force, is to cease to have effect from such time as the tribunal may direct, or

(b) require an officer of Revenue and Customs to conduct, in accordance with the directions of the tribunal, a review or a further review of the original decision as appropriate.

(3) Where, on an appeal under paragraph 48, the tribunal find that a liability to a penalty or to an amount of interest arises, the tribunal must not give any direction for the modification of the amount payable in respect of that liability except—

(a) in exercise of a power conferred on the tribunal by Part 11 of this Schedule (penalties), or

(b) for the purpose of making the amount payable conform to the amount due in accordance with this Part of this Act.

(4) Sections 85 and 85B of VATA 1994 (settling of appeals by agreement and payment of tax where there is a further appeal) apply in relation to an appeal under paragraph 48 of this Schedule as they apply to an appeal under section 83 of VATA 1994, reading—

(a) references to section 83 of that Act as references to paragraph 48 of this Schedule, and

(b) the references to value added tax as references to CBAM.

PART 13

SERVICE

60 (1) Anything that may or must be given, notified or issued to a person (P) under this Part of this Act, or provision made under this Part of this Act, may be given, notified or issued by sending it to P or to P's representative by post, addressed to P's, or (as the case may be) P's representative's, last known address.

(2) Anything given to P's representative is to be treated as having been given to P.

(3) In this section, "representative", in relation to P, means—

(a) any of P's personal representatives;

(b) any person holding office as receiver in relation to P or any of P's property;

(c) P's trustee in bankruptcy or liquidator;

(d) a trustee (or interim trustee) in a sequestration of P's estate under the Bankruptcy (Scotland) Act 2016;

(e) any other person acting in a representative capacity in relation to P.

PART 14

INTERPRETATION

61 In this Schedule, "the tribunal" means the First-tier Tribunal or, where determined by or under Tribunal Procedure Rules, the Upper Tribunal.

SCHEDULE 18

Section 152

OFFENCES RELATING TO CBAM

PART 1

FRAUDULENT EVASION

1 (1) A person commits an offence if the person is knowingly concerned in, or in the taking of steps with a view to, the fraudulent evasion (by that person or another person) of CBAM.

(2) The reference in sub-paragraph (1) to the evasion of CBAM includes a reference to obtaining—

(a) relief relating to CBAM, or

(b) a repayment of CBAM,

in circumstances where there is no entitlement to it.

(3) A person guilty of an offence under this paragraph is liable—

(a) on summary conviction in England and Wales—

(i) to imprisonment for a term not exceeding the general limit in a magistrates' court,

(ii) to a fine not exceeding £20,000 or (if greater) three times the total of the amounts of CBAM that were, or were intended to be, evaded, or

(iii) to both;

(b) on summary conviction in Scotland—

(i) to imprisonment for a term not exceeding 12 months,

(ii) to a fine not exceeding the statutory maximum or (if greater) three times the total of the amounts of CBAM that were, or were intended to be, evaded, or

(iii) to both;

(c) on summary conviction in Northern Ireland—

(i) to imprisonment for a term not exceeding 6 months,

(ii) to a fine not exceeding the statutory maximum or (if greater) three times the total of the amounts of CBAM that were, or were intended to be, evaded, or

(iii) to both;

(d) on conviction on indictment—

(i) to imprisonment for a term not exceeding 14 years,

(ii) to a fine, or

(iii) to both.

(4) In sub-paragraph (3), the references to the amounts of CBAM that were, or were intended to be, evaded include—

(a) the amounts of any relief relating to CBAM, and

(b) the amounts of any repayment of CBAM,

which were, or were intended to be, obtained in circumstances when there was no entitlement to them.

(5) In determining for the purposes of sub-paragraph (3) the amounts of CBAM that were, or were intended to be, evaded, no account is to be taken of the extent to which any liability to tax of a person would be, or would have been, reduced by the amount of any relief relating to CBAM or repayment of CBAM to which the person was, or would have been, entitled.

PART 2

MISSTATEMENT

2 (1) A person commits an offence if, for purposes connected with CBAM, the person—

(a) produces or provides, causes to be produced or provided, or otherwise makes use of any document which is false in a material particular, and

(b) does so intending to deceive any person or to secure that a machine will respond to the document as if it were a true document.

(2) A person commits an offence if, in providing any information under any provision made by or under this Part of this Act, the person—

(a) makes a statement which the person knows to be false in a material particular, or

(b) recklessly makes a statement which is false in a material particular.

(3) A person guilty of an offence under this paragraph is liable—

(a) on summary conviction in England and Wales—

(i) to imprisonment for a term not exceeding 6 months,

(ii) to a fine not exceeding £20,000, or

(iii) to both;

(b) on summary conviction in Scotland—

(i) to imprisonment for a term not exceeding 6 months,

(ii) to a fine not exceeding the statutory maximum, or

(iii) to both;

(c) on summary conviction in Northern Ireland—

(i) to imprisonment for a term not exceeding 6 months,

(ii) to a fine not exceeding the statutory maximum, or
(iii) to both;

(d) on conviction on indictment—
(i) to imprisonment for a term not exceeding 14 years,
(ii) to a fine, or
(iii) to both.

(4) In the case of an offence under this paragraph where—
(a) the document referred to in sub-paragraph (1) is a return required under Part 3 of Schedule 17, or
(b) the information referred to in sub-paragraph (2) is contained in or otherwise relevant to such a return,

the maximum amount of the fine on summary conviction is the greater of £20,000 or the statutory maximum (as the case may be), and the amount equal to three times the sum of the amounts (if any) by which the return understates any person's liability to CBAM.

(5) In sub-paragraph (4) the reference to the amount by which a return understates a person's liability to CBAM is the sum of—
(a) the amount (if any) by which the person's gross liability is understated, and
(b) the amount (if any) by which any entitlements of the person to relief relating to CBAM and repayments of CBAM is overstated.

(6) In sub-paragraph (5) "gross liability" means liability to CBAM before any deduction is made in respect of any entitlements to relief relating to CBAM and repayments of CBAM.

PART 3

PROCEEDINGS

3 Sections 145 to 155 of CEMA 1979 (proceedings for offences, mitigation of penalties and certain other matters) apply in relation to offences and penalties under this Schedule as they apply in relation to offences under the customs and excise Acts.

SCHEDULE 19

Section 153

SUPPLEMENTARY AMENDMENTS RELATING TO CBAM

Provisional collection of CBAM

1 In section 1 of the Provisional Collection of Taxes Act 1968 (temporary statutory effect of House of Commons resolutions), in subsection (1), after "climate change levy," insert "carbon border adjustment mechanism,".

Information and inspection powers

2 (1) Schedule 36 to FA 2008 (information and inspection powers) is amended as follows.

