

UK CORPORATION TAX – FA20 CHANGES GUIDE

FA20 Ch	FA19 Ch	Topic	Major changes	Minor changes	No changes	Notes
1	1	Company Residence		✓		UK-registered Societas Europaea converted to UK Societas from 31.12.20. Minor update relating to detailed rules excluding certain hybrid capital instruments from the hybrid mismatch rules.
2	2	Introduction to Corporation Tax	✓			Updates on the impact of Brexit and the rate change for SBA from 2% to 3% with effect from 1 April 2020.
3	3	Computation of Corporation Tax	✓			Decrease in CT rate from 19% to 17% for FY 2020 cancelled, so notes on periods straddling 1 April 2020 have been deleted.
4	4	Long Periods of Account			✓	
5	5	Corporation Tax Self-Assessment (CTSA)			✓	
6	6	Payment of Corporation Tax		✓		Companies which are only chargeable to tax because of a chargeable gain and would otherwise be very large are treated as large for accounting periods from 11 March 2020.
7	7	Interest on Late Paid Tax & Repayments		✓		Change in official rate of interest from 2.5% to 2.25%. Updated to reflect syllabus change to CT admin rules that apply in practice rather than the harmonised regime for interest and penalties.
8	8	CTSA Penalty Regime		✓		Updated to reflect syllabus change to CT admin rules that apply in practice rather than the harmonised regime for interest and penalties.

9	9	Property Income			✓	
10	10	Loan Relationships - Basics			✓	
11	11	Loan Relationships – Connected Companies			✓	
12	12	Loan Relationships – Advanced Aspects			✓	
13	13	Derivative Contracts			✓	
14	14	Relief for Trading Losses	✓			Deductions allowance now shared between income and capital losses. Notes added on terminal loss relief for brought forward losses. Re-ordering of explanation of relief for carried-forward losses. Section on FYAs for expenditure on energy-saving or environmentally beneficial plant and machinery amended to reflect the repeal of these rules in relation to expenditure incurred after 31 March 2020.
15	15	Relief for Other Losses		✓		Minor amendments to reflect that deductions allowance is shared between income and capital losses with effect from 1 April 2020. Minor re-ordering of explanations of relief for carried forward losses and signpost added to relief for non-trading IFA losses and net capital losses.
16	16	Corporate Capital Gains	✓			New section on corporate capital loss restriction, which applies on or after 1 April 2020 to capital losses whenever incurred. Section re loss on sale of CVS shares removed as confirmed not examinable.

17	17	Intangible Fixed Assets	✓			New rules on when and how pre-1 April 2002 assets are brought into the IFA regime. Key types of pre-FA 2002 expressly defined and definitions of IFAs and connected parties amended to provide further clarity. Example on classification of assets added. Note and illustration added about particular application of degrouping rule.
18	18	Research & Development Expenditure	✓			Definition of R&D clarified. Rate of RDEC increased from 12% to 13% for expenditure incurred on or after 1 April 2020. Patent box material extended to cover group companies and the effect of global streaming and small claims elections on the calculation of RIPPs.
19	19	Companies with Investment Business			✓	
20	20	The Principles of Group Relief		✓		Minor changes to reflect introduction of corporate capital loss restriction.
21	21	Group Relief – further aspects		✓		Minor changes made to reflect amendments to legislation following Brexit.
22	22	Consortium Relief		✓		Minor changes to reflect changes in allocation of deductions allowance following introduction of corporate capital loss restriction.
23	23	Group Consortium Companies			✓	

24	24	Group Administration	✓			New section added on CT payment plans for tax on certain transactions with EEA residents. Minor amendment to reflect changes in allocation of deductions allowance following introduction of corporate capital loss restriction.
25	25	Group Capital Gains	✓			New section on the application of Corporate Capital Loss Restriction to groups.
26	26	Group Gains – further aspects		✓		New comment added to complete explanation of law relating to the IFA degrouping charge. Changes made to the section on pre-entry losses which become subject to the corporate capital loss restriction rules.
27	27	Substantial Shareholding exemption		✓		Reference added to <i>Allam</i> FTT case, which discusses the meaning of ‘to a substantial extent’ in the context of the definition of a trading v non-trading company. Historic references removed.
28	28	Change in Ownership of a Company		✓		Explanation of how to measure the capital of a company with investment business added.
29	29	Transfer of Trades			✓	
30	30	Demergers		✓		Notes added to explain the circumstances in which the different types of demerger transaction are typically applicable. Description of each type of demerger clarified further. Observations about the application of VAT and Stamp Taxes to demerger transactions added.
31	31	Sale of Shares			✓	
32	32	Accounting for Income Tax			✓	

