Overview of Tax Legislation and Rates

8 March 2017

Introduction

This document sets out the detail of each tax policy measure announced at Spring Budget 2017. It is intended for tax practitioners and others with an interest in tax policy changes, especially those who will be involved in consultations both on the policy and on draft legislation. The information is set out as follows:

- Section 1 provides detail on all tax measures to be legislated in Finance Bill 2017. This includes confirmation of previously announced policy changes and explains where changes, if any, have been made following consultation on the draft legislation. It also sets out new measures announced at Spring Budget 2017, where they will be in Finance Bill 2017.
- Section 2 provides details of all tax measures announced at Spring Budget 2017 which are not included in Finance Bill 2017. Any tax changes will be legislated for as necessary.

  References to 'Finance Bill 2017-18' refer to the Finance Bill which will be introduced to Parliament following Autumn Budget 2017.

Table 1 lists measures in this document without a corresponding announcement in the Budget report.

Annex A provides tables of tax rates and allowances.

Annex B gives details of upcoming consultations announced at Spring Budget 2017.

Annex C gives information on impact assessments in Tax Information and Impact Notes.

Annex D includes all Tax Information and Impact Notes published at Spring Budget 2017.

Finance Bill 2017 will be published on 20 March 2017.

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1. Finance Bill 2017

Income Tax

1.1. Income Tax charge and rates: 2017/18 tax year

In Finance Bill 2017, the government will set the charge for Income Tax, and the corresponding rates, as it does every year. However, following legislation introduced in section 6 of Finance Act 2016 to separate the 'main rates' out into three distinct groups, it will set these different rates separately for the first time. Finance Bill 2017 will therefore set:

- the 'main rates', which will apply to 'non-savings, non-dividend' income of taxpayers in England, Wales and Northern Ireland
- the 'savings rates', which will apply to savings income of all UK taxpayers
- the 'default rates', which will apply to a very limited category of income taxpayers that will not fall within the above two groups, made-up primarily of trustees and non-residents

In addition, from April 2017 the income tax rates and thresholds on non-savings, non-dividend income for Scottish taxpayers will be set by the Scottish Parliament. The changes introduced in Finance Act 2016 will ensure that once the Scottish Parliament's Income Tax powers come into effect, MPs in England, Wales and Northern Ireland will have the final say on Income Tax rates that primarily affect their constituents. This will meet the government's commitment to ensure that the 'English Votes for English Laws' procedure can apply to the 'main rates' of Income Tax. Further details on these changes were published in a TIIN on 16 March 2016.

1.2. Dividend allowance reduction

As announced at Spring Budget 2017, the government will legislate in Finance Bill 2017 to reduce the tax-free allowance for dividend income from £5,000 to £2,000. This will reduce the tax differential between the employed and self-employed on one hand and those working through a company on the other, and raise revenue to invest in our public services. The change will take place from April 2018. A TIIN for this measure was published on 8 March 2017.

1.3. Trading and property income allowances

As announced at Budget 2016, and confirmed at Autumn Statement 2016, the government will legislate in Finance Bill 2017 to create two new Income Tax allowances of £1,000 each, for trading and property income. The allowances can be deducted from income instead of actual expenses. As announced at Autumn Statement 2016, the trading allowance will also apply to certain miscellaneous income from providing assets or services.

Following the publication of the draft legislation, revisions will be made to prevent the allowances from applying to income of a participator in a connected close company or to any income of a partner from their partnership. Minor revisions will also be made to improve clarity and correct errors.

1.4. Amendments to Social Investment Tax Relief

As announced at Autumn Statement 2016, the government will amend the requirements for the Social Investment Tax Relief (SITR) scheme. These amendments:

- increase the amount of investment a social investment may receive over its lifetime to £1.5 million for social enterprises that receive their initial risk finance investment no later than 7 years after their first commercial sale. The current limit will continue to apply to older social enterprises
- reduce the limit on full-time equivalent employees to below 250 employees
- exclude certain activities, including asset leasing and on-lending, to ensure the scheme is well targeted. Investment in nursing homes and residential care homes will be excluded initially, however the government intends to introduce an accreditation system to allow such investment to qualify for SITR in the future
- exclude the use of money raised under the SITR to pay off existing loans
- clarify that individuals will be eligible to claim relief under the SITR only if they are independent from the social enterprise
- introduce a provision to exclude investments where arrangements are put in place with the main purpose of delivering a benefit to an individual or party connected to the social enterprise

The changes will take effect for investments made on or after 6 April 2017.

1.5. Tax-advantaged venture capital schemes

As announced at Autumn Statement 2016, the government will amend the requirements of the Enterprise Investment Scheme (EIS), the Seed Enterprise Investment Scheme (SEIS) and Venture Capital Trusts (VCTs). These amendments:

- clarify the EIS and SEIS rules for share conversion rights - the rights to convert shares from one class to another will be excluded from being an arrangement for the disposal of those shares within the no pre-arranged exits requirements for the EIS and SEIS for shares issued on or after 5 December 2016
- provide additional flexibility for follow-on investments made by VCTs in companies with certain group structures, to align with EIS provisions, for investments made on or after 6 April 2017
- introduce a power to enable VCT regulations to be made in relation to certain share for share exchanges to provide greater certainty to VCTs, which will take effect on the date from which Finance Bill 2017 receives Royal Assent

A summary of responses to a consultation on options to streamline and prioritise the advance assurance service will be published after the Budget.

Employment and benefits in kind

1.6. Alignment of dates for making good on benefits in kind (BiKs)

As announced at Autumn Statement 2016, and following consultation over the summer, the government will legislate in Finance Bill 2017 to align the dates for making good on BiKs, where an employee makes a payment in return for the BiK they receive. This has the effect of reducing the taxable value of the BiK, often to zero. Legislation in Finance Bill 2017 will set the date for an employee to make good on benefits in kind which are not accounted for in real time through PAYE (BiKs which are not payrolled). Following the consultation, the government concluded that 6 July following the end of the tax year is an appropriate date, so the taxable value of the BiK will be reduced or removed if making good takes place by that date.

The change will affect making good on a tax liability arising in the tax year 2017/18, and subsequent years.

1.7. Optional remuneration arrangements (salary sacrifice)

As announced at Autumn Statement 2016, legislation will be introduced in Finance Bill 2017 to remove Income Tax and employer National Insurance contributions (NICs) advantages where BiKs are provided through salary sacrifice or other optional remuneration arrangements.

Changes will take effect from 6 April 2017.

A transitional rule will protect employees who are in contractual arrangements before 6 April 2017 until the earlier of a variation or renewal of the contract or 6 April 2018, except for cars with emissions above 75g CO2 per kilometre, accommodation and school fees for which the final date is 6 April 2021. Employer-provided pensions and pension advice, Childcare Vouchers, employer-provided childcare and workplace nurseries; cycle to work schemes and ultra-low emissions cars, with emissions not exceeding 75g CO2 per kilometre will be excluded from this measure.

1.8. Reform of tax treatment of termination payments

As announced at Budget 2016 and confirmed at Autumn Statement 2016, the government will legislate in Finance Bill 2017 to tighten and clarify the tax treatment of termination payments. This will include making all contractual and non-contractual payments in lieu of notice taxable as earnings and requiring employers to tax the equivalent of an employee's basic pay if notice is not worked. Legislation will also be introduced in the NICs Bill 2017 to align the tax and employer NICs treatment of termination payments so that employer NICs will be payable on the elements of the termination payment exceeding £30,000 on which Income Tax is due. The first £30,000 of a termination payment will remain exempt from Income Tax and NICs. The changes, including to Foreign Service Relief, will take effect from 6 April 2018. Following consultation on the draft legislation, the government will include legislation to abolish Foreign Service Relief in Finance Bill 2017-18.

1.9. Off-payroll working in the public sector

As announced at Budget 2016 and confirmed at Autumn Statement 2016, the government will legislate in Finance Bill 2017 to reform the off-payroll rules and improve compliance in the public sector. Responsibility for operating the off-payroll working rules, and deducting any tax and NICs due, will move to the public sector body, agency or other third party paying an individual's personal service company. The change will come into effect from 6 April 2017 and apply across the UK.

As a result of feedback received during the technical consultation, it will be optional for the agency or public sector body to take account of the worker's expenses when calculating the tax due. This change would put these workers in the same position as other employees, whose employers can choose whether or not to reimburse the expenses they incur. This will not affect the individual's right to claim tax relief on legitimate employment expenses from HMRC. The application of the rules to Parliament and Statutory Auditors will also be clarified. An updated TIIN for this measure was published on 8 March 2017.

1.10. Tackling disguised remuneration avoidance schemes

As announced at Autumn Statement 2016, the government will legislate in Finance Bill 2017 to tackle existing and prevent future use of disguised remuneration avoidance schemes. This will ensure scheme users pay their fair share of income tax and NICs. The future use of schemes will be prevented by strengthening the current rules. The existing use of schemes will be tackled by the introduction of a new charge on disguised remuneration loans that were made after 5 April 1999 and remain outstanding on 5 April 2019. Legislation will also be introduced to ensure there is no double taxation.

Following consultation, legislation has been revised to ensure the loan charge and the exclusions operate as intended. The close companies' gateway will now be introduced in Finance Bill 2017-18 to commence from 6 April 2018. This will allow for further consultation to ensure it is appropriately targeted at disguised remuneration schemes. Proposals on how the tax and NICs arising from the changes will be collected will be set out in a technical consultation later in 2017. Further detail on the revisions can be found in the technical update.

As announced at Autumn Statement 2016, legislation will also be introduced in Finance Bill 2017 to tackle existing and prevent future use of similar schemes used by the self-employed. Legislation preventing the future use of these schemes will have effect from 6 April 2017. The existing use of schemes will also be tackled by the introduction of a new charge on outstanding disguised remuneration loans. This loan charge will operate in a similar way to the employment loan charge outlined in the technical consultation. It will have effect from Royal Assent of Finance Bill 2017.

As announced at Autumn Statement 2016, legislation will be also introduced to prevent employers claiming a deduction when computing their taxable profits for contributions to a disguised remuneration scheme unless Income Tax and NICs are paid within a specified period. This will have effect for contributions made on or after 1 April 2017 (for Corporation Tax purposes) or 6 April 2017 (for Income Tax purposes).

Life insurance and pensions tax

1.11. Life Insurance Policies - Part surrenders and part assignments

As announced at Autumn Statement 2016, the government will legislate in Finance Bill 2017 to change the current tax rules for part surrenders and part assignments of life insurance policies to allow policyholders who have generated a wholly disproportionate gain to apply to HM Revenue and Customs (HMRC) to have the gain recalculated on a just and reasonable basis. Following consultation, the legislation has been revised to clarify who can apply, when and how the recalculation is given effect. These changes will have effect from Royal Assent of Finance Bill 2017.

1.12. Reducing the Money Purchase Annual Allowance

Following a consultation launched at Autumn Statement 2016, the government will legislate in Finance Bill 2017 to reduce the money purchase annual allowance to £4,000 from April 2017. This restricts the amount of tax relieved contributions an individual can make in a year into a money purchase pension, if they have flexibly accessed their pension savings. A response to the consultation will be published on 20 March 2017. A TIIN for this measure was published on 8 March 2017.

1.13. Changes to tax treatment of foreign pension regimes

As announced at Autumn Statement 2016, the government will legislate in Finance Bill 2017 to more closely align the treatment of foreign pensions with the UK's domestic pension regime. Following consultation, the legislation has been revised to set out the position for defined benefit specialist pension schemes for those employed abroad ("section 615" schemes) and clarify that all lump sums paid out of funds built up before 6 April 2017 will be subject to existing tax treatment. These changes will have effect from 6 April 2017.

1.14. Qualifying recognised overseas pension schemes (QROPS): introduction of a transfer charge

As announced at Spring Budget 2017, the government will legislate in Finance Bill 2017 to apply a 25% charge to pension transfers made to qualifying recognised overseas pension schemes (QROPS).Exceptions will be made to the charge, allowing transfers to be made tax free where people have a genuine need to transfer their pension, where:

(a) both the individual and the pension scheme are in countries within the European Economic Area (EEA) or

(b) if outside the EEA, both the individual and the pension scheme are in the same country, or

(c) the QROPS is an occupational pension scheme provided by the individual's employer.

If the individual's circumstances change within five tax years of the transfer, the tax treatment of the transfer will be reconsidered. The changes will take effect for transfers requested on or after 9 March 2017.

The government will also legislate in Finance Bill 2017 to apply UK tax rules to payments from funds that have had UK tax relief and have been transferred, on or after 6 April 2017, to a qualifying recognised overseas pension scheme. UK tax rules will apply to any payments made in the first five full tax years following the transfer, regardless of whether the individual is or has been UK resident in that period.

A TIIN for this measure was published on 8 March 2017.

Corporation tax

1.15. Offshore property developers

As announced at Spring Budget 2017, the government will legislate in Finance Bill 2017 to amend the legislation on profits from trading in and developing land in the UK at sections 76 - 80 Finance Act 2016 to tax all profits arising on or after 8 March 2017. A TIIN for this measure was published on 8 March 2017.

1.16. Reform of the Substantial Shareholdings Exemption

As announced at Autumn Statement 2016, the government will legislate in Finance Bill 2017 to simplify the rules, remove the investing company requirement within the Substantial Shareholdings Exemption, and provide a more comprehensive exemption for companies owned by qualifying institutional investors. Following consultation amendments have been made to provide clarity and certainty. The changes will take effect from 1 April 2017.

1.17. Loss relief reform

As announced at Budget 2016, the government will legislate in Finance Bill 2017 to reform the rules governing corporate losses carried forward from earlier periods.

The reform will:

- give all companies more flexibility by relaxing the way in which they can use losses arising on or after 1 April 2017 when they are carried forward - these losses will be useable against profits from different types of income and profits of other group companies
- restrict the use of losses carried forward by companies so that they cannot reduce their profits arising on or after 1 April 2017 by more than 50% - this restriction will apply to a company or group’s profits above £5 million. Carried forward losses arising at any time will be subject to the restriction

The legislation published on 26 January will be revised to include provisions for oil and gas companies and oil contractors. The business impacts published in the TIIN on 5 December have not changed. The loss relief reform will take effect from 1 April 2017.

1.18. Northern Ireland Corporation Tax change

As announced at Autumn Statement 2016 and confirmed at Spring Budget 2017, the government will amend the Northern Ireland corporation tax to give all small and medium sized enterprises (SMEs) trading in Northern Ireland the potential to benefit. Other amendments will minimise the risk of abuse and ensure the regime is ready for commencement if the Northern Ireland Executive demonstrates its finances are on a sustainable footing. The legislation has been revised with minor drafting improvements to ensure it works as intended.

1.19. Corporation Tax - Hybrids and other mismatches

As announced at Autumn Statement 2016, the government will legislate in Finance Bill 2017 to make two minor changes to the hybrid mismatch regime. These changes follow discussions with stakeholders and were announced in a technical note at Autumn Statement 2016. The first change removes the need to make formal claim in relation to the permitted time period rules in chapter 3 and 4 of Part 6A Taxation (International and Other Provisions Act) 2010. The second change provides that deductions for amortisation are not treated as relevant deductions for the purposes of chapter 5 to 8 of Part 6A.

The hybrid rules tackle aggressive tax planning, typically involving multinational groups, where either one party gets a tax deduction for a payment while the other party does not pay tax on the receipt, or where there is more than one deduction for the same expense. The changes will be effective from 1 January 2017. A TIIN for this measure was published on 8 March 2017.

1.20. Corporation Tax relief for museums and galleries

As announced at Budget 2016, the government will legislate in Finance Bill 2017 to introduce a new tax relief for museums and galleries who develop new exhibitions including those that are toured. Autumn Statement 2016 announced the rates for the relief as 25% for touring exhibitions and 20% for non-touring exhibitions. The relief will allow museums and galleries to claim a credit worth up to £100,000 on exhibitions that are toured and £80,000 on non-touring exhibitions. The maximum credit allowable is the equivalent of qualifying expenditure of £500,000. Following consultation on the draft legislation, the legislation will be revised to allow for exhibitions which have a live performances as part of the exhibition (but where a live performance is not the main focus of the exhibition). The measure will take effect from 1 April 2017. For details see the TIIN published at Autumn Statement 2016.

1.21. Corporation Tax deduction for contributions to grassroots sport

As announced at Autumn Statement 2015 and confirmed at Spring Budget 2017, the government will expand the circumstances in which companies can get deductions for contributions to grassroots sports. Following consultation, the legislation has been amended to extend the treatment of a sport governing body to its 100% subsidiaries. This measure will have effect from 1 April 2017.

1.22. Corporation Tax - Patent Box: Cost Sharing Arrangements

As announced at Autumn Statement 2016, the government will legislate in Finance Bill 2017 to add specific provisions to the revised Patent Box rules introduced in Finance Act 2016, covering the case where R&D is undertaken collaboratively by 2 or more companies under a cost sharing arrangement. The provisions will ensure that companies are neither penalised nor able to gain an advantage under these rules by organising their R&D in this way. Following consultation, the legislation will be revised to narrow the definition of a cost-sharing arrangement and to better align the treatment of payments into, and payments received from, a cost-sharing arrangement by the company. These changes will take effect on or after 1 April 2017.

1.23. Corporation Tax: tax deductibility of corporate interest expense

As announced at Budget 2016 and following consultation, the government will introduce legislation with effect from 1 April 2017 to limit the tax deductions that companies can claim for their interest expenses. The new rules will restrict each group's net deductions for interest to 30% of the EBITDA (earnings before interest, tax, depreciation and amortisation) that is taxable in the UK. An optional group ratio rule, based on the net-interest to EBITDA ratio for the worldwide group, may permit a greater amount to be deducted in some cases. The legislation also provides for repeal of the existing debt cap legislation and its replacement by a modified debt cap which will ensure that the net UK interest deduction does not exceed the total net interest expense of the worldwide group. All groups will be able to deduct up to £2 million of net interest expense per annum, so groups below this threshold will not need to apply the rules.

Draft legislation was published on 5 December and 26 January. In the light of comments received, changes to the proposed rules will be reflected in Finance Bill 2017, to ensure the rules do not give rise to unintended consequences or impose unnecessary compliance burdens. In particular:

- certain unintended restrictions arising from the modified debt cap that could prevent deductions for carried forward interest expense will be removed
- the optional alternative rules for public infrastructure will be easier to apply in practice. There will be no need to compare the level of indebtedness of companies qualifying for these rules with that of non-qualifying group companies, such as those outside the UK. Transitional rules will apply in the first year so that business have time to restructure if necessary to qualify for the alternative rules
- the rules treat interest on debt guaranteed by related parties as related party interest, which can be subject to restriction. This rule will not apply to certain performance guarantees and all guarantees granted before 31 March 2017. Nor will it apply to intra-group guarantees in the context of the group ratio rule
- the definition of interest will include income and expenses from dealing in financial instruments as part of a banking trade
- rules will be introduced for insurers regarding the calculation of interest on an amortised cost basis to provide a practical alternative to fair value accounting

1.24. Tax treatment of appropriations to trading stock

As announced at Spring Budget 2017, the government will legislate in Finance Bill 2017 to remove the ability of businesses with loss-making capital assets to obtain an unfair tax advantage by converting those losses into more flexible trading losses. The changes will take immediate effect from Budget on 8 March 2017. A TIIN for this measure was published on 8 March 2017.

1.25. Oil and gas - Petroleum Revenue Tax (PRT) regime administrative savings

As announced at Autumn Statement 2016, the government will legislate in Finance Bill 2017 to simplify the process for opting fields out of the Petroleum Revenue Tax (PRT) regime. It will also simplify certain reporting requirements for those participators who remain in the PRT regime by removing some elements which are no longer relevant. Following consultation, the legislation has been revised to make two consequential amendments to other PRT legislation. The legislation will have retrospective effect from 23 November 2016. A TIIN for this measure was published on 23 November 2016. Revised legislation and an Explanatory Note will be published on 20 March 2017.

Inheritance Tax

1.26. Reform of domicile rules and Inheritance tax

As announced at Summer Budget 2015, from April 2017 non-UK domiciled individuals (“non-doms”) will be deemed domiciled in the UK for tax purposes where they have been UK resident for 15 of the past 20 tax years. Additionally, individuals who were born in the UK with a UK domicile of origin, but have acquired a domicile of choice elsewhere, will be deemed UK domiciled for all tax purposes while they are UK resident. Non-doms who set up a non-UK resident trust before becoming deemed domiciled in the UK will not be taxed on any income and gains retained in that trust.

As previously announced at Summer Budget 2015 and following further consultation on draft legislation published in December 2016 on charging IHT on UK residential property, the limit below which minor interests in UK property are disregarded has been increased from 1% to 5% of an individual’s total property interests.

As first announced at Summer Budget 2015, from April 2017 inheritance tax (IHT) will be charged on all UK residential property even when indirectly held by a non-dom through an offshore structure.

As announced at Budget 2016, non-doms will be able to segregate amounts of income, gains and capital within their overseas mixed funds to provide certainty on how amounts remitted to the UK will be taxed. Following consultation on the draft legislation this will be extended by government amendment to income, gains and capital held in mixed funds from years before 2007/08, as well as those from subsequent years.

Those who become deemed domicile in April 2017, excepting those who were born in the UK with a UK domicile of origin, will be able to treat the cost base of their non-UK based assets as the market value of that asset on 5 April 2017.

The government will legislate these reforms in Finance Bill 2017 to have effect from 6 April 2017.

Insurance Premium Tax

1.27. Insurance Premium Tax (IPT)

As announced at Autumn Statement 2016 and confirmed at Spring Budget 2017, the government will legislate in Finance Bill 2017 to increase the standard rate of Insurance Premium Tax (IPT) by 2% from June 2017. It will also repeal the current anti-forestalling legislation in sections 67 to 67C of the Finance Act 1994 and introduce anti-forestalling legislation to take effect from 8 March 2017. A TIIN for this measure was published on 8 March 2017.

