HM Revenue & Customs

HM Treasury

Overview of Tax Legislation and Rates

19 March 2014

Contents

Introduction

This document sets out the detail of each tax policy measure announced at Budget 2014. 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:

- Chapter 1 provides detail on all tax measures to be legislated in Finance Bill 2014, or that will otherwise come into effect in 2014-15. 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 Budget 2014.
- Chapter 2 provides details of proposed tax changes announced at Budget 2014 to be legislated in Finance Bill 2015, other future finance bills, programme bills or secondary legislation.
- Annex A includes all Tax Information and Impact Notes published at Budget 2014.
- Annex B provides tables of tax rates and allowances.

Finance Bill 2014 will be published on 27 March 2014.

1 Finance Bill 2014

1.1 This chapter summarises tax changes to be legislated in Finance Bill 2014 or other legislation, including secondary legislation having effect in 2014-15.

1.2 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 Budget 2014. For measures announced before the Budget, the Tax Information and Impact Notes (TIINs) can be found on the GOV.UK website. Those measures which remain broadly unchanged following consultation are set out at the end of this chapter.

Personal tax

1.3 Income tax personal allowances for 2015-16 – Legislation will be introduced in Finance Bill 2014 to increase the personal allowance for those born after 5 April 1948 to £10,500 and set the basic rate limit to £31,785 for 2015-16. These changes will have effect from 6 April 2015. A TIIN for this measure is available at Annex A.

1.4 Transferable tax allowance for married couples and civil partners – As announced in Autumn Statement 2013, legislation will be introduced in Finance Bill 2014, effective for the 2015-16 tax year, to allow a spouse or civil partner to apply to transfer £1,050 of their personal allowance to their spouse or civil partner. The spouse or civil partner will receive the transferable allowance as a reduction to their income tax liability at the basic rate of tax. To be eligible to make or receive the transfer, neither party must be liable to income tax at the higher or additional rate. From 2016-17, the transferable amount will be 10 per cent of the personal allowance for those born after 5 April 1938. A revised TIIN is available at Annex A.

1.5 Starting rate for savings income – Legislation will be introduced in Finance Bill 2014 to reduce the starting rate for savings income from 10 per cent to zero per cent, and to increase the maximum amount of an individual's savings income that can qualify for this starting rate from £2,880 in 2014-15 to £5,000 for 2015-16. Secondary legislation will also ensure that savers who are not liable to pay income tax on their savings income can register to receive interest payments from their bank or building society without tax being deducted. These changes will have effect from 6 April 2015. A TIIN is available at Annex A.

1.6 Pensions flexibility - Legislation will be introduced in Finance Bill 2014 to:

- reduce the minimum income requirement for accessing flexible drawdown to £12,000;
- increase the capped drawdown limit to 150% of an equivalent annuity;
- increase the total pension wealth that people can have before they are no longer entitled to receive lump sums under trivial commutation rules to £30,000;
- increase the small pots limit, raising the size of a pension pot that can be taken as a lump sum regardless of total pension wealth, to £10,000;

- increase the number of small personal pension pots that can be taken as a lump sum to three.

These changes will have effect from 27 March 2014. A TIIN is available at Annex A.

1.7 Pensions liberation – Legislation will be introduced in Finance Bill 2014 to give HMRC new powers to help prevent pension liberation schemes being registered, and make it easier for HMRC to de-register schemes. These include a requirement that the scheme administrator must be a fit and proper person, and a provision that surrendering rights in favour of an employer is subject to tax as an unauthorised payment.

Legislation will also be introduced in the Finance Bill to ensure that regulatory redress in the form of transfers of sums and assets to registered pension schemes under certain court orders are taxed and relieved appropriately, and independent trustees appointed at the instigation of the Regulator will no longer be liable for tax that arose before they were appointed. These changes will have effect from 20 March 2014, except for changes relating to the fit and proper person test and regulatory interventions, which will have effect from 1 September 2014. The Government will also work with stakeholders to consider if any further legislative changes are required to combat pension liberation. A TIIN is available at Annex A.

1.8 Increase in limits under employee share schemes – As announced in Autumn Statement 2013, legislation will be introduced in Finance Bill 2014 to increase the maximum value of shares that employees can acquire under all-employee Share Incentive Plans (SIP) from 6 April 2014. The individual limits under SIP will be increased to:

- £3,600 on the 'free' shares companies can award to employees; and,
- £1,800 on the 'partnership' shares employees can purchase.

Following consultation, the legislation has been extended to enable further adjustments of SIP limits to be made by Treasury Order. This change will have effect from Royal Assent to Finance Bill 2014.

