



# Finance (No. 3) Act 2010

## CHAPTER 33

### FINANCE (NO. 3) ACT 2010

#### PART 1

##### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

###### *Income tax and corporation tax*

- 1 Shared lives care
- 2 Payments to special guardians and those in receipt of residence orders
- 3 Qualifying care relief: capital allowances
- 4 Seafarers' earnings
- 5 Venture capital schemes
- 6 Enterprise management incentives
- 7 Settlor to return excess repayment to trustees etc
- 8 Collection of income tax where sum deducted by payer
- 9 Company distributions
- 10 REITs: stock dividends
- 11 Financing costs and income of group companies
- 12 Consortium claims for group relief
- 13 R&D relief for SMEs: removal of intellectual property condition
- 14 Film tax credit: unused losses
- 15 Insurance business transfer schemes: non-profit fund transferred assets

###### *Chargeable gains*

- 16 Capital gains tax private residence relief: adult placement carers
- 17 Reinvestment of ring fence assets: acquisition by member of group

###### *Capital allowances*

- 18 First-year allowances on zero-emission goods vehicles

*Changes to legislation: There are currently no known outstanding effects for the Finance (No. 3) Act 2010. (See end of Document for details)*

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## PART 2

### OTHER TAXES AND DUTIES

#### *Value added tax*

- 19 Non-business use of business assets etc
- 20 Supplies of gas, heat or cooling
- 21 Supplies of aircraft etc
- 22 Postal services etc

#### *Tobacco products duty*

- 23 Long cigarettes

#### *Landfill tax*

- 24 Landfill tax: criteria for determining material to be subject to lower rate

## PART 3

### ADMINISTRATION

- 25 Interest: corporation tax and petroleum revenue tax
- 26 Penalties for failure to make returns etc
- 27 Penalties for failure to pay tax
- 28 Recovery of overpaid stamp duty land tax and petroleum revenue tax etc
- 29 Excise duties: compliance checks

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### MISCELLANEOUS PROVISIONS

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## PART 5

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- 32 Interpretation
- 33 Short title

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## SCHEDULES

### SCHEDULE 1 — Shared lives care

#### *Extension of foster-care relief*

- 1 Chapter 2 of Part 7 of ITTOIA 2005 (foster-care relief)...
- 2 (1) Section 803 (overview of Chapter 2) is amended as...
- 3 (1) Section 804 (person who qualifies for relief) is amended...
- 4 After section 804 insert— Shared lives care: further condition for...
- 5 (1) In section 805(1) (meaning of “foster-care receipts”)—
- 6 After section 805 insert— Meaning of providing qualifying care For the purposes of this Chapter qualifying care is provided...
- 7 After section 806 insert— Meaning of providing shared lives care...

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- 8 (1) In section 807 (calculation of “total foster-care receipts”), for...
- 9 In section 808(1)(b) (the individual's limit), before “child” insert “...
- 10 For section 809 substitute— Share of fixed amount: residence used...
- 11 In section 810(1) (share of fixed income: income period not...
- 12 (1) Section 811 (the amount per child) is amended as...
- 13 For section 812 substitute— Full qualifying care relief: introduction  
Sections 813 and 814 (which give the full form of...
- 14 (1) In section 813(1) (full foster-care relief: trading income), for...
- 15 (1) In section 814(1) (full foster-care relief: income chargeable under...
- 16 In section 815(a) and (b) (alternative calculation of profits:  
introduction),...
- 17 In section 816(1) and (2)(a) (alternative calculation of profits: trading...
- 18 In section 817(1) and (2)(a) (alternative calculation of profits: income...
- 19 In section 818(1)(a) and (b) (election for alternative method of...
- 20 In section 819(1)(b) (adjustment of assessment), for “foster care”  
substitute...
- 21 In section 820(a) and (b) (periods of account not ending...
- 22 (1) Section 821 (meaning of “relevant limit”) is amended as...
- 23 In section 822(1) (full relief), for “foster-care” substitute “qualifying...
- 24 In section 823(1)(a) and (2)(a) (alternative method of calculating  
profits),...
- 25 In section 824(1)(a) and (2)(b) (capital allowances: introduction), for  
“foster-care”...
- 26 In section 825(2) and (4)(a) (carried forward unrelieved qualifying  
expenditure),...
- 27 In section 826(b) (excluded capital expenditure), for “foster care”  
substitute...
- 28 In section 827(a) (excluded capital expenditure: subsequent treatment of  
asset),...
- 29 Accordingly, for the heading of Chapter 2 of Part 7...

