1 Bank levy

Schedule 1 makes provision amending Schedule 19 to FA 2011 (the bank levy).
SCHEDULE 1

Bank Levy

Part 1

Chargeable equity and liabilities

Introductory

1 Part 4 of Schedule 19 to FA 2011 (bank levy: chargeable equity and liabilities) is amended as follows.

Chargeable equity and liabilities: relevant groups and relevant entities

2 For paragraphs 15 to 23 (and the italic heading preceding paragraph 15) substitute—

“Chargeable equity and liabilities: relevant groups

15 (1) This paragraph applies if the bank levy is charged as provided for by paragraph 4 (groups).

(2) The amount of the chargeable equity and liabilities of the relevant group is the total of—

(a) the UK-based equity and liabilities (other than excluded equity and liabilities) as at the end of the chargeable period, of—

(i) each UK sub-group, and

(ii) each chargeable UK resident entity, adjusted in accordance with paragraph 15M, and

(b) if a relevant foreign bank is a member of the relevant group, the UK allocated equity and liabilities of that bank as at the end of the chargeable period (see paragraph 24).

Chargeable equity and liabilities: relevant entities

15A (1) This paragraph applies if the bank levy is charged as provided for by paragraph 5 (entities which are not members of groups).

(2) The amount of the chargeable equity and liabilities of the relevant entity is—

(a) the amount of the UK-based equity and liabilities (other than excluded equity and liabilities) of the entity, as at the
end of the chargeable period, adjusted in accordance with paragraph 15M, or
(b) if the relevant entity is a relevant foreign bank, the amount of the UK allocated equity and liabilities of that bank as at the end of the chargeable period (see paragraph 24).

Meaning of “UK sub-group”

15B “UK sub-group” means a group of entities—
(a) which is a group for the purposes of those provisions of international accounting standards which relate to the preparation of consolidated financial statements,
(b) which has as its parent or parent undertaking for the purposes of those provisions an entity which is—
   (i) if the relevant group is a relevant non-banking group, a UK resident bank, or
   (ii) in any other case, a UK resident entity,
(c) the members of which, for the purposes of those provisions, are all members of the relevant group,
(d) in respect of which consolidated financial statements for the chargeable period are prepared under international accounting standards, and
(e) the members of which are not members of any larger group of entities, in respect of which the conditions in paragraphs (a) to (c) are met, for which such financial statements are prepared.

Meaning of “chargeable UK resident entity”

15C (1) “Chargeable UK resident entity” means a UK resident entity which—
(a) is a member of the relevant group, but is not a member of a UK sub-group, and
(b) if the relevant group is a relevant non-banking group, is a banking entity.

(2) A UK resident entity is a “banking entity” for the purposes of sub-paragraph (1) if it is—
(a) a UK resident bank, or
(b) a subsidiary of a UK resident bank.

(3) In sub-paragraph (2)(b) “subsidiary” has the meaning given by those provisions of international accounting standards which relate to the preparation of consolidated financial statements.

Meaning of “chargeable UK sub-group or entity”

15D For the purposes of this Part, references to a “chargeable UK sub-group or entity” are references to—
(a) in the case of the relevant group—
   (i) a UK sub-group, or
   (ii) a chargeable UK resident entity;
(b) in the case of the relevant entity, that entity.
“UK-based equity and liabilities” of UK sub-groups

15E (1) In this Part, references to the “UK-based equity and liabilities” of a UK sub-group are references to the equity and liabilities of the UK sub-group determined in accordance with this paragraph and paragraphs 15F to 15I.

(2) Sub-paragraph (4) applies if at least one member of the UK sub-group is a UK resident entity which has a foreign permanent establishment.

(3) For the purposes of this Part of this Schedule, a UK resident entity “has a foreign permanent establishment” if the entity carries on a trade in a territory outside the United Kingdom through a permanent establishment (the “foreign permanent establishment”) in that territory.

(4) In determining the UK-based equity and liabilities of the UK sub-group for the purposes of paragraph 15(2)(a)(i), the relevant group’s responsible member may elect to disregard—
   (a) the non-UK allocated equity and liabilities of the sub-group, or
   (b) the non-UK allocated equity and liabilities attributable to any or all of the foreign permanent establishments of a member of the UK sub-group.

(5) But if the relevant group’s responsible member has made an election under paragraph 15I, paragraph 15K(3) applies instead of sub-paragraph (4).

(6) See paragraph 15J for further provision about making an election under this paragraph.

(7) See paragraph 15Z for further provision about non-UK allocated equity and liabilities.

Assets, equity and liabilities: UK sub-groups

15F Paragraphs 15G to 15I apply for the purposes of determining, for the purposes of this Part, the assets, equity and liabilities of a UK sub-group as at the end of the chargeable period.

15G (1) This paragraph applies if Conditions A to C are met.

(2) Condition A is met if each member of the UK sub-group is a UK resident entity.

(3) Condition B is met if either—
   (a) no member of the UK sub-group has a foreign permanent establishment, or
   (b) at least one member of the UK sub-group has a foreign permanent establishment, but the relevant group’s responsible member has not made an election under paragraph 15E(4) to disregard any of the non-UK allocated equity and liabilities of the UK sub-group or of any of its members.
(4) Condition C is met if the relevant group’s responsible member has not made an election under paragraph 15I (election to determine assets, equity and liabilities on an entity by entity basis).

(5) The assets, equity and liabilities of the UK sub-group are to be determined by reference to the amounts recognised in the sub-group’s consolidated financial statements for the chargeable period.

15H (1) This paragraph applies if—
(a) Condition D or Condition E is met, and
(b) Condition F is met.

(2) Condition D is met if at least one member of the UK sub-group is a non-UK resident entity.

(3) Condition E is met if—
(a) at least one member of the UK sub-group is a UK resident entity which has a foreign permanent establishment, and
(b) the relevant group’s responsible member has elected under paragraph 15E(4) to disregard some or all of the non-UK allocated equity and liabilities of the UK sub-group or a member of the UK sub-group.

(4) Condition F is met if the relevant group’s responsible member has not made an election under paragraph 15I (election to determine assets, equity and liabilities on an entity by entity basis).

(5) The assets, equity and liabilities of the UK sub-group are to be determined by reference to the amounts which, if UK-only financial statements had been prepared for the chargeable period under international accounting standards, would have been recognised in those statements.

(6) In sub-paragraph (5), “UK-only financial statements” means consolidated financial statements for the UK sub-group, excluding from the consolidation—
(a) each non-UK resident entity, and
(b) if any UK resident entity has a foreign permanent establishment, each foreign permanent establishment in respect of which an election has been made under paragraph 15E(4)(a) or (b).

15I (1) If the relevant group’s responsible member makes an election under this paragraph, the assets, equity and liabilities of the relevant group’s UK sub-groups are to be determined by—
(a) determining, under paragraph 15L (subject to any election made under paragraph 15K(3)), the assets, equity and liabilities of each UK resident entity which is a member of the sub-group, and
(b) adding together the assets, equity or liabilities determined in accordance with paragraph (a).