(2) In the table in paragraph 61A(2) (definition of involved third parties), after item 14 insert—

"15	A person involved (in any capacity) in the production, or importation to or exportation from the United Kingdom, of CBAM goods (within the meaning of section 2 of FA 2026) or in connected activities	Documents relating to matters in which the person is or has been involved	Carbon border adjustment mechanism
16	A person involved (in any capacity) in the supply, storage purchase, sale or transportation of CBAM goods (within the meaning of section 2 of FA 2026)	Documents relating to matters in which the person is or has been involved	Carbon border adjustment mechanism"

(3) In paragraph 63(1) (definition of tax), after paragraph (k) insert—

"(ka) carbon border adjustment mechanism,".

Serial tax avoidance

3 In paragraph 4(2) of Schedule 18 to FA 2016 (serial tax avoidance: definition of indirect tax), after "climate change levy" insert—

"carbon border adjustment mechanism".

Disclosure of tax avoidance schemes

4 In paragraph 2(1) of Schedule 17 to F(No.2)A 2017 (disclosure of tax avoidance schemes: definition of indirect tax), after "climate change levy" insert—

"carbon border adjustment mechanism".

SCHEDULE 20

Section 223

REGISTRATION OF TAX ADVISERS: EXCEPTIONS

1 (1) A tax adviser does not contravene section 223(1) (prohibited interaction with HMRC) in any of the following circumstances—

(a) where the adviser provides payroll, or other tax or accounting, software to a client for use in relation to the client's tax affairs and the adviser interacts with HMRC in their capacity as such a provider;

(b) where the adviser interacts with HMRC in relation to—

(i) any matter relating to a duty of customs or to any provision, so far as relating to a duty of customs, made by or under the customs and excise Acts or Union customs legislation, or

(ii) any matter relating to a duty of excise or import VAT that is connected to a matter within sub-paragraph (i);

(c) where the adviser is a VAT representative and interacts with HMRC in their capacity as such;

(d) where the adviser is a NI tax representative and interacts with HMRC in their capacity as such;

(e) where the adviser is a UK representative and interacts with HMRC in their capacity as such;

(f) where the adviser interacts with HMRC in relation to a client who is a group undertaking in relation to the adviser;

(g) where the adviser interacts with HMRC in relation to an appeal to a court or tribunal;

(h) where the adviser interacts with HMRC in order to comply with an obligation of the adviser under any enactment (including this Act);

(i) where the adviser interacts with HMRC in response to a request for information from HMRC.

(2) In this paragraph—

"the customs and excise acts" has the meaning given by section 1(1) of CEMA 1979 (interpretation);

"group undertaking" has the meaning given by section 1161(5) of the Companies Act 2006 (meaning of "undertaking" and related expressions);

"import VAT" means value added tax chargeable by virtue of section 1(1)(c) of VATA 1994 (importation of goods into the United Kingdom);

"NI tax representative" has the meaning given by regulation 76(2) of the Excise Goods (Holding, Movement and Duty Point) Regulations 2010 (S.I. 2010/593) (excise duty and distance sales: NI representatives), as those Regulations have effect subject to the Excise Duties (Northern Ireland Miscellaneous Modifications and Amendments) (EU Exit) Regulations 2020 (S.I. 2020/1559);

"UK representative" has the meaning given by section 123 (vaping product duty: UK representatives);

"Union customs legislation" has the meaning given by section 37(1) of TCTA 2018 (minor definitions);

"VAT representative" has the meaning given by section 48(2A) of VATA 1994 (VAT representatives).

SCHEDULE 21

Section 244

REGISTRATION OF TAX ADVISERS: REVIEWS AND APPEALS

Appealable decisions

1 A person may appeal to the tribunal against a decision of an officer of Revenue and Customs in respect of any of the following matters—

(a) whether to approve the person's application for registration under section 230 (application for registration);

(b) whether to suspend the person's registration under section 232 (suspension of registration);

(c) whether to give the person a compliance notice under section 233 (compliance notice);

(d) whether to assess the person to a financial penalty under section 234 or 235 (prohibited interactions with HMRC);

(e) whether to issue a temporary or permanent ineligibility order to the person under section 236 or 237 (ineligibility orders);

(f) whether to assess the person to a financial penalty under section 238 (failure to notify clients);

(g) whether to approve an application under paragraph 10 (temporary relief from suspension of registration pending review or appeal: cases other than amount of tax etc overdue);

(h) whether to revoke such an approval, or to impose or vary any conditions or restrictions that such an approval is subject to, under paragraph 10.

Offer of review

2 (1) HMRC must offer a person a review of a decision that has been notified to the person if an appeal against the decision may be brought under paragraph 1.

(2) The offer of a review must be made by notice to the person at the same time as the decision is notified to them.

(3) This paragraph does not apply in relation to—

(a) a decision mentioned in paragraph 1(g) or (h) (temporary relief from suspension of registration pending review or appeal: cases other than amount of tax etc overdue), or

(b) a decision consisting of a conclusion of a review under this Schedule.

Time to accept offer of review

3 (1) Where HMRC have offered a person a review of a decision under paragraph 2, the person may accept the offer by notice to HMRC within the period of 30 days beginning with the day on which notice of the offer was issued.

(2) An officer of Revenue and Customs may by notice extend the period within which a person may accept the offer to—

(a) the end of the period of 30 days beginning with the date of the notice, or

(b) any other date set out in the notice or a further notice.

(3) But an officer may not give a notice under sub-paragraph (2) after the period within which a person may accept the offer has ended.

Review out of time

4 (1) Where HMRC have offered a person a review of a decision under paragraph 2, the person may accept the offer by notice to HMRC after the period for accepting the offer has ended if an officer of Revenue and Customs agrees.

(2) An officer of Revenue and Customs must agree to an offer being accepted under this paragraph if the person has requested in writing that HMRC do so and the officer is satisfied that—

(a) there was a reasonable excuse for not accepting the offer before the period for accepting the offer had ended, and

(b) the request has been made without unreasonable delay after the excuse has ceased to apply.

(3) If a request of the kind mentioned in sub-paragraph (2) is made, an officer of Revenue and Customs must notify the person whether they agree to the request.

No review after appeal to the tribunal

5 Where HMRC have offered a person a review of a decision under paragraph 2, the person may not accept the offer under paragraph 3 or 4 if they have appealed to the tribunal against the decision.

Review

6 (1) This paragraph applies if a person accepts an offer under paragraph 3 or 4 to review a decision.

(2) An officer of Revenue and Customs must review the decision.

(3) The nature and extent of the review are to be such as appear appropriate to the officer in the circumstances.

(4) The review must take account of any representations made by the person at a stage which gives the officer a reasonable opportunity to consider them.

(5) The review may conclude that the decision is to be—
  (a) upheld,
  (b) varied, or
  (c) cancelled.

