

1 Alternative finance: diminishing shared ownership refinancing arrangements

Schedule 1 makes provision about diminishing shared ownership refinancing arrangements.

SCHEDULE 1

Section 1

DIMINISHING SHARED OWNERSHIP REFINANCING ARRANGEMENTS

Income tax

- 1 (1) Part 10A of ITA 2007 (alternative finance arrangements) is amended as follows.
 - (2) In section 564A (introduction), in subsection (3)(b) after “section 564D” insert “or 564DA”.
 - (3) In section 564D (diminishing shared ownership arrangements) –
 - (a) at the end of the heading insert “: initial acquisition”;
 - (b) for the “the first owner” (in each place it appears) substitute “the financier”;
 - (c) for “the eventual owner” (in each place it appears) substitute “the customer”;
 - (d) for “the first owner’s” (in each place it appears) substitute “the financier’s”;
 - (e) for “the eventual owner’s” (in each place it appears) substitute “the customer’s”;
 - (f) in subsection (1A)(d), for “those owners” substitute “the customer and the financier”;
 - (g) in subsection (6), for “564E” substitute “564DA”.
 - (4) After section 564D insert –

“564DA Diminishing shared ownership arrangements: refinancing

- (1) This section applies to arrangements if under them –
 - (a) a person (“the customer”) has a beneficial interest in an asset,
 - (b) the customer disposes of some or all of their beneficial interest in the asset to another person (“the financier”),
 - (c) either –
 - (i) the financier is a financial institution or a regulated home purchase plan provider (within the meaning of section 564D(7)), or
 - (ii) the arrangements are regulated electronic system facilitated arrangements (within the meaning of section 564D(1A)),
 - (d) the customer is to make payments to the financier amounting in aggregate to the consideration paid for the financier acquiring a beneficial interest as mentioned in paragraph (b) (but subject to any adjustment required for such a reduction as is mentioned in subsection (6)),
 - (e) the customer is to acquire the financier’s beneficial interest (whether or not in stages) as a result of those payments,

- (f) the customer is to make other payments to the financier (whether under a lease forming part of the arrangements or otherwise),
 - (g) the customer has the exclusive right to occupy or otherwise to use the asset, and
 - (h) the customer is exclusively entitled to any income, profit or gain arising from or attributable to the asset (including, in particular, an increase in its value).
- (2) This section also applies to arrangements which supersede arrangements to which section 564D or subsection (1) of this section applies if under them –
- (a) a person (“the financier”) acquires so much of the beneficial interest in an asset mentioned in section 564D(1)(a) or subsection (1)(b) of this section as has not yet been acquired as mentioned in section 564D(1)(d) or subsection (1)(e) of this section,
 - (b) either –
 - (i) the financier is a financial institution or a regulated home purchase plan provider (within the meaning of section 564D(7)), or
 - (ii) the arrangements are regulated electronic system facilitated arrangements (within the meaning of section 564D(1A)),
 - (c) the customer mentioned in section 564D(1) or subsection (1) of this section is to make payments to the financier amounting in aggregate to so much of the payments mentioned in section 564D(1)(c) or subsection (1)(d) of this section as are yet to be paid (but subject to any adjustment required for such a reduction as is mentioned in subsection (6)),
 - (d) that customer is to acquire the financier’s beneficial interest (whether or not in stages) as a result of those payments,
 - (e) that customer is to make other payments to the financier (whether under a lease forming part of the arrangements or otherwise),
 - (f) the customer has the exclusive right to occupy or otherwise to use the asset, and
 - (g) the customer is exclusively entitled to any income, profit or gain arising from or attributable to that asset (including, in particular, an increase in its value).
- (3) For the purposes of subsections (1)(a) and (b) and (2)(a) it does not matter if –
- (a) another person who is not the customer or the financier also has a beneficial interest in the asset, or
 - (b) the financier also has a legal interest in it.

