EXPLANATORY NOTES

Explanatory notes to the Bill, prepared by HM Revenue & Customs and HM Treasury, are published separately as Bill 125—EN.

EUROPEAN CONVENTION ON HUMAN RIGHTS

The Chancellor of the Exchequer has made the following statement under section 19(1)(a) of the Human Rights Act 1998:

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

Finance Bill

[AS INTRODUCED]

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Final

[AS INTRODUCED]

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TO

Make provision about finance

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 etc

1 Income tax charge for tax year 2025-26

Income tax is charged for the tax year 2025-26.

2 Main rates of income tax for tax year 2025-26

For the tax year 2025-26 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 2025-26

(1) For the tax year 2025-26 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 2025-26 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 Freezing starting rate limit for savings for tax year 2025-26

(1) For the tax year 2025-26 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 the tax year 2025-26.

Income tax provisions relating to cars

5 Appropriate percentage for cars: tax year 2028-29

(1) Chapter 6 of Part 3 of ITEPA 2003 (taxable benefits: cars, vans etc) is amended as follows.

(2) In section 139 (cars with a CO_2 emissions figure: the appropriate percentage), in subsection (1), for the table (as substituted by section 11(7) of FA 2023) substitute—

"Car	*Appropriate percentage*
Car with CO_2 emissions figure of 0	7%
Car with CO_2 emissions figure of 1–50	18%
Car with CO_2 emissions figure of 51–54	19%
Car with CO_2 emissions figure of 55–59	20%
Car with CO_2 emissions figure of 60–64	21%
Car with CO_2 emissions figure of 65–74	22%" .

(3) In subsection (3) of section 139 (as amended by section 11(3) of FA 2023)—
(a) in paragraph (a), for "21%" substitute "22%", and
(b) in paragraph (b), for "37%" substitute "38%".

(4) In section 140 (cars without a CO_2 emissions figure: the appropriate percentage), in subsection (2), for the table substitute—

"Cylinder capacity of car in cubic centimetres	*Appropriate percentage*
1,400 or less	25%

More than 1,4000 but not more than 2,000	36%
More than 2,000	38%" .

(5) In subsection (3) of section 140—
(a) in paragraph (a), for "2%" substitute "7%", and
(b) in paragraph (b), for "37%" substitute "38%".

(6) In section 141 (diesel cars: the appropriate percentage), in subsection (2), in Step 3, for "37%" substitute "38%".

(7) In section 142 (cars first registered before 1 January 1998: the appropriate percentage), in subsection (2), for the table substitute—

"Cylinder capacity of car in cubic centimetres	*Appropriate percentage*
1,400 or less	25%
More than 1,4000 but not more than 2,000	36%
More than 2,000	38%" .

(8) In subsection (3) of section 142, for "37%" substitute "38%".

(9) The amendments made by subsections (2) to (8) have effect for the tax year 2028-29.

(10) In consequence of the amendments made by this section, in section 139, omit—
(a) in subsection (2), paragraph (b) together with the "and" before it, and
(b) subsections (5) to (5B).

(11) The amendments made by subsection (10) have effect for the for the tax year 2028-29 and subsequent tax years.

6 Appropriate percentage for cars: subsequent tax years

(1) Chapter 6 of Part 3 of ITEPA 2003 (taxable benefits: cars, vans etc), as amended by section 5, is amended as follows.

(2) In section 139 of ITEPA 2003, in subsection (1), for the table substitute—

"Car	*Appropriate percentage*
Car with CO_2 emissions figure of 0	9%
Car with CO_2 emissions figure of 1–50	19%
Car with CO_2 emissions figure of 51–54	20%
Car with CO_2 emissions figure of 55–59	21%

Car with CO_2 emissions figure of 60–64	22%
Car with CO_2 emissions figure of 65–74	23%" .

(3) In subsection (3) of that section—
(a) in paragraph (a), for "22%" substitute "23%", and
(b) in paragraph (b), for "38%" substitute "39%".

(4) In section 140 (cars without a CO_2 emissions figure: the appropriate percentage), in subsection (2), for the table substitute—

"Cylinder capacity of car in cubic centimetres	*Appropriate percentage*
1,400 or less	26%
More than 1,4000 but not more than 2,000	37%
More than 2,000	39%" .

(5) In subsection (3) of section 140—
(a) in paragraph (a), for "7%" substitute "9%", and
(b) in paragraph (b), for "38%" substitute "39%".

(6) In section 141 (diesel cars: the appropriate percentage), in subsection (2), in Step 3, for "38%" substitute "39%".

(7) In section 142 (cars first registered before 1 January 1998: the appropriate percentage), in subsection (2), for the table substitute—

"Cylinder capacity of car in cubic centimetres	*Appropriate percentage*
1,400 or less	26%
More than 1,4000 but not more than 2,000	37%
More than 2,000	39%" .

(8) In subsection (3) of section 142, for "38%" substitute "39%".

(9) The amendments made by this section have effect for the tax year 2029-30 and subsequent tax years.

Capital gains tax rates and reliefs

7 Main rates of CGT for gains other than carried interest gains

(1) In section 1H of TCGA 1992 (the main rates of CGT)—
(a) omit subsection (1A) (which sets out the rates for residential property gains accruing to individuals),

(b) in subsection (3) (which sets out the rates for gains accruing to individuals that are not residential property gains or carried interest gains)—
  (i) for "10%" substitute "18%", and
  (ii) for "20%" substitute "24%",
(c) omit subsection (4A) (which sets out the rates for residential property gains accruing to personal representatives),
(d) in subsection (6) (which sets out the rates for gains accruing to personal representatives that are not residential property gains or carried interest gains), for "20%" substitute "24%",
(e) omit subsection (7) (which sets out the rates for residential property gains accruing to trustees), and
(f) in subsection (8) (which sets out the rates for gains accruing to trustees that are not residential property gains or carried interest gains)—
  (i) omit "Other", and
  (ii) for "20%" substitute "24%".

(2) Schedule 1 contains amendments in consequence of the provision made by this section.

(3) The amendments made by this section and that Schedule have effect in relation to disposals made on or after 30 October 2024.

8 Business asset disposal relief: increase in rate

(1) In section 169N of TCGA 1992 (business asset disposal relief), in subsection (3) (which specifies the rate of CGT for the relief), for "10%" substitute "14%".

(2) In consequence of the amendment made by subsection (1), in section 1H(1)(a) of TCGA 1992 (which refers to the rate for business asset disposal relief), for "10%" substitute "14%".

(3) The amendments made by subsections (1) and (2) have effect in relation to disposals made on or after 6 April 2025.

(4) In section 169N(3) of TCGA 1992 (as amended by subsection (1)), for "14%" substitute "18%".

(5) In consequence of the amendment made by subsection (4), in section 1H(1)(a) of TCGA 1992 (as amended by subsection (2)), for "14%" substitute "18%".

(6) The amendments made by subsections (4) and (5) have effect in relation to disposals made on or after 6 April 2026.

9 Investors' relief: increase in rate

(1) In section 169VC(2) of TCGA 1992 (which specifies the rate of CGT for the relief), for "10%" substitute "14%".

(2) In consequence of the amendment made by subsection (1), in section 1H(1)(b) of TCGA 1992 (which refers to the rate for investors' relief), for "10%" substitute "14%".

(3) In consequence of the amendments made by subsection (1) and section 8(1), in section 1I of TCGA 1992 (income taxed at higher rates or gains exceeding unused basic rate band), in subsection (4)(a) (which refers to the rate for business asset disposal relief and investors' relief), for "10%" substitute "14%".

(4) The amendments made by subsections (1) to (3) have effect in relation to disposals made on or after 6 April 2025.

(5) In section 169VC(2) of TCGA 1992 (as amended by subsection (1)), for "14%" substitute "18%".

(6) In consequence of the amendment made by subsection (5), in section 1H(1)(b) of TCGA 1992 (as amended by subsection (2)), for "14%" substitute "18%".

(7) In consequence of the amendments made by subsection (5) and section 8(4), in section 1I(4)(a) of TCGA 1992 (as amended by subsection (3)), for "14%" substitute "18%".

(8) The amendments made by subsections (5) to (7) have effect in relation to disposals made on or after 6 April 2026.

10 Investors' relief: reduction in amount qualifying for relief

(1) In—

(a) section 169VK(1) and (2) of TCGA 1992 (which specify the amount of gains qualifying for the relief in the case of disposals by individuals), and

(b) section 169VL(2) and (3) of that Act (which specify the amount of gains qualifying for the relief in the case of disposals by trustees),

for "£10 million" substitute " £1 million".

(2) The amendments made by this section have effect in relation to disposals made on or after 30 October 2024.

11 Sections 7 to 10: transitional provision

Schedule 2 contains transitional provision in connection with the provision made by sections 7 to 10.

12 Rate of CGT for carried interest gains

(1) In section 1H of TCGA 1992 (which sets out the main rates of CGT)—

(a) omit subsection (2) (which provides for rates of 18% or 28% on carried interest gains accruing to individuals),

(b) in subsection (3), for "Other chargeable gains" substitute "Chargeable gains other than carried interest gains (see subsections (4B) and (9) to (11))",

(c) before subsection (5) insert—

"(4B) Chargeable gains accruing in a tax year to an individual that are carried interest gains are charged to capital gains tax at a rate of 32%.", and

(d) in subsection (5) (which provides for the rate of CGT on carried interest gains accruing to personal representatives of a deceased individual), for "28%" substitute "32%".

(2) In section 1I of that Act (income taxed at higher rates or gains exceeding unused basic rate band), as amended by paragraph 2 of Schedule 1—

(a) before subsection (1) insert—

"(A1) This section applies for the purpose of determining the rate of capital gains tax that applies to gains accruing to an individual in a tax year that are not carried interest gains and, in the following provisions of this section, references to gains (or amounts chargeable to capital gains tax) do not include carried interest gains.",

(b) in subsection (1), for the words from "charged—" to the end substitute "charged at the rate of 24%.",

(c) in subsection (2), in the words after paragraph (b), for the words from "is charged at" to the end substitute "is charged at the rate of 24%.",

(d) in subsection (5), for the words from "are then charged—" to the end substitute "are then charged at the rate of 24%.",

(e) in subsection (7), for the words from "as then remains" to the end substitute "as then remains to gains other than entrepreneur or investor gains.", and

(f) in subsection (9), for the words from "charged—" to the end substitute "charged at the rate of 24%."

(3) The amendments made by this section have effect in relation to carried interest arising on or after 6 April 2025.

Corporation tax charge and rates

13 Charge and main rate for financial year 2026

(1) Corporation tax is charged for the financial year 2026.

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

14 Standard small profits rate and fraction for financial year 2026

For the purposes of Part 3A of CTA 2010, for the financial year 2026—

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

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

Oil and gas

15 Increase in rate of energy (oil and gas) profits levy

(1) In section 1 of the Energy (Oil and Gas) Profits Levy Act 2022 (charge to tax), in subsection (1), for "35%" substitute "38%".

(2) The amendment made by subsection (1) has effect for accounting periods beginning on or after 1 November 2024.

(3) In the case of an accounting period (a "straddling period") beginning before 1 November 2024 and ending on or after that date—

(a) the Energy (Oil and Gas) Profits Levy Act 2022 is to apply as if so much of the straddling period as falls before that date, and so much of the straddling period as falls on or after that date, were separate accounting periods, and

(b) the company's levy profits or loss determined for the straddling period (on the assumption that the whole of that period were a qualifying period) are apportioned to the two separate accounting periods in accordance with section 17 of that Act, which is to apply for the purposes of this section as it applies for the purposes of sections 15 and 16 of that Act.

(4) In the case of a straddling period, the Instalment Payments Regulations 1998 are to apply separately—

(a) in relation to the levy, and

(b) in relation to any other tax chargeable on the company.

(5) In their application as a result of subsection (4)(a), the Instalment Payments Regulations 1998 are to have effect in relation to the levy—

(a) as if the two separate accounting periods deemed to arise under subsection (3)(a) were accounting periods for the purposes of those Regulations and as if the levy were chargeable for those deemed accounting periods, but

(b) as if the final instalment payment for the deemed accounting period ending on 31 October 2024 became due and payable on the date on which the next instalment payment after 31 October 2024 would have become due and payable for the straddling period in the absence of this section.

(6) Any reference in the Instalment Payments Regulations 1998 to the total liability of a company is accordingly to be read—

(a) in their application as a result of subsection (4)(a), as a reference to the levy, and

(b) in their application as a result of subsection (4)(b), as a reference to the amount that would be the company's total liability for the straddling period if the levy were left out of account.

(7) For the purposes of the Instalment Payments Regulations 1998—

(a) a company is to be regarded as a large company as respects the deemed accounting periods under subsection (3)(a) only if it is a large company for those purposes as respects the straddling period, and

(b) any question whether a company is a large company as respects the straddling period is to be determined as it would have been determined apart from section 1 of the Energy (Oil and Gas) Profits Levy Act 2022.

(8) In this section "the Instalment Payment Regulations 1998" means the Corporation Tax (Instalment Payments) Regulations 1998 (S.I. 1998/3175).

16 Relief from levy for investment expenditure

(1) The Energy (Oil and Gas) Profits Levy Act 2022 is amended as follows.

(2) For section 2 substitute—

"2 Additional expenditure treated as incurred for purposes of section 1

(1) This section applies for the purposes of section 1 if, in a qualifying accounting period, a company has incurred investment expenditure.

(2) Expenditure is "investment expenditure" of a company so far as the expenditure—

(a) is capital expenditure on the de-carbonisation of its upstream petroleum production,

(b) is incurred for the purposes of oil-related activities,

(c) is not incurred for disqualifying purposes, and

(d) does not consist of financing costs or decommissioning costs.

(3) For the purposes of section 1 the company is to be treated as if, in addition to the investment expenditure incurred by it in the accounting period, it had incurred in that period expenditure of an amount equal to 66% of the amount of that investment expenditure.

(4) For the purposes of this section—

(a) if investment expenditure is incurred partly for the purposes of oil-related activities and partly for other purposes, the expenditure is to be attributed to the oil-related activities on a just and reasonable basis, and

(b) if a company incurs expenditure part of which is capital expenditure on the de-carbonisation of its upstream petroleum production and part of which is not, the expenditure is to be apportioned on a just and reasonable basis.

(5) This section needs to be read with section 6 (which prevents recycling etc of assets to generate relief)."

(3) Omit sections 3 and 4 (definitions of "operating expenditure" and "leasing expenditure").

(4) In section 7(1) (when investment expenditure is incurred)—
(a) in paragraph (a), omit "in the case of capital expenditure,", and
(b) omit paragraph (b).

(5) In section 18(1) (interpretation), omit the definitions of "leasing expenditure" and "operating expenditure".

(6) The amendments made by this section have effect in relation to expenditure incurred on or after 1 November 2024 (and section 7 of the Energy (Oil and Gas) Profits Levy Act 2022 applies for the purposes of this section as it applies for the purposes of that Act).

17 Extending the period for which levy has effect

(1) In section 1 of the Energy (Oil and Gas) Profits Levy Act 2022 (charge to tax), in subsection (3) (which sets out the accounting periods by reference to which the tax is charged), in paragraph (b), for "2028" substitute "2030".

(2) In consequence of the amendment made by subsection (1)—
(a) in section 7(2) of that Act (when investment expenditure is incurred), for "2028" substitute "2030", and
(b) in section 16 of that Act (transitional provision for accounting periods straddling 31 March 2028), for "2028", in each place (including the heading), substitute "2030".

18 Decommissioning of carbon storage installations

Schedule 3 makes provision for certain payments into a decommissioning fund to be treated as decommissioning expenditure for the purposes of corporation tax, income tax and petroleum revenue tax.

International matters

19 Pillar Two

(1) Schedule 4—
(a) makes provision about the UTPR, and
(b) makes other amendments to Parts 3 and 4 of F(No. 2)A 2023.

20 Offshore receipts in respect of intangible property

(1) ITTOIA 2005 is amended as follows.

(2) In section 574 (overview of Part 5)—
(a) in subsection (1) omit paragraph (aa);
(b) in subsection (2) omit "(but see section 608X)".

(3) Omit Chapter 2A (offshore receipts in respect of intangible property) of Part 5.

(4) In section 576 (priority between Chapters within Part 5) omit subsection (1).

(5) In section 873(3) (procedure for orders and regulations) omit paragraph (ba).

(6) TIOPA 2010 is amended as follows.

(7) In section 157(1) (direct participation)—
  (a) at the end of paragraph (d) insert ", and";
  (b) omit paragraph (f) and the "and" preceding it.

(8) In section 159(1) (indirect participation: potential direct participant)—
  (a) at the end of paragraph (d) insert ", and";
  (b) omit paragraph (f) and the "and" preceding it.

(9) In section 160(1) (indirect participation: one of several major participants) omit paragraph (f) and the "and" preceding it.

(10) In consequence of subsections (1) to (9), omit Schedule 3 to FA 2019 (offshore receipts in respect of intangible property).

(11) Omit section 981A of ITA 2007 (offshore receipts in respect of intangible property: exception from duties to deduct).

(12) The amendments made by this section have effect in relation to income arising on or after 31 December 2024.

21 Application of PAYE in relation to internationally mobile employees etc.

(1) For section 690 of ITEPA 2003 (employee non-resident etc) substitute—

"690 Internationally mobile employees

(1) This section applies in relation to an employee if the employee is internationally mobile at any time in tax year 2025-26 or a subsequent tax year.

(2) An employee is "internationally mobile" at a time in a tax year if at that time the employee works or is likely to work both inside and outside the UK during the tax year ("the mobile tax year") and at that time—
  (a) the employee is or is likely to be non-UK resident for the mobile tax year, or
  (b) the mobile tax year is or is likely to be a split year as respects the employee.

(3) If the employer makes an uncertain payment to the employee in any tax year, the entire payment is to be treated for the purposes of PAYE regulations as a payment of PAYE income of the employee.

(4) For the purposes of this section and sections 690A and 690B, an "uncertain payment" means a payment of, or on account of, the income of the employee to the extent that—

(a) the employer is unable to ascertain the extent to which the income is PAYE income, and

(b) the reason for the employer being unable to ascertain that extent is connected to the employee being internationally mobile in the mobile tax year.

(5) Subsection (3) is without prejudice to—

(a) any assessment in respect of the income of the employee in question, and

(b) any right to repayment of income tax and any relevant debts overpaid and any obligation to pay income tax underpaid and any relevant debts that remain wholly or partly unpaid.

(6) For the purposes of this section and sections 690A to 690E—

(a) any reference to a payment made by the employer includes a reference to a payment made by a person acting on behalf of the employer and at the expense of the employer or a person connected with the employer, and

(b) in a case where section 689 or 689A applies, any reference to a payment made by the employer is to be read as a reference to a payment treated, for the purposes of PAYE regulations, as made by the relevant person.

690A Employer notification for internationally mobile employees

(1) This section applies in relation to an employee if the employee is internationally mobile within the meaning of section 690(2) at any time in tax year 2025-26 or a subsequent tax year ("the mobile tax year").

(2) The appropriate person may give a notice to an officer of Revenue and Customs at any time during the mobile tax year—

(a) that the employer is proposing to treat a proportion of any uncertain 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.

(3) If a notice given under this section has effect, the proportion of any uncertain payment made by the employer to the employee in any tax year which is to be treated for the purposes of PAYE regulations as not being a payment of PAYE income is the proportion specified in the notice.

(4) But if section 690D(4) (employer notification for qualifying new resident) also applies to a payment made by the employer, subsection (3) does not apply to the payment to the extent that it is a qualifying payment within the meaning of section 690D.

(5) A notice given under this section—

(a) does not have effect if a direction has previously been given to the appropriate person under section 690B (direction by HMRC in relation to internationally mobile employees) in relation to the employee and the mobile tax year;

(b) otherwise, has effect when it is acknowledged by an officer of Revenue and Customs.

(6) A notice given under this section ceases to have effect if –

(a) a direction under section 690B is given to the appropriate person in relation to the employee and the mobile tax year,

(b) a subsequent notice is given by the appropriate person under this section and is acknowledged by an officer of Revenue and Customs, or

(c) where the notice was given on the basis that the employee was likely to be a non-UK resident for the mobile tax year, a subsequent notice –

(i) is given by the appropriate person under section 690D (employer notification for qualifying new resident) on the basis that the employee is or is likely to be a qualifying new resident for the mobile tax year, and

(ii) is acknowledged by an officer of Revenue and Customs.

(7) A notice given under this section must be in such manner and form, and contain such information, as may be specified in a public notice given by the Commissioners for His Majesty's Revenue and Customs.

(8) Subsection (3) is without prejudice to –

(a) any assessment in respect of the income of the employee in question, and

(b) any right to repayment of income tax and any relevant debts overpaid and any obligation to pay income tax underpaid and any relevant debts that remain wholly or partly unpaid.

(9) For the purposes of this section and sections 690B, 690D and 690E –

(a) where an amount of employment income is treated as PAYE income paid by the employer for the purposes of PAYE regulations by virtue of section 693 (cash vouchers), section 694 (non-cash vouchers) or section 695 (credit-tokens), the employer is to be treated as making a payment of that amount of employment income, and

(b) "the appropriate person" means –

(i) the person designated by the employer for the purpose of this section and sections 690B, 690D and 690E and, if no person is so designated, the employer, and

(ii) in a case where section 689 or 689A applies, the references to the employer in sub-paragraph (i) are to be read as references to the relevant person (within the meaning of section 689 or 689A).

690B Direction by HMRC in relation to internationally mobile employees

(1) This section applies where—

(a) a notice given during the mobile tax year under section 690A has effect, and

(b) it appears to an officer of Revenue and Customs that the proportion of any uncertain payment made by the employer to the employee that is treated as not being a payment of PAYE income for the purposes of PAYE regulations should not be the proportion specified in the notice.

(2) An officer of Revenue and Customs may give a direction—

(a) for determining a proportion of any uncertain payment made by the employer to the employee which is to be treated for the purposes of PAYE regulations as not being a payment of PAYE income, or

(b) that any such payment is to be treated entirely as PAYE income for the purposes of PAYE regulations.

(3) A direction under subsection (2)—

(a) must specify the employee and the mobile tax year,

(b) must be given by notice to the appropriate person, and

(c) may be varied by notice to the appropriate person from a date specified in the notice (which may not be earlier than 30 days from the date on which the notice is given).

(4) If—

(a) a direction under subsection (2) has effect, and

(b) any uncertain payment is made by the employer to the employee in any tax year,

the direction applies in relation to the payment.

(5) A direction under subsection (2) has effect when it is given.

(6) A direction under subsection (2) ceases to have effect if—

(a) the notice to which the direction relates was given on the basis that the employee was likely to be non-UK resident for the mobile tax year, and

(b) a notice has subsequently been—

(i) given by the appropriate person under section 690D (employer notification for qualifying new resident) on the basis that the employee is or is likely to be a qualifying new resident for the mobile tax year, and

(ii) acknowledged by an officer of Revenue and Customs.

(7) Subsection (4) is without prejudice to—

(a) any assessment in respect of the income of the employee in question, and

(b) any right to repayment of income tax and any relevant debts overpaid and any obligation to pay income tax underpaid and any relevant debts that remain wholly or partly unpaid.

690C Employees who were internationally mobile etc. before 2025-26

(1) This section applies in relation to an employee if the employee falls within subsection (2) or (3) in relation to a tax year that was before tax year 2025-26.

(2) An employee falls within this subsection in relation to a tax year if the employee worked both inside and outside the UK in that tax year and—

(a) the employee was non-UK resident for that tax year or it appears likely to the employer that the employee was non-UK resident, or

(b) the tax year was a spilt year as respects the employee or it appears likely to the employer that the tax year was such a year.

(3) An employee falls within this subsection in relation to a tax year if—

(a) the employee worked outside the UK in the tax year,

(b) the employee met the requirement of section 26A for that tax year or it appears likely to the employer that the employee met that requirement, and

(c) the employee has made a claim under section 809B of ITA 2007 (claim for remittance basis) for that tax year or it appears likely to the employer that the employee has or will make such a claim.

(4) If the employer makes a payment to the employee of, or on account of, general earnings for that tax year, the amount of the payment that is to be treated as PAYE income for the purposes of the PAYE regulations is the amount that, on the basis of the best estimate that can be reasonably made, is likely to be PAYE income.

(5) For the purposes of subsection (4)—

(a) where this section applies to an employee because it appears likely to the employer that a certain state of affairs exists, the employer may assume that state of affairs exists;

(b) whether general earnings are "for" that tax year is determined in accordance with sections 29 and 30."

(2) The amendments made by this section have effect for the tax year 2025-26 and subsequent tax years.

22 Advance pricing agreements: indirect participation in financing cases

(1) In section 158 of TIOPA 2010 (which sets out how to read references to indirect participation for the purposes of, among other provisions, provisions relating to advance pricing agreements under Part 5 of that Act)—

(a) in subsection (4), omit paragraph (c) (but not the "and" at the end of that paragraph), and

(b) after that subsection insert—

"(5) For the purposes of section 219(2) (which is in Part 5), a person is indirectly participating in the management, control or capital of another person only if any of sections 159 to 162 so provide."

(2) In section 161 of that Act (indirect participation in financing cases)—

(a) in subsection (1), at the end insert "and, in Part 5, section 219(2)", and

(b) in the heading, for "and 175" substitute ", 175 and 219(2)".

(3) In section 162 of that Act (indirect participation in further financing cases)—

(a) in subsection (1), at the end insert "and, in Part 5, section 219(2)", and

(b) in the heading, for "and 175" substitute ", 175 and 219(2)".

(4) In section 219(4) of that Act (which sets out how to interpret references to associates by referring to, among other provisions, provisions in Part 4 of that Act that explain the meaning of indirect participation), for "and 160(1)" substitute ", 160(1), 161(1) and 162(1)".

(5) The amendments made by this section are treated as always having had effect.

Reliefs for businesses

23 Expenditure on zero-emission cars

(1) Section 45D of CAA 2001 (expenditure on zero-emission cars) is amended as follows.

(2) In subsection (1)(a), for the words from "the period" to the end substitute "the relevant period,".

(3) Omit subsection (1A).

(4) After that subsection insert—

"(1B) The "relevant period" is the period beginning with 17 April 2002 and ending with—

(a) in the case of expenditure incurred by a company within the charge to corporation tax, 31 March 2026, and

(b) in the case of expenditure incurred by a person within the charge to income tax, 5 April 2026.

(1C) The Treasury may by regulations amend subsection (1B) so as to extend the relevant period."

24 Expenditure on plant or machinery for electric vehicle charging point

In section 45EA of CAA 2001 (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 "2025" substitute "2026".

25 Commercial letting of furnished holiday accommodation

Schedule 5 contains provision abolishing the special rules relating to the commercial letting of furnished holiday accommodation.

26 Films and television programmes: increased relief for visual effects

(1) In Part 14A of CTA 2009 (films, television programmes and video games), after section 1179EB insert—

"1179EC Special credit for visual effects

(1) This section applies in relation to a qualifying film or qualifying television programme.

(2) The production company is entitled to claim an additional amount of audiovisual expenditure credit for an accounting period ("the claim period") that is the completion period (see section 1179DY) or a subsequent accounting period if—

(a) the company has incurred relevant visual effects expenditure on the film or programme in that period or an earlier accounting period, and

(b) where a claim has been made for Chapter 3 credit (whether for the claim period or earlier), the relevant percentage for the purposes of all such claims was the percentage given by subsection (2) or (5) of section 1179DV.

(3) The additional amount is equal to—

(a) 39% of the total amount of the relevant visual effects expenditure incurred on the film or programme in the claim period and in previous periods, less

(b) the sum of—

(i) where Chapter 3 credits have been claimed by the production company, the Chapter 3 credit amount, and

(ii) any additional amounts of audiovisual expenditure credit previously claimed under this section.

(4) To find the "Chapter 3 credit amount" for the purposes of subsection (3)(b)(i) take the following steps—

Step 1

Determine the amount ("the Step 2 amount") of the result of Step 2 in section 1179CA(1) for the purposes of the relevant claim.

Step 2

Determine the amount ("the visual effects amount") of the Step 2 amount that is relevant visual effects expenditure.

Step 3

If there is no excess to be deducted at Step 3 in section 1179CA(1) for the purposes of the relevant claim, the Chapter 3 credit amount is the amount given by multiplying—

(a) the sum of Chapter 3 credits claimed by the production company, by

(b) the amount given by dividing the visual effects amount by the Step 2 amount.

Step 4

If there is an excess to be deducted at Step 3 in that section for the purposes of the relevant claim, determine the amount of that excess.

Step 5

Find the amount ("the remainder") given by subtracting the amount of that excess from the visual effects amount.
If the remainder is nil or less, the Chapter 3 credit amount is nil.

Step 6

If the remainder is greater than nil, the Chapter 3 credit amount is the amount given by multiplying the remainder by 0.34.

(5) The "relevant claim" means—

(a) where a claim for Chapter 3 credit is made for the claim period, that claim, or

(b) otherwise, the claim for Chapter 3 credit for the most recent accounting period for which a claim for Chapter 3 credit was made.

(6) The Treasury may by regulations replace—

(a) the percentage for the time being specified in subsection (3)(a), or

(b) the number for the time being specified in Step 6 in subsection (4) as the number by which the remainder is multiplied.

(7) Sections 1179C and 1179CB to 1179CI (treatment of expenditure credits) apply to the additional amount as they apply to an expenditure credit under Chapter 3.

(8) In this section—

"Chapter 3 credit" means an audiovisual expenditure credit in respect of the film or television programme determined under section 1179CA;

"relevant visual effects expenditure" means UK expenditure that—

(a) is incurred in respect of relevant visual effects work carried out in the United Kingdom, and

(b) counts as relevant production expenditure for the purposes of section 1179CA(2) (see section 1179DR);

"relevant visual effects work" means work consisting of the use of computer technology to create or alter images for inclusion in the film or programme."

(2) The amendment made by subsection (1) has effect only in relation to expenditure incurred on or after 1 January 2025.

(3) A claim for audiovisual expenditure credit may not be made in reliance on that amendment before 1 April 2025.

27 Certification of films etc: minor amendments

(1) In section 1179AA(7) of CTA 2009 (qualifying companies)—

(a) after "for" insert "—";

(b) the words from "a production" to the end become paragraph (a);

(c) at the end, insert ";

(b) the submission of a film, television programme or video game certificate after the end of an accounting period."

(2) Section 1179DJ of CTA 2009 (British certification condition: films and television programmes) is amended as set out in subsections (3) to (6).

(3) In subsection (2), omit paragraphs (a) and (b) (including the dash before paragraph (a)) and insert "the production company's company tax return for the period is accompanied by a valid interim certificate."

(4) In subsection (3), omit paragraphs (a) and (b) and insert—

"(a) the production company's company tax return for the completion period is accompanied by a valid final certificate, or

(b) the production company has abandoned production activities in relation to the film or programme and the production company's company tax return for the completion period is accompanied by a valid interim certificate."

(5) In subsection (6), for the words from the beginning to "that period" substitute "If a certificate is revoked after the production company's company tax return for a period is submitted".

(6) For subsections (7) and (8) substitute—

"(7) Subsection (6) does not apply to the extent that a direction under paragraph 3 of Schedule 1 to the Films Act 1985 or section 1179DM provides that the certificate is to be treated as having effect.

(8) For the purposes of this section, a certificate is valid if it has effect on the day on which the production company's company tax return is submitted."

(7) Section 1179FC of CTA 2009 (British certification condition: video games) is amended as set out in subsections (8) to (11).

(8) In subsection (2), omit paragraphs (a) and (b) (including the dash before paragraph (a)) and insert "the production company's company tax return for the period is accompanied by a valid interim certificate."

(9) In subsection (3), omit paragraphs (a) and (b) and insert—

"(a) the production company's company tax return for the completion period is accompanied by a valid final certificate, or

(b) the production company has abandoned production activities in relation to the video game and the production company's company tax return for the completion period is accompanied by a valid interim certificate."

(10) In subsection (6), for the words from the beginning to "that period" substitute "If a certificate is revoked after the production company's company tax return for a period is submitted".

(11) For subsections (7) and (8) substitute—

"(7) Subsection (6) does not apply to the extent that a direction under section 1179FF provides that the certificate is to be treated as having effect.

(8) For the purposes of this section, a certificate is valid if it has effect on the day on which the production company's company tax return is submitted."

(12) In section 1179DJA(9) of CTA 2009 (certification as a low-budget film), for the words "a low-budget certificate" to the end substitute "the production company's company tax return for the period is accompanied by a low-budget certificate which has effect on that day the return is submitted".

(13) In section 15 of the F (No. 2) A 2024 (certification as a low-budget film: transitional), omit subsection (8).

(14) The amendments made by this section have effect in relation to claims made on or after the day on which this Act is passed.

(15) In relation to an accounting period beginning on or before 30 October 2024, sections 1179DJ(8) and 1179FC(8) of CTA 2009 (as inserted by subsections (6) and (11)) have effect as if they read as follows—

"(8) For the purposes of this section, a certificate is valid if—

(a) it has effect on the day on which the production company's company tax return is submitted, or

(b) it had effect on the last day of the accounting period to which the return relates."

28 Films etc: unpaid amounts

(1) CTA 2009 is amended as follows.

(2) In section 1179DT (excluded expenditure)—

(a) in the section heading, at the end insert "and unpaid amounts";

(b) the existing provision becomes subsection (1);

(c) at the end, as a new subsection, insert—

"(2) Expenditure is excluded expenditure for an accounting period to the extent that it is not paid before the end of the period of four months beginning with the first day after the final day of the accounting period."

(3) Omit section 1179DX(3).

(4) In section 1179FL (excluded expenditure)—

(a) in the section heading, at the end insert "and unpaid amounts";

(b) the existing provision becomes subsection (1);

(c) at the end, as a new subsection, insert—

"(2) Expenditure is excluded expenditure for an accounting period to the extent that it is not paid before the end of the period of four months beginning with the first day after the final day of the accounting period."

(5) Omit section 1179FP(3).

(6) The amendments in this section have effect in relation to claims made on or after the day on which this Act is passed.

29 Research and development relief: Northern Ireland companies

(1) CTA 2009 is amended as set out in subsections (2) to (5).

(2) In section 1112A (overview), for subsection (6) substitute—

"(6) Section 1112J contains provision about the amount of relief to which certain Northern Ireland companies are entitled under Chapter 2."

(3) For section 1112J and the heading above substitute—

"Northern Ireland companies

1112J Chapter 2 relief for Northern Ireland companies

(1) This section applies for the purpose of determining the entitlement of a Northern Ireland company to relief under Chapter 2.

(2) A Northern Ireland company is entitled to additional relief under Chapter 2 only to the extent that the additional relief would be exempted from notification under Article 108(3) of the TFEU by a de

minimis aid regulation listed in paragraph 3.4 of Annex 5 to the Windsor Framework (as amended or replaced from time to time).

(3) In subsection (2), "additional relief" means the difference between the value of the relief claimed by the company under Chapter 2 in respect of expenditure and the value of the relief that could have been obtained by the company under Chapter 1A in respect of that expenditure.

(4) This section does not apply to a company in relation to an accounting period if the company—

(a) has not, at any time during the accounting period, carried on a trade involving—

(i) trade in goods, or

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

(b) has notified an officer of Revenue and Customs in writing that it wishes to rely on the exception in this subsection.

(5) In this section—

"Northern Ireland company" means a company whose registered office is in Northern Ireland;

"TFEU" means the Treaty on the Functioning of the European Union as it has effect by virtue of Article 10 of the Windsor Framework;

"Windsor Framework" means the part of the EU withdrawal agreement known as the Windsor Framework by virtue of Joint Declaration No. 1/2023 of 24th March 2023 made by the European Union and the United Kingdom in the Joint Committee established by the EU withdrawal agreement."

(4) In subsection 1138A(1) (research and development undertaken abroad)—

(a) for subsection (1)(b) substitute—

"(b) the research and development is undertaken, or contracted out, by a company whose registered office is in Northern Ireland."

(b) after subsection (4) insert—

"(5) Subsection (1)(b) does not apply in relation to a company in respect of an accounting period if the company—

(a) has not, at any time during the accounting period, carried on a trade involving—

(i) trade in goods, or

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

(b) has notified an officer of Revenue and Customs in writing that it wishes to rely on the exception in section

1112J(4) (restriction of Chapter 2 relief for Northern Ireland companies)."

(5) In section 1142E(b) (orders and regulations: ancillary provision), omit "or areas".

(6) The Research and Development (Chapter 2 Relief) Regulations 2024 are revoked.

(7) The Relief for Research and Development (Content of Claim Notifications, Additional Information Requirements and Miscellaneous Amendments) Regulations 2023 are amended as follows—

(a) in regulation 3(4), omit the definition for "the Chapter 2 Regulations";

(b) in paragraph 1(2)(b) of Schedule 2, for "regulation 2(3) of the Chapter 2 Regulations" substitute "section 1112J(4) of CTA 2009";

(c) in paragraph 10 of Schedule 2 omit sub-paragraphs (1)(a) and (b) and (2) and insert—

"(a) a statement to the effect that any additional relief claimed by the company under Chapter 2 would be de minimis state aid, and

(b) the total value of de minimis state aid received by the company from the United Kingdom in the period of three years ending with the day on which the claim is made;

(2) For the purposes of sub-paragraph (1)—

"additional relief" has the meaning given in section 1112J(3) of CTA 2009;

"de minimis state aid" means aid that is exempted from notification as described in section 1112J(2) of CTA 2009."

(8) The Income and Corporation Taxes (Electronic Communications) Regulations 2003 are amended as follows—

(a) in regulation 2(1)(a)(xi) for "regulation 2(3)(b) of the Research and Development (Chapter 2 Relief) Regulations 2024" substitute "section 1112J(4)(b) of CTA 2009";

(b) in regulation 3(2AA)(c) for "regulation 2(3)(b) of the Research and Development (Chapter 2 Relief) Regulations 2024" substitute "section 1112J(4)(b) of CTA 2009".

(9) The amendments and revocation made by this section have effect in relation to claims made on or after 30 October 2024.

30 Research and development intensity condition: transitional provision

(1) In paragraph 21 of Schedule 1 to FA 2024 (higher rate of payable credit for R&D-intensive SMEs between 1 April 2023 and 1 April 2024), for sub-paragraph (4) substitute –

"(4) But that section is to be read for the purposes of sub-paragraph (3) as if –

(a) in subsections (2) and (3), for "30%" there were substituted "40%";

(b) in subsection (7), for paragraph (b) there were substituted –

"(b) it is expenditure in respect of which the company is entitled to relief under this Chapter or Chapter 6A of Part 3 for the period.""

(2) The amendment made by this section is to be treated as always having had effect.

Employee-ownership trusts

31 Employee-ownership trusts

Schedule 6 makes provision about employee ownership trusts.

Miscellaneous measures

32 Overseas transfer charge: pension schemes in EEA state or Gibraltar

(1) In Part 4 of FA 2004 (pensions) omit section 244C (exclusion from overseas transfer charge where receiving scheme in EEA state or Gibraltar, and member resident in UK or EEA state).

(2) Subsections (3) to (5) contain amendments consequential on the repeal made by subsection (1).

(3) In Part 4 of FA 2004 –

(a) in section 244J (persons liable to charge), in subsection (4) omit "or 244C";

(b) in section 244K (meaning of "transferred value"), in subsection (6) omit "or 244C".

(4) In the Pension Schemes (Information Requirements for Qualifying Overseas Pension Schemes, Qualifying Recognised Overseas Pension Schemes and Corresponding Relief) Regulations 2006 (S.I. 2006/208) –

(a) in regulation 3 (information to be provided to QROPS) in paragraph (2C) –

(i) for "neither" substitute "not";

(ii) omit paragraph (b) and the "nor" before it;

(b) in regulation 3AF (information provided by member to QROPS: inward and outward transfers), in paragraph (1)(b)(ii) omit "or 244C";

(c) in regulation 3AG (provision of information about liability for overseas transfer charge), in paragraph (2)(d) omit "or 244C";

(d) in regulation 3AH (accounting for overseas transfer charge where change of circumstances), in paragraph (1)(a)(ii) omit "or 244C(3)".

(5) In the Registered Pension Schemes (Provision of Information) Regulations 2006 (S.I. 2006/567) –

(a) in regulation 11BB (information provided by members to scheme administrators), in paragraph (1)(b)(ii) omit "or 244C";

(b) in regulation 12A (information provided by scheme administrators to members), in paragraph (2)(d) omit "or 244C".

(6) Subject to subsections (7) and (8), the amendments made by this section have effect in relation to transfers made on or after 30 October 2024.

(7) The amendments do not have effect in relation to a transfer that is made –

(a) in execution of a request made before 30 October 2024, and

(b) before 30 April 2025.

(8) Where –

(a) the repeal made by subsection (1) does not have effect in relation to a transfer, but

(b) the tax consequences of that transfer depend on the tax consequences of a later transfer in relation to which the repeal does have effect,

the tax consequences of the earlier transfer are to be determined as if the repeal did not have effect in relation to the later transfer.

33 Overseas pension schemes established in EEA states

(1) The Pension Schemes (Categories of Country and Requirements for Overseas Pension Schemes and Recognised Overseas Pension Schemes) Regulations 2006 (S.I. 2006/206) are amended as follows.

(2) In regulation 2 (requirements of an overseas pension scheme), in paragraph (2), for sub-paragraphs (a) to (d) substitute –

"(a) the scheme is an occupational pension scheme and –

(i) the scheme is regulated by a body in the country or territory in which the scheme is established that regulates occupational pension schemes, or

(ii) there is no body in that country or territory that regulates occupational pension schemes;

(b) the scheme is not an occupational pension scheme and the scheme is regulated by a body in the country or territory in which the scheme is established that regulates pension schemes that are not occupational pension schemes; or

(c) the scheme is not an occupational pension scheme and—

(i) there is no body in the country or territory in which the scheme is established that regulates pension schemes that are not occupational pension schemes, but

(ii) the establishment of the scheme was regulated, and the provision of the scheme is regulated, by a body in that country or territory that regulates providers of pension schemes."

(3) In regulation 3 (recognised overseas pension schemes: prescribed countries or territories and prescribed requirements), in paragraph (2) (prescribed countries) omit sub-paragraphs (a) and (b).

(4) Subsections (1) to (3) come into force on 6 April 2025.

34 Pension scheme administrators required to be resident in United Kingdom

(1) In Part 4 of FA 2004 (pensions), section 270 (meaning of "scheme administrator") is amended as follows.

(2) In subsection (2)—

(a) in the opening words—

(i) for "cannot be" substitute "is not";

(ii) for "unless" substitute "at any time unless, at that time,";

(b) in paragraph (a) omit the words from "or another" to the end.

(3) In subsection (3)(b) omit the words from ", whether resident" to the end;

(4) Omit subsection (4).

(5) Subsections (1) to (4) come into force on 6 April 2026.

35 Alternative finance: diminishing shared ownership refinancing arrangements

Schedule 7 makes provision about diminishing shared ownership refinancing arrangements.

36 Statutory neonatal care pay

(1) ITEPA 2003 is amended as follows.

(2) In section 660 (taxable UK benefits)—

(a) in Table A in subsection (1), after the entry relating to statutory parental bereavement pay insert—

"Statutory neonatal care pay	SSCBA 1992	Section 171ZZ16";

(b) in subsection (2), after the entry relating to statutory parental bereavement pay insert—

"statutory neonatal care pay;".

(3) In paragraph 48 of Schedule 2 (notice of possible effect of deductions under SIP partnership share agreement on employee's benefit entitlement), in sub-paragraph (2) after "statutory sick pay" insert ", statutory neonatal care pay".

(4) In regulation 2 of the Employee Share Ownership Plans (Partnership Shares—Notice of Effects on Benefits, Statutory Sick Pay and Statutory Maternity Pay) Regulations 2000 (S.I. 2000/2090)—

(a) after "statutory maternity pay" (in the first place it appears) insert ", statutory neonatal care pay";

(b) after "statutory sick pay" (in the second place it appears) insert ", statutory neonatal care pay".

(5) Subsection (4) comes into force on 6 April 2025.

PART 2

REPLACEMENT OF SPECIAL RULES RELATING TO DOMICILE

CHAPTER 1

NEW RULES FOR FOREIGN INCOME AND GAINS OF INDIVIDUALS BECOMING UK RESIDENT

37 Claim for relief on foreign income

(1) In Part 8 of ITTOIA 2005 (foreign income: special rules), after Chapter 4 insert—

"CHAPTER 5

RELIEF FOR NEW RESIDENTS ON FOREIGN INCOME

845A Claim for relief for qualifying new residents

(1) An individual may make a claim for relief for a tax year under this section (a "foreign income claim") if the individual is a qualifying new resident for that year (see section 845B).

(2) Where an individual makes a foreign income claim for a tax year, the individual is entitled to relief for the tax year that is equal to so much of the total income of the individual for that year as—

(a) reflects qualifying foreign income (see section 845F), and

(b) is identified as such in the claim.

(3) The relief is given by deducting the amount of the relief in calculating the individual's net income for the tax year (see Step 2 of the calculation in section 23 of ITA 2007).

(4) A foreign income claim must be made in a return.

(5) A foreign income claim in relation to a tax year must be made before the end of the period of 12 months beginning with 31 January after the end of that tax year.

(6) A foreign income claim may not be made as a consequential claim (within the meaning of section 43C(5) of TMA 1970) if the circumstances which give rise to the consequential claim result from a loss of tax brought about carelessly or deliberately by the individual or a person acting on the individual's behalf.

(7) See also—

(a) Chapter 5C of Part 2 of ITEPA 2003 which provides for a claim for relief that may be made in respect of foreign employment income where a foreign employment election is made, and

(b) Schedule D1 to TCGA 1992 which provides for a claim for relief that may be made in respect of foreign gains (a foreign gain claim).

(8) Sections 845C and 845D set out some income tax consequences of a foreign income claim, a foreign employment election or a foreign gain claim.

(9) See also section 1K of TCGA 1992, which provides for the loss of an individual's annual exempt amount for capital gains tax where a foreign income claim, a foreign employment election or a foreign gain claim is made.

(10) For the purposes of this section—

(a) "return" means a return under section 8 of TMA 1970 (personal return),

(b) references to a claim being included in a return include a claim being so included as a result of an amendment of the return, and

(c) subsections (5) to (7) of section 118 of TMA 1970 (loss of tax brought about carelessly or deliberately) apply for the purposes of this section as they apply for the purposes of that Act.

845B Qualifying new residents

(1) For the purposes of this Chapter, an individual is a qualifying new resident for a tax year if—

(a) the individual is UK resident for that tax year,

(b) the individual is not disqualified for that tax year, and

(c) for each of the 10 tax years before that tax year, the individual was not UK resident.

(2) An individual is also a qualifying new resident for a tax year if—

(a) the individual is UK resident for that tax year,

(b) the individual is not disqualified for that tax year, and

(c) that tax year is one of the next three tax years after a qualifying tax year in relation to the individual.

(3) A tax year is a qualifying tax year in relation to an individual if—

(a) the individual was a qualifying new resident for that tax year as a result of subsection (1),

(b) the individual would have been a qualifying new resident for that tax year as a result of that subsection, but was not only as a result of the individual being disqualified for that tax year, or

(c) the tax year—

(i) is the tax year 2022-23, 2023-24 or 2024-25, and

(ii) is a tax year to which paragraph (a) or (b) would have applied in relation to the individual had this section had effect for that tax year.

(4) An individual is disqualified for a tax year if the individual would, for the purposes of section 41 of the Constitutional Reform and Governance Act 2010, be regarded as—

(a) a member of the House of Commons for any part of that tax year, or

(b) a member of the House of Lords for any part of that tax year.

845C Effect of claim, foreign employment election or foreign gain claim on losses

(1) Subsection (2) applies where—

(a) an individual who carries on a relevant business wholly outside the United Kingdom makes a foreign income claim, a foreign employment election or a foreign gain claim for a tax year,

(b) the individual has a loss for that tax year from the relevant business, and

(c) the profits (if there were any) of the business would be qualifying foreign income for that year.

(2) No relief for that loss is available in the tax year for which the claim or election is made or in any other tax year.

(3) In this section "relevant business" means—

(a) a trade, profession or vocation, or

(b) a property business.

845D Effect of claim, foreign employment election or foreign gain claim on personal allowance etc

Where an individual makes a foreign income claim, a foreign employment election or a foreign gain claim for a tax year, the individual is not entitled, for that year, to—

(a) any allowance under Chapter 2 of Part 3 of ITA 2007 (personal allowance and blind person's allowance),

(b) any tax reduction under Chapter 3 of that Part (tax reductions for married couples and civil partners),

(c) any tax reduction under Chapter 3A of that Part (transferable tax allowance for married couples and civil partners), or

(d) any relief under section 457 or 458 of ITA 2007 (payments for life insurance etc).

845E Foreign income relief ignored for purposes of determining adjusted net income

(1) Subsection (2) applies for the purpose of determining the adjusted net income under section 58 of ITA 2007 of an individual for a tax year for which the individual has made a foreign income claim.

(2) The adjusted net income is to be determined as if the relief allowed by the claim had not been deducted in calculating the individual's net income for the tax year.

845F Qualifying foreign income

Income is qualifying foreign income if it—

(a) falls within a description set out in the following table, and

(b) is not disqualified income (see section 845G).

No.	Description
1	Profits of a trade carried on wholly outside the United Kingdom (see Chapter 2 of Part 2).
2	A UK resident partner's share of the profits of a trade carried on by the firm wholly outside the United Kingdom.
3	Profits of an overseas property business.
4	Adjustment income (within the meaning of Chapter 17 of Part 2) in respect of a trade carried on wholly outside the United Kingdom (see that Chapter).
5	Income chargeable under Chapter 2 of Part 4 (interest) that arises from a source outside the United Kingdom.

6	Income chargeable under Chapter 4 of Part 4 (dividends from non-UK resident companies).
7	Income chargeable under Chapter 7 of Part 4 (purchase life annuity payments) that arises from a source outside the United Kingdom.
8	Income chargeable under Chapter 8 of Part 4 (profits from deeply discounted securities) that arises from a source outside the United Kingdom.
9	Income chargeable under section 579 (royalties and other income from intellectual property) that arises from a source outside the United Kingdom.
10	Income chargeable under Chapter 3 of Part 5 (films and sound recordings: non-trading businesses) that arises from a source outside the United Kingdom.
11	Income chargeable under Chapter 4 of Part 5 (certain telecommunication rights: non-trading income) that arises from a source outside the United Kingdom.
12	Income that arises from a source outside the United Kingdom and that is treated as arising to an individual under section 624 or 629 (income arising under settlement attributed to settlor).
13	Income treated as arising to an individual under section 643A (benefits paid out of protected income).
14	Income chargeable under section 649 (estate income) that arises from a source outside the United Kingdom.
15	Income chargeable under Chapter 7 of Part 5 (annual payments not otherwise charged) that arises from a source outside the United Kingdom.
16	Income chargeable under Chapter 8 of Part 5 (income not otherwise charged) that arises from a source outside the United Kingdom.
17	Accrued income profits (within the meaning of Part 12 of ITA 2007) made by an individual as a result of a transfer of securities if income from the securities would be qualifying foreign income.
18	Income treated as arising under regulation 17 of the Offshore Funds (Tax) Regulations 2009 (offshore income gains).

19	Income that is treated as arising to an individual under section 721, 728 or 732 of ITA 2007 (transfer of assets abroad: deemed income) and that is "foreign" for the purposes of (respectively) section 726, 730 or 735 of that Act.
20	Pension income that arises from a source outside the United Kingdom (see Part 9 of ITEPA 2003).
21	A benefit to which section 678 of ITEPA 2003 applies (foreign social security benefits).
22	The foreign proportion (see paragraph 46 of Schedule 2 to FA 2022) of income arising as a result of the payment of interest, or the making of a distribution or qualified distribution (within the meaning of paragraph 45(5) of that Schedule), by a QAHC (within the meaning of that Schedule).

845G Disqualified income

Income is disqualified income if—

(a) it is income of a settlement (within the meaning of Chapter 5 of Part 5) arising in the tax year 2024-25 or an earlier tax year that is treated as arising in tax year 2025-26 or a later year as a result of section 648(3) to (5),

(b) it is income arising from a security treated as situated in the United Kingdom as a result of section 138ZB of TCGA 1992 (share exchanges involving non-UK incorporated close companies),

(c) it is income chargeable to income tax as a result of section 809AZB of ITA 2007 (transferred income streams),

(d) it is performance income (see section 845H), or

(e) it is income from a pension to which section 629 of ITEPA 2003 applies (pre-1973 pensions paid under the Overseas Pensions Act 1973), or

(f) it is a payment made to or in respect of—

(i) a relieved member of a relevant non-UK scheme (within the meaning of Schedule 34 to FA 2004), or

(ii) a transfer member of such a scheme,

to which the member payment provisions (within the meaning of that Schedule) apply.

845H Performance income

(1) Performance income is any income chargeable to income tax (however that charge arises) that results, directly or indirectly, from the

performance of a relevant activity by a performer (whether performed in the United Kingdom or not).

(2) "Performer" means any individual who gives performances of entertainment or sport.

(3) For the purposes of this section "performances of entertainment or sport" includes any activity of a physical kind performed by an individual (alone or with others) which is or may be made available to the public or any section of the public, whether for payment or not.

(4) The following are "relevant activities"—

(a) the giving of a performance of entertainment or sport;

(b) the participation of the performer in any sound or video recording;

(c) any activity in connection with a commercial occasion or event (including the appearance of the performer in connection with the occasion or event).

(5) The reference to a commercial occasion or event includes any description of occasion or event—

(a) for which any person might receive or become entitled, as a result of anything done by the performer, to receive anything by way of cash or any other form of property; or

(b) which is designed to promote commercial sales or activity by advertising, the endorsement of goods or services, sponsorship, or other promotional means of any kind."