Indirect Tax

1.28. Landfill Tax - Definition of taxable disposal

As announced at Budget 2016, and following consultation over summer 2016, legislation will be introduced in Finance Bill 2017, and in secondary legislation, to amend the definition of a taxable disposal for Landfill Tax. The changes clarify the tax treatment of material disposed of at landfill sites and give greater certainty to landfill site operators. Following technical consultation, the draft legislation has been restructured to simplify and improve ease of comprehension. The measure will come into effect after Royal Assent of Finance Bill 2017 and the changes will apply to disposals to landfill in England, Wales and Northern Ireland.

1.29. Soft Drinks Industry Levy

As announced at Budget 2016 and confirmed at Autumn Statement 2016, the government will legislate in Finance Bill 2017 for the Soft Drinks Industry Levy. The two thresholds, at 5g and 8g of sugar per 100ml, have been designed so that, by taking reasonable steps to reduce sugar content, UK producers and importers of soft drinks can pay less or escape the charge altogether. The rates were announced at Spring Budget 2017 and will be 18 pence per litre (ppl) for the main rate and 24ppl for the higher rate. Following consultation the legislation has been revised to include a criminal offence for evasion of the levy. Minor amendments have also been made to improve clarity. The levy will take effect from April 2018.

VAT

1.30. Fulfilment House Due Diligence Scheme

As announced at Budget 2016 and confirmed at Autumn Statement 2016, the government will legislate for the Fulfilment House Due Diligence Scheme (FHDDS) in Finance Bill 2017. The draft legislation was published for consultation on 5 December 2016. The scheme will require all UK fulfilment houses to register with HMRC from 1 April 2018 and comply with record-keeping and due diligence standards. Following the consultation, the draft legislation has been revised to provide for a disclosure gateway that will permit HMRC to disclose taxpayers' information to fulfilment houses for the purpose of meeting their obligations under the scheme.

Excise Duties

1.31. Minimum Excise Tax

As announced at Spring Budget 2017, the Minimum Excise Tax (MET) will be set at £268.63 per 1000 cigarettes. It will take effect from 00:01am on 20 May 2017. This is in accordance with the Budget 2016 announcement that the government would legislate in Finance Bill 2017 to introduce a MET for cigarettes. A MET sets a minimum level of total duty for all packets of cigarettes, which will tackle the very cheapest cigarettes. This change applies to cigarettes sold in the UK. A TIIN for this measure was published on 8 March 2017.

1.32. Gaming Duty

As announced at Budget 2016, the government will legislate in Finance Bill 2017, to raise the Gross Gaming Yield (GGY) bandings for gaming duty in line with inflation (based on RPI). The revised GGY bandings used to calculate gaming duty must be used for accounting periods starting on or after 1 April 2017. The GGY bandings are published in Annex A. A TIIN for this measure was published on 8 March 2017.

1.33. Remote gaming duty: freeplays

As announced at Budget 2016 the government will legislate in Finance Bill 2017, to amend the definition of gaming payments and prizes, and change the tax treatment of freeplays, for remote gaming duty. Following a technical consultation draft legislation has been revised to ensure the change is proportionate. The proposed legislation will ensure that, where appropriate, freeplays used to participate in remote gaming will have a value as stakes when calculating the operator's dutiable profit, and that freeplays given as prizes will not be deductible.

1.34. Air passenger duty rates

As announced at Budget 2016, the government will legislate in Finance Bill 2017 to increase air passenger duty rates in line with RPI from 1 April 2017.

As announced at Spring Budget 2017, the government will also legislate in Finance Bill 2017 to increase air passenger duty rates in line with RPI from 1 April 2018. A TIIN for this measure was published on 8 March 2017. Rates for 2019/20 will be set at Autumn Budget 2017.

1.35. Alcohol duty rates

As announced at Spring Budget 2017, the government will legislate in Finance Bill 2017 to increase the duty rates on beer, cider, wine and made-wine and spirits by retail price index (RPI) inflation, in line with previous forecasts. These changes will take effect from 13 March 2017. A TIIN for this measure was published on 8 March 2017. The rates are set out in Annex A.

1.36. Tobacco duty rates

As announced at Spring Budget 2017, the duty rates for all tobacco products will be increased by 2% above retail price index (RPI) inflation from 6pm on 8 March 2017. This is in accordance with the Budget 2014 announcement that all tobacco duty rates will increase by this amount each year until the end of the current Parliament.

Legislation for these changes will be introduced in Finance Bill 2017 and the rates are set out in Annex A.

1.37. Vehicle Excise Duty (VED) uprating

As announced at Spring Budget 2017, the government will legislate in Finance Bill 2017 to increase VED rates for cars, motorcycles and vans registered before 1 April 2017, by RPI with effect from 1 April 2017. Details of the VED rate changes are published in Annex A. A TIIN for this measure was published on 8 March 2017.

Avoidance and evasion

1.38. Disclosure of Indirect Tax Avoidance Schemes

As announced at Autumn Statement 2016, legislation will be introduced in Finance Bill 2017 to strengthen the regime for the Disclosure of Indirect Tax Avoidance. Provision will be made to make scheme promoters primarily responsible for disclosing schemes to HMRC and the scope of the legislation will be extended to include all indirect taxes, including the Soft Drinks Industry Levy. Details of the tests to apply to arrangements to determine if they should be disclosed to HMRC will be contained in regulations. These measures will come into effect on 1 September 2017.

1.39. VAT: Penalty changes in fraud cases

As announced at Autumn Statement 2016, the government will legislate in Finance Bill 2017 to introduce a penalty for participating in VAT fraud.

Following consultation on the draft legislation some minor changes have been made to improve the clarity of the measure and also to limit the naming of a company officer to instances where the amount of tax due exceeds £25,000. The new penalty will take effect once the Finance Bill receives Royal Assent.

1.40. Promoters of Tax Avoidance Schemes (POTAS)

As announced at Spring Budget 2017, the government will legislate in Finance Bill 2017 to ensure that promoters of tax avoidance schemes cannot circumvent the Promoters of Tax Avoidance Schemes (POTAS) regime by re-organising their business by either sharing control of a promoting business or putting a person or persons between themselves and the promoting business. This will ensure HMRC can apply the POTAS regime as intended. The changes will take effect from 8 March 2017. A TIIN for this measure was published on 8 March 2017.

1.41. Strengthening tax avoidance sanctions and deterrents

As announced at Autumn Statement 2016 and confirmed at Spring Budget 2017, the government will introduce a new penalty on those individuals or entities who enable the use of tax avoidance arrangements which HMRC later defeats ("enablers"). This new regime reflects an extensive consultation and input from stakeholders. The legislation will also provide clarification as to what constitutes "reasonable care" in relation to the application of the penalties charged on taxpayers following the defeat of tax avoidance.

Following consultation, the enablers legislation has been revised to provide further detail of when and how the General Anti Abuse Rule (GAAR) Advisory Panel will consider enabler cases. Further changes have been made to apply the enablers regime to arrangements that seek to avoid NICs, to make consequential changes to the Promoters of Tax Avoidance Scheme legislation and to provide further detail regarding when enablers will be named. Minor amendments have also been made to further improve the clarity and targeting of both the legislation for enablers and reasonable care.

The changes relating to reasonable care come into effect at Royal Assent and apply to inaccuracies in documents relating to tax periods which begin on or after 6 April 2017. The penalty for enablers will apply prospectively to enabling activity after Royal Assent.

1.42. Offshore evasion - Requirement to correct previous non- compliance

As announced at Budget 2016, legislation will be introduced in Finance Bill 2017 for a new legal requirement for those who have failed to declare UK tax on offshore interests to correct that situation, with tougher sanctions for those who fail to do so before 1 October 2018. This new “requirement to correct” is expected to come into force when the Finance Bill 2017 receives Royal Assent and will apply to all taxpayers with offshore interests who have not complied with their UK tax obligations as at 5 April 2017. Following consultation a response document was published on 5 December 2016. The draft legislation will be revised to ensure the reasonable excuse provision does not apply where advice is received from an adviser who is not independent. This reflects the government's response on this point in the document published on 5 December 2016.

Tax Administration

1.43. Tobacco: Illicit Trade Protocol – licensing of equipment and the supply chain

As announced at Autumn Statement 2015, and following technical consultation on draft legislation published on 5 December 2016, legislation will be introduced in Finance Bill 2017 to control the use and ownership of tobacco manufacturing machinery in the UK. This is to help prevent the illicit manufacture of tobacco products, by providing powers to establish a licensing regime for tobacco manufacturing machinery in secondary legislation. This will include powers to make provision for forfeiture of unlicensed tobacco manufacturing machinery and penalties for failure to comply with conditions of the licence. The powers in the legislation will take effect from the date Finance Bill 2017 receives Royal Assent.

Making Tax Digital

1.44. Increasing the cash basis entry threshold

As announced in January 2017, the government will increase the trading cash basis thresholds for unincorporated businesses. Increasing the cash basis thresholds will make it easier for businesses to work out if their expenditure is deductible for tax. Following consultation, and as announced in January 2017, from the 2017/18 tax year the general entry threshold for the trading cash basis will be increased to £150,000. (For Universal Credit claimants, the entry threshold will be increased to £300,000.) The exit threshold will be increased to £300,000 for all users of the trading cash basis. A TIIN for this measure was published on 8 March 2017.

1.45. Simplified cash basis for unincorporated businesses

As announced in January 2017, the government will legislate in Finance Bill 2017 to provide a simple list of disallowed expenditure in order to simplify the rules for allowable deductions within the cash basis. Following consultation, the legislation has been revised slightly to make certain that specific items are clearly excluded from the list, and to ensure the rules for moving between the cash basis and accruals accounting are robust. Minor amendments have also been made to improve clarity. These changes will have effect from April 2017, though for the 2017/18 tax year trading profits can be calculated using either the new rules or the existing rules.

1.46. Simplified cash basis for unincorporated property businesses

As announced in August 2016 and confirmed at Spring Budget 2017, the government will legislate in Finance Bill 2017 to allow most unincorporated property businesses (other than Limited Liability partnerships, trusts, partnerships with corporate partners or those with receipts of more than £150,000) to calculate their taxable profits using a cash basis of accounting. Landlords will continue to be able to opt to use Generally Accepted Accounting Principles (GAAP) to prepare their profits for tax purposes.

Those with both a UK and an overseas property business will be able to choose separately whether to use the cash basis or GAAP for each. Those with a trade as well as a property business both eligible for the cash basis, will be able to decide separately for each of these, and persons other than spouses or civil partners who jointly own a rental property will be able to decide individually.

To align the treatment with those who opt to use GAAP, the initial cost of items used in a dwelling house will also not be an allowable expense under the cash basis. The existing "replacement of domestic items relief" will continue to be available for the replacement of these items when the expenditure is paid. Interest expense will be treated consistently between those using the cash basis and those using GAAP.

The changes will have effect from 6 April 2017.

1.47. Making Tax Digital for Business

As announced at Autumn Statement 2015 and confirmed at Budget 2016 and Spring Budget 2017, the government will legislate in Finance Bill 2017 to implement digital record keeping and updating by businesses, the self-employed and landlords, as part of Making Tax Digital for Business. As also announced the start date for mandation for unincorporated businesses and landlords with gross income (turnover) below the VAT registration threshold will be deferred until April 2019. This change will be made through regulations. The legislation includes powers to make regulations, including on the form and content of periodic updates and 'end of period statements'. There are also powers to set out the scope and operation of certain exemptions by regulations. Following consultation, the legislation published in draft on 31 January 2017 has been revised and expanded to:

- provide explicitly for income-based exemptions to be introduced through regulations
- allow businesses with profits chargeable to Income Tax to finalise their total income chargeable to Income Tax and National Insurance contributions for any tax year, make a final declaration about this income (outside of any 'end of period statement' in relation to business income) and any chargeable gains
- replicate existing Income Tax compliance powers so that they apply to the Making Tax Digital for Business requirements
- make miscellaneous consequential amendments to the Taxes Management Act 1970
- introduce a clause amending Schedule 11 to the Value Added Tax Act 1994, to enable equivalent regulations (and exemptions) for VAT purposes to those proposed for Income Tax.

The legislation will generally have effect from Royal Assent, but some consequential amendments will apply from specific future income tax years of assessment. An updated TIIN for this measure was published on 8 March 2017.

Measures unchanged following consultation

The following measures were published for consultation on the draft legislation on 5 December 2016 and following this consultation there has been no significant changes to the legislation, which will appear in Finance Bill 2017.

The list indicates which draft clause at 5 December 2016 the measure listed refers to.

- Personal Tax - Company Car Tax for ultra-low emission cars (draft clause 4)
- Assets made available to employees without transfer (draft clause 5)
- Employer Provided Pensions Advice Exemption (draft clause 6)
- Simplification of exemptions for employee liabilities and indemnity insurance (draft clause 7)
- PAYE Settlement Agreements (PSA) - simplifying the process for and clarifying use (draft clause 10)
- Deduction of Income Tax at source from savings income (draft clause 12)
- Personal portfolio bonds – reviewing the property categories (draft clause 14)
- Business Investment Relief (draft clause 18)
- Abolition of Employee Shareholder Status tax reliefs (draft clauses 29 - 31)
- Business Tax - First-year allowances for electric charging points (draft clause 36)
- Authorised Contractual Schemes - Reducing tax complexity for investors (draft clauses 37- 39)
- VAT: Zero-rate on adapted motor vehicles for wheelchair users-reform (draft clause 43)
- Partial Enquiry Closure Notices (draft clause 90)
- Power to examine and take account of goods at any place - Amendment to section 24 of the Finance Act 1994 (draft clause 96)
- Power to use force to gain entry to vehicles or vessels - Amendment to the Customs and Excise Management Act 1979 (draft clause 97)
- Hidden Economy - Data from Money Service Businesses (draft clause 98)

2. Future tax changes

Income Tax

2.1. Venture capital schemes administration

See paragraph 1.5.

2.2. Rent-a-Room relief

As announced at Spring Budget 2017, the government will consult on proposals to rent-a-room relief to ensure it is better targeted to support longer-term lettings. This will align the relief more closely with its intended purpose, to increase supply of affordable long-term lodgings.

2.3. Partnership Taxation: Proposals to clarify tax treatment

As announced at Autumn Statement 2016, the government will publish a response document and draft legislation to clarify and improve aspects of partnership taxation. The government intends to legislate in Finance Bill 2017-18.

Employment and benefits in kind

2.4. Employee expenses

As announced at Autumn Statement 2016, the government will publish a call for evidence on 20 March to better understand the use of the Income Tax relief for employees' expenses, including those that are not reimbursed by their employer.

2.5. Employer-provided accommodation

As announced at Autumn Statement 2016, the government will publish a consultation paper with proposals to bring the tax treatment of employer-provided living accommodation and board and lodgings up to date. This will include proposals for when accommodation should be exempt from tax and support taxpayers during any transition. A consultation document will be published on 20 March 2017.

2.6. Taxation of benefits in kind

As announced at Spring Budget 2016, the government will publish a call for evidence on 20 March on exemptions and valuation methodology for the Income Tax and employer NICs treatment of benefits in kind in order to better understand whether their use in the tax system can be made fairer and more consistent.

2.7. Increase the rate of Class 4 National Insurance contributions (NICs)

The government has already announced that it will abolish Class 2 NICs from April 2018. On its own this would increase the differential between the rates of National Insurance paid by employees and those paid by the self-employed. As announced at Spring Budget 2017 the government will legislate to increase the main rate of Class 4 NICs from 9% to 10% with effect from 6 April 2018 and from 10% to 11% with effect from 6 April 2019. Since April 2016, the self-employed also have access to the same State Pension as employees, worth £1,800 a year more to a self-employed individual than under the previous system. A TIIN for this measure will be published alongside the legislation.

2.8. Removing NICs from the effects of Limitation Act and aligning recovery of debts

As announced at Autumn Statement 2016, the government will remove National Insurance contributions (NICs) from the effects of the Limitation Act 1980 and will align the time limits for the recovery of NICs debts with those for tax. To allow more time for a full consultation on the draft legislation, the government will be deferring this and will introduce the measure in a future NICs Bill.

2.9. Patient Capital review

As announced at Spring Budget 2017, the government will consider existing tax reliefs aimed at encouraging investment and entrepreneurship to make sure that they are effective, well targeted, and still provide value for money as part of the Patient Capital Review.

2.10. Image rights

As announced at Spring Budget 2017, HMRC will publish guidelines in spring 2017 for employers who make payments for image rights to their employees to improve the clarity of the existing scheme.

Pensions Tax

2.11. Master Trust tax registration

As announced at Spring Budget 2017, the government will amend the tax registration process for master trust pension schemes to align with the Pensions Regulator's new authorisation and supervision regime. This will help to boost consumer protection and improve compliance. Legislation will be included in Finance Bill 2017-18 and will apply to all master trust pension schemes from October 2018.

Corporation Tax

2.12. Plant and machinery leasing – response to lease accounting changes

As announced at Spring Budget 2017, the government will consult in summer 2017 on the legislative changes required following the announcement of the International Accounting Board's new leasing standard – IFRS16, which comes into effect on 1 January 2019. The tax treatment of a lease, in some important respects, is determined by its treatment in the accounts. Following the discussion document published in summer 2016, the government intends to maintain the current system of lease taxation by making legislative changes which enable the rules to continue to work as intended.

2.13. Research and development (R&D) tax review

As announced at Spring Budget 2017, the government will make administrative changes to research and development (R&D) tax credits, following a review of the tax environment for R&D. This will increase the certainty and simplicity around claims, and will take action to improve awareness of R&D tax credits among SMEs.

2.14. Withholding Tax Exemption for Debt Traded on a Multilateral Trading Facility

As announced at Spring Budget 2017, the government will introduce an exemption from withholding tax for interest on debt traded on a Multilateral Trading Facility, removing a barrier to the development of UK debt markets, and will consult from spring 2017 on implementation. A consultation document will be published on 20 March 2017.

2.15. Enterprise Management Incentives: Continued provision of the relief

The government will seek State Aid approval to extend provision of this tax relief beyond 2018.

2.16. Extension of High-end TV, Animation and Video Games tax reliefs

The government will seek State Aid approval for the continued provision of the reliefs beyond 2018.

2.17. Oil and Gas Taxation: extension to investment and cluster area allowances

As announced at Summer Budget 2015 and consulted on in 2016, the government will lay the "Investment Allowance and Cluster Area Allowance (Investment Expenditure) Regulations 2017" before the House of Commons on 8 March 2017. These will deliver government's commitment to extend the scope of the allowances to include some operating and leasing expenditure. The legislation will have retrospective effect for qualifying expenditure incurred on or after 8 October 2015.

2.18. Oil and gas: Tax for Late-Life Oil and Gas assets

As announced at Spring Budget 2017, the government is committed to a competitive tax regime that supports the transfer of late-life UK oil and gas assets. To determine the best approach, a formal discussion paper will be published on 20 March 2017. A new advisory panel of industry experts will also be established to consider this matter.

Corporation Tax and Capital Gains Tax

2.19. Non-resident companies chargeable to Income Tax and non-resident Capital Gains Tax

As announced at Autumn Statement 2016, the government will consult on the case and options for bringing non-UK resident companies, who are currently chargeable to Income Tax on their UK taxable income, and to non - resident Capital Gains Tax (CGT) on certain gains, within the scope of Corporation Tax. Under such a move, these companies would then be subject to the rules which apply generally for the purposes of Corporation Tax, including the limitation to corporate interest expense deductibility and loss relief rules. A consultation document will be published on 20 March 2017.

Indirect Tax

2.20. HGV Vehicle Excise Duty and HGV Levy

As announced at Spring Budget 2017, the government will freeze rates of VED for HGVs in 2017 to 2018, which includes all rates linked to the basic goods rate. Levy rates will also be frozen from 1 April 2017. The government will also launch a call for evidence in spring 2017 on updating the existing HGV Road User Levy so that it rewards hauliers that plan their routes effectively, to incentivise the efficient use of roads, and improve air quality.

2.21. Value of the Landfill Communities Fund

As announced at Spring Budget 2017, the value of the Landfill Communities Fund for 2017-18 will remain unchanged at £39.3 million and the cap on contributions by landfill operators will be increased from 4.2 per cent to 5.3 per cent. This cap will be maintained subject to consideration of landfill tax receipts, continued progress in reducing the level of unspent funds held by environmental bodies and the proportion of LCF funds spent on administration costs. A statutory instrument will be laid on 10 March 2017. The changes will take effect from 1 April 2017.

2.22. Landfill Tax – Extending the scope to illegal disposals

As announced at Spring Budget 2017, the government will consult on extending the scope of Landfill Tax to material disposed at illegal waste sites. Landfill Tax is currently only chargeable on waste disposed of at permitted sites in England, Wales, and Northern Ireland. As such, the aim of this measure is to tackle the evasion of Landfill Tax resulting from the disposal of material at illegal waste sites, and deter environmentally damaging behaviour. A consultation document will be published on 20 March.

2.23. Aggregates Levy

As announced at Spring Budget 2017, the government will freeze the aggregates levy rate for 2017-18 at £2 per tonne. This continues the freeze that has been in place since 2009.

Excise Duties

2.24. Alcohol duty rates and bands

As announced at Spring Budget 2017, the government will publish a consultation on 20 March 2017 on:

- introducing a new band for still cider just below 7.5% adv. to target white ciders
- the impacts of introducing a new duty band for still wine and made-wine between 5.5% and 8.5% abv

2.25. Heated Tobacco Consultation

As announced at Budget 2016, the government will consult on the duty treatment of heated tobacco products. The consultation will be launched on 20 March 2017, and will inform future decisions on the duty regime for these products. If legislation is required following the consultation, it will be introduced in a future Finance Bill. A consultation document will be published on 20 March 2017.

