

Draft Legislation for Finance Bill 2013: Measures with Immediate Effect on

5 December 2012

**The Exchequer Secretary to the Treasury (David Gauke):** This Government is committed to delivering a progressive tax system that is affordable, fair and encourages growth.

The Government is today announcing measures that will help build a fair tax system and tackle tax avoidance. The legislation for these measures will have effect from today and will be included in Finance Bill 2013.

The Protocol on announcements made outside scheduled fiscal events, published at Budget 2011, sets out the criteria the Government will observe when changing legislation with immediate effect. The Government is acting in accordance with the Protocol in announcing the following changes to legislation.

*Bank Levy – double taxation relief*

The Government will introduce legislation to take effect from 1 January 2013 which will put beyond doubt that foreign bank levies are not an allowable deduction for income tax or corporation tax purposes. The legislation will also ensure that where a company makes a claim on or after today's date for double taxation relief for a foreign bank levy against the charge to the UK Bank Levy, none of that foreign bank levy will be an allowable deduction for income tax or corporation tax purposes.

*Tax Mismatch Schemes*

The Government is introducing legislation to counter tax avoidance schemes that aim to reduce a company's liability to corporation tax through asymmetric tax treatment of loans or derivatives (tax mismatch schemes), including, although not limited to, schemes involving companies which are members of a partnership.

Due to the repeated use of partnerships and similar collective structures in tax avoidance schemes, the Government will be considering the area of the taxation of partnerships and similar structures as part of its review of high risk areas of the tax code.

### *Property total return swaps*

Legislation is also being introduced to block schemes that use property return swaps to convert capital losses within a group into income losses, and that use the legislation to generate capital gains which are not in proportion to those actually arising from the swap contract.

### *Manufactured payments*

The Government is introducing legislation to address schemes involving stock lending arrangements. In these schemes a company lends stock, and instead of receiving a manufactured payment which is taxable, for example as a trade receipt, receives value in some other non-taxable form. The draft legislation provides that the lender will be taxable when value representing a manufactured payment is received in any form.

### *Payments of patent royalties*

Legislation is also being introduced to abolish the income tax relief for non-trade payments of patent royalties in order to counter an avoidance scheme which exploits the relief, and to simplify the tax code. There is understood to be little use of the relief by compliant taxpayers, but anyone who thinks they will be adversely affected by this change is invited to contact HM Revenue & Customs (HMRC).

Further details on the measures listed above are contained in the draft legislation, explanatory notes and Tax Information and Impact Notes published on both the HM Treasury and HMRC websites.

**HM Treasury**  
**05 December 2012**

## WRITTEN MINISTERIAL STATEMENT

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### Draft Legislation for Finance Bill 2013: Measures with Immediate Effect on

5 December 2012

**The Commercial Secretary to the Treasury (Lord Sassoon):** My honourable friend the Exchequer Secretary to the Treasury (David Gauke) has today made the following Written Ministerial Statement.

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**HM Treasury**  
**05 December 2012**