(2) In ITA 2007—

(a) in section 24 (reliefs deductible at Step 2, in subsection (1)(a))—

(i) at the end insert—

"section 845A of ITTOIA 2005 (claim for relief for qualifying new residents), and", and

(ii) at the end of the entry for section 193(4) of FA 2004, omit the "and",

(b) in section 38 (personal allowance and blind person's allowance) for subsection (3) substitute—

"(3) See also—

(a) section 809G, in relation to tax years before 2025-26 where a claim for the remittance basis to apply is made, and

(b) section 845D of ITTIOA 2005, in relation to tax years from 2025-26 where a foreign income claim, a foreign employment election or a foreign gain claim is made.

Those sections provide that where an individual makes such a claim or election for a tax year, the individual is not entitled to any allowance under this Chapter for that tax year.",

(c) in section 55A (transferable tax allowance for married couples and civil partners) for subsection (3) substitute—

"(3) See also—

(a) section 809G, in relation to tax years before 2025-26 where a claim for the remittance basis to apply is made, and

(b) section 845D of ITTIOA 2005, in relation to tax years from 2025-26 where a foreign income claim, a foreign employment election or a foreign gain claim is made.

Those sections provide that where an individual makes such a claim or election for a tax year, the individual is not entitled to any tax reduction under this Chapter for that tax year.",

(d) in section 460 (residence of claimants for relief under section 457 or 458) for subsection (4) substitute—

"(4) See also—

(a) section 809G, in relation to tax years before 2025-26 where a claim for the remittance basis to apply is made, and

(b) section 845D of ITTOIA 2005, in relation to tax years from 2025-26 where a foreign income claim, a foreign employment election or a foreign gain claim is made.

Those sections provide that where an individual makes such a claim or election for a tax year, the individual is not entitled to any relief under section 457 or 458 for that tax year.",

(e) in section 809EZA (disguised investment management fees: charge to income tax)—

(i) in subsection (2A), for paragraphs (d) and (e) substitute—

"(d) the individual makes a foreign income claim for the relevant tax year.", and

(ii) in subsection (2C), for "before the end of the period of non-residence" substitute "in any period—

(a) ending immediately before a qualifying tax year in relation to the individual (within the meaning of section 845B(3) of ITTOIA (qualifying new residents)), and

(b) that consists only of tax years for which the individual is not UK resident.", and

(f) in section 989 (the definitions), at the appropriate places insert—

""foreign income claim" means a claim under section 845A of ITTOIA 2005";

""qualifying new resident" has the meaning it has in Chapter 5 of Part 8 of ITTOIA 2005 (see section 845B of that Act)."

(3) In paragraph 46 of Schedule 2 to FA 2022 (qualifying asset holding companies)—

(a) in the heading for "applies" substitute "applied or who makes a foreign income claim",

(b) in sub-paragraph (1)—

(i) in the words before paragraph (a), for "This paragraph applies" substitute "Sub-paragraphs (2) and (3) apply", and

(ii) in paragraph (a), for "applies" substitute "applied", and

(c) after sub-paragraph (6) insert—

"(6A) Sub-paragraphs (4) to (6) also apply for the purposes of item 22 in the table in section 845F of ITTOIA 2005 (qualifying foreign income for the purposes of foreign income claim)."

(4) The amendments made by this section have effect for the tax year 2025-26 and subsequent tax years.

38 Claim for relief on foreign employment income

(1) In Part 2 of ITEPA 2003 (employment income: charge to tax), after Chapter 5B insert—

"CHAPTER 5C

RELIEF FOR NEW RESIDENTS ON FOREIGN EMPLOYMENT INCOME

Foreign employment election

41M Foreign employment election for qualifying new residents

(1) This Chapter applies if an individual is a qualifying new resident for a tax year (the "qualifying year").

(2) An individual is a qualifying new resident for a tax year for the purposes of this Chapter if the individual is a qualifying new resident for the tax year for the purposes of Chapter 5 of Part 8 of ITTOIA 2005 (see section 845B of that Act).

(3) The individual may make an election for the qualifying year under this section ("a foreign employment election").

(4) Section 41P makes provision about a claim for relief—

(a) which an individual can make for the qualifying year or any subsequent tax year, where the individual has made a foreign employment election, and

(b) which entitles the individual to relief in that year calculated by reference to employment income that is in respect of the qualifying year.

(5) Sections 41Q (amount of relief available) and 41R (limit on relief) set out how to determine the amount of relief to which the individual is entitled.

(6) See also—

(a) sections 845C and 845D of ITTOIA 2005, which set out some income tax consequences of a foreign employment election, and

(b) section 1K of TCGA 1992, which provides for the loss of the individual's annual exempt amount for capital gains tax where a foreign employment election is made.

(7) A foreign employment election must be made in a return.

(8) A foreign employment election for the qualifying year must be made before the end of the period of 12 months beginning with 31 January after the end of the qualifying year.

(9) A foreign employment election may not be made as a consequential claim (within the meaning of section 43C(5) of TMA 1970) if the circumstances which give rise to the consequential claim result from a loss of tax brought about carelessly or deliberately by the individual or a person acting on the individual's behalf.

(10) For the purposes of this Chapter—

(a) "return" means a return under section 8 of TMA 1970 (personal return),

(b) references to a claim or election being included in a return include a claim or election being so included as a result of an amendment of the return, and

(c) subsections (5) to (7) of section 118 of TMA 1970 (loss of tax brought about carelessly or deliberately) apply as they apply for the purposes of that Act.

Key definitions

41N Key definitions

(1) This section sets out some definitions that apply for the purposes of this Chapter.

(2) "Qualifying employment income" means—

(a) qualifying general earnings,

(b) qualifying third party income, and

(c) qualifying securities income.

(3) "Qualifying foreign employment income" means—

(a) qualifying foreign general earnings,

(b) qualifying foreign third party income, and

(c) qualifying foreign securities income.

(4) Section 41T defines what it means—

(a) for general earnings to be "qualifying general earnings", and

(b) for qualifying general earnings to be "qualifying foreign general earnings".

(5) Section 41U defines what it means—

(a) for third party income to be "qualifying third party income", and

(b) for qualifying third party income to be "qualifying foreign third party income".

(6) Section 41V defines what it means—

(a) for securities income to be "qualifying securities income", and

(b) for qualifying securities income to be "qualifying foreign securities income".

Claim for relief

41P Claim for relief for qualifying new residents

(1) Where an individual has made a foreign employment election, the individual may make a claim for relief for the qualifying year or any subsequent tax year ("a foreign employment relief claim").

(2) Where an individual makes a foreign employment relief claim for a tax year, the individual is entitled to relief that is equal to so much of the net taxable employment income for that year as—

(a) reflects qualifying foreign employment income (see section 41Q), and

(b) is identified as such in the claim.

(3) But subsection (2) only applies to the extent the total amount of the relief given does not exceed the limit (see section 41R).

(4) The relief is given by deducting the amount of the relief in calculating the individual's net income for the tax year for which the claim is made (see Step 2 of the calculation in section 23 of ITA 2007).

(5) A foreign employment relief claim must be made in a return.

(6) A foreign employment relief claim for a tax year must be made before the end of the period of 12 months beginning with 31 January after the end of that tax year.

(7) A foreign employment relief claim may not be made as a consequential claim (within the meaning of section 43C(5) of TMA 1970) if the circumstances which give rise to the consequential claim result from a loss of tax brought about carelessly or deliberately by the individual or a person acting on the individual's behalf.

(8) For the purposes of this Chapter "net taxable employment income", in relation to a tax year, means the employment income on which the individual is charged to tax for the tax year (see section 9(1)).

41Q Amount of relief available

(1) For the purposes of section 41P(2), the amount of net taxable employment income for a tax year that "reflects" qualifying foreign employment income is the total of—

(a) the total of the amount of the net taxable earnings from each employment in the tax year that reflects qualifying foreign general earnings (see subsections (2) to (5)), and

(b) the total of the amount of the net taxable specific income from each employment for the tax year that reflects qualifying foreign third party income or qualifying foreign securities income (see subsection (6)).

(2) The amount of the net taxable earnings from an employment in a tax year that "reflects" qualifying foreign general earnings is—

(a) the amount of the taxable earnings from the employment in the tax year that are qualifying foreign general earnings, minus

(b) the amount of the qualifying deductions.

(3) If the amount calculated under subsection (2) is nil or a negative amount, then none of the net taxable earnings from the employment in the tax year reflect qualifying foreign general earnings.

(4) If the foreign employment relief claim is for the qualifying year, the amount of the qualifying deductions is the proportion of the total deductions that is the same as the proportion of the claim year taxable earnings that are qualifying foreign general earnings.

(5) If the foreign employment relief claim is for a subsequent tax year, the amount of the qualifying deductions is the amount resulting from the following steps—

Step 1

Deduct the claim year taxable earnings from the total deductions.
If the result is nil or a negative amount, there are no qualifying deductions.

Step 2

Deduct any other taxable earnings that are not qualifying foreign general earnings.
If the result is nil or a negative amount, there are no qualifying deductions.

(6) The proportion of the net taxable specific income from an employment for a tax year that "reflects" qualifying foreign third party income or qualifying foreign securities income is the same as the proportion of

the taxable specific income for the employment in that year that is qualifying foreign third party income or qualifying foreign securities income.

(7) In this section—

"claim year taxable earnings" means the taxable earnings from the employment in the tax year that are "for" the year for which the claim is made determined in accordance with section 16 and 17;

"total deductions" means the total amount of any deductions allowed from the taxable earnings from the employment in the tax year under provisions listed in section 327(3) to (5) (see section 11(1)).

41R Limit on relief

(1) This section sets out how to determine the limit on the amount of relief the individual is entitled to when making a foreign employment relief claim for a year for the purposes of section 41P(3).

(2) The limit is the lesser of—

(a) 30% of the relevant qualifying employment income, and

(b) £300,000.

(3) For the purposes of this section "relevant qualifying employment income" means—

(a) so much of the net taxable employment income for the tax year for which the claim is made as reflects qualifying employment income, and

(b) if the foreign employment relief claim is for a tax year that is subsequent to the qualifying year, so much of any net taxable employment income for any earlier tax year (but not any tax year before the qualifying year) as would reflect qualifying employment income if that earlier year was the year for which the claim was made.

(4) If the foreign employment relief claim is for a tax year that is subsequent to the qualifying year, the limit is reduced by the total of any amounts reflecting qualifying foreign employment income that have previously been relieved under section 41P.

(5) To determine the amounts mentioned in subsection (3)(a) and (b), apply section 41Q, but as if—

(a) the references in that section to qualifying foreign employment income were to qualifying employment income,

(b) the references in that section to qualifying foreign general earnings were to qualifying general earnings, and

(c) the references in that section to qualifying foreign third party income and qualifying foreign securities income were references

to qualifying third party income and qualifying securities income.

41S Foreign employment relief ignored for purposes of determining adjusted net income

(1) Subsection (2) applies for the purpose of determining the adjusted net income under section 58 of ITA 2007 of an individual for a tax year for which the individual is entitled to relief under section 41P.

(2) The adjusted net income is to be determined as if the relief had not been deducted in calculating the individual's net income for the tax year.

Qualifying foreign employment income

41T Qualifying foreign general earnings

(1) General earnings are "qualifying general earnings" if they are—

(a) "for" the qualifying year determined in accordance with sections 16 and 17,

(b) if the qualifying year is a split year as respects the individual, attributable to the UK part of the year, and

(c) from an employment the duties of which are performed wholly or partly outside the UK during the qualifying year.

(2) Any attribution required for the purposes of subsection (1)(b) is to be done on a just and reasonable basis.

(3) Qualifying general earnings are "qualifying foreign general earnings" if they are neither—

(a) in respect of duties performed in the United Kingdom, nor

(b) from overseas Crown employment subject to United Kingdom tax (see section 41W).

(4) For the purposes of subsection (3), the extent to which qualifying general earnings are in respect of duties performed in the United Kingdom is to be determined on a just and reasonable basis.

41U Qualifying foreign third party income

(1) For the purposes of this Chapter, "third party income" is an amount that counts under Chapter 2 of Part 7A (treatment of relevant step for income tax purposes) as employment income in respect of an employment.

(2) Third party income is "qualifying third party income"—

(a) if it is in respect of an employment the duties of which are performed wholly or partly outside the UK during the qualifying year, and

(b) to the extent that the value of the relevant step that counts as employment income (see section 554Z3) is—

(i) "for" the qualifying year determined in accordance with section 554Z4(2), and

(ii) if the qualifying year is a split year as respects the individual, attributable to the UK part of the year.

(3) Any attribution required for the purposes of subsection (2)(b)(ii) is to be done on a just and reasonable basis.

(4) Qualifying third party income is "qualifying foreign third party income" to the extent that it is not in respect of duties performed in the United Kingdom.

(5) The extent to which qualifying third party income is not in respect of duties performed in the United Kingdom is to be determined on a just and reasonable basis.

41V Qualifying foreign securities income

(1) For the purpose of this Chapter, "securities income" is an amount that counts under Chapters 2 to 5 of Part 7 (employment-related securities etc) as employment income in respect of an employment (the "relevant employment").

(2) Securities income is "qualifying securities income"—

(a) if the duties of the relevant employment are performed wholly or partly outside the UK during the qualifying year, and

(b) to the extent that it—

(i) accrues during the qualifying year, or

(ii) if the qualifying year is a split year as respects the individual, accrues during the UK part of the year.

(3) To determine when securities income accrues treat an equal amount of the securities income as accruing on each day of the relevant period determined in accordance with section 41G.

(4) But if the proportion of the securities income that would be regarded as qualifying securities income by virtue of subsection (3) is not, having regard to all the circumstances, just and reasonable, the amount of the securities income that is qualifying securities income is such amount as is just and reasonable.

(5) Qualifying securities income is wholly "qualifying foreign securities income" if the duties of the relevant employment are performed wholly outside the United Kingdom.

(6) If some, but not all, of the duties of the relevant employment are performed outside the United Kingdom—

(a) the qualifying securities income is to be apportioned (on a just and reasonable basis) between duties performed in the United Kingdom and duties performed outside the United Kingdom, and

(b) the income apportioned in respect of duties performed outside the United Kingdom is qualifying foreign securities income.

(7) But qualifying securities income from overseas Crown employment subject to United Kingdom tax is not qualifying foreign securities income.

41W Meaning of "overseas Crown employment subject to UK tax"

(1) This section explains what is meant by —

(a) qualifying general earnings "from overseas Crown employment subject to United Kingdom tax" for the purposes of section 41T(3)(b), and

(b) qualifying securities income "from overseas Crown employment subject to United Kingdom tax" for the purposes of section 41V(7).

(2) Qualifying general earnings and qualifying securities income are "from overseas Crown employment" if the earnings or income is from Crown employment (within the meaning of section 28(2)) in respect of duties performed outside the United Kingdom.

(3) Such earnings or income are to be taken as being "subject to United Kingdom tax" unless they fall within any exception contained in an order made under section 28(5) for the purposes of section 27(2).

(4) An order made under section 28(5) may also—

(a) provide for any exceptions mentioned in subsection (3) to not apply for the purposes of this section, and

(b) make exceptions for the purposes of this section.

(5) For the purposes of this section, if securities income is partly from overseas Crown employment subject to United Kingdom tax, a just and reasonable proportion of the securities income is to be taken to be from such employment.

41X Location of employment duties

(1) Section 38 (period of absence from employment) applies for the purposes of this Chapter as if references to general earnings were to general earnings or third party income.

(2) Section 40(1) and (2) (place of performance of duties on board vessel or aircraft) applies for the purposes of this Chapter.

(3) Duties of an employment performed in the UK sector of the continental shelf in connection with exploration of exploitation activities are to be treated for the purposes of this Chapter as being performed in the United Kingdom.

(4) In subsection (3) "the UK sector of the continental shelf" and "exploration or exploitation activities" have the same meaning as in section 41 (treatment of general earnings from employment in the UK sector of the continental shelf).

Other rules for determining amounts of qualifying foreign employment income

41Y Artificial arrangements to be disregarded

(1) Any arrangements falling within subsection (2) are to be disregarded for the purposes of determining the extent to which—

(a) general earnings are qualifying general earnings;

(b) third party income is qualifying third party income;

(c) securities income is qualifying securities income;

(2) Arrangements fall within this subsection if the main purpose, or one of the main purposes of the arrangements is to enable an individual to obtain—

(a) relief under this Chapter to which they would not otherwise be entitled, or

(b) relief under this Chapter of a greater amount than that to which they would otherwise be entitled.

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

41Z Limit on qualifying foreign employment income from associated employments

(1) This section applies if—

(a) the individual has associated employments from or in respect of which there is qualifying employment income, and

(b) the duties of the associated employments are not performed wholly outside the United Kingdom.

(2) There is a limit on how much of the qualifying employment income from or in respect of the associated employments is qualifying foreign employment income.

(3) The limit is the proportion of the qualifying employment income that is reasonable having regard to—

(a) the nature of, and time devoted to, the duties performed outside the United Kingdom, and those performed in the United Kingdom, and

(b) all other relevant circumstances.

(4) In this section "associated employments" means employments with the same employer or with associated employers; and section 24(5) and (6) applies for the purposes of this section."

(2) In Schedule 8—

(a) Part 1 makes general consequential amendments;

(b) Part 2 makes consequential amendments relating to the operation of PAYE;

(c) Part 3 contains transitional provision.

(3) The amendments made by this section and the provision made by Schedule 8 have effect for the tax year 2025-2026 and subsequent tax years.

39 Claim for relief on foreign gains

(1) TCGA 1992 is amended as follows.

(2) Before Schedule 1 insert—

"SCHEDULE D1

Section 1A(2)(za)

RELIEF FOR NEW RESIDENTS ON FOREIGN GAINS

Claim for relief for qualifying new residents

1 (1) An individual may make a claim for relief for a tax year under this paragraph (a "foreign gain claim") if the individual is a qualifying new resident for that tax year.

(2) Paragraphs 2, 3 and 4 set out the reliefs that may be obtained by making a foreign gain claim.

(3) A foreign gain claim must be made in a return.

(4) A foreign gain claim in relation to a tax year must be made before the end of the period of 12 months beginning with 31 January after the end of that tax year.

(5) A foreign gain claim may not be made as a consequential claim (within the meaning of section 43C(5) of the Management Act) if the circumstances which give rise to the consequential claim result from a loss of tax brought about carelessly or deliberately by the individual or a person acting on the individual's behalf.

(6) For the purposes of this paragraph—

(a) "return" means a return under section 8 of the Management Act (personal return),

(b) references to a claim being included in a return include a claim being so included as a result of an amendment of the return, and

(c) subsections (5) to (7) of section 118 of the Management Act (loss of tax brought about carelessly or deliberately) apply as they apply for the purposes of that Act.

Relief for qualifying foreign gains

2 (1) Where an individual makes a foreign gain claim for a tax year, the individual is entitled to relief for each qualifying foreign gain accruing to the individual in that year that is identified in the claim.

(2) The relief is given by deducting an amount equal to the sum of those gains from the total amount of chargeable gains accruing to the individual.

Relief in respect of deemed gains under section 86

3 (1) This paragraph applies if—

(a) an amount of chargeable gains would (but for this paragraph) be treated as accruing to an individual in a tax year under section 86(4) (attribution of gains to settlors of non-resident settlements),

(b) a qualifying foreign gain accrued in that tax year to the trustees of the settlement concerned (or would have done on the assumption in section 86(3)), and

(c) the individual identifies the gain mentioned in paragraph (b) in a foreign gain claim for that tax year.

(2) For the purposes of section 86(1)(e) as it applies to the individual, the following are to be disregarded (in that tax year and in later tax years)—

(a) the gain mentioned in sub-paragraph (1)(b);

(b) any qualifying foreign loss that accrued to the trustees in that tax year (or that would have so accrued on the assumption in section 86(3)).

Relief in respect of deemed gains under section 87 and Schedule 4C

4 (1) This paragraph applies if—

(a) a settlement is for a tax year—

(i) one to which section 87 applies (attribution of gains to beneficiaries of non-resident settlements), or

(ii) a relevant settlement in relation to a Schedule 4C pool, within the meaning of paragraph 8A of Schedule 4C (transfers of value: attribution of gains etc),

(b) a beneficiary of the settlement receives a capital payment from the trustees in that tax year, and

(c) the individual identifies the capital payment in a foreign gain claim for that tax year.

(2) The capital payment is to be disregarded (in that tax year and in later tax years) for the purposes of sections 87 and 87A and paragraph 8 of Schedule 4C.

(3) The following apply for the purposes of this paragraph as they apply for the purposes of section 87—

(a) section 87G (which provides for capital payments made to a close member of the settlor's family to be treated in certain cases as received by the settlor);

(b) section 97 (which makes provision about the construction of "capital payment", "settlement", "trustees" and "beneficiary").

Other effects of claim

5 For other effects of making a foreign gain claim, see—

(a) section 1K(6)(b) (annual exempt amount), which provides that where a foreign gain claim has effect in relation to an individual for a tax year, the individual has no entitlement to an annual exempt amount for that year,

(b) section 16(4) (computation of losses), which provides that where a foreign gain claim has effect in relation to an individual for a tax year, qualifying foreign losses accruing to the individual in that year are not allowable losses, and

(c) sections 845C and 845D of ITTOIA 2005, which set out some income tax consequences of making a foreign gain claim.

Interpretation of Schedule

6 In this Schedule—

"qualifying foreign asset" means an asset that—

(a) is situated outside the United Kingdom, and

(b) does not derive at least 75% of its value from UK land (see Schedule 1A);

"qualifying foreign gain" means—

(a) a chargeable gain accruing on the disposal of a qualifying foreign asset,

(b) a chargeable gain treated as accruing as a result of section 3 (gains of non-UK resident close companies attributed to UK residents) where the gain accruing to the non-UK resident close company to which the deemed gain relates accrued on the disposal of a qualifying foreign asset, or

(c) a qualifying QAHC gain,

but a chargeable gain falling within paragraph (a) or (b) is not a qualifying foreign gain if it is a gain to which paragraph 1(2) of Schedule 1 applies (pre-2025-26 gains subject to the remittance basis);

"qualifying foreign loss" means a loss accruing on the disposal of an asset that is a qualifying foreign asset;

"qualifying QAHC gain" means the foreign proportion (see paragraph 46(4) to (6) of Schedule 2 to FA 2022) of a chargeable gain accruing on the disposal of shares in a QAHC (within the meaning of that Schedule) other than a chargeable gain to which paragraph 46(3) of that Schedule applies."

(3) In section 1A (territorial scope), in subsection (2), before paragraph (a) insert—

"(za) Schedule D1 (relief for new residents on foreign gains),".

(4) In section 1E (losses deductible only when within scope of tax), in subsection (6), for "Schedule 1 (UK resident individuals not domiciled in the UK)" substitute "paragraph 5 of Schedule D1 (relief for new residents on foreign gains)."

(5) In section 1K (annual exempt amount), in subsection (6)—

(a) the words from "section" to the end become paragraph (a) of that subsection, and

(b) after that paragraph insert ", or

(b) the individual makes a foreign gain claim, a foreign income claim or a foreign employment election for that tax year."

(6) In section 16 (computation of losses), at the end insert—

"(4) A qualifying foreign loss accruing to an individual in a tax year is not an allowable loss if a foreign gain claim, a foreign income claim or a foreign employment election has effect in relation to the individual for that tax year.

(5) In subsection (4), "qualifying foreign loss" has the same meaning as in Schedule D1 (see paragraph 6 of that Schedule)."

(7) In section 288 (interpretation), in subsection (1) at the appropriate places insert—

""foreign employment election" means a claim under section 41M of ITEPA 2003;";

""foreign gain claim" means a claim under paragraph 1 of Schedule D1;";

""foreign income claim" means a claim under section 845A of ITTOIA 2005;";

""qualifying new resident" has the meaning given by section 845B of ITTOIA 2005 (which sets out the circumstances in which an individual

will be a qualifying new resident following a period of 10 years of non-residence);".

(8) In Schedule 1A, in paragraph 1, after "2B(4)(b)" insert "or paragraph 6 of Schedule D1".

(9) In Schedule 1C (annual exempt amount in cases involving settled property), in paragraph 1(4), for the words from "who" to the end substitute "to whom subsection (6) of that section does not apply."

(10) In Schedule 2 to FA 2022 (qualifying asset holding companies), in paragraph 46—

(a) in the heading (as amended by section 37(3)(a)), after "income" insert "or gain", and

(b) in sub-paragraph (6A) (as inserted by section 37(3)(c)), after "claim)" insert "and paragraph (c) of the definition of "qualifying foreign gain" in paragraph 6 of Schedule D1 to TCGA 1992 (foreign gain claims)".

(11) The amendments made by this section have effect for the tax year 2025-26 and subsequent tax years.

CHAPTER 2

ENDING THE SPECIAL TREATMENT OF INDIVIDUALS NOT DOMICILED IN UNITED KINGDOM

40 Remittance basis not available after tax year 2024-25

(1) Amendments made by paragraph 1 of Schedule 9 have the effect that the remittance basis is not available for tax year 2025-26, or for subsequent tax years.

(2) But provisions relating to the remittance of income and gains will continue to have effect in relation to income and gains subject to the remittance basis in previous tax years.

(3) Other provision is made by that Schedule (including provision amending the Income Tax Acts and TCGA 1992)—

(a) in consequence of ending the availability of the remittance basis,

(b) clarifying the circumstances in which amounts are remitted (see paragraph 5), and

(c) in connection with otherwise ending the relevance of domicile to income tax and capital gains tax.

(4) Subject to subsection (5), the provision made by that Schedule has effect for the tax year 2025-26 and subsequent tax years.

(5) The amendments made by paragraphs 7 and 8 of Schedule 9 (residence of personal representatives) have effect where the deceased person died on or after 6 April 2025.

41 Temporary repatriation facility

Schedule 10 makes provision for a "temporary repatriation facility" for individuals who have been subject to the remittance basis.

42 Rebasing of assets

Schedule 11 makes provision about the rebasing of assets for individuals who have been subject to the remittance basis.

CHAPTER 3

TRUSTS ETC

43 Trusts: connected amendments, transitional provision etc

(1) Schedule 12 amends legislation relating to the taxation of income and gains arising within trusts and similar structures, and in particular—

(a) contains amendments connected with the introduction of relief for qualifying new residents and the abolition of the remittance basis of taxation (see Chapters 1 and 2), and

(b) removes certain protections for foreign-source income and gains that have been available since the tax year 2017-18 while making transitional provision in respect of income that arose in past tax years.

(2) In that Schedule—

Part 1 amends Chapter 5 of Part 5 of ITTOIA 2005 (settlements: amounts treated as income of settlor or family);

Part 2 amends Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad);

Part 3 amends Chapter 2 of Part 3 of TCGA 1992 (settlements: chargeable gains) and other provisions of TCGA 1992 relating to trusts and similar structures;

Part 4 contains provision about commencement and transitional provision.

CHAPTER 4

INHERITANCE TAX

44 Excluded property: domicile test replaced with long-term residence test

(1) IHTA 1984 is amended as follows.

(2) In section 6 (excluded property), in subsections (1) and (1A), for "domiciled outside the United Kingdom" substitute "who is not a long-term UK resident".

(3) After section 6 insert—

"6A "Long-term UK resident": individuals

(1) For the purposes of this Act, an individual is a "long-term UK resident" at all times in a tax year if they were UK resident for at least 10 of the previous 20 tax years.

(2) But an individual is not a long-term UK resident at any time in a tax year ("the current tax year") if they were non-UK resident—

(a) for any 10 consecutive tax years during the 19 tax years before the current tax year, or

(b) for at least the required number of consecutive tax years ending with the tax year before the current tax year.

(3) To determine "the required number" for the purposes of subsection (2)(b), take the 20 tax years ending with the last tax year for which the individual was UK resident and find the number of those tax years for which the individual was UK resident ("the number of resident years").
The required number is the number in the second column of the following table corresponding to the number of resident years.

Number of resident years	Required number
13 or less	3
14	4
15	5
16	6
17	7
18	8
19	9
20	10

(4) In this section, "UK resident" means resident in the United Kingdom and "non-UK resident" means not resident in the United Kingdom.

(5) For the purposes of this section, a question as to whether the individual was UK resident for the tax year 2012-13 or an earlier tax year is to be determined as it would have been determined for income tax purposes for that tax year (and as to later tax years see Schedule 45 to the Finance Act 2013 (statutory residence test)).

(6) See also—

(a) section 6B (which modifies this section in its application to young persons);

(b) sections 267ZC to 267ZE (under which a person may be treated as a long-term UK resident as the result of an election).

6B "Long-term UK resident": young persons

(1) In the application of section 6A(1) for the purpose of determining whether a young person is a long-term UK resident at any time in a tax year ("the current tax year"), that subsection has effect as if—

(a) for "20" there were substituted the number of whole tax years for which the person was alive before the current tax year, and

(b) for "10" there were substituted half the number mentioned in paragraph (a) (rounded up, if not a whole number, to the next whole number).

(2) In subsection (1), "young person" means an individual who was under the age of 20 immediately before the current tax year.

(3) For the purposes of this Act, an individual is not a long-term UK resident at any time in a tax year if they were under the age of 1 (or were not yet born) immediately before the tax year.

6C "Long-term UK resident": bodies corporate

For the purposes of this Act, a body corporate is a "long-term UK resident" at all times in a tax year if the body—

(a) is incorporated in the United Kingdom, or

(b) was (if in existence before the beginning of the tax year) within the charge to corporation tax on income at any time during the previous tax year by virtue of section 5(1) of the Corporation Tax Act 2009 (UK resident companies)."

(4) This section comes into force on 6 April 2025.

45 Corresponding change for settled property

(1) IHTA 1984 is amended as follows.

(2) In section 48 (excluded property)—

(a) in the heading, at the end insert ": reversionary interests and Treasury securities";

(b) omit subsections (3) to (3F).

(3) After section 48 insert—

"48ZA Excluded property: property situated outside the UK etc

(1) If property comprised in a settlement—

(a) is situated outside the United Kingdom, or

(b) is a holding in an authorised unit trust or a share in an open-ended investment company,

this section applies to the property and section 6(1) and (1A) (general excluded property rule) does not.

(2) If the settlor is alive, the property is excluded property at any time when the settlor is not a long-term UK resident.

(3) If the settlor died on or after 6 April 2025, the property is excluded property if the settlor was not a long-term UK resident immediately before they died.

(4) If the settlor died before 6 April 2025, the property is excluded property if the settlor was not domiciled in the United Kingdom when the property became comprised in the settlement.

(5) Subsections (2) and (3) do not apply at any time to property to which section 49(1) (certain interests in possession) applies if, at that time, the person beneficially entitled to the interest is a long-term UK resident.

(6) Subsections (2) to (4) do not apply to property if—

(a) an individual has been beneficially entitled to an interest in possession in the property—

(i) at any time on or after 6 April 2025 while a long-term UK resident, or

(ii) at any time before that date while domiciled in the United Kingdom, and

(b) the entitlement arose directly or indirectly as a result of a disposition made on or after 5 December 2005 for a consideration in money or money's worth.

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

(a) it is immaterial whether the consideration was given by the individual or by anyone else, and

(b) the cases in which an entitlement arose indirectly as a result of a disposition include any case where the entitlement arose under a will or the law relating to intestacy.

(8) Where the conditions in paragraphs (a) to (d) of section 74A(1) (arrangements involving acquisition of interest in settled property etc) are satisfied, none of subsections (2) to (4) applies at the time when the conditions are first satisfied or at any later time to make the relevant settled property (within the meaning of section 74A) excluded property.

(9) If—

(a) an amount is payable in respect of property ("the existing property") comprised in a settlement, and

(b) the amount represents an accumulation of income which (once accumulated) becomes comprised in the settlement,

subsection (4) has effect in the case of the amount as if the reference to the time when it became comprised in the settlement were to the time when the existing property became comprised in the settlement.

(10) Subsections (2) to (4) are subject to Schedule A1 (overseas property with value attributable to UK residential property).

(11) The reference in subsection (1) to property comprised in a settlement does not include a reversionary interest in the property (and accordingly this section does not apply to such an interest and section 6(1) does)."

(4) This section comes into force on 6 April 2025.

46 Consequential, connected and transitional provision

In Schedule 13—

Part 1 contains amendments to IHTA 1984 and related legislation that are consequential on, connected with or incidental to the new excluded property tests introduced by sections 44 and 45;

Part 2 contains provision about commencement and transitional provision.

PART 3

OTHER TAXES

Value added tax

47 Removal of exemption for private school fees

(1) VATA 1994 is amended as follows.

(2) In Schedule 9 (exemptions)—

(a) in Group 6 (education)—

(i) in item 3(b)(i), after "5A" insert "(or would be so exempt but for item 1 or 2 of Part 3)";

(ii) in item 4, after "item 1" insert "(whether or not that supply also falls within item 1 or 2 of Part 3)";

(b) after Part 2 (the groups) insert—

"PART 3

EXCEPTIONS

Item No.	
1	The provision of education by a private school, other than— (a) the provision of the teaching of English as a foreign language,

(b) the provision of education in a nursery class, or
(c) the provision of a higher education course.

2 The provision of vocational training by a private school.

3 The provision of board and lodging which is closely related to a supply of a description falling within item 1 or 2.

Notes:

(1) A "private school" means an institution which is either—
  (a) a school—
    (i) at which full-time education is provided for pupils of compulsory school age or, in Scotland, school age (whether or not such education is also provided for pupils under or over that age),
    (ii) where fees or other consideration are payable for that provision of full-time education, and
    (iii) which is not a nursery school, or
  (b) an institution—
    (i) which is wholly or mainly concerned with providing education suitable to the requirements of persons over compulsory school age (or, in Scotland, school age) but under 19,
    (ii) at which full-time education is provided for such persons,
    (iii) where the provision of full-time education falling within sub-paragraph (ii) is wholly or mainly provision in respect of which fees or other consideration are payable, and
    (iv) which is not an independent training or learning provider.

(2) In Note (1)(b) an "independent training or learning provider" means an institution—
  (a) at which education or training is provided for persons over compulsory school age (or, in Scotland, school age) but under 19 under a contract with a relevant contracting authority, and
  (b) where the consideration for the provision falling within paragraph (a) is payable by the relevant contracting authority under that contract.

(3) For the purposes of Note (2), a "relevant contracting authority" means the Secretary of State, Medr (Commission for Tertiary Education and Research), the Department for the Economy in Northern Ireland or Skills Development Scotland.

(4) For the purposes of items 1 and 2, the provision of education or vocational training at a private school by any eligible body other than a private school is to be treated as provision by a private school if—

(a) the eligible body and that private school are connected within the meaning of section 1122 of the Corporation Tax Act 2010 (connected persons), or

(b) the provision by the eligible body is a result of arrangements the main purpose, or one of the main purposes, of which is to secure that the provision is an exempt supply.

(5) For the purposes of Note (4)—

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

(b) an "eligible body" has the meaning given by Note (1) to Group 6.

(6) For the purposes of item 1—

(a) a "nursery class" means a class that is composed wholly (or almost wholly) of children who—

(i) are under compulsory school age or, in Scotland, school age, and

(ii) would not be expected to attain that age while in that class, and

(b) a "higher education course"—

(i) in relation to England and Wales, has the meaning given by section 83(1) of the Higher Education and Research Act 2017;

(ii) in relation to Scotland, means a course of any description mentioned in section 5(3) of the Further and Higher Education (Scotland) Act 2005;

(iii) in relation to Northern Ireland, means a course of any description mentioned in paragraph 1 of Schedule 1 to the Further Education (Northern Ireland) Order 1997 (S.I. 1997/1772 (N.I. 15)).

(7) For the purposes of item 2 "vocational training" has the meaning given by Note (3) to Group 6.

(8) In these Notes, "compulsory school age", "pupil", "school" and "school age" have the meanings given by the Education Act 1996, the Education (Scotland) Act 1980 and the Education and Libraries (Northern Ireland) Order 1986 (S.I. 1986/594 (N.I. 3)) in relation to England and Wales, Scotland and Northern Ireland respectively."

(3) In section 31 (exempt supplies), in subsection (1), for "Schedule 9" substitute "Part 2 of Schedule 9 and it is not of a description specified in Part 3 of that Schedule".

(4) In section 8 (reverse charge on supplies received from abroad), in subsection (4A), for "Schedule 9" substitute "Part 2 of Schedule 9 and not specified in Part 3 of that Schedule".

(5) In section 43 (groups of companies), in subsection (2A)—

(a) in paragraph (b), for "Schedule 9" substitute "Part 2 of Schedule 9 or are within any of the descriptions specified in Part 3 of that Schedule";

(b) in paragraph (c) for "Schedule 9" substitute "Part 2 of Schedule 9 or which do fall within any of the descriptions specified in Part 3 of that Schedule".

48 Charge on pre-paid private school fees

(1) Subsection (2) applies to the provision of education services during a school term if a payment in respect of the services was received by the person providing the services on or after 29 July 2024 and before 30 October 2024.

(2) That provision is treated for the purposes of the charge to VAT as a supply taking place on the later of—

(a) 1 January 2025, and

(b) the first day of that term.

Accordingly, that provision is not to be regarded (as a result of provision made by or under VATA 1994) as a supply taking place at any other time.

(3) But subsection (2) does not apply to the provision of education services by a school if the school is approved under section 342 of the Education Act 1996 (approval of non-maintained special schools).

(4) In this section "the provision of education services" means a provision of education, vocational training or board and lodging falling within Part 3 of Schedule 9 (exceptions).

(5) This section is to be read as if it were contained in VATA 1994.

49 Sections 47 and 48: commencement

(1) Sections 47 and 48 are to be treated as having come into force on 30 October 2024 and have effect in relation to any provision of education, vocational training or board and lodging on or after 1 January 2025 (whenever that supply is treated as taking place for the purposes of the charge to VAT).

Stamp duty land tax

50 Increased rates for additional dwellings: transactions before 1 April 2025

(1) Section 1 of the Stamp Duty Land Tax (Temporary Relief) Act 2023 (which provides for reduced rates of stamp duty land tax for transactions before 1 April 2025) is amended as follows.

(2) In subsection (3) (which deals with purchases of additional dwellings), for the Table A mentioned there substitute—

"TABLE A: RESIDENTIAL

Part of relevant consideration	*Percentage*
So much as does not exceed £250,000	5%
So much as exceeds £250,000 but does not exceed £925,000	10%
So much as exceeds £925,000 but does not exceed £1,500,000	15%
The remainder (if any)	17%".

(3) The amendment made by this section has effect in relation to land transactions the effective date of which falls on or after 31 October 2024 but before 1 April 2025.

(4) But the amendment made by this section does not have effect in relation to a land transaction which—

(a) is effected in pursuance of a contract entered into before 31 October 2024, and

(b) is not excluded.

(5) For this purpose a land transaction is excluded if—

(a) there is any variation of the contract, or assignment of rights under the contract, on or after 31 October 2024,

(b) the transaction is effected in consequence of the exercise on or after that date of any option, right of pre-emption or similar right, or

(c) on or after that date, there is an assignment, subsale or other transaction relating to the whole or part of the subject-matter of the contract as a result of which a person other than the purchaser under the contract becomes entitled to call for a conveyance.

(6) This section also needs to be read with section 52 (which deals with cases where a contract has been substantially performed before the change in rates made by this section etc).

51 Increased rates for additional dwellings: transactions on or after 1 April 2025

(1) In Schedule 4ZA to FA 2003 (higher rates of stamp duty land tax for additional dwellings etc), for the Table A in section 55(1B) mentioned in paragraph 1(2) substitute—

"TABLE A: RESIDENTIAL

Part of relevant consideration	*Percentage*
So much as does not exceed £125,000	5%
So much as exceeds £125,000 but does not exceed £250,000	7%

So much as exceeds £250,000 but does not exceed £925,000	10%
So much as exceeds £925,000 but does not exceed £1,500,000	15%
The remainder (if any)	17%".

(2) The amendment made by this section has effect in relation to land transactions the effective date of which falls on or after 1 April 2025.

(3) But the amendment made by this section does not have effect in relation to a land transaction which—

(a) is effected in pursuance of a contract entered into before 31 October 2024, and

(b) is not excluded.

(4) For this purpose a land transaction is excluded if—

(a) there is any variation of the contract, or assignment of rights under the contract, on or after 31 October 2024,

(b) the transaction is effected in consequence of the exercise on or after that date of any option, right of pre-emption or similar right, or

(c) on or after that date, there is an assignment, subsale or other transaction relating to the whole or part of the subject-matter of the contract as a result of which a person other than the purchaser under the contract becomes entitled to call for a conveyance.

(5) This section also needs to be read with section 52 (which deals with cases where a contract has been substantially performed before the change in rates made by this section etc).

52 Contracts substantially performed before relevant rate change

(1) The Stamp Duty Land Tax (Temporary Relief) Act 2020 is amended as follows.

(2) In section 1 (reduced rates of SDLT in relation to land transactions the effective date of which falls in the period beginning with 8 July 2020 and ending with 30 June 2021)—

(a) in subsection (6) (which provides an exception from section 44(8) of FA 2003 where the contract is completed after 30 June 2021), for the words from "that the modifications" to the end substitute "the reason given by subsection (6A)", and

(b) after subsection (6) insert—

"(6A) For this purpose, the sole reason is either—

(a) that the modifications made by this section have no effect in relation to that conveyance, or

(b) that both paragraph (a) applies and the increased rates provided for by section 50 or 51 of the Finance Act 2025 would have had effect in relation to that conveyance."

(3) In section 1A (reduced rates of SDLT in relation to land transactions the effective date of which falls in the period beginning with 1 July 2021 and ending with 30 September 2021)—

(a) in subsection (5) (which provides an exception from section 44(8) of FA 2003 where the contract is completed after 30 September 2021), for the words from "that the modifications" to the end substitute "the reason given by subsection (5A)", and

(b) after subsection (5) insert—

"(5A) For this purpose, the sole reason is either—

(a) that the modifications made by this section have no effect in relation to that conveyance, or

(b) that both paragraph (a) applies and the increased rates provided for by section 50 or 51 of the Finance Act 2025 would have had effect in relation to that conveyance."

(4) In section 1 of the Stamp Duty Land Tax (Temporary Relief) Act 2023 (reduced rates of SDLT in relation to land transactions the effective date of which falls in the period beginning with 23 September 2022 and ending with 31 March 2025)—

(a) in subsection (6) (which provides an exception from section 44(8) of FA 2003 where the contract is completed after 31 March 2025), for the words from "that the modifications" to the end substitute "the reason given by subsection (6A)", and

(b) after subsection (6) insert—

"(6A) For this purpose, the sole reason is either—

(a) that the modifications made by subsections (2) to (5) have no effect in relation to that conveyance, or

(b) that both paragraph (a) applies and the increased rates provided for by section 51 of the Finance Act 2025 would have had effect in relation to that conveyance."

(5) In a case where—

(a) as a result of section 44(4) of FA 2003 the effective date of a land transaction is before 31 October 2024, and

(b) the contract concerned is completed by a conveyance on or after that date,

section 44(8) of that Act is not to apply in relation to that conveyance if the sole reason that (but for this subsection) it would have applied is that the increased rates provided for by section 50 or 51 of this Act would have had effect in relation to that conveyance.

(6) Section 44(10) of FA 2003 applies for the purposes of subsection (5).

53 Purchases by companies etc

(1) In—

(a) paragraph 3(1)(a) of Schedule 4A to FA 2003 (higher rate of SDLT for purchases by companies etc), and

(b) step 4 in section 74(1A) of FA 2003 (exercise of collective rights by tenants of flats where condition in paragraph 3(3) of that Schedule is met),

for "15%" substitute "17%".

(2) The amendments made by this section have effect in relation to land transactions the effective date of which falls on or after 31 October 2024.

(3) But the amendments made by this section do not have effect in relation to a land transaction which—

(a) is effected in pursuance of a contract entered into before that date, and

(b) is not excluded.

(4) For this purpose a land transaction is excluded if—

(a) there is any variation of the contract, or assignment of rights under the contract, on or after 31 October 2024,

(b) the transaction is effected in consequence of the exercise on or after that date of any option, right of pre-emption or similar right, or

(c) on or after that date, there is an assignment, subsale or other transaction relating to the whole or part of the subject-matter of the contract as a result of which a person other than the purchaser under the contract becomes entitled to call for a conveyance.

(5) In a case where—

(a) as a result of section 44(4) of FA 2003 the effective date of a land transaction is before 31 October 2024, and

(b) the contract concerned is completed by a conveyance on or after that date,

section 44(8) of that Act is not to apply in relation to that conveyance if the sole reason that (but for this subsection) it would have applied is that the increased rates provided for by this section would have had effect in relation to that conveyance.

(6) Section 44(10) of FA 2003 applies for the purposes of subsection (5).

Annual tax on enveloped dwellings

54 Alternative finance: land in England, Scotland or Northern Ireland

(1) In section 157 of FA 2013 (land in England or Northern Ireland sold to financial institution and leased to person under alternative finance arrangements)—

(a) in subsection (2), for "If the lessee is a company, this Part" substitute "This Part";

(b) in subsection (4), after "company" (in each place it appears) insert "or individual";

(c) in subsection (9), after "subsections" insert "(2), (3),".

(2) In section 157A of FA 2013 (land in Scotland sold to financial institution and leased to person under alternative finance arrangements)—

(a) in subsection (4), for "If the lessee is a company, this Part" substitute "This Part";

(b) in subsection (6), after "company" (in each place it appears) insert "or individual";

(c) in subsection (11), after "subsections" insert "(4), (5),".

(3) The amendments made by this section are treated as having come into force on 30 October 2024.

55 Alternative finance: land in Wales

(1) In section 157 of FA 2013, in the heading and subsection (1)(b), omit ", Wales".

(2) After section 157A of FA 2013 insert—

"157B Land in Wales sold to financial institution and leased to person

(1) This section applies where—

(a) paragraph 2 of Schedule 10 to the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017 (anaw 1) (land in Wales sold to financial institution and leased to person) applies in relation to arrangements entered into between a financial institution and another person ("the lessee"), and

(b) the land in which the institution purchases a major interest under the first transaction is in Wales and consists of or includes one or more dwellings (or parts of a dwelling).

(2) This Part has effect in relation to times when the arrangements are in operation as if—

(a) the interest held by the financial institution as mentioned in subsection (3)(b) were held by the lessee (and not by the financial institution), and

(b) the lease or sub-lease granted under the second transaction had not been granted.

(3) The reference in subsection (2) to times when the arrangements are in operation is to times when—

(a) the lessee holds the leasehold interest granted to it under the second transaction, and

(b) the interest purchased under the first transaction (or that interest except so far as transferred by a further transaction) is held by a financial institution.

(4) A company or individual treated under subsection (2)(a) as holding an interest at a particular time is treated as holding it as a member of a partnership if at the time in question the company or individual holds the leasehold interest as a member of the partnership (and this Part has effect accordingly in relation to the other members of the partnership).

(5) In relation to times when the arrangements operate for the benefit of a collective investment scheme, this Part has effect as if—

(a) the interest held by the financial institution as mentioned in subsection (6)(b) were held by the lessee for the purposes of a collective investment scheme (and were not held by the financial institution), and

(b) the lease or sub-lease granted under the second transaction had not been granted.

(6) The reference in subsection (5) to times when the arrangements operate for the benefit of a collective investment scheme is to times when—

(a) the lessee holds the leasehold interest for the purposes of a collective investment scheme, and

(b) the interest purchased under the first transaction (or that interest except so far as transferred by a further transaction) is held by a financial institution.

(7) In this section—

"financial institution" has the meaning given by paragraph 8 of Schedule 10 to the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017;

"the first transaction" has the same meaning as in paragraph 2 of Schedule 10 to that Act;

"further transaction" has the same meaning as in paragraph 2 of Schedule 10 to that Act;

"the leasehold interest" means the interest granted to the lessee under the second transaction;

"the second transaction" has the same meaning as in paragraph 2 of Schedule 10 to the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017.

(8) The reference in subsection (1) to a major interest in land is to be read in accordance with section 68 of the Land Transaction Tax and Anti-avoidance of Devolved Taxes (Wales) Act 2017.

(9) Where the lessee is an individual, references in subsections (2), (3), (5) and (6) to the lessee are to be read, in relation to times after the death of the lessee, as references to the lessee's personal representatives."

(3) The amendments made by this section are treated as having come into force on 30 October 2024.

Stamp duty and stamp duty reserve tax

56 Testing of FMI technologies or practices

(1) The Treasury may by regulations make provision about stamp duty or stamp duty reserve tax in connection with regulations made under section 13 of the Financial Services and Markets Act 2023 (testing of FMI technologies or practices).

(2) Regulations under subsection (1) may—

(a) disapply, or modify the application of, an Act;

(b) apply an Act with or without modifications,

but may not amend or repeal an Act.

(3) Regulations under subsection (1) must be made by statutory instrument.

(4) A statutory instrument containing provision (whether alone or with other provision) that has the effect of increasing the amount of duty or tax that is chargeable in respect of any instrument, transfer or agreement to transfer above the amount that would have been chargeable in the absence of regulations under this section may not be made unless a draft of the instrument has been laid before, and approved by resolution of, the House of Commons.

(5) A statutory instrument that does not contain such provision is subject to annulment in pursuance of a resolution of the House of Commons.

Inheritance tax

57 Rate bands etc for tax years 2028-29 and 2029-30

In section 86 of FA 2021 (no indexation of rate bands, residential enhancement and taper threshold for tax years up to 2027-28)—

(a) for "or 2026" substitute ", 2026, 2027 or 2028", and

(b) in the heading, for "2027-28" substitute "2029-30".

58 EBTs: prohibition on applying property for benefit of participators etc

(1) IHTA 1984 is amended as follows.

(2) In section 13 (dispositions by close companies for benefit of employees), in subsection (2)—

(a) in paragraph (a), after "who is" insert ", at the time of the disposition,";

(b) in paragraph (b), after "who is" insert ", at the time of the disposition,";

(c) in paragraph (c), for "has been" substitute "is";

(d) in paragraph (d), after "who is" insert ", at the time of the disposition or any later time,".

(3) In section 28 (employee trusts), in subsection (4)—

(a) for paragraph (a) substitute—

"(a) a person who is, at the time of the transfer of value mentioned in subsection (1), a participator in the company mentioned in that subsection; or"";

(b) in paragraph (b), after "who is" insert ", at the time of the transfer of value mentioned in subsection (1),";

(c) in paragraph (c), for "has been" substitute "is";

(d) for paragraph (d) substitute—

"(d) any person who is, at the time of the transfer of value mentioned in subsection (1) or any later time, connected with a person within paragraph (a), (b) or (c).".

59 EBTs: restriction on proportion of beneficiaries who may be participators etc

(1) IHTA 1984 is amended as follows.

(2) In section 13 (dispositions by close companies for benefit of employees), after subsection (4) insert—

"(4A) Subsection (4)(a) does not apply if, immediately after the disposition of property mentioned in subsection (1), more than 25% of relevant beneficiaries are (disregarding subsection (4)(a)) persons falling within subsection (2)(a) to (d).

(4B) In subsection (4A) "relevant beneficiary" means a person who—

(a) is a person for whose benefit the trusts permit the property to be applied, and

(b) is a person employed by or holding office with the company mentioned in subsection (1).".

(3) In section 28 (employee trusts), after subsection (6) insert—

"(6A) Subsection (6) does not apply if, immediately after the transfer of value mentioned in subsection (1), more than 25% of relevant beneficiaries are (disregarding subsection (6)) persons falling within subsection (4)(a) to (d).

(6B) In subsection (6A) "relevant beneficiary" means a person who—

(a) is a person for whose benefit the trusts permit the settled property to be applied, and

(b) is a person employed by or holding office with the company mentioned in subsection (1).".

(4) In section 75 (exemption from charge under section 65 where property becomes subject to employee benefit trust), in subsection (3), in the opening words, after "section 28(4)" insert "and (6A)".

(5) This section is treated as having come into force on 30 October 2024.

60 EBTs: shares entering trust to have been held for two years

(1) IHTA 1984 is amended as follows.

(2) In section 28 (employee trusts)—

(a) in subsection (1), after paragraph (b) insert ", and

(c) the individual has, throughout the period of two years ending with the date of the transfer, been beneficially entitled to the shares in or securities of the company that become comprised in the settlement.";

(b) after subsection (7) insert—

"(8) A reference in subsection (1)(c) to shares in or securities of a company includes, in a case in which a reorganisation of share capital has occurred, the original shares to which the new holding relates.

(9) In subsection (8)—

(a) "reorganisation of share capital" means a transaction to which section 127 of the 1992 Act (equation of original shares and new holding) applies or would apply but for section 134 of that Act;

(b) "the original shares" and "the new holding" have the meaning given by section 126(1) of the 1992 Act.".

(3) In section 75 (exemption from charge under section 65 where property becomes subject to employee benefit trust)—

(a) in subsection (2), after paragraph (c) insert "; and

(d) the shares in or securities of the company have been comprised in the settlement mentioned in section 65(1) throughout the period of two years ending with the date on which they cease to be relevant property.";

(b) after subsection (3) insert—

"(4) A reference in subsection (2)(d) to shares in or securities of a company includes, in a case in which a reorganisation of share capital has occurred, the original shares to which the new holding relates.

(5) In subsection (4)—

(a) "reorganisation of share capital" means a transaction to which section 127 of the 1992 Act (equation of original shares and new holding) applies or would apply but for section 134 of that Act;

(b) "the original shares" and "the new holding" have the meaning given by section 126(1) of the 1992 Act.".

(4) This section is treated as having come into force on 30 October 2024.

61 Agricultural property relief: environmental management agreements

(1) In Chapter 2 of Part 5 of IHTA 1984 (agricultural property relief), omit section 124C (application of agricultural property relief to land in habitat schemes) and insert—

"124C Environmental management agreements

(1) For the purposes of this Chapter, land is to be treated as agricultural property occupied for the purposes of agriculture if—

(a) the land was agricultural property throughout the period of two years ending with the day on which it became subject to an environmental management agreement, and

(b) since that day, it has been used and managed in accordance with the agreement (whether or not the agreement is still in place).