2.26. Red diesel call for evidence

As announced at Spring Budget 2017, the government will publish a call for evidence on the use of rebated gas oil (often called red diesel) in order to improve understanding of eligible industries and current use in particular in urban areas. The call for evidence will be published on 20 March 2017.

VAT

2.27. VAT: revalorisation of registration and deregistration thresholds

As announced at Spring Budget 2017 secondary legislation will amend the VAT Act 1994 to increase the VAT registration and deregistration thresholds in line with inflation so that:

- the taxable turnover threshold which determines whether a person must be registered for VAT, will be increased from £83,000 to £85,000
- the taxable turnover threshold which determines whether a person may apply for deregistration will be increased from £81,000 to £83,000
- the registration and deregistration threshold for relevant acquisitions from other EU Member States will also be increased from £83,000 to £85,000.

These changes will be effective from 1 April 2017. A TIIN for this measure was published on 8 March 2017.

2.28. VAT: 'split payment' model

As announced at Budget 2016, the government is considering alternative methods of collecting VAT. This is in addition to the measures it has already introduced to tackle the problem of overseas businesses selling goods to UK consumers via online marketplaces without paying VAT. At Spring Budget 2017, the government will publish a call for evidence on 20 March 2017 on the case for a new VAT collection mechanism for online sales. This would harness technology to allow VAT to be extracted directly from transactions at the point of purchase. This type of model is often referred to as split payment. A call for evidence will be published on 20 March 2017.

2.29. VAT: Use and enjoyment provisions for business to consumer mobile phone services

As announced at Spring Budget 2017, the government will remove the VAT use and enjoyment provision for mobile phone services provided to consumers. The measure will bring those services used outside the EU within the scope of the tax. It will also ensure mobile phone companies cannot use the inconsistency to avoid UK VAT. This will bring UK VAT rules in line with the internationally agreed approach. Secondary legislation to effect the change together with a TIIN will be published before summer recess.

2.30. VAT: fraud in the provision of labour in the construction sector.
As announced at Spring Budget 2017, the government will launch a consultation on 20 March on a range of policy options to combat supply chain fraud in supplies of labour within the construction sector. Options include a VAT reverse charge mechanism so the recipient accounts for VAT. It will also consider other changes, including to the qualifying criteria for gross payment status within the Construction Industry Scheme. The government is consulting to ensure any option taken forward is targeted effectively, is simple to operate and minimises impacts on businesses, whilst tackling the fraud as effectively as possible. A consultation document will be published on 20 March 2017.

Stamp Duty Land Tax

2.31. Stamp duty land tax: accelerating receipts
As announced at Autumn Statement 2015, the government consulted in 2016 on a reduction in the Stamp duty land tax (SDLT) filing and payment window from 30 days to 14 days, as well as on the SDLT filing and payment process generally. After consideration of the responses, the government will delay the reduction in the filing and payment window until after April 2018.

Avoidance and evasion

2.32. Hidden Economy – Sanctions and conditionality
Following consultation and an announcement at Autumn Statement 2016, the government will take further action to tackle the hidden economy. It will:

- Develop further proposals on conditionality - the principle of making access to certain licences or services conditional on tax registration - and explore options to trial conditionality through pilot activity. There is a good case for conditionality as a tool to prevent non-compliance. The government recognises that conditionality must also minimise burdens for compliant businesses and providers of licences or services
- Consider the design of a stronger ‘failure to notify’ hidden economy penalty which may take account of past behaviour. This will be delivered as part of the longer term HMRC Penalties Review

HMRC will also strengthen its monitoring of taxpayers found to be operating in the hidden economy, to keep them compliant

These measures will tackle the hidden economy and level the playing field between compliant and non-compliant businesses.

2.33. National Insurance Employment Allowance
As announced at Spring Budget 2017, HMRC is actively monitoring compliance with the National Insurance Employment Allowance, following reports of some businesses using avoidance schemes to avoid paying the correct amount of National Insurance contributions. The government will consider taking further action in the event that this avoidance continues.

Tax Administration

2.34. Digital Tax Administration

As announced at Spring Budget 2017, the government will consult on proposals for late submission penalties and charging of penalty interest on late payments. The government previously consulted on a model for late submission penalties. The government will also consult on the design aspects, of the tax administration system, including interest and penalties, with the aim of adopting a consistent approach across taxes. This will simplify the system for taxpayers. A consultation document will be published on 20 March 2017. Please also see section 1. Making Tax Digital.

2.35. HMRC Large Business Risk Review

As announced at Spring Budget 2017, HMRC will launch a consultation into its process for risk profiling large businesses. The consultation will review how HMRC can promote stronger compliance. The consultation will be released ahead of the summer recess and will run for 12 weeks.

2.36. Employment Allowance - illegal workers restriction

As announced at Spring Budget 2016, the government consulted from November 2016 to January 2017 on restricting the employment allowance for one year from employers who receive a civil penalty from the Home Office. Following this consultation, the government has decided that this should not be taken forward at this point in time, because of concerns raised around complexity.

2.37. Double taxation treaty passport scheme

As announced at Spring Budget 2017, the government will renew and extend the administrative simplifications of the Double Taxation Treaty Passport scheme to assist foreign lenders and UK borrowers. The scheme simplifies, for overseas lenders, access to reduced withholding tax rates on interest that are available within the UK's tax treaties with other territories. The Double Taxation Treaty Passport scheme was previously restricted to corporate lenders and corporate UK borrowers - from 6 April 2017, this restriction will be removed and will now apply to all types of overseas lenders and UK borrowers. Guidance and the revised Terms and Conditions applying to this scheme will be published on the gov.uk website on 6 April 2017.

Table 1: Measures in this document without a corresponding announcement in the Budget report.

Title	Paragraph number
Income tax charge and rates: 2017/18 tax year	1.1
Tackling disguised remuneration avoidance schemes	1.10
Life insurance policies - Part surrenders and part assignments	1.11
Changes to tax treatment of foreign pension regimes	1.13
Reform of the Substantial Shareholdings Exemption	1.16
Loss relief reform	1.17
Northern Ireland Corporation Tax changes	1.18
Hybrids and other mismatches	1.19
Corporation Tax relief for museums and Galleries	1.20
Corporation Tax deductions for Grassroots sports	1.21
Corporation Tax - Patent Box: Cost Sharing Arrangements	1.22
Corporation Tax: tax deductibility of corporate interest expense	1.23
Petroleum Revenue Tax regime administrative savings	1.25
Reform of domicile rules and Inheritance tax	1.26
Landfill Tax: Definition of taxable disposal	1.28
Fulfilment House Due Diligence Scheme	1.30
Trading and property income allowances	1.3
Gaming duty	1.32
Remote gaming duty: freeplays	1.33
Disclosure of Indirect Tax Avoidance Schemes	1.38
VAT: penalty changes in fraud cases	1.39
Amendments to Social Investment Tax Relief	1.4
Offshore evasion - Requirement to Correct previous non-compliance	1.43
Tobacco Illicit Trade Protocol – licensing of equipment and the supply chain	1.43
Tax-advantaged venture capital schemes	1.5
Alignment of dates for making good on benefits-in-kind (BiKs)	1.6
Optional remuneration arrangements (salary sacrifice)	1.7
Reform of tax treatment of termination payments	1.8
Enterprise Management Incentives: continued provision of the relief	2.15

Extension of High-end TV, Animation and Video Games tax reliefs	2.16
Oil and Gas Taxation: extension to investment and cluster area allowances	2.17
Non-resident companies chargeable to Income Tax and non-resident Capital Gains Tax	2.19
Heated Tobacco Consultation	2.25
Partnership Taxation: proposals to clarify tax treatment	2.3
Hidden Economy - Sanctions and conditionality	2.32
Removing NICs from the effects of Limitation Act and aligning recovery of debts	2.8

Measures unchanged following consultation on the draft legislation

Deduction of income tax at source from savings income
PAYE Settlement Agreements (PSA) - simplifying the process for and clarifying use
Power to use force to gain entry to vehicles or vessels – Amendment to the Customs and Excise Management Act 1979
Employer Provided Pensions Advice Exemption
VAT: Zero-rate on adapted motor vehicles for wheelchair users-reform
Partial Enquiry Closure Notices Measure
Assets made available without transfer of ownership
Simplification of exemptions for employee liabilities and indemnity insurance
Power to examine and take account of goods at any place – Amendment to the Customs and Excise Management Act 1979.
Personal Portfolio Bonds - Reviewing the property categories
Authorised contractual schemes: streamlining
Hidden Economy - Data from Money Service Businesses
Abolition of Employee Shareholder Status tax reliefs
Company Car Tax for ultra-low emissions cars
Starting rate of savings tax band
First-year allowances for electric charging points
Northern Ireland top up payments
Corporation tax charge for financial year 2018/19
Business Investment Relief

Annex A Rates and Allowances

This annex includes Budget 2017 announcements of the main rates and allowances. It also covers all announcements made at Budget 2016 and subsequently.

PERSONAL TAX AND BENEFITS

	Tax year 2016-17	**Tax year 2017-18**
Basic rate	£1 - £32,000	£1 - £33,500
Higher rate	£32,001 - £150,000	£33,501 - £150,000
Additional rate	Over £150,000	Over £150,000

Income tax rates - 2016-17	
	Tax year 2016-17
Main rates[1]	
Basic rate	20%
Higher rate	40%
Additional rate	45%
Dividend rates[2]	
Dividend ordinary rate - for dividends otherwise taxable at the basic rate	7.5%
Dividend upper rate - for dividends otherwise taxable at the higher rate	32.5%
Dividend additional rate - for dividends otherwise taxable at the additional rate	38.1%

[1] Apply to non-dividend income, including income from savings, employment, property or pensions. From 2017-18, the main rates will be separated into the main rates, the savings rates and the default rates.

[2] Apply to dividend income received above the tax-free Dividend Allowance, introduced in April 2016 to replace the Dividend Tax Credit.

Income tax rates - 2017-18	
Main rates[3]	**Tax year 2017-18**
Basic rate	20%
Higher rate	40%
Additional rate	45%
Savings rates[4]	
Starting rate for savings	0%
Savings basic rate	20%
Savings higher rate	40%
Savings additional rate	45%
Dividend rates[5]	
Dividend ordinary rate - for dividends otherwise taxable at the basic rate	7.5%
Dividend upper rate - for dividends otherwise taxable at the higher rate	32.5%
Dividend additional rate - for dividends otherwise taxable at the additional rate	38.1%
Default rates[6]	
Default basic rate	20%
Default higher rate	40%
Default additional rate	45%

[3] Apply to non-savings, non-dividend income, including income from employment, property or pensions not subject to the Scottish Rate of income tax.
[4] Apply to savings income.
[5] Apply to dividend income received above the tax-free Dividend Allowance, introduced in April 2016 to replace the previous Dividend Tax Credit.
[6] Apply to non-savings and non-dividend income of any taxpayer that is not subject to either the Main rates or the Scottish Rates of income tax.

Starting rates for savings income		
	Tax year 2016-17	**Tax year 2017-18**
Starting rate for savings	0%	0%
Starting rate limit for savings	£5,000	£5,000

Special rates for trustees' income		
	Tax year 2016-17	**Tax year 2017-18**
Standard rate on first £1,000 of income which would otherwise be taxable at the special rates for trustees	Up to 20%, depends on the type of income	Up to 20%, depends on the type of income
Trust rate	45%	45%
Dividend trust rate	38.1%	38.1%

Income tax allowances		
	Tax year 2016-17	**Tax year 2017-18**
Personal allowance		
Personal allowance[7]	£11,000	£11,500
Income limit for personal allowance	£100,000	£100,000
Income limit for Married couple's allowance[8]	£27,700	£28,000
Marriage allowance		
Marriage allowance[9]	£1,100	£1,150
Married couple's allowance for those born before 6 April 1935		

[7] The Personal Allowance reduces where the income is above £100,000 – by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of date of birth.
[8] This age-related allowance is reduced by £1 for every £2 of income over this limit.
[9] This transferable allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax; or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates.

Maximum amount of married couple’s allowance[10]	£8,355	£8,445
Minimum amount of married couple’s allowance[10]	£3,220	£3,260
Blind person’s allowance		
Blind person’s allowance	£2,290	£2,320
Dividend allowance		
Dividend allowance[11]	£5,000	£5,000
Personal savings allowance		
Personal savings allowance for basic rate taxpayers[12]	£1,000	£1,000
Personal savings allowance for higher rate taxpayers	£500	£500

[10] The relief for this allowance is given at 10%.
[11] From April 2016, the Dividend Allowance means that individuals will not have to pay tax on the first £5,000 of dividend income they receive. From April 2018, the dividend allowance will be reduced to £2,000.
[12] From April 2016, the new Personal Savings Allowance means that basic rate taxpayers will not have to pay tax on the first £1,000 of savings income they receive and higher rate taxpayers will not have tax to pay on their first £500 of savings income.

Company car tax					
2018-19		**2019-20**		**2020-21**	
CO_2 emissions, g/km	***Appropriate percentage* of car list price taxed**	**CO_2 emissions, g/km**	***Appropriate percentage* of car list price taxed**	**CO_2 emissions, g/km**	***Appropriate percentage* of car list price taxed**
0-50	13	0-50	16	0	2
51-74	16	51-74	19	1-50 (split by zero emission miles): >130 70-129 40-69 30-39 <30	2 5 8 12 14
75-94	19	75-94	22	51-54	15
95-99	20	95-99	23	55-59	16
100-104	21	100-104	24	60-64	17
105-109	22	105-109	25	65-69	18
110-114	23	110-114	26	70-74	19
115-119	24	115-119	27	75-79	20
120-124	25	120-124	28	80-84	21
125-129	26	125-129	29	85-89	22
130-134	27	130-134	30	90-94	23
135-139	28	135-139	31	95-99	24
140-144	29	140-144	32	100-104	25
145-149	30	145-149	33	105-109	26
150-154	31	150-154	34	110-114	27

155-159	32	155-159	35	115-119	28
160-164	33	160-164	36	120-124	29
165-169	34	165+	37	125-129	30
170-174	35			130-134	31
175-179	36			135-139	32
180+	37			140-144	33
				145-149	34
				150-154	35
				155-159	36
				160+	37

Drivers must add 3% to their appropriate percentage if the car runs solely on diesel: up to a maximum of 35% for years up to and including 2014-15; 37% from 2015-16.

NATIONAL INSURANCE CONTRIBUTIONS (NICs)

Class 1 NICs: Employee and employer rates and thresholds (£ per week)		
	Tax year 2016-17	**Tax year 2017-18**
Weekly Lower Earnings Limit (LEL)[13]	112	113
Weekly Primary Threshold (PT)[13]	155	157
Weekly Secondary Threshold (ST)[14]	156	157
Upper Earnings Limit (UEL)[15]	827	866
Upper Secondary Threshold for under 21s[15]	827	866
Apprentice Upper Secondary Threshold (AUST) for under 25s[15]	827	866
Employment Allowance (per employer)	3,000 per year	3,000 per year

Employee's (primary) Class 1 contribution rates	**Tax year 2016-17**	**Tax year 2017-18**
Earnings band[16]	*NIC rate (per cent)*	*NIC rate (per cent)*
Below LEL	0	0
LEL - PT[17]	0	0
PT- UEL	12	12
Above UEL	2	2

[13] Uprated by CPI.
[14] Autumn Statement 2016 announced that the Secondary Threshold would be aligned with the Primary Threshold. From April 2018 onwards, it will be uprated in line with CPI.
[15] These thresholds are uprated in line with the Higher Rate Threshold to maintain alignment between the Upper Earnings Limit, Upper Profits Limit and Higher Rate Threshold.
[16] The limits are defined as LEL - Lower Earnings Limit; PT - Primary Threshold; and UEL - Upper Earnings Limit.
[17] No National Insurance contributions (NICs) are actually payable but a notional Class 1 NIC is deemed to have been paid in respect of earnings between the LEL and PT to protect contributory benefit entitlement.

Married woman's reduced rate for (primary) Class 1 contribution rates	**Tax year 2016-17**	**Tax year 2017-18**
Weekly earnings from between the PT and UEL	5.85	5.85
Weekly earnings above the UEL	2	2

Employer's (secondary) Class 1 contribution rates	**Tax year 2016-17**	**Tax year 2017-18**
Earnings band[18]		
Below ST	0	0
Above ST	13.8	13.8

Employer's (secondary) Class 1 contribution rates for employees under 21	**Tax year 2016-17**	**Tax year 2017-18**
Earnings band[19]		
Below UST	0	0
Above UST	13.8	13.8

Employer's (secondary) Class 1 contribution rates for Apprentices under 25	**Tax year 2016-17**	**Tax year 2017-18**
Earnings band[20]		
Below AUST	0	0
Above AUST	13.8	13.8

[18] The limit is defined as ST –Secondary Threshold
[19] The limit is defined as UST – Upper Secondary Threshold
[20] The limit is defined as AUST – Apprentice Upper Secondary Threshold

Class 2 NICs: Self-employed rates and thresholds (£ per week)		
	Tax year 2016-17	**Tax year 2017-18**
Small Profits Threshold (SPT)[13]	5,965 per year	6,025 per year
Class 2 contribution rates [13]	**Tax year 2016-17**	**Tax year 2017-18**
Annual Profits (£ a year)[21]	*£ per week*	*£ per week*
Below SPT	0	0
Above SPT [22]	2.80	2.85
Special Class 2 rate for share fishermen	3.45	3.50
Special Class 2 rate for volunteer development workers	5.60	5.65

Class 3 NICs: Other rates and thresholds (£ per week)		
	Tax year 2016-17	**Tax year 2017-18**
Voluntary contributions [13] [23]	14.10	14.25

Class 4 NICs: Self-employed rates and thresholds (£ per year)		
	Tax year 2016-17	**Tax year 2017-18**
Lower Profits Limit (LPL) [13]	8,060	8,164
Upper Profits Limit (UPL) [15]	43,000	45,000
Class 4 contribution rates	**Tax year 2016-17**	**Tax year 2017-18**

[21] The Limit is defined as SPT – Small Profits Threshold
[22] Class 2 NICs are liable to be paid by all self-employed persons with profits above the Small Profits Threshold (SPT). The self-employed may choose to pay Class 2 if their profits are below the SPT.
[23] Class 3 NICs can be paid by contributors to make the year a qualifying year for the basic State Pension (new State Pension from 6 April 2016).

Annual profits band[24]	*NIC rate (per cent)*	*NIC rate (per cent)*
Below LPL	0	0
LPL to UPL	9	9
Above UPL	2	2

APPRENTICESHIP LEVY

Apprenticeship levy: Rates and allowances		
	Tax year 2016-17	**Tax year 2017-18**
Apprenticeship Levy allowance (per employer)	N/A	£15,000
Apprenticeship Levy rate	N/A	0.5%

[24] These limits are defined as LPL – Lower Profits Limit; and UPL – Upper Profits Limit.

WORKING AND CHILD TAX CREDITS, CHILD BENEFIT AND GUARDIANS ALLOWANCE

Working and child tax credits		
£ per year (unless stated)	**Tax year 2016-17**	**Tax year 2017-18**
Working tax credit		
Basic element	£1,960	£1,960
Couple and lone parent element	£2,010	£2,010
30 hour element	£810	£810
Disabled worker element	£2,970	£3,000
Severe disability element	£1,275	£1,290
Childcare element of the working tax credit		
Maximum eligible cost for one child	£175 per week	£175 per week
Maximum eligible cost for two or more children	£300 per week	£300 per week
Percentage of eligible costs covered	70%	70%
Child tax credit		
Family element	£545	£545
Child element	£2,780	£2,780
Disabled child element	£3,140	£3,175
Severely disabled child element	£1,275	£1,290
Income thresholds and withdrawal rates		
Income threshold	£6,420	£6,420
Withdrawal rate (per cent)	41%	41%

First threshold for those entitled to child tax credit only	£16,105	£16,105
Income rise disregard	£2,500	£2,500
Income fall disregard	£2,500	£2,500

Child benefit (£ per week)		
	Tax year 2016-17	**Tax year 2017-18**
Eldest/only child	£20.70	£20.70
Other children	£13.70	£13.70
Guardians allowance (£ per week)		
Guardians allowance	£16.55	£16.70

CAPITAL, ASSETS AND PROPERTY

Pensions tax relief		
	Tax year 2016-17	**Tax year 2017-18**
Lifetime Allowance limit	£1 million	£1 million
Annual Allowance limit	£40,000	£40,000
Tapered Annual Allowance (applies to income over this amount)	£150,000 (including pension contributions)	£150,000 (including pension contributions)
Money Purchase Annual Allowance	£10,000	£4,000

Tax free savings accounts		
	Tax year 2016-17	**Tax year 2017-18**
Individual Savings Account (ISA) subscription limit	£15,240	£20,000
Junior ISA subscription limit	£4,080	£4,128
Child Trust Fund (CTF) subscription limit	£4,080	£4,128

Capital gains tax		
	Tax year 2016-17	**Tax year 2017-18**
Main rates for individuals	10% / 20%	10% / 20%
Rates for individuals (for gains on residential property not eligible for Private Residence Relief, and carried interest)	18% / 28%	18% / 28%
Main rate for trustees and personal representatives	20%	20%
Rate for trustees and personal representatives (for gains on residential property not eligible for Private Residence Relief)	28%	28%
Annual exempt amount (AEA) for individuals and personal representatives	£11,100	£11,300
AEA for most trustees	£5,550	£5,650
Rate on gains subject to entrepreneurs' relief	10%	10%
Rate on gains subject to investors' relief	10%	10%
Entrepreneurs' relief: lifetime limit on gains for entrepreneurs	£10,000,000	£10,000,000
Investors' relief: separate lifetime limit on gains for external investors	£10,000,000	£10,000,000

Inheritance tax		
	Tax year 2016-17	**Tax year 2017-18**
Rate (for estates)	40%	40%
Reduced rate (for estates leaving 10% or more to charity)	36%	36%
Rate (for chargeable lifetime transfers)	20%	20%
Nil rate band limit	£325,000	£325,000
Residence nil rate band limit	N/A	£100,000

Stamp Duty Land Tax – residential property		
Property value	**Rate (on portion of value above threshold)**	**Rate (on portion of value above threshold) on or after 1 April 2016 if purchase is of an additional residential property[25]**
0 to £125k	0%	3%
£125k to £250k	2%	5%
£250k to £925k	5%	8%
£925k to £1.5m	10%	13%
£1.5m+	12%	15%

[25] See HMRC guidance note on whether the higher rate applies.

