

## **Notes on Finance Bill 2016 Resolutions**

### **1. Amendment of the law**

Authorises the Finance Bill to contain those provisions which do not impose or increase a tax charge, in particular provisions that give relief from tax or which deal with tax administration. It also restricts the scope for amendments to VAT.

### **2. Income tax (charge and main rates)**

Provides for the charge and main rates to apply for the 2016-17 tax year.

### **3. Dividends etc**

Authorises the Finance Bill to provide for changes to the way in which distributions (including dividends) are taxed.

### **4. Taxable benefits (application of Chapter 5, 6 and 7 of Part 3 of the Income Tax (Earnings and Pensions) Act 2003)**

Provides for a clarification of the law to ensure that the statutory provisions for calculating the tax charge on a benefit-in-kind contained in Chapters 5, 6 and 7 of Part 3 of the Income Tax (Earnings and Pensions) Act 2003 apply irrespective of whether the terms on which the benefit is provided constitute a fair bargain. This amendment has effect for the tax year 2016-17 and subsequent tax years.

### **5. Taxable benefits (diesel cars)**

Authorises the Finance Bill to provide for changes to Chapter 6 of Part 3 of the Income Tax (Earnings and Pensions) Act (ITEPA) 2003 (taxable benefits: cars, vans and related benefits) to retain the additional 3 percentage points for the appropriate percentage for diesel cars for the tax year 2016-17 and subsequent years.

### **6. Taxable benefits (vans)**

Authorises the Finance Bill to provide for changes to section 155 of the Income Tax (Earnings and Pensions) Act 2003 (taxable benefits: cars, vans and related benefits) to amend the cash equivalent of the benefit of a zero-emission van for the tax years 2016-17, 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22.

### **7. Income tax (exemption for trivial benefits provided by employers)**

Provides for a new exemption for low value ("trivial") benefits in kind. This amendment has effect for the tax year 2016-17 and subsequent tax years.

### **8. Travel expenses of workers providing services through intermediaries**

Provides for a restriction of travel and subsistence relief for individuals who supply personal services through an employment intermediary, by treating each engagement as a separate employment. An individual who is employed through an employment intermediary will be now taxed on any travel and subsistence expenses received on the same basis as other workers, contracted directly or through temporary work contracts. Provides for the measure to have effect from 6th April 2016.

### **9. Income tax (PAYE)**

Authorises the Finance Bill to provide for collection of income tax on benefits in kind through the Pay As You Earn system.

### **10. Employment-related securities**

Authorises the Finance Bill to make provisions about employment related securities options and share incentive plans.

- 11. Employment income provided through third parties**  
Authorises the Finance Bill to provide for changes to the income tax rules on employment income provided through third parties.
- 12. Employment income provided through third parties (tax avoidance)**  
Authorises the Finance Bill to contain provision for changes to section 554Z8 of the Income Tax (Earnings and Pensions) Act 2003, to take effect from 16 March 2016.
- 13. Pensions: lifetime allowance**  
Provides for the lifetime allowance for tax-relieved pension savings to be reduced from 6 April 2016, and two new transitional protection regimes which allow individuals to keep a higher lifetime allowance in specified circumstances. The protection regimes will apply from 6 April 2016.
- 14. Pensions**  
Authorises the Finance Bill to provide for changes (including with retrospective effect) to be made in connection with the taxation of pensions.
- 15. Income tax (fixed rate deductions)**  
Authorises the Finance Bill to provide for amendments to the simplified expenses legislation for small businesses.
- 16. EIS, SEIS and VCTs**  
Authorises the Finance Bill to provide for changes to the enterprise investment scheme, the seed enterprise investment scheme and venture capital trusts including provision having retrospective effect.
- 17. Income tax relief for irrecoverable peer-to-peer loans**  
Provides for a new Income Tax relief for irrecoverable peer-to-peer loans, with effect from 6 April 2016.
- 18. Transactions in securities**  
Provides for amendments to be made to Chapter 1 of Part 13 of the Income Tax Act 2007.
- 19. Transactions in securities (procedure)**  
Authorises the Finance Bill to provide for the amendment of the counteraction provisions and clearance procedures relating to the transactions in securities legislation and will apply to transactions occurring on or after 6 April 2016.
- 20. Company distributions**  
Provides for amendments to be made to Chapters 3 and 4 of Part 4 of the Income Tax (Trading and Other Income) Act 2005
- 21. Carried interest and disguised fees**  
Authorises the Finance Bill to make provision about sums arising to individuals who perform investment management services.
- 22. Abolition of some duties to deduct income tax at source**  
Authorises the Finance Bill to provide for amendments to rules on deduction of income tax from interest or other returns paid on certain savings, investments and alternative finance arrangements. The changes have effect in relation to returns paid or credited on and after 6 April 2016.