1.9 Government response to Office of Tax Simplification (OTS) review of tax advantaged share schemes – As announced in Autumn Statement 2013, legislation will be introduced in Finance Bill 2014 to give effect to OTS proposals to simplify the tax rules and administrative processes for employee share schemes. The main changes are the switch from HMRC approval of tax advantaged schemes to self-certification by businesses, and online filing of all employee share scheme returns and information, for both tax advantaged schemes and non-tax advantaged arrangements that provide employment-related securities. In addition, a number of technical changes have been made to the rules for tax advantaged schemes to clarify the legislation, including modification of the purpose test that schemes must meet.

Following consultation, the legislation has been revised to include several minor technical modifications, including in relation to the declaration required from companies when self-certifying or notifying alterations to schemes; the requirements upon Share Incentive Plan (SIP) trustees; Save as You Earn and Company Share Option Plan (CSOP) option exercise rights; the tax chargeable in certain circumstances where SIP shares are forfeited; and the general requirements in relation to CSOP options. These changes will have effect from 6 April 2014.

1.10 Government response to Office of Tax Simplification (OTS) review of unapproved share schemes – As announced in Budget 2013, legislation will be introduced in Finance Bill 2014 and by secondary legislation to implement simplification measures recommended by the OTS for the taxation of employment-related securities. Following consultation, the legislation has been revised to enable corporation tax (CT) relief to be available in a range of circumstances where companies employ or host internationally mobile employees (IMEs), correct an anomaly in relation to employer contributions to overseas pensions schemes and provide other minor and technical updates. Many of these changes will have effect from 6 April 2014 or from Royal Assent to Finance Bill 2014. However, following feedback from stakeholders, measures to simplify the income tax, National Insurance contributions and CT rules for IMEs will have effect from 6 April 2015, and will apply to events after that date in relation to any employment-related securities.

1.11 Social investment tax relief – As announced at Budget 2013, legislation will be introduced in Finance Bill 2014 to provide a range of income and capital gains tax reliefs, to provide incentives for investment by individuals in qualifying social enterprises. Income tax relief will be available at 30 per cent of the amount invested. These changes will have effect from 6 April 2014. Draft guidance will be published on 27 March 2014.

1.12 Income tax exemption for non-UK resident competitors at the Glasgow Grand Prix (athletics) 2014 – Legislation will be introduced in Finance Bill 2014 to grant an income tax exemption for non-UK resident competitors at the Glasgow Grand Prix, between 5 July and 14 July 2014. A TIIN is available at Annex A.

1.13 Power to make income tax and corporation tax provision for major sporting events – Legislation will be introduced in Finance Bill 2014 to enable income tax and corporation tax provision to be made in relation to major sporting events by secondary legislation. These changes will have effect from Royal Assent to Finance Bill 2014. A TIIN is available at Annex A.

1.14 Inheritance tax: liabilities and foreign currency accounts – Legislation will be introduced in Finance Bill 2014 to treat funds held in foreign currency accounts in UK banks in a similar way to excluded property, for the purposes of provisions which restrict how liabilities are deducted from the value of an estate for inheritance tax. The changes will close a loophole in the provisions, so that a liability will be disallowed as a deduction where the borrowed funds have been deposited into a foreign currency account in a UK bank which is disregarded for inheritance tax purposes. These changes will have effect from Royal Assent to Finance Bill 2014. A TIIN is available at Annex A.

1.15 Remittance basis – capital gains tax and split year treatment – Legislation will be introduced in Finance Bill 2014 to ensure that capital gains made by a remittance basis user in the overseas part of a split year of residence are not charged to tax. This corrects a defect in the split year rules inserted by Schedule 45 to Finance Act 2013.

1.16 Fuel Benefit Charge (FBC) – The FBC multipliers for both company cars and vans will increase in line with inflation for 2015-16. The increase will be based on the September 2014 RPI figure. The changes will be introduced by secondary legislation later in 2014, in time for the normal tax code exercise in January 2015.

1.17 Van Benefit Charge (VBC) – The VBC will increase in line with inflation for 2015-16. The increase will be based on the September 2014 RPI figure. The changes will be introduced by secondary legislation later in 2014, in time for the normal tax code exercise in January 2015.

1.18 Capital gains roll-over relief: intangible fixed assets – Legislation will be introduced in Finance Bill 2014 amending rewritten legislation to prevent claims for capital gains roll-over relief on the reinvestment in an intangible fixed asset. This will bring the corporation tax treatment of companies seeking to claim capital gains roll-over relief into line with the legislation previously enacted in Finance Act 2002. For any such claims made before 19 March 2014 the tax cost of the replacement intangible fixed asset is to be adjusted when calculating future debits and credits. These changes will have effect from 19 March 2014. A TIIN is available at Annex A.