33	33	Tax Law & Accounting Practice		✓		Some references to old rules which are no longer applicable have been removed. References to IFRS added alongside IAS.
34	34	Tax & Provisions			✓	
35	35	Administration & Liquidation	✓			New rules on HMRC as a second preferential debtor in insolvency proceedings and on joint and several liability of company directors for the company's tax liabilities.
36	36	Sale & Leaseback			✓	
37	37	Distributions			✓	
38	38	Dividend Exemptions			✓	
38	39	Depreciatory Transactions & Value Shifting			✓	
40	40	CT deductions for share schemes			✓	
41	41	Purchase of Own Shares			✓	
42	42	Informal Winding Up			✓	

OVERSEAS CORPORATION TAX – FA20 CHANGES GUIDE

FA20 Ch	FA19 Ch	Topic	Major changes	Minor changes	No changes	Notes
1	1	The UK Taxation of Non-UK Resident Companies	✓			Further explanatory material added to section on non-UK resident corporate landlords chargeable to corporation tax from 6 April 2020 (including expanded explanation of the NRLS). Explanations added for withholding tax on IP with a deemed UK source and for changes to the ORIP rules.
2	3	International Movement of Capital			✓	
3	4	Migration of a Company	✓			New material on corporate inversions added. New illustration (Illustration 4) added to explain payment of tax under an ECPP for a company migrating on or after 1 January 2020. New sections on Structuring International Expansion and Choosing the Location of a Group Holding Company added.
4	5	Incorporation of an Overseas PE		✓		Minor changes to wording to accommodate changes to law as a result of Brexit.
5	6	Transfer Pricing		✓		Changes to wording to improve and clarify explanation of the law.
6	7	Transfer Pricing – Further Aspects		✓		Section on excessive interest updated to reflect the move away from ‘safe harbour’ ratios and the operation of the new OECD Transfer Pricing Guidelines on financial instruments.
7	2	Double Tax Treaties		✓		Minor changes to wording to improve and clarify explanation of the law.
8	8	Double Tax Relief – Credit Relief			✓	

9	9	Double Tax Relief – Exemption for Overseas PEs		✓		Minor changes to wording for consistency.
10	10	Corporate Interest Restriction (CIR) – The Basics			✓	
11	12	CIR – Excess and Brought Forward Amounts			✓	
12	11	CIR – Further Aspects			✓	
13	13	Controlled Foreign Companies	✓			Changes to wording to improve and clarify explanation of the law. New illustration (Illustration 3) added to explain application of rule in s.371RG TIOPA 2010 which deems certain non-UK resident companies to be CFCs.
14	14	Controlled Foreign Companies – Further Aspects		✓		Minor changes to wording to improve explanation of the law.
15	15	Foreign Currency in Accounts – Translations in Accounts			✓	
16	16	Foreign Currency in Accounts – Transactions in Accounts			✓	
17	17	Diverted Profits Tax		✓		Notes added to explain further the calculation of diverted profits and to explain that the Profit Diversion Compliance Facility (PDCF) extended beyond the end of 2019.
18	n/a	Digital Services Tax	✓			New chapter for FA 2020

BUSINESS TAX, CORPORATE GAINS AND STAMP TAXES – FA20 CHANGES GUIDE

FA20 Ch	FA19 Ch	Topic	Major changes	Minor changes	No changes	Notes
1	1	Trading Income & the Badges of Trade			✓	
2	2	Adjustment of Profit – General Principles - Corp			✓	
3	3	Common Adjustments - Corp			✓	
4	4	Stock – Adjustments - Corp			✓	
5	5	Capital Allowances - Definitions			✓	
6	6	Capital Allowances – Basic Computations			✓	
7	7	Capital Allowances – First Year Allowances & the AIA		✓		Updated for change in AIA. Amendments to dates for qualifying expenditure for FYAs.
8	8	Capital Allowances – Further Computations			✓	

