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30th October 2017

Mark George and Charles

FINANCE BILL: GOVERNMENT AMENDMENTS

I am writing to inform you of proposed Government amendments to the current Finance Bill, to be debated at Report stage. These amendments will affect the following parts of the Bill:

- Clause 16 and Schedule 2: Calculation of profits of trades and property businesses
- Schedule 8: Deemed domicile: income tax and capital gains tax

Clause 16 makes changes to ensure landlords can use the cash basis to calculate their profits for tax and also simplifies the treatment of capital expenditure within the cash basis.

One of the features of the cash basis for landlords is a simplified method for identifying when loans are being used to fund capital input into a business rather than the business itself.

Amendments 12 to 16 are small technical adjustments to ensure that the new rules work as intended. In particular, the amendments correct an unintended outcome where a landlord could have their interest deductions restricted when they stop renting out a property and move in rather than sell it.

Schedule 8 is a set of provisions implementing the reforms to the taxation of non-domiciled individuals. *Amendment 17* applies to Part 4 of the Schedule – ‘The cleansing of mixed funds’.

The cleansing of mixed funds rules introduce changes to the way the remittance basis is applied to non-domiciled individuals. For a two-year period only, it will allow an individual to rearrange their funds held in overseas bank accounts, so that they can bring more of their money to the UK.

A qualifying individual is one who was not born in the UK and whose domicile of origin was not in the UK. The amendment corrects a minor error where ‘or’ has been used in place of ‘and’. This correction will ensure the legislation enacts the policy as intended.

The Explanatory Notes for all the amendments are available on the Finance Bill: September 2017 gov.uk webpage.

I am copying this letter to other members of the Public Bill Committee, and depositing a copy in the Library of the House.



RT HON MEL STRIDE MP