(2) An election made under this paragraph—
(a) has effect in relation to all UK sub-groups of the relevant group, and
(b) has effect in relation to the chargeable period during which the election is made and each subsequent chargeable period (unless it is revoked under paragraph 15J(c)).

(3) But an election under this paragraph has no effect in relation to the relevant group’s sub-groups for a chargeable period if the purpose, or one of the main purposes, of making the election is to avoid or reduce a charge or assessment to the bank levy.

15J An election made under paragraph 15E or 15I in respect of the relevant group—
(a) must be made in the form and manner specified by the Commissioners for Her Majesty’s Revenue and Customs,
(b) must contain such information and declarations as the Commissioners may require, and
(c) may be revoked by the relevant group’s responsible member at any time.

“UK-based equity and liabilities” of UK resident entities

15K (1) In this Part, references to the “UK-based equity and liabilities” of a UK resident entity are references to the equity and liabilities of the entity determined in accordance with this paragraph and paragraph 15L.

(2) Sub-paragraphs (3) and (4) apply if the UK resident entity has a foreign permanent establishment.

(3) In determining the UK-based equity and liabilities of a UK resident entity for the purposes of paragraph 15(2)(a)(i) (in accordance with an election under paragraph 15I) or paragraph 15(2)(a)(ii), the relevant group’s responsible member may elect to disregard the non-UK allocated equity and liabilities attributable to any or all of the entity’s permanent establishments.

(4) In determining the UK-based equity and liabilities of a UK resident entity for the purposes of paragraph 15A(2)(a), the entity may elect to disregard the non-UK allocated equity and liabilities attributable to any or all of its permanent establishments.

(5) An election made under this paragraph in respect of the UK resident entity—
(a) must be made in the form and manner specified by the Commissioners for Her Majesty’s Revenue and Customs,
(b) must contain such information and declarations as the Commissioners may require, and
(c) may be revoked at any time—
(i) in the case of an election under sub-paragraph (3), by the relevant group’s responsible member;
(ii) in the case of an election under sub-paragraph (4), by the relevant entity.

(6) See paragraph 15Z for further provision about non-UK allocated equity and liabilities.
Assets, equity and liabilities: UK resident entities

15L (1) This paragraph applies for the purposes of determining the assets, equity and liabilities, as at the end of the chargeable period, of a UK resident entity.

(2) The assets, equity and liabilities are to be determined by reference to—

(a) the amounts recognised in the entity’s financial statements for the chargeable period as prepared under international accounting standards, or

(b) if no such financial statements are prepared, the amounts which would have been so recognised had such financial statements been prepared under international accounting standards.

Adjustments: general

15M (1) To adjust the amount of the UK-based equity and liabilities of a chargeable UK sub-group or entity for the purposes of paragraph 15 or 15A, take the following steps—

Step 1
Take the amount of the chargeable UK sub-group or entity’s UK-based equity and liabilities (determined under paragraphs 15E to 15I and 15L) and adjust that amount in accordance with paragraphs 15N to 15T (so far as applicable).

Step 2
If paragraph 15W (loss absorbing instruments issued by overseas subsidiaries) applies, reduce the adjusted amount (but not below nil) by the amount determined under that paragraph (subject to sub-paragraph (2)).

Step 3
Subject to sub-paragraph (2), reduce the adjusted amount (but not below nil) by—

(a) the amount of the chargeable sub-group or entity’s high quality liquid assets as at the end of that period, other than—

(i) any asset which, for the purposes of an adjustment at Step 1, is an asset to which paragraph 15T(1) applies;

(ii) any asset which is taken into account in determining the amount of a reduction under paragraph 15W for the purposes of Step 2, and

(b) if paragraph 15Y (high quality liquid assets: collateral) applies, the amount determined under that paragraph.

(2) Where any amount (“A”) within Step 2, or within paragraph (a) or (b) of Step 3, is used to reduce short term liabilities, the amount of
the reduction is determined as if A were an amount equal to half of A.

Step 1 of paragraph 15M: equity and liability adjustments and netting

15N (1) This paragraph applies if—
(a) the bank levy is charged as provided for by paragraph 4 (groups), and
(b) the members of a UK sub-group are also members of at least one larger unconsolidated sub-group.

(2) A group of entities is an “unconsolidated sub-group” if—
(a) the conditions in paragraph 15B(a) to (c) are met in respect of the group, but
(b) the conditions in paragraph 15B(d) and (e) (consolidated financial statements) are not met in respect of the group.

(3) Any equity of the UK sub-group is to be left out so far as it would have been eliminated under normal consolidation procedures—
(a) had consolidated financial statements for the larger or largest unconsolidated sub-group been prepared for the chargeable period under international accounting standards, and
(b) where the relevant group’s responsible member has elected to disregard the non-UK allocated equity and liabilities attributable to an entity’s foreign permanent establishment (see paragraphs 15E(4)(a) and (b) and 15K(3)), had X% of the equity of the entity been disregarded for the purposes of the consolidation.

(4) For the purposes of sub-paragraph (3)(b), “X%” is as determined at Step 2 in paragraph 15Z(3).

15O (1) This paragraph applies if the bank levy is charged as provided for by paragraph 4 (groups).

(2) Sub-paragraph (3) applies in relation to an entity if—
(a) it is a chargeable UK resident entity, and
(b) it is a member of at least one unconsolidated sub-group (see paragraph 15N(2)).

(3) Any equity of the entity is to be left out so far as it would have been eliminated under normal consolidation procedures—
(a) had consolidated financial statements for the unconsolidated sub-group, or the largest unconsolidated sub-group of which the entity is a member, been prepared for the chargeable period under international accounting standards, and
(b) where the entity has non-UK allocated equity and liabilities which the relevant group’s responsible member has elected to disregard (see paragraphs 15E(4) and 15K(3)), had X% of the equity of the entity been disregarded for the purposes of the consolidation.

(4) For the purposes of sub-paragraph (3)(b), “X%” is as determined at Step 2 in paragraph 15Z(3).
15P (1) This paragraph applies if the bank levy is charged as provided for by paragraph 4 (groups).

(2) The following liabilities of a chargeable UK sub-group or entity are to be left out—
   (a) UK connected liabilities to a chargeable UK resident entity which is a member of the relevant group,
   (b) UK connected liabilities to a UK sub-group of the relevant group, and
   (c) UK connected liabilities to a relevant foreign bank which is a member of the relevant group.

(3) For the purposes of sub-paragraph (2)(a), liabilities to a chargeable UK resident entity are “UK connected liabilities” except, if sub-paragraph (7) applies, so far as the entity’s assets corresponding to the liabilities are foreign permanent establishment assets.

(4) In sub-paragraph (3), “foreign permanent establishment assets” means assets of a permanent establishment through which the chargeable UK resident entity carries on a trade in a territory outside the United Kingdom, as determined at Step 2 in paragraph 15Z(3).