(6) The officer must give the person notice of the conclusions of the review and their reasoning before the end of—
  (a) the period of 45 days beginning with the day on which HMRC received notice of the person's acceptance of the offer to review the decision, or
  (b) such other period as the officer and the person may agree.

(7) Where an officer of Revenue and Customs is required to undertake a review but does not give notice of the conclusions within the period specified in sub-paragraph (6), the review is to be treated as having concluded that the decision is upheld.

(8) If sub-paragraph (7) applies, an officer of Revenue and Customs must notify the person of the conclusion which the review is treated as having reached.

Bringing of appeals

7 (1) This paragraph applies where HMRC have offered to review a decision that a person may appeal against to the tribunal.

(2) The right of the person at any time to appeal to the tribunal depends on whether or not the person has accepted the offer at that time.

(3) If the person has accepted the offer, the person—
  (a) may not appeal to the tribunal before the beginning of the post-review period;
  (b) may appeal to the tribunal after the end of that period only if the tribunal gives permission.

(4) If the person has not accepted the offer, the person—
  (a) may appeal to the tribunal within—
    (i) the period of 30 days beginning with the day on which notice of the offer to review the decision was issued by HMRC, or
    (ii) if the period for accepting the offer has been extended under paragraph 3(2), such extended period;
  (b) may appeal to the tribunal after the end of that period only if the tribunal gives permission.

(5) In this paragraph "post-review period" means—
  (a) the period of 30 days beginning with the day on which notice of the conclusions of the review was issued by an officer of Revenue and Customs, or
  (b) where paragraph 6(7) applies, the period beginning with the end of the period specified in paragraph 6(6) and ending 30 days after

the day on which the notification under paragraph 6(8) is issued by an officer of Revenue and Customs.

Powers of tribunal

8 On an appeal under paragraph 1 that is notified to the tribunal, the tribunal may confirm, vary or cancel the decision.

Temporary relief from suspension of registration pending review or appeal: amount of tax etc overdue

9 (1) This paragraph applies where—

(a) an authorised officer of Revenue and Customs decides under section 232(1) to suspend a tax adviser's registration,

(b) the decision is made solely on the basis that the adviser or a relevant individual of the adviser does not meet the condition in section 227(2)(a) (amount of tax etc overdue), and

(c) the adviser has—

(i) accepted an offer under this Schedule to review the decision, or

(ii) appealed against the decision to the tribunal.

(2) The adviser may apply to HMRC to suspend the effect of the decision pending the outcome of the review or appeal.

(3) An authorised officer of Revenue and Customs must, by notice, approve an application made under sub-paragraph (2).

(4) A notice under sub-paragraph (3) must—

(a) state the date from which it has effect, and

(b) in a case where the adviser's registration has already been suspended, temporarily reinstate the adviser's registration.

(5) The day on which the approval of an application under this paragraph (including any temporary reinstatement of the adviser's registration) expires is—

(a) in a case where the decision to suspend the tax adviser's registration is cancelled on a review under this Schedule, the day on which it is cancelled;

(b) in a case where the decision to suspend the tax adviser's registration is upheld on a review under this Schedule, the last day on which an appeal could be brought against that decision (ignoring any possibility of an appeal brought out of time with permission), unless paragraph (c) applies;

(c) in a case where an appeal (other than an appeal brought out of time with permission) is brought in respect of the decision to suspend the tax adviser's registration, the day on which the appeal is finally determined.

(6) HMRC may specify in a notice published by them provision about the form, manner, timing and content of applications under this paragraph.

Temporary relief from suspension of registration pending review or appeal: other cases

10 (1) This paragraph applies where—

(a) an authorised officer of Revenue and Customs decides under section 232 (suspension of registration) to suspend a tax adviser's registration,

(b) paragraph 9 (amount of tax etc overdue) does not apply in relation to the decision, and

(c) the adviser has—

(i) accepted an offer under this Schedule to review the decision, or

(ii) appealed against the decision to the tribunal.

(2) The adviser may apply to HMRC to suspend the effect of the decision pending the outcome of the review or appeal.

(3) An authorised officer of Revenue and Customs may, by notice, approve an application under sub-paragraph (2) only if they are satisfied that—

(a) the adviser has demonstrated that if the application were not approved the adviser would be unable to continue as a going concern pending the final determination of the review or appeal, and

(b) it is appropriate in all the circumstances to approve the application.

(4) In determining whether it would be appropriate to approve the application, the officer must have regard to—

(a) the prospect of the review or appeal succeeding;

(b) any alternative steps available to, and taken by, the adviser to protect their position pending the final determination of the review or appeal;

(c) whether the adviser has acted expeditiously in accepting the offer of the review or in bringing and progressing the appeal.

(5) A notice under sub-paragraph (3) approving the application must—

(a) state the date from which it has effect, and

(b) in a case where the adviser's registration has already been suspended, temporarily reinstate the adviser's registration.

(6) A notice under sub-paragraph (3) may approve an application subject to any conditions or restrictions specified in the notice.

(7) The day on which the approval of an application under this paragraph (including any temporary reinstatement of the adviser's registration) expires is—

(a) in a case where the decision to suspend the tax adviser's registration is cancelled on a review under this Schedule, the day on which it is cancelled;

(b) in a case where the decision to suspend the tax adviser's registration is upheld on a review under this Schedule, the last day on which an appeal could be brought against that decision (ignoring any possibility of an appeal brought out of time with permission), unless paragraph (c) applies;

(c) in a case where an appeal (other than an appeal brought out of time with permission) is brought in respect of the decision to suspend the tax adviser's registration, the day on which the appeal is finally determined.

(8) An authorised officer of Revenue and Customs may, by notice, revoke the approval of an application under this paragraph, or vary the conditions or restrictions to which it is subject, if they are satisfied that a change in circumstances justifies doing so.

(9) HMRC may specify in a notice published by them provision about the form, manner, timing and content of applications under this paragraph.

SCHEDULE 22

Section 250

CONDUCT OF TAX ADVISERS

PART 1

AMENDMENTS TO SCHEDULE 38 TO FA 2012

1 Schedule 38 to FA 2012 (tax agents: dishonest conduct) is amended in accordance with this Part.

2 For the Schedule heading substitute "Tax advisers: sanctionable conduct".

3 In paragraph 1 (overview)—

(a) in paragraph (a)—

(i) for "agent" substitute "adviser";

(ii) for "dishonest" substitute "sanctionable";

(b) omit paragraph (b);

(c) after paragraph (c) insert—

"(ca) Part 3A confers power on HMRC to issue conduct notices,";

(d) in paragraph (d), for "dishonest" substitute "sanctionable".