Stamp Duty Land Tax – non-residential property	
Purchase and Premium Transactions	
Property Value	**Rate on or after 17 March 2016 (on portion of value above threshold)**
0 to £150k	0%
£150k to £250k	2%
£250k+	5%
Net Present Value (NPV) of the Lease	**Rate on or after 17 March 2016 (on portion of value above threshold)**
0 to £150k	0%
£150k to £5m	1%
£5m+	2%

Annual Tax on Enveloped Dwellings		
Property value	**Charge for tax year 2016-17**	**Charge for tax year 2017-18**
More than £500,000 but not more than £1m	£3,500	£3,500
More than £1m but not more than £2m	£7,000	£7,050
More than £2m but not more than £5m	£23,350	£23,550
More than £5m but not more than £10m	£54,450	£54,950
More than £10m but not more than £20m	£109,050	£110,100
More than £20m +	£218,200	£220,350

BUSINESS AND FINANCIAL SERVICES

Corporation tax rates			
Level of profits	**Financial year 2015-16**	**Financial year 2016-17**	**Financial year 2017-18**
Main rate	20%	20%	19%
North sea oil and gas ring fence profits[26]	See footnote	See footnote	See footnote

Corporation tax allowances and reliefs			
	Financial year 2015-16	**Financial year 2016-17**	**Financial year 2017-18**
Plant and machinery: main rate expenditure	18%	18%	18%
Plant and machinery: special rate expenditure	8%	8%	8%
Annual investment allowance (AIA)	£425,000[27]	£200,000	£200,000
First year allowances (e.g. for certain energy-saving/water efficient products)	100%	100%	100%
R&D tax credits SME scheme	230%	230%	230%
R&D SME payable credit	14.5%	14.5%	14.5%
R&D tax credits large companies scheme	130%	N/A	N/A
R&D Expenditure Credit	11%	11%	11%

[26] For North Sea Oil and gas ring fence profits the main rate is 30 per cent and the small profits rate is 19 per cent. The marginal relief ring fence fraction is 11/400ths.
[27] Financial year 2015-16 encompasses two AIA periods. The £425,000 is calculated as 9 months at £500,000 and 3 months at £200,000.

Patent Box[28]	10%	10%	10%
Film tax relief	25%	25%	25%
Open ended investment companies and authorised unit trusts[29]	20%	20%	20%

Bank levy		
	Chargeable equity and long-term chargeable liabilities	**Short-term chargeable liabilities**
1 January 2016	0.09%	0.18%
1 January 2017	0.085%	0.17%
1 January 2018	0.08%	0.16%
1 January 2019	0.075%	0.15%
1 January 2020	0.07%	0.14%
1 January 2021 onwards	0.05%	0.10%

Bank Surcharge	
1 January 2016 onwards	8% on profits

[28] The Patent Box has been phased in from April 2013, with companies being able to claim 60% of the benefit in 2013-14, 70% in 14-15, 80% in 15-16, 90% in 16-17 and 100% in 17-18.
[29] For open ended investment companies and authorised unit trusts the applicable corporation tax rate is equal to the basic rate of income tax.

UK oil and gas taxes		
	2016	**2017**
Petroleum revenue tax	0	0
Ring fence corporation tax[30]	30	30
Supplementary charge	10	10

Business rates		
	Financial year 2016-17	**Financial year 2017-18**
England standard multiplier	49.7	47.9
England small business multiplier[31]	48.4	46.6

[30] For North Sea oil and gas ring fence profits the main rate is 30 per cent and the small profits rate is 19 per cent. The marginal relief ring fence fraction is 11/400ths.
[31] Small business multiplier applies to properties with a rateable value of less than £18,000 (or £25,500 in London). From April 2017 the small business multiplier will apply to all properties with a rateable value of less than £51,000.

INDIRECT TAX

Budget 2017 confirmed that alcohol duty rates will change as shown in the table below.

Alcohol duty		
	Duty rate from 21 March 2016	**Duty rate from 13 March 2017**
Rate per litre of pure alcohol		
Spirits	£27.66	£28.74
Spirits-based RTDs	£27.66	£28.74
Wine and made-wine: exceeding 22% alcohol by volume (abv)	£27.66	£28.74
Rate per hectolitre per cent of alcohol in the beer		
Beer - lower strength: exceeding 1.2% - not exceeding 2.8% abv.	£8.10	£8.42
Beer – General Beer Duty: exceeding 2.8% - not exceeding 7.5% abv.	£18.37	£19.08
Beer - High strength: exceeding 7.5% - in addition to the General Beer Duty	£18.37 + £5.48	£19.08 + £5.69
Rate per hectolitre of product		
Still cider and perry: exceeding 1.2% - not exceeding 7.5% abv.	£38.87	£40.38
Still cider and perry: exceeding 7.5% - less than 8.5% abv.	£58.75	£61.04
Sparkling cider and perry: exceeding 1.2% - not exceeding 5.5% abv.	£38.87	£40.38
Sparkling cider and perry: exceeding 5.5% - less than 8.5% abv.	£268.99	£279.46
Wine and made-wine: exceeding 1.2% - not exceeding 4% abv.	£85.60	£88.93
Wine and made-wine: exceeding 4% - not exceeding 5.5% abv.	£117.72	£122.30
Still wine and made-wine: exceeding 5.5% - not exceeding 15% abv.	£277.84	£288.65
Wine and made-wine: exceeding 15% - not exceeding 22% abv.	£370.41	£384.82
Sparkling wine and made-wine: exceeding 5.5% - less than 8.5% abv.	£268.99	£279.46

Sparkling wine and made-wine: at least 8.5% - not exceeding 15% abv.	£355.87	£369.72

Budget 2017 announced that duty rates for all tobacco products will be increased by 2% above retail price index (RPI) inflation, from 6pm on 8 March 2017. This is in accordance with the Budget 2014 announcement that all tobacco duty rates will increase by this rate each year until the end of the current Parliament.

<table>
<tr><td colspan="7"><u>Tobacco Products</u></td></tr>
<tr><td></td><td>From 6pm 16 March 2016</td><td>Ad valorem element</td><td>From 6pm 08 March 2017</td><td>Ad valorem element</td><td>From 00:01am 20 May 2017</td><td>Minimum Excise Tax</td></tr>
<tr><td rowspan="2">Cigarettes</td><td rowspan="2">£196.42 per 1000 cigarettes</td><td rowspan="2">16.5% of retail price</td><td rowspan="2">£ £207.99 per 1000 cigarettes</td><td rowspan="2">16.5% of retail price</td><td colspan="2">An amount equal to the higher of the following alternatives</td></tr>
<tr><td>either
£ 207.99 per 1000 cigarettes plus
16.5% of retail price</td><td>or
£268.63 per 1000 cigarettes</td></tr>
<tr><td>Cigars</td><td>£245.01/kg</td><td>N/A</td><td>£259.44/kg</td><td>N/A</td><td>£259.44/kg</td><td>N/A</td></tr>
<tr><td>Hand rolling tobacco</td><td>£198.10/kg</td><td>N/A</td><td>£209.77/kg</td><td>N/A</td><td>£209.77/kg</td><td>N/A</td></tr>
<tr><td>Other smoking tobacco and chewing tobacco</td><td>£107.71/kg</td><td>N/A</td><td>£114.06/kg</td><td>N/A</td><td>£114.06/kg</td><td>N/A</td></tr>
</table>

Gambling duties		
	Tax year 2016-17	**Tax year 2017-18**
Bingo duty		
Percentage of bingo promotion profits	10%	10%
General betting duty		
Percentage of 'net stake receipts' for fixed odds bets and totalisator bets on horse or dog races	15%	15%
Percentage of 'net stake receipts' for financial spread bets	3%	3%
Percentage of 'net stake receipts' for all other spread bets	10%	10%
Pool betting duty		
Percentage of net pool betting receipts	15%	15%
Lottery duty		
Percentage of the price paid or payable on taking a ticket or chance in a lottery	12%	12%
Remote gaming duty		
Percentage of remote gaming profits	15%	15%
Machine games duty		
Percentage of the net takings from dutiable machine games with a maximum cost to play not more than 20p and a maximum cash prize not more than £10 (Type 1 machines)	5%	5%
Percentage of net takings from machines which are not Type 1 machines but where the cost to play cannot exceed £5	20%	20%
Percentage of net takings from dutiable machine games where the maximum cost to play can exceed £5	25%	25%

Gaming duty 2016-17					
Tax rate	15%	20%	30%	40%	50%
Gross gaming yield	£2,370,500	£1,634,000	£2,861,500	£6,040,000	Remainder
Figures for accounting periods beginning on or after 1 April 2017.					
Tax rate	15%	20%	30%	40%	50%
Gross gaming yield	£2,423,500	£1,670,500	£2,925,500	£6,175,500	Remainder

Insurance Premium Tax		
	Tax year 2016-17	**Tax year 2017-18**
Standard rate	9.5% 10% (from 1 October 2016)	10% 12% (from 1 June 2017)
Higher rate	20%	20%

Budget 2016 announced that the main rates of climate change levy (CCL) will increase in line with RPI in 2017 to 2018 and 2018 to 2019.

Budget 2016 also announced above RPI increases in 2019 to 2020, with rebalancing of the rates and changes to the reduced rates payable by businesses in the Climate Change Agreement scheme.

The main and reduced rates of CCL across the period will be as follows.

Climate change levy main rates			
Taxable commodity	**Rate from 1 April 2017**	**Rate from 1 April 2018**	**Rate from 1 April 2019**
Electricity (£ per kilowatt hour)	0.00568	0.00583	0.00847
Natural gas (£ per kilowatt hour)	0.00198	0.00203	0.00339
Liquefied petroleum gas (£ per kilogram)	0.01272	0.01304	0.02175
Any other taxable commodity (£ per kilogram)	0.01551	0.01591	0.02653

Climate change levy reduced rates			
Taxable commodity	**Rate from 1 April 2017**	**Rate from 1 April 2018**	**Rate from 1 April 2019**
Electricity	10%	10%	7%
Natural gas	35%	35%	22%
Liquefied petroleum gas	35%	35%	22%
Any other taxable commodity	35%	35%	22%

Budget 2014 announced that the carbon price support (CPS) rate per tonne of carbon dioxide (tCO_2) would be capped at a maximum of £18 from 2016 to 2017 until 2019 to 2020, capping the CPS rates for each of the individual taxable commodities across this period at around 2015 to 2016 levels.

Budget 2016 confirmed the unchanged commodity rates for 2018 to 2019 and the unchanged commodity rates for 2019 to 2020. It also announced the £18 per tonne of CO_2 cap will be uprated in line with RPI for 2020 to 2021. The indicative rates for 2020 to 2021 have been announced in line with this.

The confirmed and indicative rates across the period will be as follows.

CPS rates of CCL and fuel duty		
	Capped rate from 1 April 2016 until 31 March 2020	**Indicative rate from 1 April 2020 to 31 March 2021**[32]
Carbon price equivalent (£ per tonne of carbon dioxide)	18.00	18.57
Supplies of commodity used in electricity generation		
Natural gas (£ per kilowatt hour)	0.00331	0.00342
LPG (£ per kilogram)	0.05280	0.05447
Coal and other taxable solid fossil fuels (£ per gross gigajoule)	1.54790	1.58490
Gas oil; rebated bio blend; and kerosene (£ per litre)	0.04916	0.05054
Fuel oil; other heavy oil and rebated light oil (£ per litre)	0.05711	0.05874

[32] May change depending on inflation rates when legislated

Budget 2016 announced that the rate of aggregates levy would remain at £2 per tonne in 2016-17. Budget 2017 announced that the rate of aggregates levy will remain at £2 per tonne in 2017-18.

Aggregates levy		
	Rate from 1 April 2016	**Rate from 1 April 2017**
Commercially exploited taxable aggregate	£2 per tonne	£2 per tonne

Budget 2016 announced that both the standard and lower rates of landfill tax would rise in line with RPI in 2017 to 2018 and 2018 to 2019.

Landfill tax		
Waste sent to landfill	**Rate from 1 April 2017**	**Rate from 1 April 2018**
Standard rated (per tonne)	£86.10	£88.95
Lower rated (per tonne)	£2.70	£2.80

Air passenger duty rates (APD) for 2016 to 2017 were set out at Budget 2015. The APD rates for 2017 to 2018 and 2018 to 2019 are set out below.

Air passenger duty rates [33, 34, 35]									
Bands (approximate distance in miles from London)	**Reduced rate (lowest class of travel)**			**Standard rate** [36] **(other than the lowest class of travel)**			**Higher rate** [37]		
	From 01 April 2016	From 01 April 2017	From 01 April 2018	From 01 April 2016	From 01 April 2017	From 01 April 2018	From 01 April 2016	From 01 April 2017	From 01 April 2018
Band A (0 – 2,000 miles)	£13	£13	£13	£26	£26	£26	£78	£78	£78
Band B (over 2,000 miles)	£73	£75	£78	£146	£150	£156	£438	£450	£468

Fuel duty – pound per litre unless stated	
	Rates on and after 6pm on 23 March 2011
Light oils	
Unleaded petrol	0.5795
Light oil (other than unleaded petrol or aviation gasoline)	0.6767
Aviation gasoline (Avgas)	0.3770

[33] APD applies to all flights aboard aircraft 5.7 tonnes and above.
[34] Rates for direct long-haul flights from Northern Ireland are devolved and set at £0. Direct long haul journeys are those where the first leg of the journey is to a destination outside Band A.
[35] Rates from April 2018 are for England and Wales only
[36] Where a class of travel provides a seat pitch in excess of 1.016 metres (40 inches), the standard rate is the minimum rate that applies.
[37] The higher rate applies to flights on aircraft of 20 tonnes and above, with fewer than 19 seats.

Light oil delivered to an approved person for use as furnace fuel	0.1070
Heavy oils	
Heavy oil (diesel)	0.5795
Marked gas oil	0.1114
Fuel oil	0.1070
Heavy oil other than fuel oil, gas oil or kerosene used as fuel	0.1070
Kerosene to be used as motor fuel off road or in an excepted vehicle	0.1114
Biofuels	
Bio-ethanol	0.5795
Bio-diesel	0.5795
Bio-diesel for non-road use	0.1114
Bio-diesel blended with gas oil not for road fuel use	0.1114
Road fuel gases	
Liquefied petroleum gas (£ per kilogram)	0.3161
Road fuel natural gas including biogas (£ per kilogram)	0.2470
Other fuel	

	Rate on and after 1 October 2016
Aqua-methanol set aside for road use	0.07900

The changes to VED rates to take effect from 1 April 2017 are set out in the tables below:

VED bands and rates for cars first registered on or after 1 April 2017		
CO_2 emissions (g/km)	**Tax year 2017-18**	
	Standard rate[38]	**First year rate**
0	£0	£0
1-50	£140	£10
51-75	£140	£25
76-90	£140	£100
91-100	£140	£120
101-110	£140	£140
111-130	£140	£160
131-150	£140	£200
151-170	£140	£500
171-190	£140	£800
191-225	£140	£1200
226-255	£140	£1700
Over 255	£140	£2000

[38] Cars with a list price of over £40,000 when new pay an additional rate of £310 per year on top of the standard rate, for five years.

VED bands and rates for cars registered on or after 1 March 2001 but before 1 April 2017					
VED band	**CO_2 emissions (g/km)**	**2016-17**		**2017-18**	
		Standard rate	**First year rate**	**Standard rate**	**First year rate[39]**
A	Up to 100	£0	£0	£0	N/A
B	101-110	£20	£0	£20	N/A
C	111-120	£30	£0	£30	N/A
D	121-130	£110	£0	£115	N/A
E	131-140	£130	£130	£135	N/A
F	141-150	£145	£145	£150	N/A
G	151-165	£185	£185	£190	N/A
H	166-175	£210	£300	£220	N/A
I	176-185	£230	£355	£240	N/A
J	186-200	£270	£500	£280	N/A
K[40]	201-225	£295	£650	£305	N/A
L	226-255	£500	£885	£520	N/A
M	Over 255	£515	£1,120	£535	N/A

[39] From 2017/18 there is no first year rate under the current graduated VED system because the new VED system is coming into effect.
[40] Includes cars emitting over 225g/km registered before 23 March 2006.

VED bands and rates for cars and vans registered before 1 March 2001		
Engine size	**2016-17**	**2017-18**
1549cc and below	£145	£150
Above 1549cc	£235	£245

VED bands and rates for vans registered on or after 1 March 2001		
Vehicle registration date	**2016-17**	**2017-18**
Early Euro 4 and Euro 5 compliant vans	£140	£140
All other vans	£230	£240

VED bands and rates for motorcycles		
Engine size	**2016-17**	**2017-18**
Not over 150cc	£17	£18
151cc and 400cc	£39	£41
401cc to 600c	£60	£62
Over 600cc	£82	£85

VED bands and rates for motor tricycles		
Engine size	**2016-17**	**2017-18**
Not over 150cc	£17	£18
All other tricycles	£82	£85

VED bands and rates for trade licences		
Vehicle type	**2016-17**	**2017-18**
Available for all vehicles	£165	£165
Available only for bicycles and tricycles (weighing no more than 450kg without a sidecar)	£82	£85

The following VED and HGV road user levy rates will apply to HGVs of 12 tonnes or more, from 1 April 2017. The band and rate payable can be calculated by using the look-up tables that follow the rates tables.

VED and levy bands and rates for articulated vehicles and rigid vehicles WITHOUT trailers

VED band (letter and rate number)	Total VED and levy		VED rates			Levy bands	Levy rates	
	12 months	6 months	12 months	6 months			12 months	6 months
A0	£165	£90.75	£165	£90.75		n/a	£0	£0
B0	£200	£110	£200	£110				
A1	£165	£91	£80	£40		A	£85	£51
A2	£169	£93	£84	£42				
A3	£185	£101	£100	£50				
A4	£231	£124	£146	£73				
A5	£236	£126.50	£151	£75.50				
B1	£200	£110.50	£95	£47.50		B	£105	£63
B2	£210	£115.50	£105	£52.50				
B3	£230	£125.50	£125	£62.50				
C1	£450	£249	£210	£105		C	£240	£144
C2	£505	£276.50	£265	£132.50				
C3	£529	£288.50	£289	£144.50				
D1	£650	£360	£300	£150		D	£350	£210
E1	£1,200	£664	£560	£280		E	£640	£384
E2	£1,249	£688.50	£609	£304.50				
F	£1,500	£831	£690	£345		F	£810	£486
G	£1,850	£1,025	£850	£425		G	£1,000	£600

VED and levy amounts payable for rigid vehicles with trailers (vehicles WITH Road Friendly Suspension)								
HGV axles	**Levy band**	**Trailer weight category**	**Total weight of HGV and trailer, not over**	**VED band (letter) and rate (number)**	**VED rates**		**Levy rates**	
					12 months	**6 months**	**12 months**	**6 months**
Two	B(T)	4,001-12,000kg	27,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	33,000kg	B(T)3	£295	£147.50		
			36,000kg	B(T)6	£401	£200.50		
			38,000kg	B(T)4	£319	£159.50		
			40,000kg	B(T)7	£444	£222		
	D(T)	4,001-12,000kg	30,000kg	D(T)1	£365	£182.50	£450	£270
		Over 12,000kg	38,000kg	D(T)4	£430	£215		
			40,000kg	D(T)5	£444	£222		
Three	B(T)	4,001-12,000kg	33,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	38,000kg	B(T)3	£295	£147.50		
			40,000kg	B(T)5	£392	£196		
			44,000kg	B(T)3	£295	£147.50		
	C(T)	4,001-12,000kg	35,000kg	C(T)1	£305	£152.50	£310	£186
		Over 12,000kg	38,000kg	C(T)2	£370	£185		
			40,000kg	C(T)3	£392	£196		
			44,000kg	C(T)2	£370	£185		
	D(T)	4,001-10,000kg	33,000kg	D(T)1	£365	£182.50	£450	£270
			36,000kg	D(T)3	£401	£200.50		
		10,001-12,000kg	38,000kg	D(T)1	£365	£182.50		
		Over 12,000kg	44,000kg	D(T)4	£430	£215		
Four	B(T)	4,001-12,000kg	35,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	44,000kg	B(T)3	£295	£147.50		
	C(T)	4,001-12,000kg	37,000kg	C(T)1	£305	£152.50	£310	£186
		Over 12,000kg	44,000kg	C(T)2	£370	£185		
	D(T)	4,001-12,000kg	39,000kg	D(T)1	£365	£182.50	£450	£270
		Over 12,000kg	44,000kg	D(T)4	£430	£215		
	E(T)	4,001-12,000kg	44,000kg	E(T)1	£535	£267.50	£830	£498
		Over 12,000kg	44,000kg	E(T)2	£600	£300		

VED and levy amounts payable for rigid vehicles with trailers (vehicles WITHOUT Road Friendly Suspension)

HGV axles	Levy band	Trailer weight category	Total weight of HGV and trailer, not over	VED band (letter) and rate (number)	VED rates		Levy rates	
					12 months	6 months	12 months	6 months
Two	B(T)	4,001-12,000kg	27,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	31,000kg	B(T)3	£295	£147.50		
			33,000kg	B(T)6	£401	£200.50		
			36,000kg	B(T)10	£609	£304.50		
			38,000kg	B(T)7	£444	£222		
			40,000kg	B(T)9	£604	£302		
	D(T)	4,001-12,000kg	30,000kg	D(T)1	£365	£182.50	£450	£270
		Over 12,000kg	33,000kg	D(T)4	£430	£215		
			36,000kg	D(T)8	£609	£304.50		
			38,000kg	D(T)5	£444	£222		
			40,000kg	D(T)7	£604	£302		
Three	B(T)	4,001-10,000kg	29,000kg	B(T)1	£230	£115	£135	£81
			31,000kg	B(T)2	£289	£144.50		
		10,001-12,000kg	33,000kg	B(T)1	£230	£115		
		Over 12,000kg	36,000kg	B(T)3	£295	£147.50		
			38,000kg	B(T)5	£392	£196		
			40,000kg	B(T)8	£542	£271		
	C(T)	4,001-10,000kg	31,000kg	C(T)1	£305	£152.50	£310	£186
			33,000kg	C(T)4	£401	£200.50		
		10,001-12,000kg	35,000kg	C(T)1	£305	£152.50		
		Over 12,000kg	36,000kg	C(T)2	£370	£185		
			38,000kg	C(T)3	£392	£196		
			40,000kg	C(T)5	£542	£271		
	D(T)	4,001-10,000kg	31,000kg	D(T)1	£365	£182.50	£450	£270
			33,000kg	D(T)3	£401	£200.50		
			35,000kg	D(T)8	£609	£304.50		
		10,001-12,000kg	36,000kg	D(T)1	£365	£182.50		
			37,000kg	D(T)2	£392	£196		
		Over 12,000kg	38,000kg	D(T)4	£430	£215		
			40,000kg	D(T)6	£542	£271		
Four	B(T)	4,001-12,000kg	35,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	40,000kg	B(T)3	£295	£147.50		
	C(T)	4,001-12,000kg	37,000kg	C(T)1	£305	£152.50	£310	£186
		Over 12,000kg	40,000kg	C(T)2	£370	£185		
	D(T)	4,001-10,000kg	36,000kg	D(T)1	£365	£182.50	£450	£270
			37,000kg	D(T)5	£444	£222		
		10,001-12,000kg	39,000kg	D(T)1	£365	£182.50		
		Over 12,000kg	40,000kg	D(T)4	£430	£215		
	E(T)	4,001-10,000kg	38,000kg	E(T)1	£535	£267.50	£830	£498
			40,000kg	E(T)3	£604	£302		
		10,000-12,000kg	40,000kg	E(T)1	£535	£267.50		

The band and rate payable can be calculated by using the following look-up tables. Note that in all the tables below the letter indicates the VED and levy band the vehicle is in, and the number indicates the rate that is payable as part of that band (for example B2 would refer to VED and levy band B, and rate 2 as determined by the weight and axle configuration of the vehicle). For vehicles with trailers, the rate paid depends on whether the vehicle has road-friendly suspension. There are separate tables for with and without RFS.