#### *Consequential amendments*

- 30 ITTOIA 2005 is amended as follows.
- 31 In section 1(5) (overview of Act), for “foster-care” substitute “...
- 32 (1) In section 23 (rent-a-room and foster-care relief)—
- 33 In section 688(2)(b) (income charged), for “foster care” substitute “...
- 34 In the heading of Part 7, for “FOSTER-CARE” substitute “...
- 35 In the table in Part 2 of Schedule 4 (index...

#### *Commencement*

- 36 (1) The amendments made by this Schedule have effect for...

#### *Transitional provision*

- 37 (1) This paragraph applies if— (a) an individual had qualifying...

### SCHEDULE 2 — Venture capital schemes

#### *Enterprise investment scheme*

- 1 (1) Part 5 of ITA 2007 (enterprise investment scheme) is...

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*Venture capital trusts*

2 (1) Part 6 of ITA 2007 (venture capital trusts) is...

*Interpretation*

3 (1) Chapter 1 of Part 16 of ITA 2007 (definitions)...

4 (1) Schedule 4 to that Act (index of defined expressions)...

*Consequential repeal*

5 In consequence of the amendment made by paragraph 3(2), omit...

*Commencement of amendments relating to 70% eligible shares condition*

6 (1) The amendments made by paragraphs 2(2)(b) and (c), (3)...

*Commencement of other provisions of this Schedule*

7 (1) The amendments made by paragraph 1 have effect in...

*Meaning of “the commencement day”*

8 (1) In paragraphs 6 and 7 “the commencement day” means...

SCHEDULE 3 — Company distributions

*Meaning of “distribution” in the Corporation Tax Acts*

1 (1) Part 23 of CTA 2010 (company distributions) is amended...

*Meaning of “distribution” in Income Tax Acts*

2 In section 989 of ITA 2007 (definitions for the purposes...

*Distributions subject to the charge to corporation tax on income*

3 (1) Part 9A of CTA 2009 (company distributions) is amended...

*Distributions giving rise to deemed disposals*

4 (1) TCGA 1992 is amended as follows.

*Commencement*

5 (1) The amendments made by this Schedule have effect in...

*Treatment of distributions of UK resident companies made before 1 July 2009*

6 (1) Section 1285 of CTA 2009 (UK company distributions exempt...

*Election to opt out of effect of Schedule in relation to a distribution made before 22 June 2010*

7 (1) If a company so elects, this Schedule has effect...

SCHEDULE 4 — REITs: stock dividends

*Amendment of TCGA 1992*

1 After section 142 of TCGA 1992 (capital gains on stock...

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*Amendment of ITA 2007*

- 2 In section 973 of ITA 2007 (REITs: income tax due...

*Amendment of CTA 2010*

- 3 Part 12 of CTA 2010 (Real Estate Investment Trusts) is...  
4 (1) Section 530 (condition as to distribution of profits) is...  
5 In section 549 (distributions: supplementary), after subsection (2) insert  
—  
6 In section 550 (attribution of distributions), in subsection (2)(a), for...  
7 In section 553 (meaning of “holder of excessive rights”), in...  
8 After section 554 (regulations: distributions to holders of excessive  
rights)...  
9 (1) Section 564 (breach of condition as to distribution of...  
10 After section 599 (calculation of profits) insert— Amount of  
distribution...  
11 In section 605 (property rental business: exclusion of business  
producing...

*Commencement*

- 12 The amendments made by this Schedule have effect in relation...