- (4) Subsection (1)(g) or (2)(f) does not prevent the customer from granting an interest or right in relation to the asset if the conditions in subsection (5) are met.
- (5) The conditions are that –
- (a) the grant is not to –
 - (i) the financier,
 - (ii) a person controlled by the financier, or
 - (iii) a person controlled by a person who also controls the financier, and
 - (b) the grant is not required by the financier or arrangements to which the financier is a party.
- (6) Subsection (1)(h) or (2)(g) does not prevent the financier from –
- (a) having responsibility for any reduction in the asset’s value, or
 - (b) having a share in a loss arising out of any such reduction.
- (7) This section is subject to section 564H (provision not at arm’s length: exclusion of arrangements from sections 564C and 564D, this section and sections 564E to 564G).”
- (5) In section 564K (alternative finance return resulting from diminishing shared ownership arrangements) –
- (a) for “the eventual owner” (in each place it appears) substitute “the customer”;
 - (b) in subsection (2) –
 - (i) after “section 564D(1)(c)” insert “or 564DA(1)(d) or (2)(c)”;
 - (ii) for “the first owner” substitute “the financier”;
 - (iii) the “the first owner’s” substitute “the financier’s”;
 - (c) in subsection (4), after “564D” insert “or 564DA”.
- (6) In section 564V (exclusion of some alternative finance return from sale consideration), in subsection (2), after “section 564D” insert “or 564DA”.
- (7) After section 564W (diminishing shared ownership arrangements not partnerships) insert –

“564WA Diminishing shared ownership arrangements: further provision in respect of refinancing

- (1) This section applies in respect of diminishing shared ownership arrangements to which 564DA applies.
- (2) If, under the arrangements, the customer disposes of an asset as mentioned in section 564DA(1)(b), any profit, gain or loss realised by the customer on the disposal of the asset is to be treated as not having been realised for income tax purposes.
- (3) If, under the arrangements, the customer –
 - (a) disposes of an asset as mentioned in section 564DA(1)(b),

- (b) acquires the asset as mentioned in section 564DA(1)(d) and (e) or (2)(c) and (d),
 - (c) and subsequently disposes of the asset,
- the disposal of the asset mentioned in paragraph (a) and the acquisition of the asset mentioned in paragraph (b) (together with any intervening disposals or acquisitions of the asset) are to be treated as not having occurred for the purpose of calculating, for income tax purposes, the amount of the profit, gain or loss realised by customer on the subsequent disposal of the asset.
- (4) In subsections (2) and (3), “the customer” has the same meaning as in section 564DA.
 - (5) If, under arrangements to which section 564DA(2) applies (“successor arrangements”), the financier under the diminishing shared ownership arrangements that the successor arrangements supersede transfers their interest in a lease forming part of those arrangements to the financier under the successor arrangements, the transfer is not to be treated as involving a disposal or acquisition of the interest for income tax purposes.”

Corporation tax

- 2 (1) Chapter 6 of Part 6 of CTA 2009 (alternative finance arrangements) is amended as follows.
- (2) In section 501 (introduction), in subsection (3)(b) after “section 504” insert “or 504A”.
- (3) In section 504 (diminishing shared ownership arrangements) –
 - (a) at the end of the heading insert “: initial acquisition”;
 - (b) for the “the first owner” (in each place it appears) substitute “the financier”;
 - (c) for “the eventual owner” (in each place it appears) substitute “the customer”;
 - (d) for “the first owner’s” (in each place it appears) substitute “the financier’s”;
 - (e) for “the eventual owner’s” (in each place it appears) substitute “the customer’s”;
 - (f) in subsection (1A)(d), for “those owners” substitute “the customer and the financier”;
 - (g) in subsection (6), for “505” substitute “504A”.