4 (1) For paragraph 2 and the italic heading before it (tax agent) substitute—

"Tax adviser

2 (1) In this Schedule "tax adviser" means—

(a) an organisation that, in the course of a business carried on by it, assists other persons with their tax affairs, or

(b) an individual who, in the course of a business (whether carried on by the individual as a sole trader or by an organisation for which the individual works), assists other persons with their tax affairs.

(2) An organisation or individual assists another person with their tax affairs if the organisation or individual does any of the following—

(a) advises the other person in relation to tax;

(b) acts or purports to act as an agent on behalf of the other person in relation to tax;

(c) provides assistance with any document that is likely to be relied on by HMRC to determine the other person's tax position;

(d) provides assistance for non-tax purposes, if the assistance is provided in the knowledge that it will be, or is likely to be, used by the other person in connection with the other person's tax affairs.

(3) A person can be a tax adviser even if they, or an organisation for which they work, are appointed indirectly (for example, at the request of someone other than their client).

(4) In this Schedule (except in paragraph 17) "client", in relation to a tax adviser, means a person who the adviser, in the course of a business (whether carried on by the adviser or by an organisation for which the adviser works), assists with their tax affairs."

5 (1) In the italic heading before paragraph 3, for "Dishonest" substitute "Sanctionable".

(2) In paragraph 3 (dishonest conduct)—

(a) for sub-paragraph (1) substitute—

"(1) For the purposes of this Schedule, a person "engages in sanctionable conduct" if, in the course of acting as a tax adviser, the person does something with the intention of bringing about a loss of tax revenue.";

(b) in sub-paragraph (3), for "individual" substitute "person";

(c) for sub-paragraph (7) substitute—

"(7) A reference in this paragraph to doing something includes omitting to do something."

6 Omit Part 2 (establishing dishonest conduct).

7 In the Part 3 heading, for "agent's" substitute "adviser's".

8 In paragraph 7 (circumstances in which power is exercisable)—

(a) in sub-paragraph (1), after "and" insert ", in respect of a person other than a tax adviser,";

(b) after sub-paragraph (1) insert—

"(1A) An officer of Revenue and Customs may ask for the approval of the tribunal before exercising the power in paragraph 8 in respect of a tax adviser (and for the effect of not obtaining such approval see paragraph 20(1A) (appeals)).";

(c) for sub-paragraph (2) substitute—

"(2) Case A is where an authorised officer of Revenue and Customs has reasonable grounds to suspect that a person is engaging in, or has engaged in, sanctionable conduct.";

(d) in sub-paragraph (3)—

(i) in paragraph (a), for "an individual" substitute "a person";

(ii) in paragraph (b)—

(A) for "individual" (in each place it occurs) substitute "person";

(B) for "agent" (in each place it occurs) substitute "adviser";

(e) in sub-paragraph (4), in the opening words—

(i) omit "determination or";

(ii) omit "confirmed or";

(f) in sub-paragraph (5)—

(i) in the opening words, for "agent" substitute "adviser";

(ii) in paragraphs (a) and (b), for "individual" substitute "person";

(g) in sub-paragraph (6)—

(i) for "individual" substitute "person";

(ii) for "agent" substitute "adviser".

9 In paragraph 8(2)(a) (file access notice), for "agent" substitute "adviser".

10 In paragraph 9 (relevant documents)—

(a) in sub-paragraph (1)—

(i) for "agent's" substitute "adviser's";

(ii) for "agent" (in each place it occurs) substitute "adviser";

(b) in sub-paragraph (3), omit paragraph (b) and the "and" before it.

11 In paragraph 10 (content of file access notice)—

(a) in sub-paragraph (1), after "may" insert ", subject to sub-paragraph (1A),";

(b) after sub-paragraph (1) insert—

"(1A) In a case falling within case A (see paragraph 7), a file access notice may only require the provision of relevant documents relating to clients of the tax adviser with respect to whom the authorised officer of Revenue and Customs mentioned in paragraph 7(2) has reasonable grounds to suspect the tax adviser is engaging in or has engaged in sanctionable conduct.

(1B) In a case falling within Case A (see paragraph 7), a file access notice—

(a) must identify the clients of the tax adviser (in relation to whom relevant documents are required to be provided), and

(b) may identify those clients by reference to a class or description of clients.";

(c) in sub-paragraph (2)—

(i) for "A file" substitute "In a case falling within Case B (see paragraph 7), a file";

(ii) for "agent" substitute "adviser";

(d) in sub-paragraph (3), for "agent" (in each place it occurs) substitute "adviser".

12 In paragraph 13 (approval of file access notice by tribunal)—

(a) in sub-paragraph (1)(d), for "agent" substitute "adviser";

(b) in sub-paragraph (2)—

(i) for "an individual" substitute "a person";

(ii) for "dishonest" substitute "sanctionable".

13 In paragraph 20 (appeal against file access notice)—

(a) in sub-paragraph (1), for "agent" substitute "adviser";

(b) after sub-paragraph (1) insert—

"(1A) If—

(a) the document-holder is the tax adviser, and

(b) the giving of the file access notice was not approved by the tribunal (see paragraph 7(1A)),

the document-holder may appeal against the file access notice or any requirement in it.";

(c) in sub-paragraph (2), in the opening words, after "appeal" insert "under sub-paragraph (1) or (1A)".

14 After paragraph 23 insert—

"Increased daily default penalty

23A(1) This paragraph applies if—

(a) a penalty under paragraph 23 is assessed in respect of a person's failure to comply with a file access notice,

(b) the failure continues for more than 30 days beginning with the date on which notification of that assessment was issued, and

(c) HMRC has (at any time) told the person that an application may be made under this paragraph for an increased daily penalty to be assessable.

(2) An officer of Revenue and Customs may make an application to the tribunal for the person to be liable to an increased daily penalty.

(3) If the tribunal decides that the person should be liable to an increased daily penalty—

(a) the tribunal must determine the day from which the increased daily penalty is to apply and the maximum amount of that penalty ("the new maximum amount"), and

(b) from that day, paragraph 23 has effect in the person's case as if the new maximum amount were substituted for the amount for the time being specified there.

(4) The new maximum amount may not be more than £1,000.

(5) In determining the new maximum amount the tribunal must have regard to—

(a) the likely cost to the person of complying with the notice,

(b) any benefits to the person of not complying with it, and

(c) any benefits to anyone else resulting from the person's non-compliance.

(6) If the tribunal makes a determination under this paragraph, HMRC must notify the person.

(7) The notification must specify the new maximum amount and the day from which it applies."

15 After paragraph 25 insert—

"Penalties for inaccurate documents

25A(1) If a person, in purported compliance with a file access notice, provides a document that contains an inaccuracy, the person is liable to a penalty not exceeding £3,000 where—

(a) the inaccuracy is deliberate or due to a failure by the person to take reasonable care,

(b) the person knows of the inaccuracy at the time the document is provided but does not inform HMRC at that time, or

(c) the person discovers the inaccuracy some time later and fails to take reasonable steps to inform HMRC.