SCHEDULE 5 — Financing costs and income of group companies

*Introduction*

- 1 Part 7 of TIOPA 2010 (tax treatment of financing costs...

*Amendment of Chapter 1 (introduction)*

- 2 In section 260(9) (introduction), after “interpretative” insert “ and  
supplementary...

*Amendments of Chapter 2 (application of Part)*

- 3 (1) Section 262 (UK net debt of the worldwide group...  
4 In section 263 (net debt of a company), for subsections...  
5 (1) Section 264 (worldwide gross debt) is amended as follows...  
6 (1) Section 265 (references to amounts disclosed in balance sheet)...  
7 After section 265 insert— Different accounting treatment used at  
company...  
8 In section 266(3) (qualifying financial services groups), in the  
definition...  
9 In section 270 (relevant dealing in financial instruments), for  
subsection...  
10 (1) Section 271 (UK trading income of the worldwide group)...  
11 In section 273 (foreign currency accounting), in subsections (1), (2)...  
12 After section 273 insert— Meaning of “group securitisation company”  
For the purposes of this Chapter, a company is a...

*Amendments of Chapter 3 (disallowance of deductions)*

- 13 After section 275 (meaning of “company to which this Chapter...

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- 14 After section 280 (statement of allocated disallowances: requirements), insert— Statement...
- 15 (1) Section 284 (failure of reporting body to submit statement...
- 16 After section 284 insert— Section 284: supplementary (1) This section contains provision for determining the total of...

*Amendment of Chapter 4 (exemption of financing income)*

- 17 In section 292(5)(a) (statement of allocated exemptions: requirements), for “and...

*Amendments of Chapter 5 (intra-group financing income where payer denied deduction)*

- 18 (1) Section 305 (financing income amounts of a company) is...

*Amendments of Chapter 7 (“financing expense amount” and “financing income amount”)*

- 19 (1) Section 314 (financing income amounts of a company) is...
- 20 In section 315 (interpretation of sections 313 and 314), omit...
- 21 (1) Section 316 (group treasury companies) is amended as follows...
- 22 After section 318 (companies engaged in oil extraction activities) insert —...
- 23 In section 321 (short-term loan relationships)— (a) in subsection (4),...
- 24 (1) Section 327 (educational and public bodies) is amended as...

*Amendment of Chapter 8 (the “tested expense amount” and “tested income amount”)*

- 25 After section 331 (companies with net financing deduction or net...

*Amendments of Chapter 9 (the “available amount”)*

- 26 (1) Section 332 (the available amount) is amended as follows...
- 27 After section 332 (the available amount) insert— Groups containing securitisation...
- 28 After section 336 (meaning of accounting expressions used in this...

*Amendments of Chapter 10 (other interpretative provisions)*

- 29 In the heading of Chapter 10, for “provisions” substitute “...
- 30 In section 339 (meaning of “ultimate parent”), for subsection (1)(b)...
- 31 (1) Section 345 (meaning of “UK group company” and “relevant...
- 32 In section 351 (expressions taking their meaning from international accounting...
- 33 After section 353 (other expressions) insert— Effect of Part on...

*Amendment of transitional provision*

- 34 In Schedule 9 to TIOPA 2010 (transitionals and savings), in...

*Amendments of index of defined expressions*

- 35 In Part 5 of Schedule 11 to TIOPA 2010 (index...

*Commencement*

- 36 (1) Part 7 of, and Schedule 9 to, TIOPA 2010...

*Election to defer the application of some of the amendments made by this Schedule*

37 (1) If an authorised corporate entity makes an election under...

SCHEDULE 6 — Consortium claims for group relief

*Introductory*

1 Chapter 4 of Part 5 of CTA 2010 (claims for...

*Ability to claim group relief where link company established in the EEA*

- 2 In section 129 (overview of Chapter), in subsection (2), for...  
3 In section 130(2) (group relief claims on amounts surrenderable under...  
4 (1) Section 133 (conditions to be met for consortium claims...  
5 After section 134 (meaning of “UK related” company) insert—...  
6 (1) Section 146 (maximum amount of group relief in consortium...

