

NOTICES OF AMENDMENTS

Wednesday 25 June 2014

CONSIDERATION OF BILL

Mr Chancellor of the Exchequer

NC4

To move the following Clause—

“Co-operative societies etc

Schedule (*Taxation of co-operative societies etc*) makes provision about the tax treatment of co-operative, community benefit and industrial and provident societies and credit unions.”

Mr Chancellor of the Exchequer

NS3

To move the following Schedule—

“TAXATION OF CO-OPERATIVE SOCIETIES ETC

Taxation of Chargeable Gains Act 1992 (c. 12)

1 In section 217D of TCGA 1992 (disposal of assets on union, amalgamation or transfer of engagements), in subsection (3), after paragraph (a) insert—

“(aa) a society registered as a credit union under the Credit Unions (Northern Ireland) Order 1985 (S.I. 1985/1205 (N.I. 12)),”.

Co-operative and Community Benefit Societies Act 2014 (c. 14)

2 Schedule 4 to the Co-operative and Community Benefit Societies Act 2014 (consequential amendments) is amended as follows.

3 In paragraph 47 (which amends section 140E of TCGA 1992)—

(a) in sub-paragraph (2), after “Co-operative and Community Benefit Societies Act 2014” insert “or a society registered or treated as registered under the Industrial and Provident Societies Act (Northern Ireland) 1969”, and

(b) in sub-paragraph (3), after “Co-operative and Community Benefit Societies Act 2014” insert “, a society registered or treated as registered under the Industrial and Provident Societies Act (Northern Ireland) 1969”.

4 In paragraph 48 (which amends section 140F of TCGA 1992) after “Co-operative and Community Benefit Societies Act 2014” insert “or a society registered or treated as registered under the Industrial and Provident Societies Act (Northern Ireland) 1969”.

5 In paragraph 49 (which amends section 140G of TCGA 1992) after “Co-operative and Community Benefit Societies Act 2014” insert “or a society registered or treated as registered under the Industrial and Provident Societies Act (Northern Ireland) 1969”.

6 In paragraph 50 (which amends section 170 of TCGA 1992)—

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- (a) in sub-paragraph (2), for “within the meaning of the Co-operative and Community Benefits Societies Act 2014” substitute “(see section 1119 of that Act)”, and
- (b) in sub-paragraph (3), for “within the meaning of the Co-operative and Community Benefits Societies Act 2014” substitute “(see section 1119 of CTA 2010)”.
- 7 In paragraph 53 (which amends Schedule 7AC of TCGA 1992) for “within the meaning of the Co-operative and Community Benefits Societies Act 2014” substitute “(see section 1119 of that Act)”.
- 8 In paragraph 82 (which amends paragraph 28 of Schedule 2 to ITEPA 2003), in the sub-paragraph (5) substituted by sub-paragraph (3)—
- (a) omit the “or” following paragraph (b), and
- (b) at the end of paragraph (c) insert “, or
- (d) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.”.
- 9 In paragraph 94 (which amends section 379 of ITTOIA 2005), in the definition of “registered society” inserted by sub-paragraph (4)—
- (a) omit the “or” following paragraph (a), and
- (b) after paragraph (b) insert—
- “(c) a society registered as a credit union under the Credit Unions (Northern Ireland) Order 1985 (S.I. 1985/1205 (N.I. 12)), or
- (d) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.”.
- 10 In paragraph 105 (which amends section 151 of ITA 2007), in the definition of “registered society” inserted by sub-paragraph (3)—
- (a) omit the “or” following paragraph (a), and
- (b) at the end of paragraph (b) insert “or
- (c) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.”.
- 11 In paragraph 110 (which amends section 887 of ITA 2007), in the subsection (5) substituted by sub-paragraph (5)—
- (a) omit the “or” following paragraph (a), and
- (b) after paragraph (b) insert—
- “(c) a society registered as a credit union under the Credit Unions (Northern Ireland) Order 1985 (S.I. 1985/1205 (N.I. 12)), or
- (d) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.”.
- 12 In paragraph 158 (which amends section 90 of CTA 2010), in the definition of “registered society” inserted by sub-paragraph (3)—
- (a) omit the “or” following paragraph (a), and
- (b) at the end of paragraph (b) insert “or
- (c) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society.”.