(2) Where the document contains more than one inaccuracy, a penalty is payable for each inaccuracy."

16 After Part 3 insert—

"PART 3A

CONDUCT NOTICES

Giving of conduct notice

25B(1) This paragraph applies if HMRC determine that a person is engaging in or has engaged in sanctionable conduct.

(2) An authorised officer (or an officer of Revenue and Customs with the approval of an authorised officer) may notify the person of the determination.

(3) The notice must state the grounds on which the determination was made.

(4) For the effect of notifying the person, see paragraph 29(2).

(5) A notice under this paragraph is referred to as a "conduct notice".

Withdrawal of conduct notice

25C(1) An officer of Revenue and Customs may withdraw a conduct notice at any time.

(2) If they do so, they must notify the person of the withdrawal.

(3) A conduct notice given to a person is to be treated as withdrawn at the applicable deadline if HMRC have not, before such deadline, assessed the person to a penalty under Part 4 in respect of the conduct forming the subject of the notice.

(4) In this paragraph "the applicable deadline" has the same meaning as in paragraph 30(3) (assessment of penalties)."

17 In the Part 4 heading, for "dishonest" substitute "sanctionable".

18 For paragraph 26 and the italic heading before it (penalty for dishonest conduct) substitute—

"Penalty for sanctionable conduct

26 (1) A person who engages in sanctionable conduct is liable to a penalty.

(2) The penalty to which the person is liable is—

(a) in a case in which potential lost revenue is attributable to the sanctionable conduct (see paragraph 26C)—

(i) the appropriate percentage of the potential lost revenue determined in accordance with paragraph 26C, or

(ii) if higher, £7,500;

(b) in any other case, £7,500.

(3) But if the person would, but for this sub-paragraph, be liable to a penalty of an amount that is higher than £1,000,000, the person is instead liable to a penalty of that amount.

(4) For the purposes of this paragraph, the "appropriate percentage" is—

(a) 70%, or

(b) if the person disclosed the sanctionable conduct, the percentage determined in accordance with sub-paragraphs (5) and (6).

(5) If the person disclosed the sanctionable conduct, HMRC must reduce the appropriate percentage from 70% to a percentage that reflects the quality of the disclosure.

(6) But the appropriate percentage may not be reduced to a percentage that is below—

(a) in the case of a prompted disclosure, 35%, and

(b) in the case of an unprompted disclosure, 20%.

(7) This paragraph is subject to paragraphs 26B (increased penalties) and 27 (special reduction).

Disclosure of conduct

26A(1) For the purposes of paragraph 26, a person "discloses" sanctionable conduct by—

(a) telling HMRC about it,

(b) giving HMRC reasonable help in identifying the client or clients concerned and in quantifying the loss of tax revenue (if any) brought about by it, and

(c) allowing HMRC access to records for the purpose of ensuring that any such loss is recovered or otherwise properly accounted for.

(2) A disclosure is "unprompted" if it is made at a time when the person has no reason to believe that HMRC have discovered or are about to discover the sanctionable conduct.

(3) Otherwise, a disclosure is "prompted".

(4) In relation to disclosure, "quality" includes timing, nature and extent.

Increased penalties

26B (1) Sub-paragraph (2) applies where—

(a) a person is liable to a penalty under paragraph 26, and

(b) in the period of 20 years ending with the day on which the person became liable to the penalty, the person has been assessed to a penalty under that paragraph on more than 1, but fewer than 6, occasions.

(2) Paragraph 26 applies in relation to the penalty mentioned in sub-paragraph (1)(a) as if—

(a) each reference to 70% of the potential lost revenue were a reference to 85% of the potential lost revenue, and

(b) the reference in sub-paragraph (3) to £1,000,000 were a reference to £5,000,000.

(3) Sub-paragraph (4) applies where—

(a) a person is liable to a penalty under paragraph 26, and

(b) in the period of 20 years ending with the day on which the person became liable to the penalty, the person has been assessed to a penalty under that paragraph on 6 or more occasions.

(4) Paragraph 26 applies in relation to the penalty mentioned in sub-paragraph (3)(a) as if—

(a) each reference to 70% of the potential lost revenue were a reference to 100% of the potential lost revenue, and

(b) sub-paragraph (3) (maximum amount) were omitted.

(5) For the purposes of sub-paragraphs (1)(b) and (3)(b), a penalty under paragraph 26 is not to be taken into account if—

(a) the person was assessed to the penalty more than 4 years before the day mentioned in sub-paragraph (1)(b) or (3)(b) (as the case may be), and

(b) in the period of 4 years after the penalty was assessed, the person was not assessed to another such penalty.

(6) Where—

(a) a penalty under paragraph 26 is not to be taken into account in accordance with sub-paragraph (5), and

(b) the person had previously been assessed to one or more other penalties under paragraph 26,

those previous penalties are also not to be taken into account for the purposes of sub-paragraphs (1)(b) and (3)(b).

(7) For the purposes of sub-paragraphs (1)(b) and (3)(b), if a person is assessed to a penalty under paragraph 26 and the penalty is, at any time, subsequently set aside or otherwise cancelled, the penalty is to be treated from that time as if it was not assessed on the person.

Potential lost revenue

26C(1) Potential lost revenue is attributable to a tax adviser's sanctionable conduct if—

(a) an act within sub-paragraph (2) takes place, and

(b) the sanctionable conduct includes the tax adviser—

(i) doing the act on behalf of the client, or

(ii) advising or assisting the client to do the act.

(2) The following acts are within this sub-paragraph—

(a) the giving to HMRC of a document of a kind listed in the table in paragraph 1 of Schedule 24 to FA 2007 (error in taxpayer's document) by a client where the condition in paragraph 1(2) of that Schedule is satisfied;

(b) a failure by a client to comply with an obligation specified in the table in paragraph 1 of Schedule 41 to FA 2008 (failure to notify etc);

(c) a failure by a client to make or deliver a return specified in the table in paragraph 1 of Schedule 55 to FA 2009 (failure to make returns etc) on or before the filing date where the failure continues after the end of the period of 12 months beginning with the penalty date;

(d) a failure by a client to make a return specified in the third column of the table in paragraph 1 of Schedule 25 to FA 2021 (failure to make returns etc) on or before the due date.

(3) In sub-paragraph (2)(c) "filing date" and "penalty date" have the same meaning as in Schedule 55 to FA 2009 (see paragraph 1(4) of that Schedule).

(4) In sub-paragraph (2)(d) "due date" has the same meaning as in Schedule 25 to FA 2021 (see paragraph 2(4) of that Schedule).