**23. Deduction of income tax at source (tax avoidance)**

Provides for the Finance Bill to contain provision for the duty to deduct income tax from payments of royalties under Part 15 of the Income Tax Act 2007 to apply without regard to double taxation arrangements where those payments of royalties are made to connected persons under DTA tax avoidance arrangements.

**24. Corporation tax (charge for financial year 2017)**

Provides for corporation tax to be charged for the financial year 2017.

**25. Expenditure on research and development**

Authorises the Finance Bill to make provision about tax relief for expenditure on research and development.

**26. Loan relationships and derivative contracts**

Authorises the Finance Bill to provide for amendments to corporation tax rules on loan relationships and derivative contracts.

**27. Sections 455 and 464A of the Corporation Tax Act 2010 (rates)**

Authorises the Finance Bill to provide for changes to the rates of tax charged on close companies on loans to participators and other arrangements.

**28. Intangible fixed assets**

Authorises the Finance Bill to provide for changes (including with retrospective effect) to be made to the corporation tax treatment of intangible fixed assets.

**29. Banking companies**

Authorises the Finance Bill to make provision amending Part 7A of the Corporation Tax Act 2010.

**30. Allowances relating to oil activities**

Authorises the Finance Bill to make provision (including with retrospective effect) about the allowances that reduce adjusted ring fence profits under Part 8 of the Corporation Tax Act 2010.

**31. Profits arising from the exploitation of patents**

Authorises the Finance Bill to provide for amendments to Part 8A of the Corporation Tax Act 2010.

**32. Hybrid and other mismatches**

Authorises the Finance Bill to provide for new corporation tax rules to deal with hybrid mismatches. These rules will either deny deductions, or bring amounts into charge, in order to neutralise the effect of hybrid mismatches.

**33. Insurance companies**

Authorises the Finance Bill to provide for amendments to Part 2 of the Finance Act 2012.

**34. Consideration for taking over payment obligations of lessee under a lease of plant or machinery**

Authorises the Finance Bill to make provision (including provision having retrospective effect) about consideration given to a person in return for taking over payment obligations under a lease of plant or machinery.

**35. Capital allowances**

Authorises the Finance Bill to make provision (including provision having retrospective effect) about capital allowances.

**36. Trade and property business profits**

Authorises the Finance Bill to provide for amendments to be made to the trading and property income parts of Income Tax (Trading and Other Income) Act 2005 and Corporation Tax Act 2009, and to section 41 Taxation of the Chargeable Gains Act 1992.

**37. Transfer pricing**

Authorises the Finance Bill to provide for the application of OECD principles in relation to transfer pricing.

**38. Capital gains tax**

Authorises the Finance Bill to make provision (including provision having retrospective effect) about capital gains tax.

**39. Inheritance tax**

Authorises the Finance Bill to make provision (including provision having retrospective effect) about inheritance tax.

**40. Estate duty**

Authorises the Finance Bill to make provision about estate duty.

**41. Apprenticeship levy**

Authorises the Finance Bill to make provision for and in connection with a new tax in respect of payments of earnings to or for the benefit of employed earners ('apprenticeship levy').

**42. Value added tax (refunds to specified persons)**

Authorises the Finance Bill to provide for persons specified by HM Treasury to be eligible for refunds of VAT.

**43. Value added tax (joint and several liability)**

Authorises the Finance Bill to make provision about joint and several liability for value added tax.