(5) For the purposes of sub-paragraph (2)(b), liabilities to a UK sub-group are “UK connected liabilities” except so far as the sub-group’s assets corresponding to the liabilities are—
   (a) assets of a non-UK resident entity, or
   (b) assets of a connected foreign permanent establishment, as determined at Step 2 in paragraph 15Z(3).

(6) In sub-paragraph (5)(b), “connected foreign permanent establishment” means a foreign permanent establishment to which sub-paragraph (7) applies.

(7) This sub-paragraph applies in relation to a foreign permanent establishment if, in determining the UK-based equity and liabilities of a UK sub-group or a chargeable UK resident entity for the purposes of paragraph 15(2)(a), equity and liabilities attributable to the foreign permanent establishment are disregarded in accordance with an election made under paragraph 15E(4)(a) or (b) or 15K(3).

(8) In sub-paragraphs (6) and (7), “foreign permanent establishment” means a permanent establishment in a territory outside the United Kingdom through which a UK resident entity carries on a trade in that territory.

(9) For the purposes of sub-paragraph (2)(c), liabilities to a relevant foreign bank are “UK connected liabilities” so far as the bank’s assets corresponding to the liabilities are assets of the permanent establishment through which the bank carries on a trade in the United Kingdom as determined at Step 2 in paragraph 24(1).

15Q (1) Paragraph 15T applies if—
   (a) the bank levy is charged as provided for by paragraph 4 (groups),
(b) an entity ("M") within sub-paragraph (5) has liabilities to another entity ("N") not within that sub-paragraph ("M's liabilities"),
(c) M, or another member of the relevant group, recognises, as assets, amounts ("N's liabilities") that are due to any member of the relevant group from N or another entity not within sub-paragraph (5),
(d) there is in place an agreement which makes net settlement provision, and
(e) that provision is legally effective and enforceable.

(2) In sub-paragraph (1)(d), "net settlement provision" means provision for there to be a single net settlement—
(a) if a netting event occurs, or
(b) at the option of M or N, if a netting event occurs.

(3) The reference in sub-paragraph (2) to a "single net settlement" is a reference to a single net settlement of—
(a) all M's liabilities, and liabilities of other entities within sub-paragraph (5), to N or another entity which is not within that sub-paragraph (so far as covered by the provision mentioned in sub-paragraph (1)(d)) and
(b) all N's liabilities (so far as covered by that provision).

(4) But a provision for there to be single net settlement—
(a) at the option of M, but not at the option of N, if a netting event occurs, or
(b) at the option of N, but not at the option of M, if a netting event occurs,
is not to be treated as a net settlement provision for the purposes of sub-paragraph (1)(d).

(5) An entity is within this sub-paragraph if it is—
(a) a UK resident entity which is a member of a UK sub-group, or
(b) a chargeable UK resident entity (see paragraph 15C).

(6) For the purposes of sub-paragraph (1)—
(a) "agreement" includes an agreement which forms part of a multi-lateral agreement, arrangement or trading facility,
(b) if N is a relevant foreign bank which is a member of the relevant group, liabilities of M to N are to be ignored so far as N recognises assets in respect of those liabilities as assets of the permanent establishment through which N carries on a trade in the United Kingdom as determined at Step 2 in paragraph 24(1),
(c) references to amounts due from N or another entity not within sub-paragraph (5) include securities provided by M, or another member of the relevant group, to N or another entity not within sub-paragraph (5) as collateral, but only where M or that other member recognises those securities in its balance sheet or statement of financial position, and
(d) "a netting event occurs"—
in relation to M, if the insolvency or bankruptcy of M, or another entity within sub-paragraph (5) which has a liability covered by the provision mentioned in sub-paragraph (1)(d), gives rise to the termination of any arrangements under which such a liability arises, or

(ii) in relation to N, if the insolvency or bankruptcy of N, or another entity not within sub-paragraph (5) which has a liability covered by the provision mentioned in sub-paragraph (1)(d), gives rise to the termination of any arrangements under which such a liability arises.

15R (1) Paragraph 15T also applies if—

(a) the bank levy is charged as provided for by paragraph 5 (entities which are not members of groups),

(b) the relevant entity (“M”) is a UK resident bank or a building society,

(c) M has liabilities to another entity (“M’s liabilities”),

(d) M recognises, as assets, amounts due from that other entity (“N”) to M (“N’s liabilities”),

(e) there is in place an agreement which makes net settlement provision, and

(f) that provision is legally effective and enforceable.

(2) In sub-paragraph (1)(e), “net settlement provision” means provision for there to be a single net settlement—

(a) if a netting event occurs, or

(b) at the option of M or N, if a netting event occurs.

(3) The reference in sub-paragraph (2) to a “single net settlement” is a reference to a single net settlement of—

(a) all M’s liabilities (so far as covered by the provision mentioned in sub-paragraph (1)(e)), and

(b) all N’s liabilities (so far as covered by that provision).

(4) But a provision for there to be single net settlement—

(a) at the option of M, but not at the option of N, if a netting event occurs, or

(b) at the option of N, but not at the option of M, if a netting event occurs,

is not to be treated as a net settlement provision for the purposes of sub-paragraph (1)(e).

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

(a) “agreement” includes an agreement which forms part of a multi-lateral agreement, arrangement or trading facility,

(b) references to amounts due from N include securities provided by M to N as collateral, but only where M recognises those securities in its balance sheet or statement of financial position, and

(c) “a netting event occurs”—

(i) in relation to M, if the insolvency or bankruptcy of M gives rise to the termination of any
arrangements under which any liability covered by
the provision mentioned in sub-paragraph (1)(e)
arises, or
(ii) in relation to N, if the insolvency or bankruptcy of
N gives rise to the termination of any arrangements
under which such a liability arises.

15S Section 556 of CTA 2009 (meaning of securities and similar
securities) applies for the purposes of paragraphs 15Q(6) and
15R(5) as it applies for the purposes of Chapter 10 of Part 6 of that
Act.

15T (1) The amount of M’s net settlement liabilities is to be reduced (but
not below nil) by the amount of M’s net settlement assets.

(2) “M’s net settlement liabilities” means M’s liabilities so far as they—
(a) are covered by the provision mentioned in paragraph
15Q(1)(d) or 15R(1)(e), and
(b) are not excluded liabilities.

(3) “M’s net settlement assets” means the assets of—
(a) M, or
(b) in a case within paragraph 15Q, another member of the
relevant group,
so far as corresponding to N’s net settlement liabilities.

(4) But, in a case within paragraph 15Q—
(a) if N’s net settlement liabilities include liabilities of a
relevant foreign bank which is a member of the relevant
group, X% (as determined at Step 2 in paragraph 24(1)) of
the assets corresponding to the liabilities of the relevant
foreign bank are to be disregarded for the purposes of sub-
paragraph (3), and
(b) if sub-paragraph (1) applies in relation to more than one
entity within paragraph 15Q(5), no part of an asset may be
included in the net settlement assets of more than one such
entity.