1.19 Capital gains business asset roll-over relief – Legislation will be introduced in Finance Bill 2014 to include payment entitlements under the new agricultural subsidy Basic Payment Scheme within the business asset roll-over relief classes of qualifying assets. These changes will come into force from Royal Assent to Finance Bill 2014 and will have retrospective effect from 20 December 2013. A TIIN is available at Annex A.

Corporate tax

1.20 Annual Investment Allowance (AIA) – Legislation will be introduced in Finance Bill 2014 to increase the current temporary maximum of the AIA from £250,000 to £500,000. The legislation will also extend the period of the temporary increase. These changes will have effect:

- from 1 April 2014 to 31 December 2015 for corporation tax; and
- from 6 April 2014 to 31 December 2015 for income tax.

A TIIN is available at Annex A.

1.21 Bank levy redesign (banding model) – The Government will consult on the merits of a new charging mechanism for the bank levy, where banks are allocated into different bands according to their chargeable equity and liabilities, and then charged an amount set for that band. This aims to address some of the concerns raised around the existing bank levy, and increase the predictability and sustainability of the tax moving forward. A consultation document will be published on 27 March 2014, with any subsequent changes to the bank levy's design introduced during the passage of Finance Bill 2014, and will apply for all chargeable periods commencing on or after 1 January 2015.

1.22 Amendment to loss buying rules – Legislation will be introduced in Finance Bill 2014 to exclude Research and Development Allowances under Part 6 of Capital Allowances Act 2001 from the anti-loss buying rules in Part 14A of Corporation Tax Act 2010. These changes will have effect for "qualifying changes" of ownership under the Part 14A rules occurring on or after 1 April 2014. A TIIN is available at Annex A.

1.23 UK oil and gas fiscal regime: substantial shareholding exemption – As announced in Autumn Statement 2013, legislation will be introduced in Finance Bill 2014 to extend the scope of the substantial shareholding exemption, to treat a company as having held a substantial shareholding in a subsidiary being disposed of for the 12 month period before the disposal, where that subsidiary is using assets for oil and gas exploration and appraisal activity that have been transferred from other group companies, and where the other conditions for the exemption are met. These changes will have effect for disposals that occur on or after 1 April 2014.

1.24 UK oil and gas fiscal regime: reinvestment relief for pre-trading companies – As announced in Autumn Statement 2013, legislation will be introduced in Finance Bill 2014 to create an exemption to prevent a chargeable gain being subject to a corporation tax charge, where an asset is disposed of in the course of oil and gas exploration and appraisal activities, and the proceeds are then reinvested in the UK and UK Continental Shelf. Following consultation, the legislation has been revised to allow proceeds to also be invested in oil assets used in a ring fence trade. This legislation will have effect for disposals that occur on or after 1 April 2014.

1.25 Mineral extraction allowances: planning and permitting costs – Legislation will be introduced in Finance Bill 2014 to extend the scope of qualifying expenditure on mineral exploration and access to include expenditure on seeking planning permission where that planning permission is granted. These changes will apply to the qualifying expenditure a company incurs on or after Royal Assent to Finance Bill 2014. A TIIN is available at Annex A.

1.26 Section 221 Finance Act 2012: Insurers' Solvency 2 regulatory capital securities – Legislation will be introduced in Finance Bill 2014 to ensure regulations can be made to set out the tax treatment of Solvency 2 compliant capital instruments in advance of the agreement to Solvency 2. Subject to the outcome of the Organisation for Economic Co-operation and Development's (OECD) Base Erosion and Profit Shifting project, the Government will make regulations to ensure that insurers' Solvency 2 instruments which are issued in the form of debt are taxed as debt instruments as the tax treatment of these instruments is uncertain.

1.27 Abolition of Schedule 19 – As announced at Budget 2013, legislation will be introduced in Finance Bill 2014 to abolish the Stamp Duty Reserve Tax (SDRT) charge on unit trusts and open-ended investment companies in Schedule 19 to Finance Act 1999. Following consultation, the legislation has been revised to retain an SDRT charge on non pro-rata in specie redemptions. These changes will have effect from 30 March 2014. An updated TIIN is available in Annex A.