(5) The amount of potential lost revenue that is attributable to the sanctionable conduct is—

(a) in a case within sub-paragraph (2)(a), the potential lost revenue in respect of the inaccuracy in question as determined in accordance with paragraphs 5 to 8 of Schedule 24 to FA 2007;

(b) in a case within sub-paragraph (2)(b), the potential lost revenue in respect of the failure as determined in accordance with paragraphs 7 and 11 of Schedule 41 to FA 2008;

(c) in a case within sub-paragraph (2)(c), the amount of the liability to tax which would have been shown in the return in question as determined in accordance with paragraph 24 of Schedule 55 to FA 2009;

(d) in a case within sub-paragraph (2)(d), the amount of the liability to tax which would have been shown in the return in question as determined in accordance with paragraph 11 of Schedule 25 to FA 2021.

(6) In its application for the purposes of sub-paragraph (5)(c), paragraph 24(2) of Schedule 55 to FA 2009 (determination of penalty where no return made) has effect as if references to a penalty were references to a penalty under this Schedule.

(7) In its application for the purposes of sub-paragraph (5)(d), paragraph 11(2) and (3) of Schedule 25 to FA 2021 (determination of penalty where no return made) has effect as if references to a penalty were references to a penalty under this Schedule."

19 In paragraph 27 (special reduction)—

(a) in sub-paragraph (1)—

(i) for "an individual" substitute "a person";

(ii) omit "of £5,000";

(b) in sub-paragraph (2)(a), omit "to an amount below £5,000 (which may be nil)".

20 In paragraph 28 (power to publish details)—

(a) for sub-paragraph (1), substitute—

"(1) The Commissioners must publish information about a person if the person incurs a penalty under paragraph 26 of more than £7,500.";

(b) in sub-paragraph (2)—

(i) in paragraph (a), for "individual's" substitute "person's";

(ii) in paragraph (b), for "individual's address" substitute "person's postcode";

(iii) in paragraph (c), for "individual" substitute "person";

(iv) in paragraph (e), for "dishonest" substitute "sanctionable";

(v) in paragraph (f), for "individual's" substitute "person's";

(vi) in paragraph (g), for "dishonest" substitute "sanctionable";

(c) omit sub-paragraph (3);

(d) in sub-paragraph (4)—

(i) after "(5)" insert ", (7)";

(ii) for "an individual" substitute "a person";

(e) in sub-paragraph (5)—

(i) for "agent" substitute "adviser";

(ii) for "the individual" substitute "an individual".

21 In paragraph 29 (assessment of penalties)—

(a) in sub-paragraph (2), for the words from "and either" to the end substitute "and not withdrawn";

(b) omit sub-paragraph (3).

22 In paragraph 30 (deadline for assessment)—

(a) in sub-paragraph (3)(a), omit "(see paragraph 29(2))";

(b) in sub-paragraphs (4) and (5), for "dishonest" substitute "sanctionable".

23 In paragraph 31 (appeal against penalty)—

(a) in sub-paragraph (1)(a), after "Part 3" insert "or 4";

(b) after sub-paragraph (1) insert—

"(1A) But sub-paragraph (1)(b) does not give a right of appeal against the amount of an increased daily penalty payable as a result of paragraph 23A (increased daily default penalty)."

24 In paragraph 35 (power to change amount of penalties)—

(a) for sub-paragraph (1) substitute—

"(1) The Treasury may by regulations amend any of paragraphs 22(1), 23, 23A(4), 25A(1), 26(2) and (3), 26B(2) and 28(1) so as to increase or decrease the amount of a penalty for the time being specified in those paragraphs to reflect a change in the value of money.";

(b) omit sub-paragraph (2).

25 In paragraph 37(1) (meaning of "tax"), after paragraph (la) insert—

"(lb) diverted profits tax,

(lc) multinational top-up tax,

(ld) domestic top-up tax,

(le) annual tax on enveloped dwellings,

(lf) plastic packaging tax,

(lg) economic crime (anti-money laundering) levy,

(lh) digital services tax,

(li) soft drinks industry levy,".

26 In paragraph 38—

(a) in the definition of "client"—
  (i) in paragraph (a), for "paragraph 2(1)" substitute "paragraph 2(4)";
  (ii) omit paragraph (b);
(b) in the definition of "conduct notice", for "paragraph 4" substitute "paragraph 25B";
(c) in the definition of "organisation", for "includes any person or firm" substitute "means any body corporate, partnership or other organisation".

27 Omit paragraph 39 (clients).

28 In paragraph 40 (loss of tax revenue), for "dishonest" substitute "sanctionable".

PART 2

CONSEQUENTIAL AMENDMENTS

TMA 1970

29 In section 103ZA of TMA 1970 (disapplication of sections 100 to 103 in the case of certain penalties), in paragraph (g), for "tax agents: dishonest conduct" substitute "tax advisers: sanctionable conduct".

Social Security Administration Act 1992

30 In section 110ZA(2A) of the Social Security Administration Act 1992 (class 1, 1A, 1B or 2 contributions: powers to call for documents etc), for "tax agent's" substitute "tax adviser's".

Social Security Administration (Northern Ireland) Act 1992

31 In section 104ZA(2A) of the Social Security Administration (Northern Ireland) Act 1992 (class 1, 1A, 1B or 2 contributions: powers to call for documents etc), for "tax agent's" substitute "tax adviser's".

The Education (Student Loans) (Repayment) Regulations (Northern Ireland) 2009

32 In regulation 9(2) of the Education (Student Loans) (Repayment) Regulations (Northern Ireland) 2009 (S.I. 2009/128) (student loan repayments: penalties), for "Tax Agents: Dishonest Conduct" substitute "tax advisers: sanctionable conduct".

The Education (Student Loans) (Repayment) Regulations 2009

33 In regulation 13(2) of the Education (Student Loans) (Repayment) Regulations 2009 (S.I. 2009/470) (student loan repayments: penalties), for "Tax Agents: Dishonest Conduct" substitute "tax advisers: sanctionable conduct".

FA 2012

34 In section 223 of FA 2012 (tax agents: dishonest conduct)—

(a) for the heading substitute "Tax advisers: sanctionable conduct";

(b) in subsection (1)—

(i) for "agents" substitute "advisers";

(ii) for "dishonest" substitute "sanctionable".

The Social Security (Contributions) (Amendment and Application of Schedule 38 to the Finance Act 2012) Regulations 2013

35 In the Social Security (Contributions) (Amendment and Application of Schedule 38 to the Finance Act 2012) Regulations 2013 (S.I. 2013/622)—

(a) for the Part 5 heading substitute "Tax advisers: sanctionable conduct";

(b) in regulation 41 (application of Schedule 38 to the Finance Act 2012), for "tax agents: dishonest conduct" substitute "tax advisers: sanctionable conduct".