(5) “N’s net settlement liabilities” means N’s liabilities so far as they
are covered by the provision mentioned in paragraph 15Q(1)(d) or
15R(1)(e).

(6) If M’s net settlement liabilities exceed M’s net settlement assets,
and a proportion (A%) of those liabilities is long term liabilities
and a proportion (B%) of those liabilities is short term liabilities,
under sub-paragraph (1)—
(a) the long term liabilities are reduced by A% of M’s net
settlement assets, and
(b) the short term liabilities are reduced by B% of those assets.

Step 2 of paragraph 15M: loss absorbing instruments issued by overseas subsidiaries

15U (1) This paragraph applies for the purposes of paragraphs 15V and
15W.
References to “loss absorbing instruments” are references to—
(a) tier one capital equity and liabilities, and
(b) other instruments,
which satisfy a loss absorbing capacity requirement.

“Tier one capital equity and liabilities” has the meaning given by paragraph 30.

A “loss absorbing capacity requirement” is a requirement—
(a) that is imposed, in relation to tier one capital equity and liabilities or other instruments issued by an entity, by an authority in the exercise of its regulatory functions under the law of the United Kingdom or of a country or territory outside the United Kingdom, and
(b) that is (or is of a description) specified, or meets such conditions as may be specified, in regulations made by the Treasury.

(1) Paragraph 15W applies if Conditions A to C are met.

(2) Condition A is that the bank levy is charged as provided for by paragraph 4 (groups).

(3) Condition B is that, as at the end of the chargeable period, the assets of a relevant group member include qualifying loss absorbing instruments.

(4) A loss absorbing instrument is “qualifying” for the purposes of this paragraph and paragraph 15W if—
(a) it is issued by a non-UK resident entity which is a subsidiary of a UK resident entity within sub-paragraph (5), and
(b) such other conditions as may be specified in regulations made by the Treasury are met in respect of the instrument.

(5) A UK resident entity is within this sub-paragraph if—
(a) the entity is a member of the relevant group, and
(b) if the relevant group is a relevant non-banking group, the entity is a UK resident bank or a subsidiary of a UK resident bank.

(6) For the purposes of Condition B, “relevant group member” means—
(a) the chargeable UK sub-group or entity,
(b) another UK sub-group of the relevant group, or
(c) a chargeable UK resident entity which is a member of the relevant group.

(7) Condition C is that, as at the end of the chargeable period, the liabilities of the chargeable UK sub-group or entity include—
(a) tier one capital equity and liabilities (other than tier one capital equity and liabilities excluded by paragraph 30), or
(b) loss absorbing instruments, other than tier one capital equity and liabilities,
in respect of which such conditions as may be specified in regulations made by the Treasury are met.
15W (1) The amount within Step 2 of paragraph 15M(1) is the total of—
   (a) the amount of the relevant group member’s assets which are qualifying loss absorbing instruments within paragraph 15U(2)(a) as at the end of the chargeable period, so far as that amount does not exceed the liabilities amount within sub-paragraph (3), and
   (b) the amount of the relevant group member’s assets which are qualifying loss absorbing instruments within paragraph 15U(2)(b) as at the end of the chargeable period, so far as that amount does not exceed the liabilities amount within sub-paragraph (4).

(2) Sub-paragraph (1) is subject to sub-paragraph (5).

(3) The “liabilities amount” within this sub-paragraph is the total amount of the UK-based equity and liabilities (other than excluded equity and liabilities) of the chargeable UK sub-group or entity that are tier one equity and liabilities within paragraph 15V(7)(a).

(4) The “liabilities amount” within this sub-paragraph is the total amount of the UK-based equity and liabilities (other than excluded equity and liabilities) of the chargeable UK sub-group or entity that are loss absorbing instruments within paragraph 15V(7)(b).

(5) An asset of the relevant group member is to be disregarded for the purposes of sub-paragraph (1) if—
   (a) the asset is, for the purposes of an adjustment at Step 1 of paragraph 15M(1), an asset to which paragraph 15T(1) applies, or
   (b) in a case where this paragraph applies in relation to more than one chargeable UK sub-group or entity, the asset is taken into account in determining the amount within Step 2 of paragraph 15M(1) in relation to another chargeable UK sub-group or entity.

15X (1) This paragraph makes provision about regulations under any provision of paragraph 15U or 15V.

(2) The regulations may include—
   (a) different provision for different purposes;
   (b) provision having retrospective effect.

(3) The regulations are to be made by statutory instrument.

(4) A statutory instrument containing the regulations is subject to annulment in pursuance of a resolution of the House of Commons.

Step 3 of paragraph 15M: high quality liquid assets

15Y (1) This paragraph applies where—
   (a) as at the end of the chargeable period, the assets of the chargeable UK sub-group or entity include a financial asset in respect of an advance of cash made—
(i) in the case of a UK sub-group, by a member of that sub-group, or
(ii) in any other case, by the entity,
(b) that financial asset is not—
(i) an asset which, for the purposes of an adjustment at Step 1 of paragraph 15M, is an asset to which paragraph 15T(1) applies, or
(ii) an asset which is taken into account in determining the amount of a reduction under paragraph 15W for the purposes of Step 2 of paragraph 15M, and
(c) underlying that asset, as collateral, is an item (“the collateral”) which—
(i) in a case within paragraph (a)(i), is owned by the member and would form part of the sub-group’s high quality liquid assets as at the end of that period were the collateral, rather than the financial asset, an asset of the sub-group;
(ii) in a case within paragraph (a)(ii), is owned by the entity and would form part of the entity’s high quality liquid assets as at the end of that period were the collateral, rather than the financial asset, an asset of the entity.

(2) The amount within paragraph (b) of Step 3 of paragraph 15M is—
(a) the amount of the financial asset as at the end of the chargeable period or, if lower, an amount equal to the fair value of the collateral as at that time, or
(b) if this sub-paragraph applies in relation to more than one financial asset, the total of the amounts determined under paragraph (a) in respect of each of those assets.

Non-UK allocated equity and liabilities

15Z (1) A chargeable UK sub-group or entity has “non-UK allocated equity and liabilities” if—
(a) in the case of a UK sub-group, at least one member of the sub-group is a UK resident entity which has a foreign permanent establishment;
(b) in the case of a chargeable UK resident entity, the entity has a foreign permanent establishment;
(c) in the case of an entity which is the relevant entity, the entity is a UK resident entity which has a foreign permanent establishment.

(2) The amount of the non-UK allocated equity and liabilities of a UK sub-group as at the end of the chargeable period is the total amount, as at the end of that period, of the non-UK allocated equity and liabilities of each UK resident entity that is—
(a) a member of the UK sub-group, and
(b) has a foreign permanent establishment.

(3) Take Steps 1 to 4 to determine the amount of the non-UK allocated equity and liabilities attributable to a foreign permanent
establishment of a UK resident entity as at the end of the chargeable period.

Take Steps 5 to 7 to determine how much of the entity’s equity and liabilities is to be treated as long term equity and liabilities and how much as short term liabilities for the purposes of the determination at Step 3 in paragraph 6(2).