*Limitations on group relief based on proportion of voting power held by company*

- 7 (1) Section 143 (which makes provision limiting the amount of...  
8 (1) Section 144 (which makes provision limiting the amount of...

*Limitations on group relief where arrangements preventing control are in place*

9 After section 146 insert— Conditions 1 and 2: surrendering company...

*Commencement*

10 The amendments made by this Schedule have effect in relation...

SCHEDULE 7 — First-year allowances for zero-emission goods vehicles

- 1 CAA 2001 is amended as follows.  
2 In section 39 (first-year allowances available for certain types of...  
3 After section 45D insert— Expenditure on zero-emission goods vehicles  
(1) Expenditure is first-year qualifying expenditure if—  
4 In section 46 (general exclusions applying to first-year qualifying  
expenditure),...  
5 (1) Section 52 (first-year allowances) is amended as follows.  
6 After section 212S insert— CHAPTER 16B Cap on first-year  
allowances:...  
7 The amendments made by this Schedule have effect—

SCHEDULE 8 — Value added tax: non-business use of business assets etc

*Input tax*

- 1 (1) Section 24 of VATA 1994 (input tax and output...  
2 In section 26 of VATA 1994 (input tax allowable under...

*Non-business use of certain assets not to be treated as supply of services*

3 (1) In paragraph 5 of Schedule 4 to VATA 1994...

*Output tax charge where credit attributable to purported paragraph 5(4) supply*

4 (1) Sub-paragraph (2) applies where— (a) a person carrying on...

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## SCHEDULE 9 — Interest

### Part 1 — CORPORATION TAX

#### *Amendments of sections 101 to 104*

- 1 FA 2009 is amended as follows.
- 2 In section 101 (late payment interest on sums due to...
- 3 (1) Section 102 (repayment interest on sums to be paid...
- 4 After section 103 insert— Further provision as to late payment...
- 5 In section 104(1), for “103” substitute “ 103A (and Schedules...

#### *Amendments of Schedule 53*

- 6 Schedule 53 to FA 2009 (late payment interest) is amended...
- 7 In Part 1 (special provision as to amount carrying late...
- 8 In Part 2 (special provision as to late payment interest...

#### *Amendments of Schedule 54*

- 9 Schedule 54 to FA 2009 (repayment interest) is amended as...
- 10 Insert at the beginning— Part A1 Special provision as to...
- 11 In Part 2 (special provision as to repayment interest start...

#### *New Schedule*

- 12 After Schedule 54 to FA 2009 insert— Schedule 54A Further...
- Part 2 — PETROLEUM REVENUE TAX
- 13 FA 2009 is amended as follows.
- 14 In section 101 (late payment interest on sums due to...
- 15 In section 102 (repayment interest on sums to be paid...
- 16 Schedule 53 (late payment interest) is amended as follows.
- 17 After paragraph 11 insert— Instalments of petroleum revenue tax The late payment interest start date in respect of an...
- 18 After paragraph 14 insert— Instalments of petroleum revenue tax (1) An instalment of petroleum revenue tax payable under paragraph...
- 19 In Schedule 54 (repayment interest), after paragraph 12 insert— Petroleum...

## SCHEDULE 10 — Penalty for failure to make returns etc

- 1 Schedule 55 to FA 2009 (penalty for failure to make...
- 2 (1) Paragraph 1 (penalty for failure) is amended as follows....
- 3 For paragraph 2 (amount of penalty for occasional or annual...
- 4 (1) Paragraph 6 (amount of penalty for occasional returns and...
- 5 (1) Paragraph 11 (amount of penalty for certain CIS returns...
- 6 (1) Paragraph 12 (amount of penalty for other CIS returns...
- 7 After paragraph 13 insert— Amount of penalty: returns for periods...
- 8 In paragraph 14(1) (reductions for disclosure), for “or 11(3) or...
- 9 In paragraph 15(5) (reductions for disclosure not below certain amounts)—...
- 10 .....
- 11 For paragraph 23(1) (no liability where there is reasonable excuse...

