

Clause X: Disposals concerned with land in United Kingdom

Summary

1. This clause introduces a change to the commencement rules in respect of legislation introduced in Finance Act 2016 concerning profits from trading in and developing land in the UK. All profits recognised in the accounts on or after 8th March 2017 will be taxed, regardless of the date the contract was entered into.

Details of the clause

2. Subsection (1) provides that the legislation introduced by sections 76 to 80 of FA 2016 will now apply to all amounts recognised in accounts drawn up under generally accepted accounting practice (GAAP) for any period of account beginning on or after 8 March 2017. Where there is a period of account which starts before 8 March 2017 and finishes on or after 8 March 2017, a notional period commences on 8 March, and any profits that would be recognised in that notional period are brought into charge accordingly (subsection (1)(b)).
3. Subsection (2) provides necessary definitions.

Background note

4. The UK's corporation tax system previously charged non-resident companies to corporation tax on their profits from a trade carried on through a permanent establishment in the UK, and only on the profits attributable to that permanent establishment. The equivalent rules for income tax operated on a broadly similar basis.
5. Legislation introduced in FA2016 (sections 76 to 82) brought non-resident developers of UK property fully into UK tax on their profits from dealing in or developing land in the UK, ensuring a level playing field between UK developers and those based in offshore jurisdictions.
6. The legislation excluded profits arising from contracts entered into before the commencement date of 5 July 2016, with the intention of excluding the standard type of property contract where the sale is committed on contract and the transfer (which gives rise to the profit) takes place shortly afterwards. However, some contracts have been entered into many months before the property is transferred and the profit recognised. It was not the intention to exclude profits arising several months or even years after the contract was agreed. This clause changes the

commencement rules so that all profits recognised in the accounts on or after 8th March 2017 are taxed, regardless of the date the contract was entered into.