**Step 1**
In accordance with paragraph 15L, determine the amount (“A”) of the assets of the UK resident entity as at the end of the chargeable period (subject to any adjustment under paragraph 15Z3(1)).

**Step 2**
In accordance with paragraph 15Z1, determine the amount (“B”) of the assets, as at the end of the chargeable period, of the foreign permanent establishment (subject to any adjustment under paragraph 15Z3(2)).
The proportion which B is of A is “X%”.

**Step 3**
Determine the amount (“C”) that would (ignoring paragraphs 15E(4) and 15K(3) and (4)) be the amount of the UK-based equity and liabilities of the UK resident entity, adjusted in accordance with paragraph 15M.

**Step 4**
The amount of the non-UK allocated equity and liabilities is X% of C.

**Step 5**
Determine the proportion (“Y%”) of C which is long term equity and liabilities.

**Step 6**
The amount (“Z”) of the adjusted UK-based equity and liabilities of the UK resident entity is (100 - X)% of C.

**Step 7**
If the non-UK allocated equity and liabilities are to be disregarded under paragraph 15E(4) or 15K(3) or (4), for the purposes of Step 3 in paragraph 6(2) treat Y% of Z as long term equity and liabilities and the rest as short term liabilities.

15Z1(1) This paragraph applies for the purposes of Step 2 in paragraph 15Z(3).

(2) The assets of the foreign permanent establishment are those which it would have were it a distinct and separate enterprise which—

(a) engaged in the same or similar activities under the same or similar conditions, and
(b) dealt wholly independently with the chargeable UK sub-
group or entity.

(3) For the purposes of paragraph 15Z and this paragraph, any
relevant provisions of Chapter 3A of Part 2 of CTA 2009 (UK
resident companies: profits of foreign permanent establishments)
are to be applied as they would be applied in determining profits
attributable to the permanent establishment for corporation tax
purposes.

(4) But in determining the non-UK allocated equity and liabilities of a
UK resident entity which is a member of the relevant group, any
assets within sub-paragraph (5) are to be left out.

(5) The assets within this sub-paragraph are any assets of the foreign
permanent establishment (as otherwise determined under this
paragraph) representing an excluded loan relationship.

(6) A loan relationship is “excluded” if—

(a) the UK resident entity mentioned in sub-paragraph (4) is
the creditor,

(b) the debtor (“D”) is a UK resident bank or a relevant foreign
bank—

(i) which is a member of the relevant group, and

(ii) whose activities include the relevant regulated
activity described in the provision mentioned in
paragraph 79(a),

(c) the money which is the subject of the transaction giving
rise to D’s debt is money borrowed by the UK resident
entity mentioned in sub-paragraph (4) from another entity,
and

(d) in borrowing that money the UK resident entity was acting
as the agent or intermediary of D.

(7) Section 302(1) of CTA 2009 (definition of “loan relationship”)
applies for the purposes of sub-paragraphs (5) and (6) as it applies
for corporation tax purposes.

Netting: non-UK allocated equity and liabilities

15Z2(1) Paragraph 15Z3 applies for the purposes of Steps 1 and 2 of
paragraph 15Z(3) if—

(a) the UK resident entity mentioned in paragraph 15Z(3)
(“E”) has liabilities to an entity within sub-paragraph (5)
(“E’s liabilities”),

(b) E recognises, as assets, amounts due from that other entity
(“N”) to E (“N’s liabilities”),

(c) there is in place an agreement which makes net settlement
provision, and

(d) that provision is legally effective and enforceable.

(2) In sub-paragraph (1)(c), “net settlement provision” means
provision for there to be a single net settlement—

(a) if a netting event occurs, or

(b) at the option of E or N, if a netting event occurs.
(3) The reference in sub-paragraph (2) to a “single net settlement” is a reference to a single net settlement of—
   (a) all E’s liabilities (so far as covered by the provision mentioned in sub-paragraph (1)(c)) and
   (b) all N’s liabilities (so far as covered by that provision).

(4) But a provision for there to be single net settlement—
   (a) at the option of E, but not at the option of N, if a netting event occurs, or
   (b) at the option of N, but not at the option of E, if a netting event occurs,

is not to be treated as a net settlement provision for the purposes of sub-paragraph (1)(c).

(5) An entity is within this sub-paragraph unless it is—
   (a) a UK resident entity which is a member of a UK sub-group, or
   (b) a chargeable UK resident entity (see paragraph 15C).

(6) For the purposes of sub-paragraph (1)—
   (a) “agreement” includes an agreement which forms part of a multi-lateral agreement, arrangement or trading facility,
   (b) if N is a relevant foreign bank which is a member of the relevant group, liabilities of E to N are to be ignored so far as N recognises assets in respect of those liabilities as assets of the permanent establishment through which N carries on a trade in the United Kingdom as determined at Step 2 in paragraph 24(1),
   (c) references to amounts due from N include securities provided by E to N as collateral, but only where E recognises those securities in its balance sheet or statement of financial position, and
   (d) “a netting event occurs”—
      (i) in relation to E, if the insolvency or bankruptcy of E gives rise to the termination of any arrangements under which any liability covered by the provisions mentioned in sub-paragraph (1)(c) arises, or
      (ii) in relation to N, if the insolvency or bankruptcy of N gives rise to the termination of any arrangements under which such a liability arises.

(7) Section 556 of CTA 2009 (meaning of securities and similar securities) applies for the purposes of sub-paragraph (6) as it applies for the purposes of Chapter 10 of Part 6 of that Act.

15Z3(1) In determining the amount of E’s assets at Step 1 in paragraph 15Z(3), the amount of E’s net settlement assets is to be reduced (but not below nil) by the amount of E’s net settlement liabilities.

(2) In determining the amount of the foreign permanent establishment’s assets at Step 2 in paragraph 15Z(3)—
   (a) the reduction in E’s assets under sub-paragraph (1) is to be ignored, but
(b) the amount of the foreign permanent establishment’s net settlement assets is to be reduced by Z%.

(3) For this purpose, “Z%” is the proportion by which E’s net settlement assets are reduced under sub-paragraph (1).

(4) E’s “net settlement liabilities” are E’s liabilities so far as they —
   (a) are covered by the provision mentioned in paragraph 15Z2(1)(c), and
   (b) are not excluded liabilities.

(5) E’s “net settlement assets” are E’s assets so far as corresponding to N’s net settlement liabilities (subject to sub-paragraph (6)).

(6) If —
   (a) E is a member of a UK sub-group or a chargeable UK resident entity, and
   (b) N’s net settlement liabilities include liabilities of a relevant foreign bank which is a member of the relevant group, X% (as determined at Step 2 in paragraph 24(1)) of E’s assets corresponding to the liabilities of the relevant foreign bank are to be disregarded for the purposes of sub-paragraph (5).

(7) “N’s net settlement liabilities” means N’s liabilities so far as they are covered by the provision mentioned in sub-paragraph 15Z2(1)(c).