9	9	Capital Allowances – Cars & Other Assets		✓		Updated for the effect of the change in rate of the SBA
10	10	Capital Allowance Buying			✓	
11	11	Introduction to corporate chargeable gains			✓	
12	12	Calculation of corporate chargeable gains			✓	
13	13	Enhancement expenditure			✓	
14	14	Part disposals			✓	
15	15	Sales of leases			✓	
16	16	Grants of leases			✓	
17	17	Grants of leases – advanced aspects			✓	
18	18	Chattels			✓	

19	19	Connected persons & series of transactions			✓	
20	20	Shares & securities - matching rules			✓	
21	21	Takeovers			✓	
22	22	Gilts & QCBs			✓	
23	23	Earn-outs & deferred consideration			✓	
24	24	Intangible assets			✓	
25	25	Rollover relief			✓	
26	26	Rollover relief & depreciating assets			✓	
27	27	Rollover relief – further aspects			✓	
28	28	Assets lost or destroyed			✓	
29	29	Compensation for assets damaged			✓	

30	30	An Introduction to Anti-Avoidance			✓	
31	31	Transaction in Securities			✓	
32	32	Transactions in UK Land			✓	
33	33	Follower Notices & Accelerated Payments			✓	
34	34	Extracting Profits from a Company			✓	
35	35	Stamp duty on shares	✓			<p>Note: Temporary changes implemented as a result of COVID-19 are not examinable in the 2021 exams. This applies to all taxes.</p> <p>Where shares are transferred in a target company to an acquiring company, with the acquiring company issuing shares to all shareholders of the target company, they are exempt from SD.</p> <p>Cryptoasset exchange tokens eg bitcoin can be given as consideration for stock and marketable securities. HMRC does not consider exchange tokens to be currency or money so they do not meet the definition of money. They are also not 'stock or marketable securities' either. They can count as the release of a debt.</p>

35	35	...continued				<p>A general market value rule was enacted in 2020 for transfers of unlisted securities sold to a connected company for a consideration. Tax is charged on the higher of the consideration or the market value of the shares. For listed securities the same market value rule applies but here there does not need to be any consideration provided.</p>
36	36	Stamp duty land tax	✓			<p>Note that although the bands for calculating SDLT have undergone temporary changes due to COVID-19, the rates on the tax tables are the ones to use for the exam. The temporary increases have, therefore, not been included in the manual.</p> <p>A purchase of residential property made by a non-resident (individual or company) on or after 1 April 2021 will have a 2% surcharge (on top of existing rates).</p> <p>As a result of a number of tribunal cases residential properties include a meadow, barn to the side of a house and a public bridleway; a paddock adjoining a cottage and garden; and an equestrian property, with a home office above the garage and a paddock let for a nominal rent. Where grazing animals are kept for leisure purposes the land is residential.</p> <p>From September 2019 payments are made electronically.</p>

36	36	...continued			<p>In the Consultus Care case a property let to carers while there were attending a training course enhanced other aspects of the business and was not therefore used exclusively for a rental business. There was no relief from the 15% rate.</p> <p>In the Pensfold case an intention to carry on a qualifying trade at the time of purchase is sufficient for the relief from the 15% rate to apply.</p> <p>HMRC has updated their manual and emphasised that just because two transactions are concluded with the same buyer and seller it does not automatically make them linked. HMRC will look at whether they are part of a single bargain or if one transaction is dependent on or affected by another.</p> <p>Multiple dwellings relief can be claimed where a number of residential properties are bought together. In the Fianders tribunal case an annexe connected by a corridor from the main house with no door between the two parts of the property did not constitute two dwellings. MDR is also available for student flats in a single property in certain circumstances.</p> <p>A new section has been written concerning spousal transfers. This is only relevant for students studying for the Individuals APS paper.</p>
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37	37			✓		<p>A land transaction return can be amended outside the 12 month time limit in certain circumstances, for example, where rescission takes place more than 12 months after substantial performance.</p> <p>There is no appeal against a Revenue determination, even if the taxpayer would have won. This was the decision of the tribunal in Said Mashoof in February 2020.</p>
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