<table>
<tr><th colspan="5"><u>Rigid goods vehicle - WITHOUT trailer)</u></th></tr>
<tr><th colspan="2">Revenue weight of vehicle, kg</th><th rowspan="2">2 axles</th><th rowspan="2">3 axles</th><th rowspan="2">4 or more axles</th></tr>
<tr><th>Over</th><th>Not over</th></tr>
<tr><td>3,500</td><td>7,500</td><td>A0</td><td>A0</td><td>A0</td></tr>
<tr><td>7,500</td><td>11,999</td><td>B0</td><td>B0</td><td>B0</td></tr>
<tr><td>11,999</td><td>14,000</td><td>B1</td><td rowspan="3">B1</td><td rowspan="5">B1</td></tr>
<tr><td>14,000</td><td>15,000</td><td>B2</td></tr>
<tr><td>15,000</td><td>19,000</td><td rowspan="6">D1</td></tr>
<tr><td>19,000</td><td>21,000</td><td>B3</td></tr>
<tr><td>21,000</td><td>23,000</td><td>C1</td></tr>
<tr><td>23,000</td><td>25,000</td><td rowspan="3">D1</td><td>C1</td></tr>
<tr><td>25,000</td><td>27,000</td><td>D1</td></tr>
<tr><td>27,000</td><td>44,000</td><td>E1</td></tr>
</table>

<table>
<tr><th colspan="5"><u>Rigid vehicles - WITH trailer</u></th></tr>
<tr><th colspan="2">Revenue weight of vehicle (not trailer), kg</th><th rowspan="2">Two-axled rigid</th><th rowspan="2">Three-axled rigid</th><th rowspan="2">Four-axled rigid</th></tr>
<tr><th>Over</th><th>Not over</th></tr>
<tr><td>11,999</td><td>15,000</td><td>B(T)</td><td rowspan="2">B(T)</td><td rowspan="3">B(T)</td></tr>
<tr><td>15,000</td><td>21,000</td><td>D(T)</td></tr>
<tr><td>21,000</td><td>23,000</td><td rowspan="4">E(T)</td><td>C(T)</td></tr>
<tr><td>23,000</td><td>25,000</td><td rowspan="2">D(T)</td><td>C(T)</td></tr>
<tr><td>25,000</td><td>27,000</td><td>D(T)</td></tr>
<tr><td>27,000</td><td>44,000</td><td>E(T)</td><td>E(T)</td></tr>
</table>

<table>
<tr><th colspan="5"><u>Articulated vehicles – Tractive unit with three or more axles)</u></th></tr>
<tr><th colspan="2">Revenue Weight of Vehicle, kg</th><th rowspan="2">One or more semi-trailer axles</th><th rowspan="2">Two or more semi trailer axles</th><th rowspan="2">Three or more semi-trailer axles</th></tr>
<tr><th>Over</th><th>Not over</th></tr>
<tr><td>3,500</td><td>11,999</td><td>A0</td><td>A0</td><td>A0</td></tr>
<tr><td>11,999</td><td>25,000</td><td>A1</td><td rowspan="5">A1</td><td rowspan="7">A1</td></tr>
<tr><td>25,000</td><td>26,000</td><td>A3</td></tr>
<tr><td>26,000</td><td>28,000</td><td>A4</td></tr>
<tr><td>28,000</td><td>29,000</td><td>C1</td></tr>
<tr><td>29,000</td><td>31,000</td><td>C3</td></tr>
<tr><td>31,000</td><td>33,000</td><td>E1</td><td>C1</td></tr>
<tr><td>33,000</td><td>34,000</td><td rowspan="2">E2</td><td rowspan="2">D1</td></tr>
<tr><td>34,000</td><td>36,000</td><td>C1</td></tr>
<tr><td>36,000</td><td>38,000</td><td>F</td><td>E1</td><td>D1</td></tr>
<tr><td>38,000</td><td>44,000</td><td>G</td><td>G</td><td>E1</td></tr>
</table>

<table>
<tr><th colspan="5"><u>Articulated vehicles – Tractive unit with two axles)</u></th></tr>
<tr><th colspan="2">Revenue Weight of Vehicle, kg</th><th rowspan="2">One or more semi-trailer axles</th><th rowspan="2">Two or more semi trailer axles</th><th rowspan="2">Three or more semi-trailer axles</th></tr>
<tr><th>Over</th><th>Not over</th></tr>
<tr><td>3,500</td><td>11,999</td><td>A0</td><td>A0</td><td>A0</td></tr>
<tr><td>11,999</td><td>22,000</td><td>A1</td><td rowspan="3">A1</td><td rowspan="6">A1</td></tr>
<tr><td>22,000</td><td>23,000</td><td>A2</td></tr>
<tr><td>23,000</td><td>25,000</td><td>A5</td></tr>
<tr><td>25,000</td><td>26,000</td><td rowspan="2">C2</td><td>A3</td></tr>
<tr><td>26,000</td><td>28,000</td><td>A4</td></tr>
<tr><td>28,000</td><td>31,000</td><td>D1</td><td>D1</td></tr>
<tr><td>31,000</td><td>33,000</td><td rowspan="2">E1</td><td>E1</td><td rowspan="2">C1</td></tr>
<tr><td>33,000</td><td>34,000</td><td>E2</td></tr>
<tr><td>34,000</td><td>38,000</td><td>F</td><td>F</td><td>E1</td></tr>
<tr><td>38,000</td><td>44,000</td><td>G</td><td>G</td><td>G</td></tr>
</table>

VAT		
	April 2016-17	**April 2017-18**
Standard rate	20%	20%
Reduced rate	5%	5%
Zero rate	0%	0%
Exempt	N/A	N/A

VAT registration and deregistration thresholds		
	From April 2016	**From April 2017**
VAT registration thresholds	£83,000	£85,000
VAT deregistration threshold	£81,000	£83,000

Annex B Consultations announced at Spring Budget 2017

Paragraph number	Title	Consultation start date
1.10	Tackling Disguised Remuneration avoidance schemes	Later in 2017
2.2	Rent-a-Room Relief	Summer 2017
2.5	Employer-provided accommodation	20 March 2017
2.12	Plant and machinery leasing – response to lease accounting changes	Summer 2017
2.14	Withholding Tax Exemption for Debt Traded on a Multilateral Trading Facility	20 March 2017
2.19	Non-resident companies chargeable to Income Tax and non-resident CGT	20 March 2017
2.22	Landfill Tax – Extending the scope to illegal disposals	20 March 2017
2.24	Alcohol duty rates and bands	20 March 2017
2.25	Heated Tobacco Consultation	20 March 2017
2.30	VAT: fraud in the provision of labour in the construction sector.	20 March 2017
2.34	Digital Tax Administration	20 March 2017
2.35	HMRC Large Business Risk Review	Summer 2017

Calls for evidence and other consultative documents

Paragraph number in OOTLAR	Title	Start date
2.4	Employee expenses	20 March 2017
2.6	Taxation of benefits in kind	20 March 2017
2.18	Oil and gas: Tax for Late-Life Oil & Gas assets	20 March 2017
2.20	HGV Road User Levy	Spring 2017
2.28	VAT: split payment model	20 March 2017
2.26	Red diesel call for evidence	20 March 2017

Annex C Impact assessments in Tax Information and Impact Notes

The impact assessment is found towards the end of the TIIN and sets out in summary form the impacts relevant to each tax measure.

Exchequer impact.

This shows the impact of the measure on the forecast tax yield. Where the number is positive, it indicates that the measure is expected to increase overall tax yields by that amount in line with the forecast. When it is negative it indicates a reduction. Exchequer impact is shown in millions of pounds, and as most measure have a continuing impact the table will always show the impacts for five future tax years.

Where exchequer impacts are significant they are agreed with the OBR and are shown in table 2.1 of the Budget report.

Where the exchequer impact is negligible the impact is less than £5 million in any one year.

Economic impact

If the economic impact shown is a significant macroeconomic impact it is certified by the OBR. This will apply where for example a measure affects inflation or growth.

This section will also shows the behavioural effects from the measure as set out in the costings note (published on Budget day).

Individuals and households impact

This shows the impact of the measure on individuals and households, and also the family and child poverty impact. Where a measure imposes a significant additional cost to individual taxpayers to either take advantage of a tax relief or to perform their duties to HMRC, this is shown.

A quantitative impact will be shown where:

Each individual's one-off cost to comply is greater than two hours (cost equivalent £30)

Each individual's annual cost to comply is greater than one hour (cost equivalent £15)

The total affected population had one-off and annual costs exceeding £7.5million per year.

Equalities impact

This shows the impact on the protected groups set out in Equality Act 2010 and equivalent Northern Ireland legislation in section 75 of Northern Ireland Act 1998. If relevant any Welsh language impact is also shown here.

Section 149 of Equality Act 2010 imposes a duty on public sector bodies to have due regard for the three equality goals, which are to:

- eliminate discrimination
- advance equality of opportunity
- foster good relations between persons who share relevant protected characteristics with other people

The relevant protect characteristics for the purposes of section 149 of Equality act 2010 are:

- age
- disability
- gender reassignment
- pregnancy and maternity
- marriage and civil partnership
- race (including nationality)
- religion or belief
- sex
- sexual orientation

Northern Ireland legislation in the section 75 of Northern Ireland Act 1998 sets out an equality duty to have due regard to promote equality between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation, and also between men and women and those with dependants.

Business and civil society organisations

This sets out the impact on business and civil society organisations. If not otherwise set out in the TIIN this impact will show the overall positive or negative impact on these organisations. It will also show the additional costs to businesses of implementing the measure. For tax measures, costs are calculated using the "Standard Cost Model". Where the costs are significant a compliance cost table is shown setting out the costs. Most measures do not have a significant cost.

Consideration of the impact on business will take account of the following

- the number of affected businesses
- sectoral and particular market impacts
- annual and one-off compliance costs: where there is a compliance cost or saving greater than £100,000 annual or £3 million one off

Three different levels will be shown:

- no impact
- negligible impact - the impact is below the £100,000 annual and £3million one off cost or saving

- significant impact on business - the impact is over at least one of the thresholds and a cost table is shown.

This section also deals separately with the small and micro business impact (businesses with up to 49 full time equivalent employees) and shows the extent to which they are included in the measure, consultation and any steps taken to reduce the impact on this sector.

Operational impact

This shows the cost to HMRC or other government department of implementing the measure, and where relevant indicates how the measure will be implemented.

Other impacts

This section deals with the other impacts which apply across. Impacts are shown where relevant to a tax measure. Impacts which are sometimes shown in this box for tax measures include:

- wider environmental impact
- justice impact
- competition assessment
- health impact

Annex D Tax Information and Impact Notes

Tax Information and Impact Notes (TIINs) are designed to provide a clear statement of the changes the government proposes making to the tax system, including the reason for the change and the expected impacts. The government will produce a TIIN for the majority of substantive changes in tax and NICs policy made in primary or secondary legislation. TIINs will be published when the policy is final or near final; in most cases this will be when the draft legislation is published.

Generally TIINs will not be published alongside routine legislative changes that give effect to previously announced policy, such as indexation of duty rates, or appointed day orders, secondary legislation enacting double taxation treaties, or secondary legislation not laid before Parliament.

Impact of policy changes

All of the tax policy changes contained in this document have been tested against the same list of possible impacts as for impact assessments. In most cases these impacts will be included in the "other impacts" section of the TIIN. Those tests which result in no impact have not been recorded.

The other impacts against which each policy has been tested are:

- competition;
- small and micro business;
- carbon emissions;
- wider environment;
- health and wellbeing;
- sustainable development;
- rural proofing;
- justice system; and,
- privacy
- families
- child poverty

The small firms' impact test (SFIT) has been replaced by the small and micro business assessment (SMBA) for all legislation due to come into force after 31 March 2014. Any TIINs that refer to SFIT relate specifically to measures implemented before this date.

Ministerial sign off for tax impact and information notes

I can confirm that Treasury Ministers have read the attached tax impact and information notes and are satisfied that, given the available evidence, each represents a reasonable view of the likely costs, benefits and impacts of the measures.

Jane Ellison MP

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Income Tax: dividend allowance reduction

Who is likely to be affected

Individuals with dividend income above £2,000.

General description of the measure

This measure reduces the tax-free allowance for dividend income from £5,000 to £2,000.

Policy objective

This measure will ensure that support for investors is more effectively targeted and that the total amount of income they can receive tax-free is fairer and more affordable, in light of increases to the tax-free personal allowance and the ISA allowance. It will also partially reduce the tax difference between the self-employed and those working through a company.

Background to the measure

At Summer Budget 2015, the government announced that dividend taxation would be reformed from April 2016 by replacing the Dividend Tax Credit with a £5,000 dividend allowance, and increasing the rates of tax paid by 7.5 percentage points in each band, to 7.5% for basic rate, 32.5% for higher rate, and 38.1% for additional rate.

Detailed proposal

Operative date

The £2,000 allowance will apply from 6 April 2018.

Current law

The current law for the rates of tax for dividends received by individuals is included in Chapter 2 of Part 2 Income Tax Act 2007. Section 13 sets out the main rates and section 13A provides that an amount, currently £5,000, is charged at a nil rate.

Proposed revisions

Legislation will be introduced in Finance Bill 2017 to change the amount of dividend income that is charged at the nil rate by section 13A to £2,000 from tax year 2018 to 2019.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
negligible	+5	+870	+825	+930

These figures are set out in Table 2.1 of Spring Budget 2017 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Spring Budget 2017.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

The costing accounts for multiple behavioural effects including the increased incentive to use ISAs, behaviours to reduce taxable dividend income and the lower incentive for individuals to incorporate.

Impact on individuals, households and families

Individuals and households who receive dividend income in excess of £2,000 will be affected. Around two thirds of all those with dividend income, will be unaffected by this measure. It is estimated that this will affect around 2.27 million individuals in 2018 to 2019 with an average loss of around £315.

The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

The government estimates that significantly more men will be affected by this measure than women with men making up two thirds of the affected population. Approximately 18% of the estimated affected population are over 65 - this doesn't represent a disproportionate impact. It is not anticipated that any other group with protected characteristics will be disproportionately affected.

Impact on business including civil society organisations

This measure is expected to have no impact on businesses or civil society organisations as it relates only to individuals who are shareholders.

Operational impact (£m) (HMRC or other)

HM Revenue and Customs expects the cost of implementing this change to be negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax returns.

Further advice

If you have any questions about this change, please contact John Moore on Telephone: 03000 570578 or email: john.d.moore@hmrc.gsi.gov.uk.

Off-payroll working in the public sector: reform of the intermediaries legislation

Who is likely to be affected

- people working for a public sector organisation through an intermediary, such as a personal service company (PSC)
- public sector organisations and agencies supplying staff working through PSCs to the public sector
- other intermediaries such as partnerships may be impacted where engagements fall within the off-payroll rules

General description of the measure

The off-payroll rules (often known as IR35, or the intermediaries legislation), ensure that individuals who work through their own company pay broadly equivalent taxes as employees, where they would be employed if they were taken on directly.

This measure moves responsibility for deciding if the off-payroll rules for engagements in the public sector apply, from an individual worker's PSC to the public sector body, agency or third party paying them. This measure also makes that organisation responsible for deducting and paying associated employment taxes and National Insurance contributions (NICs) to HM Revenue and Customs (HMRC). These changes do not affect workers and PSCs who provide their services to private sector organisations.

The 5% allowance currently available to those who apply the off-payroll rules to reflect the costs of administering the rules will be removed for those who work in the public sector. These changes will also introduce a requirement for public sector bodies to provide information to agencies and workers about whether engagements are within the off-payroll rules.

As a result of feedback received during the technical consultation, it will be optional for the agency or public sector body to take account of the worker's expenses when calculating the tax due. This change would put these workers in the same position as other employees, whose employers can choose whether or not to reimburse the expenses they incur. The application of the rules to Parliament and Statutory Auditors will also be clarified.

HMRC will provide a new digital employment status service to help identify whether engagements fall within the off-payroll rules to support customers impacted by the reform.

Policy objective

These changes are being introduced to improve fairness in the tax system by ensuring that individuals are not able to sidestep employment taxes or NICs by working through a PSC. Removal of the 5% allowance reflects the transfer of responsibility for making a decision about whether the rules apply and deducting and making the associated tax and NICs payments.

Background to the measure

At Summer Budget 2015 the government announced that it intended to reform the off-payroll rules in response to widespread non-compliance. HMRC published a discussion document in July 2015.

After considering the issues raised during that discussion, the government announced proposals to reform the rules at Budget 2016. From April 2017, where a public sector organisation engages an off-payroll worker through their own limited company, that organisation, (or the recruitment agency where the worker is engaged through that agency) will become responsible for determining whether the rules should apply, and, if so, for paying the right tax and NICs.

HMRC consulted on the detail of this reform and the development of a new digital employment status service, between 26 May and 18 August 2016. HMRC carried out a further technical consultation between 5 December 2016 and 5 February 2017 on the draft legislation and regulations.

This tax information and impact note (TIIN) updates the TIIN published on 5 December 2016.

Detailed proposal

Operative date

This measure will have effect for contracts entered into, or payments made, on or after 6 April 2017.

Current law

Current law is included in Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003) Part 2 Chapter 8, sections 48 to 61, and the Social Security Contributions (Intermediaries) Regulations 2000 (SI 2000 No 727).

Proposed revisions

Legislation will be introduced in Finance Bill 2017 to include a new Chapter in ITEPA 2003 and relevant NICs regulations, so that where an individual works for the public sector, through their own PSC and falls within the rules:

- the public sector engager or agency is treated as an employer for the purposes of taxes and Class 1 NICs;
- the amount paid to the worker's intermediary for the worker's services is deemed to be a payment of employment income, or of earnings for Class 1 NICs for that worker;
- the public sector engager or the agency is liable for secondary Class 1 NICs and must deduct tax and NICs from the payments they make to the intermediary in respect of the services of the worker;
- the public sector is defined using the definitions in the Freedom of Information Act 2000 and the Freedom of Information (Scotland) Acts;
- the person deemed to be the employer for tax purposes is obliged to remit payments to HMRC and to send HMRC information about the payments using Real Time Information;

Summary of impacts

The impacts of this measure were set out in the TIIN published on 5 December 2016. However the figures below have been updated to include latest available costings, which have been certified by the Office for Budget Responsibility.

Exchequer impact (£m)

Off-payroll working: transfer liability to public sector employers (*including 5% allowance)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
-	+185	+105	+150	+170	+190

These figures are set out in Table 2.2 of Spring Budget 2017 as 'Off-payroll working: transfer liability to public sector employers', and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Off-payroll working: 5% allowance removal

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
-	+20	+15	+15	+20	+20

These figures are set out in Table 2.2 of Spring Budget 2017 as 'Off-payroll working: implement consultation reforms' and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2016.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

Impact on individuals, households and families

These changes are being introduced to improve fairness, the measure is not expected to impact on households, family formation, stability or breakdown.