1.28 Business Premises Renovation Allowance (BPRA) – As announced in Autumn Statement 2013, legislation will be introduced in Finance Bill 2014 to clarify the scope of BPRA and ensure that it is limited to building and renovation works and associated services. Following consultation, the legislation has been revised to extend the time in which the works must be carried out to 36 months, and the proposal to limit qualifying plant and machinery to integral features has been widened to cover additional listed items. In addition a rule will be introduced preventing claims to BPRA being made if another form of State aid has or will be received. These changes will have effect from 6 April 2014 for income tax, and 1 April 2014 for corporation tax. An updated TIIN is available in Annex A.

1.29 Increasing small and medium sized enterprises (SMEs) payable research and development (R&D) tax credit – Legislation will be introduced in Finance Bill 2014 to increase the rate of R&D payable credit for loss-making SMEs to 14.5 per cent from 11 per cent for qualifying expenditure incurred on or after 1 April 2014. This will increase the rate of the cash credit payable to SMEs that conduct R&D, but do not have corporation tax liabilities. A TIIN is available at Annex A.

1.30 Enterprise Zones (EZ): Enhanced Capital Allowances (ECAs) – Legislation will be introduced in Finance Bill 2014 to extend the period in which 100 per cent ECAs are available in EZs by three years until 31 March 2020, and to include a power to make future extensions to the duration of ECA schemes by Treasury Order. A pilot EZ will also be established in Northern Ireland. ECAs are available to companies investing in qualifying plant and machinery on designated sites within EZs. These changes will have effect from Royal Assent to Finance Bill 2014. A TIIN is available at Annex A.

1.31 Extending the Seed Enterprise Investment Scheme (SEIS) – Legislation will be introduced in Finance Bill 2014 to remove the time limit from SEIS and make it permanent. The legislation will also make permanent the capital gains tax (CGT) relief for reinvesting gains in SEIS shares. These changes will come into force from Royal Assent to Finance Bill 2014 and, for CGT reinvestment relief, have effect for 2014-15 and subsequent years. A TIIN is available at Annex A.

1.32 Amendments to video games tax relief – Budget 2012 set out new corporation tax reliefs for creative industries, animation, high-end television and video games. Legislation will be introduced in Finance Bill 2014 amending the video games legislation to make it compliant with State aid approval, and to clarify that only those games on which relief is claimed are to be treated as separate trades. These changes will have effect once State aid approval has been received.

1.33 Amendment to television tax relief – Legislation will be introduced in Finance Bill 2014 amending the television tax relief legislation (Part 15A of Corporation Act 2009) to clarify that only those television programmes on which relief is claimed are to be treated as separate trades. These changes will have effect from Royal Assent to Finance Bill 2014.

1.34 Theatre tax relief – Legislation will be introduced during the passage of Finance Bill 2014 for a new corporation tax relief for theatrical productions and touring theatrical productions. The Government will consult shortly after Budget 2014 on the design of the relief.

Property tax

1.35 Stamp Duty Land Tax (SDLT): threshold for the 15 per cent higher rate for certain residential property transactions – Finance Act 2012 introduced a 15 per cent rate of SDLT on the acquisition by certain non-natural persons of dwellings costing more than £2 million. Legislation will be introduced in Finance Bill 2014 to reduce this threshold to £500,000. The new threshold will apply to land transactions where the effective date is on or after 20 March 2014. However the existing £2 million threshold will continue to apply, subject to exceptions, where contracts were entered into before that date.

1.36 Annual Tax on Enveloped Dwellings (ATED) – Finance Act 2013 introduced the ATED on certain non-natural persons owning UK residential property valued at more than £2 million. Legislation will be introduced in Finance Bill 2014 to reduce this threshold to £500,000. From 1 April 2015 a new band will come into effect for properties with a value greater than £1 million but not more than £2 million with an annual charge of £7,000. From 1 April 2016 a further new band will come into effect for properties with a value greater than £500,000 but not more than £1 million with an annual charge of £3,500. There will be a transitional rule for the £1 million to £2 million band requiring returns to be filed on 1 October 2015 and payment by 31 October 2015. A TIIN is available at Annex A. The charges and thresholds for 2014-15 are set out in Annex B.

Indirect tax

1.37 Tobacco duty rates – Legislation will be introduced in Finance Bill 2014 to increase the duty rates for all tobacco products by 2 per cent above the rate of inflation (based on RPI) from 6pm on 19 March 2014. This will add 24 pence to the price of 20 cigarettes, 8 pence to the price of a pack of five small cigars, 23 pence to the price of a 25g pouch of hand-rolling tobacco, and 13 pence to the price of a 25g pouch of pipe tobacco. A TIIN is available at Annex A. The rates are set out in Annex B.

