WRITTEN MINISTERIAL STATEMENT

Draft Legislation for Finance Bill 2013 and Tax Policy Update

The Exchequer Secretary to the Treasury (David Gauke): The Government consulted on a number of tax policies, following their announcement in Budget 2012. Today the Government is publishing the response to these consultations alongside draft legislation to be included in Finance Bill 2013. This fulfils our objective to confirm the majority of intended tax changes at least three months ahead of publication. Draft legislation will be open for technical consultation until Wednesday 6 February 2013.

Details of the clauses published today are set out in the Overview of Legislation in Draft document, which also includes Tax Information and Impact Notes for each measure. All publications will be available on both the HM Treasury and HM Revenue & Customs (HMRC) websites.

The Government is publishing draft legislation on policies announced at Budget 2012, including:

- A General Anti-Abuse Rule, to target abusive tax avoidance schemes;
- Corporation tax reliefs to encourage investment in the production of animation, high-end television and video games;
- An 'above the line' R&D credit to encourage investment in research and development.
- A package of property tax policies including a new annual residential property tax to be payable by certain non-natural persons that own interests in dwellings valued at more than £2 million, and an extension of the capital gains tax regime to non-residential non natural persons disposing of interests in UK residential property valued at over £2 million. The capital gains tax will be payable only on gains accruing on or after 6 April 2013. For consistency, the Government is considering extending the CGT regime to also apply to disposals of high value residential property by UK NNPs. The Government would welcome views on the impact and implementation of this potential change by 18th January.
- Introducing a statutory residence test, abolishing ordinary residence and eliminating the concept of 'ordinary residence' for tax purposes as far as possible.

The Government will also publish draft legislation for policies announced in the 2012 Autumn Statement.

In addition the Government is also announcing a number of new measures for Finance Bill 2013. This includes draft legislation to:

- Give HMRC the power to implement a special accounting scheme for air passenger duty that will allow eligible operators to submit annual returns.
- Make changes to the carbon price floor legislation to clarify the tax point, taxable person and the treatment of auto-generators and Combined Heat and Power stations.
- Exempt Universal Credit from income tax.
- To clarify the tax treatment of banks' Tier 2 regulatory capital instruments, as announced by the Financial Secretary to the Treasury on 26 October. This clarification will ensure that the coupon on Tier 2 capital which is already in issue or yet to be issued will be deductible for the purposes of a bank computing its profits for corporation tax purposes. This will provide banks and investors with certainty.
- Make amendments to allow the Finance Act 2003 inheritance tax measures on the treatment of open-ended investment companies (OEIC) and authorised unit trusts (AUT) to work in the way that was originally intended.
- Amend the restrictions on when companies resident in the European Economic Area can surrender losses from their UK branches as group relief from corporation tax in the UK.
- Introduce further minor simplifications to the remittance basis rules as they affect exempt property where such property is lost, stolen or destroyed and works of art on public display, and clarify the interaction between the time limits for the exempt property rules.
- Ensuring that conditions imposed by a statutory body by which one company will leave a group at a pre-determined date will not prevent claims to corporation tax group relief. This targeted legislative amendment to the group loss relief rules will not remove the current loss-buying avoidance protection.
- Ensure that a consistent time limit for repayment applies for all overpaid tax. This legislation will also correct an anomaly relating to time limits for loss relief.

In addition the Government is also introducing today draft secondary legislation to:

- Clarify the tax treatment of new Core Tier One regulatory capital instruments which Building Societies' have developed to ensure compliance with regulatory capital requirements under the forthcoming Capital Requirements Directive IV. As Building Societies' are mutual organisations their constitutions prevent them from issuing ordinary share capital in the same way as other companies. This change to secondary legislation will ensure that these new instruments, which will perform a similar function to ordinary share capital, will also be taxed in the same way as ordinary share capital.

The Government has also tabled one further related written statement today:

- Draft Legislation for Finance Bill 2013: Measures with Effect on 11 December

HM Treasury
11 December 2012