Equalities impacts

This change is not expected to have a disproportionate impact on any group with a protected characteristic. The group impacted by this change are more likely to be men.

Impact on business including civil society organisations

This measure is expected to impact on public sector organisations who engage off-payroll workers and agencies supplying workers to the public sector. To ensure that individuals cannot side-step employment taxes the reform will transfer the responsibility to consider whether the intermediaries legislation applies from PSCs to public sector engagers and agencies who pay workers engaged in the public sector.

Where the intermediaries legislation applies the engager or agency will be responsible for deducting tax and NICs payments from payments made to the PSC and remitting them to HMRC. There will be a consequential impact on public sector organisations, who will now have to consider whether the intermediaries legislation applies to their workers.

Affected businesses will incur one-off costs for familiarisation with the new rules and putting in place processes to share information between procurement and payroll sections. Ongoing costs for accounting and reporting through Real Time Information and using the digital tool are expected to be negligible. The costs are set out in the table below.

The government estimates that this measure will also affect around 30,000 PSCs. Administrative costs currently incurred by compliant PSCs in calculating tax and National Insurance will now move from the PSC to the public sector organisation or the agency supplying the worker to the public sector.

Small and micro business assessment: smaller agencies may be disproportionately affected by familiarisation costs if they provide workers to the public sector. The measure will require them to place the employee on a payroll. These costs to smaller agencies may be significant however there are also likely to be overall savings for affected PSCs of £300,000 per annum.

Estimates of compliance costs are shown in the tables below:

Estimated one-off impact on administrative burden (£m)

One-off impact	(£m)
Costs	negligible
Savings	-

Estimated on-going impact on administrative burden (£m)

Ongoing average annual impact	(£m)
Costs	0.6
Savings	-0.9
Net impact on annual administrative burden	-0.3

Operational impact (£m) (HMRC or other)

HMRC will incur IT costs in the region of £1 million as a result of this reform. However there will be associated operational savings from implementation.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact the Employment Status Policy team at: consultation.off-payroll@hmrc.gsi.gov.uk.

Reducing the money purchase annual allowance

Who is likely to be affected

Individuals who have flexibly accessed money purchase pension savings in a registered pension scheme.

Pension scheme administrators of a UK registered pension scheme and scheme managers of a qualifying overseas pensions scheme (QROPS) or former QROPS.

General description of the measure

The money purchase annual allowance (MPAA) counters an individual using the flexibilities around accessing a money purchase pension arrangement as means to avoid tax on their current earnings, by diverting their salary into their pension scheme, gaining tax relief, and then effectively withdrawing 25% tax-free. It also restricts the extent to which individuals can gain a second round of tax relief by withdrawing savings and reinvesting them into their pension. The MPAA is currently £10,000 and applies to individuals who have flexibly accessed their money purchase pension savings.

Policy objective

The government believes that an MPAA of £4,000 would be fair and reasonable and should allow individuals who need to access their pension savings to rebuild them if they subsequently have opportunity to do so. The reduction in allowance from £10,000 to £4,000 will limit the extent to which pension savings can be recycled to take advantage of tax relief, which is not within the spirit of the pension tax system.

Background to the measure

The pension flexibilities introduced in April 2015 gave individuals the ability to access their pension savings flexibly, although if they wished to make further contributions to a money purchase pension then tax relieved contributions would be restricted to the MPAA. At Autumn Statement 2016 the government announced a consultation on whether reducing the MPAA to £4,000 would minimise the re-cycling of pension savings; allow the continued successful roll-out of automatic enrolment and sought evidence where a reduced MPAA would impact disproportionally on particular groups. Following the consultation, which closed on 15 February 2017, the government has seen no grounds to change its view on reducing the MPAA. A government response to the consultation will be published on 20 March 2017.

The level of the MPAA was announced at Spring Budget 2017.

Detailed proposal

Operative date

The reduction in the MPAA will have effect on and after 6 April 2017.

Current law

The current pension tax rules were introduced on 6 April 2006 (known as A-day) and are contained in Part 4 of Finance Act (FA) 2004.

An individual's ability to make tax-free contributions to a registered pension scheme is subject to an annual allowance, which is normally £40,000. If the individual exceeds their

annual allowance the excess is subject to tax (an annual allowance charge) at the individual's marginal rate. Normally, an individual can carry forward unused annual allowance to set against saving contributions in a subsequent year (section 227 to 238A of FA 2004).

However, where an individual first flexibly accesses their money purchase pension savings (section 227G of FA 2004) they will be subject to a modified annual allowance test in respect of their money purchase pension savings, the (MPAA). As a result, all subsequent savings to a money purchase pension scheme will be subject to the MPAA limit (currently £10,000) and the excess charged at the individual's marginal rate. Unlike the annual allowance, any unused MPAA cannot be carried forward for later tax years.

Where an individual is subject to the MPAA and they also make other pension savings within the same tax year, essentially savings to a defined benefit pension scheme, those savings are taken into account when calculating the taxable amount, but they are not tested against the MPAA (section 227B of FA 2004).

Proposed revisions

Legislation will be introduced in Finance Bill 2017 to reduce the level of MPAA from £10,000 to £4,000 from 6 April 2017 for the 2017 to 2018 financial year and following years.

There are no changes being made in how the MPAA will operate.

As before any unused MPAA cannot be carried forward for later years.

There are no changes being made to the formulae used in calculating the MPAA and the transitional provision relating to tax year 2015 to 2016 and the tapered annual allowance will remain unchanged.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
+65	+70	+70	+70	+70

These figures are set out in table 2.2 of Spring Budget 2017 as 'Money Purchase Annual Allowance: reduce to £4,000 per annum' and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2016.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

Impact on individuals, households and families

The money purchase annual allowance is applied to individuals who have accessed their pension savings flexibly. The reduction in this allowance from £10,000 to £4,000 reduces the risk of individuals acting against the spirit of the tax system and allows people who need to access their pension savings to rebuild them if they subsequently have to.

The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

The money purchase annual allowance does not normally affect anyone below the age 55 and only applies to those individuals who have flexibly accessed their pension savings.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. Pension scheme administrators and employers will incur one-off costs of familiarisation with the new rules, providing information and guidance to individuals and updating their systems to reflect the reduction in the money purchase annual allowance. There are not expected to be any on-going costs as pension scheme administrators and employers will have the MPAA process embedded within their current systems. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HM Revenue and Customs will incur additional costs in implementing this change. Initially, these will involve tactical adjustments to the Pension Annual Allowance stand-alone calculator, which are currently estimated in the region of £60,000. Further strategic changes to IT systems are likely to follow and will be detailed elsewhere.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through the monitoring of information collected from tax returns and existing tax records.

Further advice

If you have any questions about this change, please contact Steve Darling on Telephone: 03000 512336 or email: pensions.policy@hmrc.gsi.gov.uk.

Charge on transfers to qualifying recognised overseas pension schemes

Who is likely to be affected

- individuals who request an overseas pension transfer on or after 9 March 2017
- scheme administrators of registered pension schemes
- scheme managers of qualifying recognised overseas pension schemes (QROPS)
- advisers who have clients who want to make an overseas pension transfer

General description of the measure

This measure ensures that transfers to QROPS requested on or after 9 March 2017 will be taxable unless, from the point of transfer, both the individual and the pension savings are in the same country, both are within the European Economic Area (EEA) or the QROPS is provided by the individual's employer.

If this is not the case, there will be a 25% tax charge on the transfer and the tax charge will be deducted before the transfer by the scheme administrator or scheme manager of the pension scheme making the transfer.

It also widens the scope of UK taxing provisions so that, following a transfer to a QROPS on or after 6 April 2017, they apply to payments out of those transferred funds in the five tax years following the transfer.

Policy objective

This measure supports the government's objective of promoting fairness in the tax system. It continues to allow overseas transfers from pension schemes that have had UK tax relief that are made when people leave the UK and take their pension savings with them to their new country of residence.

Background to the measure

The tax treatment of overseas transfers from registered pension schemes has remained broadly the same since the changes to the pensions tax regime in 2006. The regime was strengthened between 2012 and 2015 to more precisely define the types of pension schemes that could receive tax-free transfers and improve the information required in relation to these transfers.

Detailed proposal

Operative date

The overseas transfer charge will have effect for transfers requested on or after 9 March 2017 and the extended taxing provisions on payments out of QROPS will have effect on and after 6 April 2017.

Current law

Current law is contained in Part 4 Finance Act (FA) 2004 and Regulations.

Transfers that comply with section 169(1) FA 2004 are recognised transfers and can be made free of UK tax, up to the lifetime allowance, to QROPS.

Schedule 34 FA 2004 contains the UK tax rules that apply to pension schemes outside the UK that have had UK tax relief, including QROPS.

Regulation 3 of the Pension Schemes (Categories of Country and Requirements for Overseas Pension Schemes and recognised Overseas Pension Schemes) Regulations 2006 (Statutory Instrument S.I. 2006/206) sets out the requirements that a pension scheme has to meet to be a 'recognised overseas pension scheme' (ROPS).

Proposed revisions

Legislation will be introduced in Finance Bill 2017 so that:

- Transfers to QROPS requested on or after 9 March 2017 will be taxed at a rate of 25% unless at least one of the following apply:
  - both the individual and the QROPS are in the same country after the transfer,
  - the QROPS is in one country in the EEA (an EU Member State, Norway, Iceland or Liechtenstein) and the individual is resident in another EEA after the transfer,
  - the QROPS is an occupational pension scheme sponsored by the individual's employer,
  - the QROPS is an overseas public service pension scheme as defined at regulation 3(1B) of S.I. 2006/206 and the individual is employed by one of the employer's participating in the scheme,
  - the QROPS is a pension scheme established by an international organisation as defined at regulation 2(4) of S.I. 2006/206 to provide benefits in respect of past service and the individual is employed by that international organisation.
- UK tax charges will apply to a tax-free transfer if, within five tax years, an individual becomes resident in another country so that the exemptions would not have applied to the transfer.
- UK tax will be refunded if the individual made a taxable transfer and within five tax years one of the exemptions applies to the transfer.
- The scheme administrator of the registered pension scheme or the scheme manager of the QROPS making the transfer is jointly and severally liable to the tax charge and where there is a tax charge, they are required to deduct the tax charge and pay it to HMRC. This applies to scheme managers of former QROPS that make transfers out of funds that have had UK tax relief, if the scheme is a QROPS on or after 14 April 2017 and at the time the transfer to the former QROPS is received.
- Payments out of funds transferred to a QROPS on or after 6 April 2017 will be subject to UK tax rules for five tax years after the date of transfer, regardless of where the individual is resident.

HMRC will provide guidance setting out how the new tax charge will work and the new obligations.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
+65	+60	+60	+65	+65

These figures are set out in Table 2.1 of Spring Budget 2017 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Spring Budget 2017.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

The costing accounts for the behavioural responses of both individuals and pension providers to the changes.

Impact on individuals, households and families

Individuals and households with UK pension savings who intend to transfer those pension savings outside the EEA to a pension scheme in a country other than their country of residence will be affected by these changes.

There are generally between 10,000 and 20,000 transfers to QROPS each year. It is expected that only a minority of these transfers will be subject to this policy.

The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

These changes are expected to have minimal impact on the legally protected equality groups. They are more likely to affect those between the ages of 40 and 60 as they make the most pension transfers and more likely to affect men than women as more men have pension savings.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. Around 1,600 QROPS scheme managers are required to make a decision about whether to continue to accept recognised transfers from UK schemes. Those that decide to retain their scheme's QROPS status will incur a negligible one-off cost as they familiarise themselves with the rules to apply the new tax charge to transfers. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

In order to implement this change for April 2017, HMRC will need to change IT systems at an estimated cost of £0.9 million.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through communication with the affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Beverley Davies on Telephone: 03000 512336 or email: pensions.policy@hmrc.gsi.gov.uk.

Income Tax and Corporation Tax: disposals concerned with land in the UK

Who is likely to be affected

Businesses that carry on a trade of dealing in or developing land in the UK.

General description of the measure

This measure amends the 'Profits from Trading in and Developing Land in the UK' legislation introduced in Finance Act (FA) 2016 to bring all profits recognised in the accounts on or after 8 March 2017 into the charge to UK Corporation Tax or Income Tax, regardless of the date the contract was entered into.

Policy objective

The intention of the legislation is to ensure that all profits from dealing in or developing land in the UK are brought into charge to UK tax. This puts all developers of UK land on an equal footing for tax purposes. The legislation took effect for disposals made on or after 5 July 2016, with an exception where the contract for disposal was entered into before 5 July 2016. The intention was to exclude the standard property disposal arrangement where the parties are committed on making the contract, but the transfer takes place a short time later. However, some contracts are entered into at an early stage in the development with transfers being made over an extended period of months or years. The result is that some profits from these long term contracts are not within the charge. This was not the intention when the legislation was enacted and this measure ensures that the rules set out in FA 2016 work as intended.

Background to the measure

The 'Profits from Trading in and Developing Land in the UK' measure was announced at Budget 2016 and had effect from 5 July 2016.

Detailed proposal

Operative date

The amendment will have effect in relation to profits recognised in accounts on or after 8 March 2017.

Current law

The 'Profits from Trading in and Developing Land in the UK' measure was announced at Budget 2016 and took effect for disposals of property on or after 5 July 2016. The legislation (sections 76 to 82 of FA 2106) brings into charge to UK corporation tax or income tax all profits from dealing in or developing land in the UK, irrespective of the residence of the person making the disposal. The current commencement rule at section 81 and section 82 of FA 2016 excludes profits from disposals made on or after 5 July 2016, but where the contract was entered into prior to 5 July 2016.

Proposed revisions

Legislation will be introduced in Finance Bill 2017 to the effect that all profits from dealing in or developing land in the UK that are recognised in the accounts on or after 8 March 2017

will be taxed. This will be the case even if the contract for disposal was entered into prior to 5 July 2016.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact. This measure supports the Exchequer in its commitment to protect revenue.

Economic impact

This measure is not expected to have any significant economic impacts.

Impact on individuals, households and families

This measure is not expected to impact on individuals and households. This measure is also not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure is not expected to have a significant or disproportionate impact on groups with legally protected characteristics as recognised in the Equality Act.

Impact on business including civil society organisations

This measure is expected to have an impact on small number of businesses. It will impact offshore property developers who have made a contract for disposal of UK land prior to 5 July 2016 but recognise the disposal in their accounts after 8 March 2017.

If these businesses previously considered they were out of the scope of the 'Trading in and Developing UK Land’ rules, they will now incur negligible one off costs of familiarisation with the new rules, calculating the tax due and submitting a UK tax return to HM Revenue and Customs (HMRC). It is not expected that there will be any on-going costs as the measure only relates to existing contracts. These businesses will also pay more tax as they will now be subject to Corporation Tax and Income Tax on any profits. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

It is not anticipated that implementing this change will incur any additional costs or savings for HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax returns and communications with affected taxpayers and practitioners.

Further advice

If you have any questions about this change, please contact Lindsay McKenzie on Telephone: 03000 541714 or email: lindsay.mckenzie@hmrc.gsi.gov.uk.

Corporation Tax: hybrid and other mismatches: permitted taxable periods of payees and deductions for amortisation

Who is likely to be affected

Large multinational groups with UK parent or subsidiary companies involved in cross-border or domestic transactions involving a mismatch in the tax treatment within the UK or between the UK and another jurisdiction.

General description of the measure

This measure, which was announced in a technical note at the Autumn Statement, makes two minor changes to the hybrid and other mismatch regime introduced by Finance Act 2016 and contained in Part 6A of Taxation (International and Other Provisions) Act 2010 (TIOPA 2010).

The first change removes the need to make a formal claim in relation to the permitted time period rules in Chapters 3 and 4 of Part 6A, which deal with mismatches involving financial instruments.

The second change provides that deductions for amortisation are not treated as relevant deductions for the purposes of Chapters 5 to 8 of Part 6A.

Policy objective

The measure ensures that the regime operates as intended.

The removal of the need to make a formal claim in relation to financial instruments is intended to reduce the compliance burden for taxpayers, given the high volume of transactions in financial instruments.

The changes which ensure that amortisation is not treated as a relevant deduction ensure that, in line with the OECD BEPS Action 2 recommendations, amortisation deductions are not treated as giving rise to a hybrid or other mismatch in relation to Chapters 5 to 8.

Background to the measure

The government announced in a technical note, published at the Autumn Statement, that it would introduce two minor changes to the hybrid and other mismatch regime. The announcement was made following extensive discussions with stakeholders and will ease the compliance burden in relation to certain claims and ensure that amortisation deductions are not within scope of these rules.

Detailed proposal

Operative date

The measure will have effect from the commencement of the hybrid and other mismatch regime, which came into effect on 1 January 2017.

Current law

The current law in relation to the permitted taxable periods for Chapters 3 and 4, Part 6A TIOPA is set out in section 259CC(2)(b) and section 259DD(2)(b) respectively. These subsections require a formal claim to be made in relation to permitted time periods which commence more than 12 months after the end of the accounting period in which a relevant deduction has been claimed.

The current law in relation to relevant deductions is set out in section 259BB(1)(b), and simply defines a relevant deduction as an amount which may be deducted from the payer's income for a taxable period.

Proposed revisions

The proposed revisions were set out in a technical note published on 5 December 2016.

Legislation will be introduced in Finance Bill 2017. The detailed changes to Part 6A of TIOPA 2010 are as follows:

- the need for a formal claim under Chapter 3, which deals with hybrid and other mismatches from financial instruments, is removed by amending section 259CC(2)(b)
- the need for a formal claim under Chapter 4, which deals with hybrid transfer deduction/non-inclusion mismatches, is removed by amending section 259DD(2)(b)
- Chapters 5 to 8 of Part 6A TIOPA 2010 are amended by inserting a new sub-section into each Chapter which disregards deductions for amortisation when considering whether a relevant deduction has caused a hybrid or other mismatch. Chapter 11 of Part 6A of TIOPA is also amended by inserting a new sub-section which disregards deductions for amortisation when identifying PE (permanent establishment) deductions. The amortisation deductions which can be disregarded are defined by reference to the UK intangible fixed asset regime in Corporation Tax Act 2009 (CTA 2009), and specifically to debits brought into account under section 729 or section 731 CTA 2009 - or deductions in other territories which are equivalent to those UK deductions

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

This measure is not expected to have any significant economic impacts.

Impact on individuals, households and families

The measure is not expected to impact on individuals or households, or on family formation, stability or breakdown.

Equalities impact

This measure is not expected to have a significant or disproportionate impact on groups with legally protected characteristics as recognised in the Equality Act.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. New applicants will incur one off costs of familiarisation with the new rules. Overall this measure is expected to simplify the hybrid amendments regime as the requirement to make a formal claim in relation to financial instruments will be removed. Making it explicit that deductions for amortisations are out of scope is expected to make the rules easier to apply, and speed up the analysis and decision-making process for those businesses who claim such deductions (or who may be a position to claim them in the future).

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

It is anticipated that there will be negligible IT and operational impacts for HM Revenue and Customs.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through information collected from tax returns and kept under review through regular communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Mark Bryan on Telephone: 03000 585607 or email: mark.bryan@hmrc.gsi.gov.uk/ hybrids.mailbox@hmrc.gsi.gov.uk.

Corporation Tax and Income Tax: tax treatment of appropriations of capital assets to trading stock

Who is likely to be affected

Businesses that transfer a capital asset to trading stock.

General description of the measure

This measure removes the option for businesses to elect for capital losses that would otherwise arise where an asset is appropriated to trading stock to be treated as trading deductions which can be offset against the total trading profits of the business.

Policy objective

This measure will remove an election in the tax code that allows businesses to convert losses attributable to a period for which the asset was a capital asset into more flexible trading losses. This will address an unfairness in the current rules that can be exploited for avoidance.

Background to the measure

This measure was announced at Spring Budget 2017.

Detailed proposal

Operative date

This measure will have immediate effect by preventing the election being made for appropriations into trading stock made on or after 8 March 2017.

Current law

Current law is contained in section 161 of the Taxation of Chargeable Gains Act (TCGA) 1992.

Proposed revisions

Currently, the appropriation of a capital asset to trading stock under section 161(1) of TCGA is treated as taking place at market value, and can give rise to a chargeable gain or an allowable loss (section 161(1) of TCGA). However, an election can be made under section 161(3) of TCGA that has the effect of reducing the chargeable gain or allowable loss to zero, and rebasing the transfer value for the purpose of computing trading profits.

The changes, introduced in Finance Bill 2017, will mean that the legislation will only permit this election to be made where the appropriation into trading stock at market value would give rise to a chargeable gain and not where it gives rise to an allowable loss. This means that an allowable loss will be crystallised when the appropriation takes place, and the loss will therefore remain within the chargeable gains rules with respect to how it may be set off in the future.

A similar change will apply to an election under section 161(3ZB) of TCGA. This election can be made where the disposal of the asset gives rise to an "ATED-related gain". That is, the asset was within the charge to ATED (the Annual Tax on Enveloped Dwellings). Any

chargeable gain or allowable loss on such an asset is separated into an "ATED-related" gain or loss and a "non-ATED related" gain or loss (based on the respective time periods that the asset was or was not within the ATED charge). A "non-ATED related" gain or loss can be the subject of an election that has a similar effect to section 161(3), outlined above. The same change will be made to section 161(3ZB) of TCGA as for section 161(3), so that an election can only be made where there is a "non-ATED related" gain and not where there is a "non-ATED related" loss. There is no change to the treatment of the "ATED-related" gain or loss as that part of the gain or loss cannot be the subject of an election under the current rules.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
+25	+15	+15	+15	+15

These figures are set out in Table 2.1 of Spring Budget 2017 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Spring Budget 2017.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

The costing accounts for a behavioural effect to allow for some of those affected finding ways to mitigate the impact of the changes.