**44. Value added tax (Isle of Man charities)**

Authorises the Finance Bill to provide for charities subject to the control of the High Court of the Isle of Man to be eligible for charity VAT reliefs.

**45. Stamp duty land tax (calculating tax on non-residential and mixed transactions)**

Provides for the amendment of the Finance Act 2003 to change the rules for calculating the stamp duty land tax charged on purchases of non-residential property and transactions involving a mixture of residential and non-residential properties. The changes will have effect from 17 March 2016.

**46. Stamp duty land tax (higher rates for additional dwellings etc)**

Provides for amendments to Part 4 of Finance Act 2003 to change the rates of stamp duty land tax applicable to some transactions in residential property from 1 April 2016.

**47. SDLT higher rate (land purchased for commercial use)**

Provides for the amendment of paragraph 5 of Schedule 4A of Finance Act 2003 to provide relief from the higher rate of Stamp Duty Land Tax for dwellings acquired for conversion or demolition for the purposes of a trade or qualifying property rental business. This change comes into effect from 1 April 2016.

**48. SDLT higher rate (acquisition under home reversion plan)**

Provides for the insertion of new paragraphs 5CA and 5IA into Schedule 4A of Finance Act 2003 to introduce relief from the higher rate of stamp duty land tax for dwellings acquired by an authorised plan provider for the purposes of an equity release scheme, specifically a regulated home reversion plan. This change comes into effect from 1 April 2016.

**49. SDLT higher rate (properties occupied by certain employees)**

Provides for the amendment of Schedule 4A of Finance Act 2003 so that relief will also be available from the higher rate of SDLT where a property is purchased for the purposes of providing living accommodation either to an employee of a qualifying property rental business, or to a caretaker who is permitted to occupy one of the dwellings in a building owned by tenant run management company. This change comes into effect from 1 April 2016.

**50. Stamp duty land tax (co-ownership authorised contractual schemes)**

Authorises the Finance Bill to make provision in connection with the stamp duty land tax treatment of co-ownership authorised contractual schemes.

**51. ATED (home reversion plans)**

Provides for new section 144A to be inserted into Finance Act 2013 to introduce relief where an interest in a dwelling is held for the purposes of an equity release scheme, specifically for the purposes of a regulated home reversion plan. This change comes into effect from 1 April 2016.

**52. ATED (properties occupied by certain employees)**

Provides for the amendment of Finance Act 2013 so that relief will be available where a property is occupied by an employee of a property rental business or where a tenant run management company permits one of the flats in the building to be occupied by a person employed to act as caretaker of that building. These changes come into effect from 1 April 2016.

**53. Stamp duty (certain transfers of securities)**

Provides for Part 3 of the Finance Act 1986 to be amended so that securities transferred to a clearance service or depositary receipt issuer as a result of the exercise of an option will now be charged the 1.5% higher rate of stamp duty based on either their market value or the option strike price, whichever is higher. The change will apply to options which are entered into on or after 25 November 2015 and exercised on or after 23 March 2016.

**54. Stamp duty reserve tax (certain transfers of securities)**

Provides for Part 4 of the Finance Act 1986 to be amended so that securities transferred to a clearance service or depositary receipt issuer as a result of the exercise of an option will now be charged the 1.5% higher rate of stamp duty reserve tax based on either their market value or the option strike price, whichever is higher. The change will apply to options which are entered into on or after 25 November 2015 and exercised on or after 23 March 2016.

**55. Reduction in rate of petroleum revenue tax**

Provides for Petroleum Revenue Tax to be charged at 0% for chargeable periods ending after 31 December 2015, and removes the requirement to make instalment payments for the chargeable period ending 30 June 2016.

**56. Insurance premium tax (standard rate)**

Provides for an increase in the standard rate of Insurance Premium Tax (IPT) from 9.5% to 10% with effect from 1 October 2016.

**57. Landfill tax (rates)**

Authorises the Finance Bill to provide for the rates of landfill tax.

**58. Climate change levy**

Authorises the Finance Bill to make provision about climate change levy (CCL).