(8) The permanent establishment’s “net settlement assets” are its assets so far as they are part of E’s net settlement assets.

Equity and liabilities: threshold amount

15Z4(1) If —
   (a) the amount of the UK-based equity and liabilities, as at the end of the chargeable period, of a UK sub-group or a chargeable UK resident entity, or
   (b) the amount of the UK allocated equity and liabilities, as at the end of that period, of a relevant foreign bank which is a member of the relevant group,
   is less than £50 million, the UK-based equity and liabilities, or UK allocated equity and liabilities, may be ignored for the purposes of paragraphs 15, 15A and 15N to 15T.

(2) But the total amount of equity and liabilities which may be ignored under sub-paragraph (1) may not exceed £200 million.”

Definition of “UK allocated equity and liabilities”

3  (1) Paragraph 25 (UK allocated equity and liabilities: netting) is amended as follows.

   (2) In sub-paragraph (1), in the words before paragraph (a), after “applies” insert “for the purposes of Steps 1 and 2 of paragraph 24(1)”. 

   (3) In sub-paragraph (1)(c), for the words from “makes provision” to “occurs” substitute “makes net settlement provision”.

(4) After sub-paragraph (1) insert—

“(1A) In sub-paragraph (1)(c), “net settlement provision” means provision for there to be a single net settlement—

(a) if a netting event occurs, or
(b) at the option of the bank or N, if a netting event occurs.

(1B) The reference in sub-paragraph (1A) to a “single net settlement” is a reference to a single net settlement of—

(a) all the bank’s liabilities (so far as covered by the provision mentioned in sub-paragraph (1)(c)), and
(b) all N’s liabilities (so far as covered by that provision).

(1C) But a provision for there to be single net settlement—

(a) at the option of the bank, but not at the option of N, if a netting event occurs, or
(b) at the option of N, but not at the option of the bank, if a netting event occurs,

is not to be treated as a net settlement provision for the purposes of sub-paragraph (1)(c).”

(5) In sub-paragraph (2)—

(a) for “paragraph 17(17) or 19(17)” substitute “paragraph 15(2)(b)”;
(b) for paragraphs (a) and (b) substitute—

“(a) a UK resident entity which is a member of a UK sub-group, or
(b) a chargeable UK resident entity (see paragraph 15C).”

(6) In sub-paragraph (3), after paragraph (a) insert—

“(aa) if N is another relevant foreign bank which is a member of the relevant group, liabilities of the bank mentioned in paragraph 24(1) to N are to be ignored so far as N recognises assets in respect of those liabilities as assets of the permanent establishment through which N carries on a trade in the United Kingdom as determined at Step 2 in paragraph 24(1),”.

(7) Omit sub-paragraph (8).

(8) After sub-paragraph (10) insert—

“(10A) But if N’s net settlement liabilities include liabilities of another relevant foreign bank which is a member of the relevant group, X% (as determined at Step 2 in paragraph 24(1)) of the assets corresponding to the liabilities of that other relevant foreign bank are to be disregarded for the purposes of sub-paragraph (10).”

(9) Omit sub-paragraph (13).

4 In paragraph 26(4), for “paragraph 17(17) or 19(17)” substitute “paragraph 15(2)(b)”.

5 (1) Paragraph 27 (UK allocated equity and liabilities: determining the amount of the foreign bank’s chargeable equity and liabilities) is amended in accordance with this paragraph.
(2) In sub-paragraph (2)(b), for “paragraphs 25(8)” substitute “paragraph 27D(1)”. 

(3) In sub-paragraph (3)(b), for “paragraph 25(8)” substitute “paragraph 27D(1)”. 

(4) In sub-paragraph (5), in the words before paragraph (a), for “paragraph 17(7) or 19(17)” substitute “paragraph 15(2)(b)”. 

(5) In sub-paragraph (5), for paragraphs (a) and (b) substitute—
   “(a) UK connected liabilities to a chargeable UK resident entity which is a member of the relevant group,
   (b) UK connected liabilities to a UK sub-group of the relevant group, and
   (c) UK connected liabilities to any other relevant foreign bank which is a member of the relevant group.” 

(6) After sub-paragraph (5) insert—
   “(5A) In sub-paragraph (5), references to “UK connected liabilities” have the same meaning as in paragraph 15P(2) (see paragraph 15P(3) to (9)).” 

6 After paragraph 27 insert—
   “27A(1) Paragraph 27D applies for the purposes of paragraph 27(2)(b) if—
   (a) the bank levy is charged as provided for by paragraph 4 (groups),
   (b) the relevant foreign bank (“B”) has liabilities to another entity (“N”) other than an entity within sub-paragraph (5),
   (c) B, or another member of the relevant group, recognises, as assets, amounts (“N’s liabilities”) that are due to any member of the relevant group from N or another entity not within sub-paragraph (5),
   (d) there is in place an agreement which makes net settlement provision, and
   (e) that provision is legally effective and enforceable.
   
   (2) In sub-paragraph (1)(d), “net settlement provision” means provision for there to be a single net settlement—
   (a) if a netting event occurs, or
   (b) at the option of B or N, if a netting event occurs.
   
   (3) The reference in sub-paragraph (2) to a “single net settlement” is a reference to a single net settlement of—
   (a) all B’s liabilities, and liabilities of other entities within sub-paragraph (5), to N or another entity which is not within that sub-paragraph (so far as covered by the provision mentioned in sub-paragraph (1)(d)), and
   (b) all N’s liabilities (so far as covered by that provision).
   
   (4) But a provision for there to be single net settlement—
   (a) at the option of B, but not at the option of N, if a netting event occurs, or
   (b) at the option of N, but not at the option of B, if a netting event occurs,
is not to be treated as a net settlement provision for the purposes of sub-paragraph (1)(d).

(5) An entity is within this sub-paragraph if it is —
(a) a UK resident entity which is a member of a UK sub-group, or
(b) a chargeable UK resident entity (see paragraph 15C).

(6) For the purposes of sub-paragraph (1)—
(a) “agreement” includes an agreement which forms part of a multi-lateral agreement, arrangement or trading facility,
(b) if N is another relevant foreign bank which is a member of the relevant group, liabilities of B to N are to be ignored so far as N recognises assets in respect of those liabilities as assets of the permanent establishment through which N carries on a trade in the United Kingdom as determined at Step 2 in paragraph 24(1),
(c) references to amounts due from N or another entity not within sub-paragraph (5) include securities provided by B, or another member of the relevant group, to N or another entity not within sub-paragraph (5) as collateral, but only where B or that other member recognises those securities in its balance sheet or statement of financial position, and
(d) “a netting event occurs”—
(i) in relation to B, if the insolvency or bankruptcy of B, or another entity within sub-paragraph (5) which has a liability covered by the provision mentioned in sub-paragraph (1)(d), gives rise to the termination of any arrangements under which such a liability arises, or
(ii) in relation to N, if the insolvency or bankruptcy of N, or another entity not within sub-paragraph (5) which has a liability covered by the provision mentioned in sub-paragraph (1)(d), gives rise to the termination of any arrangements under which such a liability arises.