- (4) After section 504 insert –

“504A Diminishing shared ownership arrangements: refinancing

- (1) This section applies to arrangements if under them –
 - (a) a person (“the customer”) has a beneficial interest in an asset,
 - (b) the customer disposes of some or all of their beneficial interest in the asset to another person (“the financier”),

- (c) either –
 - (i) the financier is a financial institution or a regulated home purchase plan provider (within the meaning of section 504(7)), or
 - (ii) the arrangements are regulated electronic system facilitated arrangements (within the meaning of section 504(1A)),
 - (d) the customer is to make payments to the financier amounting in aggregate to the consideration paid for the financier acquiring a beneficial interest as mentioned in paragraph (b) (but subject to any adjustment required for such a reduction as is mentioned in subsection (6)),
 - (e) the customer is to acquire the financier’s beneficial interest (whether or not in stages) as a result of those payments,
 - (f) the customer is to make other payments to the financier (whether under a lease forming part of the arrangements or otherwise),
 - (g) the customer has the exclusive right to occupy or otherwise to use the asset, and
 - (h) the customer is exclusively entitled to any income, profit or gain arising from or attributable to the asset (including, in particular, an increase in its value).
- (2) This section also applies to arrangements which supersede arrangements to which section 504 or subsection (1) of this section applies if under them –
- (a) a person (“the financier”) acquires so much of the beneficial interest in an asset mentioned in section 504(1)(a) or subsection (1)(b) of this section as has not yet been acquired as mentioned in section 504(1)(d) or subsection (1)(e) of this section,
 - (b) either –
 - (i) the financier is a financial institution or a regulated home purchase plan provider (within the meaning of section 504(7)), or
 - (ii) the arrangements are regulated electronic system facilitated arrangements (within the meaning of section 504(1A)),
 - (c) the customer mentioned in section 504(1) or subsection (1) of this section is to make payments to the financier amounting in aggregate to so much of the payments mentioned in section 504(1)(c) or subsection (1)(d) of this section as are yet to be paid (but subject to any adjustment required for such a reduction as is mentioned in subsection (6)),
 - (d) that customer is to acquire the financier’s beneficial interest (whether or not in stages) as a result of those payments,

- (e) that customer is to make other payments to the financier (whether under a lease forming part of the arrangements or otherwise),
 - (f) the customer has the exclusive right to occupy or otherwise to use the asset, and
 - (g) the customer is exclusively entitled to any income, profit or gain arising from or attributable to that asset (including, in particular, an increase in its value).
 - (3) For the purposes of subsections (1)(a) and (b) and (2)(a) it does not matter if—
 - (a) another person who is not the customer or the financier also has a beneficial interest in the asset, or
 - (b) the financier also has a legal interest in it.
 - (4) Subsection (1)(g) or (2)(f) does not prevent the customer from granting an interest or right in relation to the asset if the conditions in subsection (5) are met.
 - (5) The conditions are that—
 - (a) the grant is not to—
 - (i) the financier,
 - (ii) a person controlled by the financier, or
 - (iii) a person controlled by a person who also controls the financier, and
 - (b) the grant is not required by the financier or arrangements to which the financier is a party.
 - (6) Subsection (1)(h) or (2)(g) does not prevent the financier from—
 - (a) having responsibility for any reduction in the asset’s value, or
 - (b) having a share in a loss arising out of any such reduction.
 - (7) This section is subject to section 508 (provision not at arm’s length: exclusion of arrangements from sections 503 and 504, this section and sections 505 to 507).”
- (5) In section 510 (application of Part 5 of CTA 2009 to alternative finance arrangements)—
- (a) in subsection (2)(a)—
 - (i) for “first owner” substitute “financier”;
 - (ii) for the “first owner’s” substitute “financier’s”;
 - (iii) for “eventual owner” substitute “customer”;
 - (b) in subsection (6)—
 - (i) omit the definitions of “the eventual owner” and “the first owner”;