(2) A building occupied with land that is treated as agricultural property occupied for the purposes of agriculture under subsection (1) is to be treated in the same way if—

(a) it is used in connection with the use and management of the land in accordance with the environmental management agreement (whether or not the agreement is still in place) and is of a character appropriate to the land,

(b) either—

(i) it was built for the purpose of being used in connection with that use and management (whether or not the agreement was still in place), or

(ii) it was occupied with the land immediately before the land became subject to the environmental management agreement and was of a character appropriate to the land as it stood at that time, and

(c) it is not otherwise agricultural property occupied for the purposes of agriculture.

(3) For the purposes of subsection (2), where a building is occupied with land that is treated as agricultural property under subsection (1) and land that is otherwise agricultural property occupied for the purposes of agriculture, the question of whether the building is of a character appropriate to the land is to be considered by reference to all of that land.

(4) The agricultural value of property that is agricultural property as a result of this section is to be taken to be the value that would be the value of the property if it were subject to a perpetual covenant prohibiting its use otherwise than in accordance with the environmental management agreement (whether or not the agreement is still in place) (and section 115(3) does not apply).

(5) In subsection (1)(a) the reference to agricultural property includes land treated as agricultural property under this section.

(6) In this section—

"environmental management agreement" means a legally enforceable agreement between an occupier or other person with a right in land and a public authority which—

(a) is entered into for the purpose of protecting, restoring or enhancing the natural environment, or natural resources, of land or water, and

(b) in practice requires the land to be used and managed in a way that would (apart from this section) prevent it from being agricultural property occupied for the purposes of agriculture;

"land" includes pasture and woodland;

"public authority" means a person that is in entering the environmental management agreement—

(a) exercising public functions, or

(b) acting under arrangements with a public authority in relation to the exercise of the authority's functions.

(7) This section does not apply in respect of an environmental management agreement that ended before 6 March 2024."

(2) The amendments made by this section have effect—

(a) in relation to transfers of value made on or after 6 April 2025, and

(b) in relation to occasions on or after that date on which tax falls to be charged under Chapter 3 of Part 3 of IHTA 1984.

62 National Savings Bank: statements from HMRC no longer to be required

(1) In the National Savings Regulations 2015 (S.I. 2015/623), omit regulation 55 (inheritance tax chargeable on death of depositors).

(2) In the National Savings (No. 2) Regulations 2015 (S.I. 2015/624), omit regulation 90 (inheritance tax chargeable on death of holders of stock or certificates).

Alcohol duty

63 Rates of alcohol 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%	£9.61
At least 3.5% but less than 8.5%	See Table 2
At least 8.5% but not exceeding 22%	£29.54
Exceeding 22%	£32.79

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%	£10.02
Beer	£21.78
(a) Spirits, wine and other fermented products (b) Sparkling cider of an alcoholic strength exceeding 5.5%	£25.67".

(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%	£8.28
(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%	£8.63

Description of alcoholic product	Rate of duty per litre of alcohol in the product
(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%	£18.76".

(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	9.61	-
2	5	50	2.44	48.05
3	50	100	1.47	157.99
4	100	200	0.49	231.28
5	200	600	-	280.15
6	600	1000	-	280.15
7	1000	4500	-0.08	280.15

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	6.35	-
2	5	50	2.44	31.76
3	50	100	1.47	141.70

Spirits of an alcoholic strength of less than 3.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
4	100	200	0.49	214.99
5	200	600	-	263.86
6	600	1000	-	263.86
7	1000	4500	-0.08	263.86

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	10.02	-
2	5	50	2.55	50.10
3	50	100	1.53	164.78
4	100	200	0.51	241.24
5	200	600	-	292.21
6	600	1000	-	292.21
7	1000	4500	-0.08	292.21

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	19.94	-
2	5	112.5	11.08	99.68
3	112.5	225	9.97	1290.33
4	225	450	5.54	2411.75
5	450	900	3.32	3657.77
6	900	1350	-	5153.00
7	1350	4500	-1.64	5153.00

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	25.67	-
2	5	50	2.61	128.35
3	50	100	2.61	245.84
4	100	200	1.31	376.37
5	200	600	-	506.91
6	600	1000	-	506.91
7	1000	4500	-0.14	506.91

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	20.89	-
2	5	50	2.61	104.43
3	50	100	2.61	221.92
4	100	200	1.31	352.46
5	200	600	-	483.00
6	600	1000	-	483.00
7	1000	4500	-0.14	483.00

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	8.28	-
2	5	50	2.11	41.40

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 (£)
3	50	100	1.26	136.13
4	100	200	0.42	199.28
5	200	600	-	241.38
6	600	1000	-	241.38
7	1000	4500	-0.07	241.38

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	5.47	-
2	5	50	2.11	27.37
3	50	100	1.26	122.09
4	100	200	0.42	185.24
5	200	600	-	227.34
6	600	1000	-	227.34
7	1000	4500	-0.06	227.34

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	8.63	-
2	5	50	2.20	43.15
3	50	100	1.32	141.93
4	100	200	0.44	207.78
5	200	600	-	251.68
6	600	1000	-	251.68
7	1000	4500	-0.07	251.68

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	17.17	-
2	5	112.5	9.54	85.86
3	112.5	225	8.59	1111.41
4	225	450	4.77	2077.34
5	450	900	2.86	3150.59
6	900	1350	-	4438.49
7	1350	4500	-1.41	4438.49

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	18.76	-
2	5	50	1.91	93.80
3	50	100	1.91	179.66
4	100	200	0.95	275.06
5	200	600	-	370.46
6	600	1000	-	370.46
7	1000	4500	-0.11	370.46

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	15.26	-
2	5	50	1.91	76.32
3	50	100	1.91	162.18
4	100	200	0.95	257.58
5	200	600	-	352.98
6	600	1000	-	352.98

Spirits of an alcoholic strength of at least 3.5%				
Discount band	Start threshold (hectolitres)	End threshold (hectolitres)	Marginal discount (£)	Cumulative discount (£)
7	1000	4500	-0.10	352.98".

(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 "£0.88" substitute "£0.91",

(b) in the entry relating to still wine, in the second column, for "£3.28" substitute "£3.40",

(c) in the entry relating to sparkling wine, in the second column, for "£3.28" substitute "£3.40",

(d) in the entry relating to cider, in the second column, for "£0.44" substitute "£0.46",

(e) in the entry relating to sparkling cider of an alcoholic strength not exceeding 5.5% by volume, in the second column, for "£0.44" substitute "£0.46",

(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 "£1.73" substitute "£1.80",

(g) in the entry relating to other fermented products, in the second column, for "£3.28" substitute "£3.40", and

(h) in the entry relating to spirits, in the second column, for "£11.88" substitute "£12.30".

(6) The amendments made by this section are treated as having come into force on 1 February 2025.

64 Abolition of duty stamps for alcoholic products

(1) Section 112 of, and Schedule 12 to, F(No.2)A 2023 (which make provision about duty stamps for retail containers of alcoholic products) are repealed.

(2) In consequence of the repeals made by subsection (1)—

(a) in section 12(2) of FA 1994, omit paragraph (ca),

(b) in section 13A(2) of that Act—

(i) in paragraph (ea), omit sub-paragraph (ii) and the "or" before it, and

(ii) omit paragraphs (f) and (g),

(c) in paragraph 1 of Schedule 41 to FA 2008, in the Table, omit the entry relating to alcohol duty and duty stamps,

(d) in section 119 of F(No.2)A 2023—

(i) omit subsection (4), and

(ii) in subsections (5) and (8)(a), omit "or subsection (4)",

(e) in Schedule 11 to that Act, omit paragraph 1(4),

(f) in Schedule 13 to that Act, omit paragraph 9,

(g) in the form of United Kingdom Internal Accompanying Document, set out in Schedule 4 to the Excise Warehousing (Etc.) Regulations 1988 (S.I. 1988/809), in the explanatory note to Box 18a, omit the sentence beginning "If alcohol or alcoholic beverages are stamped",

(h) the Duty Stamps Regulations 2006 (S.I. 2006/202) are revoked.

(3) In consequence of the revocation of the Duty Stamps Regulations 2006 the following are revoked—

(a) paragraphs 3 and 4 of Schedule 2 to the Finance Act 2008, Schedule 40 (Appointed Day, Transitional Provisions and Consequential Amendments) Order 2009 (S.I. 2009/571),

(b) paragraphs 20 and 21 of Schedule 2 to the Excise Goods (Holding, Movement and Duty Point) Regulations 2010 (S.I. 2010/593),

(c) paragraph 49 of Schedule 3 to the Tribunals, Courts and Enforcement Act 2007 (Consequential Amendments) Order 2012 (S.I. 2012/2404),

(d) regulation 4 of the Spirits (Amendment) Regulations 2013 (S.I. 2013/1229),

(e) regulations 8 to 18 and 23 of the Excise Duties (Miscellaneous Amendments) (EU Exit) (No. 2) Regulations 2019 (S.I. 2019/15),

(f) regulations 95 and 97 of the Excise Duties (Northern Ireland Miscellaneous Modifications and Amendments) (EU Exit) Regulations 2020 (S.I. 2020/1559),

(g) regulations 13, 17 and 26 of the Travellers' Allowances and Miscellaneous Provisions (EU Exit) Regulations 2020 (S.I. 2020/1412),

(h) regulation 7 of the Excise Duties (Removal of Alcoholic Liquor to Northern Ireland and Miscellaneous Amendments) Regulations 2021 (S.I. 2021/1282),

(i) Part 2 of Schedule 2 to the Excise Duties and Value Added Tax (Northern Ireland) (Miscellaneous Modifications and Amendments) Regulations 2023 (S.I. 2023/64), and

(j) paragraph 10 of the Schedule to the Finance (No. 2) Act 2023, Part 2 (Alcohol Duty) (Appointed Day, Savings, Consequential Amendments and Transitional Provisions) Regulations 2023 (S.I. 2023/884).

(4) The amendments made by this section come into force on 1 May 2025.

(5) Where before that date a person incurs an obligation under the Duty Stamps Regulations 2006 (S.I. 2006/202) to take any steps, no requirement to take those steps continues on or after that date (despite section 16 of the Interpretation Act 1978).

(6) But subsection (5) does not apply to any obligation to preserve records made for the purposes of those regulations.

Tobacco products duty

65 Rates of tobacco products duty

(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 £334.58 per thousand cigarettes, or (b) £446.67 per thousand cigarettes.
2 Cigars	£417.33 per kilogram
3 Hand-rolling tobacco	£476.83 per kilogram
4 Other smoking tobacco and chewing tobacco	£183.49 per kilogram
5 Tobacco for heating	£343.91 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 "£422.80" substitute "£446.67",

(b) in the entry relating to hand rolling tobacco, for "£412.32" substitute "£476.83",

(c) in the entry relating to other smoking tobacco and chewing tobacco, for "£173.68" substitute "£183.49",

(d) in the entry relating to cigars, for "£395.03" substitute "£417.33",

(e) in the entry relating to cigarillos, for "£395.03" substitute "£417.33", and

(f) in the entry relating to tobacco for heating, for "£97.66" substitute "£103.17".

(3) The amendments made by this section are treated as having come into force at 6pm on 30 October 2024.

Taxes relating to vehicles

66 Rates of 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 "£345" substitute "£360", and

(b) in sub-paragraph (2A) (vehicle not covered elsewhere in Schedule with engine cylinder capacity not exceeding 1,549cc etc), for "£210" substitute "£220".

(3) In paragraph 1B (graduated rates for light passenger vehicles registered before 1 April 2017), omit paragraph (b) together with the "and" before that paragraph.

(4) In paragraph 1B, for the Table substitute—

"CO2 Emissions Figure

(1)	**(2)**	**(3)**
Exceeding or, in the first row, equal to or exceeding	**Not exceeding**	**Rate**
g/km	**g/km**	**£**
0	100	20
100	110	20
110	120	35
120	130	165
130	140	195
140	150	215
150	165	265
165	175	315
175	185	345
185	200	395
200	225	430
225	255	735
255	—	760".

(5) 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, "430" were substituted for "735" and "760"."

(6) Omit paragraphs 1C to 1F together with the italic heading before paragraph 1C (which provide for a reduced rate).

(7) In paragraph 1GA (vehicles to which Part 1AA applies), in sub-paragraph (3), omit paragraph (c).

(8) In paragraph 1GC (graduated rates for first licence for light passenger vehicles registered on or after 1 April 2017), in sub-paragraph (2), omit paragraph (b) together with the "and" before that paragraph.

(9) 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	110
50	75	130
75	90	270
90	100	350
100	110	390
110	130	440
130	150	540
150	170	1360
170	190	2190
190	225	3300
225	255	4680
255	—	5490".

(10) 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	130
50	75	270
75	90	350
90	100	390
100	110	440
110	130	540
130	150	1360
150	170	2190
170	190	3300
190	225	4680
225	255	5490
255	–	5490".

(11) In paragraph 1GD(1)(rates for any other licence for light passenger vehicles registered on or after 1 April 2017), for the words from "applicable to the vehicle is—" to the end substitute "applicable to the vehicle is £195."

(12) In paragraph 1GE(2) (rates for light passenger vehicles registered on or after 1 April 2017 with a price exceeding £40,000), for the words from "applicable to the vehicle is—" to the end substitute "applicable to the vehicle is £620."

(13) In paragraph 1J(a) (rates for light goods vehicles that are not pre-2007, post-2008 lower emission vans or pre-2011 electric vans), for "£335" substitute "£345".

(14) In paragraph 1N (which defines "pre-electric van" for the purposes of paragraph 1J), for "2003 and" insert "2003 but before 1 January 2007 or on or after 1 January 2009 but".

(15) In paragraph 2(1) (rates for motorcycles)—

(a) in paragraph (a) (engine cylinder capacity not exceeding 150cc etc), for "£25" substitute "£26",

(b) in paragraph (b) (motorbicycles with engine cylinder capacity exceeding 150cc but not exceeding 400cc), for "£55" substitute "£57",

(c) in paragraph (c) (motorbicycles with engine cylinder capacity exceeding 400cc but not exceeding 600cc), for "£84" substitute "£87", and

(d) in paragraph (d) (other cases), for "£117" substitute "£121".

(16) In consequence of the amendments made by the preceding provisions of this section, in section 10 of FA 2023, omit subsection (5)(b) and (c).

(17) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2025.

67 Rates of vehicle excise duty for rigid goods vehicles without trailers etc

(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	171	171	171
7,500	11,999	207	207	207
11,999	14,000	98	98	98
14,000	15,000	109	98	98
15,000	19,000	311	98	98
19,000	21,000	311	130	98
21,000	23,000	311	218	98
23,000	25,000	311	311	218
25,000	27,000	311	311	311
27,000	44,000	311	311	580"

(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	171	171	171
11,999	22,000	83	83	83
22,000	23,000	87	83	83
23,000	25,000	157	83	83
25,000	26,000	275	104	83
26,000	28,000	275	151	83
28,000	31,000	311	311	83
31,000	33,000	580	580	218
33,000	34,000	580	631	218
34,000	38,000	715	715	580
38,000	44,000	881	881	881

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	171	171	171
11,999	25,000	83	83	83
25,000	26,000	104	83	83
26,000	28,000	151	83	83
28,000	29,000	218	83	83

Revenue weight of vehicle		Rate		
29,000	31,000	300	83	83
31,000	33,000	580	218	83
33,000	34,000	631	311	83
34,000	36,000	631	311	218
36,000	38,000	715	580	311
38,000	44,000	881	881	580”

(4) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2025.

68 Rates of 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

Appropriate HGV road user levy 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	238
B(T)	12,000	-	-	33,000	306
B(T)	12,000	-	33,000	36,000	416
B(T)	12,000	-	36,000	38,000	331
B(T)	12,000	-	38,000	-	460
D(T)	4,000	12,000	-	30,000	378
D(T)	12,000	-	-	38,000	446
D(T)	12,000	-	38,000	-	460

Table 2

Vehicles with road-friendly suspension and 3 axles

Appropriate HGV road user levy 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	238
B(T)	12,000	-	-	38,000	306
B(T)	12,000	-	38,000	40,000	406
B(T)	12,000	-	40,000	-	306
C(T)	4,000	12,000	-	35,000	316
C(T)	12,000	-	-	38,000	383
C(T)	12,000	-	38,000	40,000	406
C(T)	12,000	-	40,000	-	383
D(T)	4,000	10,000	-	33,000	378
D(T)	4,000	10,000	33,000	36,000	416
D(T)	10,000	12,000	-	38,000	378
D(T)	12,000	-	-	-	446

Table 3

Vehicles with road-friendly suspension and 4 or more axles

Appropriate HGV road user levy 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)*	*£*

Appropriate HGV road user levy band	**Plated gross weight of trailer**		**Total weight**		**Rate**
B(T)	4,000	12,000	-	35,000	238
B(T)	12,000	-	-	-	306
C(T)	4,000	12,000	-	37,000	316
C(T)	12,000	-	-	-	383
D(T)	4,000	12,000	-	39,000	378
D(T)	12,000	-	-	-	446
E(T)	4,000	12,000	-	-	555
E(T)	12,000	-	-	-	622

Table 4

Vehicles without road-friendly suspension with 2 axles

Appropriate HGV road user levy 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	238
B(T)	12,000	-	-	31,000	306
B(T)	12,000	-	31,000	33,000	416
B(T)	12,000	-	33,000	36,000	631
B(T)	12,000	-	36,000	38,000	460
B(T)	12,000	-	38,000	-	626
D(T)	4,000	12,000	-	30,000	378
D(T)	12,000	-	-	33,000	446
D(T)	12,000	-	33,000	36,000	631
D(T)	12,000	-	36,000	38,000	460

Appropriate HGV road user levy band	**Plated gross weight of trailer**		**Total weight**		**Rate**
D(T)	12,000	-	38,000	-	626

Table 5

Vehicles without road-friendly suspension with 3 axles

Appropriate HGV road user levy 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	238
B(T)	4,000	10,000	29,000	31,000	300
B(T)	10,000	12,000	-	33,000	238
B(T)	12,000	-	-	36,000	306
B(T)	12,000	-	36,000	38,000	406
B(T)	12,000	-	38,000	-	562
C(T)	4,000	10,000	-	31,000	316
C(T)	4,000	10,000	31,000	33,000	416
C(T)	10,000	12,000	-	35,000	316
C(T)	12,000	-	-	36,000	383
C(T)	12,000	-	36,000	38,000	406
C(T)	12,000	-	38,000	-	562
D(T)	4,000	10,000	-	31,000	378
D(T)	4,000	10,000	31,000	33,000	416
D(T)	4,000	10,000	33,000	35,000	631
D(T)	10,000	12,000	-	36,000	378
D(T)	10,000	12,000	36,000	37,000	406

Appropriate HGV road user levy band	Plated gross weight of trailer		Total weight		Rate
D(T)	12,000	-	-	38,000	446
D(T)	12,000	-	38,000	-	562

Table 6

Vehicles without road-friendly suspension with 4 or more axles

Appropriate HGV road user levy 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	238
B(T)	12,000	-	-	-	306
C(T)	4,000	12,000	-	37,000	316
C(T)	12,000	-	-	-	383
D(T)	4,000	10,000	-	36,000	378
D(T)	4,000	10,000	36,000	37,000	460
D(T)	10,000	12,000	-	39,000	378
D(T)	12,000	-	-	-	446
E(T)	4,000	10,000	-	38,000	555
E(T)	4,000	10,000	38,000	-	626
E(T)	10,000	12,000	-	-	555”

(2) In that paragraph, in sub-paragraph (7), for “£609” substitute “£631”.

(3) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2025.

69 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 "£1,585" substitute "£1,643".

(2) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2025.

70 Vehicle excise duty: zero-emission vehicles

(1) VERA 1994 is amended as follows.

(2) In section 62 (other definitions), after subsection (1A) insert—

"(1AA) For the purposes of this Act, a vehicle is a "zero-emission vehicle" if the vehicle's rate of CO_2 emissions measured in grams per kilometre driven, or grams per kilowatt hour, is zero."

(3) In Schedule 1 (annual rates of duty)—

(a) in paragraph 1—

(i) in sub-paragraph (2), after "propelled" insert ", or zero-emission,";

(ii) in sub-paragraph (2A), after "propelled" insert ", or zero-emission,";

(b) in paragraph 1A (vehicles to which Part 1A applies), after sub-paragraph (1) insert—

"(1A) Sub-paragraph (1B) has effect where—

(a) the vehicle's rate of CO_2 emissions in grams per kilometre driven is zero,

(b) the certificate mentioned in sub-paragraph (1)(b) does not specify a CO_2 emissions figure, and

(c) this Part of this Schedule would apply to the vehicle if the condition in sub-paragraph (1)(b)(ii) were met.

(1B) For the purposes of this Part of this Schedule—

(a) the certificate is regarded as specifying a CO_2 figure of zero in terms of grams per kilometre driven, and

(b) accordingly the applicable CO_2 emissions figure is to be taken to be zero."

(c) in paragraph 1GA (vehicles to which Part 1AA applies), after sub-paragraph (1A) insert—

"(1B) Sub-paragraph (1C) has effect where—

(a) the vehicle's rate of CO_2 emissions in grams per kilometre driven is zero,

(b) the certificate mentioned in sub-paragraph (1)(b) does not specify a CO_2 emissions figure, and

(c) this Part of this Schedule would apply to the vehicle if the condition in sub-paragraph (1)(b)(ii) were met.

(1C) For the purposes of this Part of this Schedule (and notwithstanding anything in sub-paragraph (5))—

(a) the certificate is regarded as specifying a CO_2 figure of zero in terms of grams per kilometre driven, and

(b) accordingly the applicable CO_2 emissions figure is to be taken to be zero."

(d) in paragraph 1N, in sub-paragraph (b), at the end insert "or a zero-emission vehicle";

(e) in paragraph 2 (motorcycles)—

(i) in sub-paragraph (1)(a), after "propelled" insert "or a zero-emission vehicle";

(ii) in sub-paragraph (3), in the definition of "motorcycle", after "propelled" insert ", or zero-emission,".

(4) In Schedule 2 (exempt vehicles)—

(a) in the italic heading before paragraph 20G, at the end insert "etc";

(b) in paragraph 20G (electrically propelled vehicles), after sub-paragraph (1) insert—

"(1A) A zero-emission vehicle is an exempt vehicle."

(5) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2025.

71 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	£3.10	£7.75	£15.50	£93	£155
B	£7.46	£18.65	£37.30	£223.80	£373
C	£9.33	£29.85	£59.70	£358.20	£597".

(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	£4.04	£10.10	£20.20	£121.20	£202
B	£9.70	£24.25	£48.50	£291	£485
C	£10.36	£38.80	£77.60	£465.60	£776".

(4) In consequence of the provision made by subsections (2) and (3), in the Heavy Goods Vehicles (Charging for Use of Certain Infrastructure on the Trans-European Road Network) Regulations 2009, omit regulations 2(2)(d)(i) and 9.

(5) The amendments made by this section come into force on 1 April 2025.

72 Rates of air passenger duty until 1 April 2026

(1) Section 30 of FA 1994 (air passenger duty: rates) is amended as follows.

(2) In subsection (2) (short-haul journeys), in paragraph (b), for "£26" substitute "£28".

(3) In subsection (2A) (long-haul journeys)—
(a) in paragraph (a), for "£88" substitute "£90", and
(b) in paragraph (b), for "£194" substitute "£216".

(4) In subsection (4A) (ultra-long haul journeys)—
(a) in paragraph (a), for "£92" substitute "£94", and
(b) in paragraph (b), for "£202" substitute "£224".

(5) In subsection (4E) (journeys on aircraft equipped to carry fewer than 19 passengers)—
(a) in paragraph (za), for "£78" substitute "£84",
(b) in paragraph (a), for "£78" substitute "£84",
(c) in paragraph (aa), for "£581" substitute "£647", and
(d) in paragraph (d), for "£607" substitute "£673".

(6) The amendments made by this section have effect in relation to the carriage of passengers beginning on or after 1 April 2025 but before 1 April 2026.

73 Rates of air passenger duty from 1 April 2026

(1) Section 30 of FA 1994 (air passenger duty: rates), as amended by section 72 above, is amended as follows.

(2) In subsection (1B) (journeys ending in the United Kingdom)—
(a) in paragraph (a), for "£7" substitute "£8", and
(b) in paragraph (b), for "£14" substitute "£16".

(3) In subsection (2) (short-haul journeys)—
(a) in paragraph (a), for "£13" substitute "£15", and
(b) in paragraph (b), for "£28" substitute "£32".

(4) In subsection (2A) (long-haul journeys)—
(a) in paragraph (a), for "£90" substitute "£102", and
(b) in paragraph (b), for "£216" substitute "£244".

(5) In subsection (4A) (ultra-long haul journeys)—
(a) in paragraph (a), for "£94" substitute "£106", and
(b) in paragraph (b), for "£224" substitute "£253".

(6) In subsection (4E) (journeys on aircraft equipped to carry fewer than 19 passengers)—
(a) in paragraph (za), for "£84" substitute "£142",
(b) in paragraph (a), for "£84" substitute "£142",
(c) in paragraph (aa), for "£647" substitute "£1,097", and
(d) in paragraph (d), for "£673" substitute "£1,141".

(7) The amendments made by this section have effect in relation to the carriage of passengers beginning on or after 1 April 2026.

Environmental taxes

74 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	£0.00801 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	£0.00801 per kilowatt hour
Any petroleum gas, or other gaseous hydrocarbon, supplied in a liquid state	£0.02175 per kilogram
Any other taxable commodity	£0.06264 per kilogram".

(2) The amendment made by this section has effect in relation to supplies treated as taking place on or after 1 April 2026.

75 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 "£103.70" substitute "£126.15".

(3) In subsection (2) (reduced rate for certain disposals), in the words after paragraph (b)—

(a) for "£103.70" substitute "£126.15", and

(b) for "£3.30" substitute "£4.05".

(4) The amendments made by this section have effect in relation to disposals made (or treated as made) on or after 1 April 2025.

76 Rate of aggregates levy

(1) In section 16(4) of FA 2001 (rate of aggregates levy), for "£2.03" substitute "£2.08".

(2) The amendment made by this section has effect in relation to aggregate subjected to commercial exploitation on or after 1 April 2025.

77 Rate of plastic packaging tax

(1) In section 45(1) of FA 2021 (rate of plastic packaging tax), for "£217.85" substitute "£223.69".

(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 2025.

Soft drinks industry levy

78 Rates of soft drinks industry 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 "at the rate of £0.24 per litre" substitute "at the rate of £2.59 per 10 litres", and

(b) in paragraph (b) (other soft drinks), for "at the rate of £0.18 per litre" substitute "at the rate of £1.94 per 10 litres".

(2) The amendments made by this section have effect in relation to chargeable events occurring on or after 1 April 2025.

PART 4

MISCELLANEOUS AND FINAL

Avoidance

79 Limited liability partnerships

(1) After section 59A of TCGA 1992 (limited liability partnerships) insert—

"59AA Limited liability partnerships: deemed disposal

(1) This section applies where—

(a) a member of a limited liability partnership (the "LLP") contributed an asset to the LLP in circumstances where section 59A(1) applied in relation to the LLP, and

(b) the LLP disposes of the asset, or part of the asset, to the member, or a person connected with the member, in circumstances where section 59A(1) has ceased to apply in relation to the LLP.

(2) The asset is deemed to have been disposed of and reacquired by the member—

(a) immediately before it was contributed to the LLP, and

(b) for a consideration equal to its market value at that time.

(3) But—

(a) any chargeable gain or allowable loss accruing under subsection (2) is to be treated as accruing at the time the asset, or part of the asset, is disposed of by the LLP (as described in subsection (1)(b)), and

(b) for the purposes of Schedule 2 to the Finance Act 2019 (returns for disposals of UK land), the disposal under subsection (2) is to be treated as completed at that time.

(4) Any chargeable gain accruing on the deemed disposal is to be reduced by an amount that is just and reasonable, having regard to any chargeable gain that has otherwise accrued to the member by reference to the asset or part of the asset."

(2) The amendment made by this section has effect from 30 October 2024, but does not apply where section 59A(1) of TCGA 1992 ceased to apply in relation to the limited liability partnership before that date.

80 Loans to participators

(1) In CTA 2010, omit section 464B (relief in case of return payment to company).

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

(3) In consequence of the repeal made by subsection (1), Part 10 of CTA 2010 is amended as follows—

(a) after section 464 insert—

"464ZA Treatment of certain repayments

(1) Where—

(a) within any period of 30 days—

(i) the qualifying amount of repayments made to a close company in respect of one or more chargeable payments made by the company to a person totals £5,000 or more, and

(ii) the available amount of the relevant chargeable payments made by the company to the person or an associate of the person totals £5,000 or more, and

(b) the relevant chargeable payments are made in an accounting period subsequent to that in which the chargeable payments mentioned in paragraph (a)(i) were made,

the qualifying amount of the repayments, so far as not exceeding the available amount of the relevant chargeable payments, is to be treated for the purposes of this Chapter as a repayment of the relevant chargeable payments.

(2) A chargeable payment is a relevant chargeable payment for the purposes of subsection (1) if (or to the extent that) it is not repaid within the period of 30 days mentioned in that subsection.

(3) Where—

(a) immediately before a repayment is made in respect of one or more chargeable payments made by a close company to a person, the total amount owed to the company by the person in respect of chargeable payments is £15,000 or more,

(b) at the time the repayment is made, arrangements had been made for one or more chargeable payments to be made to replace some or all of the amount repaid, and

(c) the available amount of the chargeable payments made by the company to the person or an associate of the person under the arrangements totals £5,000 or more,

the qualifying amount of the repayment, so far as not exceeding the available amount of the chargeable payments mentioned in paragraph (c), is to be treated for the purposes of this Chapter as a repayment of those chargeable payments.

(4) An amount contained in a chargeable payment is an available amount—

(a) for the purposes of subsection (1), to the extent that no repayment has been treated as made in respect of it by the previous operation of that subsection, and

(b) for the purposes of subsection (3), to the extent that no repayment has been treated as made in respect of it—

(i) by the operation of subsection (1), or

(ii) by the previous operation of subsection (3).

(5) An amount contained in a repayment is a qualifying amount to the extent that it has not been treated by the previous operation of this section as a repayment of a chargeable payment.

(6) This section does not apply in relation to a repayment which gives rise to a charge to income tax on the participator or associate by reference to whom the loan, advance or benefit was a chargeable payment.

(7) The Treasury may by order vary a sum specified in subsection (1) or (3).

(8) An order under subsection (7) may contain incidental, supplemental, consequential and transitional provision and savings.

464ZB Section 464ZA: supplementary

(1) All such assessments and adjustments of assessments are to be made as are necessary to give effect to section 464ZA(1) and (3).

(2) If a person who has made a tax return becomes aware that, after making it, anything in it has become incorrect because of the operation of section 464ZA(1) or (3), the person must give notice to an officer of Revenue and Customs specifying how the return needs to be amended.

(3) The notice must be given within 3 months beginning with the day on which the person became aware that anything in the return had become incorrect because of the operation of section 464ZA(1) or (3).

(4) In section 464ZA, "chargeable payment" means a loan or advance made by a close company which gives rise to a charge to tax under section 455.",

(b) omit Chapter 3B (which contained only provisions that are replaced by those inserted by paragraph (a)),

(c) in section 438, (overview of Part 10) omit subsection (2B), and

(d) in section 459(2) (loan treated as made to participator), for "464C and 464D" substitute "464ZA and 464ZB".

(4) The amendments made by subsection (3) are treated as having come into force on 30 October 2024.

Crytpo-asset reporting framework

81 OECD crypto-asset reporting framework

In section 349(2) of F(No.2)A 2023 (international arrangements for exchanging information)—

(a) after paragraph (f) insert—

"(fa) the OECD Crypto-Asset Reporting Framework, published in 2022;", and

(b) in paragraph (g), for "(f)" substitute "(fa)".

Preparing for new taxes and information sharing

82 Duty on vaping products

The Commissioners for His Majesty's Revenue and Customs may prepare for the introduction of a new duty to be charged in respect of vaping products.

83 Carbon border adjustment mechanism

(1) The Commissioners for His Majesty's Revenue and Customs may prepare for the introduction of a new tax to be charged in respect of emissions embodied in imported goods.

(2) The Treasury or the Commissioners for His Majesty's Revenue and Customs may request in writing information from the UK ETS authority or a national authority for any purpose connected with the tax.

(3) If a request is made to an authority under subsection (2), the authority must provide the requested information if the authority holds it.

(4) Subsection (3) does not require the disclosure of personal data (within the meaning of section 3(2) of the Data Protection Act 2018).

(5) In this section—

"national authority" has the meaning given by section 95 of the Climate Change Act 2008;

"UK ETS authority" has the meaning given by Article 14 of the Greenhouse Gas Emissions Trading Scheme Order 2020 (S.I. 2020/1265).

Wrong cross-reference etc

84 Correction of wrong cross-reference etc

(1) In section 151I(1) of TCGA 1992, for paragraph (d) substitute—

"(d) a person with permission under Part 4A of the Financial Services and Markets Act 2000 to enter into, or to exercise or have the right to exercise rights and duties under, a contract of the kind mentioned in paragraph 23 or paragraph 23B of Schedule 2 to that Act (credit agreements and contracts for hire of goods);".

(2) In section 1179AE(2) of CTA 2009, for "either House of Parliament" substitute "the House of Commons".

(3) In section 4(2)(a) of the Taxation (Post-transition Period) Act 2020, for "section 42" substitute "section 47".

Final

85 Interpretation

In this Act the following abbreviations are references to the following Acts—

CAA 2001	Capital Allowances Act 2001
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
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

86 Short title

This Act may be cited as the Finance Act 2025.

SCHEDULES

SCHEDULE 1

Section 7

CONSEQUENTIAL PROVISION IN CONNECTION WITH SECTION 7

Amendments of TCGA 1992

1 TCGA 1992 is amended as follows.

2 In section 1I (income taxed at higher rates or gains exceeding unused basic rate band)—

(a) in subsection (1)—

(i) omit paragraph (za), and

(ii) in paragraph (b), for "20%" substitute "24%",

(b) in subsection (2), in the closing words—

(i) omit "at the rate of 24% (so far as comprising residential property gains),", and

(ii) for "20%" substitute "24%",

(c) in subsection (5)—

(i) omit paragraph (za), and

(ii) in paragraph (b), for "20%" substitute "24%", and

(d) for subsections (7) to (9) substitute—

"(7) The individual may allocate so much of the unused part of the individual's basic rate band as then remains to any carried interest gains or any other gains.

(8) The effect of the allocation is that the gains to which the allocation is made are charged at the rate of 18%.

(9) Any gains to which no allocation is made are charged—

(a) at the rate of 28% (if they are carried interest gains), or

(b) at the rate of 24% (if they are other kinds of gains)."

3 In section 222A (determination of main residence: non-resident CGT disposals), in subsection (1)(b)(i), for "a residential property gain (as defined by Schedule 1B)" substitute "a gain".

4 In section 223 (amount of relief), in subsection (7)(b), for "a residential property gain (as defined by Schedule 1B)" substitute "a gain".

5 Omit Schedule 1B (residential property gains).

6 (1) Schedule 4AA (re-basing for non-residents in respect of UK land etc held on 5 April 2019) is amended as follows.

(2) Omit paragraphs 5, 10, 11 and 15.

(3) In paragraph 22(3), for "Schedule 1B" substitute "paragraphs 16E to 16H of Schedule 2 to the Finance Act 2019".

Amendments of other Acts

7 In paragraph 8(3) of Schedule A1 to IHTA 1984 (non-excluded overseas property), for "Schedule 1B to the 1992 Act" substitute "paragraphs 16B to 16H of Schedule 2 to the Finance Act 2019".

8 In Schedule 1 to FA 2019, omit paragraph 15.

9 (1) Schedule 2 to that Act (returns and payments on account: disposals of UK land etc) is amended as follows.

(2) After paragraph 16 insert—

"Interpretation of "residential property gains"

16A(1) In this Part of this Schedule "residential property gain" means so much of a chargeable gain accruing to a person on a disposal of residential property as, in accordance with paragraph 16B, is attributable to that property.

(2) The question whether or not a person disposes of residential property is determined in accordance with paragraphs 16C to 16G.

16B(1) For the purposes of paragraph 16A the proportion of a chargeable gain attributable to residential property is equal to—

(a) the relevant fraction of the gain, and

(b) if there has been mixed use of the land to which the disposal relates on one or more days in the applicable period, the relevant fraction of the gain as adjusted, on a just and reasonable basis, to take account of the mixed use on the day or days.

(2) The relevant fraction is A/B where—

A is the number of days in the applicable period on which the land to which the disposal relates consists of or includes a dwelling, and

B is the total number of days in the applicable period.

(3) There is mixed use of land on any day on which the land consists of—

(a) one or more dwellings, and

(b) other land.

(4) If the disposal is of an interest in land subsisting under a contract for the acquisition of land consisting of or including a building that is to be constructed or adapted for use as a dwelling, that

land is taken to consist of or include a dwelling throughout the applicable period.

(5) In this paragraph "the applicable period" means the period—

(a) beginning with the day on which the person making the disposal acquired the interest in land being disposed of or, if later, the day from which the interest in land became chargeable, and

(b) ending with the day before the day on which the disposal occurs.

(6) For the purposes of this paragraph an interest in land became "chargeable"—

(a) in any case where the disposal is of an interest in land in the United Kingdom—

(i) by a person in a tax year in which the person is not UK resident, or

(ii) by a person in the overseas part of a tax year which is, as respects the person, a split year,

from 6 April 2015, and

(b) in any other case, from 31 March 1982.

(7) If the interest in land disposed of by the person results from interests in land acquired by the person at different times, the person is regarded for the purposes of this paragraph as having acquired the interest disposed of at the time of the first acquisition.

16C(1) For the purposes of paragraph 16A a person "disposes of residential property" if the person disposes of an interest in land in a case where—

(a) the land consisted of or included a dwelling at any time falling on or after the date on which the applicable period begins,

(b) the interest in land subsisted for the benefit of land that consisted of or included a dwelling at any time falling on or after that date, or

(c) the interest in land subsists under a contract for the acquisition of land consisting of or including a building that is to be constructed or adapted for use as a dwelling.

(2) No account is to be taken for the purposes of this paragraph of any time falling on (or after) the day on which the disposal is made.

16D(1) For the purposes of paragraphs 16B to 16H an "interest in land" means—

(a) an estate, interest, right or power in or over land, or

(b) the benefit of an obligation, restriction or condition affecting the value of an estate, interest, right or power in or over land,

other than an excluded interest.

(2) The following interests are "excluded interests"—

(a) any interest or right held for securing the payment of money or the performance of any other obligation,

(b) a licence to use or occupy land,

(c) in relation to land in England and Wales or Northern Ireland, a tenancy at will or an advowson, franchise or manor, and

(d) such other descriptions of interest or right in relation to land as may be specified in regulations made by the Treasury.

(3) An interest or right is not within sub-paragraph (2)(a) if it is—

(a) a rentcharge, or

(b) in relation to land in Scotland, a feu duty or a payment mentioned in section 56(1) of the Abolition of Feudal Tenure etc. (Scotland) Act 2000.

(4) The grant of an option by a person binding the person to dispose of an interest in land is (so far as it would not otherwise be the case) regarded as a disposal of an interest in land by the person for the purposes of this Schedule.

(5) This does not affect the operation of section 144 in relation to the grant of the option (or otherwise).

(6) In applying the domestic concepts of law mentioned in this paragraph to land outside the United Kingdom, this paragraph is to be read so as to produce the result most closely corresponding with that produced in relation to land in the United Kingdom.

(7) In this paragraph—

"franchise" means a grant from the Crown such as the right to hold a market or fair, or the right to take tolls, and

"land" includes—

(a) buildings and structures, and

(b) land under the sea or otherwise covered by water.

16E(1) For the purposes of paragraphs 16B to 16H a building is a dwelling at any time when—

(a) it is used, or suitable for use, as a dwelling, or

(b) it is in the process of being constructed or adapted for use as a dwelling,

and, in each case, it is not an institutional building.

(2) Land that at any time is, or is intended to be, occupied or enjoyed with a dwelling as a garden or grounds (including any building or structure) is taken to be part of the dwelling at that time.

(3) A building is an institutional building if—

(a) it is used as residential accommodation for school pupils,

(b) it is used as residential accommodation for members of the armed forces,

(c) it is used as a home or other institution providing residential accommodation for children,

(d) it is used as a home or other institution providing residential accommodation with personal care for persons in need of personal care because of old age, disability, past or present dependence on alcohol or drugs or past or present mental disorder,

(e) it is used as a hospital or hospice,

(f) it is used as a prison or similar establishment,

(g) it is used as a hotel or inn or similar establishment,

(h) it is otherwise used, or suitable for use, as an institution that is the sole or main residence of its residents,

(i) it falls within—

(i) paragraph 4 of Schedule 14 to the Housing Act 2004 (buildings in England or Wales occupied by students and managed or controlled by educational establishment etc), or

(ii) any provision having effect in Scotland or Northern Ireland that is designated by regulations made by the Treasury as provision corresponding to paragraph 4 of that Schedule, or

(j) it qualifies in accordance with the next sub-paragraph as student accommodation.

(4) A building qualifies as student accommodation in accordance with this sub-paragraph at any time if the time falls in a tax year in which—

(a) the accommodation provided by the building includes at least 15 bedrooms,

(b) the accommodation is purpose-built, or is converted, for occupation by students, and

(c) the accommodation is occupied by students on at least 165 days.

(5) Accommodation is to be regarded as occupied by persons as students if they occupy it wholly or mainly for undertaking a course of education (otherwise than as school pupils).

16F (1) A building is treated for the purposes of paragraph 16E as continuing to be suitable for use as a dwelling at any time when it has become temporarily unsuitable for use as a dwelling.

(2) There is an exception to this rule if—

(a) the temporary unsuitability resulted from accidental damage to the building, and

(b) the damage resulted in the building becoming unsuitable for use as a dwelling for a period of at least 90 consecutive days ("the 90 day period").

(3) This exception does not apply if the damage occurred in the course of work that—

(a) was being done for the purpose of altering the building, and

(b) itself involved, or could be expected to involve, making the building unsuitable for use as a dwelling for at least 30 consecutive days.

(4) If the exception applies, work done in the 90 day period to restore the building to suitability for use as a dwelling is not to count for the purposes of paragraph 16E as constructing or adapting the building for use as a dwelling.

(5) For the purposes of this paragraph—

(a) references to accidental damage include damage otherwise caused by events beyond the control of the person disposing of the interest in land,

(b) references to alteration of a building include its partial demolition, and

(c) the 90 day period does not include the day of the disposal (or later days).

(6) For the purposes of this paragraph a building's unsuitability for use as a dwelling is not regarded as temporary if paragraph 16G applies (disposal of a building that has undergone works).

16G (1) If—

(a) a person disposes of an interest in land on which a building has been suitable for use as a dwelling, and

(b) as a result of qualifying works, the building has, at or before the time of completion of the disposal, ceased to exist or become unsuitable for use as a dwelling,

the building is to be regarded for the purposes of paragraph 16E as unsuitable for use as a dwelling throughout the works period.

(2) For the purposes of this paragraph works are "qualifying" works if—

(a) any planning permission or development consent required for the works, or for any change of use with which they

are associated, has been granted (whether before or after completion), and

(b) the works have been carried out in accordance with the permission or consent.

(3) In this paragraph "the works period" means—

(a) the period when the works were in progress, and

(b) such period (if any) ending immediately before the start of the works throughout which the building was, for reasons connected with the works, not used as dwelling.

(4) If at any time when qualifying works are in progress—

(a) the building was undergoing any other work, or put to any other use, in relation to which planning permission or development consent was required but has not (at any time) been granted, or

(b) anything else was being done in contravention of a condition or requirement attached to a planning permission or development consent relating to the building,

the works period does not include that time.

(5) If sub-paragraph (1) would have applied but for the fact that, at the completion of the disposal, the works are not qualifying works, the works are regarded as not affecting the building's suitability for use as a dwelling at any time before the disposal.

16H(1) For the purposes of paragraphs 16B to 16G a building is regarded as ceasing to exist from the time when either—

(a) it has been demolished completely to ground level, or

(b) it has been demolished to ground level except for a single facade (or a double facade if it is on a corner site) the retention of which is a condition or requirement of planning permission or development consent.

(2) For the purposes of paragraphs 16B to 16G the completion of the disposal of an interest in land is regarded as occurring—

(a) at the time of the disposal, or

(b) if the disposal is under a contract which is completed by a conveyance, transfer or other instrument, at the time when the instrument takes effect.

(3) For the purposes of paragraphs 16B to 16G—

"building" includes a part of a building,

"development consent" means—

(a) in the case of land in the United Kingdom, development consent under the Planning Act 2008, and

(b) in the case of land outside the United Kingdom, consent corresponding to development consent under that Act, and

planning permission" –

(a) in the case of land in England or Wales, has the meaning given by section 336(1) of the Town and Country Planning Act 1990,

(b) in the case of land in Scotland, has the meaning given by section 227(1) of the Town and Country Planning (Scotland) Act 1997,

(c) in the case of land in Northern Ireland, has the meaning given by Article 2(2) of the Planning (Northern Ireland) Order 1991, and

(d) in the case of land outside the United Kingdom, means permission corresponding to any planning permission in relation to land anywhere in the United Kingdom.".

(3) For the italic heading before paragraph 17 substitute "*Other interpretation*".

(4) In paragraph 17(1), omit the definition of "residential property gains" (but not the "and" at the end of that definition).

10 In section 6 of F(No.2)A 2024, omit –

(a) subsection (1)(a), (c) and (e), and

(b) subsection (2)(a)(i), (b)(i), (c)(i) and (d)(i).

SCHEDULE 2

Section 11

SECTIONS 7 TO 10 : TRANSITIONAL PROVISION

PART 1

TRANSITIONAL PROVISION IN CONSEQUENCE OF SECTION 7 AND SCHEDULE 1

Introductory

1 This Part of this Schedule applies for the purpose of determining how the provisions of TCGA 1992 mentioned below are to apply for the tax year 2024-25 for the purposes of the amendments made by section 7 and Schedule 1.

Allocation of amounts to times before or after 30 October 2024

2 Gains or losses treated as accruing to an individual under section 1M of TCGA 1992 (temporary non-residents) in the tax year 2024-25 are to be treated as accruing before 30 October 2024.

3 Foreign chargeable gains under section 809J of ITA 2007 (section 809I: order of remittances) in the tax year 2024-25 are to be treated for the purposes of paragraph 1(2) of Schedule 1 to TCGA 1992 (UK resident individuals not domiciled in UK) as remitted before 30 October 2024.

4 Chargeable gains treated as accruing to a settlor under section 86(4)(a) of TCGA 1992 (attribution of gains to settlors with interest in non-resident or dual resident settlements) in the tax year 2024-25 are to be treated as accruing before 30 October 2024.

5 (1) This paragraph makes provision in relation to—

(a) chargeable gains treated as accruing to a beneficiary of a settlement under section 87(2) of TCGA 1992 (non-UK resident settlements: attribution of gains to beneficiaries) in the tax year 2024-25,

(b) chargeable gains treated as accruing to a beneficiary of a settlement under section 89(2) of that Act (migrant settlements etc) in that tax year, and

(c) chargeable gains treated as accruing to a beneficiary of a relevant settlement under paragraph 8(1) of Schedule 4C to that Act (attribution of Schedule 4C gains to beneficiaries) in that tax year.

(2) Such of the chargeable gains within sub-paragraph (1)(a), (b) or (c) as result from the matching of capital payments received before 30 October 2024 are to be treated as accruing before that date.

(3) Such of the chargeable gains within sub-paragraph (1)(a), (b) or (c) as result from the matching of capital payments received on or after that date are to be treated as accruing on or after that date.

(4) The reference in sub-paragraph (1)(b) to section 89(2) of TCGA 1992 is to be read as including a reference to that section as applied by section 90(6)(a) of that Act (transfers between settlements).

PART 2

ANTI-FORESTALLING PROVISIONS: SECTIONS 7(3) AND 10(2)

Introductory

6 This Part of this Schedule applies for the purposes of sections 7(3) and 10(2) in the cases of certain acts done before 30 October 2024.

Assets transferred under unconditional contract made before 30 October 2024

7 (1) If an asset is transferred on or after 30 October 2024 under an unconditional contract made before that date, the disposal is, despite section 28(1) of TCGA 1992, to be treated as taking place at the time the asset is transferred (rather than at the time the contract is made) unless the contract is an excluded contract.

(2) A contract is an excluded contract if—

(a) obtaining an advantage by reason of the application of section 28(1) of TCGA 1992 was no purpose of entering into the contract, and

(b) where the parties to the contract are connected persons, the contract was entered into wholly for commercial reasons.

(3) A contract is not to be regarded as an excluded contract unless the person making the transfer makes a claim which includes a statement that the contract meets the conditions to be an excluded contract.

(4) But no claim is required if the total amount of—

(a) the chargeable gain accruing on the disposal, and

(b) the chargeable gains accruing on all other disposals made under excluded contracts (including contracts which are excluded contracts for the purposes of paragraphs 11 to 13),

does not exceed £100,000.

(5) For this purpose the amount of any gain accruing on a qualifying business disposal is to be taken to be the amount of the gain under section 169N(2) of TCGA 1992.

(6) If the person making the transfer makes—

(a) a claim under section 169M of TCGA 1992 in relation to a qualifying business disposal (business asset disposal relief), or

(b) a claim under section 169VM of that Act (investors' relief) in relation to a disposal,

section 169M(2) and (3) of that Act, or (as the case may be) section 169VM(1) and (2) of that Act, apply to a claim under sub-paragraph (3) in relation to the disposal as they apply to a claim under the section concerned.

(7) In this paragraph "qualifying business disposal" has the meaning given by Chapter 3 of Part 5 of TCGA 1992.

(8) In this paragraph any reference to the transfer of an asset includes its conveyance.

Investors' relief: reorganisations of share capital before 30 October 2024

8 (1) This paragraph applies for the purposes of an election under section 169VT of TCGA 1992 in relation to a reorganisation of a company where—

(a) the reorganisation takes place on or after 6 April 2023 but before 30 October 2024, and

(b) the election is made on or after 30 October 2024.

(2) If, as at 30 October 2024, a relevant individual holds qualifying shares or potentially qualifying shares, the disposal of the original shares is to be treated as taking place at the time of the election and not at the time of the reorganisation.

(3) For this purpose "a relevant individual" means—

(a) where a claim under section 169VM of TCGA 1992 is made jointly by the trustees of a settlement and an eligible beneficiary, an eligible beneficiary, and

(b) where a claim under that section is made by an individual, the individual.

(4) References in this paragraph to a reorganisation are to a reorganisation within the meaning of section 126 of TCGA 1992 or an exchange of shares or securities which is treated as such a reorganisation by virtue of section 135 or 136 of that Act, applying for the purposes of this paragraph the provision made by sections 169VN to 169VS of that Act.

(5) In this paragraph "qualifying shares" and "potentially qualifying shares" have the meaning given by section 169VB of that Act.

Interpretation

9 This Part of this Schedule is to be read as if it were contained in TCGA 1992.

PART 3

ANTI-FORESTALLING PROVISIONS: SECTIONS 8(3) AND (6) AND 9(4) AND (8)

Introductory

10 This Part of this Schedule applies—

(a) in the case of business asset disposal relief, for the purposes of section 8(3) and (6), and

(b) in the case of investors' relief, for the purposes of section 9(4) and (8).

Assets transferred on or after 6 April 2025 under unconditional contract made before 30 October 2024

11 If an asset is transferred on or after 6 April 2025 under an unconditional contract made before 30 October 2024, the disposal is, despite section 28(1) of TCGA 1992, to be treated as taking place at the time the asset is transferred (rather than at the time the contract is made) unless the contract is an excluded contract.

Assets transferred on or after 6 April 2025 under unconditional contract made on or after 30 October 2024 but before 6 April 2025

12 If an asset is transferred on or after 6 April 2025 under an unconditional contract made on or after 30 October 2024 but before 6 April 2025, the disposal is, despite section 28(1) of TCGA 1992, to be treated as taking place at the time the asset is transferred (rather than at the time the contract is made) unless the contract is an excluded contract.

Assets transferred on or after 6 April 2026 under unconditional contract made in tax year 2025-26

13 If an asset is transferred on or after 6 April 2026 under an unconditional contract made at any time in the tax year 2025-26, the disposal is, despite section 28(1) of TCGA 1992, to be treated as taking place at the time the asset is transferred (rather than at the time the contract is made) unless the contract is an excluded contract.

Paragraphs 11 to 13: supplementary provision

14 (1) A contract is an excluded contract for the purposes of paragraphs 11 to 13 if—

(a) obtaining an advantage by reason of the application of section 28(1) of TCGA 1992 was no purpose of entering into the contract, and

(b) where the parties to the contract are connected persons, the contract was entered into wholly for commercial reasons.

(2) A contract is not to be regarded as an excluded contract for the purposes of paragraphs 11 to 13 unless the person making the transfer makes a claim which includes a statement that the contract meets the conditions to be an excluded contract.

(3) But no claim is required if the total amount of—

(a) the chargeable gain accruing on the disposal, and

(b) the chargeable gains accruing on all other disposals made under excluded contracts (including contracts which are excluded contracts for the purposes of paragraph 7),

does not exceed £100,000.

(4) For this purpose the amount of any gain accruing on a qualifying business disposal is to be taken to be the amount of the gain under section 169N(2) of TCGA 1992.

(5) If the person making the transfer referred to in paragraphs 11 to 13 makes—

(a) a claim under section 169M of TCGA 1992 in relation to a qualifying business disposal (business asset disposal relief), or

(b) a claim under section 169VM of that Act (investors' relief) in relation to a disposal,

section 169M(2) and (3) of that Act, or (as the case may be) section 169VM(1) and (2) of that Act, apply to a claim under sub-paragraph (2) in relation to the disposal as they apply to a claim under the section concerned.