Finance Bill, continued

- 13 In paragraph 168 (which amends section 1119 of CTA 2010), in the definition of “registered society” inserted by sub-paragraph (3), for paragraph (c) and the “or” before it substitute—
- “(c) a society registered as a credit union under the Credit Unions (Northern Ireland) Order 1985 (S.I. 1985/1205 (N.I. 12)), or
- (d) an SCE formed in accordance with Council Regulation (EC) No 1435/2003 on the Statute for a European Cooperative Society,”.
- 14 In paragraph 171 (which amends section 118 of TIOPA 2010)—
- (a) in sub-paragraph (2), after “Co-operative and Community Benefit Societies Act 2014” insert “or a society registered or treated as registered under the Industrial and Provident Societies Act (Northern Ireland) 1969”, and
- (b) in sub-paragraph (3), after “Co-operative and Community Benefit Societies Act 2014” insert “, a society registered or treated as registered under the Industrial and Provident Societies Act (Northern Ireland) 1969”.

Commencement

- 15 The amendments made by this Schedule come into force on 1 August 2014.”

EXPLANATORY NOTE

NEW CLAUSE 4: CO-OPERATIVE SOCIETIES ETC AND NEW SCHEDULE 3: TAXATION OF COOPERATIVE SOCIETIES ETC.

SUMMARY

1. New Clause 4 and New Schedule 3 reword various provisions about the tax treatment of Co-operative, Community Benefit and Industrial and Provident Societies and Credit Unions.

DETAILS OF THE NEW CLAUSE AND SCHEDULE

2. Paragraph 1 of the Schedule adds Northern Ireland Credit Unions to the list of bodies in S217D (3) Taxation of Chargeable Gains Act (TCGA) 1992 which can take advantage of no gain/no loss rules on the union, amalgamation or transfer of engagements from one body to another.

3. Paragraphs 2 to 14 amend consequential amendments made by Schedule 4 of the Co-operative and Community Benefit Societies Act 2014.

4. Paragraph 6 and 7 reverse a narrowing of the definition of companies which can take advantage of S170 and Schedule 7AC TCGA 1992. They also clarify where the definition of the societies to which those sections can apply is to be found.

5. The remaining paragraphs correct various errors which have over time been incorporated into the definitions of societies to which other tax provisions apply.

6. Paragraph 13 adds Northern Ireland Credit Unions to the definition in S1119 Corporation Tax Act 2010 (CTA 2010).

7. Paragraphs 8, 10 and 12 add European Co-operative Societies (SCE) to the definitions in Schedule 2, Paragraph 28 Income Tax (Earnings and Pensions) Act 2003, S151 Income Tax Act 2007 (ITA 2007) and S90 CTA 2010.

8. Paragraphs 9 and 11 add both Northern Ireland Credit Unions and SCE to the definitions in S379 Income Tax (Trading and Other Income) Act 2005 and S887 ITA 2007.

9. Paragraphs 3 to 5 and 14 ensure that the provisions in S140E, S140F, and S140G TCGA 1992 and in S118 Taxation (International and Other Provisions Act 2010 can apply to SCE formed both in GB and Northern Ireland.

BACKGROUND NOTE

10. The Cooperative and Community Benefit Societies Act 2014 made changes to the legislative framework for and the naming of GB Industrial and Provident Societies which necessitate consequential amendments to the Taxes Acts. New Schedule 3 corrects one of these consequential amendments which has narrowed the provision in the Taxes Acts. In considering the various consequential amendments it became clear that various errors and omissions had, over time, been incorporated to the Taxes Acts. New Schedule 3 corrects the Taxes Acts provisions where necessary to ensure they cover the appropriate types of society. These amendments ensure that the Taxes Acts provisions relating to taxation of both the societies and their members are current and accurate.



Taxation of Co-operative Societies etc

Who is likely to be affected?

Co-operative and Community Benefit Societies (including all Industrial and Provident Societies) Credit Unions, European Co-operative Societies and their members in Great Britain and Northern Ireland.

General description of the measure

The amendment revises and corrects definitions of those societies able to access certain tax treatments across the Taxes Acts.

Policy objective

This measure ensures that the definitions of the bodies to which tax provisions apply are consistent and cover all relevant bodies.