**59. Air passenger duty (rates of duty from 1 April 2016)**

Provides for changes to the rates of air passenger duty, set out in section 30 of the Finance Act 1994, for destinations in Band B in relation to the carriage of passengers on or after 1 April 2016.

**60. Vehicle excise duty (rates for light passenger vehicles etc)**

Provides for changes to certain rates of vehicle excise duty applying to light passenger vehicles (cars), light goods vehicles (vans), motorcycles and motorcycle trade licenses in relation to licenses taken out after 1 April 2016.

**61. Fuel duty (aqua methanol)**

Authorises the Finance Bill to provide for and in connection with the charging of excise duty on liquid fuel consisting of a mixture of methanol and water

**62. Tobacco products duty (rates)**

Provides for changes to the rates of duty on tobacco products, set out in the Table in Schedule 1 to the Tobacco Duty Act 1979, to come into force at 6pm on 16 March 2016.

**63. Alcoholic liquor duties (rates)**

Provides for changes to the rates of excise duty contained in the Alcoholic Liquor Duties Act 1979 with effect from 21 March 2016.

Provides for an increase in the duty rates on wine and made-wine at or below 22% abv, and high strength sparkling cider above 5.5%.

**64. General anti-abuse rule**

Authorises the Finance Bill to make provision for and in connection with amending Part 5 of the Finance Act 2013

**65. Serial tax avoidance (restriction of reliefs)**

Authorises the Finance Bill to provide for the restriction of access to reliefs to tax in cases where taxpayers have used tax arrangements which are defeated by HMRC.

**66. Time limit for self assessments**

Authorises the Finance Bill to make provision imposing a time limit for making and delivering a self assessment in a return under section 8 or 8A of the Taxes Management Act 1970.

**67. Claims for tax advantages constituting state aid**

Authorises the Finance Bill to make provision (including provision having retrospective effect) about information to be given when making a claim for a relief or other tax advantage constituting state aid.

**68. Bodies carrying on insurance-related activities**

Authorises the Finance Bill to make provision for the tax treatment of bodies carrying on insurance related activities, their investors, and transactions involving such bodies.

**69. Relief from tax (incidental and consequential charges)**

Authorises the Finance Bill to make provision for incidental or consequential charges to any duty or tax (including charges having retrospective effect) that may arise from provision designed in general to afford relief from taxation.

**PROCEDURE (FUTURE TAXATION)**

Authorises the Finance Bill to contain provision (to take effect in a future year):

- a) about the basic rate limit for the purposes of income tax;
- b) about the personal allowance for the purposes of income tax;
- c) about restructuring income tax rates;
- d) for taxable benefits in respect of cars;
- e) for the tax treatment of payments from sporting testimonials which recognise the service of individuals who are or have been employed as professional sportspeople;
- f) about the standard lifetime allowance under Part 4 of the Finance Act 2004;
- g) for income tax purposes about finance-related expenses in connection with property businesses;
- h) for corporation tax to be charged for the financial year 2017 (the year beginning 1 April 2017);
- i) about the corporation tax year for the final year 2020 (the year beginning 1 April 2020);
- j) for and in connection with the abolition of relief under Chapter 7 of Part 13 of the Corporation Tax 2009;
- k) for a relief, in the form of a lower rate of capital gains tax, in respect of disposals of certain ordinary shares in unlisted companies;
- l) about inheritance tax;
- m) for and in connection with the imposition of a new tax in respect of payments of earnings to or for the benefit of employed earners;
- n) about climate change levy; and
- o) for amending the description of vehicles which are exempt vehicles for the purposes of the Vehicle Excise and Registration Act 1994.

**PROCEDURE (FUTURE TAXATION)**

Authorises the Finance Bill to contain provision for the rates of landfill tax taking effect in a future year.

**PROCEDURE (ORCHESTRA TAX CREDITS)**

Authorises the Finance Bill to provide for tax credits to be paid to orchestra production companies in respect of expenditure or losses on orchestral productions.

**PROCEDURE (SOCIAL SECURITY CONTRIBUTIONS)**

Authorises the Finance Bill to make provision for the purpose of protecting the revenue from losses arising from the use of tax avoidance arrangements relating to National Insurance contributions.