## SCHEDULE 11 — Penalty for failure to make payments on time

- 1 Schedule 56 to FA 2009 (penalty for failure to make...
- 2 (1) Paragraph 1 (penalty for failure) is amended as follows....



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- 3 In paragraph 2 (assessments and determinations in default of return),...
- 4 After paragraph 2 insert— Different penalty date for certain PAYE...
- 5 (1) Paragraph 3 (amount of penalty for occasional amounts and...
- 6 For paragraph 6 substitute— (1) P is liable to a penalty, in relation to...
- 7 After paragraph 8 insert— Amount of penalty: amounts in respect...
- 8 After paragraph 8J insert— Calculation of unpaid VAT: treatment of...
- 9 (1) Paragraph 11 (assessment) is amended as follows.
- 10 For paragraph 16(1) (no liability where there is reasonable excuse...

## SCHEDULE 12 — Recovery of overpaid tax etc

### Part 1 — STAMP DUTY LAND TAX

- 1 Part 4 of FA 2003 (stamp duty land tax) is...

#### *New provisions relating to overpaid tax*

- 2 In Schedule 10 (returns, enquiries, assessments and appeals), for paragraph...

#### *Consequential amendments*

- 3 In section 113 (functions conferred on “the Inland Revenue”), omit...
- 4 (1) Schedule 10 (returns, enquiries, assessments and appeals) is amended...
- 5 In Schedule 11A (claims not included in returns etc), in...

### Part 2 — PETROLEUM REVENUE TAX

#### *Claims for recovery of overpaid tax etc*

- 6 Schedule 2 to OTA 1975 (management and collection of petroleum...
- 7 In the Table in paragraph 1(1) (applying provisions of TMA...
- 8 In paragraph 10(1A) (time limit for assessments and determinations) for...
- 9 In paragraph 12(1B) (disapplication of time limits for further assessments...
- 10 After paragraph 13 insert— Claim for relief for overpaid tax...
- 11 (1) Paragraph 14 (appeals) is amended as follows.

#### *Consequential amendments*

- 12 (1) Schedule 24 to FA 2007 (penalties for errors) is...
- 13 In FA 2009— (a) in Schedule 51 (time limits for...

## SCHEDULE 13 — Excise duties: compliance checks

### Part 1 — RECORD-KEEPING

- 1 (1) Section 118A of CEMA 1979 (duty of revenue traders...
- 2 In consequence of the amendment made by paragraph 1(4)—

### Part 2 — TIME LIMITS

#### *Assessments*

- 3 (1) Section 12 of FA 1994 (assessments to excise duty)...
- 4 In consequence of the amendment made by paragraph 3(6), omit...
- 5 (1) Section 12A of FA 1994 (other assessments relating to...
- 6 (1) Schedule 4A to BGDA 1981 (unlicensed amusement machines) is...

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### *Claims*

- 7 In section 137A(4) of CEMA 1979 (recovery of overpaid excise...
- 8 In Schedule 3 to FA 2001 (excise duty: payments by...  
Part 3 — INFORMATION AND INSPECTION POWERS
- 9 CEMA 1979 is amended as follows.
- 10 In section 112 (power of entry upon premises etc of...
- 11 After that section insert— Section 112: supplementary powers (1) The  
power in section 112(1) includes power to inspect...
- 12 After section 118B insert— Further duty to provide information and...
- 13 In section 118C (entry and search of premises and persons),...
- 14 In section 118D (order for access to recorded information), in...
- 15 (1) Section 118G (offences under Part 9) is amended as...
- 16 (1) Section 161A (power to search premises: search warrant) is...

### SCHEDULE 14 — Asbestos compensation settlements

#### *Inheritance tax*

- 1 (1) Section 58 of IHTA 1984 (relevant property) is amended...

#### *Capital gains tax*

- 2 (1) Section 271 of TCGA 1992 (other miscellaneous exemptions) is...

#### *Income tax*

- 3 (1) ITA 2007 is amended as follows.

**Changes to legislation:**

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