1.38 Alcohol duty – Legislation will be introduced in Finance Bill 2014 to reduce rates of beer duty by:

- 6 per cent for low strength beer (less than 2.8 per cent alcohol by volume (abv));
- 2 per cent for the standard rate of beer duty (between 2.8 per cent and 7.5 per cent abv); and
- 0.75 per cent overall for high strength beer (above 7.5 per cent abv).

These changes will reduce the price of a typical pint (at each strength) by one penny. The legislation will increase the duty rates for wine and made wine and sparkling cider of a strength exceeding 5.5 per cent by the rate of inflation (based on RPI). This will add 8 pence to the price of higher strength sparkling cider and 6 pence to the price of a bottle of wine. These changes will take effect from 24 March 2014.

The duty rates on spirits and other cider and perry have been frozen. A TIIN is available at Annex A. The rates are set out in Annex B.

1.39 Remote gambling tax reform – As announced in Budget 2012, legislation will be introduced in Finance Bill 2014 to make all UK facing remote gambling operators liable to UK gambling taxes on the gambling profits generated from UK customers, no matter where in the world the operator itself is located. Following consultation, the legislation has been revised to take account of consultation responses and to provide for transitional arrangements. These changes will have effect from 1 December 2014.

1.40 Gaming duty – Legislation will be introduced in Finance Bill 2014 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 2014. The GGY bandings are published in Annex B.

1.41 Bingo duty – Legislation will be introduced in Finance Bill 2014 to reduce the rate of bingo duty from 20 per cent to 10 per cent. In addition, the amendment to the bingo duty exemption provision, affecting adult gaming centres, simply updates the legislation and maintains the scope of the relief. The rate reduction will have effect for bingo duty accounting periods beginning on or after 30 June 2014. The amendment to the exemption provision will have effect from Royal Assent to Finance Bill 2014. A TIIN is available at Annex A.

1.42 Machine games duty – Legislation will be introduced in Finance Bill 2014 to create a new rate of machine games duty that will apply in respect of machines where the charge payable for playing can exceed £5. The change will have effect from 1 March 2015. A TIIN is available at Annex A.

1.43 Air Passenger Duty (APD): banding reform – Legislation will be introduced in Finance Bill 2014 to reduce the number of APD destination bands from four to two, by merging the former bands B, C and D. It also sets the higher rates that apply to aircraft with an authorised take off weight of 20 tonnes or more, and fewer than 19 seats, to six times the reduced rate. These changes will have effect in relation to the carriage of chargeable passengers on and after 1 April 2015. A TIIN is available at Annex A.

1.44 VAT: prompt payment discounts – Legislation will be introduced in Finance Bill 2014 to amend the UK VAT legislation on prompt payment discounts so that it is clearly aligned with EU legislation with effect from 1 April 2015. The legislation will also introduce a power allowing the amendment to be commenced before this date for such supplies as may be specified. In addition, a Provisional Collection of Taxes Act (PCTA) resolution will give statutory effect to the measure from 1 May 2014 for supplies of telecommunications and television and radio broadcasting services where there is no obligation to provide a tax invoice, to protect revenue in advance of the main change. This amendment will ensure VAT is accounted for on the full consideration paid for goods and services where prompt payment discounts are offered. The Government will consult on implementation prior to the 1 April 2015 change coming into force. A TIIN is available at Annex A.

1.45 Aggregates levy: suspension of certain exemptions, exclusions and reliefs – As announced at Autumn Statement 2013, legislation will be introduced in Finance Bill 2014 to suspend elements of the aggregates levy that are subject to a formal State aid investigation by the European Commission, with effect from 1 April 2014. The legislation will make provision for the suspended elements to be reinstated should the Commission decision allow, and to enable revenue received as a result of the suspensions to be repaid. Following consultation, minor changes will be made to the provisions covering two new exempt processes. A Statutory Instrument laid after the conclusion of the Budget debate in the House of Commons will amend obligations on aggregates businesses for registering for the levy and providing certain notifications to HMRC that are consequential to the suspension, with effect from 1 April 2014. An updated TIIN is available at Annex A.

1.46 Landfill tax rates – Legislation will be introduced in Finance Bill 2014 to increase the standard and lower rates of landfill tax in line with inflation (based on RPI) for disposals of waste made, or treated as made, to landfill on or after 1 April 2015. The rates of landfill tax are set out in Annex B.

1.47 Climate change levy (CCL): exemptions for energy used in metallurgical and mineralogical processes – As announced at Budget 2013, legislation will be introduced in Finance Bill 2014 to exempt the energy used in mineralogical and metallurgical processes from the CCL. Following consultation, some technical changes will be made to the definition of metallurgical processes, including the addition of sheet metal forming. These exemptions will have effect from 1 April 2014. An updated TIIN is available at Annex A.

