



Income tax: miscellaneous loss relief

Who is likely to be affected?

Persons who are party to tax avoidance arrangements intended to exploit income tax relief for losses arising from miscellaneous transactions. Persons who deduct losses arising from miscellaneous transactions against income or profits arising from other types of miscellaneous transactions chargeable to income tax.

General description of the measure

This measure counters avoidance of income tax involving losses from miscellaneous transactions and limits the miscellaneous income against which a miscellaneous loss can be relieved.

Policy objective

This measure supports the Government's objectives of promoting fairness and tackling avoidance in the tax system by preventing avoidance intended to exploit income tax relief for miscellaneous losses and by preventing the deduction of miscellaneous losses from unrelated miscellaneous income chargeable to income tax.

Background to the measure

The measure was announced at Autumn Statement 2014.

Detailed proposal

Operative date

The changes denying loss relief where a miscellaneous loss, or miscellaneous income, arises as a result of relevant tax avoidance arrangements will have effect in relation to losses and income arising on and after 3 December 2014. The change limiting the deduction of miscellaneous losses to miscellaneous income of the same type will have effect for the tax year 2015-16 and subsequent years.

Current law

Section 152 of the Income Tax Act 2007 (ITA) details the income tax loss relief rules for losses arising from miscellaneous transactions. It allows a person who has made a loss in a tax year from a relevant transaction to claim loss relief against certain miscellaneous income.

Proposed revisions

Legislation will be introduced in Finance Bill 2015 to deny a person miscellaneous loss relief for income tax purposes where a loss arises as a result of relevant tax avoidance arrangements. The legislation will also deny miscellaneous loss relief against miscellaneous income that arises as a result of relevant tax avoidance arrangements.

For this purpose "relevant tax avoidance arrangements" are arrangements to which the person is party and the main purpose, or one of the main purposes, is to obtain a reduction in tax liability by means of loss relief under section 152 of the ITA 2007.

Legislation will also be introduced in Finance Bill 2015 to limit the miscellaneous income against which a miscellaneous loss can be deducted to miscellaneous income which is chargeable to income tax under, or by virtue of, the same provision as the loss would have been chargeable had it been profits or other income instead of a loss.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	-	+5	+5	+5	+5	+5
	<p>These figures are set out in Table 2.1 of Autumn Statement 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2014.</p> <p>This measure supports the Exchequer in its commitment to protect revenue.</p>					
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals, households and families	<p>This measure will mainly impact those individuals and householders who are liable at higher/additional rate and/or those with more sophisticated/complex tax affairs.</p> <p>This measure is not expected to have an impact on family formation, stability or breakdown.</p>					
Equalities impacts	The changes are not expected to have any equalities impact.					
Impact on business including civil society organisations	The measure is expected to have a negligible impact on compliant businesses and civil society organisations.					
Operational impact (£m) (HMRC or other)	It is not anticipated that implementing this change will incur any additional costs or savings for HM Revenue & Customs.					
Other impacts	<p><u>Small and micro business assessment</u>: the measure is expected to have a negligible impact on compliant small and micro businesses.</p> <p>Other impacts have been considered and none have been identified.</p>					

Monitoring and evaluation

The measure will be monitored through monitoring of disclosures of new avoidance schemes to circumvent the measure, and through regular communication with affected taxpayers and practitioners.

Further advice

If you have any questions about this change, please contact Mark Anderson on 03000 585604 (email: mark.anderson@hmrc.gsi.gov.uk) or contact Judith Diamond on 03000 585712 (email: judith.diamond@hmrc.gsi.gov.uk).

Declaration

David Gauke MP, Financial Secretary to the Treasury, has read this Tax Information and Impact Note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.