- (ii) before the definition of “the depositor” insert –
- ““the customer” has the same meaning as in section 504 (see subsection (1) of that section) or 504A (see subsection (1) or (2) of that section),”;
- (iii) after the definition of “the depositor” insert –
- ““the financier” has the same meaning as in section 504 (see subsection (1) of that section) or 504A (see subsection (1) or (2) of that section),”.
- (6) In section 512 (alternative finance return resulting from diminishing shared ownership arrangements) –
- (a) for “the eventual owner” (in each place it appears) substitute “the customer”;
- (b) in subsection (2) –
- (i) after “section 504(1)(c)” insert “or 504A(1)(d) or (2)(c)”;
- (ii) for “the first owner” substitute “the financier”;
- (iii) the “the first owner’s” substitute “the financier’s”;
- (c) in subsection (4), after “504” insert “or 504A”.
- (7) In section 514 (exclusion of some alternative finance return from sale consideration), in subsection (2), after “section 504” insert “or 504A”.
- (8) In section 515 (diminishing shared ownership arrangements not partnership) –
- (a) in the heading, for “not partnerships” substitute “: further provision”;
- (b) the existing text becomes subsection (1);
- (c) after subsection (1) insert –
- “(2) If, under diminishing shared ownership arrangements, the financier grants a lease of the asset to the customer, the grant or termination of the lease is not to be treated as a disposal or acquisition of part of the asset for the purposes of the Corporation Tax Acts.
- (3) If, under diminishing shared ownership arrangements, the financier is entitled to the asset as a result of the customer breaching an obligation under the arrangements –
- (a) the financier’s dealings with the asset for the purpose of enforcing or giving effect to the entitlement, and
- (b) the dealings with the asset of any person appointed for that purpose,
- are to be treated for the purposes of the Corporation Tax Acts as if they were done through the financier, or (as the case may be) the appointed person, as nominee by the customer.
- (4) In this section –

“the asset” means the asset in which beneficial interest is acquired and disposed of under the diminishing shared ownership arrangements;

“the customer” and “the financier” have the same meaning as in section 504 or 504A;

“termination”, in relation to a lease, has the meaning given by section 70YI of the Capital Allowances Act 2001.”

- (9) After section 515 (diminishing shared ownership arrangements not partnerships) insert—

“515A Diminishing shared ownership arrangements: further provision in respect of refinancing

- (1) This section applies in respect of diminishing shared ownership arrangements to which section 504A applies.
- (2) If, under the arrangements, the customer disposes of an asset as mentioned in section 504A(1)(b), any gain accruing to the customer on the disposal of the asset is to be treated as not having accrued for the purposes of the Corporation Tax Acts.
- (3) If, under the arrangements, the customer—
 - (a) disposes of an asset as mentioned in section 504A(1)(b),
 - (b) acquires the asset as mentioned in section 504A(1)(d) and (e) or (2)(c) and (d),
 - (c) and subsequently disposes of the asset,the disposal of the asset mentioned in paragraph (a) and the acquisition of the asset mentioned in paragraph (b) (together with any intervening disposals or acquisitions of the asset) are to be treated as not having occurred for the purpose of computing, for the purposes of the Corporation Tax Acts, the amount of the gain accruing to the customer on the subsequent disposal of the asset.
- (4) In subsections (2) and (3), “the customer” has the same meaning as in section 504A.
- (5) If, under arrangements to which section 504A(2) applies (“successor arrangements”), the financier under the diminishing shared ownership arrangements that the successor arrangements supersede transfers their interest in a lease forming part of those arrangements to the financier under the successor arrangements, the transfer is not to be treated as involving a disposal or acquisition of the interest for the purposes of the Corporation Tax Acts.”

Capital gains tax

- 3 (1) Chapter 4 of Part 4 of the TCGA 1992 (alternative finance arrangements) is amended as follows.