(6) Any reference in paragraphs 11 to 13 (or this paragraph) to the transfer of an asset includes its conveyance.

(7) In this paragraph "qualifying business disposal" has the meaning given by Chapter 3 of Part 5 of TCGA 1992.

Business asset disposal relief: reorganisations of share capital before 30 October 2024

15 (1) This paragraph applies for the purposes of an election under 169Q of TCGA 1992 in relation to a reorganisation of a company where—

(a) the reorganisation takes place on or after 6 April 2023 but before 30 October 2024, and

(b) the election is made on or after 30 October 2024.

(2) If, as at 30 October 2024—

(a) the company is the relevant individual's personal company and is either a trading company or the holding company of a trading group, and

(b) the relevant individual is an officer or employee of the company or (if the company is a member of a trading group) of one or more companies which are members of the trading group,

the disposal of the original shares is to be treated as taking place at the time of the election and not at the time of the reorganisation.

(3) For this purpose "the relevant individual" means—

(a) where a claim under section 169M of TCGA 1992 is made jointly by the trustees of a settlement and a qualifying beneficiary, the qualifying beneficiary, and

(b) where a claim under that section is made by an individual, the individual.

(4) In this paragraph—

"holding company" has the same meaning as in section 165 of TCGA 1992 (see section 165A),

"the original shares" has the meaning given by section 126 of TCGA 1992,

"reorganisation" has the meaning given by that section, and

"trading company" and "trading group" have the meaning given by paragraph 1 of Schedule 7ZA to TCGA 1992.

(5) References in this paragraph to a reorganisation do not include an exchange of shares or securities which is treated as a reorganisation by virtue of section 135 or 136 of TCGA 1992 (but see instead paragraph 17).

Business asset disposal relief: reorganisations of share capital on or after 30 October 2024 but before 6 April 2026

16 (1) This paragraph applies for the purposes of an election under 169Q of TCGA 1992 in relation to a reorganisation of a company where—

(a) the reorganisation takes place on or after 30 October 2024 but before 6 April 2026, and

(b) the election is made on or after 30 October 2024.

(2) If, when the election is made—

(a) the company is the relevant individual's personal company and is either a trading company or the holding company of a trading group, and

(b) the relevant individual is an officer or employee of the company or (if the company is a member of a trading group) of one or more companies which are members of the trading group,

the disposal of the original shares is to be treated as taking place at the time of the election and not at the time of the reorganisation.

(3) If, at any time ("the relevant time") before the making of the election, anything mentioned in sub-paragraph (2)(a) or (b) ceases to be as mentioned there, the disposal of the original shares is to be treated as taking place immediately before the relevant time and not at the time of the reorganisation.

(4) For the purposes of this paragraph "the relevant individual" means—

(a) where a claim under section 169M of TCGA 1992 is made jointly by the trustees of a settlement and a qualifying beneficiary, the qualifying beneficiary, and

(b) where a claim under that section is made by an individual, the individual.

(5) In this paragraph—

"holding company" has the same meaning as in section 165 of TCGA 1992 (see section 165A),

"the original shares" has the meaning given by section 126 of TCGA 1992,

"reorganisation" has the meaning given by that section, and

"trading company" and "trading group" have the meaning given by paragraph 1 of Schedule 7ZA to TCGA 1992.

(6) References in this paragraph to a reorganisation do not include an exchange of shares or securities which is treated as a reorganisation by virtue of section 135 or 136 of TCGA 1992 (but see instead paragraph 18).

(7) This paragraph does not apply if both the reorganisation and the election occur in the same tax year.

Business asset disposal relief: exchanges of securities etc before 30 October 2024

17 (1) This paragraph applies for the purposes of an election under section 169Q of TCGA 1992 in relation to an exchange of shares or securities within section 135(1) of TCGA 1992 where—

(a) the exchange takes place on or after 6 April 2023 but before 30 October 2024, and

(b) the election is made on or after 30 October 2024.

(2) If condition A or B is met, the disposal of the original shares is to be treated as taking place at the time of the election and not at the time of the exchange.

(3) Condition A is that—

(a) the persons who hold shares or securities in company B immediately after the exchange are substantially the same as those who held shares or securities in company A immediately before the exchange, or

(b) the persons who have control of company B immediately after the exchange are substantially the same as those who had control of company A immediately before the exchange,

and, for the purposes of paragraph (a), connected persons are to be treated as the same person.

(4) Condition B is that—

(a) the shareholders who, immediately before and after the exchange, hold shares or securities in company A and company B respectively hold a greater percentage of the ordinary share capital in company B immediately after the exchange than they held in company A immediately before the exchange, and

(b) as at 30 October 2024—

(i) company B is the relevant individual's personal company and is either a trading company or the holding company of a trading group, and

(ii) the relevant individual is an officer or employee of company B or (if company B is a member of a trading group) of one or more companies which are members of the trading group.

(5) For this purpose "the relevant individual" means—

(a) where a claim under section 169M of TCGA 1992 is made jointly by the trustees of a settlement and a qualifying beneficiary, the qualifying beneficiary, and

(b) where a claim under that section is made by an individual, the individual.

(6) If, before the exchange, the Commissioners for His Majesty's Revenue and Customs have issued a notification in respect of it under section 138(1) of TCGA 1992 (advance clearance procedure)—

(a) sections 127 to 131 of that Act apply with the necessary adaptations as if—

(i) company A and company B were the same company, and

(ii) the exchange were a reorganisation, and

(b) section 169Q of that Act applies as if the exchange were treated as a reorganisation by virtue of section 135 of that Act.

(7) In this paragraph—

"company A" and "company B" have the same meanings as in section 135 of TCGA 1992,

"holding company" has the same meaning as in section 165 of TCGA 1992 (see section 165A),

"the original shares" has the meaning given by section 126 of TCGA 1992, and

"trading company" and "trading group" have the meaning given by paragraph 1 of Schedule 7ZA to TCGA 1992.

Business asset disposal relief: exchanges of securities etc on or after 30 October 2024 but before 6 April 2026

18 (1) This paragraph applies for the purposes of an election under section 169Q of TCGA 1992 in relation to an exchange of shares or securities within section 135(1) of TCGA 1992 where—

(a) the exchange takes place on or after 30 October 2024 but before 6 April 2026, and

(b) the election is made on or after 30 October 2024.

(2) If the following condition is met, the disposal of the original shares is to be treated as taking place at the time of the election and not at the time of the exchange.

(3) The condition is that—

(a) the persons who hold shares or securities in company B immediately after the exchange are substantially the same as those who held shares or securities in company A immediately before the exchange, or

(b) the persons who have control of company B immediately after the exchange are substantially the same as those who had control of company A immediately before the exchange,

and, for the purposes of paragraph (a), connected persons are to be treated as the same person.

(4) If—

(a) the shareholders who, immediately before and after the exchange, hold shares or securities in company A and company B respectively hold a greater percentage of the ordinary share capital in company B immediately after the exchange than they held in company A immediately before the exchange, and

(b) the relief conditions are met when the election is made,

the disposal of the original shares is to be treated as taking place at the time of the election and not at the time of the exchange.

(5) If—

(a) the shareholders who, immediately before and after the exchange, hold shares or securities in company A and company B respectively hold a greater percentage of the ordinary share capital in company B immediately after the exchange than they held in company A immediately before the exchange, and

(b) at any time ("the relevant time") before the making of the election, the relief conditions cease to be met,

the disposal of the original shares is to be treated as taking place immediately before the relevant time and not at the time of the exchange.

(6) For the purposes of this paragraph "the relief conditions" are met if—

(a) company B is the relevant individual's personal company and is either a trading company or the holding company of a trading group, and

(b) the relevant individual is an officer or employee of company B or (if company B is a member of a trading group) of one or more companies which are members of the trading group.

(7) For the purposes of this paragraph "the relevant individual" means—

(a) where a claim under section 169M of TCGA 1992 is made jointly by the trustees of a settlement and a qualifying beneficiary, the qualifying beneficiary, and

(b) where a claim under that section is made by an individual, the individual.

(8) If, before the exchange, the Commissioners for His Majesty's Revenue and Customs have issued a notification in respect of it under section 138(1) of TCGA 1992 (advance clearance procedure)—

(a) sections 127 to 131 of that Act apply with the necessary adaptations as if—

(i) company A and company B were the same company, and

(ii) the exchange were a reorganisation, and

(b) section 169Q of that Act applies as if the exchange were treated as a reorganisation by virtue of section 135 of that Act.

(9) In this paragraph—

"company A" and "company B" have the same meanings as in section 135 of TCGA 1992,

"holding company" has the same meaning as in section 165 of TCGA 1992 (see section 165A),

"the original shares" has the meaning given by section 126 of TCGA 1992, and

"trading company" and "trading group" have the meaning given by paragraph 1 of Schedule 7ZA to TCGA 1992.

(10) This paragraph does not apply if both the exchange and the election occur in the same tax year.

Investors' relief: reorganisations of share capital before 30 October 2024

19 (1) This paragraph applies for the purposes of an election under section 169VT of TCGA 1992 in relation to a reorganisation of a company where—

(a) the reorganisation takes place on or after 6 April 2023 but before 30 October 2024, and

(b) the election is made on or after 30 October 2024.

(2) If, as at 30 October 2024, a relevant individual holds qualifying shares or potentially qualifying shares, the disposal of the original shares is to be treated as taking place at the time of the election and not at the time of the reorganisation.

(3) For this purpose "a relevant individual" means—

(a) where a claim under section 169VM of TCGA 1992 is made jointly by the trustees of a settlement and an eligible beneficiary, an eligible beneficiary, and

(b) where a claim under that section is made by an individual, the individual.

(4) References in this paragraph to a reorganisation are to a reorganisation within the meaning of section 126 of TCGA 1992 or an exchange of shares or securities which is treated as such a reorganisation by virtue of section 135 or 136 of that Act, applying for the purposes of this paragraph the provision made by sections 169VN to 169VS of that Act.

(5) In this paragraph "qualifying shares" and "potentially qualifying shares" have the meaning given by section 169VB of that Act.

(6) This paragraph does not apply if both the reorganisation and the election occur in the same tax year.

Investors' relief: reorganisations of share capital on or after 30 October 2024 but before 6 April 2026

20 (1) This paragraph applies for the purposes of an election under section 169VT of TCGA 1992 in relation to a reorganisation of a company where—

(a) the reorganisation takes place on or after 30 October 2024 but before 6 April 2026, and

(b) the election is made on or after 30 October 2024.

(2) If, when the election is made, a relevant individual holds qualifying shares or potentially qualifying shares, the disposal of the original shares is to be treated as taking place at the time of the election and not at the time of the reorganisation.

(3) If, at any time ("the relevant time") before the making of the election, a relevant individual ceases to hold qualifying shares or potentially qualifying shares, the disposal of the original shares is to be treated as taking place immediately before the relevant time and not at the time of the reorganisation.

(4) For the purposes of this paragraph "a relevant individual" means—

(a) where a claim under section 169VM of TCGA 1992 is made jointly by the trustees of a settlement and an eligible beneficiary, an eligible beneficiary, and

(b) where a claim under that section is made by an individual, the individual.

(5) References in this paragraph to a reorganisation are to a reorganisation within the meaning of section 126 of TCGA 1992 or an exchange of shares or securities which is treated as such a reorganisation by virtue of section 135 or 136 of that Act, applying for the purposes of this paragraph the provision made by sections 169VN to 169VS of that Act.

(6) In this paragraph "qualifying shares" and "potentially qualifying shares" have the meaning given by section 169VB of that Act.

(7) This paragraph does not apply if both the reorganisation and the election occur in the same tax year.

Interpretation

21 This Part of this Schedule is to be read as if it were contained in TCGA 1992.

SCHEDULE 3

Section 18

PAYMENTS INTO DECOMMISSIONING FUNDS

Payments into decommissioning fund treated as general decommissioning expenditure

1 (1) A qualifying payment into a decommissioning fund is treated for tax purposes as—

(a) expenditure incurred in decommissioning a qualifying asset falling within section 3(1)(i) of the Oil Taxation Act 1975 (allowance of expenditure),

(b) general decommissioning expenditure falling within section 163 of CAA 2001 (allowances for decommissioning expenditure),

(c) decommissioning expenditure falling within section 330C of CTA 2010 (decommissioning expenditure taken into account in calculating ring fence profits), and

(d) decommissioning expenditure falling within section 9(3) of the Energy (Oil and Gas) Profits Levy Act 2022 (meaning of decommissioning costs).

(2) A payment into a decommissioning fund is qualifying if—

(a) it is paid in accordance with provision made under Chapter 2 of Part 2 of the Energy Act 2023 (decommissioning of carbon storage installations),

(b) the relevant transferred plant or machinery to which the payment relates is—

(i) an eligible CCS installation which qualifies for change of use relief under section 30A of the Energy Act 2008 (change of use relief for certain installations), or

(ii) an eligible carbon storage network pipeline which qualifies for change of use relief under section 30B of that Act (change of use relief for carbon storage network pipelines), and

(c) the payment is in respect of an estimate of the cost of the abandonment or decommissioning of relevant transferred plant or machinery provided in accordance with provision made under section 92 of the Energy Act 2023 (financing of costs of decommissioning etc).

(3) For the purposes of sub-paragraph (2)(a), it does not matter whether the amount has been paid directly into the decommissioning fund or paid to a licensed company under an agreement to pay a required amount for the purposes of payment into the decommissioning fund.

(4) In this Schedule—

"decommissioning fund" is to be interpreted in accordance with section 92(7)(a) of the Energy Act 2023 (financing costs of decommissioning etc);

"licensed company" means a person who holds a licence under section 7 of the Energy Act 2023 (licences for carbon dioxide transport and storage);

"relevant transferred plant or machinery" is to be construed in accordance with paragraph 2;

"required amount" means an amount determined by the Secretary of State in accordance with regulations made under section 30A(5A)(b) or 30B(3A)(b) (as the case may be) of the Energy Act 2008 (amount required to be paid into a decommissioning fund);

"ring fence trade" means activities which—

(a) fall within the definition of "oil-related activities" in section 16(2) of ITTOIA 2005 or section 274 of CTA 2010, and

(b) constitute a separate trade (whether as a result of section 16(1) of ITTOIA 2005 or section 279 of CTA 2010 or otherwise);

"tax purposes" means for the purposes of—

(a) corporation tax (including for the purposes of the supplementary charge in respect of ring fence trades and the energy (oil and gas) profits levy);

(b) income tax;

(c) petroleum revenue tax.

Meaning of "relevant transferred plant or machinery"

2 (1) Plant or machinery is "relevant transferred plant or machinery" if it meets—

(a) the conditions in sub-paragraphs (2), (5) and (6), or

(b) the conditions in sub-paragraphs (3), (5) and (6).

(2) The condition in this sub-paragraph is met if the plant or machinery—

(a) has been brought into use wholly or partly for the purposes of a ring fence trade, and

(b) is plant or machinery which—

(i) is, or forms part of, an offshore installation or a submarine pipeline, or

(ii) when last in use for the purposes of a ring fence trade, was, or formed part of, such an installation or pipeline.

(3) The condition in this sub-paragraph is met if the plant or machinery—

(a) has been brought into use wholly or partly for the purposes of a ring fence trade, and

(b) is plant or machinery which—

(i) is, or forms part of, a relevant onshore installation, or

(ii) when last in use for the purposes of a ring fence trade, was, or formed part of, such an installation.

(4) In sub-paragraph (3) "relevant onshore installation" means any building or structure which—

(a) falls within any of sub-paragraphs (ii) to (iv) of section 3(4)(c) of the Oil Taxation Act 1975,

(b) is not an offshore installation, and

(c) is or has been used for purposes connected with the winning of oil from an oil field any part of which lies within—

(i) the boundaries of the territorial sea of the United Kingdom, or

(ii) an area designated under section 1(7) of the Continental Shelf Act 1964.

(5) The condition in this sub-paragraph is met if ownership of the plant or machinery has been transferred to a licensed company under an agreement to pay a required amount.

(6) The condition in this sub-paragraph is met if the agreement to pay a relevant required amount provides that the plant or machinery—

(a) will be reused by the licensed company, and

(b) will not be replaced by the transferor of the plant or machinery.

(7) Terms used in this paragraph and in section 163 of CAA 2001 have the same meanings as in that section.

Application of sections 164 and 165 of CAA 2001

3 (1) Section 164 of CAA 2001 (election for special allowance) has effect in relation to general decommissioning expenditure that is a qualifying payment into a decommissioning fund as if—

(a) for subsection (1A) there were substituted—

"(1A) Condition A is that R has made a qualifying payment into a decommissioning fund in the relevant chargeable period."

(b) in subsection (3)—

(i) in paragraph (ab), after "decommissioning" there were inserted "fund", and

(ii) paragraphs (ac) and (b) were omitted, and

(c) subsections (5A) to (7) were omitted.

(2) Section 165 of CAA 2001 (general decommissioning expenditure after ceasing ring fence trade) has effect in relation to general decommissioning expenditure that is a qualifying payment into a decommissioning fund as if—

(a) for subsection (1A) there were substituted—

"(1A) The decommissioning condition is met in relation to a notional accounting period (the "relevant period") if the former trader has made a qualifying payment into a decommissioning fund in the relevant period."

(b) in subsection (2), for paragraph (b) there were substituted—

"(b) ends with the day on which the trigger event described in section 30A of the Energy Act 2008 (change of use relief for certain installations) occurs in relation to the relevant transferred plant or machinery.",

(c) subsections (2A) to (2C) were omitted,

(d) in subsection (4), in the definition of "relevant decommissioning cost", "paragraph (a), (b) or (c) of" were omitted,

(e) subsections (4A) to (4D) and (6) were omitted, and

(f) in subsection (7), at the appropriate places there were inserted—

""decommissioning fund" and "qualifying payment" are to be construed in accordance with Schedule 3 to FA 2025;";

""relevant transferred plant or machinery" is to be construed in accordance with Schedule 3 to FA 2025;".

Prevention of subsequent allowance where expenditure paid out of qualifying payment

4 No allowance under CAA 2001 is to be made to a person in respect of expenditure paid out of a qualifying payment made into a decommissioning fund where a claim for an allowance in relation to that payment under that Act has been made (whoever made the claim).

Application of the Energy (Oil and Gas) Profits Levy Act 2022

5 Section 1 of the Energy (Oil and Gas) Profits Levy Act 2022 has effect in relation to a company that has transferred relevant transferred plant or

machinery to a licensed company as if in subsection (5) (assumptions in determining levy profits or loss), after paragraph (c) there were inserted—

"(ca) any amount received from a licensed company (within the meaning of Schedule 3 to FA 2025) for relevant transferred plant or machinery (within the meaning of that Schedule) that would otherwise be brought into account when calculating the amount of the profits or loss of any ring fence trade of the company for the period is left out of account,".

Commencement

6 This Schedule has effect in relation to qualifying payments into a decommissioning fund made on or after the day on which this Act is passed.

SCHEDULE 4

Section 19

PILLAR TWO

PART 1

INTRODUCTION

1 F(No.2)A 2023 is amended in accordance with—

(a) Part 2 of this Schedule (which contains amendments designed to implement the UTPR within the meaning of the Pillar Two rules), and

(b) Part 3 of this Schedule (which contains other amendments in relation to multinational top-up tax and amendments in relation to domestic top-up tax).

PART 2

UNDERTAXED PROFITS RULE

Multinational top-up tax to include undertaxed profits rule

2 (1) Section 121 (introduction to multinational top-up tax) is amended as follows.

(2) In subsection (1), for the words from "IIR" to the end substitute "IIR and UTPR (within the meaning of the Pillar Two rules)."

(3) In subsection (5), omit paragraph (e).

Expansion of chargeable persons

3 (1) Section 122 (chargeable persons) is amended as follows.

(2) In subsection (1), omit "responsible" in both places.

(3) In subsection (2), omit "responsible" in each place.

(4) In subsection (3)(a), omit "responsible".

(5) In subsection (7), omit "responsible".

Charge to multinational top-up tax to include UTPR

4 (1) For section 123 substitute—

"123 Charge to multinational top-up tax

(1) A person chargeable to tax as, or in respect of, a member of a multinational group ("the relevant member") is charged multinational top-up tax for an accounting period if one or more members of the group have top-up amounts or additional top-up amounts for that period and—

(a) the relevant member is a responsible member for one or more of those members (see section 128), or

(b) one or more of those members have untaxed amounts that are allocated to the relevant member (see Chapter 9A).

(2) The amount charged is the sum of the following—

(a) where subsection (1)(a) applies—

(i) top-up amounts attributed to the relevant member in accordance with Chapter 7, and

(ii) additional top-up amounts attributed to the relevant member in accordance with that Chapter, and

(b) where subsection (1)(b) applies, the untaxed amounts allocated to the relevant member in accordance with Chapter 9A.

(3) The amount charged (which in accordance with section 254 will be expressed in the CFS currency) is to be converted to sterling using the average exchange rate for the accounting period (if the CFS currency is not sterling)."

(2) In section 124 (how to calculate top-up amounts etc)—

(a) in the heading, for "and attribute them" substitute "etc", and

(b) after subsection (8) insert—

"(8A) Chapter 9A makes provision for—

(a) determining whether members of the group have untaxed amounts, and

(b) allocating those untaxed amounts to members of the group located in the United Kingdom, other than members that are investment entities or joint venture group members."

(3) In section 254 (use of currency), in subsection (4), for "step 4 in" substitute "subsection (3) of".

New chapter to deal with UTPR

5 After Chapter 9 insert –

"CHAPTER 9A

UNTAXED AMOUNTS

Introduction

229A Meaning of potentially undertaxed

(1) The top-up amount and additional top-up amounts of a member ("M") of a multinational group for an accounting period are "potentially undertaxed" if –

(a) M is the ultimate parent or is located in the same territory as the ultimate parent, or

(b) the ultimate parent is not a responsible member.

(2) Subsection (1) does not apply if –

(a) the ultimate parent is not a responsible member,

(b) none of the ownership interests of the ultimate parent in M are direct ownership interests, and

(c) every indirect ownership interest the ultimate parent has in M is derived from an ownership interest the ultimate parent has in a responsible member.

(3) Subsection (1) also does not apply if –

(a) the ultimate parent is located in a territory in which a DIIR is in force and is a responsible member, and

(b) M is located in the same territory as the ultimate parent.

(4) This section and section 229B do not apply to members of a joint venture group (but see section 229I for alternative provision).

229B Untaxed amounts

(1) A member of a multinational group has an untaxed amount if conditions A and B are met.

(2) Condition A is that the top-up amount and additional top-up amounts of the member are potentially undertaxed.

(3) Condition B is that the sum of amounts attributed under Chapter 7 to responsible members in respect of the member's top-up amount

and additional top-up amounts is less than the sum of the member's top-up amount and additional top-up amounts.

(4) The untaxed amount is the amount given by subtracting—

(a) the sum of amounts attributed under Chapter 7 to responsible members in respect of the member's top-up amount and additional top-up amounts, from

(b) the sum of the member's top-up amount and additional top-up amounts.

Allocation of untaxed amounts

229C Allocation of untaxed amount to members

(1) An untaxed amount of a member of a multinational group is to be allocated to qualifying members of the group located in the United Kingdom by—

(a) first, determining the amount ("the UK proportion") of the untaxed amount to be allocated to the group in the United Kingdom in accordance with section 229D, and

(b) then, allocating an amount of the UK proportion to each qualifying member located in the United Kingdom in accordance with section 229E.

(2) But no allocation is to be made under subsection (1) if in section 229D(1) the results of both Step 2 and Step 5 are nil.

(3) For the purposes of this Chapter, a member of a multinational group is qualifying unless it is—

(a) an investment entity, or

(b) a member of a joint venture group.

229D Amount allocated to the United Kingdom

(1) Take the following steps to determine the UK proportion of an untaxed amount of a member of a multinational group—

Step 1

Determine the number of employees of qualifying members of the group located in the United Kingdom for the accounting period to which the untaxed amount relates ("the relevant period").

Step 2

Determine the total number of employees in the relevant period of qualifying members of the group located in territories (including the United Kingdom) in which a qualifying undertaxed profits tax applies to the untaxed amount.

Step 3

Divide the result of Step 1 by the result of Step 2.

Step 4

Determine the value of tangible fixed assets of the qualifying members of the group located in the United Kingdom for the relevant period.

Step 5

Determine the value of tangible fixed assets of the qualifying members of the group located in territories (including the United Kingdom) in which a qualifying undertaxed profits tax applies to the untaxed amount.

Step 6

Divide the result of Step 4 by the result of Step 5.

Step 7

Add together the results of Step 3 and Step 6 and divide that sum by 2.

Step 8

The UK proportion of the untaxed amount is—

(a) if the nil asset value condition is met, the untaxed amount multiplied by the result of Step 3;

(b) if the nil employee condition is met, the untaxed amount multiplied by the result of Step 6;

(c) in any other case, the untaxed amount multiplied by the result of Step 7.

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

(a) the "nil asset value condition" is met if—

(i) the result of Step 5 is nil, but

(ii) the result of Step 2 is not nil;

(b) the "nil employee condition" is met if—

(i) the result of Step 2 is nil, but

(ii) the result of Step 5 is not nil.

(3) A qualifying undertaxed profits tax applies in a territory in relation to an untaxed amount if—

(a) a qualifying undertaxed profits tax is in force in that territory for the relevant period, and

(b) the provisions of that tax result in a proportion of the untaxed amount (however described for the purposes of that tax) that is greater than nil being allocated to the territory.

(4) See sections 229G and 229H for how to determine the number of employees and the value of tangible fixed assets of a qualifying member of a multinational group.

229E Allocation to qualifying members

(1) Take the following steps to determine how much of an untaxed amount is to be allocated to each qualifying member located in the United Kingdom –

Step 1

Determine the number of employees of the member in the accounting period ("the relevant period") to which the untaxed amount relates.

Step 2

Determine the total number of employees for the relevant period of qualifying members of the group located in the United Kingdom.

Step 3

Divide the result of Step 1 by the result of Step 2.

Step 4

Determine the value of tangible fixed assets of the member for the relevant period.

Step 5

Determine the value of tangible fixed assets for the relevant period of the qualifying members of the group located in the United Kingdom.

Step 6

Divide the result of Step 4 by the result of Step 5.

Step 7

Add together the results of Step 3 and Step 6 and divide that sum by 2.

Step 8

The untaxed amount to be allocated to the member is –

(a) if the nil asset value condition is met, the untaxed amount multiplied by the result of Step 3;

(b) if the nil employee condition is met, the untaxed amount multiplied by the result of Step 6;

(c) in any other case, the UK proportion multiplied by the result of Step 7.

(2) For the purposes of subsection (1) –

(a) the "nil asset value condition" is met if –

(i) the result of Step 5 is nil, but

(ii) the result of Step 2 is not nil;

(b) the "nil employee condition" is met if –

(i) the result of Step 2 is nil, but

(ii) the result of Step 5 is not nil.

(3) This section is subject to section 229F.

229F Election to make one member of a group liable for untaxed amounts

(1) The filing member of the group may elect for an accounting period that—

(a) section 229E does not apply, and

(b) instead, a member of the group specified in the election is to be allocated the whole of the UK proportion of each untaxed amount that would be otherwise be allocated between the qualifying members of the group located in the United Kingdom.

(2) A member of the group may only be specified in the election if—

(a) the member is located in the United Kingdom, and

(b) the member has consented to the election.

(3) Paragraph 2 of Schedule 15 (annual elections) applies to an election under this section, and has effect for that purpose as if references to an information return or overseas return notification were to a self-assessment return or below-threshold notification.

How to determine number of employees and tangible fixed assets values

229G Number of employees

(1) For the purposes of this Chapter, the number of employees of a qualifying member of a multinational group in an accounting period is the full-time equivalent employee number for that member for that period.

(2) To determine the full-time equivalent employee number for a member of a multinational group for an accounting period take the following steps—

Step 1

Determine the number of full-time employees of that member that were full-time employees for the whole of that period.

Step 2

Determine, for each employee of that member for that period who is not a full-time employee for the whole of that period (whether they were part-time employees or were not employed for the whole of the period), such fraction as is just and reasonable.

Step 3

Add together the number determined under Step 1 and the fractions determined under Step 3.
If the member was a member of the group throughout the whole of the period, the result of this Step is the full-time equivalent employee number.

Step 4
Where the member was not a member of the group for the whole period, make such adjustments to the result of Step 3 as is just and reasonable to arrive at a full-time equivalent employee number that reflects the number of employees of the member in the period for which it was a member of the group.
For the purpose of this Step, ignore section 208(2) (members joining or leaving group in an accounting period treated as members for the whole of the period).

(3) For the purposes of this section "employee", in relation to a member of a multinational group, means a person whose employment costs are met by that member (whether or not the person's activities are carried on in the territory of the member) as recorded in appropriate financial statements of the member and who—

(a) is regarded as an employee under the law of the territory in which the member is located, or

(b) participates in the ordinary operating activities of the member of the group (including on a part-time basis).

(4) For the purposes of subsection (3) financial statements are "appropriate" only if the basis on which they are prepared is consistent for all members of the group (wherever located).

(5) For the purposes of section 229D (but not for the purposes of section 229E), where a member of a multinational group is a flow-through entity, employees of the entity—

(a) are to be treated as employees of members of the group that are not flow-through entities that are located in the territory in which the flow-through entity was created, or

(b) where there are no such members in that territory, are ignored for the purposes of this Chapter.

(6) Subsection (5) does not apply to employees of a flow-through entity that are regarded for the purposes of this section as employees of a permanent establishment of the entity.

(7) Where a permanent establishment does not prepare separate financial accounts, the reference in subsection (3) to employment costs recorded in financial statements is to the employment costs that would have been so recorded had such statements been prepared (and those costs are to be excluded from the financial statements of the main entity for the purposes of applying this section).

229H Value of tangible fixed assets

(1) To determine the value of tangible fixed assets of a qualifying member of a multinational group for an accounting period—

(a) add together—

(i) the sum of the values of each tangible fixed asset held by the member at the start of the period, as those values are recorded in the member's financial statements, and

(ii) the sum of the values of each tangible fixed asset held by the member at the end of the period, as those values are recorded in the member's financial statements, and

(b) divide the result of paragraph (a) by 2.

(2) For the purposes of subsection (1) financial statements are "appropriate" only if the basis on which they are prepared is consistent for all members of the group (wherever located).

(3) In each case the value of a tangible fixed asset is to include accumulated depreciation, depletion or impairment.

(4) If the member is not a member of the group at the start of the period, or at the end of the period, the sum of the values of its tangible fixed assets at that time is to be treated as nil.

(5) For the purpose of subsection (4), ignore section 208(2) (members joining or leaving group in an accounting period treated as members for the whole of the period).

(6) Where a permanent establishment does not prepare separate financial accounts, the values to be used are those that would have been recorded in those accounts had they been prepared (and those values are to be excluded from the financial statements of the main entity for the purposes of applying this section).

(7) For the purposes of section 229D (but not for the purposes of section 229E), tangible fixed assets held by a member of the group that is a flow-through entity—

(a) are to be treated as held by members of the group that are not flow-through entities that are located in the territory in which the flow-through entity was created, or

(b) where there are no such members in that territory, are to be ignored for the purposes of this Chapter.

(8) Subsection (7) does not apply to assets of a flow-through entity that are held by a permanent establishment of the entity.

(9) For the purposes of this Chapter "tangible fixed assets" means all tangible assets wherever located, other than cash or cash equivalents or financial assets.

Joint ventures

229I Joint ventures

(1) This section applies where—

(a) the ultimate parent of a multinational group is not subject to Pillar Two IIR tax for an accounting period,

(b) the group includes a joint venture group, and

(c) the members of the joint venture group are undertaxed in relation to the multinational group for that period.

(2) The members of a joint venture group are undertaxed in relation to a multinational group if—

(a) the sum of amounts attributed to responsible members of the multinational group under Chapter 7 in respect of members of the joint venture group's top-up amount and additional top-up amounts, is less than

(b) the sum of such amounts in respect of the joint venture group that would be attributed under that Chapter to the ultimate parent of the multinational group if it were subject to Pillar Two IIR tax.

(3) The amount given by subtracting the amounts mentioned in paragraph (a) of subsection (2) from the amounts mentioned in paragraph (b) of that subsection is an untaxed amount of the joint venture group in relation to the multinational group.

(4) Sections 229C to 229F (allocation of untaxed amounts) apply for the purposes of allocating an untaxed amount of a joint venture group in relation to a multinational group to qualifying members of that multinational group as they apply to the allocation of an untaxed amount of a member of the multinational group to those members.

References to responsible members

229J References to responsible members

(1) For the purpose of determining untaxed amounts of a member of a multinational group who is located in a territory in which a DIIR is in force, references in this Chapter to a responsible member are to be interpreted as if section 128 (responsible members) had effect with the following modifications—

(a) in subsection (2) omit "that are not located in the territory the ultimate parent is located in";

(b) in subsection (3)(c), at the beginning insert "the intermediate parent,";

(c) in subsection (4) omit "that are not located in the territory it is located in";

(d) in subsection (5)(b), at the beginning insert "it or";

(e) in subsection (6) omit "that are not located in the same territory it is located in";

but this is subject to subsection (2).

(2) For the purpose of determining whether the top-up amount and additional top-up amounts of a member ("M") of a multinational group for an accounting period are "potentially undertaxed", a member of the group which—

(a) is located in the same territory as M, and

(b) would apart from this subsection be a responsible member,

is to be regarded for all purposes of this Chapter as not being a responsible member unless a DIIR is in force for the accounting period in that territory.

(3) In this section "DIIR" means a tax which—

(a) implements, in a Pillar Two territory, rules relating to top-up tax under the IIR (within the meaning of the Pillar Two rules), and

(b) is designed so that tax charged under it is not limited to tax in respect of members who are located outside that territory."

Transition into regime

6 (1) Schedule 16 (transitional provision) is amended as follows.

(2) In Chapter 1 of Part 2, in the Chapter heading, for "Transitional" substitute "General transitional".

(3) In Chapter 2 of Part 2, in the Chapter heading, after "Application" insert "of Chapter 1".

(4) After Part 2 insert—

"PART 2A

UTPR TRANSITIONAL SAFE HARBOUR ELECTION

Election

12A(1) The filing member of a multinational group may elect for an accounting period that in the territory of the ultimate parent—

(a) no member of the group located in the territory has an untaxed amount relating to that period, and

(b) no joint venture group whose joint venture parent is located in the territory has an untaxed amount in relation to the multinational group relating to that period.

(2) An election may only be made for an accounting period if—

(a) the minimum corporate tax rate for the territory of the ultimate parent is equal to, or in excess of, 20%, and

(b) the accounting period—

(i) commenced on or before 31 December 2025 and ends before 31 December 2026, and

(ii) is not longer than 12 months.

(3) The "minimum corporate tax rate" for a territory means—

(a) in the case of a territory in which corporate income tax may be imposed by subdivisions of that territory as well as by a national authority, the sum of—

(i) the nominal national rate that generally applies, and

(ii) the lowest nominal rate that generally applies that is imposed by a subdivision of that territory (and where one or more subdivisions do not impose corporate income tax, that rate will be zero), or

(b) otherwise, the nominal rate that generally applies."

(5) In Schedule 16A at the end insert—

"PART 2

UNTAXED AMOUNTS: INTERNATIONAL EXPANSION OF GROUPS

No untaxed amounts for groups in initial phase of international expansion

7 (1) This paragraph applies to a multinational group for an accounting period if—

(a) it meets the international expansion condition for that period, and

(b) the accounting period is the first accounting period in which the group came within the scope of Chapter 9A, or any of the following 4 accounting periods.

(2) If this paragraph applies to a multinational group for an accounting period—

(a) no member of the group has an untaxed amount relating to that period, and

(b) no joint venture group has an untaxed amount in relation to the multinational group relating to that period.

(3) A multinational group meets the international expansion condition for an accounting period if—

(a) the group does not have members located in more than 6 territories, and

(b) the sum of the values of tangible fixed assets of qualifying members of the group, other than members located in the reference territory, for that period does not exceed 50 million euros.

(4) For the purposes of this paragraph—

(a) the value of tangible fixed assets of a qualifying member of a multinational group is to be determined in accordance with section 229H, and

(b) the "reference territory" is the territory for which the sum of the values of tangible fixed assets of qualifying members of the group located in that territory is greatest.

(5) The first accounting period in which a multinational group comes within the scope of Chapter 9A is the later of—

(a) the first accounting period for which it meets Condition A in section 129(2) (annual revenue exceeds 750 million euros), and

(b) the first accounting period beginning on or after the day on which section 229C (allocation of untaxed amount to members) comes into force for any purpose."

Consequential amendments: IIR and qualifying undertaxed profits tax

7 (1) In section 128 (responsible members)—

(a) in subsection (7)(b)(i), after "equivalent to" insert "the IIR provisions of", and

(b) after subsection (7) insert—

"(8) In this section the "IIR provisions of multinational top-up tax" means the provisions of this Part relating to the charging of top-up amounts and additional top-up amounts (but not untaxed amounts)."

(2) In section 257 (meaning of qualifying undertaxed profits tax), in subsection (1), after "it is" insert "—

(a) multinational top-up tax (see, in particular, Chapter 9A), or

(b)".

Other consequential amendments etc

8 In section 241 (Pillar Two territories), in subsection (2), for "equivalent to this Part—" substitute "which implement the provisions of the Pillar Two rules relating to top-up tax under the IIR (within the meaning of those rules)—".

9 (1) In Schedule 17 (index of defined expressions), in the table, at the appropriate place insert—

""qualifying member (in Chapter 9A of Part 3)"."

(2) In Schedule 15 (elections), in paragraph 2(1), after paragraph (h) insert—

"(ha) section 229F;".

(3) In section 272 (domestic top-up tax for members of groups), in subsection (4), after paragraph (b) insert—

"(c) Chapter 9A (qualifying undertaxed profits tax)."

(4) In section 273 (domestic top-up tax for single entities), in subsection (4), after paragraph (z) insert—

"(z1) Chapter 9A (qualifying undertaxed profits tax)."

Commencement

10 The amendments made by this Part of this Schedule have effect in relation to accounting periods commencing on or after 31 December 2024.

PART 3

OTHERS

Permanent establishments as excluded entities

11 In section 127 (excluded entities), in each of subsections (5), (6) and (7), in paragraph (a), for "it" substitute "the entity or, in the case of a permanent establishment, the main entity".

Flow-through entities

12 (1) Section 168 (underlying profits of transparent and reverse hybrid entities) is amended as follows.

(2) In the heading omit "and reverse hybrid".

(3) After subsection (2) insert—

"(2A) Subject to subsection (2C), a member of the group is a "reference entity" in relation to M if that member—

(a) is a non-FTE entity, and

(b) holds an ownership interest in M which is not held through a non-FTE entity.

(2B) In subsection (2A) "non-FTE entity" means an entity that is not a flow-through entity.

(2C) If no member of the group is a reference entity in relation to M by virtue of subsection (2A), the ultimate parent of the group is a "reference entity" in relation to M."

(4) In subsection (3) for the words from "each" to the end substitute "any member of the group ("R")—

(a) which is a reference entity in relation to M, and

(b) in relation to which condition A or B is met."

(5) In subsection (4)—

(a) in each place, for "O" substitute "R";

(b) for "proportional" substitute "percentage";

(c) omit "(subject to subsection (7))".

(6) For subsections (5) and (6) substitute—

"(5) Condition A is met if—

(a) R's ownership interest in M is direct,

(b) R's ownership interest in M is a flow-through ownership interest, and

(c) M is regarded as tax transparent in the territory in which R is located.

(6) Condition B is met if—

(a) R's ownership interest in M is indirect,

(b) R's ownership interest in M is a flow-through ownership interest,

(c) M and each entity through which the ownership interest is held are regarded as tax transparent in the territory in which R is located, and

(d) no entity through which R holds the ownership interest is a reference entity in relation to M."

(7) Omit subsection (7).

(8) For subsection (9) substitute—

"(9) Where every ownership interest in M held by a member of the group is a flow-through ownership interest, and an individual or entity ("the investor") that is not a member of the group has an ownership interest in M which is held—

(a) directly, or

(b) through a direct ownership interest in an entity in which a member of the group which is a reference entity in relation to M has an ownership interest,

a proportion of M's underlying profits, equal to the percentage ownership interest the investor has in M, is to be excluded from the adjusted profits of M.

(9A) Where M is the main entity in relation to a permanent establishment falling within paragraph (a), (b) or (c) of section 232(2), any reduction of M's underlying profits by virtue of subsection (9) is to be applied before any attribution of M's underlying profits to a permanent establishment in accordance with section 159."

(9) In subsection (10) omit "or an individual".

(10) After subsection (10) insert—

"(10A) For the purposes of subsections (5), (6) and (9), an ownership interest in M held by a member of the group is a flow-through ownership interest if (and so far as)—

(a) M is regarded, otherwise than by virtue of section 169(2), as tax transparent in the territory in which M was created,

(b) the interest is held directly and M is treated by virtue of section 169(2) as being regarded as tax transparent to the extent of the interest, or

(c) the interest is derived from a direct ownership interest in M to which paragraph (b) applies."

(11) Omit subsections (11) and (12).

13 In section 169 (certain non tax resident entities to be treated as flow-through entities), in subsection (2)—

(a) in the words before paragraph (a), after "created" insert "in";

(b) in paragraph (a)—

(i) after "is" insert "regarded as";

(ii) for "its owners" substitute "holders of direct ownership interests in the member".

14 In section 170 (adjustments for ultimate parent that is a flow-through entity), in subsection (2A) omit "and reverse hybrid entities".

15 (1) Section 178 (reallocation of tax expense) is amended as follows.

(2) In subsection (1), for "hybrid, transparent and reverse hybrid" substitute "hybrid and transparent".

(3) After subsection (1B) insert—

"(1C) Subsection (1D) has effect where—

(a) a member of a multinational group ("M") is a flow-through entity, and

(b) any of the following are not regarded as tax transparent in the territory in which a member of the group ("R"), which is a reference entity in relation to M (within the meaning of section 168(2A)), is located—

(i) M;

(ii) any member of the group through which R's ownership interest in M is held.

(1D) If –

(a) R, or any member of the group ("X") which has an ownership interest in R, has an amount of qualifying current tax expense,

(b) that amount is in respect of profits not included in R's, or as the case may be X's, underlying profits, and

(c) had those profits had been included in R's, or as the case may be X's, underlying profits a corresponding amount of profits would have been allocated to M under section 167 (ignoring for this purpose subsection (1)(a) of that section) or 168,

that qualifying current tax expense is to be allocated to M (and is to be regarded as qualifying current tax expense of M for the purposes of section 175(2)(a))."

(4) In subsection (2), after "(1A))" insert "or to M (under subsection (1D))".

16 In section 240 (location of flow-through entities and permanent establishments), in subsection (1) –

(a) before "would" insert "is the ultimate parent of a multinational group, or";

(b) for "it is located in that territory" substitute "the entity is treated as located in the territory in which it is created".

Tax equity partnerships

17 In section 174 (amount of covered tax balance), in subsection (1), in Step 4, for "covered tax balance expense" substitute "qualifying current tax expense".

18 In sections 175 and 176, in the headings, for "covered tax balance" substitute "qualifying current tax expense".

19 (1) Section 176D (tax credits etc allocated under tax equity partnerships) is amended as follows.

(2) In subsection (1), for "covered tax balance" substitute "qualifying current tax expense".

(3) For subsection (2) substitute –

"(2) "Flow-through tax benefits" means –

(a) tax credits, other than qualifying refundable tax credits and marketable transferable tax credits, and

(b) the value of amounts of tax deductible losses,

that are made available to be used by an investor in a tax equity partnership arrangement under that arrangement (whether or not those credits or losses are used by the investor)."

(4) In subsection (3)(b) –

(a) for "176D" substitute "176E";

(b) at the end insert "and the arrangement".

(5) In subsection (7), for "covered tax balance" substitute "qualifying current tax expense".

(6) For subsection (11) substitute—

"(11) An election under subsection (3)(b)—

(a) must specify the first accounting period for which it is to have effect, which must be the first relevant period,

(b) must be made no later than the date by which the information return or overseas return notification in respect of the first relevant period is due,

(c) must be included in an information return submitted to HMRC or a qualifying authority in respect of the first relevant period,

(d) has effect for the first relevant period and each subsequent accounting period, and

(e) cannot be revoked.

(12) In subsection (11), "the first relevant period" means the later of—

(a) the first accounting period in which the member is an investor in the tax equity partnership arrangement, and

(b) the first accounting period for which the Pillar Two rules apply to the member."

(7) Where a person became an investor in a tax equity partnership arrangement in an accounting period that began before 31 December 2024, section 176D(11) of F(No.2)A 2023 (as inserted by sub-paragraph (6)) has effect in relation to the arrangement as if "the first relevant period" were the first accounting period beginning on or after that date.

(8) In sub-paragraph (7), "investor in a tax equity partnership arrangement" has the same meaning as in section 176D of F(No.2)A 2023.

20 (1) Section 176E (flow-through tax benefits: proportional amortisation method) is amended as follows.

(2) In subsection (1), in Step 2—

(a) for "flow-through through tax benefits" substitute "flow-through tax benefits";

(b) after "expected" insert "(as at the end of the accounting period)".

(3) Also in subsection (1), in Step 7, for "flow-through benefits" substitute "flow-through tax benefits".

(4) In subsection (2), for "covered tax balance" substitute "qualifying current tax expense".

(5) At the end insert—

"(3) Subsections (4) to (6) apply in relation to an investor, an arrangement and an accounting period if flow-through tax benefits were provided to the investor under the arrangement in at least one earlier accounting period.

(4) Where the result of Step 3 in subsection (1) would (but for this subsection) be greater than N, this section has effect as if the result of Step 3 were N.

(5) To find N—

(a) identify the amount that was the result of Step 3 in subsection (1) in each earlier accounting period in which flow-through tax benefits were provided to the investor under the arrangement,

(b) add together all the amounts identified under paragraph (a), and

(c) subtract the result of paragraph (b) from the result of Step 1 in subsection (1).

The result is N, unless the result is below nil, in which case N is nil.

(6) A reference in subsection (5)(a) to the result of Step 3 in subsection (1) in an earlier accounting period, where subsection (4) had effect in relation to the earlier period, is to the result of that Step as modified under subsection (4)."

21 (1) Section 176F (flow-through tax benefits: subtraction method) is amended as follows.

(2) In Step 2, in paragraph (a), for the words from "other than" to the end substitute "other than tax credits—

(i) that were made available in the accounting period, and

(ii) that are not qualifying refundable tax credits or marketable transferable tax credits;".

(3) In Step 3, for "under arrangement" substitute "under the arrangement".

22 After section 176F insert—

"176G Clawback of earlier qualifying flow-through tax benefits

(1) This section applies to an investor in a tax equity partnership arrangement if—

(a) qualifying flow-through tax benefits are excluded under section 176D(1) from the investor's covered tax balance for an accounting period, and

(b) the investor has an excess return from the arrangement in a later accounting period ("the later period").

(2) For the purpose of determining the investor's covered tax balance for the later period, the investor's qualifying current tax expense for that period is to be adjusted (after the steps in section 174(1) have been taken) by subtracting the clawback amount.

(3) "The clawback amount" is determined as follows—

Step 1

Determine the total amount of the qualifying flow-through tax benefits provided to the investor under the arrangement in accounting periods before the later period.

Step 2

Subtract from the result of Step 1 the total of any amounts subtracted under subsection (2) from the investor's qualifying current tax expense for accounting periods before the later period.

Step 3

Compare the result of Step 2 with the amount of the investor's excess return from the arrangement in the later period.
Whichever is less is the clawback amount.

(4) For the purposes of this section, an investor has an "excess return" from an arrangement in an accounting period—

(a) where section 176E applies, if the result of Step 6 in section 176E(1) exceeds the amount of the flow-through tax benefits provided under the arrangement in the accounting period, in which case the amount of the excess return is the amount of the excess;

(b) where section 176F applies and the investor did not have an excess return from the arrangement in an earlier accounting period, if the result of Step 2 in that section is less than nil, in which case the amount of the excess return is the amount by which it is less than nil;

(c) where section 176F applies and the investor had an excess return from the arrangement in an earlier accounting period, if the result of Step 2 in that section is less than it was in the last accounting period in which the investor had an excess return from the arrangement, in which case the amount of the excess return is the amount of the difference."

23 In Schedule 15 (elections), in paragraph 2(1) (annual elections), omit paragraph (za).

Blended CFC regimes

24 (1) Section 180 (blended CFC regimes) is amended as follows.

(2) In subsection (8)—

(a) in paragraph (a), for "the effective tax rate of" substitute "a single effective tax rate of all";

(b) after paragraph (a) insert—

"(aa) where—

(i) the CFC entity is a member of the multinational group,

(ii) different effective tax rates are calculated for the period for different subsets of (one or more) members of the multinational group located in the territory where the CFC entity is located ("local blending subsets"), and

(iii) the CFC entity is a member of a local blending subset,

the effective tax rate of the local blending subset of which the CFC entity is a member, calculated on the assumptions set out in paragraph (a)(i) and (ii) ("the relevant assumptions");

(ab) where—

(i) the CFC entity is not a member of the multinational group, or is a member of the multinational group but not a member of any local blending subset, and

(ii) different effective tax rates are calculated for the period for different local blending subsets,

the effective tax rate, calculated on the relevant assumptions, of the local blending subset whose members have collectively the highest attributable income of C in relation to the CFC entity (as mentioned in subsection (5)(a));";

(c) in paragraph (b)—

(i) for "where it is not located in such a territory," substitute "where no applicable effective tax rate can be determined under paragraphs (a) to (ab)", and

(ii) at the end insert—

"But this is subject to section 180A."

(3) After section 180 insert—

"180A Section 180: further provision

(1) Where the filing member of the multinational group mentioned in section 180(8)(a) has made a transitional safe harbour election under paragraph 3 of Schedule 16 for the relevant period in respect of the territory mentioned in section 180(8)(a), for the purposes of that section the effective tax rate of the members of the group in respect of which the election applies is to be taken to be the simplified

effective tax rate of the standard members of the multinational group (as defined in paragraph 8 of Schedule 16)).

(2) Where the filing member of the multinational group mentioned in section 180(8)(a) has made a transitional safe harbour election under paragraph 10 of Schedule 16 (application in the case of joint venture group) for the relevant period in respect of the territory mentioned in section 180(8)(a), for the purposes of that section the effective tax rate of the members of the group in respect of which the election applies is to be taken to be the simplified effective tax rate of the standard members of that multinational group (as defined in paragraph 8 of Schedule 16).

(3) Subsection (4) has effect where the filing member of a particular multinational group mentioned in section 180(8)(a) has made one or more separate elections under any of paragraphs 1, 4, 5 and 6 of Schedule 16A for the relevant period in respect of the territory mentioned in section 180(8)(a).

(4) For the purposes of section 180, the effective tax rate of any member or set of members to which a particular election mentioned in subsection (4) relates is to be the rate (expressed as a percentage) given by dividing—

(a) the aggregate tax expense of that member or set of members used to determine the effective tax rate for the purposes of the qualifying domestic top-up tax applying in the territory for the accounting period, together with any amounts of qualifying domestic top-up tax paid of that member or set of members, by

(b) the income of that member or set of members determined for the purposes of the qualifying domestic top-up tax.

(5) In this section "relevant period" is to be interpreted in accordance with section 180(2)(a)."

No allocation of deferred tax assets and liabilities under blended CFC regimes

25 In section 180 (blended CFC regimes), in subsection (3), in the words before paragraph (a), for "tax charged to C under" substitute "C's current tax expense so far as relating to".

Cross-border allocation of current tax under cross-crediting regimes

26 After section 181 insert—

"181A Cross-border allocation of current tax under cross-crediting regime

(1) Qualifying current tax expense is to be allocated between standard members of a multinational group in a territory in which a cross-crediting regime applies and standard members of the group

in another territory in accordance with the cross-crediting regime methodology.

(2) A cross-crediting regime applies in a territory if, under the law of that territory, taxes paid with respect to one source of income arising in another territory give rise to foreign tax credits which can be used against another source of income arising in a further territory.

(3) The "cross-crediting regime methodology" means—

(a) provisions of regulations made under section 262(1)(a) (power to make further provision about the application of provisions of this Part etc) identified in the regulations as the cross-crediting regime methodology, or

(b) where no cross-crediting regime methodology is identified in any such regulations, the methodology described in the cross-crediting guidance.

(4) The "cross-crediting guidance" means Chapter 3.1 of Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), June 2024 published by the OECD on 17 June 2024.

(5) Where subsection (3)(b) applies, the cross-crediting guidance has effect as cross-crediting regime methodology with all necessary modifications for that purpose (for example, reference to a Five-Year Election is to be read as an election to which paragraph 1 of Schedule 15 (long term elections) applies).

(6) This Chapter is to have effect with such modifications as are necessary to give effect to the cross-crediting regime methodology."

Cross-border allocation of deferred tax

27 After section 181A (as inserted by paragraph 26) insert—

"Cross-border allocation of deferred tax expense

181B Cross-border allocation of deferred tax assets and liabilities

(1) Deferred tax assets and liabilities are to be allocated between standard members of a multinational group in one territory and standard members of the group in another territory in accordance with the deferred taxes methodology.

(2) The "deferred taxes methodology" means—

(a) provisions of regulations made under section 262(1)(a) (power to make further provision about the application of provisions of this Part etc) identified in the regulations as the deferred taxes methodology, or

(b) where no deferred taxes methodology is identified in any such regulations, the methodology described in the cross-border deferred taxes guidance.

(3) The "cross-border deferred taxes guidance" means Chapter 4.2 of Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), June 2024 published by the OECD on 17 June 2024.