Impact on individuals, households and families

The measure is not expected to impact on individuals, households or family formation, stability or breakdown.

Equalities impacts

It is not anticipated that there will be any impacts for groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. Businesses will continue to benefit from this election in relation to capital assets standing at a gain, but not in relation to capital assets standing at a loss. Up to 50 businesses per year will incur negligible one-off cost to familiarise themselves with the new rules. Negligible on-going costs include carrying out valuations to ascertain whether or not their assets are at a loss or a gain. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

It is anticipated that any HMRC IT and operational impacts for this policy will be negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be subject to ongoing monitoring of information collected on tax returns.

Further advice

If you have any questions about this change, please contact Rawfiah Choudry on Telephone: 03000 559565 or email: rawfiah.choudry@hmrc.gsi.gov.uk.

Insurance Premium Tax: anti-forestalling

Who is likely to be affected

All insurers who provide non-exempt insurance cover for UK risks and the brokers and agents who act for them.

General description of the measure

The measure repeals the current Insurance Premium Tax (IPT) anti-forestalling legislation, and introduces new legislation.

Policy objective

The new implementation arrangements for the rate rise announced at Autumn Statement 2016 mean that some of the current anti-forestalling legislation rules are no longer needed or require some updating and the legislation has been amended accordingly.

Background to the measure

As announced at Autumn Statement 2016, there has been a review of the current IPT anti-forestalling legislation.

Detailed proposal

Operative date

The measure will have effect on and after 8 March 2017.

Current law

The relevant legislation is Part III, section 67 to 67C of Finance Act (FA) 1994.

Proposed revisions

Legislation will be introduced in Finance Bill 2017 to repeal section 67 to 67C of FA 1994, and replace it with new anti-forestalling rules in sections 66A, 66B and 66C of FA 1994.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

This measure is not expected to have any significant economic impacts.

Impact on individuals, households and families

The measure is not expected to impact on individuals and households purchasing non-exempt insurance, nor to impact on family formation, stability or breakdown.

Equalities impacts

The equality implications of this measure have been considered, and it will not impact on any areas concerning people with protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. Approximately 1,000 insurers in the UK will incur one-off costs of familiarisation with the new rules. There are not expected to be any on-going costs as the change is being introduced to safeguard IPT revenue. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HM Revenue and Customs will not incur any operational costs in implementing this change.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax returns and receipts.

Further advice

If you have any questions about this change please contact Helen West on Telephone: 03000 585836 or email: helen.west@hmrc.gsi.gov.uk.

Minimum Excise Tax for cigarettes

Who is likely to be affected

Manufacturers, importers, distributors, retailers and consumers of cigarettes.

General description of the measure

This measure introduces a Minimum Excise Tax (MET) for cigarettes. A MET will set a minimum level of excise duty for any packet of cigarettes. This means that the total excise duty on a packet of cigarettes is the higher of either the MET, or the usual application of duties.

Policy objective

Introducing a MET will support public health objectives, tackle the very cheapest cigarettes and promote fiscal sustainability.

Background to the measure

The government announced at Budget 2016 that a MET would be introduced in Finance Bill 2017. This followed a formal consultation with stakeholders.

This tax information and impact note (TIIN) updates the TIIN published on 5 December 2016.

Detailed proposal

Operative date

This measure will have effect on and after 20 May 2017.

Current law

The structures of duties on cigarettes products are set out in the Tobacco Products Duty Act 1979. The duty rates on tobacco products are set out in the table in Schedule 1 to the Tobacco Products Duty Act 1979.

Proposed revisions

Finance Bill 2017 will introduce a MET. The new legislation will amend section 6(5)(a) of and Schedule 1 to the Tobacco Products Duty Act 1979.

These changes will allow the government to set a minimum level of excise duty for all packets of cigarettes (the MET). This will mean that, from 20 May 2017, the total excise duty on a packet of cigarettes will be the higher of either the MET, or the usual application of duties.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
negligible	negligible	negligible	negligible	negligible

This measure is expected to have a negligible impact on the Exchequer.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

Impact on individuals, households and families

Assuming the duty increases are passed on to consumers, this measure will impact on individuals who smoke cigarettes by increasing their price. As the MET will impact upon the cheapest cigarettes, heavy smokers of cheap cigarettes will face the highest burden from this measure.

This measure is not expected to have an impact on family formation, stability or breakdown.

Equalities impacts

Due to differences in cigarette consumption, any change to cigarette duties will have a small equalities impact that reflects cigarette consumption trends across the adult population. As the MET will impact upon the cheapest cigarettes, heavy smokers of cheap cigarettes will face the highest burden from this measure.

At the same time, evidence suggests that there are significant public health benefits to increasing duties on (and therefore the price of) cigarettes and other tobacco.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. A small number of manufacturers and importers of cheap cigarettes will face an increase in tax which they are likely to pass onto consumers. These businesses will also incur negligible one off costs of familarisation with the new rules and may also need to introduce new processes. On-going costs include completing additional boxes on the TP 7 return and calculating and paying the duty to HMRC. Future changes to the rate of the MET are expected to be accounted for in the same way as other tobacco duty changes. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

Introducing the MET will impose a negligible one-off cost on HM Revenue and Customs.

Other impacts

Health impact assessment: evidence suggests that there are significant public health benefits to increasing duty rates (and therefore the price of) cigarettes and other tobacco. Any reduction in smoking prevalence will have a positive impact on health and reduce the cost to the NHS of smoking-related illness. There may also be reductions in other costs that arise from the health impacts of tobacco use.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through communication with affected taxpayer groups and other interested parties.

Further advice

If you have any questions about this change, please contact the Excise and Customs Helpline on 0300 200 3700.

Gaming duty: increase in casino gross gaming yield bands

Who is likely to be affected

UK casino operators.

General description of the measure

This measure increases gaming duty bands for casinos in line with inflation.

Policy objective

The change made by this measure increases the gross gaming yield (GGY) but makes no changes to the rates. This will ensure that casino operators' profits are not subject to the higher gaming duty bands simply as a result of inflation. There is therefore no duty increase in real terms.

The gaming duty bandings have been adjusted each year since 1998.

Background to the measure

Gaming duty is paid by casinos on their GGY which can broadly be defined as the amounts staked by customers minus winnings paid to them. The duty is calculated by reference to bands of GGY. As the GGY increases, so the rate applied to calculate the duty increases.

The rates range from 15% which is applied to the first £2,423,500 of GGY up to 50%. The 50% rate applies to any GGY above £13,195,000. If the bandings were not increased in line with inflation then over time more GGY would be subject to higher rates.

Detailed proposal

Operative date

The increase to gaming duty bands will have effect for gaming duty accounting periods starting on or after 1 April 2017.

Current law

Current law is contained in the table at section 11 (2) of Finance Act (FA) 1997. The GGY bandings have been increased on an annual basis since 1998. The bandings were last amended by section 152 of FA 2016.

Proposed revisions

Legislation will be introduced in Finance Bill 2017 to increase the GGY values in section 11 (2) of FA 1997. These bandings cover a six month accounting period and businesses liable to gaming duty are required to submit two returns: an interim return after three months and a full return at the end of the six month accounting period. Each time the bands for the six monthly accounting periods are increased the bands applicable to the three months period contained in the Gaming Duty Regulations 1997 (S.I. 1997/2196) are also increased to ensure consistency. The Gaming Duty Regulations will be made after Royal Assent to Finance Bill 2017.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

This measure is not expected to have any significant economic impacts.

Impact on individuals, households and families

The impact on individuals and households is expected to be negligible as these measures are not expected to have a significant impact on the availability, price and payouts in casino gaming.

The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure is not expected to have different impacts on any protected equality groups.

Impact on business including civil society organisations

The measure is expected to have a negligible impact on businesses. Those businesses affected by the change will incur a negligible one-off cost to update their systems to reflect the new GGY values. There are not expected to be any additional on-going costs.

This measure is not expected to have any impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be no significant operational impact to HM Revenue and Customs.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through information collected from tax returns.

Further advice

If you have any questions about this change, please contact Maureen Jones on Telephone: 03000 588064 or email: maureen.jones2@hmrc.gsi.gov.uk.

Air passenger duty: rates from 1 April 2018 to 31 March 2019

Who is likely to be affected

Airlines and other aircraft operators, and their passengers.

General description of the measure

The rates of air passenger duty (APD) for the tax year 2018 to 2019 will increase in line with the retail price index (RPI) as is forecast at Spring Budget 2017.

Policy objective

This measure increases APD rates and therefore contributes to the government's deficit reduction objectives.

Background to the measure

The rates for the tax year 2018 to 2019 are being announced at Spring Budget 2017 to give the industry sufficient advance notice of changes in APD rates.

APD is due to be devolved to Scotland in 2018.

Detailed proposal

Operative date

The rates for the tax year 2018 to 2019 will have effect in relation to the carriage of chargeable passengers on or after 1 April 2018.

Current law

Section 30 of Finance Act (FA) 1994 sets out the rates of APD.

Proposed revisions

Legislation will be introduced in Finance Bill 2017 to amend section 30 of FA1994. The rates will be as follows:

From 1 April 2018			
Bands (distance in miles from London)	Reduced rate (lowest class of travel)	Standard rate (1) (other than the lowest class of travel)	Higher rate (2)
Band A (0 – 2000 miles)	£13	£26	£78
Band B (over 2000 miles)	£78	£156	£468

(1) If any class of travel provides a seat pitch in excess of 1.016 metres (40 inches) the standard rate is the minimum rate that applies.

(2) The higher rate applies to flights aboard aircraft of 20 tonnes and above with fewer than 19 seats.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
-	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

This measure is not expected to have any significant economic impacts.

Impact on individuals, households and families

The increase in APD is in line with RPI and is not therefore expected to have a significant impact on individuals, households or families, and is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure will impact on those who travel more by air. Some protected characteristics are likely to be over represented in the class of people who travel by this means.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. The 800 aircraft operators paying Air Passenger Duty affected by the rate change will incur a negligible one-off cost to update their systems. There are not expected to be any additional on-going costs.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

Costs to HM Revenue and Customs of implementing this change are expected to be negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

HMRC will assess the impact of the measure by monitoring receipts and information collected on tax returns.

Further advice

If you have any questions about this change, please contact Ann Little on Telephone: 03000 586096 or email: ann.little@hmrc.gsi.gov.uk.

Alcohol duty rates

Who is likely to be affected

Businesses and individuals responsible for accounting for excise duty prior to consumption - for example manufacturers, importers and warehouse keepers - as well as retailers and consumers of alcohol.

General description of the measure

This measure increases the duty rates on alcohol manufactured in, or imported into, the UK by reference to the retail prices index (RPI).

Policy objective

The public finances assume that all alcohol duty rates rise by RPI each year. This measure aims to support the public finances by implementing the expected indexation of alcohol duty rates for the fiscal year 2017 to 2018.

Background to the measure

At Spring Budget 2017, the Chancellor of the Exchequer announced that all alcohol duty rates will rise in line with RPI inflation from 13 March 2017.

Detailed proposal

Operative date

The new alcohol duty rates will have effect from 13 March 2017.

Current law

Alcohol duty rates are set out in the Alcohol Liquor Duties Act 1979. The duty rate(s) for:

- spirits is set out in section 5
- beer are set out in section 36(1AA) and 37(4)
- cider are set out in section 62(1A)
- wine and made-wine are set out in Schedule 1

Proposed revisions

Legislation will be introduced in Finance Bill 2017 to revise the alcohol duty rates. Sections 5, 36(1AA), 37(4), 62(1A) and Schedule 1 of the Alcohol Liquor Duties Act 1979 will be amended to provide for the relevant alcohol duty rates. The revised rates are:

- duty on beer exceeding 1.2% but not exceeding 2.8% abv: £8.42 per hectolitre for each per cent of alcohol
- general beer duty on beer exceeding 2.8% abv and not produced by small breweries: £19.08 per hectolitre for each per cent of alcohol
- duty on beer exceeding 7.5% abv (and in addition to general beer duty): £5.69 per hectolitre for each per cent of alcohol
- duty on still cider and perry exceeding 1.2% but not exceeding 7.5% abv: £40.38 per hectolitre of product

- duty on still cider and perry exceeding 7.5% but less than 8.5% abv: £61.04 per hectolitre of product
- duty on sparkling cider and perry exceeding 1.2% but not exceeding 5.5% abv: £40.38 per hectolitre of product
- duty on sparkling cider and perry exceeding 5.5% but less than 8.5% abv: £279.46 per hectolitre of product
- duty on wine and made-wine exceeding 1.2% but not exceeding 4% abv: £88.93 per hectolitre of product
- duty on wine and made-wine exceeding 4% but not exceeding 5.5% abv: £122.30 per hectolitre of product
- duty on still wine and made-wine exceeding 5.5% but not exceeding 15% abv: £288.65 per hectolitre of product
- duty on sparkling wine and made-wine exceeding 5.5% but less than 8.5% abv: £279.46 per hectolitre of product
- duty on sparkling wine and made-wine of at least 8.5% but not exceeding 15% abv: £369.72 per hectolitre of product
- duty on wine and made-wine exceeding 15% but not exceeding 22% abv: £384.82 per hectolitre of product
- duty on spirits, spirits-based ready-to-drinks and all other drinks exceeding 22% abv: £28.74 per litre of pure alcohol

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

This measure is not expected to have any significant economic impacts.

Impact on individuals, households and families

At the current VAT rate, and assuming 100% pass through wherever alcohol is purchased, from 13 March 2017 the tax on a typical:

- pint of beer will be 2 pence higher but 11 pence lower than it otherwise would have been since ending the beer duty escalator in 2013
- pint of cider will be 1 penny higher but 3 pence lower than it otherwise would have been since ending the cider duty escalator in 2014
- bottle of Scotch whisky will be 36 pence higher but 90 pence lower than it otherwise would have been since ending the spirits duty escalator in 2014
- bottle of wine will be 10 pence higher but 8 pence lower than it otherwise would have been since ending the wine duty escalator in 2014

The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

Due to differences in alcohol consumption, any changes to alcohol duties will have an equalities impact that reflects consumption trends across the adult population.

Impact on business including civil society organisations

The changes in alcohol duty rates will impact on alcohol manufacturers, importers and retailers. This measure is expected to have a negligible administrative impact on businesses. Those businesses affected by the duty rate change will incur a negligible one-off cost to update their systems. There are not expected to be any additional on-going costs. This measure is not expected to have any impact on civil society organisations.

Small and micro business assessment: This measure will impact on some small and micro businesses. Small brewers - those producing less than 60,000 hectolitres - pay reduced rates of general beer duty. Small cider makers – those producing less than 70 hectolitres - do not pay any cider duty.

Operational impact (£m) (HMRC or other)

HM Revenue and Customs will incur a negligible one-off cost for changing alcohol duties.

Other impacts

Health impact assessment: increasing all alcohol duty rates by RPI inflation is likely to lead to a minor decrease in overall alcohol consumption in the UK.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax receipts.

Further advice

If you have any questions about this change, please contact the Excise and Customs Helpline on Telephone: 03000 200 3700.

Vehicle Excise Duty: rates for cars, vans, motorcycles and motorcycle trade licences

Who is likely to be affected

Owners of cars registered before 1 April 2017, vans, motorcycles and holders of motorcycle trade licences.

General Description

Vehicle Excise Duty (VED) is paid on vehicle ownership, and rates depend on the vehicle type and first registration date. This measure increases VED rates in line with the Retail Prices Index (RPI).

Policy objective

Increasing VED rates by RPI in 2017 to 2018 ensures that VED receipts are maintained in real terms and that motorists make a fair contribution to the public finances.

Background to the measure

VED is paid on vehicle ownership, and rates depend on the vehicle type and first registration date. VED rates have increased in line with inflation since 2010.

Detailed proposal

Operative date

The measure will have effect on and after 1 April 2017 for all cars registered before 1 April 2017, vans, motorcycles and motorcycle trade licences.

Current law

Section 1 of the Vehicle and Registration Act (VERA) 1994 provides for the charging of VED. Section 2 of VERA provides that VED in respect of a vehicle of any description is chargeable by reference to the applicable rate specified in schedule 1 of VERA.

Proposed revisions

Legislation will be introduced in Finance Bill 2017 to amend the applicable rates for cars, vans, motorcycles and motorcycle trade licences specified in Schedule 1 of VERA. Full details of the new rates are given in Annex B to the Overview of Tax Legislation and Rates.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

This measure is expected to have a small positive effect on inflation but is not expected to have any other significant macroeconomic impacts.

Impact on individuals, households and families

This measure would impact on motorists owning a car, van or motorcycle or using a motorcycle trade licence. Approximately 98% of motorists owning a car first registered after March 2001 (post-2001 car), but before 1 April 2017 would pay no more than £5 extra VED. Owners of post-2001 vans and pre-2001 cars and vans would pay approximately £5 extra in VED.

The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure will have no differential impact on any equality groups. However those who drive will be impacted differentially dependent on their car choice, as VED is graduated based on the vehicles' CO_2 emissions.

Impact on business including civil society organisations

The measure is expected to have a negligible impact on businesses' and civil society organisations' administrative burdens as they familiarise themselves with the rate change but the cost of some vehicle licenses will rise.

Operational impact (£m) (HMRC or other)

There will be negligible impact on operational costs for the Driver and Vehicle Licensing Agency (DVLA) and no additional administrative costs for affected car, van or motorcycle drivers.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be evaluated and monitored through the DVLA vehicle licensing data.

Further advice

If you have any questions about this change, please contact the DVLA on Telephone: 0300 790 6802 or online at: https://www.gov.uk/contact-the-dvla.

Promoters of Tax Avoidance Schemes: associated and successor entities amendment

Who is likely to be affected

Promoters of avoidance schemes who seek to circumvent the Promoters of Tax Avoidance Schemes (POTAS) legislation through the use of associated and successor entities.

General description of the measure

This measure will ensure that promoters of tax avoidance schemes cannot circumvent the POTAS regime by re-organising their business so that they either share control of a promoting business or put a person or persons between themselves and the promoting business. This will ensure HM Revenue and Customs (HMRC) can apply the POTAS regime as intended when introduced.

Policy objective

The changes to this legislation deter the use of avoidance schemes through influencing the behaviour of promoters, their intermediaries and clients.

Background to the measure

Changes to the POTAS legislation were introduced in Finance Act (FA) 2015 to ensure promoters cannot use associated and successor entities to circumvent the legislation. This measure will ensure these associated and successor entities rules function as intended.

Detailed proposal

Operative date

This measure will have effect on and after 8 March 2017.

Current law

Current legislation for POTAS can be found in Part 5 and Schedules 34 to 36 to Finance Act (FA) 2014 (as amended).

Proposed revisions

Legislation will be introduced in Finance Bill 2017 to amend the control definitions in paragraph 13A of Schedule 34 to FA 2014. These amendments introduce the term 'significant influence' to ensure promoters cannot reorganise their business so that they put a person or persons between themselves and the promoting business. The amendment also ensures that the control definitions apply where two or more persons together have control or significant influence over a business.

Consequential amendments will be made in paragraphs 13B to 13D of Schedule 34. These are only consequential amendments and will not change how these paragraphs operate.

Equivalent amendments will be made to the corresponding paragraphs in Schedule 34A.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022

This measure is not expected to have additional Exchequer impact. This measure supports the Exchequer in its commitment to protect revenue that was set out in the original Budget 2013 costing for POTAS. More details can be found in the policy document published alongside Budget 2013.

Economic impact

This measure is not expected to have any significant economic impacts.

Impact on individuals, households and families

The measure will impact on individuals who promote tax avoidance.

This measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure will affect individuals who are likely to share protected characteristics with others of above average means. It is anticipated that equality groups represented in lower income groups are less likely to be affected.

Impact on business including civil society organisations

This measure will have no impact on businesses and civil society organisations who are undertaking normal commercial transactions; it will only impact on the businesses that are engaging in or promoting tax avoidance.

Operational impact (£m) (HMRC or other)

There will be no significant operational impact arising from this measure.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored using information collected from the limited population of designated promoters and their users.

Further advice

If you have any questions about this change, please contact James Stevens on Telephone 03000 575530 or email: james.stevens3@hmrc.gsi.gov.uk.

Increasing cash basis thresholds for unincorporated businesses

Who is likely to be affected

Self-employed and partnerships of individuals with trading income within the cash basis thresholds will be given the choice to use the simplified cash basis of calculating profits.

General description of the measure

Cash basis accounting ('the cash basis') is an optional and simplified method for calculating taxable profits for trading businesses with straightforward tax affairs.

This measure increases the entry threshold for the cash basis from £83,000 (cash basis threshold for 2015 to 2016) to £150,000.

Policy objective

The measure will increase the cash basis entry threshold to give more small businesses the choice to benefit from the cash basis simplification.

Background to the measure

At Budget 2016, the government announced that it would explore options to simplify the tax rules for businesses, self-employed people and landlords.

A consultation covering four discrete areas of simplifying tax paid by unincorporated businesses, including the extension to the cash basis threshold, was published on 15 August 2016 and ran until 7 November 2016.

The consultation was published as part of a collection on Making Tax Digital.

This tax information and impact note (TIIN) updates the TIIN published on 31 January 2017.

Detailed proposal

Operative date

The measure will have effect on and after 6 April 2017.

Current law

Legislation on cash basis for small businesses, including when a person may make an election to use the cash basis, is set out here:

Chapter 3A, Part 2 of the Income Tax (Trading and Other Income) Act 2005 (ITTOIA)

Proposed revisions

Legislation will come into force on 6 April with effect for the tax Year 2017 to 2018 which will increase the threshold for the cash basis from £83,000 (cash basis threshold for 2015 to 2016) to £150,000.

The exit threshold will continue to be set at double the entry threshold, so it will increase to £300,000.