27B (1) Paragraph 27D also applies for the purposes of paragraph 27(2)(b) if—
(a) the bank levy is charged as provided for by paragraph 5 (entities which are not members of groups),
(b) the relevant foreign bank (“B”) has liabilities to another entity,
(c) B recognises, as assets, amounts due from that other entity (“N”) to B (“N’s liabilities”),
(d) there is in place an agreement which makes net settlement provision, and
(e) that provision is legally effective and enforceable.

(2) In sub-paragraph (1)(d), “net settlement provision” means provision for there to be a single net settlement—
(a) if a netting event occurs, or
(b) at the option of B or N, if a netting event occurs.
(3) The reference in sub-paragraph (2) to a “single net settlement” is a reference to a single net settlement of—
   (a) all B’s liabilities (so far as covered by the provision mentioned in sub-paragraph (1)(d)), and
   (b) all N’s liabilities (so far as covered by that provision).

(4) But a provision for there to be single net settlement—
   (a) at the option of B, but not at the option of N, if a netting event occurs, or
   (b) at the option of N, but not at the option of B, if a netting event occurs,
   is not to be treated as a net settlement provision for the purposes of sub-paragraph (1)(d).

(5) For the purposes of sub-paragraph (1)—
   (a) “agreement” includes an agreement which forms part of a multi-lateral agreement, arrangement or trading facility,
   (b) references to amounts due from N include securities provided by B to N as collateral, but only where B recognises those securities in its balance sheet or statement of financial position, and
   (c) “a netting event occurs”—
      (i) in relation to B, if the insolvency or bankruptcy of B gives rise to the termination of any arrangements under which any liability covered by the provision mentioned in sub-paragraph (1)(d) arises, or
      (ii) in relation to N, if the insolvency or bankruptcy of N gives rise to the termination of any arrangements under which such a liability arises.

27C Section 556 of CTA 2009 (meaning of securities and similar securities) applies for the purposes of paragraphs 27A(6) and 27B(5) as it applies for the purposes of Chapter 10 of Part 6 of that Act.

27D (1) The amount of B’s net settlement liabilities is to be reduced (but not below nil) by the amount of B’s net settlement assets.

(2) “B’s net settlement liabilities” means B’s liabilities so far as they—
   (a) are covered by the provision mentioned in paragraph 27A(1)(d) or 27B(1)(d), and
   (b) are not excluded liabilities.

(3) “B’s net settlement assets” means the assets of—
   (a) B, or
   (b) in a case within paragraph 27A, another member of the relevant group, so far as corresponding to N’s net settlement liabilities.

(4) But, in a case within paragraph 27A—
   (a) if N’s net settlement liabilities include liabilities of another relevant foreign bank which is a member of the relevant group, X% (as determined at Step 2 in paragraph 24(1)) of the assets corresponding to the liabilities of that other
relevant foreign bank are to be disregarded for the purposes of sub-paragraph (3), and

(b) if sub-paragraph (1) applies in relation to more than one entity within paragraph 27A(5), no part of an asset may be included in the net settlement assets of more than one such entity.

(5) “N’s net settlement liabilities” means N’s liabilities so far as they are covered by the provision mentioned in paragraph 27A(1)(d) or 27B(1)(d).

(6) If B’s net settlement liabilities exceed B’s net settlement assets, and a proportion (A%) of those liabilities is long term liabilities and a proportion (C%) of those liabilities is short term liabilities, under sub-paragraph (1)—

(a) the long term liabilities are reduced by A% of B’s net settlement assets, and

(b) the short term liabilities are reduced by C% of those assets.”

Consequential amendments

7 In consequence of the preceding provisions of this Schedule, Schedule 19 to FA 2011 is amended as follows.

8 In paragraph 40(1), for the words from “paragraphs 16” to the end substitute “paragraphs 15Q to 15T, 15Z2, 15Z3, 25 and 27A to 27D.”

9 (1) Paragraph 47 is amended in accordance with this paragraph.

(2) In sub-paragraph (11), for the words from “paragraph 16(1)(c) and (d)” to the end substitute “paragraph 15Q(1)(d) and (e), 15R(1)(e) and (f), 15Z2(1)(c) and (d), 25(1)(c) and (d), 27A(1)(d) and (e) or 27B(1)(d) and (e).”

(3) In sub-paragraph (14)—

(a) in the words before paragraph (a), after ““relevant member”” insert “means”;

(b) for paragraphs (a) and (b) substitute—

“(a) a chargeable UK resident entity which is a member of the relevant group;

(b) a UK sub-group of the relevant group;

(c) a relevant foreign bank which is a member of the relevant group.”

10 In paragraph 53(4)—

(a) in paragraph (a), for “relevant UK banking sub-group” substitute “UK sub-group”,

(b) for paragraph (b) substitute—

“(b) is a UK resident entity which is a banking entity (see paragraph 15C(2)),”,

(c) omit paragraph (c), and

(d) in paragraph (d), for “covered by paragraph 19(17)” substitute “which is a member of the relevant group”.

11 (1) Paragraph 54 is amended in accordance with this paragraph.
(2) In sub-paragraph (5)(c)(ii), for “relevant UK sub-group or a relevant UK banking sub-group” substitute “UK sub-group”.

(3) In sub-paragraph (6)—
   (a) in the words before paragraph (a), after ““relevant member”” insert “means”;
   (b) for paragraphs (a) and (b) substitute—
      (a) a chargeable UK resident entity which is a member of the relevant group;
      (b) a UK sub-group of the relevant group;
      (c) a relevant foreign bank which is a member of the relevant group.”

12 (1) Paragraph 70 is amended in accordance with this paragraph.

(2) Omit the definitions of—
   (a) “relevant UK banking sub-group”,
   (b) “relevant UK sub-group”, and
   (c) “UK banking sub-group”.

(3) In the definition of “UK sub-group” for “paragraph 17(4)” substitute “paragraph 15B”.

13 In paragraph 77, after “subject to” insert “Step 7 in paragraph 15Z(3) and”.

PART 2

MISCELLANEOUS AMENDMENTS

Introductory

14 Schedule 19 to FA 2011 (the bank levy) is amended as follows.

Joint ventures

15 (1) In Part 5 (supplementary provision), omit paragraphs 43 and 44 (joint ventures).

(2) In paragraph 27(2)(b) (determining the amount of a relevant foreign bank’s chargeable equity and liabilities: adjustments), omit “and 44”.

Joint and several liability

16 In paragraph 53 (joint and several liability), after sub-paragraph (2) insert—
   “(2A) But sub-paragraph (2) is subject to paragraph 53A (ring-fenced bodies).”

17 After paragraph 53, insert—
   “53A(1) This paragraph applies where—
      (a) an entity (the “ring-fenced entity”) which is a member of the relevant group is—
         (i) a ring-fenced body, or
         (ii) a member of a ring-fenced body sub-group,
      or both, and
(b) the entity is not the relevant group’s responsible member.

