Explanatory Note

Clause 18: Banking companies: expenditure relating to compensation

Summary

1. These amendments make a number of technical changes to ensure that Clause 18 is administrable and operates as intended.

Details of the amendments

2. Amendments 1 and 3 amend section 133C of CTA 2009, introduced by Clause 18. The amendments ensures that the disclosure condition only applies to banks' known future compensation liabilities.

3. Amendment 2 also amends section 133C of CTA 2009 introduced by Clause 18. The amendment ensures that the disclosure condition does not apply to a single error affecting a single customer.

4. Amendments 4 and 5 also amend section 133C of CTA 2009 introduced by Clause 18. The amendments ensures that the disclosure condition does not apply to disclosures made more than 5 years before the period of account in which an expense is recognised for accounting purposes.

5. Amendment 6 amends section 133J of CTA 2009, introduced by Clause 18. The amendment ensures that the definition of customer provided by that section, applies for the purposes of new section 133C of CTA 2009 introduced by Clause 18.

6. Amendment 7 amends section 133L of CTA 2009, introduced by Clause 18. The amendment ensures that the definition of associated companies provided by that section, applies for the purposes of new section 133C of CTA 2009 introduced by Clause 18.

Background note

7. The Government introduced legislation in the Summer Finance Bill 2015 to restrict tax relief for banks compensation.

8. The legislation, which took effect from 8th July 2015, is designed to protect the Exchequer from the large compensation being paid out in response to banks' widespread misconduct.