- (2) In section 151H (introduction), in subsection (3)(b) after “section 151K” insert “or 151KA”.
- (3) In section 151K (diminishing shared ownership arrangements) –
- (a) at the end of the heading insert “: initial acquisition”;
 - (b) for the “the first owner” (in each place it appears) substitute “the financier”;
 - (c) for “the eventual owner” (in each place it appears) substitute “the customer”;
 - (d) for “the first owner’s” (in each place it appears) substitute “the financier’s”;
 - (e) for “the eventual owner’s” (in each place it appears) substitute “the customer’s”;
 - (f) in subsection (1A)(d), for “those owners” substitute “the customer and the financier”;
 - (g) in subsection (7), for “151L” substitute “151KA”.
- (4) After section 151K insert –

“151KA Diminishing shared ownership arrangements: refinancing

- (1) This section applies to arrangements if under them –
- (a) a person (“the customer”) has a beneficial interest in an asset,
 - (b) the customer disposes of some or all of their beneficial interest in the asset to another person (“the financier”),
 - (c) either –
 - (i) the financier is a financial institution or a regulated home purchase plan provider (within the meaning of section 151K(7)), or
 - (ii) the arrangements are regulated electronic system facilitated arrangements (within the meaning of section 151K(1A)),
 - (d) the customer is to make payments to the financier amounting in aggregate to the consideration paid for the financier acquiring a beneficial interest as mentioned in paragraph (b) (but subject to any adjustment required for such a reduction as is mentioned in subsection (6)),
 - (e) the customer is to acquire the financier’s beneficial interest (whether or not in stages) as a result of those payments,
 - (f) the customer is to make other payments to the financier (whether under a lease forming part of the arrangements or otherwise),
 - (g) the customer has the exclusive right to occupy or otherwise to use the asset, and
 - (h) the customer is exclusively entitled to any income, profit or gain arising from or attributable to the asset (including, in particular, an increase in its value).

- (2) This section also applies to arrangements which supersede arrangements to which section 151K or subsection (1) of this section applies if under them –
 - (a) a person (“the financier”) acquires so much of the beneficial interest in an asset mentioned in section 151K(1)(a) or subsection (1)(b) of this section as has not yet been acquired as mentioned in section 151K(1)(d) or subsection (1)(e) of this section,
 - (b) either –
 - (i) the financier is a financial institution or a regulated home purchase plan provider (within the meaning of section 151K(7)), or
 - (ii) the arrangements are regulated electronic system facilitated arrangements (within the meaning of section 151K(1A)),
 - (c) the customer mentioned in section 151K(1) or subsection (1) of this section is to make payments to the financier amounting in aggregate to so much of the payments mentioned in section 151K(1)(c) or subsection (1)(d) of this section as are yet to be paid (but subject to any adjustment required for such a reduction as is mentioned in subsection (6)),
 - (d) that customer is to acquire the financier’s beneficial interest (whether or not in stages) as a result of those payments,
 - (e) that customer is to make other payments to the financier (whether under a lease forming part of the arrangements or otherwise),
 - (f) the customer has the exclusive right to occupy or otherwise to use the asset, and
 - (g) the customer is exclusively entitled to any income, profit or gain arising from or attributable to that asset (including, in particular, an increase in its value).
- (3) For the purposes of subsections (1)(a) and (b) and (2)(a) it does not matter if –
 - (a) another person who is not the customer or the financier also has a beneficial interest in the asset, or
 - (b) the financier also has a legal interest in it.
- (4) Subsection (1)(g) or (2)(f) does not prevent the customer from granting an interest or right in relation to the asset if the conditions in subsection (5) are met.
- (5) The conditions are that –
 - (a) the grant is not to –
 - (i) the financier,
 - (ii) a person controlled by the financier, or