(4) Where subsection (2)(b) applies, the cross-border deferred taxes guidance has effect as deferred taxes methodology with all necessary modifications for that purpose (for example, reference to a Five-Year Election is to be read as an election to which paragraph 1 of Schedule 15 (long term elections) applies).

(5) This Chapter is to have effect with such modifications as are necessary to give effect to the deferred taxes methodology."

Extension of qualifying foreign tax credits

28 In section 183 (qualifying foreign tax credits (substitute loss carry forward assets))—

(a) in subsection (5)—

(i) the words from "income", in the second place it occurs, to the end become paragraph (a), and

(ii) after that paragraph insert ", and

(b) other qualifying income."

(b) after that subsection insert—

"(6) For the purposes of subsection (5) "other qualifying income means"—

(a) income identified as such for the purposes of this section in regulations made under section 262(1)(a), or

(b) where no income is identified as other qualifying income in any such regulations, such income as is necessary to give effect to the substitute loss carry-forward guidance.

(7) The "substitute loss carry-forward guidance" means Chapter 4.1 of Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), June 2024 published by the OECD on 17 June 2024."

Deferred tax recapture

29 In section 184 (recaptured deferred tax liabilities) after subsection (4) insert—

"(5) This section is to be applied in accordance with, and is subject to, the DTL recapture methodology.

(6) The DTL recapture methodology means provisions about the treatment of deferred tax liabilities—

(a) set out in regulations made under section 262(1)(a) and identified in those regulations as the DTL recapture methodology, or

(b) where no such provisions are identified in any such regulations, set out in the DTL recapture guidance.

(7) The "DTL recapture guidance" means the guidance in Chapter 1 of Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), June 2024 published by the OECD on 17 June 2024.

(8) Where subsection (6)(b) applies, the DTL recapture guidance has effect as DTL recapture methodology with all necessary modifications for that purpose (for example, reference to a Five-Year Election is to be read as an election to which paragraph 1 of Schedule 15 (long term elections) applies).

(9) This Chapter is to have effect with such modifications as are necessary to give effect to the DTL recapture methodology."

Existing deferred tax assets and liabilities arising under blended CFC regimes

30 In section 185 (inclusion of existing deferred tax assets and liabilities on entry into regime), after subsection (7) insert—

"(8) Subsection (9) applies to a deferred tax asset or deferred tax liability of a member of a qualifying multinational group that arises under a blended CFC regime.

(9) 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."

Substance based income exclusion: permanent establishments and flow-through entities

31 In section 195 (substance based income exclusion), for subsection (8) substitute—

"(8) Section 198 supplements the rules in sections 196 and 197 in relation to a member that is a permanent establishment.

(9) Section 198ZA supplements the rules in sections 196 and 197 in relation to a member that is a flow-through entity."

32 For section 198 (eligible payroll costs and eligible tangible asset amount: permanent establishments and flow-through entities) substitute—

"198 Eligible payroll costs and eligible tangible asset amount: permanent establishments

(1) Sections 196 and 197 apply in relation to permanent establishments with the following modifications.

(2) In determining under section 196 the eligible payroll costs of a permanent establishment within section 232(2)(a) to (c), the only amounts to be taken into account are amounts that would be taken into account in determining the adjusted profits of the establishment.

(3) In determining under section 197 the eligible tangible asset amount of a permanent establishment within section 232(2)(a) to (c), the only assets to be taken into account are assets used in the business of the establishment.

(4) Both the eligible payroll costs and the eligible tangible asset amount of a permanent establishment within section 232(2)(d) are nil.

(5) If but for this subsection—

(a) an amount would be taken into account under section 196 in respect of both a permanent establishment and the main entity, or

(b) an asset would be taken into account under section 197 in respect of both a permanent establishment and the main entity,

the amount or asset is only to be taken into account in respect of the permanent establishment.

198ZA Eligible payroll costs and eligible tangible asset amount: flow-through entities

(1) Sections 196 and 197 apply in relation to flow-through entities with the following modifications.

(2) Where a flow-through entity—

(a) would but for this subsection have eligible payroll costs for an accounting period, and

(b) is not the ultimate parent of a multinational group,

its eligible payroll costs for the period are nil.

(3) Where a flow-through entity's eligible payroll costs for an accounting period are nil as a result of subsection (2), an increase is to be made to the eligible payroll costs for the period of each person that—

(a) is allocated a proportion of the entity's underlying profits in the period under section 168 (or would be assuming that the entity's underlying profits in the period were not nil), and

(b) is located in the same territory as the entity.

(4) To determine the amount of the increase in relation to a person—

(a) determine what the eligible payroll costs of the flow-through entity in the accounting period would be but for subsection (2),

(b) determine the proportion of the underlying profits of the entity that is allocated to the person under section 168 in the period (or would be assuming that the entity's underlying profits in the period were not nil), and

(c) multiply the result of paragraph (a) by the result of paragraph (b).

(5) Subsections (2) to (4) apply to an eligible tangible asset amount as they apply to eligible payroll costs.

(6) In determining for an accounting period the eligible payroll costs or eligible tangible asset amount of a flow-through entity that is the ultimate parent of a multinational group, the amount given by section 196 or 197 is to be reduced by the section 170 proportion.

(7) In subsection (6), "the section 170 proportion" means the proportion of the adjusted profits of the flow-through entity that, in the accounting period, is excluded under section 170(1) (or would be assuming that the adjusted profits of the entity in the period were greater than nil).

(8) In subsection (7), "the adjusted profits" means the adjusted profits before the application of section 170."E

Eligible payroll costs

33 In section 196 (eligible payroll costs)—

(a) in subsection (1) omit paragraph (b);

(b) in subsection (b) of subsection (3), for the words from "acting" to "group" substitute "participating in the ordinary operating activities of the member".

Joint ventures

34 In section 226 (joint venture group), in subsection (2)—

(a) in the words before paragraph (a), after "group" insert "for an accounting period of that entity",

(b) in paragraph (a), after "entity" insert "for all or any part of that period",

(c) in paragraph (b), after "entity" insert "at any time in that period", and

(d) in paragraph (c), for "qualifying multinational group" substitute "multinational group that meets condition A in section 129(2) for that accounting period (revenue threshold exceeded in at least 2 of previous 4 accounting periods)".

35 (1) Section 227 (application of Part to joint venture groups) is amended as follows.

(2) In subsection (1)—

(a) in the words before paragraph (a)—

(i) after "but" insert "in their application by virtue of this subsection", and

(ii) for "apply" substitute "have effect";

(b) in paragraph (c), for "the multinational" substitute "each respective multinational".

(3) In subsection (2), for "Part," substitute "Part (in its application by virtue of subsection (1)),"

(4) In subsection (3)—

(a) after "But" insert "(in the application of this Part by virtue of subsection (1))";

(b) for "that" substitute "the joint venture".

36 (1) Section 266 (qualifying entities) is amended as follows.

(2) In subsection (1), after "An entity" insert "which is not a member of a joint venture group".

(3) After subsection (1) insert—

"(1A) A member of a joint venture group is a qualifying entity for an accounting period if—

(a) the member is not a DTT excluded entity,

(b) the member meets condition A for that period, and

(c) the revenue condition is met in relation to the group for that period.

(1B) For the purposes of subsection (1A) the "revenue condition" is met in relation to a joint venture group for an accounting period where—

(a) a single entity which directly or indirectly holds at least 50% of the ownership interests in the joint venture parent of the group has, or

(b) the members of a group whose ultimate parent directly or indirectly holds at least 50% of the ownership interests in the joint venture parent of the group have,

revenue that exceeds the threshold set out in subsection (6) in at least 2 accounting periods of the previous 4 accounting periods."

Domestic top-up tax

37 (1) Section 270 (amount charged) is amended as follows.

(2) Before subsection (1) insert—

"(A1) Where a person is chargeable to domestic top-up tax for an accounting period as, or in respect of, a qualifying entity which is a member of a group, the amount (if any) the person must pay is determined as follows—

Step 1

Determine (in accordance with section 272)—

(a) whether the entity has a top-up amount for that period, and

(b) the extent of any such amount.

Step 2

If the result of Step 1 is not expressed in sterling, convert the result of that Step to sterling."

(3) In subsection (1)—

(a) in the words before Step 1, for "as a qualifying entity or in respect of a qualifying entity" substitute "as or in respect of a qualifying entity which is not a member of a group";

(b) in Step 1, after "Determine" insert "(in accordance with section 273)".

38 (1) Section 272 (determining top-up amounts of entity that is a member of a group) is amended as follows.

(2) After subsection (3) insert—

"(3A) Part 3 has effect for those purposes as if the following sections were substituted for section 193—

"193 Determination of top-up amounts of entity that is a member of a group

(1) Subsection (2) sets out (for the purposes of Step 1 of section 270(A1)) how to determine in relation to an accounting period—

(a) whether an entity which is a standard member of a group has a top-up amount, and

(b) if so, what the amount is.

(2) Take the following Steps—

Step 1

Determine for the period (in accordance with section 272) the sum of any top-up amounts and additional top-up amounts of standard members of the group (the "total top-up amount").

Step 2

Determine for each such member—

(a) the adjusted profits (if any);

(b) the covered tax balance.

Step 3

For each standard member of the group in relation to which a positive amount of adjusted profits is determined under Step 2, determine the "effective tax rate" by dividing the amount found under Step 2(b) (covered tax balance) by the amount found under Step 2(a) (adjusted profits).

Step 4

For any standard member of the group whose effective tax rate (see Step 3) is less than 15%—

(a) determine that member's "top-up tax percentage" by subtracting the member's effective tax rate from 15%, and

(b) proceed to Step 5.

Step 5

Calculate for the member an amount (an "allocation key amount") by multiplying—

(a) the member's top-up tax percentage (see Step 4(a)), by

(b) the member's adjusted profits.

Step 6

Determine the sum (the "group allocation key amount") of all the allocation key amounts calculated under Step 5 for members of the group.

Step 7

Determine the "allocation key ratio" for each standard member of the group whose effective tax rate (see Step 3) is less than 15%, by dividing—

(a) the member's allocation key amount (see Step 5), by

(b) the group allocation key amount (see Step 6).

Step 8

Determine each such member's top-up amount by multiplying—

(a) the sum of any top-up amounts and additional top-up amounts of standard members of the group for the period (see Step 1), by

(b) the member's allocation key ratio (see Step 7).

Step 9

If none of the standard members falls within Step 3, or none of them has an effective tax rate of less than 15%, each standard member has a top-up amount equal to—

(a) the total top-up amount, divided by

(b) the number of the standard members.

193A Section 193: supplementary

(1) Section 193 and subsection (2) of this section apply to joint venture groups and their members as they apply to groups and their members.

(2) Section 193 has effect in relation to a qualifying entity that is a standard member of a group as if the total top-up amount referred to in that section included any top-up amounts or additional top-up amounts of qualifying investment entities determined under sections 220 to 224.

(3) See also subsections (9) to (11) of section 272, which—

(a) define "qualifying investment entity" in relation to a qualifying entity, and

(b) make further provision about top-up amounts (for the purposes of domestic top-up tax).""

(3) In subsection (8) omit paragraph (e).

Domestic top-up tax: excluded entities

39 In section 267 (DTT excluded entities), after subsection (3) insert—

"(3ZA) A company is a DTT excluded entity if—

(a) it is a qualifying asset holding company for the purposes of Schedule 2 to FA 2022, and

(b) is not a member of a multinational group."

De minimis rule

40 (1) In section 199 (election to treat total top-up amount as nil)—

(a) in subsection (1)—

(i) for "total top-up amount" substitute "top-up amounts of the relevant members", and

(ii) for "is" substitute "are";

(b) in subsections (2)(a), (3), (4), (6)(a) and (6)(b), for "standard" substitute "relevant";

(c) after subsection (2) insert—

"(2A) In this section, a member of a multinational group is a "relevant" member if it is—

(a) a standard member of the group, or

(b) a minority owned member of the group.";

(d) in the heading, for "total top-up amount" substitute "certain top-up amounts".

(2) In section 228 (minority owned members), after subsection (4) insert—

"(5) But neither subsection (3) nor (4) applies to the reference to "standard member" in section 199(2A) (election to treat top-up amounts of relevant members as nil)."

Transitional safe harbour

41 (1) Part 2 of Schedule 16 (transitional safe harbour) is amended as follows.

(2) In paragraph 3 (election)—

(a) in sub-paragraph (1), after "election" insert "under this paragraph",

(b) in sub-paragraph (2)(c), for "the election" substitute "a transitional safe harbour election",

(c) in sub-paragraph (7), for "the information" substitute "all relevant information",

(d) after that sub-paragraph insert—

"(7A) For the purposes of sub-paragraph (7), "all relevant information" means all of the information described in paragraphs (a) to (e) of paragraph 4(3).", and

(e) after sub-paragraph (9) insert—

"(10) An election under this paragraph may not be made in respect of the nominal territory of a stateless member of a multinational group."

(3) In paragraph 4 (qualified financial statements), in sub-paragraph (1)—

(a) in paragraph (a)—

(i) for "statement" substitute "statements", and

(ii) after "parent" insert "provided the statements are prepared in accordance with acceptable accounting standards or an authorised accounting standard", and

(b) for paragraph (b) substitute—

"(b) financial statements of members of the group provided—

(i) they are prepared in accordance with acceptable accounting standards or an authorised accounting standard, and

(ii) the information contained in those statements is reliable and is maintained in a manner that is consistent with its use under the accounting standard used in preparing those statements."

(4) In paragraph 4, after sub-paragraph (1) insert—

"(1A) But see also paragraph 4A in cases where those accounts or statements reflect purchase price accounting adjustments."

(5) In paragraph 4, in sub-paragraph (3), in paragraph (d), after "income" insert "exclusion".

(6) After paragraph 4 insert—

"Accounts or statements reflecting purchase price accounting adjustments

4A (1) This paragraph applies in relation to accounts or financial statements ("the relevant statements") in relation to a multinational group in a territory that—

(a) fall within paragraph (a) or (b) of paragraph 4(1), and

(b) reflect purchase price accounting adjustments.

(2) If—

(a) a country-by-country report has been submitted in respect of the group in that territory in respect of a period commencing on or after 1 January 2023 and concluding before the commencement of the accounting period for which the transitional safe harbour election is being made,

(b) the financial accounts used for the preparation of that report did not reflect purchase price accounting adjustments, and

(c) there is no requirement to reflect purchase price adjustments in the relevant statements under the law of the territory that applies in relation to the preparation of those statements,

the relevant statements are not qualified financial statements.

(3) Sub-paragraph (4) applies if—

(a) the relevant statements are qualified financial statements, and

(b) an impairment of goodwill in relation to a transaction entered into on or after 1 December 2021 is reflected in a member's profit (loss) before income tax.

(4) Adjust the profit (loss) before income tax of the member so that it does not reflect that impairment for the purposes of determining—

(a) in a case where the condition in sub-paragraph (5) is not met, whether the simplified effective tax rate test is met (see paragraph 8), and

(b) in any case, whether the routine profits test is met (see paragraph 9).

(5) The condition in this sub-paragraph is that the relevant statements reflect—

(a) a reversal of deferred tax liability in relation to the goodwill, or

(b) the recognition or increase of a deferred tax asset in relation to it."

(7) In paragraph 5 (qualifying income tax expense)—

(a) the existing text becomes sub-paragraph (1), and

(b) after that sub-paragraph insert—

"(2) For the purposes of this Part of this Schedule, any amount of qualifying income tax expense that is in respect of profits of a permanent establishment is to be regarded as the expense of that permanent establishment (rather than of the main entity)."

Transitional safe harbour: arbitrage arrangements

42 (1) In Schedule 16, after paragraph 6 insert—

"Deduction and non-inclusion arrangements and duplicate loss arrangements

6A (1) Where the aggregate profit (loss) before income tax of the standard members of a multinational group in a territory reflects disqualified expense, the aggregate profit (loss) before income tax is to be adjusted to exclude it.

(2) Disqualified expense means any expense or loss of a member of a multinational group reflected in the financial statements of the member arising as a result of qualifying arrangements that involve another member of the group—

(a) to the extent that the expense or loss is a result of the member directly or indirectly being provided credit by the other member or the other member otherwise making an investment in the member under the arrangements and—

(i) the credit or investment is not reflected as an increase in the revenue, or a gain, in the financial statements of the other member that corresponds to the expense or loss, or

(ii) it is not reasonable to expect that the credit or investment will be reflected as an increase in the taxable income of the other member over the life of the arrangements that corresponds to the expense or loss, or

(b) to the extent that—

(i) the expense or loss is also included as an expense or loss in the financial statements of another member of the group, or

(ii) the expense or loss is mirrored by an amount that can be deducted from the taxable income of another member of the group that is located in a different territory to the member.

(3) But –

(a) an expense or a loss is not disqualified expense as a result of sub-paragraph (2)(a) if it is solely referable to the provision of qualifying tier one capital,

(b) an expense or loss is not disqualified expense as a result of sub-paragraph (2)(b)(i) to the extent it is offset against revenue that is included in the financial statements of each member whose financial statements reflect the expense or loss, and

(c) an expense or loss is not disqualified expense as a result of sub-paragraph (2)(b)(ii) to the extent that it is offset against revenue or income that is included in both –

(i) the financial statements that reflect the expense or loss, and

(ii) the taxable income from which the amount that mirrors the expense or loss can be deducted.

(4) An expense or loss included in the financial statements of a member of a multinational group is to be ignored to the extent that the expense or loss is included in the financial statements of another member of the group as a result of –

(a) the other member having a direct or indirect ownership interest in the member, and

(b) the member being regarded as tax transparent in the territory in which the other member is located.

(5) Where as a result of sub-paragraph (2)(b)(i) more than one standard member in a territory has disqualified expense in respect of the same expense or loss, sub-paragraph (1) applies to all but one of those amounts of disqualified expense.

(6) For the purposes of sub-paragraph (2)(a)(i), ignore any increase in the taxable income of the other member –

(a) that is offset by a devalued tax attribute, or

(b) where –

(i) the payment that gives rise to the expense or loss in question also results in a taxable deduction or loss of a further member of the group located in the same territory as the other member, and

(ii) that deduction or loss is not reflected in the aggregate profit (loss) before income tax for that territory for the purposes of determining whether an election under paragraph 3 that applies in relation to that further member can be made.

(7) For the purposes of sub-paragraph (6)(a), a "devalued tax attribute" means a tax attribute of a member of a multinational group—

(a) whose value is reflected in financial statements of the member at less than the amount of the attribute multiplied by the tax rate that applies to the member, or

(b) whose value would be so reflected if the qualifying arrangements that result in disqualified expense or disqualified tax expense (see paragraph 6B) were ignored.

(8) For the purposes of this paragraph and paragraph 6B, arrangements are "qualifying" if—

(a) they were entered into on or after 16 December 2022, or

(b) they were entered into before that date, but—

(i) the arrangements are amended on or after that date (including by way of a substitution of one or more of the parties),

(ii) the performance of rights or obligations under the arrangements is altered on or after that date (for example where payments under the arrangements are reduced or ceased), or

(iii) the accounting treatment of the arrangements is varied on or after that date.

(9) In this paragraph and in paragraph 6B reference to the financial statements of a member of a multinational group is—

(a) in relation to an accounting period in which an election under paragraph 3 that applies in relation to the member was made, or for the purposes of determining whether such an election can be made, to the financial statements, or financial accounts, that form the basis of qualified financial statements in relation to the member for the purposes of this Part of this Schedule, or

(b) otherwise, to the underlying profits accounts of that member (see section 136).

Duplicate tax recognition arrangements

6B (1) Where the aggregate qualifying income tax expense of the standard members of a multinational group in a territory reflects disqualified tax expense, the aggregate qualifying income tax expense is to be adjusted to exclude it.

(2) Disqualified tax expense means any qualifying income tax expense of a member of a multinational group reflected in the financial statements of the member that, as a result of qualifying arrangements, is also reflected in—

(a) the covered tax balance of one or more other members of the group, or

(b) the qualifying income tax expense of one or more other members of the group.

(3) But qualifying income tax expense is not to be regarded as disqualified tax expense—

(a) if the income to which the tax expense relates is reflected in the financial statements of each member of the group falling within sub-paragraph (2)(a) and (b) to at least the same extent to which the tax expense is reflected in the covered tax balance, or qualifying income tax expense, of each of those members;

(b) to the extent that the duplication of the tax expense would not arise if the adjustments that would have been made in determining the member's covered tax balance (and that are not required to be made for the purpose of determining the member's qualifying income tax expense) had been made."

(2) The amendment made by sub-paragraph (1) has effect in relation to—

(a) disqualified expense accruing on or after 14 March 2024, and

(b) disqualified tax expense attributable to profits accruing on or after 14 March 2024.

(3) In paragraph 4 (qualified financial statements and basis of calculations), in sub-paragraph (4), in the words after paragraph (b) for "paragraph 6" substitute "paragraphs 6 to 6B".

(4) In section 155 (qualifying tier one capital), in subsection (3), for "section" substitute "Part".

(5) In Schedule 17, in the table, at the appropriate place insert—

"qualifying tier one capital section 155(3)"in.

Substance based income exclusion: removal of provision for election

43 (1) In section 195 (substance based income exclusion) omit subsections (2) and (3).

(2) Accordingly, in paragraph 2 (annual elections) of Schedule 15 (multinational top-up tax: elections), omit paragraph (e).

Inclusion ratio

44 (1) Section 201 (inclusion ratio) is amended as follows.

(2) In subsection (1), in Step 2, at the end insert ", but excluding ownership interests in respect of which an amount has been excluded from the relevant member's adjusted profits."

(3) Omit subsection (4).

45 (1) Section 223 (adjustments) is amended as follows.

(2) In subsection (7)—

(a) in paragraph (a), after "group," insert ", other than ownership interests in respect of which an amount has been excluded from the adjusted profits of the entity,";

(b) in paragraph (b), before "profits" insert "adjusted";

(c) at the end insert—

"(but if the amount mentioned in paragraph (b) is nil, the adjustment factor is to be taken to be nil)."

(3) In subsection (8)—

(a) in paragraph (a), after "made," insert ", other than ownership interests in respect of which an amount has been excluded from the adjusted profits of the entity,";

(b) at the end insert—

"(but if the amount mentioned in paragraph (b) is nil, the adjustment factor is to be taken to be nil)."

(4) In subsection (9), after "201(2)" insert "and (3)".

Specification of territories and taxes

46 (1) In section 241 (Pillar Two territories)—

(a) in subsection (1), before "regulations" insert ", or in accordance with,",

(b) after that subsection insert—

"(1A) Regulations may provide for the specification of a territory to be made by notice published by the Commissioners for His Majesty's Revenue and Customs in accordance with the regulations.",

(c) in subsection (2)—

(i) after "Regulations" insert ", or a notice,", and

(ii) for "Treasury consider" substitute "appropriate authority considers",

(d) after that subsection insert—

"(2A) The "appropriate authority" means—

(a) in relation to the specification of a territory in regulations, the Treasury, or

(b) in relation to the specification of a territory made by notice, the Commissioners for His Majesty's Revenue and Customs.",

(e) in subsection (3)—

(i) for "that", in the first place it occurs, substitute "for",

(ii) omit "is",

(iii) for "the regulations are made", in the first place it occurs, substitute "the territory was specified", and

(iv) for "that the specification of a territory previously specified ceases to have effect" substitute "for the specification of a territory to cease to have effect in relation to accounting periods commencing", and

(f) after that subsection insert—

"(4) A territory outside the United Kingdom is to be treated as a Pillar Two territory for the purposes of any accounting period that concluded before the first regulations under this section have been made, if it is a territory in which a tax applies for that accounting period—

(a) that is a Qualified IIR for the purposes of the Pillar Two rules, or

(b) that it is reasonable to conclude is likely to be a Qualified IIR for the purposes of those rules."

(2) In section 256 (qualifying domestic top-up tax)—

(a) in subsection (1)(b), for "a" substitute ", or in accordance with,",

(b) after that subsection insert—

"(1A) Regulations 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.",

(c) in subsection (2)—

(i) after "regulations" insert ", or a notice,", and

(ii) for "Treasury consider" substitute "appropriate authority considers",

(d) after that subsection insert—

"(2A) The "appropriate authority" means—

(a) in relation to the specification of a tax in regulations, the Treasury, or

(b) in relation to the specification of a tax made by notice, the Commissioners for His Majesty's Revenue and Customs.",

(e) in subsection (4)—

(i) for "that", in the first place it occurs, substitute "for",

(ii) omit "is",

(iii) for "the regulations are made", in the first place it occurs, substitute "the tax was specified", and

(iv) for "that the specification of a tax previously specified ceases to have effect" substitute "for the specification of a tax to cease to have effect in relation to accounting periods commencing", and

(f) after that subsection insert—

"(5) A tax (other than domestic top-up tax which is always a qualifying domestic top-up tax) is to be treated as a qualifying domestic top-up tax for the purposes of any accounting period that concluded before the first regulations under this section have been made if—

(a) it is a Qualified Domestic Minimum Top-up Tax 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 Domestic Minimum Top-up Tax for that accounting period for the purposes of those rules."

(3) In Schedule 16A (qualifying domestic top-up tax safe harbour election)—

(a) in paragraph 1(3)—

(i) in the words before paragraph (a), for "may only be made" substitute "is only valid",

(ii) omit the "and" after paragraph (b), and

(iii) after that sub-paragraph insert—

"(ba) the accreditation applies to the accounting period, and", and

(b) in paragraph 2—

(i) the existing text becomes sub-paragraph (1),

(ii) in that sub-paragraph, before "regulations" insert ", or in accordance with,",

(iii) after that sub-paragraph insert—

"(1A) Regulations may provide for the accreditation of a tax by specification in a notice published by the Commissioners for His Majesty's Revenue and Customs in accordance with the regulations.

(1B) Regulations, or a notice, must identify the accounting periods to which the accreditation applies.

(1C) Regulations under this paragraph may provide for the accreditation of a territory to have effect from

a time before the tax was specified (but may not provide for the accreditation of a tax to cease to have effect in relation to accounting periods commencing before the regulations are made).", and

(iv) at the end insert—

"(2) A qualifying domestic top-up tax is to be treated as accredited for the purposes of any accounting period that concluded before the first regulations under this paragraph have been made if—

(a) the tax falls within Chapter 5.5 to 5.7 of the QDMTT safe harbour guidance, or

(b) it is reasonable to conclude that the tax is likely to fall within Chapter 5.5 to 5.7 of that guidance.

(3) For the purposes of sub-paragraph (2) the "QDMTT safe harbour guidance" means Chapter 5 of Tax Challenges Arising from the Digitalisation of the Economy – Administrative Guidance on the Global Anti-Base Erosion Model Rules (Pillar Two), July 2023, published by the OECD on 17 July 2023."

(4) The amendments made by sub-paragraphs (1)(f), (2)(f) and (3)(b)(i) and (iv) are treated as having come into force on 7 November 2024.

Filing etc not required before 30 June 2026

47 (1) Schedule 14 (administration) is amended as follows.

(2) In paragraph 10, after sub-paragraph (11) insert—

"(12) Where (ignoring this sub-paragraph) the date by which an information return or overseas return must be submitted falls before 30 June 2026, the date by which that return must be submitted is 30 June 2026 instead."

(3) In paragraph 13, after sub-paragraph (10) insert—

"(11) Where (ignoring this sub-paragraph) the date by which a self assessment return or below-threshold notification must be submitted falls before 30 June 2026, the date by which that return or notification must be submitted is instead 30 June 2026 instead."

(4) In paragraph 32, after sub-paragraph (3) insert—

"(3A) Where (ignoring this sub-paragraph) the date on which an amount of multinational top-up tax must be paid falls before 30 June 2026, the date on which it must be paid is 30 June 2026 instead."

Minor amendments

48 In section 141 (general exclusion of dividends), in subsection (9) omit paragraph (b) and the "or" preceding it.

49 In section 148A (transferable tax credits), in subsection (5)(a)—

(a) in sub-paragraph (i), for "before the end of 15 months" substitute "in the period beginning with the day on which the credit was granted and ending 15 months after the end", and

(b) in sub-paragraph (ii), for "before the end of 15 months of the accounting period in which they are granted" substitute "in that period".

50 In section 170 (adjustments for ultimate parent that is a flow-through entity), in subsection (9)(b), for the words from "the ultimate parent's" to the end substitute "—

(i) the entity is regarded as tax transparent in the territory in which the ultimate parent is located, and

(ii) the ultimate parent's interest in that entity is held directly or through one or more entities all of which are regarded as tax transparent in that territory."

51 In section 171 (ultimate parent subject to qualifying dividend regime)—

(a) in subsection (2)(b), omit "adjusted", and

(b) in subsection (6), for "underlying", in each place it occurs, substitute "adjusted"

52 In section 176B (value of non-marketable transferable tax credits: originator), in subsection (3), after "the", in the fourth place it occurs, insert "end of the".

53 In section 176C (value of non-marketable transferable tax credits: purchaser)—

(a) in subsection (4)(b), for "underlying" substitute "adjusted";

(b) in subsection (5)(a)(ii) omit "reflected";

(c) in subsection (6) for "underlying" substitute "adjusted".

54 In section 176D (tax credits etc allocated under tax equity partnerships), in subsection (10), for "the amount multiplied" substitute "that amount".

55 In section 212 (meaning of "qualifying reorganisation"), in subsection (4), after "is", in the third place it occurs, insert "no greater than".

56 In section 215 (undistributed income amount), in subsection (2)(c) omit "the made a loss".

57 In section 216 (election where assets and liabilities adjusted to fair value for tax purposes), in subsection (7)(a), before "immediately after" insert "or liability".

58 In section 217 (post filing adjustments of covered taxes), after subsection (1) insert—

"(1A) In the case of a prior accounting period for which there is no information return, overseas information return or self-assessment return, the reference to covered taxes being reflected in such a return is to the covered taxes as would have been reflected in such a return had there been one."

59 In section 222 (investment entity effective tax rate), in Step 9 for "Step 1" substitute "Step 2".

60 In section 242 (ownership interests and controlling interests), in subsection (5)(a) omit "financial".

61 In section 255 (Pillar Two rules), in subsection (6), for "3(1)" substitute "3 of Schedule 16".

62 In Schedule 14 (administration of multinational top-up tax)—

(a) in paragraph 2(12), for "entity" substitute "member";

(b) in paragraph 7(6), for "or Revenue" substitute "of Revenue".

Commencement

63 (1) The following provisions of this Part of this Schedule have effect in relation to accounting periods commencing on or after 31 December 2023—

(a) paragraph 11 (permanent establishments as excluded entities);

(b) paragraph 34(d) (joint venture conditions);

(c) paragraph 43 (removal of requirement for SBIE election);

(d) paragraph 46 (specification of territories and taxes);

(e) paragraph 47 (filing etc not required before 30 June 2026).

(2) Paragraph 42 has effect in relation to relation to accounting periods commencing on or after 31 December 2023, subject to sub-paragraph (2) of that paragraph.

(3) The following provisions of this Part of this Schedule have effect in relation to accounting periods commencing on or after 31 December 2024—

(a) paragraphs 17 to 23 (tax equity partnerships);

(b) paragraphs (a) to (c) of paragraph 34.

(4) The other provisions of this Part of this Schedule have effect in relation to—

(a) where a retrospection election has been made by the filing member in relation to a multinational group, group or qualifying entity, accounting periods of that multinational group, group or entity commencing on or after 31 December 2023, or

(b) otherwise, accounting periods commencing on or after 31 December 2024.

(5) A retrospection election—

(a) 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 commencing on or after 31 December 2023 is made, and

(b) may not be revoked.

(6) But sub-paragraph (7) applies where any 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, or

(b) a qualifying entity in respect of which a person is chargeable to domestic top-up tax.

(7) Where this sub-paragraph applies, a retrospection election may not be made without the written consent of each such person.

(8) For the purposes of sub-paragraph (6), 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.

(9) 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.

(10) 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 5

Section 25

FURNISHED HOLIDAY LETTINGS

PART 1

AMENDMENTS RELATING TO INCOME TAX

FA 2004

1 Section 189 of FA 2004 (tax reliefs and exemptions in connection with registered pension schemes: meaning of relevant UK earnings) is amended as follows—

(a) in subsection (2) omit—

(i) paragraph (ba), and

(ii) paragraph (bb) (but not the "and" after it);

(b) omit subsections (5) to (6B).

ITTOIA 2005

2 (1) ITTOIA 2005 is amended as follows.

(2) In section 270 (charge on profits of property businesses), in subsection (5)—

(a) in the definition of "CAA allowances" omit "or 250A";

(b) in the definition of "CAA charges", for "either of those sections" substitute "that section".

(3) In section 272B (meaning of "costs of a dwelling-related loan")—

(a) in subsection (2) for "subsections (3) and (4)" substitute "subsection (3)";

(b) omit subsection (4).

(4) In section 307B (cash basis: capital expenditure)—

(a) in subsections (6) and (7), omit "ordinary";

(b) in subsection (8), for paragraph (a) substitute—

"(a) "residential property" means land consisting of a dwelling-house or part of a dwelling-house in relation to which a UK property business or an overseas property business is carried on in the tax year, and";

(c) omit subsections (9) and (19).

(5) In section 307E (cash basis: capital receipts)—

(a) in subsection (20)(a) for "sections 248 to 250A" substitute "sections 248 and 250";

(b) in subsection (22)(a), for "section 15(1)(b) to (da)" substitute "section 15(1)(b) or (d)".

(6) In section 311A (replacement domestic items relief)—

(a) in subsection (6), for "subsections (7) and (8)" substitute "subsection (8)";

(b) omit subsection (7).

(7) In section 313 (restrictions on relief), omit subsection (3).

(8) Omit Chapter 6 of Part 3 (which defines "the commercial letting of furnished holiday accommodation").

(9) In section 334C (unrelieved qualifying expenditure)—

(a) in subsection (1)(b), for "a relevant property business activity" substitute "the property business";

(b) in subsection (3), for "each relevant property business activity" substitute "the property business";

(c) in subsection (6), omit the definition of "relevant property business activity".

(10) In Part 2 of Schedule 4 (index of defined expressions), omit the entry for "commercial letting of furnished holiday accommodation (for purposes of Chapter 6 of Part 3)".

ITA 2007

3 (1) ITA 2007 is amended as follows.

(2) In section 117 (overview of Chapter 4 of Part 4) omit subsections (2) and (2A).

(3) Omit –

(a) section 127 (UK furnished holiday lettings business treated as trade),

(b) section 127ZA (EEA furnished holiday lettings business treated as trade), and

(c) the italic heading before those sections.

(4) In section 388 (loan to buy plant or machinery for partnership use) –

(a) in subsection (2)(a) omit "ordinary";

(b) in subsection (4), for ""ordinary property business"" substitute ""property business"".

(5) In section 389 (eligibility requirements for interest on loans), in subsection (4) omit "ordinary".

(6) In section 399A (property partnerships: restriction of relief for investment loan interest) omit subsection (9).

(7) In section 836 (jointly held property), in subsection (3) omit exceptions D and DA.

Consequential repeals of amending provisions

4 The following provisions (which insert or amend provision relating to the commercial letting of furnished holiday accommodation) are repealed –

(a) in ITTOIA 2005 –

(i) paragraph 196 of Schedule 1, and

(ii) paragraphs 74 and 75 of Schedule 2;

(b) in Schedule 1 to ITA 2007 –

(i) paragraph 473(2)(a) and (b), and

(ii) paragraphs 508, 509 and 510;

(c) in FA 2011, Part 1 of Schedule 14;

(d) in FA 2016, section 73(5);

(e) in F(No.2)A 2017, paragraph 26 of Schedule 2.

PART 2

AMENDMENTS RELATING TO CORPORATION TAX

CTA 2009

5 (1) CTA 2009 is amended as follows.

(2) In section 202 (overview of Part 4) omit subsection (5).

(3) In section 250A (replacement domestic items relief) omit subsection (7).

(4) In section 252 (restrictions on relief) omit subsection (3).

(5) Omit Chapter 6 of Part 4 (which defines "the commercial letting of furnished holiday accommodation").

(6) In section 748 (assets held for purposes of property business)—

(a) for subsection (4) substitute—

"(4) In subsection (1), "property business" means—

(a) a UK property business, or

(b) an overseas property business.";

(b) omit subsection (5).

(7) In Schedule 4 (index of defined expressions) omit the entry for "commercial letting of furnished holiday accommodation (in Chapter 6 of Part 4)".

CTA 2010

6 (1) CTA 2010 is amended as follows.

(2) Omit section 65 (UK furnished holiday lettings business treated as trade).

(3) Omit section 67A (EEA furnished holiday lettings business treated as trade).

(4) In section 188DD (limitations on relief under section 188CB: determination of claimant's relevant maximum), in subsection (2)(a) omit sub-paragraph (vii).

(5) In section 188ED (limitations on relief under section 188CC: determination of claimant's relevant maximum), in subsection (2)(a) omit sub-paragraph (vii).

(6) In section 269ZF (restriction of certain deductions: determination of company's qualifying trading profits), in subsection (4)(e) omit sub-paragraph (vii).

Consequential repeals of amending provisions

7 The following provisions (which insert or amend provision relating to the commercial letting of furnished holiday accommodation) are repealed—

(a) in CTA 2009, paragraphs 172 and 173 of Schedule 1;

(b) in CTA 2010, paragraphs 602 and 603 of Schedule 1;

(c) in FA 2011, Part 2 of Schedule 14;
(d) in FA 2016, section 73(7);
(e) in F(No.2)A 2017, paragraph 155 of Schedule 4.

PART 3

AMENDMENTS RELATING TO CAPITAL ALLOWANCES

CAA 2001

8 (1) CAA 2001 is amended as follows.

(2) Omit section 13B (use for other purposes of plant or machinery: property businesses).

(3) In section 15 (qualifying activities)—
(a) in subsection (1)—
(i) in paragraph (b), for "an ordinary" substitute "a";
(ii) omit paragraph (c);
(iii) in paragraph (d) omit "ordinary";
(iv) omit paragraph (da);
(b) in subsection (3)—
(i) in paragraph (a), for "an ordinary" substitute "a";
(ii) in paragraph (b) omit "ordinary".

(4) Omit sections 16 to 17B (which define ordinary UK, or overseas, property business and UK, or EEA, furnished holiday lettings business).

(5) In section 28 (qualifying expenditure: thermal insulation of buildings), in subsections (1) and (2)—
(a) for "an ordinary UK", in each subsection, substitute "a UK";
(b) for "an ordinary overseas", in each subsection, substitute "an overseas".

(6) In section 33 (qualifying expenditure: personal security), in subsection (8)—
(a) in paragraph (b), for "an ordinary" substitute "a";
(b) omit paragraph (c);
(c) in paragraph (d) omit "ordinary";
(d) omit paragraph (da).

(7) In section 35 (exclusion of certain expenditure on plant or machinery for use in a dwelling-house), in subsection (1)—
(a) in paragraph (a), for "an ordinary" substitute "a";
(b) in paragraph (b) omit "ordinary".

(8) In section 59 (unrelieved qualifying expenditure)—
(a) in subsection (4A), for "a relevant qualifying activity" substitute "the property business";
(b) omit subsection (7A).

(9) In section 63 (cases in which disposal value of plant or machinery is nil), in subsection (3)—
  (a) in paragraph (b), for "an ordinary" substitute "a";
  (b) omit paragraph (c);
  (c) in paragraph (d) omit "ordinary";
  (d) omit paragraph (da) (but not the "or" after it).

(10) In section 248 (treatment of allowances or charges in relation to UK property businesses)—
  (a) in the heading omit "Ordinary";
  (b) in the words before paragraph (a), for "an ordinary" substitute "a".

(11) Omit section 249 (giving effect to allowances and charges: UK furnished holiday lettings businesses).

(12) In section 250 (treatment of allowances or charges in relation to overseas property businesses)—
  (a) in the heading omit "Ordinary";
  (b) in the words before paragraph (a) omit "Ordinary".

(13) Omit section 250A (giving effect to allowances and charges: EEA furnished holiday lettings businesses).

(14) In section 270CA (qualifying activities)—
  (a) in paragraph (b), for "an ordinary" substitute "a";
  (b) in paragraph (c) omit "ordinary".

(15) Omit section 270CB (meaning of ordinary UK or overseas property business).

(16) In section 270CG (use for the purposes of a property business), in subsection (1)—
  (a) for "an ordinary UK" substitute "a UK";
  (b) for "an ordinary overseas" substitute "an overseas".

(17) In section 270HB (allowances to be treated as expense of property businesses)—
  (a) in the heading omit "ordinary" in both places,
  (b) in paragraph (a), for "an ordinary" substitute "a";
  (c) in paragraph (b) omit "ordinary".

(18) In section 536 (contributions not made by public bodies and not eligible for tax relief), in subsection (5)(a)—
  (a) in sub-paragraph (i), for "an ordinary" substitute "a";
  (b) omit sub-paragraph (ii);
  (c) in sub-paragraph (iii) omit "ordinary";
  (d) omit sub-paragraph (iiia).

(19) In Part 2 of Schedule 1 (defined expressions) omit the entries for—
  (a) "EEA furnished holiday lettings business";

(b) "ordinary overseas property business";
(c) "ordinary UK property business";
(d) "UK furnished holiday lettings business".

Consequential repeals of amending provisions

9 The following provisions (which insert or amend provision relating to the commercial letting of furnished holiday accommodation) are repealed—
(a) in CAA 2001, paragraph 13 of Schedule 2;
(b) in ITTOIA 2005, paragraphs 527 and 528 of Schedule 1;
(c) in CTA 2009, paragraphs 477 and 478 of Schedule 1;
(d) in CTA 2010, paragraph 347 of Schedule 1;
(e) in FA 2011, Part 3 of Schedule 14.

PART 4

AMENDMENTS RELATING TO CHARGEABLE GAINS

TCGA 1992

10 (1) TCGA 1992 is amended as follows.

(2) In section 3A (gains connected to avoidance or foreign activities etc) omit subsections (3) to (5).

(3) In section 165A (meaning of "trading company" and "trading group"), in subsection (14), in the definition of "trade" omit "(subject to section 241(3))".

(4) Omit—
(a) section 241 (UK furnished holiday lettings), and
(b) section 241A (EEA furnished holiday lettings).

Consequential repeals of amending provisions

11 The following provisions (which insert or amend provision relating to the commercial letting of furnished holiday accommodation) are repealed—
(a) in FA 1996, paragraph 62 of Schedule 20;
(b) in FA 1998—
(i) paragraph 62 of Schedule 5, and
(ii) paragraph 8 of Schedule 21;
(c) in FA 2002, paragraph 3 of Schedule 8;
(d) in ITTOIA 2005, paragraph 441 of Schedule 1;
(e) in ITA 2007, paragraph 325 of Schedule 1;
(f) in FA 2008—
(i) paragraph 37 of Schedule 2, and
(ii) paragraph 3 of Schedule 3;
(g) in CTA 2009, paragraph 380 of Schedule 1 to CTA 2009;

(h) in FA 2011, Part 4 of Schedule 14.

PART 5

COMMENCEMENT AND TRANSITIONAL PROVISION

Commencement: Parts 1 to 3

12 (1) The amendments made by Part 1 have effect for the purposes of income tax in relation to the tax year 2025-26 and subsequent tax years.

(2) The amendments made by Part 2 have effect for the purposes of corporation tax in relation to accounting periods beginning on or after 1 April 2025.

(3) The amendments made by Part 3 have effect—

(a) for the purposes of corporation tax, in relation to accounting periods beginning on or after 1 April 2025, and

(b) for the purposes of income tax, in relation to periods of account beginning on or after 6 April 2025.

Commencement: Part 4

13 (1) The amendments made by Part 4 have effect in relation to disposals made on or after the commencement date.

(2) The amendments made by Part 4 also have effect—

(a) for the purposes of sections 152 to 157 of TCGA 1992 (roll-over relief on replacement of business asset), in relation to acquisitions that take place on or after the commencement date, and

(b) for the purposes of section 253 of TCGA 1992 (relief for loans to traders), in relation to claims for a loss to be treated as accruing to a person on or after the commencement date.

(3) Sub-paragraph (1) is subject to paragraph 19 (business asset disposal relief: disposals relating to pre-commencement businesses).

(4) In this paragraph, "the commencement date" means—

(a) for the purposes of corporation tax, 1 April 2025, and

(b) for the purposes of capital gains tax, 6 April 2025.

Anti-forestalling: disposals under unconditional contracts

14 (1) Sub-paragraph (2) applies where—

(a) an asset is disposed of under an unconditional contract made during the pre-commencement period,

(b) the asset is conveyed or transferred on or after the commencement date, and

(c) a relevant claim is made in respect of the disposal.

(2) The amendments made by Part 4 have effect in relation to the disposal unless—

(a) no purpose of entering into the contract was to avoid the amendments made by Part 4 having effect in relation to the disposal,

(b) either—

(i) the contract was entered into wholly for commercial reasons, or

(ii) the parties to the contract are not connected persons, and

(c) the claim includes a statement that the conditions in paragraphs (a) and (b) are met.

(3) In this paragraph—

"the commencement date" means—

(a) for the purposes of corporation tax, 1 April 2025;

(b) for the purposes of capital gains tax, 6 April 2025;

"connected persons" is to be construed in accordance with section 286 of TCGA 1992;

"the pre-commencement period" means the period—

(a) beginning with 6 March 2024, and

(b) ending with the day before the commencement date;

"relevant claim" means—

(a) a claim under section 152 or 153 of TCGA 1992 (roll-over relief) or a declaration under section 153A of that Act (provisional application of sections 152 and 153),

(b) a claim under section 165 of TCGA 1992 (relief for gifts of business assets), or

(c) a claim under section 169M of TCGA 1992 (business asset disposal relief).

Corporation tax: accounting periods straddling 1 April 2025

15 (1) This paragraph applies where a company has an accounting period beginning before, and ending on or after, 1 April 2025 ("the straddling period").

(2) For the purposes of this Schedule—

(a) so much of the straddling period as falls before 1 April 2025, and so much of that period as falls on or after 1 April 2025, are treated as separate accounting periods, and

(b) where it is necessary to apportion an amount for the straddling period to the two separate accounting periods, it is to be apportioned—

(i) in accordance with section 1172 of CTA 2010 (time basis), or

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

Carry-forward of losses: income tax

16 (1) This paragraph applies if—

(a) a person is treated as carrying on in the tax year 2024-25 a single trade by virtue of section 127(3) of ITA 2007 (UK furnished holiday lettings businesses) or section 127ZA(3) of that Act (EEA furnished holiday lettings businesses),

(b) the person has made a loss in that trade in the tax year 2024-25 or a previous tax year,

(c) relief for the loss has not been fully given under Chapter 2 of Part 4 of ITA 2007 (trade losses) or any other provision of the Income Tax Acts, and

(d) the person carries on a corresponding property business in the tax year 2025-26.

(2) So much of the loss as has not been relieved is to be treated for the purposes of section 118 of ITA 2007 (carry forward against subsequent property business profits) as if it had been made in the corresponding property business.

(3) In this paragraph, "corresponding property business" means—

(a) in relation to a loss made in a trade a person is treated as carrying on by virtue of section 127(3) of ITA 2007, a UK property business (within the meaning given by section 264 of ITTOIA 2005) carried on by that person;

(b) in relation to a loss made in a trade a person is treated as carrying on by virtue of section 127ZA(3) of ITA 2007, an overseas property business (within the meaning given by section 265 of ITTOIA 2005) carried on by that person.

Carry-forward of losses: corporation tax

17 (1) This paragraph applies if—

(a) a company is treated as carrying on in its last accounting period to begin before 1 April 2025 a single trade by virtue of—

(i) section 65(3) of CTA 2010 (UK furnished holiday lettings businesses) or

(ii) section 67A(3) of that Act (EEA furnished holiday lettings businesses),

(b) the company has made a loss in that trade in that accounting period or a previous one,

(c) but for the provision of this Schedule, all or part of the loss would fall to be carried forward under section 45 of CTA 2010 to an accounting period beginning on or after 1 April 2025, and

(d) the company carries on a corresponding property business in its accounting period beginning on 1 April 2025 (see paragraph 15).

(2) The loss or the part of the loss that would otherwise fall to be carried forward as mentioned in sub-paragraph (1)(c) is to be treated for the purposes of the relevant relieving provision as if it had been made by the company in its corresponding property business.

(3) For the purposes of this paragraph as it applies in relation to a trade a company is treated as carrying on by virtue of section 65(3) of CTA 2010—

(a) "corresponding property business" means a UK property business (within the meaning given by section 205 of CTA 2009), and

(b) "the relevant relieving provision" means section 62(5) of CTA 2010 (relief for losses made in UK property business).

(4) For the purposes of this paragraph as it applies in relation to a trade a company is treated as carrying on by virtue of section 67A(3) of CTA 2010—

(a) "corresponding property business" means an overseas property business (within the meaning given by section 206 of CTA 2009), and

(b) "the relevant relieving provision" means section 66(3) of CTA 2010 (relief for losses made in overseas property business).

Plant and machinery allowances

18 (1) This paragraph applies for the purposes of Part 2 of CAA 2001 (plant and machinery allowances) where—

(a) immediately before the end of a person's pre-commencement chargeable period, the person is carrying on an FHL qualifying activity, and

(b) at the start of the person's post-commencement chargeable period, the person is carrying on the corresponding property activity.

(2) The amount of any allowance or charge arising in the person's post-commencement chargeable period or any subsequent chargeable period is to be calculated as if anything done by or to the person in carrying on the FHL qualifying activity had been done by or to the person in carrying on the corresponding property activity.

(3) In particular—

(a) where plant or machinery is in use for the purposes of the FHL qualifying activity immediately before the end of the person's pre-commencement chargeable period—

(i) the plant or machinery is to be treated as if it had been brought into use for the purposes of the corresponding property activity on the day on which it was brought into use for the purposes of the FHL qualifying activity, and

(ii) its use for the purposes of the FHL qualifying activity is to be disregarded.

(b) where the person has unrelieved qualifying expenditure (within the meaning given by section 59 of CAA 2001) to carry forward from

the person's pre-commencement chargeable period in a pool for an FHL qualifying activity, the expenditure is to be—

(i) carried forward to the person's post-commencement chargeable period, and

(ii) allocated to the appropriate pool for the corresponding property activity;

(4) Accordingly, the person is not to be taken, by reason only of the effect of the amendments made by this Schedule, as having—

(a) brought plant or machinery into use, or ceased to use plant or machinery, for the purposes of a qualifying activity, or

(b) permanently discontinued a qualifying activity.

(5) Section 35 of CAA 2001 (expenditure on plant or machinery for use in dwelling-house not qualifying expenditure) does not apply to expenditure carried forward in accordance with sub-paragraph (3)(b)(i).

(6) In this paragraph—

"FHL qualifying activity" means a UK furnished holiday lettings business or an EEA furnished holiday lettings business;

"the corresponding property activity" means—

(a) in relation to a UK furnished holiday lettings business carried on by a person, a UK property business carried on by that person, and

(b) in relation to an EEA furnished holiday lettings business carried on by a person, an overseas property business carried on by that person;

"pre-commencement chargeable period" means—

(a) for corporation tax purposes, a company's last accounting period to begin before 1 April 2025, and

(b) for income tax purposes, the tax year 2024-25;

"post-commencement chargeable period" means—

(a) for corporation tax purposes, the accounting period beginning on 1 April 2025 (see paragraph 15), and

(b) for income tax purposes, the tax year 2025-26.

(7) Expressions used in sub-paragraph (6) have the same meaning as in Part 2 of CAA 2001.

Business asset disposal relief: disposals relating to pre-commencement businesses

19 The amendments made by this Schedule do not have effect in relation to a disposal made on or after 6 April 2025 if it is—

(a) a disposal of business assets within section 169I(2)(b) of TCGA 1992 (assets used for purposes of business) where the date on which the business ceases to be carried on is before 6 April 2025;

(b) a disposal of business assets within section 169I(2)(c) of TCGA 1992 (shares in or securities of a company) where—

(i) the disposal is a material disposal by virtue of condition B in section 169I(7) of that Act or condition D in section 169I(7B) of that Act, and

(ii) the period of 2 years mentioned in condition B or condition D (as the case may be) ends before 6 April 2025;

(c) a disposal of trust business assets within section 169J(1) of TCGA 1992 where the settlement business assets are—

(i) assets consisting of (or of interests in) shares in or securities of a company in relation to which the period of 2 years mentioned in section 169J(4) of that Act ends before 6 April 2025, or

(ii) assets (or interests in assets) used or previously used for the purposes of a business in relation to which the period of 2 years mentioned in section 169J(5) of that Act ends before 6 April 2025;

(d) a disposal associated with a relevant material disposal within section 169K(1) of TCGA 1992, where the date of the material disposal of business assets with which the disposal is associated is before 6 April 2025.

Post-commencement disposals by companies with substantial shareholding

20 (1) Paragraph 3 of Schedule 7AC to TCGA 1992 (exemptions for disposals by companies with substantial shareholding: main conditions previously met) has effect in relation to a disposal made on or after 1 April 2025 in accordance with sub-paragraph (2).

(2) In determining whether the condition in sub-paragraph (2)(d) of that paragraph of that Schedule is met, sections 241 and 241A of TCGA 1992 (commercial letting of furnished holiday accommodation to be treated as a trade) are to be disregarded.

SCHEDULE 6

Section 31

EMPLOYEE-OWNERSHIP TRUSTS

PART 1

CAPITAL GAINS TAX

Introduction

1 TCGA 1992 is amended as follows.

Requirement for trustees of employee-ownership trusts to be UK resident

2 (1) In section 236H(4) (disposals to employee-ownership trusts), before paragraph (a) insert—

"(za) that the trustees of the settlement are resident in the United Kingdom at the time of the disposal and continue to be UK resident for the remainder of the tax year in which that time falls,".

(2) In section 236O(2) (no section 236H relief if disqualifying event in next tax year), before paragraph (a) insert—

"(za) the trustees of the settlement cease to be resident in the United Kingdom,".