**PROCEDURE (MEASURES RELATING TO LARGE BUSINESSES)**

Authorises the Finance Bill to (a) make provision requiring the publication of tax strategies by bodies which are or are part of a large business, and (b) make provision for imposing special measures on such bodies where there has been an ongoing history of aggressive tax planning and/or persistent uncooperative behaviour.

**PROCEDURE (RAW TOBACCO APPROVAL SCHEME)**

Authorises the Finance Bill to provide for the approval of persons carrying on certain activities in relation to raw tobacco.

**PROCEDURE (INFORMATION POWERS IN CONNECTION WITH TAX ADVANTAGES CONSTITUTING STATE AID)**

Authorises the Finance Bill to make provision conferring on HMRC powers enabling them to acquire, disclose or publish information connected with the grant of reliefs or other tax advantages constituting state aid.

**FINANCE (MONEY)**

Authorises the Finance Bill to provide for the payment out of money provided by Parliament of expenditure incurred by the Treasury in connection with the expenses of, or payments to members of, the Office of Tax Simplification



## **Territorial extent and application in the United Kingdom**

In the view of HM Government, the Finance Bill 2016 resolutions have differential extent and application in the United Kingdom as shown in the table below. The majority of measures apply to the whole United Kingdom.

The measures where there is a differential extent and application appertain to Stamp Duty Land Tax (SDLT) and Landfill Tax. UK SDLT applies in England and Northern Ireland and currently in Wales but does not apply in Scotland, which has its own tax on land transactions under the competence of the Scottish Parliament.

UK Landfill Tax applies in England and Northern Ireland and currently in Wales; Scotland has its own tax under the competence of the Scottish Parliament.

| Resolution number/other description                     | Extends to E&W and applies to <b>England</b> | Extends to E&W and applies to <b>Wales</b> | Extends and applies to <b>Scotland</b> | Extends and applies to <b>Northern Ireland</b> | Would corresponding provision be within the competence of the <b>National Assembly for Wales?</b> | Would corresponding provision be within the competence of the <b>Scottish Parliament?</b> | Would corresponding provision be within the competence of the <b>Northern Ireland Assembly?</b> | Legislative Consent Motion needed? |
|---|--|--|--|--|---|---|---|------------------------------------|
| Resolutions 1 to 44                                     | Yes  | Yes  | Yes                                    | Yes  | N/A   | N/A   | N/A   | No                                 |
| Resolution 45   | Yes  | Yes  | No                                     | Yes  | N/A   | Yes   | N/A   | No                                 |
| Resolution 46   | Yes  | Yes  | No                                     | Yes  | N/A   | Yes   | N/A   | No                                 |
| Resolution 47   | Yes  | Yes  | No                                     | Yes  | N/A   | Yes   | N/A   | No                                 |
| Resolution 48   | Yes  | Yes  | No                                     | Yes  | N/A   | Yes   | N/A   | No                                 |
| Resolution 49   | Yes  | Yes  | No                                     | Yes  | N/A   | Yes   | N/A   | No                                 |
| Resolution 50   | Yes  | Yes  | No                                     | Yes  | N/A   | Yes   | N/A   | No                                 |
| Resolutions 51 to 56                                    | Yes  | Yes  | Yes                                    | Yes  | N/A   | N/A   | N/A   | No                                 |
| Resolution 57   | Yes  | Yes  | No                                     | Yes  | No  | Yes   | No  | No                                 |
| Resolutions 58 to 69                                    | Yes  | Yes  | Yes                                    | Yes  | N/A   | N/A   | N/A   | No                                 |
| Future tax resolution 1                                 | Yes  | Yes  | Yes                                    | Yes  | N/A   | N/A   | N/A   | No                                 |
| Procedure (Fut Tax) No 2 (Landfill)                     | Yes  | Yes  | No                                     | Yes  | No  | Yes   | No  | No                                 |
| Other Procedure and Money resolutions, and the Schedule | Yes  | Yes  | Yes                                    | Yes  | N/A   | N/A   | N/A   | No                                 |

## **Minor or consequential effects**

None identified