1.48 Climate change levy (CCL) main rates – Legislation will be introduced in Finance Bill 2014 to increase the main rates of CCL in line with inflation (based on RPI) from 1 April 2015. The main rates of CCL are set out in Annex B.

1.49 Carbon price support (CPS) rates of climate change levy (CCL) – Legislation will be introduced in Finance Bill 2014 to set the CPS rates of CCL on fossils fuels (excluding oils) used in electricity generation from 1 April 2016. A TIIN is available at Annex A. The legislation will also amend the previously legislated CPS rate on coal and other solid fossil fuels for 2014-15 and 2015-16. The CPS rates of CCL are set out in Annex B.

1.50 VAT: The revalorisation of fuel scale charges is no longer part of the Budget process. The new tables are published on the HMRC website at: http://www.hmrc.gov.uk/vat/forms-rates/rates/rates-thresholds.htm#8

1.51 Vehicle Excise Duty (VED) rates for cars, vans, motorcycles and motorcycle trade licences – Legislation will be introduced in Finance Bill 2014 to increase VED rates in line with RPI with effect from 1 April 2014. Details of the VED rate changes are published in Annex B.

1.52 Vehicle Excise Duty (VED) classic vehicle exemption – Legislation will be introduced in Finance Bill 2014 to extend by one year the cut-off date from which classic vehicles are exempt from VED, and in a future Finance Bill to introduce a rolling 40-year VED exemption for classic vehicles. These changes will have effect from 1 April 2014. A TIIN is available at Annex A.

1.53 Heavy Goods Vehicle (HGV) road user levy – Legislation will be introduced in Finance Bill 2014 to allow HMRC to share Freight Targeting System information on UK bound HGVs with the Department for Transport to support enforcement of the levy scheme. These changes will have effect from Royal Assent to Finance Bill 2014.

1.54 VED rates for Euro IV and V light goods vehicles – The Government will freeze the VED rates for Euro IV and V light goods vehicles in 2014-15.

Anti-avoidance, fairness and planning

1.55 Offshore employment intermediaries – As announced in Budget 2013 and following consultation, legislation will be introduced in Finance Bill 2014 to strengthen obligations to ensure the correct income tax and National Insurance contributions are paid by offshore employment intermediaries. These changes will have effect from 6 April 2014.

1.56 Onshore Employment Intermediaries: False self-employment – As announced at Autumn Statement 2013, legislation will be introduced in Finance Bill 2014 to prevent employment intermediaries being used to avoid employment taxes and obligations by disguising employment as self-employment. Following consultation, the legislation has been revised to incorporate a number of small changes to address some of the concerns raised. A Targeted Anti-Avoidance Rule has also been introduced. These changes will have effect from 6 April 2014.

1.57 Partnerships – As announced at Budget 2013, and following formal consultation over the summer, draft Finance Bill 2014 legislation was published for consultation at Autumn Statement 2013, alongside a consultation response document and a Technical Note, setting out the Government's proposals to counter:

- the disguising of employment relationships (and consequential reduction of employment taxes) in relation to salaried members of Limited Liability Partnerships (LLPs);

- tax-motivated allocations of business profits or losses in partnerships (not just LLPs) where the partners include both individuals and companies (mixed membership partnerships); and

- tax-motivated disposals of assets through partnerships.

Draft legislation was also published on a new income tax collection mechanism for partnerships (including LLPs) operating as Alternative Investment Fund Managers (AIFMs).

The technical consultation on the draft legislation closed on 4 February 2014.

Revised guidance and legislation on the salaried member rules were published on 21 February and 7 March respectively. The legislation will take effect from 6 April 2014.

On 19 March 2014, a resolution was made providing for the operation from 6 April 2014 of Pay As You Earn in respect of income tax payable on behalf of salaried members. This resolution has statutory effect under the Provisional Collection of Taxes Act 1968. The National Insurance contributions (NICs) Act 2014 and associated regulations provide for the changes to NICs legislation that will take effect from 6 April 2014.

A number of minor amendments have been made to the other elements of the legislation published at Autumn Statement 2013, and the amended legislation will be published together with revised guidance as part of Finance Bill 2014. This legislation and the NICs changes in relation to AIFMs will also take effect from April 2014, as previously announced.