The Small Charitable Donations Regulations 2013

36 In regulation 6 of the Small Charitable Donations Regulations 2013 (S.I. 2013/938) (agents of the charity: information powers and penalties)—

(a) in paragraph (1)—

(i) for "tax agents: dishonest conduct" substitute "tax advisers: sanctionable conduct";

(ii) for "to tax agents" substitute "to tax advisers";

(b) in paragraph (2)(a), for "agent" substitute "adviser".

FA 2014

37 In Schedule 34 to FA 2014 (promoters of tax avoidance schemes: threshold conditions), for paragraph 4 and the italic heading before it (dishonest tax agents) substitute—

"Tax advisers

4 A person meets this condition if the person is given a notification of a penalty under paragraph 26 of Schedule 38 to FA 2012 (tax advisers: sanctionable conduct) and either—

(a) the time period during which a notice of appeal may be given in relation to the penalty has expired, or

(b) an appeal against the penalty has been made and the tribunal has confirmed the decision that a penalty is payable under that paragraph (whether or not the amount of the penalty is varied)."

SCHEDULE 23

Section 255

DATA-GATHERING

PART 1

POWER TO REQUIRE PROVISION OF DATA TO HMRC ON AN ONGOING BASIS

Provision of data to HMRC on an ongoing basis

1 (1) The Treasury may by regulations make provision requiring a relevant data-holder to provide to HMRC on an ongoing basis any data specified for that type of relevant data-holder.

(2) Regulations under this paragraph may make provision requiring data to be provided—

(a) in relation to specified recurring periods;

(b) at specified times or within specified periods;

(c) in a specified form and manner.

(3) The power in this paragraph is exercisable only to assist with the efficient and effective discharge of HMRC's tax functions—

(a) whether a particular function or more generally, and

(b) whether involving a particular taxpayer or taxpayers generally.

(4) Regulations under this paragraph may not require a relevant data-holder to provide data for the purpose of HMRC checking the relevant data-holder's own tax position.

(5) Sub-paragraph (4) does not—

(a) prevent regulations from requiring a relevant data-holder to provide data about a matter mentioned in paragraph 14(3)(a) of Schedule 23 to FA 2011 (beneficial ownership of certain payments etc), or

(b) limit the use that may be made of data obtained under this Schedule (see section 17(1) of CRCA 2005).

(6) In this Schedule "relevant data-holder" has the same meaning as in Schedule 23 to FA 2011 (data-gathering powers) (see Part 2 of that Schedule).

Data within possession or power

2 (1) A relevant data-holder is not required by regulations under paragraph 1 to provide data to HMRC unless the data are within their possession or power.

(2) The Treasury may by regulations make provision requiring a relevant-data holder to make reasonable efforts to obtain any specified identifying information that the relevant data-holder would, but for sub-paragraph (1), be required to provide to HMRC.

(3) In this Schedule "identifying information" means any information which identifies a person or an account including, in particular, a company's registered number, a national insurance number, a unique taxpayer reference, a VAT registration number or any other unique government-issued identifier associated with a person or account.

Due diligence and record-keeping

3 (1) The Treasury may by regulations make provision requiring a relevant data-holder to—

(a) take specified steps to verify relevant data before providing them to HMRC,

(b) keep a record of—

(i) the relevant data, and

(ii) the steps taken by the relevant data-holder under paragraph (a) in relation to the relevant data, and

(c) preserve those records for a specified period.

(2) In this paragraph "relevant data" means data that a relevant-data holder is required by regulations under paragraph 1 to provide to HMRC.

Provision of data to persons other than HMRC

4 (1) The Treasury may by regulations make provision requiring a relevant data-holder to provide data to a specified person (other than HMRC) in circumstances where—

(a) the relevant data-holder is required by regulations under paragraph 1 to provide the data to HMRC, and

(b) the data relate to the specified person.

(2) Regulations under this paragraph may make provision requiring data to be provided—

(a) at a specified time or within a specified period;

(b) in a specified form and manner.

Notification to HMRC

5 (1) The Treasury may by regulations make provision requiring a relevant data-holder to notify HMRC in circumstances where the relevant data-holder is required by regulations under paragraph 1 to provide data to HMRC.

(2) Regulations under this paragraph may make provision requiring a notification to be given—

(a) within a specified period;

(b) in a specified form and manner.

Compliance

6 (1) Where an officer of Revenue and Customs reasonably suspects that a person is not complying with their obligations under this Part of this Schedule, or regulations made under it, the officer may by notice require the person to provide such information as the officer reasonably requires in order to determine whether the person is complying with such obligations.

(2) Information required by a notice under this paragraph must be provided—

(a) within the period specified in the notice, being a period of no less than 30 days, and

(b) in the form and manner specified in the notice.

PART 2

PENALTIES AND APPEALS

Penalties for failure to provide data to HMRC on an ongoing basis etc

7 If a person fails to comply with a requirement in regulations under paragraph 1 (provision of data to HMRC on an ongoing basis) or paragraph 2 (data within possession or power), the person is liable—

(a) to a penalty not exceeding £5,000, and

(b) if the failure continues after notice of an assessment of a penalty under paragraph (a) is issued, to a penalty or penalties not exceeding £600 for each subsequent day on which the failure continues.

Penalties for failure to apply due diligence procedures

8 (1) If a person fails to comply with a requirement in regulations under paragraph 3(1)(a) (due diligence), the person is liable to a penalty not exceeding £100.

(2) Where the failure relates to verifying data about more than one person or account, a penalty is payable in respect of each person or account.

Penalties for failure to keep or preserve records

9 If a person fails to comply with a requirement in regulations under paragraph 3(1)(b) or (c) (record-keeping), the person is liable to a penalty not exceeding £5,000.

Penalties for failure to provide data to other persons

10 If a person fails to comply with a requirement in regulations under paragraph 4 (provision of data to persons other than HMRC), the person is liable—

(a) to a penalty not exceeding £5,000, and

(b) if the failure continues after notice of an assessment of a penalty under paragraph (a) is issued, to a penalty or penalties not exceeding £600 for each subsequent day on which the failure continues.

Penalties for failure to notify

11 If a person fails to comply with a requirement in regulations under paragraph 5 (notification to HMRC), the person is liable to a penalty not exceeding £1,000.

Penalties for failure to provide information

12 If a person fails to comply with a requirement in paragraph 6 (compliance), the person is liable—

(a) to a penalty not exceeding £5,000, and

(b) if the failure continues after notice of an assessment of a penalty under paragraph (a) is issued, to a penalty or penalties not exceeding £600 for each subsequent day on which the failure continues.