The entry and exit threshold for self-employed Universal Credit claimants will continue to equal the exit threshold of non-Universal Credit claimants and will increase to £300,000

This will be implemented through secondary legislation, a draft of which was published on 31 January 2017.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
negligible	-20	-65	-150	-45

These figures are set out in Table 2.1 of Spring Budget 2017 as 'Making Tax Digital: one year deferral for businesses with turnover below VAT threshold' and combines 'Making Tax Digital: deferral for businesses with turnover less than VAT threshold' and 'Making Tax Digital: Increase cash basis', which have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Spring Budget 2017.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

Impact on individuals, households and families

More self-employed individuals will be within the new cash basis thresholds, giving them the option to benefit from this simplified method of calculating taxable profits.

The measure is not expected to impact on family formation, stability or breakdown.

Households are not expected to be impacted by this measure.

Equalities impacts

This proposal is not expected to impact on equalities.

Impact on business including civil society organisations

Self-employed individuals and small businesses with revenue within the new cash basis thresholds will have the option to benefit from the simplified method of calculating profits.

This measure is expected to have a significant impact on businesses. An estimated 135,000 additional small businesses will be eligible to choose the cash basis for their business, with 87,000 estimated to take up that choice. They will benefit from the reduced complexity and administrative burden using the cash basis provides.

Businesses will incur a one-off cost of familiarisation with the new rules and changing to the new basis of reporting. On-going savings result from reduced complexity due to less detailed records being required to be kept, and a simpler calculation. The savings are set out in the compliance cost table below. There is no impact on civil society organisations.

Estimated one-off impact on administrative burden (£m)

One-off Impact	(£m)
Costs	negligible
Savings	-
Net impact on annual administrative burden	negligible

Estimated ongoing impact on administrative burden (£m)

Ongoing average annual impact	(£m)
Costs	negligible
Savings	0.5
Net impact on annual administrative burden	- 0.5

Operational impact (£m) (HMRC or other)

Guidance will be updated to reflect the changes as a matter of course and no further considerations were identified.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

Ongoing monitoring on the cash basis will take place through the information collected on tax returns.

Further advice

If you have any questions about this change, please contact Sean Rath on Telephone: 03000 591076 or email: sean.rath@hmrc.gsi.gov.uk.

Making Tax Digital for Business

Who is likely to be affected

Businesses, self-employed people and landlords will be required to start using the new digital service:

- from April 2018 if they have profits chargeable to income tax (IT) & pay Class 4 National Insurance contributions (NICs) and their turnovers are in excess of the Value Added Tax (VAT) threshold
- from April 2019 if they have profits chargeable to IT & pay Class 4 NICs and their turnovers are below the VAT threshold.
- from April 2019 if they are registered for and pay VAT
- from April 2020 if they pay Corporation Tax (CT)

Businesses, self-employed people and landlords with turnovers under £10,000 are exempt from these requirements.

Those in employment who have secondary income of more than £10,000 per year through self-employment or property will also be required to use the digital service.

In the consultation the government said that it was considering exempting more of the smallest unincorporated businesses from the requirement to keep digital records and make regular updates to HM Revenue and Customs (HMRC).

The government announced at Spring Budget 2017 a one-year deferral from the mandating of Making Tax Digital for Business (MTDfB) for unincorporated businesses and landlords with turnovers below the VAT threshold. This means that only those businesses, self-employed people and landlords with turnovers in excess of the VAT threshold with profits chargeable to IT and that pay Class 4 NICs will be required to start using the new digital service from April 2018.

General description of the measure

The government recognises that the majority of businesses want to get their tax right, but the latest tax gap figures published by HMRC show that too many otherwise compliant businesses find this hard, even some who use an agent to help them. As a result over £8 billion a year in tax is lost from avoidable taxpayer errors.

This not only costs the public purse – it also causes businesses cost, uncertainty and worry when HMRC is forced to intervene to put things right.

HMRC wants to do more to help businesses get their tax right and these changes are a very important step in that direction. It will help businesses steer clear of avoidable errors, and give them a clearer view of their tax position in-year.

Businesses (including self-employed and landlords) will be able to keep records of their income and expenditure digitally, and send summary updates quarterly to HMRC from their software (or app).

Those who genuinely cannot get online due to their individual circumstances such as disability, geographical, or other reasons, will be exempted from these obligations.

Policy objective

These digital reforms will bring the tax system into line with what businesses and individuals now expect from other online service providers: a modern digital experience.

These changes will help businesses get their tax and NICs right first time. That will reduce the likelihood of errors, giving businesses greater certainty.

The reforms are anticipated to take out around 10% of error on an ongoing basis, and give businesses a clearer view of their tax position in-year, enabling them to plan to meet their tax obligations at minimum cost and minimum disruption.

Background to the measure

At Budget 2015, the government set out the vision for a transformed tax system, and in December 2015 it published the Making Tax Digital roadmap. This set out the government's plans to make fundamental changes to the tax system – transforming tax administration by 2020 so it is more effective, more efficient, and simpler for taxpayers.

This tax information and impact note (TIIN) updates the TIIN published on 31 January 2017.

Detailed proposal

Operative date

These requirements will apply to businesses' IT and Class 4 NICs obligations from April 2018 if their turnovers are in excess of the VAT threshold. For those non-exempt businesses below that threshold, these requirements will apply from April 2019.

Businesses that are registered for, and pay VAT, will be required to operate MTDfB from April 2019, and those that pay CT from April 2020.

Current law

Income Tax self-assessment (ITSA) was introduced in Finance Act 1994,1995 and 1996 (coming into effect for the tax year 1996 to 1997) supplementing legislation contained in the Taxes Management Act 1970 (TMA). Since then a large number of sections and subsections of legislation have been added to TMA by subsequent Finance Acts, dealing with issues like, for example, corrections and amendments of returns by HMRC and customers respectively.

VAT law in the EU is governed by various Directives, notably the Principal VAT Directive (2006).

The Directives are given effect in the UK mainly by the Value Added Tax Act 1994 as amended by subsequent Finance Acts, with most of the provisions on the administration, collection and enforcement of VAT set out in Schedule 11 to that Act. There are also many detailed rules in Statutory Instruments.

Proposed revisions

Legislation will be introduced in Finance Bill 2017 that will set out:

Digital Record Keeping - how to keep records of trading and transactions digitally, and categorise expenses with help from prompts and guidance in the software.

Establishing Taxable Profit - how MTDfB would help establish taxable profit. In particular, exploring when businesses (including self-employed and landlords) should record

accounting and tax adjustments for the purposes of arriving at a taxable profit and how businesses should reflect reliefs and allowances.

Providing HMRC with updates - how businesses (including sole traders and landlords), would provide HMRC with quarterly updates under MTDfB. In particular, the level of detail the updates must contain, the time periods the updates cover, and when they should be submitted

'End of Year' Activity - how businesses might finalise their taxable profit for a period, including the activity they may need to undertake and how long they should have to do so.

These changes will provide the legislative framework so that businesses will:

- keep track of their tax affairs digitally using software or apps (digital tools). Regulations will specify what records must be recorded using digital tools
- provide summary tax data to HMRC quarterly, using digital tools. The summary tax data will be automatically generated for the business from the electronic records. For VAT, these quarterly updates will effectively replace the VAT return. For IT and CT, these updates will cumulatively build an in-year picture of the business' tax position for them
- gain a clearer view of their tax position in-year
- provide a finalised end of year position to HMRC of their tax affairs, again using digital tools. This obligation will apply ten months after the fourth quarter referred to above and will crystallise the taxable profits of that business for the previous year. For many businesses, this will simply be a matter of checking and agreeing the total for that year, based on the information which they have provided in the relevant four quarters. For businesses with more complex affairs, this will provide an opportunity to add and apply annualised reliefs and allowances for the period which would not have been reflected in the summary updates

Summary of impacts

Exchequer impact (£m)

MTDfB reducing errors through record keeping

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
-	+10	+400	+805	+965

These figures are set out in Table 2.2 of Spring Budget 2017 as 'Making Tax Digital: reducing errors through record keeping', and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2015.

MTDfB one year deferral for businesses with turnover below VAT threshold and Increase cash basis

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
negligible	-20	-65	-150	-45

These figures are set out in Table 2.1 of Spring Budget 2017 as 'Making Tax Digital: one year deferral for businesses with turnover below VAT threshold' and combines 'Making Tax Digital: deferral for businesses with turnover less than VAT threshold' and 'Making Tax Digital: Increase cash basis', which have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Spring Budget 2017.

These digital reforms will contribute £1.9 billion to the Exchequer by 2021 to 2022. The MTDfB: reducing errors through record keeping costing was certified by the Office for Budget Responsibility (OBR) at Autumn Statement 2015 and updated at Budget 2016 and again at Spring Budget 2017. The costing has been updated to take into account latest tax gap estimates, receipts information, and including an additional year (2021 to 2022). The updated costing also includes changes to extend the exemption announced at Autumn Statement 2015 to include primary income, and to allow businesses currently using spreadsheets to record transactions to continue to be able to do so (however they must ensure that the spreadsheets meet the necessary requirements of MTDfB). All other assumptions remain the same. In addition a subsequent MTDfB policy change was announced at Spring Budget 2017 which introduces a 1 year deferral for ITSA businesses and landlords with turnover below the VAT threshold. The costing for this is shown separately above.

The estimates represent net tax gap savings arising as a result of more timely and accurate record keeping. These revenue benefits are calculated following the general approach that is: revenue benefit = tax base x proportion of tax base covered x behavioural response.

Latest tax gap figures show the amount of revenue lost due to error and carelessness is now £8.7 billion (for 2014 to 2015), an increase of £0.5 billion on 2013 to 2014. To calculate the revenue benefit, assumptions were applied to break down the tax gap into revenue lost from small businesses within the scope of MTDfB, and due to errors and failing to take reasonable care. These were then projected forward to 2020 to 2021 by assuming that the relevant part of the tax gap will grow in line with the OBR's forecast tax liabilities.

Take-up rates were estimated based on the phased introduction of the changes, that is, IT and NICs from April 2018, VAT from April 2019 and CT from April 2020.

The behavioural response is the proportion of tax loss that will be prevented as businesses change their behaviour as a result of the new requirements. This was estimated from a series of workshops with operational experts, reviewing risks found in enquiries and considering which are related to record keeping failures and how much they would be impacted. The estimates obtained were then validated against the existing research base.

There are three direct tax random enquiry programmes which are used to produce tax gap estimates. They cover:

- self-assessment individuals and small partnerships
- small and medium-sized enterprises
- CT for small and medium-sized enterprises

Random enquiry programmes allow HMRC to estimate the extent of under-declaration of liabilities arising from the submission of incorrect returns. Each return selected is subject to a full enquiry involving a complete examination of books and records.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

The costing also includes a behavioural response which captures the impact of taxpayers improving their compliance as a result of the introduction of these digital reforms through better, timelier record keeping and the prevention of some errors.

Impact on individuals, households and families

This measure impacts on individuals who run their own business to the extent reflected in the 'Impact on businesses' section.

The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

HMRC does not have evidence to suggest this measure will have a significant or disproportionate impact on groups with legally protected characteristics, as recognised in the Equality Act 2010.

The government recognises that many people with disabilities use digital technology and are able to interact online using assistive technology. HMRC will ensure that available software will be compatible with forms of assistive technology and that those that are willing to operate MTDfB are able to do so.

Ofcom's 2016 statistics indicate that 59% of homes now own a tablet device and 71% of UK adults now have a smartphone. 97% of small and medium-sized businesses have access to online services. Although it is expected that the digitally excluded population will be relatively small, some of the segments impacted by the changes may be disproportionately represented within this population.

Individuals with protected characteristics under the Equality Act who fall within the current legislative definitions of 'digitally excluded' will be exempted from the digital record-keeping and update requirements and HMRC will provide non-digital alternative channels to them.

Impact on business including civil society organisations

The MTDfB digital reforms are a key part of the government's initiative to transform HMRC into a world-leading, digital tax authority, making it easier and quicker for individuals and businesses to keep on top of their tax affairs, with digital tax accounts meaning the end of the annual tax return for millions.

The changes will affect most businesses, including micro and small businesses, and we recognise that the population that will be affected is diverse. This includes around 3.3 million self-employed individuals (including around 900,000 landlords), 1.6 million companies, over 400,000 ordinary partnerships, and about 600,000 businesses with income from different sources (for example, both self-employment and property).

The changes will improve the quality of record-keeping for businesses, reducing the likelihood of mistakes, and help businesses to manage their affairs more effectively.

The changes will reduce ongoing costs to business by removing - either fully or partially – some of the current information obligations placed on businesses. This would reduce the time businesses spend meeting their tax obligations, and move the focus away from time-consuming activities such as gathering and inputting data and more towards reviewing the updates that the software has generated and making any amendments.

It is expected that these changes will also affect agents acting for businesses. Some businesses may find the new MTDfB software means that they can do more in relation to record keeping and tax. Some businesses which currently use agents and are recording income and expenditure digitally may choose to make the quarterly updates themselves. With software categorisation of income and expenditure, final end of period activity should be a simpler process than it is currently for a business maintaining their books and records on paper. Routine work will be done automatically. This will allow both agents and their clients to focus on higher value business activities.

Individual partners in partnerships will no longer have to separately provide HMRC with details of their share of the profits or losses from the partnership.

They may therefore save agent fees at year end where they previously required an agent to make the return.

Once businesses have transitioned to regular digital record keeping, the obligation to provide quarterly updates to HMRC is expected to result in an overall reduction in burdens compared to the current once a year reporting requirements.

Our analysis of the ongoing impact on administrative burdens uses the Standard Cost Model (SCM). The SCM represents the cost of complying with the tax system for a normally efficient business. This provides a consistently calculated and informed set of estimated costs for each tax obligation, averaged across the entire business population.

The assessment brings into the model the full range of tax and NICs obligations covering the majority of the unincorporated business population.

Changes in time for existing obligations are considered in conjunction with estimates of additional ongoing software costs, and the burden of quarterly updating, to provide the overall administrative burden impact.

Once all businesses complying with the new requirements have fully transitioned, and are making full use of software capabilities, steady state savings associated with an overall reduction in time spent complying with existing ITSA and VAT obligations, plus the complete removal of certain obligations, are estimated at £270 million.

The SCM provides the estimated costs for a proportion of businesses incurring ongoing software and external agent costs as a result of complying with these obligations, and until behavioural responses to these digital reforms are better understood, these costs are maintained at current levels. Costs are then estimated for increased software subscription costs, and making quarterly updates. Steady state costs are estimated at £170 million.

This produces a net administrative burden saving of £100 million (steady state in 2021 to 2022).

HMRC has profiled these estimates using take-up assumptions over the period from 2017 to 2018 to 2022 to 2023.

Estimated costs depend on final software solutions, the availability of free software and individual providers' pricing structures. The government recognises that this produces a broad estimate, and so we will review and test this analysis and our assumptions through ongoing extensive engagement and consultation with businesses, and through further research and analysis.

This means that the final estimate of the savings and costs to business could be different from the estimate presented here.

It is also expected that businesses will incur transitional costs in moving to the new arrangements. Our current estimate is that the transitional costs average about £280 per business (in their year of transition) over the period 2017 to 2018 to 2020 to 2021.

The costs are likely to cover:

- time spent in familiarising themselves with the new digital tools and quarterly submission of information
- purchase of new apps and upgrading existing software. This will depend on what free software is available from the market, and take-up
- a small minority of businesses may need to purchase new hardware or upgrade existing hardware
- additional accountancy / agents costs

The assessment of the MTDfB impacts over the 6 year period to 2022 to 2023 is below: Note that the presented figures have been individually rounded to the nearest ten million and therefore may not sum to the net burden impact

Current breakdown of Administrative Burden costs and savings (all £m)

Profile (£m)	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
Steady-state costs	-	£50	£150	£170	£170	£170
Administrative Burden savings	-	-	-£150	-£270	-£270	-£270
Transitional costs (one-off)	£100	£200	£590	£100	-	-
Net impact	£100	£250	£590	£0	-£100	-£100

The government announced at Spring Budget 2017 a one-year deferral from the requirements of MTDfB for businesses with a turnover of up to the VAT threshold. HMRC has amended the profiles in the above table to reflect this announcement.

The revised table indicates that although businesses will see costs in the first transitional years, net savings will start to be made from 2021 to 2022 onwards.

Transitional costs may be lower for businesses already using digital tools or where they are eligible to use free software. For those business that have limited existing digital capability and/or need to purchase hardware and software, costs may be higher. HMRC anticipates that a significant majority of businesses with turnover in excess of the VAT threshold will already have the necessary digital tools to operate MTDfB.

Quantitative estimates of the one-off transitional costs and ongoing savings will continue to be developed through ongoing research and consultation with businesses to ensure that these are reflective of the final software solution and MTDfB policy design.

Small and micro business assessment: these changes will improve the quality of record keeping, reducing the likelihood of mistakes (and attendant risk of unwelcome and costly HMRC compliance interventions) and help businesses to manage their cash flow more

effectively. In the longer term, we anticipate a reduction in administrative burdens for these businesses.

The government recognises by their very make-up that this group includes businesses which are likely to be more affected by one-off transitional costs and digital capability issues, and may therefore find it more difficult to move to the new digital requirements.

In the consultation the government said that it wanted to consult further on financial support to help some businesses make the transition to the new arrangements. It sought views on the support required and what form this should take.

Civil Society organisations may potentially see an increase in requests for help and support from less digitally engaged individuals and business in transitioning to the new requirements.

The number of businesses and individuals affected and the impacts on them will be reviewed throughout 2017 as large scale piloting takes place in advance of MTDfB's mandatory introduction.

Operational impact (£m) (HMRC or other)

These digital reforms build on HMRC's existing digital services for businesses, including the business digital tax account that is already available to all 5.4 million small businesses.

From April 2018, businesses in scope (including self-employed and landlords) with turnovers in excess the VAT threshold will be required to keep their records digitally and update HMRC quarterly with summary data from their software. HMRC will need to develop a customer support model for businesses that need help with the transition.

MTDfB benefits will be mainly realised through Exchequer benefits from the reduction in the tax gap and the improved and modernised experience that a fully digital HMRC will offer to business customers. However, we also currently anticipate a small departmental efficiency saving of £3 million over the Spending Review period up to and including 2019 to 2020.

Other impacts

Justice impact test and rural proofing: HMRC is required to consider these proposals in relation to their impacts on rural communities and the justice system. While further work is required in these areas, preliminary assessments suggest any impact is likely to be negligible.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from HMRC's MTDfB processes, and will also be kept under review through communication with affected stakeholder groups.

Further advice

If you have any questions about this change, please contact Oliver Fisher by email: makingtaxdigital.consultations@hmrc.gsi.gov.uk

VAT: revalorisation of the registration and deregistration thresholds

Who is likely to be affected

Small businesses currently outside the VAT regime, who make taxable supplies or EU acquisitions between £83,000 and £85,000.

Small businesses registered for VAT, who make taxable supplies below £83,000 or EU acquisitions below £85,000.

General description of the measure

The measure will:

- increase the registration and deregistration thresholds for VAT, in line with inflation
- increase the registration and deregistration threshold for EU acquisitions, in line with the VAT registration threshold

The measure was announced at Spring Budget 2017.

Policy objective

The UK's VAT registration threshold (above which persons making taxable supplies are required to register and account for VAT) is currently set at £83,000 and is the highest in the EU. Those trading below the threshold can choose to register voluntarily. The deregistration threshold for taxable supplies is currently £81,000. It is set lower than the registration threshold to avoid businesses trading around the threshold level having to frequently register and deregister.

Revalorisation of the threshold will prevent around 4,000 small businesses from having to register for VAT by the end of the 2017 to 2018 financial year.

Background to the measure

Typically, the VAT registration and deregistration thresholds have been revalorised annually in line with inflation using the Retail Price Index (RPI).

Detailed proposal

Operative date

The changes to the thresholds will have effect from 1 April 2017.

Current law

Current law is included in Schedules 1 and 3 of the Value Added Tax Act 1994.

Proposed revisions

References to the appropriate thresholds in Schedules 1 and 3 of the Value Added Tax Act 1994 will be updated by secondary legislation, as follows:

In Schedule 1 (registration in respect of taxable supplies: UK establishment):

- in paragraph 1(1)(a), (1)(b), (2)(a) and (2)(b), "£83,000" will be replaced by "£85,000"
- in paragraph 1(3), "£81,000" will be replaced by "£83,000"

- in paragraph 4(1) and (2), "£81,000" will be replaced by "£83,000"

In Schedule 3 (registration in respect of acquisitions from other member states):

- in paragraph 1(1) and (2), "£83,000" will be replaced by "£85,000"
- in paragraph 2(1)(a), (1)(b) and (2), "£83,000" will be replaced by "£85,000"

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

This measure is not expected to have any significant economic impacts.

Impact on individuals, households and families

This measure will not impact on family formation, stability or breakdown. This measure relates solely to increasing the VAT registration thresholds for businesses by inflation and will not affect the current availability or price of goods and services from registered and unregistered businesses.

Equalities impacts

The measure is not expected to have a disproportionate impact on people with any of the characteristics which are protected under the Equality Act 2010 (and relevant Northern Ireland legislation).

Impact on business including civil society organisations

This measure is expected to have a negligible impact on a small number of businesses. Revalorisation of the threshold will save about 4,000 businesses from the costs they would otherwise have incurred in registering for and administering VAT. There are not expected to be any additional on-going costs.

This measure is not expected to have any impact on civil society organisations.

Operational impact (£m) (HMRC or other)

The impact on HM Revenue and Customs costs of revalorisation of the threshold is negligible and will be met from existing baselines.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through information collected from tax returns and receipts.

Further advice

If you have any questions about this change, please contact Kevin Coyle by telephone: 03000 598805 or email: Kevin.Coyle@hmrc.gsi.gov.uk.