(3) In section 236P (events which trigger deemed disposal and reacquisition by trustees), after subsection (3) insert—

"(3A) See also section 80 (trustees ceasing to be resident in U.K.), which provides for similar consequences in circumstances where the trustees of the settlement cease to be resident in the United Kingdom."

(4) In section 236Q(1)(c) (relief for deemed disposals under section 71), for "236H(4)(a)" substitute "236H(4)(za)".

(5) The amendments made by this paragraph have effect in relation to disposals made on or after 30 October 2024.

Trustee independence

3 (1) In section 236H(4), after paragraph (b) insert—

"(ba) that the settlement meets the trustee independence requirement (see section 236LA) at the time of the disposal and continues to meet that requirement for the remainder of the tax year in which that time falls,".

(2) After section 236L insert—

"236LA Trustee independence requirement

(1) A settlement meets the trustee independence requirement if—

(a) less than 50% of the trustees are persons who are excluded participators, and

(b) excluded participators do not have control of the settlement.

(2) In this section "excluded participator" means—

(a) a person that is an excluded participator within the meaning given by section 236J, other than a person who is an excluded participator only as a result of a connection falling within

section 286(3) (trustees regarded as connected with settlors etc), or

(b) a company not falling within paragraph (a), if 50% or more of its directors are persons falling within that paragraph.

(3) Excluded participators have control of the settlement if one or more excluded participators, acting alone or together without the trustees who are not excluded participators, have power under the trust instrument or by law to—

(a) dispose of, advance, lend, invest, pay or apply settlement property;

(b) vary or terminate the settlement;

(c) add or remove a person as a beneficiary or to or from a class of beneficiaries;

(d) appoint or remove trustees or give another individual control over the settlement;

(e) direct the exercise of a power mentioned in sub-paragraphs (a) to (d)."

(3) In section 236O(2), after paragraph (b) insert—

"(ba) the settlement ceases to meet the trustee independence requirement,".

(4) In section 236P(2) (events which trigger deemed disposal and reacquisition by trustees), after paragraph (b) insert—

"(ba) the settlement ceases to meet the trustee independence requirement,".

(5) The amendments made by this paragraph have effect in relation to disposals made on or after 30 October 2024.

Temporary breach of trustee independence requirement or residence requirement arising from death of trustee

4 (1) In section 236O, after subsection (2) insert—

"(2A) Where—

(a) a disqualifying event falling within subsection (2)(za) occurs (trustees cease to be resident in the United Kingdom),

(b) the event only occurs as a result of the death of a trustee of the settlement, and

(c) within the period of 6 months beginning with the death of the trustee, the trustees become resident in the United Kingdom,

the disqualifying event is to be ignored.

(2B) Where—

(a) a disqualifying event falling within subsection (2)(ba) occurs (trustee independence requirement ceases to be met),

(b) the event only occurs as a result of—

(i) the death of a trustee of the settlement, or

(ii) the death of a director of a company that is a trustee of the settlement, and

(c) within the period of 6 months beginning with that death, the settlement meets the trustee independence requirement,

the disqualifying event is to be ignored."

(2) In section 236P, after subsection (2) insert—

"(2A) Where—

(a) a disqualifying event falling within subsection (2)(ba) occurs (trustee independence requirement ceases to be met),

(b) the event only occurs as a result of—

(i) the death of a trustee of the settlement, or

(ii) the death of a director of a company that is a trustee of the settlement, and

(c) within the period of 6 months beginning with that death, the settlement meets the trustee independence requirement,

the disqualifying event is to be ignored."

(3) The amendments made by this paragraph have effect in relation to disposals made on or after 30 October 2024.

Consideration requirement

5 (1) In section 236H(4), after paragraph (c) insert—

"(ca) that the trustees have taken all reasonable steps to secure that—

(i) the consideration for the disposal does not exceed the market value of the ordinary share capital at the time of the disposal, and

(ii) where some or all of the consideration for the disposal is deferred, that the rate of any interest payable in relation to the deferral does not exceed a reasonable commercial rate,".

(2) In section 236Q, in subsection (1)(c), for "(d)" substitute "(c) and (d)".

(3) The amendments made by this paragraph have effect in relation to disposals made on or after 30 October 2024.

Extended period for disqualifying events

6 (1) In section 236O—

(a) in the heading, for "tax year" substitute "four tax years", and

(b) in subsection (1)(b), for "the tax year" substitute "any of the first four tax years".

(2) In section 236P(1), after "end of the" insert "fourth".

(3) In section 236R—

(a) in the heading, for "tax year" substitute "four tax years", and

(b) in subsection (1)(b), for "the tax year" substitute "any of the first four tax years".

(4) The amendments made by this paragraph have effect in relation to disposals made on or after 30 October 2024.

Additional information to be provided in claims

7 (1) In section 236H—

(a) in subsection (7)—

(i) omit the "and" after paragraph (b),

(ii) after that paragraph insert—

"(ba) the number of persons who at the time of the disposal are employees of—

(i) C, or

(ii) if C is the principal company of a trading group (within the meaning of section 236I(3)), any member of that group,", and

(iii) after paragraph (c) insert ", and

(d) the consideration for the disposal (including amounts of consideration due after the disposal).", and

(b) after that subsection insert—

"(7A) But where the person making the claim is unable to include the number of employees in the claim as required by subsection (7)(ba) because they have been unable to ascertain that number, that requirement is to be taken to be met if—

(a) the person has taken all reasonable steps to ascertain that number, and—

(b) the claim contains a statement that the person has taken such steps."

(2) In section 236Q—

(a) in subsection (6)—

(i) omit the "and" after paragraph (b), and

(ii) after that paragraph insert—

"(ba) the number of persons who at the time of the deemed disposal are employees of—

(i) the company, or

(ii) if the company is the principal company of a trading group (within the meaning of section 236I(3)), any member of that group, and", and

(b) after that subsection insert—

"(6A) But where the person making the claim is unable to include the number of employees in the claim as required by subsection (6)(ba) because they have been unable to ascertain that number, that requirement is to be taken to be met if—

(a) the person has taken all reasonable steps to ascertain that number, and—

(b) the claim contains a statement that the person has taken such steps."

(3) The amendments made by this paragraph have effect in relation to claims made under those sections on or after 6 April 2025.

PART 2

INCOME TAX

Participation requirement not infringed by exclusion of directors

8 (1) In section 312C of ITEPA 2003, after subsection (2) insert—

"(2A) The participation requirement is not infringed by reason of the exclusion of directors of the company from participating in an award."

(2) The amendment made by this paragraph has effect in relation to qualifying bonus payments made on or after 30 October 2024.

Relief for distributions to trustees of employee-ownership trusts

9 (1) In ITTOIA 2005, after section 401 insert—

"Employee-ownership trusts

401ZA Relief: distributions to trustees of employee-ownership trusts

(1) This section applies where—

(a) there has been a disposal of ordinary share capital of a company ("C") to the trustees of a settlement by a person ("P") other than a company,

(b) the relief requirements are met in relation to the disposal,

(c) C has made a payment to the trustees that is a distribution to the trustees chargeable to income tax as a result of this

Chapter or Chapter 4 (dividends from non-UK resident companies).

(2) On the making of a claim, so much of the trustees' acquisition costs may be deducted from the distribution (whether chargeable under this Chapter or Chapter 4) as—

(a) does not reduce the amount of the distribution below nil, and

(b) has not been deducted from any other distribution.

(3) The "relief requirements" means the requirements set out in section 236H(4) of TCGA 1992 (disposals to employee-ownership trusts).

(4) For the purposes of subsection (2), the trustees' acquisition costs are—

(a) the consideration for the disposal,

(b) where some or all of the consideration for the disposal is deferred, so much of any interest payable in relation to the deferral as reflects a rate of interest not exceeding a reasonable commercial rate, and

(c) any liability to stamp duty or stamp duty reserve tax on the acquisition of the ordinary share capital."

(2) The amendment made by this paragraph has effect in relation to distributions made on or after 30 October 2024.

SCHEDULE 7

Section 35

DIMINISHING SHARED OWNERSHIP REFINANCING ARRANGEMENTS

Income tax

1 (1) Part 10A of ITA 2007 (alternative finance arrangements) is amended as follows.

(2) In section 564A (introduction), in subsection (3)(b) after "section 564D" insert "or 564DA".

(3) In section 564D (diminishing shared ownership arrangements)—

(a) at the end of the heading insert ": initial acquisition";

(b) for the "the first owner" (in each place it appears) substitute "the financier";

(c) for "the eventual owner" (in each place it appears) substitute "the customer";

(d) for "the first owner's" (in each place it appears) substitute "the financier's";

(e) for "the eventual owner's" (in each place it appears) substitute "the customer's";

(f) in subsection (1A)(d), for "those owners" substitute "the customer and the financier";

(g) in subsection (6), for "564E" substitute "564DA".

(4) After section 564D insert—

"564DA Diminishing shared ownership arrangements: refinancing

(1) This section applies to arrangements if under them—

(a) a person ("the customer") has a beneficial interest in an asset,

(b) the customer disposes of some or all of their beneficial interest in the asset to another person ("the financier"),

(c) either—

(i) the financier is a financial institution or a regulated home purchase plan provider (within the meaning of section 564D(7)), or

(ii) the arrangements are regulated electronic system facilitated arrangements (within the meaning of section 564D(1A)),

(d) the customer is to make payments to the financier amounting in aggregate to the consideration paid for the financier acquiring a beneficial interest as mentioned in paragraph (b) (but subject to any adjustment required for such a reduction as is mentioned in subsection (6)),

(e) the customer is to acquire the financier's beneficial interest (whether or not in stages) as a result of those payments,

(f) the customer is to make other payments to the financier (whether under a lease forming part of the arrangements or otherwise),

(g) the customer has the exclusive right to occupy or otherwise to use the asset, and

(h) the customer is exclusively entitled to any income, profit or gain arising from or attributable to the asset (including, in particular, an increase in its value).

(2) This section also applies to arrangements which supersede arrangements to which section 564D or subsection (1) of this section applies if under them—

(a) a person ("the financier") acquires so much of the beneficial interest in an asset mentioned in section 564D(1)(a) or subsection (1)(b) of this section as has not yet been acquired as mentioned in section 564D(1)(d) or subsection (1)(e) of this section,

(b) either—

(i) the financier is a financial institution or a regulated home purchase plan provider (within the meaning of section 564D(7)), or

(ii) the arrangements are regulated electronic system facilitated arrangements (within the meaning of section 564D(1A)),

(c) the customer mentioned in section 564D(1) or subsection (1) of this section is to make payments to the financier amounting in aggregate to so much of the payments mentioned in section 564D(1)(c) or subsection (1)(d) of this section as are yet to be paid (but subject to any adjustment required for such a reduction as is mentioned in subsection (6)),

(d) that customer is to acquire the financier's beneficial interest (whether or not in stages) as a result of those payments,

(e) that customer is to make other payments to the financier (whether under a lease forming part of the arrangements or otherwise),

(f) the customer has the exclusive right to occupy or otherwise to use the asset, and

(g) the customer is exclusively entitled to any income, profit or gain arising from or attributable to that asset (including, in particular, an increase in its value).

(3) For the purposes of subsections (1)(a) and (b) and (2)(a) it does not matter if—

(a) another person who is not the customer or the financier also has a beneficial interest in the asset, or

(b) the financier also has a legal interest in it.

(4) Subsection (1)(g) or (2)(f) does not prevent the customer from granting an interest or right in relation to the asset if the conditions in subsection (5) are met.

(5) The conditions are that—

(a) the grant is not to—

(i) the financier,

(ii) a person controlled by the financier, or

(iii) a person controlled by a person who also controls the financier, and

(b) the grant is not required by the financier or arrangements to which the financier is a party.

(6) Subsection (1)(h) or (2)(g) does not prevent the financier from—

(a) having responsibility for any reduction in the asset's value, or

(b) having a share in a loss arising out of any such reduction.

(7) This section is subject to section 564H (provision not at arm's length: exclusion of arrangements from sections 564C and 564D, this section and sections 564E to 564G)."

(5) In section 564K (alternative finance return resulting from diminishing shared ownership arrangements)—

(a) for "the eventual owner" (in each place it appears) substitute "the customer";

(b) in subsection (2)—

(i) after "section 564D(1)(c)" insert "or 564DA(1)(d) or (2)(c)";

(ii) for "the first owner" substitute "the financier";

(iii) the "the first owner's" substitute "the financier's";

(c) in subsection (4), after "564D" insert "or 564DA".

(6) In section 564V (exclusion of some alternative finance return from sale consideration), in subsection (2), after "section 564D" insert "or 564DA".

(7) After section 564W (diminishing shared ownership arrangements not partnerships) insert—

"564WA Diminishing shared ownership arrangements: further provision in respect of refinancing

(1) This section applies in respect of diminishing shared ownership arrangements to which 564DA applies.

(2) If, under the arrangements, the customer disposes of an asset as mentioned in section 564DA(1)(b), any profit, gain or loss realised by the customer on the disposal of the asset is to be treated as not having been realised for income tax purposes.

(3) If, under the arrangements, the customer—

(a) disposes of an asset as mentioned in section 564DA(1)(b),

(b) acquires the asset as mentioned in section 564DA(1)(d) and (e) or (2)(c) and (d),

(c) and subsequently disposes of the asset,

the disposal of the asset mentioned in paragraph (a) and the acquisition of the asset mentioned in paragraph (b) (together with any intervening disposals or acquisitions of the asset) are to be treated as not having occurred for the purpose of calculating, for income tax purposes, the amount of the profit, gain or loss realised by customer on the subsequent disposal of the asset.

(4) In subsections (2) and (3),"the customer" has the same meaning as in section 564DA.

(5) If, under arrangements to which section 564DA(2) applies ("successor arrangements"), the financier under the diminishing shared ownership arrangements that the successor arrangements supersede transfers their interest in a lease forming part of those arrangements

to the financier under the successor arrangements, the transfer is not to be treated as involving a disposal or acquisition of the interest for income tax purposes."

Corporation tax

2 (1) Chapter 6 of Part 6 of CTA 2009 (alternative finance arrangements) is amended as follows.

(2) In section 501 (introduction), in subsection (3)(b) after "section 504" insert "or 504A".

(3) In section 504 (diminishing shared ownership arrangements)—

(a) at the end of the heading insert ": initial acquisition";

(b) for the "the first owner" (in each place it appears) substitute "the financier";

(c) for "the eventual owner" (in each place it appears) substitute "the customer";

(d) for "the first owner's" (in each place it appears) substitute "the financier's";

(e) for "the eventual owner's" (in each place it appears) substitute "the customer's";

(f) in subsection (1A)(d), for "those owners" substitute "the customer and the financier";

(g) in subsection (6), for "505" substitute "504A".

(4) After section 504 insert—

"504A Diminishing shared ownership arrangements: refinancing

(1) This section applies to arrangements if under them—

(a) a person ("the customer") has a beneficial interest in an asset,

(b) the customer disposes of some or all of their beneficial interest in the asset to another person ("the financier"),

(c) either—

(i) the financier is a financial institution or a regulated home purchase plan provider (within the meaning of section 504(7)), or

(ii) the arrangements are regulated electronic system facilitated arrangements (within the meaning of section 504(1A)),

(d) the customer is to make payments to the financier amounting in aggregate to the consideration paid for the financier acquiring a beneficial interest as mentioned in paragraph (b) (but subject to any adjustment required for such a reduction as is mentioned in subsection (6)),

(e) the customer is to acquire the financier's beneficial interest (whether or not in stages) as a result of those payments,

(f) the customer is to make other payments to the financier (whether under a lease forming part of the arrangements or otherwise),

(g) the customer has the exclusive right to occupy or otherwise to use the asset, and

(h) the customer is exclusively entitled to any income, profit or gain arising from or attributable to the asset (including, in particular, an increase in its value).

(2) This section also applies to arrangements which supersede arrangements to which section 504 or subsection (1) of this section applies if under them—

(a) a person ("the financier") acquires so much of the beneficial interest in an asset mentioned in section 504(1)(a) or subsection (1)(b) of this section as has not yet been acquired as mentioned in section 504(1)(d) or subsection (1)(e) of this section,

(b) either—

(i) the financier is a financial institution or a regulated home purchase plan provider (within the meaning of section 504(7)), or

(ii) the arrangements are regulated electronic system facilitated arrangements (within the meaning of section 504(1A)),

(c) the customer mentioned in section 504(1) or subsection (1) of this section is to make payments to the financier amounting in aggregate to so much of the payments mentioned in section 504(1)(c) or subsection (1)(d) of this section as are yet to be paid (but subject to any adjustment required for such a reduction as is mentioned in subsection (6)),

(d) that customer is to acquire the financier's beneficial interest (whether or not in stages) as a result of those payments,

(e) that customer is to make other payments to the financier (whether under a lease forming part of the arrangements or otherwise),

(f) the customer has the exclusive right to occupy or otherwise to use the asset, and

(g) the customer is exclusively entitled to any income, profit or gain arising from or attributable to that asset (including, in particular, an increase in its value).

(3) For the purposes of subsections (1)(a) and (b) and (2)(a) it does not matter if—

(a) another person who is not the customer or the financier also has a beneficial interest in the asset, or

(b) the financier also has a legal interest in it.

(4) Subsection (1)(g) or (2)(f) does not prevent the customer from granting an interest or right in relation to the asset if the conditions in subsection (5) are met.

(5) The conditions are that—

(a) the grant is not to—

(i) the financier,

(ii) a person controlled by the financier, or

(iii) a person controlled by a person who also controls the financier, and

(b) the grant is not required by the financier or arrangements to which the financier is a party.

(6) Subsection (1)(h) or (2)(g) does not prevent the financier from—

(a) having responsibility for any reduction in the asset's value, or

(b) having a share in a loss arising out of any such reduction.

(7) This section is subject to section 508 (provision not at arm's length: exclusion of arrangements from sections 503 and 504, this section and sections 505 to 507)."

(5) In section 510 (application of Part 5 of CTA 2009 to alternative finance arrangements)—

(a) in subsection (2)(a)—

(i) for "first owner" substitute "financier";

(ii) for the "first owner's" substitute "financier's";

(iii) for "eventual owner" substitute "customer";

(b) in subsection (6)—

(i) omit the definitions of "the eventual owner" and "the first owner";

(ii) before the definition of "the depositor" insert—

""the customer" has the same meaning as in section 504 (see subsection (1) of that section) or 504A (see subsection (1) or (2) of that section),";

(iii) after the definition of "the depositor" insert—

""the financier" has the same meaning as in section 504 (see subsection (1) of that section) or 504A (see subsection (1) or (2) of that section),".

(6) In section 512 (alternative finance return resulting from diminishing shared ownership arrangements)—

(a) for "the eventual owner" (in each place it appears) substitute "the customer";

(b) in subsection (2)—

(i) after "section 504(1)(c)" insert "or 504A(1)(d) or (2)(c)";
(ii) for "the first owner" substitute "the financier";
(iii) the "the first owner's" substitute "the financier's";

(c) in subsection (4), after "504" insert "or 504A".

(7) In section 514 (exclusion of some alternative finance return from sale consideration), in subsection (2), after "section 504" insert "or 504A".

(8) In section 515 (diminishing shared ownership arrangements not partnership)—

(a) in the heading, for "not partnerships" substitute ": further provision";
(b) the existing text becomes subsection (1);
(c) after subsection (1) insert—

"(2) If, under diminishing shared ownership arrangements, the financier grants a lease of the asset to the customer, the grant or termination of the lease is not to be treated as a disposal or acquisition of part of the asset for the purposes of the Corporation Tax Acts.

(3) If, under diminishing shared ownership arrangements, the financier is entitled to the asset as a result of the customer breaching an obligation under the arrangements—

(a) the financier's dealings with the asset for the purpose of enforcing or giving effect to the entitlement, and
(b) the dealings with the asset of any person appointed for that purpose,

are to be treated for the purposes of the Corporation Tax Acts as if they were done through the financier, or (as the case may be) the appointed person, as nominee by the customer.

(4) In this section—

"the asset" means the asset in which beneficial interest is acquired and disposed of under the diminishing shared ownership arrangements;

"the customer" and "the financier" have the same meaning as in section 504 or 504A;

"termination", in relation to a lease, has the meaning given by section 70YI of CAA 2001."

(9) After section 515 (diminishing shared ownership arrangements not partnerships) insert—

"515A Diminishing shared ownership arrangements: further provision in respect of refinancing

(1) This section applies in respect of diminishing shared ownership arrangements to which section 504A applies.

(2) If, under the arrangements, the customer disposes of an asset as mentioned in section 504A(1)(b), any gain accruing to the customer on the disposal of the asset is to be treated as not having accrued for the purposes of the Corporation Tax Acts.

(3) If, under the arrangements, the customer—

(a) disposes of an asset as mentioned in section 504A(1)(b),

(b) acquires the asset as mentioned in section 504A(1)(d) and (e) or (2)(c) and (d),

(c) and subsequently disposes of the asset,

the disposal of the asset mentioned in paragraph (a) and the acquisition of the asset mentioned in paragraph (b) (together with any intervening disposals or acquisitions of the asset) are to be treated as not having occurred for the purpose of computing, for the purposes of the Corporation Tax Acts, the amount of the gain accruing to the customer on the subsequent disposal of the asset.

(4) In subsections (2) and (3),"the customer" has the same meaning as in section 504A.

(5) If, under arrangements to which section 504A(2) applies ("successor arrangements"), the financier under the diminishing shared ownership arrangements that the successor arrangements supersede transfers their interest in a lease forming part of those arrangements to the financier under the successor arrangements, the transfer is not to be treated as involving a disposal or acquisition of the interest for the purposes of the Corporation Tax Acts."

Capital gains tax

3 (1) Chapter 4 of Part 4 of the TCGA 1992 (alternative finance arrangements) is amended as follows.

(2) In section 151H (introduction), in subsection (3)(b) after "section 151K" insert "or 151KA".

(3) In section 151K (diminishing shared ownership arrangements)—

(a) at the end of the heading insert ": initial acquisition";

(b) for the "the first owner" (in each place it appears) substitute "the financier";

(c) for "the eventual owner" (in each place it appears) substitute "the customer";

(d) for "the first owner's" (in each place it appears) substitute "the financier's";

(e) for "the eventual owner's" (in each place it appears) substitute "the customer's";

(f) in subsection (1A)(d), for "those owners" substitute "the customer and the financier";

(g) in subsection (7), for "151L" substitute "151KA".

(4) After section 151K insert—

"151KA Diminishing shared ownership arrangements: refinancing

(1) This section applies to arrangements if under them—

(a) a person ("the customer") has a beneficial interest in an asset,

(b) the customer disposes of some or all of their beneficial interest in the asset to another person ("the financier"),

(c) either—

(i) the financier is a financial institution or a regulated home purchase plan provider (within the meaning of section 151K(7)), or

(ii) the arrangements are regulated electronic system facilitated arrangements (within the meaning of section 151K(1A)),

(d) the customer is to make payments to the financier amounting in aggregate to the consideration paid for the financier acquiring a beneficial interest as mentioned in paragraph (b) (but subject to any adjustment required for such a reduction as is mentioned in subsection (6)),

(e) the customer is to acquire the financier's beneficial interest (whether or not in stages) as a result of those payments,

(f) the customer is to make other payments to the financier (whether under a lease forming part of the arrangements or otherwise),

(g) the customer has the exclusive right to occupy or otherwise to use the asset, and

(h) the customer is exclusively entitled to any income, profit or gain arising from or attributable to the asset (including, in particular, an increase in its value).

(2) This section also applies to arrangements which supersede arrangements to which section 151K or subsection (1) of this section applies if under them—

(a) a person ("the financier") acquires so much of the beneficial interest in an asset mentioned in section 151K(1)(a) or subsection (1)(b) of this section as has not yet been acquired as mentioned in section 151K(1)(d) or subsection (1)(e) of this section,

(b) either—

(i) the financier is a financial institution or a regulated home purchase plan provider (within the meaning of section 151K(7)), or

(ii) the arrangements are regulated electronic system facilitated arrangements (within the meaning of section 151K(1A)),

(c) the customer mentioned in section 151K(1) or subsection (1) of this section is to make payments to the financier amounting in aggregate to so much of the payments mentioned in section 151K(1)(c) or subsection (1)(d) of this section as are yet to be paid (but subject to any adjustment required for such a reduction as is mentioned in subsection (6)),

(d) that customer is to acquire the financier's beneficial interest (whether or not in stages) as a result of those payments,

(e) that customer is to make other payments to the financier (whether under a lease forming part of the arrangements or otherwise),

(f) the customer has the exclusive right to occupy or otherwise to use the asset, and

(g) the customer is exclusively entitled to any income, profit or gain arising from or attributable to that asset (including, in particular, an increase in its value).

(3) For the purposes of subsections (1)(a) and (b) and (2)(a) it does not matter if—

(a) another person who is not the customer or the financier also has a beneficial interest in the asset, or

(b) the financier also has a legal interest in it.

(4) Subsection (1)(g) or (2)(f) does not prevent the customer from granting an interest or right in relation to the asset if the conditions in subsection (5) are met.

(5) The conditions are that—

(a) the grant is not to—

(i) the financier,

(ii) a person controlled by the financier, or

(iii) a person controlled by a person who also controls the financier, and

(b) the grant is not required by the financier or arrangements to which the financier is a party.

(6) Subsection (1)(h) or (2)(g) does not prevent the financier from—

(a) having responsibility for any reduction in the asset's value, or

(b) having a share in a loss arising out of any such reduction.

(7) Section 1124 of CTA 2010 (meaning of "control") applies for the purposes of this section.

(8) This section is subject to section 151O (provision not at arm's length: exclusion of arrangements from sections 151J and 151K, this section and sections 151L to 151N)."

(5) In section 151R (alternative finance return resulting from diminishing shared ownership arrangements)—

(a) for "the eventual owner" (in each place it appears) substitute "the customer";

(b) in subsection (2)—

(i) after "section 151K(1)(c)" insert "or 151KA(1)(d) or (2)(c)";

(ii) for "the first owner" substitute "the financier";

(iii) the "the first owner's" substitute "the financier's";

(c) in subsection (4), after "section 151K" insert "or 151KA".

(6) In section 151X (exclusion of some alternative finance return from sale consideration), in subsection (2), after "section 151K" insert "or 151KA".

(7) In section 151Y (diminishing shared ownership arrangements not partnership)—

(a) in the heading, for "not partnerships" substitute ": further provision";

(b) the existing text becomes subsection (1);

(c) after subsection (1) insert—

"(2) If, under diminishing shared ownership arrangements, the financier grants a lease of the asset to the customer, the grant or termination of the lease is not to be treated as a disposal or acquisition of part of the asset for the purposes of this Act so far as it applies for capital gains tax.

(3) If, under diminishing shared ownership arrangements, the financier is entitled to the asset as a result of the customer breaching an obligation under the arrangements—

(a) the financier's dealings with the asset for the purpose of enforcing or giving effect to the entitlement, and

(b) the dealings with the asset of any person appointed for that purpose,

are to be treated for the purposes of this Act so far as it applies for capital gains tax as if they were done through the financier, or (as the case may be) the appointed person, as nominee by the customer.

(4) In this section—

"the asset" means the asset in which beneficial interest is acquired and disposed of under the diminishing shared ownership arrangements;

"the customer" and "the financier" have the same meaning as in section 151K or 151KA;

"termination", in relation to a lease, has the meaning given by section 70YI of CAA 2001."

(8) After section 151Y (diminishing shared ownership arrangements not partnerships) insert—

"151Z Diminishing shared ownership arrangements: further provision in respect of refinancing

(1) This section applies in respect of diminishing shared ownership arrangements to which section 151KA applies.

(2) If, under the arrangements, the customer disposes of an asset as mentioned in section 151KA(1)(b), any gain accruing to the customer on the disposal of the asset is to be treated as not having accrued for the purposes of this Act so far as it applies for capital gains tax.

(3) If, under the arrangements, the customer—

(a) disposes of an asset as mentioned in section 151KA(1)(b),

(b) acquires the asset as mentioned in section 151KA(1)(d) and (e) or (2)(c) and (d),

(c) and subsequently disposes of the asset,

the disposal of the asset mentioned in paragraph (a) and the acquisition of the asset mentioned in paragraph (b) (together with any intervening disposals or acquisitions of the asset) are to be treated as not having occurred for the purpose of computing, for the purposes of this Act so far as it applies for capital gains tax, the amount of the gain accruing to the customer on the subsequent disposal of the asset.

(4) In subsections (2) and (3),"the customer" has the same meaning as in section 151KA.

(5) If, under arrangements to which section 151KA(2) applies ("successor arrangements"), the financier under the diminishing shared ownership arrangements that the successor arrangements supersede transfers their interest in a lease forming part of those arrangements to the financier under the successor arrangements, the transfer is not to be treated as involving a disposal or acquisition of the interest for the purposes of this Act so far as it applies for capital gains tax."

Application

4 The amendments made by this Schedule have effect in relation to arrangements entered into on or after 30 October 2024.

SCHEDULE 8

Section 38(2)

RELIEF ON FOREIGN EMPLOYMENT INCOME: CONSEQUENTIAL AND TRANSITIONAL PROVISION

PART 1

GENERAL CONSEQUENTIAL AMENDMENTS

1 (1) ITEPA 2003 is amended as follows.

(2) In section 28 (meaning of "general earnings from overseas Crown employment subject to UK tax"), in subsection (2)(b), after "or of" insert "Wales, Scotland or".

(3) In section 225 (payments for restrictive undertakings), for subsection (6) substitute—

"(6) This section only applies where—

(a) if there are general earnings from the employment that are earned in, or otherwise in respect of, the tax year mentioned in subsection (3), subsection (7) applies to any of those general earnings, or

(b) it is reasonable to assume that, if there were such general earnings, subsection (7) would apply to any of those general earnings.

(7) This subsection applies to general earnings if either—

(a) section 15 applies to the general earnings and the general earnings are not—

(i) qualifying foreign general earnings within the meaning of section 41T (qualifying foreign general earnings), or

(ii) general earnings to which section 22 or section 26 would apply if the individual made a claim under section 809B of ITA 2007 (claim for the remittance basis) for the tax year mentioned in section 22(1) or 26(1) (being a tax year before tax year 2025-26), or

(b) section 27 applies to the general earnings."

(4) In section 290E (calculation of earnings rate for a tax year), in subsection (4), for "non-domiciled", in each place it occurs, substitute "qualifying new resident".

(5) In section 333 (scope of this chapter: expenses paid by the employee), in subsection (3)(b), for "non-domiciled" substitute "qualifying new resident".

(6) In section 341 (travel at start or finish of overseas employment), in subsection (4), for the words from "domiciled" to the end substitute "not a qualifying new resident for the purposes of Chapter 5C of Part 2."

(7) In section 342 (travel between employments where duties performed abroad), in subsection (7), for the words from "domiciled" to the end substitute "not a qualifying new resident for the purposes of Chapter 5C of Part 2."

(8) In section 355 (deductions for corresponding payments by non-domiciled employees)—

(a) in the heading, for "non-domiciled" substitute "qualifying new resident";

(b) in subsection (2), for the words from "not domiciled" to the end substitute "a qualifying new resident for the purposes of Chapter 5C of Part 2."

(9) In section 360 (disallowance of certain accommodation expenses of MPs), in subsection (1), for "non-domiciled" substitute "qualifying new resident".

(10) In section 370 (travel costs and expenses where duties performed abroad), in subsection (6), for paragraph (b) substitute—

"(b) either—

(i) if the tax year is tax year 2024-2025 or an earlier tax year, would be taxable earnings under section 15 even if the employee made a claim under section 809B of ITA 2007 (claim for remittance basis) for that year, or

(ii) if the tax year is tax year 2025-2026 or a later tax year and the employee is a qualifying new resident for the purposes of Chapter 5C of Part 2 for that tax year, are not qualifying foreign general earnings within the meaning of section 41T (qualifying foreign general earnings)."

(11) In the italic heading before section 373 for "non-domiciled" substitute "non-resident or qualifying new resident".

(12) In section 373 (employee's travel costs and expenses where duties performed in UK)—

(a) in the heading, for "Non-domiciled" substitute "Non-resident or qualifying new resident";

(b) in subsection (1) for "not domiciled in the United Kingdom" substitute "non-UK resident or a qualifying new resident for the purposes of Chapter 5C of Part 2";

(c) in subsection (4)(a)—

(i) for "the country" substitute "a country";

(ii) after "normally lives" insert "at the time the journey is made";

(d) in subsection (4)(b), for "that", in both places it occurs, substitute "such a";

(e) omit subsection (7).

(13) In section 374 (spouse's, civil partner's or child's travel costs and expenses where duties performed in UK)—

(a) in the heading, for "Non-domiciled" substitute "Non-resident or qualifying new resident";

(b) in subsection (1) for "not domiciled in the United Kingdom" substitute "non-UK resident or a qualifying new resident for the purposes of Chapter 5C of Part 2";

(c) in subsection (3)(a)—

(i) for "the country" substitute "a country";

(ii) after "normally lives" insert "at the time the journey is made";

(d) in subsection (5)(c)—

(i) for "the country" substitute "a country";

(ii) after "normally lives" insert "at the time the journey is made"

(e) omit subsection (10).

(14) Omit section 375.

(15) In section 376 (foreign accommodation and subsistence costs and expenses (overseas employments))—

(a) in subsection (1)(c), for "domiciled in the United Kingdom" substitute "not a qualifying new resident for the purposes of Chapter 5C of Part 2";

(b) omit subsection (6).

(16) In section 395C (meaning of "foreign service" in section 395B), for subsection (4) substitute—

"(4) In subsection (2) "relevant earnings" means—

(a) for service in or after the tax year 2025-26, earnings—

(i) to which section 15 applies, and

(ii) if the employee is a qualifying new resident for the purposes of Chapter 5C of Part 2 for that tax year, which are not qualifying foreign general earnings within the meaning of section 41T (qualifying foreign general earnings), and

(b) for service before tax year 2025-26, earnings to which section 15 applies and to which that section would apply even if the employee made a claim under section 809B of ITA 2007 (claim for remittance basis) for that year."

(17) In section 413 (exception in certain cases of foreign service), for subsection (3ZA) substitute—

"(3ZA) In subsection (2A)(a) "relevant earnings" means—

(a) for service in or after the tax year 2025-26, earnings—

(i) to which section 15 applies, and

(ii) if the employee is a qualifying new resident for the purposes of Chapter 5C of Part 2 for that tax year, which are not qualifying foreign general earnings within the meaning of section 41T (qualifying foreign general earnings), and

(b) for service before tax year 2025-26, earnings to which section 15 applies and to which that section would apply even if the employee made a claim under section 809B of ITA 2007 (claim for remittance basis) for that year."

2 (1) ITA 2007 is amended as follows.

(2) In section 24 (reliefs deductible at Step 2), in subsection (1)(a), after the entry for section 266(7) of ICTA insert—

"section 41P of ITEPA 2003 (deduction for amount that reflects qualifying foreign employment income),".

(3) In section 989 (the definitions), at the appropriate place insert—

""foreign employment election" means an election under section 41M of ITEPA 2003,".

PART 2

CONSEQUENTIAL AMENDMENTS RELATING TO PAYE

3 After section 690C of ITEPA 2003 (employees who were internationally mobile etc. before 2025-2026) (as inserted by section 21 of this Act) insert—

"690D Employer notification for qualifying new residents

(1) This section applies in relation to an employee if—

(a) the employee is or is likely to be a qualifying new resident for a tax year ("the qualifying year"), and

(b) the employee works or is likely to work outside the UK during the qualifying year.

(2) The appropriate person may give a notice to an officer of Revenue and Customs at any time during the qualifying year—

(a) that the employer is proposing to treat the foreign proportion of any qualifying 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.

(3) For the purposes of this section and section 690E—

(a) a "qualifying payment" means a payment of, or on account of, an amount of employment income of the employee that is likely to be qualifying employment income;

(b) the "foreign proportion" of a qualifying payment is the proportion of the employment income that, on the basis of the best estimate that can reasonably be made, is likely to be qualifying foreign employment income.

(4) If a notice given under this section has effect, the proportion of any qualifying payment made by the employer to the employee in any tax year which is to be treated for the purposes of PAYE regulations as not being a payment of PAYE income is the proportion specified in the notice.

(5) A notice given under this section—

(a) does not have effect if a direction has previously been given to the appropriate person under section 690E (direction by HMRC in relation to qualifying new residents) in relation to the employee and the qualifying year;

(b) otherwise, has effect when it is acknowledged by an officer of Revenue and Customs.

(6) A notice given under this section ceases to have effect if—

(a) a direction under section 690E is given to the appropriate person in relation to the employee and the qualifying year,

(b) a subsequent notice is given by the appropriate person under this section and is acknowledged by an officer of Revenue and Customs, or

(c) a subsequent notice—

(i) is given by the appropriate person under section 690A (employer notification for internationally mobile employee) on the basis that the employee is or is likely to be non-UK resident in the qualifying year, and

(ii) is acknowledged by an officer of Revenue and Customs.

(7) A notice given under this section must be in such manner and form, and contain such information, as may be specified in a public notice given by the Commissioners for His Majesty's Revenue and Customs.

(8) Subsection (4) is without prejudice to—

(a) any assessment in respect of the income of the employee in question, and

(b) any right to repayment of income tax and any relevant debts overpaid and any obligation to pay income tax underpaid and any relevant debts that remain wholly or partly unpaid.

(9) For the purposes of this section and section 690E—

(a) where an amount of employment income is treated as PAYE income paid by the employer for the purposes of PAYE regulations by virtue of section 687A or 695A (employment income under Part 7A) or section 696 (readily convertible assets), the employer is to be treated as making payment of that amount of employment income, and

(b) "qualifying new resident", "qualifying employment income" and "qualifying foreign employment income" have the same meaning as in Chapter 5C of Part 2 (relief for new residents on foreign employment income).

690E Direction by HMRC in relation to qualifying new residents

(1) This section applies where—

(a) a notice given during the qualifying year under section 690D has effect, and

(b) it appears to an officer of Revenue and Customs that the proportion of any qualifying payment made by the employer to the employee that is treated as not being a payment of PAYE income for the purposes of PAYE regulations should not be the proportion specified in the notice.

(2) An officer of Revenue and Customs may give a direction—

(a) for determining a proportion of any qualifying payment made by the employer to the employee which is to be treated for the purposes of PAYE regulations as not being a payment of PAYE income, or

(b) that any such payment is to be treated entirely as PAYE income for the purposes of PAYE regulations.

(3) A direction under subsection (2)—

(a) must specify the employee and the qualifying year,

(b) must be given by notice to the appropriate person, and

(c) may be varied by notice to the appropriate person from a day specified in the notice (which may not be earlier than 30 days from the date on which the notice is given).

(4) If—

(a) a direction under subsection (2) has effect, and

(b) any qualifying payment is made by the employer to the employee in any tax year,

the direction applies to the payment.

(5) A direction under subsection (2) has effect when it is given.

(6) A direction under subsection (2) ceases to have effect if a notice has subsequently been—

(a) given by the appropriate person under section 690A (employer notification for internationally mobile employee) on the basis that the employee is or is likely to be non-UK resident for the qualifying year, and

(b) acknowledged by an officer of Revenue and Customs.

(7) Subsection (4) is without prejudice to—

(a) any assessment in respect of the income of the employee in question, and

(b) any right to repayment of income tax and any relevant debts overpaid and any obligation to pay income tax underpaid and any relevant debts that remain wholly or partly unpaid."

PART 3

TRANSITIONAL PROVISION

Individuals no longer meeting section 26A requirement not qualifying new residents

4 (1) If an individual falling within sub-paragraph (2) would otherwise be a qualifying new resident for tax year 2025-26 for the purposes of Chapter 5C of Part 2 of ITEPA 2003 (relief for new residents on foreign employment income), the individual is to be treated as not being a qualifying new resident for that year for the purposes of that Chapter.

(2) An individual falls within this sub-paragraph if—

(a) the individual met the section 26A requirement for tax year 2022-23, and

(b) section 809B, 809D or 809E of ITA 2007 (remittance basis) applied to the individual for that year or for tax year 2023-24 or 2024-25.

Certain individuals meeting section 26A requirement treated as qualifying new residents

5 (1) If an individual falling within sub-paragraph (2)—

(a) meets the section 26A requirement for tax year 2025-26 or 2026-27, and

(b) is not a qualifying new resident for that year for the purposes of Chapter 5C of Part 2 of ITEPA 2003,

the individual is to be treated as a qualifying new resident for that tax year for the purposes of that Chapter.

(2) An individual falls within this sub-paragraph if—

(a) the individual met the section 26A requirement for tax year 2023-24 or tax year 2024-25, and

(b) section 809B, 809D or 809E of ITA 2007 (remittance basis) applied to the individual for that tax year.

Limit on relief not to apply to certain foreign employment relief claims

6 (1) Section 41R of ITEPA 2003 (limit on relief) does not apply to a foreign employment relief claim made by an individual for a tax year if the claim falls within sub-paragraph (2) or (3).

(2) A foreign employment relief claim made by an individual for a tax year falls within this sub-paragraph if—

(a) the qualifying year is tax year 2025-26 or 2026-27, and

(b) paragraph 5(1) applies to the individual for that tax year.

(3) A foreign employment relief claim made by an individual for a tax year falls within this sub-paragraph if—

(a) the qualifying year is tax year 2025-26, 2026-27 or 2027-28,

(b) paragraph 5(1) does not apply to the individual for that tax year,

(c) the individual falls within paragraph 5(2), and

(d) the individual meets the section 26A requirement for tax year 2025-26.

Definitions

7 For the purposes of this Part of this Schedule—

"foreign employment relief claim" and "qualifying year" have the same meanings as in Chapter 5C of Part 2 of ITEPA 2003 (relief for new residents on foreign employment income);

"the section 26A requirement" means the requirement of section 26A of ITEPA 2003 (requirement for 3-year period of non-residence).

SCHEDULE 9

Section 40

INCOME TAX AND CAPITAL GAINS TAX: REMITTANCE BASIS AND DOMICILE

PART 1

REMITTANCE BASIS

No remittance basis for tax years after 2024-25

1 (1) Chapter A1 of Part 14 of ITA 2007 (remittance basis) is amended as follows.

(2) In section 809B (claim for remittance basis to apply), in subsection (1)—

(a) in the words before paragraph (a) omit "the individual";

(b) before that paragraph insert—

"(za) the tax year is the tax year 2024-25 or an earlier tax year,";

(c) in each of paragraphs (a), (b) and (c), at the beginning insert "the individual".

(3) In section 809C (claim for remittance basis by long-term UK resident), in subsection (1)—

(a) in the words before paragraph (a) omit "the individual";

(b) before that paragraph insert—

"(za) the tax year is the tax year 2024-25 or an earlier tax year,";

(c) in each of paragraphs (a) and (b), at the beginning insert "the individual".

(4) In section 809D (application of remittance basis where income and gains under £2000) in subsection (1), before paragraph (a) insert—

"(za) the tax year is the tax year 2024-25 or an earlier tax year,".

(5) In section 809E (application of remittance basis without claim: other cases) in subsection (1), before paragraph (a) insert—

"(za) the tax year is the tax year 2024-25 or an earlier tax year,".

(6) In consequence of the amendments made by sub-paragraphs (2) to (5), in section 809A—

(a) for "are" substitute "were";

(b) after "Kingdom" insert "in tax years before tax year 2025-26".

Amendments of TCGA 1992 connected with end of remittance basis

2 (1) TCGA 1992 is amended as follows.

(2) In section 1A (territorial scope), in subsection (2)(a), for "applies" substitute "applied".

(3) In section 1K (annual exempt amount), omit subsection (3).

(4) In the italic heading before section 3D, for "Non-UK domiciled individuals" substitute "Individuals who were non-UK domiciled".

(5) In section 3D—

(a) for the heading, substitute "Individuals who were non-UK domiciled";

(b) in subsection (1)—

(i) for "a tax year" substitute "tax year 2024-25 or an earlier tax year";

(ii) for "is", in each place it occurs, substitute "was".

(6) Section 16ZA (losses: non-UK domiciled individuals) is omitted.

(7) In Schedule 1 (UK resident individuals not domiciled in UK)—

(a) in the heading, for "not domiciled in the UK" substitute "to whom the remittance basis applied";

(b) in paragraph 1(1) for "applies" substitute "applied";
(c) omit paragraphs 2, 3 and 4.

Amendments of ITEPA 2003 connected with end of remittance basis

3 (1) ITEPA 2003 (employment income: charge to tax) is amended as follows.

(2) In section 6 (nature of charge to tax on employment income), in subsection (3)—
(a) in paragraph (a), omit "and domicile";
(b) in paragraph (aa), for "applies" substitute "applied".

(3) In section 20 (taxable earnings under this Chapter), for subsection (1) substitute—

"(1) This Chapter contains provision for determining how much of the following are taxable earnings from an employment in a tax year—
(a) general earnings that are for a tax year for which section 809B, 809D or 809E of ITA 2007 (remittance basis) applied to the employee (being a tax year before tax year 2025-26), and
(b) general earnings that are for a tax year for which the employee is non-UK resident."

(4) In section 22 (chargeable overseas earnings for year when remittance basis applies and employee outside section 26)—
(a) in the heading and in subsection (1)(a), for "applies" substitute "applied";
(b) in subsection (1)(b), for "does not" substitute "did not".

(5) In section 23 (calculation of "chargeable overseas earnings"), in subsection (2)—
(a) in paragraph (a), for "applies" substitute "applied";
(b) in paragraph (aa) for "does not" substitute "did not";
(c) in paragraph (b) for "is" substitute "was";
(d) in paragraph (c) for "are" substitute "were".

(6) In the italic heading before section 25, for "meet" substitute "met".

(7) In section 26 (foreign earnings for year when remittance basis applies and employee meets section 26A requirement)—
(a) in the heading, for "applies and employee meets" substitute "applied and employee met";
(b) in subsection (1), in the opening words—
(i) for "applies", in the second place it appears, substitute "applied";
(ii) for "meets" substitute "met".

(8) In section 41F (taxable specific income: internationally mobile employee etc), in subsection (2)(a), for "applies" substitute "applied".

(9) In section 41H (section 41F: chargeable and unchargeable foreign securities income)—

(a) in subsection (4)—

(i) in paragraph (a), for "applies" substitute "applied";

(ii) in paragraph (b) for "does not" substitute "did not";

(iii) in paragraph (c) for "is" substitute "was";

(iv) in paragraph (d) for "are" substitute "were";

(b) in subsection (7)—

(i) in paragraph (a), for "applies" substitute "applied";

(ii) in paragraph (b) for "meets" substitute "met";

(iii) in paragraph (c) for "are" substitute "were".

(10) In section 271 (limited exemption of removal benefits and expenses: general)—

(a) in subsections (2)(a) and (2)(b), for "applies" substitute "applied";

(b) in subsection (2)(b), for "meets" substitute "met".

(11) In section 554Z9 (remittance basis: A does not meet section 26A requirement)—

(a) in the heading, for "does not" substitute "did not";

(b) in subsection (1)—

(i) in paragraph (b) for "applies" substitute "applied";

(ii) in paragraph (c) for "does not" substitute "did not";

(iii) in paragraph (d) for "is" substitute "was";

(iv) in paragraph (e), for "are" substitute "were".

(12) In section 554Z10 (remittance basis: A meets section 26A requirement)—

(a) in the heading, for "meets" substitute "met";

(b) in subsection (1)(b), for "applies" substitute "applied";

(c) in subsection (1)(c), for "meets" substitute "met".

(13) In section 576A (temporary non-residents), in subsection (5), for "applies" substitute "applied".

(14) In section 698 (PAYE: special charges on employment-related securities), in subsection (8), for "remittance basis" substitute "internationally mobile employees".

(15) In section 700 (PAYE: gains from securities options), in subsection (7), for "remittance basis" substitute "internationally mobile employees".

(16) In section 700A (employment-related securities etc: remittance basis), in the heading, for "remittance basis" substitute "internationally mobile employees".

Amendment of ITTOIA 2005 connected with end of remittance basis

4 In section 832 of ITTOIA 2005 (relevant foreign income charge on remittance basis), in subsection (1)—

(a) for "applies", in the second place it appears, substitute" applied";

(b) after "that year" insert "(being a tax year before tax year 2025-26)".

When amounts will be remitted

5 (1) ITA 2007 is amended as follows.

(2) Section 809L (meaning of "remitted to the United Kingdom") is amended in accordance with sub-paragraphs to (3) to (8).

(3) In subsection (2)—

(a) omit the "or" at the end of paragraph (a);

(b) at the end of paragraph (b) insert ", or

(c) money or other property is used outside the United Kingdom (directly or indirectly) for the benefit in the United Kingdom of a relevant person."

(4) In subsection (4)—

(a) in paragraph (a), for "is enjoyed by a relevant person" substitute "either—

"(i) the property is enjoyed by a relevant person, or

(ii) as a result, a benefit is enjoyed by a relevant person.";

(b) after paragraph (b) (but before the "or" at the end) insert—

"(ba) is used outside the United Kingdom (directly or indirectly) and as a result a benefit is enjoyed in the United Kingdom by a relevant person,".

(5) In subsection (5)—

(a) in paragraph (a), for "is enjoyed by a relevant person" substitute "either—

"(i) the property is enjoyed by a relevant person, or

(ii) as a result, a benefit is enjoyed by a relevant person.";

(b) after paragraph (b) (but before the "or" at the end) insert—

"(ba) is used outside the United Kingdom (directly or indirectly) and as a result a benefit is enjoyed in the United Kingdom by a relevant person,".

(6) In subsection (6)—

(a) for "or (b)", in each place it occurs, substitute ", (b) or (ba)";
(b) after "property", in the second place it occurs, insert ", benefit".

(7) At the end of subsection (9) insert "and cases where the property is used to secure the debt."

(8) After subsection (9) insert—

"(9A) For the purposes of this Chapter, any reference to property being brought to the United Kingdom includes—
(a) sending, or otherwise effecting a transfer of, the property to the United Kingdom, and
(b) in the case of intangible property, taking any steps, or permitting steps to be taken, that would result in the property being regarded as situated in the United Kingdom for the purposes of TCGA 1992."

(9) In section 809N (section 809L: gift recipients, qualifying property and enjoyment)—
(a) in subsection (7)(c), after "(b)" insert ", (ba)";
(b) in subsection (9)—
(i) in the opening words, after "property" insert ", a benefit";
(ii) in paragraph (a), at the beginning insert "in the case of enjoyment of property or a service,";
(iii) after paragraph (a) insert—

"(aa) in the case of enjoyment of a benefit—
(i) if the qualifying property being dealt with as mentioned in section 809L(4)(a) or (ba) results in a benefit being enjoyed by relevant persons and persons who are not relevant persons, and
(ii) the enjoyment by all relevant persons is no more than negligible,";

(iv) in paragraph (c), after "property" insert ", benefit".

(10) In section 809O (section 809L: dealings where there is a connected operation)—
(a) in each of subsections (2), (3), (4) and (5) after "(b)" insert ", (ba)";
(b) in subsection (6)—
(i) in the opening words, after "property" insert ", a benefit";
(ii) in paragraph (a), at the beginning insert "in the case of enjoyment of property or a service,";
(iii) after paragraph (a) insert—

"(aa) in the case of enjoyment of a benefit—
(i) if the property being dealt with as mentioned in section 809L(5)(a) or (ba)

results in a benefit being enjoyed by relevant persons and persons who are not relevant persons, and

(ii) the enjoyment by all relevant persons is no more than negligible,";

(iv) in paragraph (c), after "property" insert ", benefit".

(11) In section 809P (section 809L: amount remitted)—

(a) in subsections (6) and (8), for "or (b)" substitute ", (b) or (ba)";

(b) in subsection (12), after "previously remitted", in each place it occurs, insert "that has been charged to tax".

PART 2

REMOVAL OF DOMICILE (PRIMARY LEGISLATION)

Removal of exemption for persons not domiciled in United Kingdom

6 (1) Chapter 1A of Part 14 of ITA 2007 (exemption for persons not domiciled in United Kingdom) is repealed.

Residence of personal representatives: domicile of deceased no longer relevant

7 (1) Section 834 of ITA 2007 (residence of personal representatives) is amended as follows.

(2) In subsection (3), for "domiciled in the United Kingdom" substitute "a long-term UK resident within the meaning of IHTA 1984".

(3) Omit subsection (5).

8 In section 62 of TCGA 1992 (residence of personal representatives), in subsection (3), for the words from "having" to the end substitute "UK resident if the deceased was UK resident or a long-term UK resident within the meaning of IHTA 1984 at the date of death."

Residence of trustees: domicile of settlor no longer relevant

9 (1) Section 476 of ITA 2007 (residence of trustees: how to work out if settlor meets condition C) is amended as follows.

(2) In subsections (2)(b) and (3)(b), omit "or domiciled in the United Kingdom".

(3) After subsection (3) insert—

"(3ZA) In relation to a settlement—

(a) that arose before 6 April 2025 on S's death, or

(b) that S made (or is treated for the purposes of the Income Tax Acts as having made) before 6 April 2025,

subsections (2)(b) and (3)(b) have effect as if after "UK resident" there were inserted "or domiciled in the United Kingdom"."

(4) In subsection (3A), for "subsections (2)(b) and (3)(b)" substitute "subsection (3ZA)".

(5) In subsection (4)(c), for "subsection (2) or (3) or this subsection" substitute "this section".

10 (1) Section 69 of TCGA 1992 (trustees of settlements) is amended as follows.

(2) In subsection (2B)(c), omit "or domiciled".

(3) After subsection (2C) insert—

"(2CA) In relation to a settlement—

(a) that arose before 6 April 2025 on the settlor's death, or

(b) that the settlor made (or was treated for the purposes of this Act as making) before 6 April 2025,

subsection (2B)(c) has effect as if after "resident" there were inserted "or domiciled"."

(4) In subsection (2F), for "(2B)(c)" substitute "(2CA)".

11 (1) In the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (S.I. 2017/692), regulation 42 (application of Part 5) is amended as follows.