Penalties for inaccurate or incomplete data

13 (1) If a person, in purported compliance with a requirement in regulations under paragraph 1, provides inaccurate or incomplete data to HMRC, the person is liable to a penalty not exceeding £100 where—

(a) the inaccuracy or incompleteness is deliberate,

(b) the inaccuracy or incompleteness is due to a failure to take reasonable care, or

(c) the person discovers the inaccuracy or incompleteness some time later and fails to take reasonable steps to inform HMRC.

(2) Where the inaccuracy or incompleteness relates to data about more than one person or account, a penalty is payable in respect of each person or account.

Reasonable excuse

14 (1) Liability to a penalty under any of paragraphs 7 to 12 does not arise if the person satisfies an officer of Revenue and Customs or, on an appeal notified to the tribunal, the tribunal that there is a reasonable excuse for the failure.

(2) For the purposes of this paragraph none of the following is a reasonable excuse—

(a) that there is an insufficiency of funds to do something;

(b) that a person relies upon another person to do something.

(3) If a person had a reasonable excuse for a failure but the excuse has ceased, the person is to be treated as having continued to have the excuse if the failure is remedied without unreasonable delay after the excuse ceased.

Duplication of liability to penalties

15 (1) A person is not liable to penalties under more than one of paragraph 8 (failure to apply due diligence procedures), paragraph 9 (failure to keep or preserve records) and paragraph 13 (inaccurate or incomplete data) in respect of the same act or omission.

(2) Where, apart from sub-paragraph (1), a person would be so liable, the person is liable to a penalty in respect of that act or omission under whichever one of paragraphs 8, 9 or 13 is, in the opinion of an officer of Revenue and Customs, appropriate in the circumstances.

Double jeopardy

16 A person is not liable to a penalty under this Schedule in respect of anything in respect of which the person has been convicted of an offence.

Failure to comply with time limit

17 A failure to do anything required to be done within a limited period of time does not give rise to liability to a penalty under this Schedule if the thing was done within such further time (if any) as an officer of Revenue and Customs may have allowed.

Assessment of penalties

18 (1) An officer of Revenue and Customs may assess a penalty under any of paragraphs 7 to 13 and set it at such amount as, in the opinion of the officer, is appropriate.

(2) Notice of an assessment of a penalty under this paragraph must—

(a) be given to the person liable to the penalty, and

(b) state the date on which it is issued and the time within which an appeal against the assessment may be made.

(3) Subject to sub-paragraph (4), after a notice of assessment of a penalty under this paragraph has been given, the assessment must not be altered except on appeal.

(4) If it is discovered by an officer of Revenue and Customs that the amount of a penalty under paragraph 7(b), 10(b) or 12(b) which has been assessed under this paragraph is or has become insufficient, the officer may make an assessment in a further amount so that the penalty is set at the amount which, in the opinion of that officer, is appropriate.

Time limits and treatment of penalties

19 (1) An assessment of a penalty under paragraph 7, 9, 10, 11 or 12 must be made within the period of 12 months beginning with the date on which the person became liable to the penalty.

(2) An assessment of a penalty under paragraph 8 or 13 must be made—

(a) within the period of 12 months beginning with the date on which the inaccuracy, incompleteness or failure first came to the attention of an officer of Revenue and Customs, and

(b) within the period of 6 years beginning with the date on which the person became liable to the penalty.

(3) A penalty assessed under paragraph 18—

(a) is due and payable at the end of the period of 30 days beginning with the day on which the notice of assessment is issued, and

(b) is, subject to paragraph (a), to be treated for all purposes as if it were tax charged in an assessment and due and payable.

Appeals

20 (1) A person may appeal against a penalty assessment under paragraph 18—

(a) on the grounds that liability to the penalty does not arise, or

(b) as to the amount of the penalty.

(2) Notice of an appeal must—

(a) state the grounds of appeal, and

(b) be given in writing to HMRC before the end of the period of 30 days beginning with the date on which notice of the assessment under paragraph 18 was issued.

(3) Subject to sub-paragraph (4), the provisions of Part 5 of TMA 1970 relating to appeals have effect in relation to appeals under this paragraph as they have effect in relation to an appeal against an assessment to income tax.

(4) On an appeal under this paragraph that is notified to the tribunal, the tribunal may—

(a) if it appears that no liability to a penalty has arisen, set the assessment aside,

(b) if the amount assessed appears to be appropriate, confirm the assessment,

(c) if the amount assessed appears to be excessive, reduce it to such other amount (including nil) as the tribunal considers appropriate, or

(d) if the amount assessed appears to be insufficient, increase it to such amount not exceeding the permitted maximum as the tribunal considers appropriate.

PART 3

GENERAL

Power to change amount of penalties

21 The Treasury may by regulations amend any of paragraphs 7 to 13 so as to increase or reduce the amount of a penalty for the time being specified in those paragraphs.

Regulations

22 (1) Regulations under this Schedule may—

(a) make different provision for different purposes;

(b) provide for exceptions to any requirement imposed by the regulations;

(c) make provision by reference to things specified in a notice that is—

(i) published by HMRC in accordance with the regulations, and

(ii) not withdrawn by a further notice;

(d) make consequential, supplementary, incidental, transitional or saving provision.

(2) Regulations under paragraph 1 (provision of data to HMRC on an ongoing basis) or 3 (due diligence and record-keeping) may make provision by reference to a document as amended from time to time.

(3) Regulations under this Schedule are to be made by statutory instrument.

(4) A statutory instrument containing regulations under paragraph 21 (power to change amount of penalties) which increase the amount of a penalty by more than is necessary to reflect a change in the value of money may not be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.

(5) Any other statutory instrument containing regulations under this Schedule is subject to annulment in pursuance of a resolution of the House of Commons.

Application of provisions of TMA 1970

23 Subject to the provisions of this Schedule, the following provisions of TMA 1970 apply for the purposes of this Schedule as they apply for the purposes of the Taxes Acts—

(a) section 108 (responsibility of company officers);

(b) section 114 (want of form);

(c) section 115 (delivery and service of documents).

Crown application

24 (1) This Schedule, other than a provision of it that confers a power to make regulations, applies to the Crown but not to His Majesty in His private capacity (within the meaning of the Crown Proceedings Act 1947).

(2) Regulations under this Schedule may be made so as to apply to the Crown, but not so as to apply to His Majesty in His private capacity (within the meaning of the Crown Proceedings Act 1947).

Interpretation

25 In this Schedule—

"HMRC" means His Majesty's Revenue and Customs;

"relevant data-holder" has the meaning given in paragraph 1;

"specified", in relation to regulations, means specified or described in the regulations;

"tax" has the same meaning as in Schedule 23 to FA 2011 (see paragraph 45 of that Schedule);

"tribunal" means the First-tier Tribunal or Upper Tribunal as determined under Tribunal Procedure Rules.

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