1.58 Venture Capital Trusts (VCT) scheme changes – As announced in Budget 2013, legislation will be introduced to restrict individuals' entitlement to VCT income tax relief where investments are conditionally linked in any way to a VCT share buy-back, or have been made within 6 months of a disposal of shares in the same VCT. Legislation will also be introduced in Finance Bill 2014 to ensure that, notwithstanding the general time limits for making assessments to recover tax, HMRC can withdraw tax relief in all cases if VCT shares are disposed of within 5 years of acquisition. These changes will have effect from 6 April 2014. As announced in Autumn Statement 2013, from the date of Royal Assent to Finance Bill 2014, investors will be able to subscribe for shares in a VCT via a nominee. Following Royal Assent to Finance Bill 2014, secondary legislation will be introduced to accommodate the operational delivery of the change in respect of subscriptions by a nominee.

1.59 Excluding Department of Energy & Climate Change (DECC)-subsidised activities from qualifying for the venture-capital schemes – Legislation will be introduced during the passage of Finance Bill 2014 to prevent companies from benefiting from investment via the Enterprise Investment Scheme (EIS), the Seed Enterprise Investment Scheme (SEIS) or the Venture Capital Trust (VCT) scheme when they also benefit from DECC Renewable Obligations Certificates (ROCs) or Renewable Heat Incentive (RHI) subsidies. This legislation will have effect in the case of EIS and SEIS in respect of shares issued on or after Royal Assent to Finance Bill 2014. In the case of VCTs, it will have effect in respect of investments made by a VCT on or after Royal Assent to Finance Bill 2014.

1.60 Venture Capital Trusts (VCT) share premium accounts – Legislation will be introduced in Finance Bill 2014 to prevent VCTs returning capital subscribed by investors within 3 years of the end of the accounting period in which the shares were issued. These changes will have effect from 6 April 2014. A TIIN is available at Annex A.

1.61 Artificial use of dual contracts by non-domiciles – As announced in Autumn Statement 2013, legislation will be introduced in Finance Bill 2014 to prevent high earning non-domiciled individuals from avoiding tax by artificially dividing the duties of a single employment between a UK and an overseas contract. Overseas employment income will be taxed on the arising basis where tax is not payable on the overseas contract at a rate broadly comparable to UK tax rates. Following technical consultation, legislation has been revised to prevent charges arising on dual contracts which are not motivated by tax avoidance. The legislation will be amended to prevent charges arising on directors with less than a 5 per cent shareholding in their employer; clarify that an income tax charge cannot arise on income related to employment duties performed in tax years prior to 2014-15 and the legislation will also take into account employments held for legal/regulatory reasons. Finally, the threshold in the comparative tax rate test will be reduced from 75 per cent to 65 per cent of the UK additional rate. These changes will have effect from 6 April 2014. An updated TIIN is available at Annex A.

1.62 High-risk promoters – As announced in Budget 2013, legislation will be introduced in Finance Bill 2014 to provide for further information requirements for the Disclosure of Tax Avoidance Scheme (DOTAS) rules, alongside new information powers and penalties for high-risk promoters. Following consultation, the definitions, appeal rights, and the threshold conditions in the high-risk promoter legislation have been revised. These changes will have effect from Royal Assent to Finance Bill 2014.

1.63 Requirement for users of failed avoidance schemes – As announced at Autumn Statement 2013, legislation will be introduced in Finance Bill 2014 to give HMRC the power to give notice to taxpayers who have used avoidances schemes which are defeated in another party's litigation that they should amend their returns or settle their disputes with HMRC accordingly. Taxpayers who decide not to settle their case will risk a penalty. This change will have effect from Royal Assent to Finance Bill 2014.

1.64 Accelerated payment in tax avoidance cases – As announced in Autumn Statement 2013, legislation will be introduced in Finance Bill 2014 to change tax administration to require taxpayers who have used avoidance schemes which are defeated in another party's litigation, and who do not settle the dispute, to pay the disputed amount to HMRC on demand. A TIIN is available at Annex A.

Following consultation, further legislation will be introduced in Finance Bill 2014 to extend accelerated payment of tax to users of schemes disclosed under the Disclosure of Tax Avoidance Schemes (DOTAS) rules, and to taxpayers involved in schemes subject to counteraction under the General Anti-Abuse Rule (GAAR), so that the amount in dispute is held by HMRC while the dispute is resolved. These changes will take effect from Royal Assent to Finance Bill 2014. A TIIN is available at Annex A.

1.65 UK oil and gas: bareboat chartering – As announced in Autumn Statement 2013, the Government is concerned about the use of bareboat charters to move significant taxable profit outside the UK tax net, and has been holding informal discussions with industry. Legislation will be introduced during the passage of Finance Bill 2014 to cap the amount allowed as a deduction for these charters to companies that provide drilling services or accommodation services on the UK Continental Shelf. The cap will be calculated by reference to the historic capital cost of the asset which is subject to the lease, and will consist of a proxy for capital expenditure at a rate of 4 per cent per calendar year, plus an amount to represent the possible finance costs of newer assets which will be set at 5 per cent on borrowing of half the cost, plus an additional 1 per cent to accommodate variable additional costs met outside of the UK. This will be adjusted where an asset is not used anywhere in the world for part of the year.