(2) In paragraph (2)(d)(ii), omit "and domiciled".

(3) After paragraph (2) insert—

"(2A) In relation to a trust that was set up before 6 April 2025, paragraph (2)(d)(ii) has effect as if after "resident" there were inserted "and domiciled"."

Application of Income Tax Acts in relation to deemed employment

12 In sections 56(5)(a), 61G(5)(a) and 61R(5)(a) of ITEPA 2003 (chargeability to tax in respect of deemed employment payment)—

(a) omit "or domiciled", and

(b) omit "or meeting the requirement of section 26A".

Pension schemes

13 (1) Part 4 of FA 2004 (pensions schemes etc.) is amended as follows.

(2) In Chapter 3 (payments by registered pension schemes), in section 185G, in subsection (3)(a) omit "and domiciled".

(3) In the following provisions of Chapter 5 (registered pension schemes: tax charges) and Chapter 6 (schemes that are not registered pension schemes) omit "or domiciled"—

(a) section 205(3);

(b) section 206(3);

(c) section 207(3);

(d) section 208(4);
(e) section 209(5);
(f) section 237A(2);
(g) section 237B(8);
(h) section 239(4);
(i) section 242(3);
(j) section 244J(6).

14 In section 7 of F(No.2)A 2005 (social security pension lump sum), in subsection (3) omit "or domiciled".

Domicile of overseas electors

15 In FA 1996 omit section 200 (domicile for tax purposes of overseas electors).

16 In ITA 2007 omit section 835B (domicile for income tax purposes of overseas electors).

Situs of debt

17 (1) Section 275 of TCGA 1992 (location of assets) is amended as follows.

(2) In subsection (1), omit paragraph (l).

(3) Omit subsection (3A).

Trust reporting requirements

18 (1) Schedule 5A to TCGA 1992 (settlements with foreign element: information) is amended in accordance with sub-paragraphs (2) and (3).

(2) In paragraph 3 –
(a) in sub-paragraph (3) omit "is domiciled in the United Kingdom and";
(b) at the end of sub-paragraph (3) insert "and is not a qualifying new resident within the meaning of Schedule D1";
(c) omit sub-paragraph (3A).

(3) In paragraph 4 –
(a) for sub-paragraph (2)(b) substitute –

"(b) where that time was before 6 April 2025, did not fulfil the condition mentioned in sub-paragraph (3) below at that time or at any time before 6 April 2025,

(ba) where that time was on or after 6 April 2025, does not fulfil the condition mentioned in sub-paragraph (3A) below at that time,";

(b) in sub-paragraph (2)(c) –
(i) for "that condition" substitute "the condition mentioned in sub-paragraph (3A) below";

(ii) for "the commencement day" substitute "6 April 2025";

(c) in the closing words of sub-paragraph (2), for "the relevant day" substitute "31 January after the end of the tax year in which the relevant day falls";

(d) after sub-paragraph (3) insert—

"(3A) The condition is that the person concerned is resident in the United Kingdom and is not a qualifying new resident within the meaning of Schedule D1."

(4) Sub-paragraph (5) applies where a settlor fulfils the condition in paragraph 4(3A) of Schedule 5A to TCGA 1992 (settlements with foreign element: information) on 6 April 2025.

(5) For the purposes of paragraph 4(2)(c) of that Schedule, the settlor is to be treated as first fulfilling that condition on 6 April 2025.

Trusts with vulnerable beneficiary

19 (1) FA 2005 is amended as follows.

(2) In section 28 (vulnerable person's liability: VQTI), in subsection (4)—

(a) at the end of paragraph (a) insert "and";

(b) omit paragraph (c) and the "and" before it.

(3) In Schedule 1 (non-UK resident vulnerable person), in paragraph 7(1)(a) omit "and domiciled".

Disposals of deeply discounted securities

20 In section 459 of ITTOIA 2005 (application of transfer of assets abroad legislation to disposals of deeply discounted securities), in subsection (1) omit "or domiciled".

The accrued income scheme

21 (1) ITA 2007 is amended as follows.

(2) In section 667 (trustees' accrued income profits treated as settlement income), in subsection (2)—

(a) in paragraph (a) omit "or domiciled outside the United Kingdom";

(b) in paragraph (b) omit "or domiciled in the United Kingdom".

(3) In section 680 (interest on securities involving accrued income losses: foreign trustees), in subsection (1)—

(a) in paragraph (a) omit "or domiciled outside the United Kingdom";

(b) in paragraph (d) omit ", or domiciled in the United Kingdom,".

PART 3

REMOVAL OF DOMICILE (SECONDARY LEGISLATION)

Education funding

22 (1) In the Appendix to Schedule 1 to the Education (Grants) (Music, Ballet and Choir Schools) (England) Regulations 2001 (S.I. 2001/2743) (aided pupil scheme: computation of income), in paragraph 2, in sub-paragraph (a) omit ", ordinarily resident or domiciled".

(2) In Part 2 of Schedule 2 to the Education (Student Support) (European University Institute) Regulations 2010 (S.I. 2010/447) (calculation of contribution), in paragraph 4(5)(a), omit "or domiciled" in the first place it appears.

(3) The Education (Student Support) Regulations 2011 (S.I. 2011/1986) are amended in accordance with sub-paragraphs (4) and (5).

(4) In Schedule 4 (financial assessment)—

(a) in paragraph 5(7)(a)—

(i) omit "or domiciled" in the first place it appears;

(ii) omit "so";

(b) in paragraph 7(7)(a)—

(i) omit "or domiciled" in the first place it appears;

(ii) omit "so".

(5) In Schedule 6 (assessment of eligible part-time student's household income)—

(a) in paragraph 5(6)(a)—

(i) omit "or domiciled" in the first place it appears;

(ii) omit "so";

(b) in paragraph 7(7)(a)—

(i) omit "or domiciled" in the first place it appears;The

(ii) omit "so";

Making Tax Digital

23 In the Income Tax (Digital Requirements) Regulations 2021 (S.I. 2021/1076) omit regulation 26.

SCHEDULE 10

Section 41

TEMPORARY REPATRIATION FACILITY

PART 1

TEMPORARY REPATRIATION FACILITY CHARGE

Introduction and charge

1 (1) This Part of this Schedule sets out a charge on amounts of qualifying overseas capital of individuals previously subject to the remittance basis.

(2) The charge is to be known as the temporary repatriation facility charge, and is referred to in this Schedule as the "TRF charge".

(3) Paragraphs 2 to 5 set out when amounts are, or are to be treated, as qualifying overseas capital.

(4) Amounts of qualifying overseas capital of an individual are subject to the TRF charge only if the individual designates them in accordance with this Part of this Schedule.

(5) An individual may only designate qualifying overseas capital if the individual was subject to the remittance basis for at least one tax year (being a tax year before the tax year 2025-26).

(6) An individual designates qualifying overseas capital by making an election (a "designation election") in a return for the tax year 2025-26, 2026-27 or 2027-28 (see paragraph 6 for further provision about designation elections).

(7) A designation election may only be made in a return if, for the tax year to which the return relates, the individual is UK resident for the purposes of income tax or capital gains tax (see Schedule 45 to FA 2013).

(8) The amount of the TRF charge on qualifying overseas capital designated by an individual is—

(a) in the case of amounts of qualifying overseas capital designated in a return for the tax year 2025-26 or 2026-27, the amount equal to 12% of the amount of that capital, and

(b) in the case of amounts of qualifying overseas capital designated in a return for the tax year 2027-28, the amount equal to 15% of the amount of that capital.

(9) Part 2 of this Schedule sets out exemptions and reliefs from income tax and capital gains tax that apply where amounts of qualifying overseas capital are designated.

(10) Part 3 of this Schedule amends or modifies rules about the remittance of amounts where an individual has designated qualifying overseas capital.

(11) For the purposes of this Part of this Schedule—

(a) an individual is subject to the remittance basis for a tax year—

(i) in relation to the tax years 2008-09 to 2024-25, if any of sections 809B, 809D or 809E of ITA 2007 apply to the individual for that year, or

(ii) in relation to any tax year before 2008-2009, if any income or gains of the individual for that year were subject to the remittance basis (including any income or gains that would have been regarded as arising in the tax year but were not as a result of the application of the remittance basis), and

(b) "return" means a return under section 8 of TMA 1970 (personal return for income tax and capital gains tax), and

(c) references to an election being included in a return include an election being so included as a result of an amendment of the return.

Qualifying overseas capital: main cases

2 (1) An amount of capital is "qualifying overseas capital" of an individual if it falls within sub-paragraph (2), (5) or (8).

(2) An amount of capital falls within this sub-paragraph if—

(a) it is an amount that arose in the tax year 2024-25 or an earlier tax year as income or as a gain,

(b) the amount has not been remitted to the United Kingdom, and

(c) the amount, if remitted to the United Kingdom, would have the effect mentioned in sub-paragraph (3)(a) or (b).

(3) That effect is that—

(a) the individual becomes chargeable to income tax by reference to the amount remitted in accordance with section 22, 26, 41F, 554Z9 or 554Z10 of ITEPA 2003 or section 832 of ITTOIA 2005 (income charged on remittance basis), or

(b) a gain is treated as accruing to the individual by reference to the amount remitted in accordance with paragraph 1(2) of Schedule 1 to TCGA 1992 (gains charged on remittance basis).

(4) In determining whether an amount of capital falls within sub-paragraph (2) for the purposes of making a designation election for a tax year, the condition in sub-paragraph (2)(b) is to be regarded as met if it was met at the end of that tax year.

(5) An amount of capital falls within this sub-paragraph if—

(a) it is an amount that arose in the tax year 2024-25 or an earlier tax year as income or as a gain,

(b) the amount is remitted to the United Kingdom in the tax year 2025-26, 2026-27 or 2027-28, and

(c) that remittance has the effect mentioned in sub-paragraph (3)(a) or (b).

(6) An amount that is qualifying overseas capital falling within sub-paragraph (5) (and that has not previously been designated as result of the amount

falling within sub-paragraph (2)) may only be designated in a designation election for the tax year in which it was remitted.

(7) For the purposes of sub-paragraphs (2)(c) and (5)(c), a remittance is to be treated as having the effect mentioned in sub-paragraph (3)(a) or (b) if it would have that effect ignoring—

(a) paragraph 5 (exemption for designated qualifying overseas capital),

(b) section 279 of TCGA 1992 (foreign assets: delayed remittances),

(c) section 842 of ITTOIA 2005 (claim for relief for unremittable income),

(d) section 809VA of ITA 2007 (business investment relief), and

(e) section 809X of that Act (exempt property).

(8) An amount of capital falls within this sub-paragraph if—

(a) it does not fall within sub-paragraph (2) or (5),

(b) it was held by the individual immediately before 6 April 2025,

(c) it was situated outside the United Kingdom—

(i) immediately before it was most recently acquired by the individual before that date, and

(ii) throughout the period beginning with the time referred to in sub-paragraph (i) and ending with that date.

(9) References in Parts 1 and 2 of this Schedule to amounts being remitted to the United Kingdom are to be construed in accordance with Chapter A1 of Part 14 of ITA 2007 (see, in particular, sections 809L to 809O of that Act).

Capital payments made by settlement: section 87 cases

3 (1) This paragraph applies where—

(a) an individual—

(i) is the beneficiary of a settlement, and

(ii) receives a capital payment from the trustees in the tax year 2025-26, 2026-27 or 2027-28,

(b) section 87 of TCGA 1992 applies to the settlement for that tax year, and

(c) under section 87A of that Act (if it applied also for this purpose) the capital payment would be matched (in whole or in part) with the section 1(3) amount for the tax year 2024-25 or any earlier tax year if the section 1(3) amount for each tax year after the tax year 2024-25 were nil.

(2) So much of the capital payment as would be matched with the section 1(3) amount for the tax year 2024-25 or an earlier tax year in accordance with sub-paragraph (1)(c) is an amount of qualifying overseas capital of the individual.

(3) In this paragraph—

"section 1(3) amount" has the meaning it has in section 87 of TCGA 1992;

"settlement" is to be construed in accordance with section 68A of that Act.

Capital payments made by settlement: Schedule 4C cases

4 (1) This paragraph applies where—

(a) chargeable gains are treated as accruing to an individual as a result of paragraph 8(1) of Schedule 4C to TCGA 1992 by reference to a capital payment received in the tax year 2025-26, 2026-27 or 2027-28, and

(b) under section 87A of that Act (as it has effect for the purposes of sub-paragraph (3) of that paragraph) the capital payment would (if that section applied also for this purpose) be matched (in whole or in part) with the section 1(3) amount in the Schedule 4C pool for the tax year 2024-25 or any earlier tax year if the section 1(3) amount in the Schedule 4C pool for each tax year after the tax year 2024-25 were nil.

(2) So much of the capital payment as would be matched with the section 1(3) amount in the Schedule 4C pool for the tax year 2024-25 or an earlier tax year in accordance with sub-paragraph (1)(b) is an amount of qualifying overseas capital of the individual.

(3) In this paragraph "section 1(3) amount in the Schedule 4C pool" is to be construed in accordance with Schedule 4C to TCGA 1992.

Amounts of income treated as qualifying overseas capital

5 (1) This paragraph applies—

(a) where an individual is treated as having an amount of income as a result of section 643A of ITTOIA 2005 (benefits paid out of protected foreign-source income or transitional trust income) for any of the tax years 2025-26, 2026-27 or 2027-28,

(b) where an individual would have been treated as having an amount of income as a result of any other provision of Chapter 5 of Part 5 of ITTOIA 2005 (settlements: amounts treated as income of settlor or family) in the tax year 2024-25 or an earlier tax year but was not only as a result of the application of section 648(3) of that Act (relevant foreign income treated as arising under settlement only if and when remitted), or

(c) where—

(i) 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) under section 735A of that Act (if it applied also for this purpose) that amount would be matched with relevant

income that arose in the tax year 2024-25 or an earlier tax year, and

(iii) that amount would have been treated as relevant foreign income of the individual if it had been treated as accruing in the tax year 2024-25 and the individual had been subject to the remittance basis for that tax year.

(2) An amount of income falling within paragraph (a), (b) or (c) of sub-paragraph (1) is to be treated as an amount of qualifying overseas capital of the individual.

(3) An amount of income treated as qualifying overseas capital falling within sub-paragraph (1)(a) or (c) may only be designated in a return for the tax year in which the income was treated as arising to the individual.

(4) For the purposes of this paragraph "relevant foreign income" has the meaning it has in the Income Tax Acts.

Designation of qualifying overseas capital

6 (1) A designation election for a tax year must be made before the end of the period of 12 months beginning with 31 January after the end of that tax year.

(2) The designation must—

(a) set out the total amount designated, and

(b) identify which (if any) of the amounts designated have been remitted in the tax year to which the return relates.

(3) Where an amount of relevant foreign tax has been paid, or is payable, in respect of an amount of qualifying overseas capital, only so much of the amount as remains after deducting the amount of relevant foreign tax paid, or payable, may be designated.

(4) For the purposes of this paragraph, relevant foreign tax means a tax imposed by the law of a territory outside the United Kingdom that corresponds to—

(a) income tax, or

(b) capital gains tax.

(5) An individual may designate an amount where it has not yet been determined—

(a) whether the amount is qualifying overseas capital, or

(b) whether, or to what extent, relevant foreign tax is, or was, payable in respect of the amount.

(6) An amount designated—

(a) that is determined to not be qualifying overseas capital, or

(b) that should not have been designated as a result of sub-paragraph (3),

is to be nevertheless treated as designated qualifying overseas capital, other than for the purpose of Part 2 of this Schedule (exemptions etc).

(7) Where an amount is designated, it is treated as designated qualifying overseas capital from the beginning of the tax year to which the return in which it is designated relates.

(8) An individual who makes a designation election must keep a record of each amount designated.

Payment of the TRF charge through the income tax system

7 (1) An amount of designated qualifying overseas capital is chargeable to the TRF charge for the tax year to which the return in which it is designated relates.

(2) Amounts of TRF charge are to be charged as if they were amounts of income tax.

(3) Section 23 of ITA 2007 (calculation of income tax liability) applies in relation to a person liable to the TRF charge as if paragraph 1(8) were included in the lists of provisions in section 30(1) of that Act (amounts of tax added at Step 7).

(4) For the purposes of the collection and management of the TRF charge, all other enactments applying generally to income tax apply to the TRF charge.

(5) Those enactments include—

(a) those relating to returns of information and the supply of accounts, statements and reports,

(b) those relating to the assessing, collecting and receiving of income tax,

(c) those conferring or regulating a right of appeal, and

(d) those concerning administration, penalties, interest on unpaid tax and priority of tax in cases of insolvency under the law of any part of the United Kingdom.

(6) But section 59A of TMA 1970 (payments on account of income tax) does not apply in relation to amounts of TRF charge.

(7) For the purposes of section 12B of TMA 1970 (as applied as a result of sub-paragraph (4)), the records required to be kept as a result of paragraph 6(8) are to be regarded as records that must be kept for the purposes of enabling an individual to make and deliver a correct and complete return.

PART 2

EXEMPTIONS ETC FOR DESIGNATED QUALIFYING OVERSEAS CAPITAL

Income tax exemptions

8 (1) No liability to income tax arises on the remittance of an amount of designated qualifying overseas capital.

(2) No liability to income tax arises on an amount of income treated as qualifying overseas capital (as a result of the application of paragraph 5) if the amount is designated.

(3) This paragraph has effect for the tax year 2025-26 and subsequent tax years.

Capital gains tax: main exemption

9 (1) No gain is treated as accruing under paragraph 1(2) of Schedule 1 to TCGA 1992 on the remittance of an amount of designated qualifying overseas capital.

(2) This paragraph has effect for the tax year 2025-26 and subsequent tax years.

Capital gains tax: reliefs in respect of matched capital payments

10 (1) Sub-paragraph (2) applies where—

(a) chargeable gains are treated as accruing to an individual in a tax year under section 87(2) of TCGA 1992 as a result of a capital payment made to an individual by the trustees of a settlement, and

(b) an amount of that capital payment is qualifying overseas capital that has been designated by the individual.

(2) The gains are to be reduced by the amount of that designated qualifying overseas capital.

(3) Sub-paragraph (4) applies where—

(a) an individual is charged to capital gains tax by virtue of the matching (under section 87A of TCGA 1992) of a capital payment with the section 1(3) amount for the tax year 2024-25 or any earlier tax year,

(b) section 91(2) of TCGA 1992 (increase of tax where capital payment matched to section 1(3) amount for earlier tax year) would (ignoring sub-paragraph (4)) apply in relation to the capital payment mentioned in paragraph (a),

(c) an amount of a capital payment (which may or may not be the payment mentioned in paragraph (a)) is qualifying overseas capital that has been designated by the individual, and

(d) the amount designated is qualifying overseas capital as a result of the fact it would, in accordance with paragraph 3(1)(c), be matched with the section 1(3) amount mentioned in paragraph (a).

(4) Section 91(2) of TCGA 1992 does not apply to capital gains tax payable by the individual in respect of so much of the capital payment mentioned in sub-paragraph (3)(a) as is matched with the amount of the section 1(3) amount as would also, in accordance with paragraph 3(1)(c), be matched with the amount of a capital payment mentioned in sub-paragraph (3)(c).

(5) Sub-paragraph (6) applies where—

(a) chargeable gains are treated as accruing to an individual in a tax year under paragraph 8(1) of Schedule 4C to TCGA 1992 as a result of a capital payment made to an individual by the trustees of a settlement, and

(b) an amount of that capital payment is qualifying overseas capital that has been designated by the individual.

(6) The gains are to be reduced by the amount of that designated qualifying overseas capital.

(7) Sub-paragraph (8) applies where—

(a) an individual is charged to capital gains tax by virtue of the matching (under section 87A of TCGA 1992 as it has effect for the purposes of paragraph 8(3) of Schedule 4C to that Act) of a capital payment with the section 1(3) amount in the Schedule 4C pool for the tax year 2024-25 or any earlier tax year,

(b) paragraph 13(2) of Schedule 4C to that Act (increase of tax where capital payment matched to section 1(3) amount for earlier tax year) would (ignoring sub-paragraph (8)) apply in relation to the capital payment mentioned in paragraph (a),

(c) an amount of a capital payment (which may or may not be the payment mentioned in paragraph (a)) is qualifying overseas capital that has been designated by the individual, and

(d) the amount designated is qualifying overseas capital as a result of the fact it would, in accordance with paragraph 4(1)(b), be matched with the section 1(3) amount mentioned in paragraph (a).

(8) Paragraph 13(2) of TCGA 1992 does not apply to capital gains tax payable by the individual in respect of so much of the capital payment mentioned in sub-paragraph (7)(a) as is matched with the amount of the section 1(3) amount in the Schedule 4C pool as would also, in accordance with paragraph 4(1)(b), be matched with the amount of a capital payment mentioned in sub-paragraph (7)(c).

(9) For the purposes of this paragraph—

(a) "section 1(3) amount" has the meaning it has in section 87 of TCGA 1992;

(b) "section 1(3) amount in the Schedule 4C pool" is to be construed in accordance with Schedule 4C to TCGA 1992.

(10) This paragraph has effect for the tax year 2025-26 and subsequent tax years.

PART 3

EFFECT OF DESIGNATION ON WHEN AMOUNTS REMITTED ETC

Temporary disapplication of nominated income ordering rules

11 Section 809I of ITA 2007 (remittance basis charge: income and gains treated as remitted) does not apply for a tax year in relation to an individual if the tax year is tax year 2025-26, 2026-27 or 2027-28 and—

(a) the individual makes a designation of qualifying overseas capital for that tax year, or

(b) the individual has made a such a designation for a previous tax year.

Mixed funds: section 809Q of ITA 2007

12 (1) Section 809Q of ITA 2007 is amended as follows.

(2) In subsection (3)—

(a) before Step 1 insert—

"*Step A1*

Find the amount (if any) of income or capital of the individual for the relevant tax year in the mixed fund immediately before the transfer that is TRF capital.

If the amount of the transfer is equal to, or less than, the amount of TRF capital, treat the transfer as containing only TRF capital.

Otherwise—

(a) treat so much of the transfer as does not exceed the amount of the TRF capital as being comprised of TRF capital, and

(b) apply the following steps to the remainder of the transfer.", and

(b) in Steps 2 to 4, and in the first sentence in Step 5, for "transfer", in each place it occurs, substitute "remainder".

(3) In subsection (6)—

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

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

(c) income or capital that is TRF capital and income or capital that is not TRF capital."

(4) After subsection (8) insert—

"(9) For the purposes of this Chapter "TRF capital" means any amount that—

(a) is qualifying overseas capital (within the meaning of Part 1 of Schedule 10 to FA 2025) as a result of paragraph 2 of that Schedule, and

(b) is designated qualifying overseas capital for the purposes of that Part of that Schedule (and see paragraph 6(7) which provides for qualifying overseas capital to be treated as designated qualifying overseas capital from the start of the tax year to which the return in which it is designated relates)."

(5) In section 809Z10 of ITA 2007 (general interpretation), after the definition of "the remittance basis user" insert—

""TRF capital" has the meaning given by section 809Q(9)."

Mixed funds: section 809R of ITA 2007

13 (1) Section 809R of ITA 2007 is amended as follows.

(2) In subsection (1), for "This section applies" substitute "Subsections (2) to (8) apply".

(3) After subsection (4) insert—

"(4A) For the purposes of subsection (4)—

(a) TRF capital is to be treated as a kind of income or capital, and

(b) TRF capital is not to be regarded as any other kind of income or capital."

(4) In subsection (5) for "section 809Q does not apply" substitute "neither section 809Q nor section 809RZA(2) applies".

(5) In subsection (6)—

(a) in the words before paragraph (a), for "section 809Q as not applying in relation to it, if it" substitute "neither section 809Q nor section 809RZA(2) as applying in relation to it, if they", and

(b) in paragraph (a), for "section 809Q does not apply" substitute "neither section 809Q nor section 809RZA(2) applies".

(6) In subsection (7)—

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

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

(c) income or capital that is TRF capital and income or capital that is not TRF capital."

(7) In subsection (9)—

(a) for "step 1" substitute "steps A1 and 1", and

(b) for "step 2" substitute "steps A1 and 2".

Mixed funds: TRF capital account

14 After section 809R of ITA 2007 insert—

"809RZA Transfers into TRF capital account

(1) Subsection (2) applies to a transfer made from a mixed fund if—
  (a) it is made from a mixed fund that contains TRF capital,
  (b) the transfer is to a TRF capital account, and
  (c) the amount of the transfer does not exceed the amount of TRF capital in the mixed fund at the time of the transfer.

(2) The transfer is to be treated as a transfer of TRF capital.

(3) Where subsection (2) would apply to a transfer but does not because of paragraph (c) of subsection (1)—
  (a) that transfer is to be treated as two separate transfers occurring one immediately after the other, and
  (b) the first of those transfers is to be treated as being in the amount of TRF capital in the mixed fund (and accordingly subsection (2) will apply to that deemed transfer but not the second, which may result in the TRF capital account ceasing to be a TRF capital account).

(4) Section 809RZB makes provision about the nomination of an account as a TRF capital account (and see sections 809RZC and 809RZD for the effect of making a transfer that contains amounts that are not TRF capital).

809RZB TRF capital account

(1) An individual may by notice to the Commissioners nominate an account to be a TRF capital account (and more than one nomination may have effect at any time).

(2) The notice must specify the qualifying date for the account.

(3) "The qualifying date" for the account is the first date on which there is paid into the account sums falling within subsection (4) which (in total) are more than £10 at a time when the credit balance of the account was £10 or less.

(4) A sum falls within this subsection if it is TRF capital.

(5) The individual may withdraw the nomination by giving a further notice to the Commissioners, specifying the date with effect from which the nomination is withdrawn.

(6) A notice under subsection (1) or (5) must be in writing and include such information as the Commissioners may reasonably require.

(7) A notice under subsection (1) or (5) must be given no later than—

(a) 31 January in the tax year following the tax year in which falls, as the case may be—

(i) the qualifying date for the account, or

(ii) the date with effect from which the nomination is withdrawn, or

(b) such later date as the Commissioners may allow.

(8) If an individual nominates an account under this section, the account is a "TRF capital account" of the individual throughout the period—

(a) beginning with the qualifying date, and

(b) ending with the date before the earliest of the following dates—

(i) the date on which the account is closed or ceases to be an ordinary bank account held by and for the benefit of the individual (alone or jointly with others);

(ii) the date with effect from which the nomination is withdrawn under this section;

(iii) 6 April in a tax year in which there is a breach of the TRF deposit rule which is not remedied or cannot be remedied.

(9) The account is not to be a TRF capital account at all if—

(a) at any time on the qualifying date, the account is not an ordinary bank account held by and for the benefit of the individual (alone or jointly with others), or

(b) immediately before the qualifying date, the account has a credit balance of more than £10.

(10) Where the account has a credit balance immediately before the qualifying date (which must be £10 or less), that balance is to be treated as TRF capital for the purposes of this Chapter.

(11) Where interest is payable on TRF capital held in the TRF capital account, any such interest paid into the account is to be treated as TRF capital for the purposes of this Chapter.

(12) The account is not to be a TRF capital account at all if the qualifying date falls in a tax year in which there is a breach of the TRF deposit rule which is not remedied or cannot be remedied.

(13) Subsection (8)(b)(iii) or (12) (as relevant) is to be ignored if the breach occurs on or after a date falling within subsection (8)(b)(i) or (ii).

(14) For the purposes of this section an account is an "ordinary bank account" if it is a cash account in a bank (whether a current or savings account) where sums standing to the credit of the account

from time to time represent a debt owed by the bank to the account-holder.

(15) In this section, and in sections 809RZC and 809RZD, a reference to anything "paid into" an account includes anything credited to the account by whatever means.

809RZC Breaches of the TRF deposit rule

(1) There is a breach of the TRF deposit rule if one or more prohibited sums are paid into a TRF capital account on the qualifying date or any day after the qualifying date.

(2) A breach of the TRF deposit rule is remedied if, within 30 days beginning with the day on which the prohibited sums are paid into the account, the required amount is transferred out of the account by way of a single one-off qualifying transfer.

(3) A transfer is "qualifying" if it does not result in the remittance of any amount to the United Kingdom.

(4) "The required amount" is an amount equal to the total of the prohibited sums paid into the TRF capital account on the day of the breach.

(5) If there are 2 days in a tax year on which one or more breaches of the TRF deposit rule occur, subsection (2) does not apply to any breach on any subsequent day in the tax year (and accordingly any breach occurring on any day after the second day in the tax year on which there has been a breach cannot be remedied).

(6) A "prohibited sum" is anything other than a sum that is TRF capital.

809RZD Effect where 30-day deadline is met

(1) This section applies if the required amount in relation to a breach of the TRF deposit rule was transferred out of the account in accordance with section 809RZC(2).

(2) Sections 809Q and 809R have effect as if—

(a) the intervening transactions had never taken place, and

(b) each prohibited sum represented by the required amount had instead been transferred directly (at the time that sum was paid into the TRF capital account) into the account or other property into which the required amount was transferred by virtue of the single one-off qualifying transfer.

(3) Each of the following is an "intervening transaction"—

(a) each payment into the TRF capital account of a prohibited sum represented by the required amount, and

(b) the single one-off qualifying transfer out of the TRF capital account."

Temporary application of annualised basis to mixed funds containing TRF capital

15 (1) This following modifications have effect for the tax years 2025-26, 2026-27 and 2027-28.

(2) Chapter A1 of Part 14 of ITA 2007 has effect as if—

(a) after section 809R there were inserted—

"809RZZA Annualised basis for mixed funds containing TRF capital

(1) This section applies where, at any time in a tax year, a mixed fund contains TRF capital.

(2) If this section applies, the composition of each transfer made from the fund in that tax year at any time is to be determined as follows—

Step 1

Suppose that all transfers made from the mixed fund to a TRF capital account in relation to which section 809RZA(2) applies had been a single transfer made from the fund at the end of the tax year.

Whether that section applies in relation to transfers to a TRF capital account is determined as if all transfers from the mixed fund were made at the end of the tax year but transfers to a TRF capital account were made—

(a) before any other transfer from the mixed fund was made, and

(b) sequentially in the order in which the transfers to a TRF capital account were actually made.

Step 2

Suppose that all the condition A transfers made from the mixed fund in the tax year at a relevant time had been a single transfer made at the end of the tax year immediately after the single transfer mentioned in Step 1.

Step 3

Suppose that all the other transfers made from the account in the tax year at a relevant time had been a single offshore transfer made at the end of the tax year immediately after the single transfer mentioned in Step 2.

Step 4

Applying those suppositions—

(a) find under section 809Q(3) the content of the single transfer mentioned in Step 2, and

(b) find under section 809R(4) the content of the single offshore transfer mentioned in Step 3.

Step 5

Each transfer made from the fund in the tax year, other than a transfer to which section 809RZA(2) is regarded as applying in accordance with Step 1, is treated as containing the specified proportion of each kind of income or capital contained in the relevant deemed transfer.

"The specified proportion" is the amount of the transfer divided by the amount of the relevant deemed transfer.

"The relevant deemed transfer is—

(a) if the transfer is a condition A transfer, the single transfer mentioned in Step 2, and

(b) otherwise, the single offshore transfer mentioned in Step 3.

Step 6

Each transfer made from the fund in the tax year to which section 809RZA(2) is regarded as applying in accordance with Step 1 is to be treated as a transfer to which that section applies (and no other transfer in the tax year is to be regarded as a transfer in relation to which that section applies).

(3) Subsection (2) applies in determining the composition of a transfer for the purposes of sections 809Q and 809R but it does not otherwise affect the date on which a transfer is considered to occur for the purposes of this Chapter.

(4) A transfer from the fund is a "condition A transfer" if and to the extent that—

(a) condition A in section 809L is met, and

(b) either—

(i) the property or consideration for the service is (wholly or in part), or derives (wholly or in part, and directly or indirectly) from, the transfer, or

(ii) the transfer, or anything deriving (wholly or in part, and directly or indirectly) from the transfer, is used as mentioned in section 809L(3)(c).

(5) A transfer from the fund is an "other transfer" if and to the extent that it is neither a condition A transfer nor a transfer

to which section 809RZA(2) is regarded as applying in accordance with Step 1.

(6) Treat a transfer as an "other transfer" if and to the extent that, at the end of the tax year—

(a) it is neither a condition A transfer nor a transfer to which section 809RZA(2) is regarded as applying in accordance with Step 1, and

(b) on the basis of the best estimate that can reasonably be made at that time, it will not become either a condition A transfer or a transfer to which section 809RZA(2) is regarded as applying in accordance with Step 1.

(7) For the purposes of Step 5 in subsection (2)—

(a) TRF capital is to be treated as a kind of income or capital, and

(b) TRF capital is not to be regarded as any other kind of income or capital.", and

(b) in section 809RZD (as inserted by paragraph 14), at the end there were inserted—

"(4) If it is supposed under Steps 1 to 3 of section 809RZZA(2) that single transfers had been made in the intervening period, re-apply those steps in relation to those transfers taking account of subsection (2) and re-apply sections 809Q and 809R accordingly.

(5) "The intervening period" is the period—

(a) beginning with the day on which the breach occurred, and

(b) ending with the day on which the single one-off qualifying transfer was made in accordance with section 809RZC(2).

(6) If more than one qualifying transfer of a sum equal to the required amount was transferred out of the TRF capital account within the 30-day grace period, the first of those transfers is assumed to be the single one-off qualifying transfer.

(7) "The 30-day grace period" is the period of 30 days mentioned in section 809RZC(2)."

Business investment relief

16 (1) ITA 2007 is amended as follows.

(2) In section 809VC (qualifying investments) in subsection (4), after "if" insert "—

(a) the investment is made before 6 April 2028,

(b) none of the money or other property used to make the investment is TRF capital, and

(c)".

(3) In section 809VG (income or gains treated as remitted following certain events)—

(a) after subsection (6) insert—

"(6A) Where—

(a) the income or gains mentioned in subsection (1)(a) include amounts designated as TRF capital (in a tax year after the tax year in which the investment is made), and

(b) the portion of the investment affected is less than the whole of the investment,

so much of the affected income or gains as does not exceed the amounts designated is to be treated as being comprised of the TRF capital.

(6B) Where section 809VO (investments made from mixed funds) applies, subsection (8) of that section applies for the purposes of determining the composition of the amount of the affected income or gains that is not treated as being comprised of TRF capital (referred to as the "relevant affected income and gains" in that subsection) as a result of—

(a) subsection (6A) of this section not applying, or

(b) that subsection only applying to a part of the affected income or gains.",

(b) in subsection (7)—

(i) for "Sections" substitute "Section", and

(ii) for "and 809VO (investments made from mixed funds) make" substitute "makes", and

(c) in subsection (9), after paragraph (a) insert—

"(aa) any part contained in amounts already treated as remitted under section 809VIA(4) following an earlier event,".

(4) In section 809VN (order of disposals etc)—

(a) in subsection (2)(b), for the words from "order" to the end substitute "following order.", and

(b) after subsection (2) insert—

"(2A) The order is—

(a) so much of the qualifying investments as were made using money or other property that is designated as TRF capital (in a tax year after the tax year in which the investment is made) to the extent those qualifying investments were made using that money or other property, and then

(b) in relation to whatever remains, the order in which the qualifying investments were made (that is to say, on a first in, first out basis).", and

(c) in subsection (4), for paragraph (b) substitute –

"(b) assume that a disposal of all or part of that deemed single holding is –

(i) a disposal of so much of the deemed single holding as is from any qualifying investments that were made using money or other property that is designated as TRF capital (in a tax year after the tax year in which the investment is made) to the extent those qualifying investments were made using that money or other property, and

(ii) if any of the deemed single holding remains after the disposal referred to in sub-paragraph (i), a disposal of a holding from qualifying investments until the holdings from all the qualifying investments have been disposed of."

(5) In section 809VO (investments made from mixed funds) –

(a) for subsection (4) substitute –

"(4) The "fixed proportion" is, unless subsection (4B) applies, the proportion of that kind of income or capital contained in the invested property by virtue of subsection (2).

(4A) Subsection (4B) applies, instead of subsection (3), for determining the composition of the holding in connection with the application of subsections (7) and (8) where the holding contains TRF capital (as a result of the designation of income or capital in the holding as TRF capital in the tax year after the tax year in which the relevant event occurred).

(4B) Where this subsection applies, take the following steps to determine the composition of the holding in connection with the application of those subsections –

Step 1

Determine the amounts of each kind of income and capital that the holding was treated as containing by virtue of subsection (3).

Step 2

Reduce the amount of each kind of income and capital by the amount (if any) of that income or capital as is TRF capital.

(4C) Where subsection (4B) applies, the "fixed proportion" is the proportion of that kind of income or capital treated as contained in the invested property by virtue of that subsection (instead of subsection (2))."

(b) in subsection (7), after "proportion" insert "(determined under subsection (4) or (4C) as the case may be)",

(c) in subsection (8)(a)—

(i) before "affected" insert "relevant", and

(ii) before "portion" insert "relevant proportion of the",

(d) in subsection (8)(b), after "(3)" insert "or (4B) (as the case may be)", and

(e) after subsection (8) insert—

"(8A) For the purposes of subsection (8)(a)—

(a) the "relevant affected income or gains" means—

(i) in a case where section 809VG(6A) applies to treat some of the affected income or gains as being comprised of TRF capital, so much of the affected income or gains as is not treated as being comprised of TRF capital, or

(ii) otherwise, all of the affected income or gains, and

(b) the "relevant proportion" of the portion of the investment means—

(i) in a case where section 809VG(6A) applies to treat some of the affected income or gains as being comprised of TRF capital, the proportion of the portion of the investment that is equal to the proportion of the affected income or gains as is not treated as being comprised of TRF capital, or

(ii) otherwise, the whole of the portion of the investment."

(6) In section 809VI (the appropriate mitigation steps), in subsection (3), after "But" insert "—

"(a) see also section 809VIA (which makes provision treating the disposal proceeds as reduced where TRF capital is involved), and

(b)".

(7) After that section insert—

"809VIA Application of appropriate mitigation steps where TRF capital involved

(1) This section applies in relation to a potentially chargeable event where, if no appropriate mitigation steps were regarded as taken, an amount of TRF capital would (ignoring this section) be treated as remitted to the United Kingdom immediately after the end of the relevant grace period as a result of section 809VG(2).

(2) Where there has been a disposal of all or part of the holding (see section 809VI(1) or (2)(b)), so much of the proceeds of that disposal as are equal to that amount of TRF capital is to be regarded as comprising that TRF capital.

(3) Section 809VI has effect as if references in that section to the disposal proceeds did not include the TRF capital.

(4) Unless section 809VG(2) applies in relation to the potentially chargeable event, the TRF capital is to be treated as remitted to the United Kingdom at the time the potentially chargeable event occurred."

Commencement

17 (1) The amendments made by this Part of this Schedule have effect for the tax year 2025-26 and subsequent tax years.

(2) Sub-paragraph (1) does not apply to the modifications made by paragraphs 11 and 15.

SCHEDULE 11

Section 42

REBASING OF ASSETS

Rebasing of assets for individuals who have been subject to the remittance basis

1 (1) This paragraph applies to the disposal of an asset by an individual ("P") where—

(a) the asset was held by P on 5 April 2017,

(b) the disposal is made on or after 6 April 2025,

(c) the asset was not situated in the United Kingdom at any time in the period beginning with 6 March 2024 and ending with 5 April 2025,

(d) P was not domiciled in the United Kingdom at any time in a tax year before tax year 2025-26, and

(e) P has made a claim under section 809B of ITA 2007 (claim for remittance basis) for at least one tax year that is—

(i) one of the tax years from tax year 2017-18 to tax year 2024-25, and

(ii) a tax year for which neither section 809D nor 809E of that Act applied to P (remittance basis applies without claim).

(2) In computing, for the purpose of TCGA 1992, the gain or loss accruing on the disposal, it is to be assumed that P acquired the asset on 5 April 2017 for a consideration equal to its market value on that date.

(3) Sub-paragraph (2) applies notwithstanding section 58(1) of TCGA 1992 (disposals between spouses).

(4) Where under section 127 of TCGA 1992 (including that section as applied by sections 132, 135 and 136 of that Act) an original and a new holding of shares or other securities are treated as the same asset, the condition in sub-paragraph (1)(c) applies to both the original and the new holding.

(5) Section 835BA of ITA 2007 (deemed domicile) applies for the purposes of sub-paragraph (1)(d).

(6) This paragraph and paragraphs 2 and 3 have effect as if they were included in TCGA 1992.

Assets becoming situated in the United Kingdom before 6 April 2025

2 (1) This paragraph applies for the purposes of paragraph 1(1)(c) in the case of an asset which, having been situated outside the United Kingdom, becomes situated in the United Kingdom before the end of the relevant period.

(2) The asset is to be regarded as not situated in the United Kingdom at a time in the relevant period when—

(a) it meets the condition in section 809Z(3)(a), (b) or (c) of ITA 2007 (public access),

(b) it meets the condition in section 809Z3(3)(a), (b) or (c) of ITA 2007 (repairs),

(c) the sole or principal purpose of its being situated in the United Kingdom is to sell it or put it up for sale, or

(d) in the case of clothing, footwear, jewellery or a watch, it is for the personal use of—

(i) P or a husband, wife or civil partner of P, or

(ii) a child or grandchild of a person within sub-paragraph (i), if the child or grandchild has not reached the age of 18.

(3) The asset is to be regarded as not situated in the United Kingdom at any time in the relevant period if it is brought to, or received or used in, the United Kingdom in circumstances in which section 809L(2)(a) of ITA 2007 applies but—

(a) by virtue of section 809X(5)(c) of ITA 2007 (notional remitted amount less than £1000) it is treated as not remitted to the United Kingdom, or

(b) by the end of the relevant period it has not failed to meet the temporary importation rule in section 809Z4 of ITA 2007.

(4) Section 809M(3)(a) of ITA 2007 (persons living together) apply for the purposes of sub-paragraph (2)(d)(i).

(5) In this paragraph the "relevant period" means the period beginning with 6 March 2024 and ending with 5 April 2025.

Election for paragraph 1 not to apply

3 (1) An individual may make an election for paragraph 1 not to apply to a disposal made by the individual.

(2) Sections 42 and 43 of TMA 1970 (procedure and time limit for claims), except section 42(1A) of that Act, apply in relation to an election under this paragraph as they apply in relation to a claim for relief.

(3) An election under this paragraph is irrevocable.

(4) All such adjustments are to be made, whether by way of discharge or repayment of tax, the making of assessments or otherwise, as are required to give effect to an election under this paragraph.

Rebasing under Schedule 8 to F(No.2)A 2017

4 (1) In Schedule 8 to F(No.2)A 2017, in paragraph 41(4)(b), for "that in which the disposal was made" substitute "the tax year 2024-25".

(2) The amendment made by this paragraph has effect for the tax year 2025-26 and subsequent tax years.

SCHEDULE 12

Section 43

TRUSTS: CONNECTED AMENDMENTS, TRANSITIONAL PROVISION ETC

PART 1

SETTLEMENTS (INCOME)

1 Chapter 5 of Part 5 of ITTOIA 2005 (settlements: amounts treated as income of settlor or family) is amended in accordance with this Part of this Schedule.

2 In section 619 (charge to tax under Chapter 5), in subsection (1)—

(a) at the end of paragraph (d), insert ", and";

(b) in paragraph (e), after "protected foreign-source income" insert "or transitional trust income";

(c) omit paragraph (f) and the "and" before it.

3 In section 622 (person liable), for "sections 643A and 643I to 643M" substitute "section 643A (under which a close member of the settlor's family may instead be liable)".

4 In section 624 (income where settlor retains an interest), in subsection (3)—

(a) after "section 627 (exceptions for certain types of income)," insert "and";

(b) omit "section 628A (exception for protected foreign-source income)" and the "and" before it.

5 Omit sections 628A to 628C (protected foreign-source income and transitional trust income).

6 In section 629 (income paid to relevant children of settlor), in subsection (5), omit "or section 630A (exception for protected foreign-source income)".

7 Omit section 630A (exception to section 629 for protected foreign-source income).

8 In section 635 (capital sums charge: amount of available income)—

(a) in subsections (2) and (3)(d)(i), omit "unprotected";

(b) for subsection (5) substitute—

"(5) See also section 643ZB(2) (which provides for certain income not to be counted towards available income for the purposes of this section)."

9 In section 636 (capital sums charge: calculation of undistributed income)—

(a) omit "unprotected" in the following places—

(i) subsection (1);

(ii) subsection (2) (in both places it occurs);

(iii) subsection (4);

(iv) subsection (6);

(b) in subsection (2)(b), omit "domiciled and".

10 In section 637 (qualifications to section 636), in subsections (5) and (7A), omit "unprotected".

11 For the italic heading before section 643A, substitute—

"Transitional provision about protected foreign-source income and transitional trust income".

12 Before section 643A insert—

"643ZA "Protected foreign-source income" and "transitional trust income"

(1) In this Chapter—

"protected foreign-source income" means income that—

(a) arose under a settlement in any of the tax years 2017-18 to 2024-25, and

(b) was protected foreign-source income for that tax year within the meaning of section 628A (as that section had effect for that tax year).

"transitional trust income" means income that—

(a) arose under a settlement in any of the tax years 2008-09 to 2016-17, and

(b) was transitional trust income throughout the tax years 2017-18 to 2024-25 within the meaning of section 628C (as that section had effect for those tax years).

(2) For the purposes of subsection (1) ignore section 648(3) to (5) (foreign income treated as arising under settlement only if and when remitted).

643ZB Protected foreign-source income and transitional trust income not to be taxed elsewhere in Chapter

(1) The rules in sections 624(1) and 629(1) do not apply to protected foreign-source income or transitional trust income (which, by virtue of section 648(3) to (5), may be treated as income arising under the settlement in the tax year 2025-26 or a subsequent tax year).

(2) In the following provisions, "income" does not include protected foreign-source income or transitional trust income—

section 635(2) and (3)(d)(i);

section 636(1), (2) (in the words before paragraph (a)), (4) and (6);

section 637(5) and (7A)."

13 For section 643A substitute—

"643A Benefits paid out of protected foreign-source income or transitional trust income

(1) If—

(a) an individual to whom this section applies has an untaxed benefits total for a settlement for a tax year (see section 643B),

(b) there is available protected income in relation to the individual, the settlement and the tax year (see section 643C), and

(c) the individual is UK resident for the tax year,

an amount equal to so much of the untaxed benefits total as does not exceed the available protected income is treated for income tax purposes as income of the individual for the tax year.

(2) This section applies to—

(a) the settlor, and

(b) anyone who has at any time been a close member of the settlor's family.

(3) If there is a choice about the individuals in whose case income is to be treated as arising under subsection (1), income is to be treated as arising—

(a) to such one or more of them as appears to an officer of Revenue and Customs to be just and reasonable, and

(b) if more than one, in such respective proportions as appear to the officer to be just and reasonable."

14 (1) Section 643B (meaning of "untaxed benefits total" in section 643A) is amended as follows.

(2) In subsection (1), for Step 1 substitute—

"Step 1

Identify each benefit provided by the trustees to the individual—

(a) in the current tax year, or an earlier tax year for which the individual was UK resident, and

(b) if the individual is not the settlor, at a time when the individual was a close member of the settlor's family."

(3) For subsection (2) substitute—

"(2) For the purposes of Step 1 in subsection (1), if—

(a) the trustees provide a benefit to an individual in a given tax year,

(b) the individual is a close member of the settlor's family when the benefit is provided,

(c) the individual is non-UK resident, or is a qualifying new resident, for the tax year, and

(d) the settlor is UK resident for the tax year,

the benefit is instead treated as provided to the settlor."

(4) In subsections (4) and (5), for "643M" substitute "643EA".

15 For section 643C substitute –

"643C Meaning of "available protected income" in section 643A

(1) For the purposes of section 643A, take the following steps to determine the amount of available protected income in relation to an individual ("P"), a settlement and a tax year ("the current tax year") –

Step 1

Identify the total amount of protected foreign-source income and transitional trust income that arose (at any time) under the settlement ("the total protected income").

Step 2

Deduct any amount of the total protected income that is matched under the transfer of assets abroad code in the current tax year or an earlier tax year.

Step 3

Deduct any amount of the total protected income on which P or any other individual is liable to income tax in the current tax year or an earlier tax year.

Step 4

Deduct any amount that, in relation to the settlement, is treated under section 643A as P's income in an earlier tax year or as another individual's income in any tax year.

Step 5

Add back the amount of any income falling within Step 4 that is identified as qualifying foreign income on a foreign income claim made by P or any other individual for any tax year.

(2) For the purposes of Step 1 in subsection (1), ignore section 648(3) to (5) (foreign income treated as "arising" under settlement only if and when remitted).

(3) For the purposes of Step 2 in subsection (1), an amount of the total protected income is "matched under the transfer of assets abroad code" if it is matched under section 735A of ITA 2007 with –

(a) benefits provided by the trustees to P or any other individual in the current tax year or in an earlier tax year, and

(b) an amount of income treated as arising to P or any other individual under section 732 of ITA 2007

(or if it would be so matched if section 735A applied for those purposes).

(4) For the purposes of Step 3 in subsection (1), ignore any liability to income tax arising under section 643A above or under section 731 of ITA 2007 (transfer of assets abroad: benefits charge).

(5) In Step 4 in subsection (1) and in subsection (4), a reference to section 643A includes, in relation to any of the tax years 2018-19 to 2024-25, section 643J and 643L (old onward gifting rules)."

16 (1) Section 643E (reimbursement of tax paid by settlor) is amended as follows.

(2) In the heading, for "section 643A" substitute "643B(2)".

(3) In subsection (1), for "section 643A(3) or (4)" substitute "section 643B(2) (benefit received by close family member attributed to settlor)".

(4) In subsection (2), for paragraphs (a) and (b) substitute—

"(a) the tax year in which income is treated under section 643A as arising to the settlor,

(b) the amount of income treated as arising, and

(c) the amount of tax paid,".

17 After section 643E insert—

"643EA Onward gifts from non-residents or qualifying new residents

(1) Subsection (2) applies if—

(a) the trustees of a settlement provide a benefit ("the original benefit") to an individual ("the original recipient"),

(b) the original recipient is non-UK resident, or is a qualifying new resident, for the tax year in which the original benefit is provided,

(c) section 643B(2) (close family member's benefits attributed to settlor) does not apply to the provision of the original benefit to the original recipient,

(d) at the time when the original benefit is provided—

(i) there are arrangements, or an intention, as regards the (direct or indirect) passing on of the whole or part of the original benefit to another person, and

(ii) it is reasonable to expect that, if the whole or part of the original benefit is passed on to another person in accordance with the arrangements or intention, that other person will be UK resident when they receive at least part of what is passed on to them,

(e) the original recipient provides a benefit ("the onward gift") to another person ("the subsequent recipient")—

(i) at the time when the original benefit is provided to the original recipient, or at any later time in the 3 years beginning with the day containing that time, or

(ii) at any time before the original benefit is provided to the original recipient and, it is reasonable to assume, in anticipation of the original benefit's being provided,

(f) the onward gift is of or includes—

(i) the whole or part of the original benefit,

(ii) anything that (wholly or in part, and directly or indirectly) derives from, or represents, the whole or part of the original benefit, or

(iii) any other property, but only if the original benefit is provided with a view to enabling or facilitating, or otherwise in connection with, the property's being provided to the subsequent recipient, and

(g) the subsequent recipient—

(i) is the settlor, or

(ii) is a close member of the settlor's family at the time when they receive the onward gift or, where the onward gift is provided as mentioned in subsection (1)(e)(ii), at the time given by subsection (4).

(2) So much of the onward gift as falls within subsection (1)(f) is treated for the purposes of section 643B(1) and (2)(a) as a benefit provided by the trustees to the subsequent recipient at the time when the onward gift is provided.

(3) For the purposes of subsection (1)(e), the circumstances in which the original recipient provides a benefit to the subsequent recipient include circumstances where there is a series of two or more benefits starting with a benefit provided by the original recipient and ending with a benefit provided to the subsequent recipient; and in such a case—

(a) the onward gift is treated for the purposes of subsection (1)(e) as provided when the final benefit in the series is provided, and

(b) the reference to the onward gift in subsection (1)(f) is to be read as a reference to each benefit in the series.

(4) Where the onward gift is made as mentioned in subsection (1)(e)(ii), it is treated for the purposes of subsection (2) as made immediately after, and in the tax year in which, the original benefit is provided to the original recipient.

(5) Where the conditions in subsection (1)(e) to (g) are met in any case, it is to be presumed (unless the contrary is shown) that the condition in subsection (1)(d) is also met in that case.

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

18 (1) Section 643F (income attributed by section 643A to user of remittance basis) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (a), for the words from "is treated" to the end substitute "was treated by section 643A as arising to an individual for any of the tax years 2018-19 to 2024-25, and";

(b) in paragraph (b), for "applies" substitute "applied".

(3) In subsection (6)—

(a) in the definition of "protected income", for "forms" substitute "under section 643C formed";

(b) in the definition of "the relevant individual", in paragraphs (a) and (b), for "is treated" substitute "was treated".

(4) At the end insert—

"(7) A reference in this section to section 643A or 643C (or to any provision of that section) is to that section (or provision) as it had effect for the tax year in which the deemed income was treated as arising to the individual."

19 (1) Section 643G (section 643F(4): benefits and income "relating" to deemed income) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (a), for "applies" substitute "applied";

(b) after paragraph (a) insert—

(aa) references to section 643A, 643J or 643L (or to a provision of any of those sections) are to that section (or provision) as it had effect for the year,".

(3) In subsection (2)—

(a) in paragraph (b), for "is allowed" substitute "was allowed";

(b) in paragraph (d), for "is", in both places it occurs, substitute "was";

(c) in paragraph (e), for "is", in both places it occurs, substitute "was";

(d) in paragraph (f), for "is treated" substitute "was treated".