- (iii) a person controlled by a person who also controls the financier, and
 - (b) the grant is not required by the financier or arrangements to which the financier is a party.
 - (6) Subsection (1)(h) or (2)(g) does not prevent the financier from –
 - (a) having responsibility for any reduction in the asset’s value, or
 - (b) having a share in a loss arising out of any such reduction.
 - (7) Section 1124 of CTA 2010 (meaning of “control”) applies for the purposes of this section.
 - (8) This section is subject to section 151O (provision not at arm’s length: exclusion of arrangements from sections 151J and 151K, this section and sections 151L to 151N).”
- (5) In section 151R (alternative finance return resulting from diminishing shared ownership arrangements) –
- (a) for “the eventual owner” (in each place it appears) substitute “the customer”;
 - (b) in subsection (2) –
 - (i) after “section 151K(1)(c)” insert “or 151KA(1)(d) or (2)(c)”;
 - (ii) for “the first owner” substitute “the financier”;
 - (iii) the “the first owner’s” substitute “the financier’s”;
 - (c) in subsection (4), after “section 151K” insert “or 151KA”.
- (6) In section 151X (exclusion of some alternative finance return from sale consideration), in subsection (2), after “section 151K” insert “or 151KA”.
- (7) In section 151Y (diminishing shared ownership arrangements not partnership) –
- (a) in the heading, for “not partnerships” substitute “: further provision”;
 - (b) the existing text becomes subsection (1);
 - (c) after subsection (1) insert –
 - “(2) If, under diminishing shared ownership arrangements, the financier grants a lease of the asset to the customer, the grant or termination of the lease is not to be treated as a disposal or acquisition of part of the asset for the purposes of this Act so far as it applies for capital gains tax.
 - (3) If, under diminishing shared ownership arrangements, the financier is entitled to the asset as a result of the customer breaching an obligation under the arrangements –
 - (a) the financier’s dealings with the asset for the purpose of enforcing or giving effect to the entitlement, and
 - (b) the dealings with the asset of any person appointed for that purpose,
 are to be treated for the purposes of this Act so far as it applies for capital gains tax as if they were done through

the financier, or (as the case may be) the appointed person, as nominee by the customer.

(4) In this section –

“the asset” means the asset in which beneficial interest is acquired and disposed of under the diminishing shared ownership arrangements;

“the customer” and “the financier” have the same meaning as in section 151K or 151KA;

“termination”, in relation to a lease, has the meaning given by section 70YI of the Capital Allowances Act 2001.”

(8) After section 151Y (diminishing shared ownership arrangements not partnerships) insert –

“151Z Diminishing shared ownership arrangements: further provision in respect of refinancing

(1) This section applies in respect of diminishing shared ownership arrangements to which section 151KA applies.

(2) If, under the arrangements, the customer disposes of an asset as mentioned in section 151KA(1)(b), any gain accruing to the customer on the disposal of the asset is to be treated as not having accrued for the purposes of this Act so far as it applies for capital gains tax.

(3) If, under the arrangements, the customer –

(a) disposes of an asset as mentioned in section 151KA(1)(b),

(b) acquires the asset as mentioned in section 151KA(1)(d) and (e) or (2)(c) and (d),

(c) and subsequently disposes of the asset,

the disposal of the asset mentioned in paragraph (a) and the acquisition of the asset mentioned in paragraph (b) (together with any intervening disposals or acquisitions of the asset) are to be treated as not having occurred for the purpose of computing, for the purposes of this Act so far as it applies for capital gains tax, the amount of the gain accruing to the customer on the subsequent disposal of the asset.

(4) In subsections (2) and (3), “the customer” has the same meaning as in section 151KA.

(5) If, under arrangements to which section 151KA(2) applies (“successor arrangements”), the financier under the diminishing shared ownership arrangements that the successor arrangements supersede transfers their interest in a lease forming part of those arrangements to the financier under the successor arrangements, the transfer is not to be treated as involving a disposal or acquisition of the interest for the purposes of this Act so far as it applies for capital gains tax.”

Application

- 4 The amendments made by this Schedule have effect in relation to arrangements entered into on or after 30 October 2024.