Background to the measure

The Co-operative and Community Benefit Societies Act 2014 makes consequential changes to the Taxes Acts. These changes inadvertently narrowed the types of bodies that could access some capital gains tax provisions and this is being corrected. A check of the remaining consequential amendments highlighted historical inconsistencies and errors across the Taxes Acts definitions and therefore the opportunity is also being taken through a Report Stage amendment to put right and clarify the other tax provisions. There has been no policy change: the amendments are being made for clarity, in line with how the provisions are applied by both HM Revenue and Customs (HMRC) and the sector. There has been no announcement or consultation.

Detailed proposal

Operative date

These amendments will have effect on and after 1 August 2014.

Current law

Definition of societies and their tax treatment can be found in:

- Sections 140 E to G Taxation of Chargeable Gains Act (TCGA) 1992 allow no gain/no loss treatment on certain transfers of assets between companies, including certain relevant societies;
- Section 170 TCGA 1992 gives certain definitions in relation to groups of companies;
- Schedule 7AC TCGA 1992 provides exemptions for disposals by companies with substantial shareholdings;
- Section 217D TCGA 1992 allows no gain no loss treatment for asset disposals undertaken in the course of a union, amalgamation, or transfer of engagements between certain bodies;
- Schedule 2 Paragraph 28 Income Tax (Earnings and Pensions) Act (ITEPA) 2003 gives specific requirements in relation to the types of shares that may be awarded in an approved share incentive plan;
- Section 379 Income Tax (Trading and Other Income) Act (ITTOIA) 2005 outlines the treatment of share and loan interest in the hands of members of relevant societies;

- Section 151 Income Tax Act (ITA) 2007 gives definitions in relation to share loss relief against general income;
- Section 887 ITA 2007 allows relevant societies to pay interest gross to members but also sets out the return requirements in respect of that gross interest;
- Section 90 Corporation Tax Act (CTA) 2010 gives definitions in respect of share loss relief for companies;
- S1119 CTA 2010 defines the meaning of 'registered industrial and provident society' ('registered society' from 1 August 2014) for the purposes of the Corporation Tax Acts; and
- Section 118 Taxation (International and Other Provisions) Act (TIOPA) 2010 defines a cross border merger for certain double taxation relief provisions.

Proposed revisions

Legislation will be introduced in Finance Bill 14 to ensure that each of the definitions includes all relevant societies, to reflect the correct policy position. The legislation will also correct an inadvertent narrowing of one of the definitions (S170 TCGA1992) by the Co-operative and Community Benefit Societies Bill 2014 and clarify where this definition is to be found.

- Northern Ireland credit unions will be added to the definition of relevant industrial and provident society (relevant society from 1 August 2014) in S1119 CTA 2010.
- European Co-operative Societies (SCE) will be added to the definitions in Schedule 2, paragraph 28 ITEPA 2003, S151 ITA 2007 and S90 CTA 2010.
- Both Northern Ireland credit unions and SCE will be added to the definitions in S379 ITTOIA 2005 and section 887 ITA 2007.
- Northern Ireland SCE will be added to the definitions in section 140E, S140F, S140G TCGA 1992 and to S118 TIOPA 2010.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-	nil	nil	nil	nil
This measure is not expected to have an Exchequer impact.					
Economic impact	The measure is not expected to have any significant economic impacts.				
Impact on individuals and households	There is no impact on individuals or households as changes are not being made to the legislation affecting individual members of relevant societies.				
Equalities impacts	The Government has given due consideration to the equalities impacts of the proposed legislative changes and have concluded that there will be none.				
Impact on business including civil society organisations	The measure is not expected to have any impact on business and civil service organisations. The changes are intended to clarify aspects of the legislation and will not alter HMRC's application of the various provisions.				
Operational impact (£m) (HMRC or other)	Nil.				
Other impacts	Other impacts have been considered and none have been identified.				

Monitoring and evaluation

The measure will be monitored as part of HMRC's normal assurance process.

Further advice

If you have any questions about this change, please contact Lorraine Coster on 03000 585676 (email: lorraine.coster@hmrc.gsi.gov.uk).

Declaration

David Gauke MP, Exchequer 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.