20 In section 643H (meaning of close member of settlor's family), in the heading and in subsection (1), for "643B to 643M" substitute "643A to 643EA".

21 Omit sections 643I to 643M (old onward gift provisions).

22 (1) Section 643N (person liable under section 643J or 643L and remittance basis applies) is amended as follows.

(2) In the heading, for "applies" substitute "applied".

(3) In subsection (1)—

(a) in paragraph (a)—

(i) in the words before sub-paragraph (i), for "is treated as arising to an individual for a tax year" substitute "was treated as arising to an individual for the tax year 2024-25 or an earlier tax year";

(ii) in sub-paragraph (i), for "applies" substitute "applied";

(b) in paragraph (b), for "applies" substitute "applied".

(4) In subsection (3), after "onward payment" insert "referred to in section 643I(1)(d)".

(5) At the end insert—

"(5) A reference in this section to section 643I, 643J or 643L (or to a provision of any of those sections) is to that section (or provision) as it had effect for the tax year in which income was treated as arising to the individual."

23 (1) Section 645 (property or income originating from settlor) is amended as follows.

(2) In subsection (1), for "sections 628A and 644" substitute "section 644".

(3) After subsection (2) insert—

"(2A) If the same property has been provided by more than one settlor for the purposes of the settlement, so much of the property as is attributable to each settlor on a just and reasonable apportionment is treated for the purposes of this section as provided by that settlor."

24 (1) Section 646 (adjustments between settlor and trustees etc) is amended as follows.

(2) In subsection (2), for paragraphs (a) and (b) substitute—

"(a) the tax year in which income was treated as arising to the settlor under section 624 or 629 (as the case may be),

(b) the amount of the income in respect of which the settlor has paid tax, and

(c) the amount of tax paid."

(3) In subsection (6A)—

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

(b) at the end insert ", and

(c) the tax year in which the income to which the repayment relates was treated as arising to the settlor."

25 (1) Section 648 (income arising under a settlement) is amended as follows.

(2) In subsection (1)(b), omit "domiciled and".

(3) In subsection (3)—

(a) for "if, for a tax year, section 809B, 809D or 809E of ITA 2007 (remittance basis) applies", substitute "if, for the tax year 2024-25 or an earlier tax year, section 809B, 809D or 809E of ITA 2007 (remittance basis) applied";

(b) for "relevant foreign income" substitute "specified foreign income".

(4) At the end insert—

"(6) In subsection (3), "specified foreign income" means income that would be relevant foreign income if it were the income of a UK resident individual."

PART 2

TRANSFER OF ASSETS ABROAD

26 Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad) is amended in accordance with this Part of this Schedule.

27 In section 718 (meaning of "person abroad" etc)—

(a) in subsection (1), for the words from "means" to the end, substitute "means a person who is resident outside the United Kingdom.";

(b) omit subsection (3).

28 In section 720 (charge to tax on income treated as arising under section 721)—

(a) in subsection (4), omit "and section 726 (non-UK domiciled individuals to whom remittance basis applies)";

(b) in subsection (7), for "742A" substitute "742".

29 In section 721 (individuals with power to enjoy income as a result of relevant transactions), for subsections (3B) and (3BA) substitute—

"(3B) The amount of the income treated as arising under subsection (1) is equal to the amount of the income of the person abroad (subject to sections 724 and 725)."

30 Omit sections 721A and 721B (meaning of "protected foreign-source income" etc).

31 After section 725 insert—

"725A Recovery of tax paid as a result of section 721

(1) Where any tax for which an individual is liable as a result of section 721 is paid, the individual is entitled to recover the amount of the tax from the person abroad.

(2) For the purpose of recovering that amount, the individual is entitled to require an officer of Revenue and Customs to give the individual a certificate specifying—

(a) the tax year in which income is treated under section 721 as arising to the individual,

(b) the amount of income treated as arising, and

(c) the amount of tax paid,

and any such certificate is conclusive evidence of the facts stated in it."

32 (1) Section 726 (remittance basis etc) is amended as follows.

(2) For the heading substitute "Qualifying new residents and remittance-basis users: "foreign" deemed income".

(3) For subsection (1) substitute –

"(1) Subsection (2) applies in relation to income treated under section 721 as arising to an individual ("the deemed income") –

(a) in the tax year 2024-25 or an earlier tax year if section 809B, 809D or 809E (remittance basis) applied to the individual for that tax year, or

(b) in the tax year 2025-26 or a later tax year if the individual is entitled to claim relief under section 845A of ITTOIA 2005 (qualifying new residents) for that tax year."

(4) After subsection (2) insert –

"(2A) Subsections (3) to (5) apply where the deemed income falls within subsection (1)(a)."

(5) Omit subsections (6) and (7).

(6) At the end insert –

"(8) As to income falling within subsection (1)(b), see the table in section 845F of ITTOIA 2005 (under which deemed income that is foreign for the purposes of this section is "qualifying foreign income" and so may be identified in a foreign income claim)."

33 In section 727 (charge to tax on income treated as arising under section 728) –

(a) omit subsection (3A);

(b) in subsection (5), for "742A" substitute "742".

34 In section 728 (individuals receiving capital sums as a result of relevant transactions), for subsections (1A) and (1B) substitute –

"(1A) The amount of the income treated as arising under subsection (1) is equal to the amount of the income of the person abroad (subject to subsection (2))."

35 Omit section 729A (meaning of "protected foreign-source income").

36 Before section 730 insert—

"729B Recovery of tax paid as a result of section 728

(1) Where any tax for which an individual is liable as a result of section 728 is paid, the individual is entitled to recover the amount of the tax from the person abroad.

(2) For the purpose of recovering that amount, the individual is entitled to require an officer of Revenue and Customs to give the individual a certificate specifying—

(a) the tax year in which income is treated under section 728 as arising to the individual,

(b) the amount of income treated as arising, and

(c) the amount of tax paid,

and any such certificate is conclusive evidence of the facts stated in it."

37 (1) Section 730 (remittance basis etc) is amended as follows.

(2) For the heading substitute "Qualifying new residents and remittance-basis users: "foreign" deemed income".

(3) For subsection (1) substitute—

"(1) Subsection (2) applies in relation to income treated under section 728 as arising to an individual ("the deemed income")—

(a) in the tax year 2024-25 or an earlier tax year if section 809B, 809D or 809E (remittance basis) applied to the individual for that tax year, or

(b) in the tax year 2025-26 or a later tax year if the individual is entitled to claim relief under section 845A of ITTOIA 2005 (qualifying new residents) for that tax year."

(4) After subsection (2) insert—

"(2A) Subsections (3) to (5) apply where the deemed income falls within subsection (1)(a)."

(5) Omit subsections (6) and (7).

(6) At the end insert—

"(8) As to income falling within subsection (1)(b), see the table in section 845F of ITTOIA 2005 (under which deemed income that is foreign for the purposes of this section is "qualifying foreign income" and so may be identified in a foreign income claim)."

38 (1) Section 731 (charge to tax on income treated as arising under section 732) is amended as follows.

(2) In subsection (1), for "individuals receiving a benefit" substitute "non-transferors receiving a benefit".

(3) Omit subsections (1A) to (1C) and (2A).

(4) In subsection (3), omit ", but this is subject to section 733A".

(5) In subsection (4), for "742A" substitute "742".

39 (1) Section 732 (deemed income where benefit received) is amended as follows.

(2) In the heading, for "Individuals" substitute "Non-transferors".

(3) In subsection (1)—

(a) in paragraph (b), for "receives a benefit in a tax year" substitute "who is UK resident for a tax year receives a benefit in that tax year";

(b) for paragraph (d) substitute—

"(d) the individual is not liable to income tax under section 720 or 727 by reference to the transfer and would not be so liable if the effect of sections 726 and 730 were ignored,".

(4) Omit subsection (4).

40 (1) Section 733 (income charged under section 731) is amended as follows.

(2) In subsection (1), in Step 2, omit the words from "except that" to "for an earlier tax year".

(3) After subsection (2) insert—

"(2A) For the purposes of subsection (1), the amount deducted at Step 2 does not include the amount of any income on which tax was not charged under section 731 by virtue of—

(a) section 735AD(2) (transferor not taxable under benefits charge except where benefit matched to protected foreign-source income etc), or

(b) section 731(1A) (equivalent provision for tax years 2024-25 and earlier)."

41 Omit sections 733A to 733E and 734A (old provision about protected foreign-source income)

42 (1) Section 735 (remittance basis etc) is amended as follows.

(2) For the heading substitute "Qualifying new residents and remittance-basis users: "foreign" deemed income".

(3) For subsection (1) substitute—

"(1) Subsection (2) applies in relation to income treated under section 732 as arising to an individual ("the deemed income")—

(a) in the tax year 2024-25 or an earlier tax year if section 809B, 809D or 809E (remittance basis) applied to the individual for that tax year, or

(b) in the tax year 2025-26 or a later tax year if the individual is entitled to claim relief under section 845A of ITTOIA 2005 (qualifying new residents) for that tax year."

(4) After subsection (2) insert—

"(2A) Subsections (3) to (5) apply where the deemed income falls within subsection (1)(a)."

(5) At the end insert—

"(6) As to income falling within subsection (1)(b), see the table in section 845F of ITTOIA 2005 (under which deemed income that is foreign for the purposes of this section is "qualifying foreign income" and so may be identified in a foreign income claim)."

43 (1) Section 735A (matching rules) is amended as follows.

(2) In subsection (1), for paragraph (b) substitute—

"(b) deduct from those benefits any benefit so far as—

(i) chargeable gains (or offshore income gains) are treated as mentioned in section 734(1)(d) as accruing by reference to the benefit,

(ii) income is treated as mentioned in section 735AG(1)(b) as arising by reference to the benefit under section 643A, 643J or 643L of ITTOIA 2005 (settlements: benefits charge), or

(iii) income is treated as arising by reference to the benefit under section 732(2) and that income is identified in a foreign income claim,".

(3) in subsection (6), for "the individual, or as a result of section 733A another person" substitute "a person".

44 After section 735A insert—

"Transitional provision about protected foreign-source income and transitionally protected income

735AA Settlements to which following sections apply

(1) Sections 735AB to 735C apply if—

(a) a relevant transfer occurred before 6 April 2025,

(b) the person abroad was—

(i) the trustees of a settlement, or

(ii) a company in which the trustees of a settlement were participators or indirect participators, and

(c) protected foreign-source income or transitionally protected income arose in relation to the transfer.

(2) In sections 735AB to 735C—

"the relevant transfer" means the transfer referred to in subsection (1)(a);

"the settlement" means the settlement referred to in subsection (1)(b)(i) or (ii) (as the case may be);

"the settlor" means the settlor of that settlement.

(3) For the purposes of subsection (1)(b)(ii), the trustees of a settlement are "indirect participators" in a company if they are participators in the first in a chain of two or more companies where the last company in the chain is the person abroad and where each company in the chain (except the last) is a participator in the next company in the chain.

735AB "Protected foreign-source income" and "transitionally protected income"

(1) For the purposes of sections 735AA to 735AF –

"protected foreign-source income", in relation to the relevant transfer, means income of the person abroad that by reference to the transfer –

(a) would have been treated as arising to the settlor under section 721 in any of the tax years 2017-18 to 2024-25 had it not been protected foreign-source income within the meaning of section 721A (as that section had effect for that tax year), or

(b) would have been treated as arising to the settlor under section 728 in any of the tax years 2017-18 to 2024-25 had it not been protected foreign-source income within the meaning of section 729A (as that section had effect for that tax year);

"transitionally protected income", in relation to the relevant transfer, means income of the person abroad that by reference to the transfer –

(a) was treated as arising to the settlor under section 721 or 728 in a tax year earlier than the tax year 2017-18,

(b) was not remitted to the United Kingdom in a tax year earlier than the tax year 2017-18, and

(c) was transitionally protected income within the meaning of section 726(7) or 730(7) throughout the tax years 2017-18 to 2024-25 (as that section had effect for those tax years).

(2) In subsection (1), in paragraph (b) of the definition of "transitionally protected income", "remitted to the United Kingdom" is to be read in accordance with Chapter A1 of Part 14 (read with section 726 or 730 as the case may be).

735AC Transitionally protected income not to be taxed on remittance

Section 832 of ITTOIA 2005 (relevant foreign income charged on remittance basis) does not apply to transitionally protected income.

735AD Settlor liable for benefits charge despite being transferor

(1) For the purposes of section 732 (benefits charge: deemed income), subsection (1)(d) of that section (benefits charge confined to individuals not liable under section 720 or 727) is to be disregarded where the individual who receives the benefit is the settlor.

(2) But any income treated as arising to the settlor under section 732(2) is not taxed under section 731 unless the income would, assuming that section 735A applied for this purpose by reference to the settlor, be matched under that section with an amount of relevant income that is protected foreign-source income or transitionally protected income in relation to the relevant transfer.

735AE Settlor liable in place of close family member

(1) If—

(a) a benefit is provided to an individual in a given tax year out of assets which are available for the purpose as a result of—

(i) the relevant transfer, or

(ii) one or more associated operations,

(b) the individual is a close member of the settlor's family at the time when the benefit is provided,

(c) the individual is non-UK resident, or is a qualifying new resident, for the tax year in which the benefit is provided, and

(d) the settlor is UK resident for that tax year,

the benefit is instead treated for the purposes of section 732 and section 735AD(1) as provided to the settlor.

(2) For the purposes of this section, a person is a "close member of the settlor's family" at any time if the settlor is living at that time and—

(a) the person is the settlor's spouse or civil partner at that time, or

(b) the person—

(i) is a child of the settlor, or of a person who at that time is the settlor's spouse or civil partner, and

(ii) at that time has not reached the age of 18.

(3) For the purposes of subsection (2), two people living together as if they were a married couple or civil partners are treated as if they were spouses or civil partners of each other.

(4) Where any tax for which the settlor is liable as a result of this section is paid, the settlor is entitled to recover the amount of the tax from the individual concerned.

(5) For the purpose of recovering that amount, the settlor is entitled to require an officer of Revenue and Customs to provide the settlor with a certificate specifying—

(a) the tax year in which income was treated as arising to the settlor,

(b) the amount of income treated as arising, and

(c) the amount of tax paid,

and any such certificate is conclusive evidence of the facts stated in it.

735AF Onward gifts from non-residents or qualifying new residents

(1) Subsection (2) applies if—

(a) a benefit ("the original benefit") is provided to an individual ("the original recipient") out of assets which are available for the purpose as a result of—

(i) the relevant transfer, or

(ii) one or more associated operations,

(b) the original recipient is non-UK resident, or is a qualifying new resident, for the tax year in which they receive the original benefit,

(c) section 735AE(1) (close family member's benefits attributed to settlor) does not apply to the provision of the original benefit to the original recipient,

(d) at the time when the original benefit is provided—

(i) there are arrangements, or there is an intention, as regards the (direct or indirect) passing on of the whole or part of the original benefit to another person, and

(ii) it is reasonable to expect that, if the whole or part of the original benefit is passed on to another person in accordance with the arrangements or intention, that other person will be UK resident when they receive at least part of what is passed on to them,

(e) the original recipient provides a benefit ("the onward gift") to another person ("the subsequent recipient")—

(i) at the time when the original benefit is received by the original recipient, or at any later time in the 3 years beginning with the day containing that time, or

(ii) at any time before the original benefit is received by the original recipient and, it is reasonable to assume,

in anticipation of the original benefit's being provided, and

(f) the onward gift is of or includes—

(i) the whole or part of the original benefit,

(ii) anything that (wholly or in part, and directly or indirectly) derives from, or represents, the whole or part of the original benefit, or

(iii) any other property, but only if the original benefit is provided with a view to enabling or facilitating, or otherwise in connection with, the property's being provided to the subsequent recipient.

(2) For the purposes of sections 732, 735AD(1) and 735AE(1), so much of the onward gift as falls within subsection (1)(f) is (so far as would not otherwise be the case) treated as a benefit provided to the subsequent recipient out of assets which are available for the purpose as a result of an associated operation in relation to the relevant transfer.

(3) For the purposes of subsection (1)(e), the circumstances in which the original recipient provides a benefit to the subsequent recipient include circumstances where there is a series of two or more benefits starting with a benefit provided by the original recipient and ending with a benefit provided to the subsequent recipient; and in such a case—

(a) the onward gift is treated for the purposes of subsection (1)(e) as provided when the final benefit in the series is provided, and

(b) the reference to the onward gift in subsection (1)(f) is to be read as a reference to each benefit in the series.

(4) Where the conditions in subsection (1)(e) and (f) are met, it is to be presumed, unless the contrary is shown, that the condition in subsection (1)(d) is also met.

(5) In subsection (1)(d), "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).

735AG Deduction allowed for previous settlements charge

(1) This section applies if—

(a) benefits provided as mentioned in section 732(1)(c) are received in a tax year, and

(b) income is treated under section 643A of ITTOIA 2005 as arising to a person in that or a subsequent tax year by reference (direct or indirect) to the whole or part of any benefits so provided.

(2) For any tax year after one in which such income is so treated, the amount of income treated as arising to the individual under section 732(2) in respect of benefits provided as mentioned in section 732(1)(c) as a result of the transfer or operations in question is calculated as follows.

(3) The amount is calculated under section 733(1) as if the total untaxed benefits were reduced by the amount of that income.

(4) The reference in subsection (1)(b) to income treated as arising under section 643A of ITTOIA 2005 includes, in relation to any of the tax years 2018-19 to 2024-25, a reference to income treated as arising under section 643J or 643L of ITTOIA 2005 (settlements code: old onward gift provisions).

(5) In this section "the total untaxed benefits" has the same meaning as in section 733(1) (see Step 2)."

45 (1) Section 735B (settlor charge: remittance-basis users) is amended as follows.

(2) For the heading substitute "Historical liability under section 733A where remittance basis applied".

(3) For subsection (1) substitute—

"(1) This section applies in relation to income if—

(a) the income was treated under section 732 as arising to an individual ("the beneficiary") for any of the tax years 2017-18 to 2024-25,

(b) the settlor was under section 733A(2) or (3) (as it had effect for that tax year) liable for tax on the income, and

(c) section 809B, 809D or 809E (remittance basis) applied to the settlor for that year."

46 (1) Section 735C (old onward gifts provisions: remittance-basis users) is amended as follows.

(2) For the heading substitute "Historical operation of section 733C or 733E where remittance basis applied".

(3) In subsection (1)—

(a) in paragraph (a)—

(i) for the words before sub-paragraph (i) substitute "the income was treated as arising to an individual for any of the tax years 2018-19 to 2024-25";

(ii) in sub-paragraph (i), for "applies" substitute "applied";

(b) in paragraph (b), for "applies" substitute "applied".

(4) After subsection (4) insert—

"(5) A reference in subsection (1) to section 733C or 733E (or to any provision of either section) is to that section (or provision) as it had

effect for the tax year for which income was treated as arising to the individual."

47 In section 736 (exemptions: introduction)—

(a) in subsection (1), for "742A" substitute "742";

(b) omit subsection (2A).

48 Omit section 742A (post-5 April 2012 transactions: exemption for genuine transactions).

49 In section 744 (meaning of "taking income into account in charging income tax" for section 743), at the end insert—

"(5) Where an amount would have been charged to income tax under section 731 but for an election under Schedule 10 to FA 2025 (temporary repatriation facility), subsection (4) applies as if the amount had been charged to income tax under that section."

50 In section 747 (amounts corresponding to accrued income profits and related interest), in subsection (1)(b) and subsection (4)(b), omit "or domiciled".

51 In section 751 (tribunal's jurisdiction on appeals), omit paragraph (da).

PART 3

SETTLEMENTS (CHARGEABLE GAINS)

52 TCGA 1992 is amended in accordance with this Part of this Schedule.

53 In section 1A (territorial scope), in subsection (2)(e), omit "87K, 87L".

54 In section 1E (losses deductible only when within scope of tax etc), omit subsection (4).

55 In section 62 (death: general provisions), in subsection (2A)(a), omit ", 87K, 87L".

56 (1) Section 86 (attribution of gains to settlors with interest in non-resident or dual resident settlements) is amended as follows.

(2) In subsection (1)(c), omit "is domiciled in the United Kingdom at some time in the year and".

(3) Omit subsection (3A).

(4) In subsection (4), omit paragraph (b) and the "and" before it.

(5) At the end insert—

"(6) See also paragraph 3 of Schedule D1 (foreign gain claims: foreign gains and losses of the trustees ignored for the purposes of subsection (1)(e))."

57 In section 86A (attribution of gains to settlor where temporarily non-resident), in subsection (1)(b), omit ", 87K, 87L".

58 In section 87 (non-UK resident settlements: attribution of gains to beneficiaries), at the end insert—

"(8) See also paragraph 4 of Schedule D1 (foreign gain claims: capital payments ignored for the purposes of this section and Schedule 4C)."

59 (1) Section 87B (section 87: remittance basis) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (a)—

(i) for "are treated" substitute "were treated";

(ii) for "a tax year" substitute "the tax year 2024-25 or an earlier tax year";

(b) in paragraph (b), for "applies" substitute "applied".

(3) In subsection (2), for "chargeable gains accruing" substitute "treated as having accrued".

(4) In subsection (4), for "are treated as accruing consists of" substitute "were treated as accruing consisted of".

(5) At the end insert—

"(5) The references in this section to sections 87I(1)(c), 87K and 87L (which were repealed by Part 3 of Schedule 12 to the Finance Act 2025) are to those provisions as they had effect for the tax year in which the chargeable gains were treated as accruing to the individual."

60 (1) Section 87D (sections 87 and 87A: capital payments to non-residents disregarded) is amended as follows.

(2) In subsection (1), omit paragraph (b) and the "and" before it.

61 (1) Section 87G (settlor liable if capital payment received by close family member) is amended as follows.

(2) In subsection (1)(b), for "at any time in that year" substitute "for that tax year".

(3) After subsection (2) insert—

"(2A) But subsection (2) does not apply if—

(a) the original recipient is resident in the United Kingdom for the tax year in which they receive the capital payment, and

(b) the settlor is a qualifying new resident for that tax year."

(4) In subsection (4)—

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

(b) after paragraph (b) insert "and

(c) the tax year in which those gains were treated as arising,".

62 In section 87H (meaning of "close member of the settlor's family"), in subsection (1), for "87D, 87G and 87L" substitute "87D and 87G".

63 For sections 87I to 87M (old onward gifting provisions) substitute—

"87HA Onward gifts from non-residents or qualifying new residents

(1) Subsection (2) applies if—

(a) a person ("the original recipient") receives a capital payment ("the original benefit") from the trustees of a settlement,

(b) the original recipient is not resident in the United Kingdom, or is a qualifying new resident, for the tax year in which they receive the original benefit,

(c) section 87G(2) (close family member's benefits attributed to settlor) does not apply to the provision of the original benefit to the original recipient,

(d) at the time when the person receives the original benefit—

(i) there are arrangements, or an intention, as regards the (direct or indirect) passing on of the whole or part of the original benefit to another person, and

(ii) it is reasonable to expect that, if the whole or part of the original benefit is passed on to another person in accordance with the arrangements or intention, that other person will be resident in the United Kingdom when they receive at least part of what is passed on to them,

(e) the original recipient provides a benefit ("the onward gift") to a person ("the subsequent recipient")—

(i) at the time when the original benefit is provided to the original recipient or at any later time in the 3 years beginning with the day containing that time, or

(ii) at any time before the original benefit is made to the original recipient and, it is reasonable to assume, in anticipation of the original benefit's being made,

(f) the onward gift is of or includes—

(i) the whole or part of the original benefit

(ii) anything that (wholly or in part, and directly or indirectly) derives from, or represents, the whole or part of the original benefit, or

(iii) any other property, but only if the original benefit is provided with a view to enabling or facilitating, or otherwise in connection with, the providing of the onward gift to the subsequent recipient, and

(g) the subsequent recipient is resident in the United Kingdom for the tax year in which they receive the onward gift.

(2) So much of the onward gift as falls within subsection (1)(f) is treated for the purposes of sections 87, 87A , 87D(2) and 87G(2) as a capital payment received from the trustees by the subsequent recipient at the time when the onward gift is provided.

(3) Where subsection (2) applies, the subsequent recipient is treated as having received the capital payment as a beneficiary of the settlement (whether or not they are otherwise a beneficiary of it).

(4) For the purposes of subsection (1)(e), the circumstances in which the original recipient provides a benefit to the subsequent recipient include circumstances where there is a series of two or more benefits starting with a benefit provided by the original recipient and ending with a benefit provided to the subsequent recipient; and in such a case—

(a) the onward gift is treated for the purposes of subsection (1)(e) as provided when the final benefit in the series is provided, and

(b) the reference to the onward gift in subsection (1)(f) is to be read as a reference to each benefit in the series.

(5) Where the onward gift is made as mentioned in subsection (1)(e)(ii), the onward gift is treated for the purposes of subsection (2) as made in the tax year in which the original benefit is made to the original recipient.

(6) Where the conditions in subsection (1)(e) to (g) are met, it is to be presumed (unless the contrary is shown) that the condition in subsection (1)(d) is also met.

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

64 In section 91 (increase in tax payable under section 87 or 89(2)), in subsection (1)(a), omit ", 87K, 87L".

65 In section 97 (supplementary provisions)—

(a) in subsection (1)(a)(ii), for the words from "any of sections 643A" to the end of the sub-paragraph, substitute "Chapter 5 of Part 5 of ITTOIA 2005 (settlements) or Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad)";

(b) in subsection (3), for the words from "section 643A" to "ITA 2007", substitute "Chapter 5 of Part 5 of ITTOIA 2005 (settlements) or Chapter 2 of Part 13 of ITA 2007 (transfer of assets abroad)".

66 In section 279A (deferred unascertainable consideration: election for treatment of loss), in subsection (7)(b), omit ", 87K, 87L".

67 In section 279C (effect of election under section 279A), in subsection (6)(c), omit ", 87K, 87L".

68 In Schedule 1 (UK resident individuals not domiciled in UK), in paragraph 3(5), omit paragraph (b) and the "and" before it.

69 (1) Schedule 4C (transfers of value: attribution of gains to beneficiaries) is amended as follows.

(2) In paragraph 8(6), after "87G(2)," insert "87HA(2),".

70 (1) Schedule 5 (attribution of gains to settlors with interest in non-resident or dual resident settlement) is amended as follows.

(2) In paragraph 1 (construction of section 86(1)(e): losses etc), after sub-paragraph (6) insert—

"(6A) In construing section 86(1)(e) as regards a particular year of assessment, if—

(a) section 86 did not apply to the settlement in a year of assessment ending before 6 April 2025 ("the earlier year"), but

(b) that section would have applied to the settlement in the earlier year if the condition in section 86(1)(e) (settlor domiciled in the United Kingdom) had been met in the earlier year,

deductions shall be made in respect of losses accruing in the earlier year, but only so far as those losses have not been taken into account for the purposes of section 87 in determining the section 1(3) amount for the settlement for the earlier year."

(3) Omit paragraphs 5A and 5B (protections for deemed domiciles etc).

(4) After paragraph 5 insert—

"Old section 87 rebasing elections to apply in relation to section 86

5C (1) This paragraph applies if—

(a) the trustees of the settlement made (at any time) an election under paragraph 126(1) of Schedule 7 to the Finance Act 2008 (remittance basis: capital gains rebasing), and

(c) an amount of chargeable gains would (apart from this paragraph) be treated as accruing to the settlor under section 86(4) in a tax year ("the relevant tax year").

(2) The settlor is not charged to capital gains tax on so much of the chargeable gains as exceeds the relevant proportion of those gains.

(3) For that purpose "the relevant proportion" is—

$$\frac{A}{B}$$

where—

A is the amount that would be treated under section 86(4) as accruing to the settlor in the relevant tax year if immediately before 6 April 2008 every relevant asset had been sold by the trustees and immediately re-acquired by them at its market value at that time, and

B is the amount mentioned in sub-paragraph (1)(c).

(4) In sub-paragraph (3), "relevant asset" means an asset—

(a) that was disposed of in the relevant tax year, and

(b) that was comprised in the settlement from the beginning of 6 April 2008 until its disposal."

(5) In paragraph 6 (right of recovery), in sub-paragraph (3)—

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

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

(c) the tax year in which gains were treated as accruing under section 86(4),".

PART 4

COMMENCEMENT AND TRANSITIONAL PROVISION

Commencement

71 Parts 1 to 3 of this Schedule come into force on 6 April 2025.

Onward gifts: settlements (income)

72 (1) Section 643EA of ITTOIA 2005 (onward gifts from non-residents or qualifying new residents), as inserted by paragraph 17 of this Schedule, applies where the onward gift is provided on or after 6 April 2025, even if the original benefit was provided before that date.

(2) Where the original benefit was provided before 6 April 2025, that section applies as if for subsection (1)(b) there were substituted—

"(b) either—

(i) the original recipient is non-UK resident for the tax year in which the original benefit is provided, or

(ii) section 809B, 809D or 809E of ITA 2007 (remittance basis) applies to the original recipient for that tax year,".

(3) In this paragraph, "the original benefit" and "the onward gift" have the same meanings as in section 643EA of ITTOIA 2005; and in a case within section 643EA(3) "the onward gift" means the final benefit in the series.

73 Despite the repeal of section 643M of ITTOIA 2005 by paragraph 21 of this Schedule, that section continues to have effect so far as—

(a) it provided before its repeal for a benefit of a particular amount to be treated for the purposes of section 643B of that Act as having been provided to a particular person at a particular time, and

(b) the receipt of the benefit by the person is relevant to the application of section 643B of that Act in the tax year 2025-26 or a later tax year.

Onward gifts: transfer of assets abroad

74 (1) Section 735AF of ITA 2007 (onward gifts from non-residents or qualifying new residents), as inserted by paragraph 44 of this Schedule, applies where the onward gift is provided on or after 6 April 2025, even if the original benefit was provided before that date.

(2) Where the original benefit was provided before 6 April 2025, that section applies as if for subsection (1)(b) there were substituted—

"(b) either—

(i) the original recipient is non-UK resident for the tax year in which the original benefit is provided, or

(ii) section 809B, 809D or 809E of ITA 2007 (remittance basis) applies to the original recipient for that tax year,".

(3) In this paragraph, "the original benefit" and "the onward gift" have the same meanings as in section 735AF of ITA 2007; and in a case within section 735AF(3) "the onward gift" means the final benefit in the series.

Onward gifts: settlements (chargeable gains)

75 (1) Section 87HA of TCGA 1992 (benefits routed via non-residents or qualifying new residents), as inserted by paragraph 63 of this Schedule, applies where the onward gift is provided on or after 6 April 2025, even if the original benefit was provided before that date.

(2) Where the original benefit was provided before 6 April 2025, that section applies as if for subsection (1)(b) there were substituted—

"(b) either—

(i) the original recipient is non-UK resident for the tax year in which they receive the original benefit, or

(ii) section 809B, 809D or 809E of ITA 2007 (remittance basis) applies to the original recipient for that tax year,".

(3) In this paragraph, "the original benefit" and "the onward gift" have the same meanings as in section 87HA of TCGA 1992; and in a case within section 87HA(4) "the onward gift" means the final benefit in the series.

76 Despite the repeal of sections 87K and 87L of TCGA 1992 (old onward gifting rules) by paragraph 63 of this Schedule, each of those sections continues to have effect so far as—

(a) before its repeal, it provided for section 87 and 87A of that Act to have effect as if a capital payment of a particular amount had been received at a particular time by a particular person, and

(b) the receipt of the capital payment by that person is relevant to the application of sections 87 and 87A in the tax year 2025-26 or a later tax year.

SCHEDULE 13

Section 46

INHERITANCE TAX

PART 1

AMENDMENTS TO IHTA 1984 AND RELATED LEGISLATION

IHTA 1984

1 IHTA 1984 is amended as follows.

2 In section 5 (meaning of estate), for subsection (1B) substitute—

"(1B) An interest in possession falls within this subsection if—

(a) the person became beneficially entitled to it on or after 9 December 2009 by virtue of a disposition that was prevented from being a transfer of value by section 10 (no gratuitous benefit), and

(b) the person—

(i) has been a long-term UK resident at any time on or after 6 April 2025 while beneficially entitled to it, or

(ii) became beneficially entitled to it at a time before 6 April 2025 while domiciled in the United Kingdom."

3 In section 6 (excluded property), omit subsection (3).

4 In section 8D(9), omit the definitions of "tax year" and "the tax year 2017-18".

5 In section 13A(3), omit the definition of "tax year".

6 In section 18 (transfers between spouses or civil partners), in subsection (2), for "domiciled in the United Kingdom" substitute "a long-term UK resident,".

7 In section 28A, omit subsection (3).

8 (1) Section 53 (exceptions from charge under section 52) is amended as follows.

(2) In subsection (4), for "domiciled in the United Kingdom" substitute "a long-term UK resident".

(3) After subsection (4) insert—

"(4A) Tax shall not be chargeable under section 52 above if—

(a) the settled property became comprised in the settlement before 30 October 2024,

(b) immediately before 30 October 2024, the settled property was excluded property by virtue of section 48(3) or (3A) (as it had effect at that time),

(c) the person whose interest comes to an end became beneficially entitled to the interest before 30 October 2024, and

(d) at all times on and after 30 October 2024 and before the time when the person's interest in possession in it comes to an end, the settled property—

(i) was situated outside the United Kingdom and was not property to which paragraph 2 or 3 of Schedule A1 applied (overseas property with value attributable to UK residential property), or

(ii) was a holding in an authorised unit trust or a share in an open-ended investment company."

9 (1) Section 54 (exceptions from charge on death) is amended as follows.

(2) In subsections (2) and (2B)(e), for "domiciled in the United Kingdom" substitute "a long-term UK resident".

(3) After subsection (2B) insert—

"(2C) Where—

(a) a person who is entitled to an interest in possession in settled property dies,

(b) the settled property became comprised in the settlement before 30 October 2024,

(c) immediately before 30 October 2024, the settled property was excluded property by virtue of section 48(3) or (3A) (as it had effect at that time),

(d) the person became beneficially entitled to the interest before 30 October 2024, and

(e) at all times on and after 30 October 2024 and before the person's death, the settled property—

(i) was situated outside the United Kingdom and was not property to which paragraph 2 or 3 of Schedule A1 applied (overseas property with value attributable to UK residential property), or

(ii) was a holding in an authorised unit trust or a share in an open-ended investment company,

the value of the settled property shall be left out of account in determining for the purposes of this Act the value of the person's estate immediately before their death.

(2D) Where a person became beneficially entitled to an interest in possession in settled property on or after 22 March 2006, subsection (2C) applies in relation to the interest only if it is—

(a) an immediate post-death interest,

(b) a disabled person's interest, or

(c) a transitional serial interest,

or falls within section 5(1B) (certain interests acquired with no gratuitous benefit)."

10 (1) Section 64 (charge at ten-year anniversary) is amended as follows.

(2) In subsection (1B), for the words from the beginning to "ten-year anniversary falls" substitute "Where the settlor of property comprised in a settlement meets the condition in subsection (1BZA)".

(3) After that subsection insert—

"(1BZA) The condition is that the settlor—

(a) is alive and is not a long-term UK resident immediately before the ten-year anniversary,

(b) died on or after 6 April 2025 and was not a long-term UK resident immediately before their death, or

(c) died before 6 April 2025 and was not domiciled in the United Kingdom when the property became comprised in the settlement."

(4) In subsection (1BA), for "subsection (1B)" substitute "subsection (1BZA)(c)".

11 (1) Section 65 (exit charges etc) is amended as follows.

(2) In subsection (7), for "section 48(3)(a) above" substitute "section 48ZA".

(3) In subsection (7A), for the words from "becomes excluded property" to the end, substitute "is invested in a holding in an authorised unit trust or a share in an open-ended investment company and thereby becomes excluded property by virtue of section 48ZA".

(4) Omit subsection (7B).

(5) In subsection (7C), for "section 48(3)(a) above" substitute "section 48ZA".

(6) In subsection (8), for the words from the beginning to "subsection (8A))", substitute "If the condition in subsection (8ZA) is met in relation to property comprised in a settlement".

(7) After subsection (8) insert—

"(8ZA) The condition is that the settlor—

(a) is alive and is not a long-term UK resident,

(b) died on or after 6 April 2025 and was not a long-term UK resident immediately before they died, or

(c) died before 6 April 2025 and was not domiciled in the United Kingdom when the property became comprised in the settlement."

(8) In subsection (8A), for "subsection (8)" substitute "subsection (8ZA)(c)".

12 (1) Section 74A (arrangements involving acquisition of interest in settled property etc) is amended as follows.

(2) In subsection (1)—

(a) in paragraph (b)(i), omit "domiciled in the United Kingdom";

(b) after paragraph (b) insert—

"(ba) the individual—

(i) is a long-term UK resident at any time on or after 6 April 2025 during the course of the arrangements, or

(ii) acquired the interest, or became able to acquire it, at a time before 6 April 2025 while domiciled in the United Kingdom.".

(3) For subsection (2) substitute—

"(2) Condition A is that the relevant settled property is excluded property at any time during the course of the arrangements.
Ignore for this purpose—

(a) section 48ZA(8) (as it has effect on and after 6 April 2025);

(b) section 48(3D) (as it had effect before 6 April 2025)."

13 In section 75A, omit subsection (4).

14 In section 80 (initial interest of settlor or spouse), in subsection (1), after "for the purposes of this Chapter" insert "(including sections 48 and 48ZA (excluded property) as they apply for the purposes of this Chapter)".

15 In section 81 (property moving between settlements), in subsection (1)—

(a) after "for the purposes of this Chapter" insert "(including sections 48 and 48ZA (excluded property) as they apply for the purposes of this Chapter)";

(b) at the end insert "(but held on the trusts of the second)".

16 For section 81B substitute—

"81B Excluded property: property to which section 80 applies

(1) This section applies where—

(a) property is treated under section 80(1) as becoming comprised in a settlement, and

(b) the property would, apart from this section, be excluded property by virtue of meeting the condition in any of

subsections (2) to (4) of section 48ZA (excluded property: long-term residence and domicile tests).

(2) For the purposes of this Chapter, except sections 78 and 79, the property is excluded property only if the condition in any of those subsections (whether or not the same one) is met by reference to the actual settlor and the actual settlement.

(3) Section 65(8) (no exit charge where property invested in Treasury securities thereby becomes excluded property) applies in relation to the property only if the condition in section 65(8ZA) is met by reference to the actual settlor.

(4) In this section, "the actual settlor" means the person who is the settlor of the property in relation to the settlement first mentioned in section 80(1); and "the actual settlement" means that settlement.

(5) This section does not apply in relation to property that is a holding in an authorised unit trust or a share in an open-ended investment company if the occasion first referred to in section 80(1) occurred before 22 July 2020."

17 Omit sections 82 and 82A (excluded property: property to which section 81 applies).

18 In section 94 (close companies: charge on participators), in subsection (2)(b), for "domiciled outside the United Kingdom" substitute "not a long-term UK resident".

19 In section 136 (transfers within three years before death: transactions of close companies), in subsection (3), for "domiciled in the United Kingdom" substitute "a long-term UK resident".

20 In section 155 (visiting forces etc), in subsections (2) and (5B), omit "or domicile".

21 (1) Section 157 (non-residents' bank accounts) is amended as follows.

(2) In subsection (2)—

(a) omit "is not domiciled and not resident in the United Kingdom";

(b) at the end insert "is neither resident in the United Kingdom nor a long-term UK resident".

(3) In subsection (3), for the words from "if the settlor" to the end, substitute "if—

(a) the trustees are resident in the United Kingdom immediately before the beneficiary's death,

(b) the settlor is alive and is a long-term UK resident immediately before the beneficiary's death,

(c) the settlor died on or after 6 April 2025 and was not a long-term UK resident immediately before they died, or

(d) the settlor died before 6 April 2025 and was not domiciled in the United Kingdom when the property became comprised in the settlement."

22 In section 218 (non-resident trustees), in subsection (1)(a), for "domiciled in the United Kingdom" substitute "a long-term UK resident".

23 Omit section 267 (persons treated as domiciled in United Kingdom).

24 (1) Section 267ZA (election to be treated as domiciled in the United Kingdom) (as it has effect before its repeal by paragraph 26) is amended as follows.

(2) In subsections (3) and (4), for "on or after 6 April 2013 and" substitute "before 6 April 2025 but".

(3) Omit subsection (5).

(4) In subsection (8)—

(a) for "is or was domiciled" substitute "was domiciled";

(b) after "section 267" insert "(deemed domicile)".

25 In section 267ZB (section 267ZA: further provision about election) (as it has effect before its repeal by paragraph 26), in subsection (4)(a), for "6 April 2013 or a later date" substitute "5 April 2025 or an earlier date".

26 Omit sections 267ZA and 267ZB (election to be treated as domiciled in the United Kingdom).

27 Before section 267A insert—

"267ZC Election to be treated as a long-term UK resident

(1) A person ("P") who would not otherwise be a long-term UK resident is treated as one for the purposes of this Act at any time when an election under this section has effect.

(2) An election under this section may be made—

(a) if condition A or B is met, by P;

(b) if condition B is met, by P's personal representatives.

(3) Condition A is that, at any time within the period of 7 years ending with the date on which the election is made, P had a spouse or civil partner who was a long-term UK resident.

(4) Condition B is that a person ("the deceased") dies and, at any time within the period of 7 years ending with the date of their death, the deceased was—

(a) a long-term UK resident, and

(b) the spouse or civil partner of P.

267ZD Further provision about elections under section 267ZC

(1) An election under section 267ZC—

(a) must be made by notice in writing to HMRC, and

(b) has effect from such date as is, in accordance with subsection (2), specified in the notice.

(2) The date specified in a notice under subsection (1)(a) ("the specified date") must—

(a) be after 5 April 2025,

(b) be within the period of 7 years ending with—

(i) in the case of a lifetime election, the date on which the election is made;

(ii) in the case of a death election, the date of the deceased's death, and

(c) meet the condition in subsection (3).

(3) The condition is that—

(a) in the case of a lifetime election—

(i) the person making the election was, on the specified date, married to or in a civil partnership with the spouse or civil partner, and

(ii) the spouse or civil partner was, on the specified date, a long-term UK resident;

(b) in the case of a death election—

(i) the person who is, by virtue of the election, to be treated as a long-term UK resident was, on the specified date, married to or in a civil partnership with the deceased, and

(ii) the deceased was, on the specified date, a long-term UK resident.

(4) A death election may only be made within—

(a) the period of 2 years beginning with the date of the deceased's death, or

(b) such longer period as an officer of Revenue and Customs may in the particular case allow.

(5) Subsection (6) applies if—

(a) an election is made under section 267ZC,

(b) a disposition is made, or another event occurs, during the period beginning with the date on which the election first has effect and ending with the date on which the election is made, and

(c) the effect of the election is that the disposition or event gives rise to a transfer of value.

(6) This Act applies with the following modifications in relation to the transfer of value—

(a) subsections (1) and (6)(c) of section 216 (delivery of accounts) have effect as if the period specified in subsection (6)(c) of

that section were the period of 12 months from the end of the month in which the election is made, and

(b) sections 226 (payment: general rules) and 233 (interest on unpaid tax) have effect as if the transfer were made at the time when the election is made.

(7) An election under section 267ZC cannot be revoked.

(8) If a person who made a lifetime election is, for a period of 10 successive tax years beginning after the date on which the election is made, not resident in the United Kingdom, the election ceases to have effect at the end of that period.

(9) For the purposes of this section—

"death election" means an election made under section 267ZC in circumstances where Condition B in subsection (4) of that section is met;

"lifetime election" means any other election made under section 267ZC.

267ZE Subject of domicile election treated as a long-term UK resident

(1) This section applies where an election under section 267ZA has effect in relation to a person immediately before 6 April 2025 (whether the election was made before or after that date).

(2) The person is treated for the purposes of this Act (so far as would not otherwise be the case)—

(a) as being a long-term UK resident, and

(b) as having been one at all times on and after 6 April 2025.

(3) But if the person is not resident in the United Kingdom for a relevant lapse period beginning at any time after the election is made, subsection (2) ceases to apply to them at the end of that period.

(4) In subsection (3) "relevant lapse period" means—

(a) if the election was made before 30 October 2024, a period of 4 successive tax years;

(b) if the election was made on or after that date, a period of 10 successive tax years."

28 (1) Section 272 (general interpretation) is amended as follows.

(2) The existing text becomes subsection (1).

(3) In subsection (1), in the definition of "foreign-owned"—

(a) in paragraph (a), for "domiciled outside the United Kingdom" substitute "not a long-term UK resident";

(b) for paragraph (b) substitute –

"(b) if the property is comprised in a settlement, in the case of which the settlor –

(i) is alive and is at that time not a long-term UK resident,

(ii) died on or after 6 April 2025 and was not a long-term UK resident immediately before they died, or

(iii) died before 6 April 2025 and was domiciled outside the United Kingdom when the property became comprised in the settlement,

and section 48ZA(9) (accumulation of income) applies for the purposes of this paragraph as it applies for the purposes of section 48ZA(4)."

(4) Also in subsection (1), at the appropriate places insert –

""long-term UK resident" has the meaning given by sections 6A to 6C;";

""tax year" means a year beginning with 6 April and ending with the following 5 April;";

""the tax year 2025-26" means the tax year beginning with 6 April 2025 (and any corresponding expression in which two years are similarly mentioned is to be read in the same way);".

(5) After subsection (1) insert –

"(2) A reference in this Act to a settlor's being alive or dying is to be read, in relation to a settlor who is a body corporate, as a reference (respectively) to the body's being in existence or ceasing to exist."

29 In Schedule 4 (maintenance funds for historic buildings etc), in paragraph 10(8), for "domiciled in the United Kingdom" substitute "a long-term UK resident".

FA 1986

30 (1) Section 102 of FA 1986 (gifts with reservation) is amended as follows.

(2) In subsection (1), for "(5) and (6)" substitute "(5), (6) and (7A)".

(3) After subsection (7) insert –

"(7A) This section does not apply if –

(a) the disposal of property by way of gift took place before 30 October 2024,

(b) the property became settled property by virtue of the gift,

(c) immediately before 30 October 2024, the property was excluded property for the purposes of the 1984 Act by virtue of section 48(3) or (3A) (as it had effect at that time), and

(d) at all times on and after 30 October 2024 and before the relevant time, the property—

(i) was situated outside the United Kingdom and was not property to which paragraph 2 or 3 of Schedule A1 to the 1984 Act applied (overseas property with value attributable to UK residential property), or

(ii) was a holding in an authorised unit trust or a share in an open-ended investment company (within the meaning, in either case, of the 1984 Act).

(7B) In subsection (7A), "the relevant time" means—

(a) if the property ceases to meet the condition in subsection (2) at any time before the donor's death, that time;

(b) otherwise, the time of the donor's death."

FA 2004

31 Schedule 15 to FA 2004 (pre-owned assets charge) is amended as follows.

32 In paragraph 11 (exemptions from charge), in sub-paragraph (5), after paragraph (b) insert—

"(ba) would fall to be so treated but for section 102(7A) of the 1986 Act (cases where property was excluded property under the old inheritance tax regime),".

33 In the italic heading before paragraph 12, for "resident or domiciled outside the United Kingdom" substitute "non-UK resident or not a long-term UK resident".

34 (1) Paragraph 12 is amended as follows.

(2) In sub-paragraph (2), for "domiciled outside the United Kingdom" substitute "not a long-term UK resident".

(3) Omit sub-paragraph (3).

(4) For sub-paragraph (4) substitute—

"(4) In this paragraph, "long-term UK resident" has the same meaning as in IHTA 1984."

Constitutional Reform and Governance Act 2010

35 In section 41 of the Constitutional Reform and Governance Act 2010 (tax status of MPs and members of the House of Lords), for subsections (2) and (3) substitute—

"(2) The person is to be treated—

(a) as resident in the United Kingdom for the whole of that tax year for the purposes of income tax, capital gains tax and inheritance tax, and

(b) as a long-term UK resident at all times in that tax year for the purposes of inheritance tax."

Inheritance Tax (Delivery of Accounts) (Excepted Estates) Regulations 2004 (S.I. 2004/2543)

36 The Inheritance Tax (Delivery of Accounts) (Excepted Estates) Regulations 2004 are amended in accordance with paragraphs 37 to 42.

37 In regulation 2 (interpretation)—

(a) the existing text becomes paragraph (1);

(b) after that paragraph insert—

"(2) A reference in these Regulations to a person's being domiciled in the United Kingdom includes a reference to the person's being treated as so domiciled for the purposes of the 1984 Act."

38 (1) Regulation 4 (excepted estates) is amended as follows.

(2) In paragraphs (2)(a) and (3)(a), for ", domiciled in the United Kingdom" substitute "and was a long-term UK resident immediately before their death".

(3) For paragraph (5)(b) substitute—

"(b) that person—

(i) was not a long-term UK resident at any time on or after 6 April 2025, and

(ii) was not domiciled in the United Kingdom at any time before that date;"

39 In regulation 5 (spouse, civil partner and charity transfers), in paragraph (2), for the words from "was not domiciled" to the end substitute "—

(a) was, at any time in the period beginning with 6 April 2025 and ending with the time of the transfer, not a long-term UK resident,

(b) was, at any time before 6 April 2025, not domiciled in the United Kingdom."

40 In regulation 5A (IHT threshold), in paragraph (4)(a), for "died domiciled in the United Kingdom" substitute "was a long-term UK resident immediately before their death".

41 In regulation 6 (production of information), in the heading, for "domiciled in the United Kingdom" substitute "a long-term UK resident".

42 (1) Regulation 6A (production of information) is amended as follows.

(2) In the heading, for "deceased domiciled outside the United Kingdom" substitute "cases within regulation 4(5)".

(3) In paragraph (2)(g), for "domicile" substitute "place of tax residence".

Inheritance Tax (Delivery of Accounts) (Excepted Settlements) Regulations 2008 (S.I. 2008/606)

43 (1) In the Inheritance Tax (Delivery of Accounts) (Excepted Settlements) Regulations 2008, regulation 4 (excepted settlement) is amended as follows.

(2) In paragraph (3)(a), for "is domiciled in the United Kingdom" substitute "meets the condition in paragraph (3A)".

(3) After paragraph (3) insert—

"(3A) The condition in this paragraph is—

(a) in relation to times on or after 6 April 2025, that the settlor is a long-term UK resident;

(b) in relation to times before that date, that the settlor is domiciled in the United Kingdom (or treated as such for the purposes of the 1984 Act)."

PART 2

COMMENCEMENT AND TRANSITIONAL PROVISION

Commencement

44 (1) Part 1 of this Schedule, other than paragraph 26, comes into force on 6 April 2025.

(2) Paragraph 26 (repeal of sections 267ZA and 267ZB) comes into force on 6 April 2032.

(3) The amendments made by paragraph 12 to section 74A of IHTA 1984 (arrangements involving acquisition of interest in settled property etc) have effect where the relevant time (as defined in section 74C(5) of that Act) is on or after 6 April 2025 (even if the arrangements were entered into before that date).

(4) The amendment made by paragraph 19 to section 136 of IHTA 1984 (transactions of close companies) has effect in relation to relevant transactions (within the meaning of that section) on or after 6 April 2025.

(5) The amendments made by paragraphs 36 to 42 to the Inheritance Tax (Delivery of Accounts) (Excepted Estates) Regulations 2004 (S.I. 2004/2543) have effect in relation to deaths occurring on or after 6 April 2025.

(6) The amendments made by paragraph 43 to the Inheritance Tax (Delivery of Accounts) (Excepted Settlements) Regulations 2008 (S.I. 2008/606) have effect in relation to chargeable events (within the meaning of regulation 2 of those Regulations) occurring on or after 6 April 2025.

Certain pre-commencement emigrants treated as not being long-term UK residents

45 (1) An individual who would otherwise be a long-term UK resident at any time in a given tax year ("the relevant tax year") is treated for the purposes of IHTA 1984 as not being a long-term UK resident at that time if the individual—

(a) was not domiciled in the United Kingdom on 30 October 2024,

(b) has not been resident in the United Kingdom for any tax year in the period beginning with the tax year 2025-26 and ending with the relevant tax year, and

(c) either—

(i) was not resident in the United Kingdom for any of the 3 tax years immediately preceding the relevant tax year, or

(ii) was not resident in the United Kingdom for more than 14 of the 20 tax years immediately preceding the relevant tax year.

(2) For the purposes of sub-paragraph (1)(a), in determining where an individual was domiciled on 30 October 2024, ignore section 267 (deemed domicile) and sections 267ZA and 267ZB (domicile elections) of IHTA 1984.

Property moving between settlements

46 The amendment of section 81(1) of IHTA 1984 by paragraph 15(b) of this Schedule (trusts on which property moving between settlements is held) is to be disregarded in construing section 81(1) in a case where the property in question ceased to be comprised in the first settlement before 6 April 2025.

Settlor's death etc: application to bodies corporate

47 The insertion of section 272(2) of IHTA 1984 by paragraph 28(5) of this Schedule (meaning of references to dying or being alive in the case of corporate settlors) is to be disregarded in construing section 201(1)(d) of IHTA 1984 in relation to property that became comprised in the settlement before 6 April 2025.

Deemed domicile: savings

48 (1) The repeal of section 267 of IHTA 1984 (persons treated as domiciled in United Kingdom) by paragraph 23 is to be disregarded—

(a) in determining for the purposes of that Act any question as to where a person was domiciled at any time before 6 April 2025, and

(b) in determining any question as to where a person is treated as domiciled for the purposes of that Act at any time on or after that date, so far as that question is relevant to the application of any double taxation arrangements.

(2) In sub-paragraph (1)(b), "double taxation arrangements" means arrangements having effect under section 158 of IHTA 1984.

Finance Bill

[AS INTRODUCED]

A

B I L L

TO

Make provision about finance

Ordered to be brought in by
the Chairman of Ways and Means,
the Chancellor of the Exchequer, the Prime Minister,
Darren Jones, James Murray and Tulip Siddiq.

Ordered, by The House of Commons, to be
Printed, 7th November 2024.

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