(2) The ring-fenced entity is jointly and severally liable for the bank levy liability of the relevant group’s responsible member under paragraph 53(2) only so far as the liability is—
(a) attributable to the ring-fenced body sub-group of which the ring-fenced entity is a member, or
(b) if the ring-fenced entity is not a member of a ring-fenced body sub-group, attributable to that entity.

(3) For the purposes of sub-paragraph (2)—
(a) the bank levy liability that is attributable to a ring-fenced body sub-group is the amount of the bank levy that would be charged for the chargeable period in relation to that sub-group if it were “the relevant group” for the purposes of this Part;
(b) the bank levy liability that is attributable to a ring-fenced entity is the amount of the bank levy that would be charged for the chargeable period in relation to that entity if it were “the relevant entity” for the purposes of this Part.

(4) “Ring-fenced body” has the same meaning as in the Financial Services and Markets Act 2000 (see section 142A of that Act).

(5) A “ring-fenced body sub-group” is a group of entities consisting of—
(a) an RFB parent undertaking and its subsidiaries, or
(b) a ring-fenced body, which is not a subsidiary of an RFB parent undertaking, and the ring-fenced body’s subsidiaries.

(6) “RFB parent undertaking” means a body corporate which is subject to rules made under section 192JA of the Financial Services and Markets Act 2000 (rules applying to parent undertakings of ring-fenced bodies)."

Meaning of “the responsible member”

18 (1) Paragraph 54 (meaning of “the responsible member”) is amended in accordance with this paragraph.

(2) In sub-paragraph (3) (requirements), for paragraphs (c) and (d) substitute—
“(c) either—
(i) during the nomination period the parent entity, or another entity acting on behalf of the parent entity, nominated E to HMRC to be the responsible member, or
(ii) the renewal conditions are met in relation to E, and

(d) HMRC did not—
(i) in a case within paragraph (c)(i), reject E’s nomination;
(ii) in a case within paragraph (c)(ii), make a determination under paragraph 55A(5).”

(3) In sub-paragraph (3), in the words after paragraph (d)—
(a) for “paragraph 55” substitute “paragraphs 55 and 55A”;
(b) at the end insert “and renewals”.

(4) After sub-paragraph (3) insert—

“(3A) The renewal conditions are met in relation to E if—
(a) E was the relevant group’s responsible member at the end
of the immediately preceding chargeable period, and
(b) neither the parent entity, nor another entity acting on
behalf of the parent entity, nominated an entity other than
E during the nomination period.

(3B) In sub-paragraphs (3) and (3A), “nomination period” means the
first 45 days of the chargeable period.”

(5) After sub-paragraph (6) insert—

“(6A) Sub-paragraph (6B) applies if—
(a) HMRC rejects E’s nomination (see sub-paragraph
(3)(d)(i)), and
(b) within the period of 30 days after the day on which HMRC
rejects the nomination, HMRC and the parent entity, or
another entity acting on behalf of the parent entity, agree
that another entity (“A”) which is a chargeable member of
the relevant group is to be the relevant group’s responsible
member.

(6B) Where this sub-paragraph applies—
(a) A is the relevant group’s responsible member, and
(b) sub-paragraphs (4) and (5) do not apply.”

(6) In sub-paragraph (7), after “(as the case may be),” insert “and sub-paragraph
(6B) does not apply,”.

19 After paragraph 55, insert—

“55A(1) This paragraph applies for the purposes of paragraph 54(3)(c)(ii)
and (d)(ii).

(2) HMRC may from time to time publish requirements as to the
information to be provided by, or on behalf of, the relevant
group’s responsible member before the end of the nomination
period.

(3) In a case within paragraph 54(3)(c)(ii), HMRC may determine that
E is not to be the relevant group’s responsible member for the
chargeable period.

(4) A determination under sub-paragraph (1) must be made within
the period of 30 days from the end of the nomination period.

(5) HMRC may make a determination under this paragraph only if—
(a) information required under sub-paragraph (2) has not
been provided to HMRC, or
(b) HMRC has reason to believe that E—
(i) has ceased to be a chargeable member of the
relevant group,
(ii) no longer has an accounting period for corporation tax purposes which is the same as the chargeable period, or

(iii) will turn out not to have sufficient resources to pay the bank levy.”

**International accounting standards**

20 In paragraph 4 (bank levy to be charged in relation to certain groups of entities), omit sub-paragraphs (5) to (7).

21 In paragraph 12 (definition of “banking group”), in sub-paragraph (7), omit paragraph (b) and the “or” preceding it.

22 In paragraph 13 (definition of “banking group”: exempt activities condition)—

(a) in sub-paragraph (2)(b)(i), for “the applicable accounting standards” substitute “international accounting standards”,

(b) in sub-paragraph (4), omit the definition of “the applicable accounting standards”, and

(c) in sub-paragraph (4), in the definition of “net-basis activities”, for “the applicable accounting standards” substitute “international accounting standards”.

23 In paragraph 14 (definition of “assets”, “equity” and “liabilities”), omit sub-paragraph (2).

24 In paragraph 24 (definition of “UK allocated equities and liabilities”)—

(a) in sub-paragraph (2)(a), omit “or UK GAAP”, and

(b) in sub-paragraph (2)(b), omit sub-paragraph (ii) and the “or” preceding it.

25 In paragraph 35 (exclusion of relevant tax liabilities)—

(a) in sub-paragraph (2), in the words before paragraph (a), omit the words from “In relation to” to “international accounting standards,”;

(b) omit sub-paragraph (3).

26 In paragraph 36 (exclusion of relevant retirement benefit liabilities)—

(a) in sub-paragraph (2), in the words before paragraph (a), omit the words from “In relation to” to “international accounting standards,”;

(b) omit sub-paragraph (3).

27 In paragraph 42 (financial statements etc.)—

(a) in sub-paragraph (8), omit paragraphs (b) and (c), and

(b) omit sub-paragraphs (9) and (10).

28 In paragraph 70 (general definitions)—

(a) omit the definition of “UK GAAP”, and

(b) omit the definition of “US GAAP”.

29 In paragraph 71 (definition of “asset management activities”), in sub-paragraph (3), omit paragraph (b) and the “or” preceding it.

30 In paragraph 72 (definition of “capital resources condition”), in sub-paragraph (7), omit paragraph (b) and the “or” preceding it.
31 In paragraph 73 (definition of “excluded entity”), in sub-paragraph (3), omit paragraph (b) and the “or” preceding it.

32 In paragraph 81 (power to make consequential changes), in sub-paragraph (1)(c) omit “, UK GAAP or US GAAP”.

PART 3

COMMENCEMENT

33 The amendments made by Part 1, and by paragraphs 15 and 20 to 32 of Part 2, of this Schedule have effect in relation to chargeable periods ending on or after 1 January 2021.

34 The amendments made by paragraphs 16 and 17 of Part 2 of this Schedule have effect in relation to chargeable periods ending on or after 1 January 2018.