Legislation will also be introduced to provide a new form of ring fence applicable to the composite activity which is the subject of this measure. Whilst profits within this ring fence will only be taxed at standard corporation tax rates (and not the higher rates which apply to oil producers), those profits will no longer be able to be reduced by other tax reliefs derived from activity outside the UK Continental Shelf. Draft legislation and a TIIN for this measure will be published on 1 April 2014, the date from which these changes will have effect. Legislation will be introduced during the passage of Finance Bill 2014.

1.66 Avoidance schemes involving the transfer of corporate profits – Legislation will be introduced in Finance Bill 2014 to prevent companies from obtaining a corporation tax advantage by transferring profits between companies within a group. The legislation will provide that where as part of tax avoidance arrangements a company transfers all or a significant part of its profits to another group member, then the company's profits will be taxed as though the transfer had not occurred. These changes will have effect for any transfer of profits made on or after 19 March 2014. A TIIN is available at Annex A.

1.67 Establishing charities for tax avoidance – The Government is currently consulting further on measures announced at Autumn Statement 2013, to prevent charities established for the purpose of tax avoidance from being entitled to claim charitable tax reliefs. Any required legislation will follow at an appropriate time.

1.68 Review of loan relationships and derivative contracts – Following consultation, the Government will shortly issue a Technical Note setting out proposed changes to make the corporation tax rules on loan relationships and derivative contracts simpler, more certain and more robust against avoidance. As part of these changes, legislation will be introduced in Finance Bill 2014 in two areas.

First, both profits and losses will be brought into account for tax purposes when a group transfers a loan or derivative contract to a company, which subsequently ceases to be a member of the group (currently losses are not normally brought into account). These changes have effect where the cessation of membership of the relevant group occurs on or after 1 April 2014. A TIIN is available at Annex A.

Second, changes will be made to the rules in Chapter 3 of Part 6 of Corporation Tax Act 2009, concerned with the taxation of certain collective investment vehicles, to enhance existing anti-avoidance provisions and to clarify aspects of the operation of the rules. These changes have effect in relation to accounting periods beginning on or after 1 April 2014.

Legislation, previously intended for inclusion in Finance Bill 2014, to clarify and rationalise the taxation of loan relationships and derivative contracts held by a partnership will now be deferred to 2015.

Tax administration and secondary legislation

1.69 Legislative changes resulting from the introduction of the Scottish rate of income tax – Legislation will be introduced in Finance Bill 2014 to amend the structure of the income tax legislation, which sets out the application of the Scottish rate of income tax to Scottish taxpayers. This will allow subsequent consequential changes to be made in secondary legislation in a more straightforward manner. It has no effect on the amounts of tax that will be paid by any Scottish or other taxpayer. These changes will have effect from 6 April 2016. A TIIN is available at Annex A.

1.70 Removal of extended time limit restriction for EU cases – As announced on 28 February 2014, legislation will be introduced in Finance Bill 2014 to modify the limitation period for recovery of direct tax to accord with the Supreme Court ruling in the Franked Investment Income Group Litigation. These changes will have effect from Royal Assent to Finance Bill 2014 and will retrospectively amend section 107 of Finance Act 2007.

1.71 Public Works Loan Board limit (PWLB) – Legislation will be introduced in Finance Bill 2014 to provide the Government with the legal powers required to increase the current PWLB lending limit of £70 billion to up to £95 billion in future, to enable local authorities to continue to borrow from the PWLB. These changes will have effect from a date to be appointed by secondary legislation.

1.72 VAT: revalorisation of registration and deregistration thresholds – 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 £79,000 to £81,000;
- the taxable turnover threshold which determines whether a person may apply for deregistration will be increased from £77,000 to £79,000; and
- the registration and deregistration threshold for relevant acquisitions from other EU Member States will also be increased from £79,000 to £81,000.

The simplified reporting requirement (three line accounts) for the income tax self assessment return will continue to be aligned with the VAT registration threshold. From 2013-14, small businesses are able to use the simpler income tax cash basis which simplifies the way in which small businesses can calculate their trade profits.

The eligibility conditions for the cash basis are linked to the VAT registration threshold in place at the end of the relevant tax year. These changes will have effect from 1 April 2014.

1.73 The New Individual Savings Accounts (NISA), and changes to Junior ISA and Child Trust Fund (CTF): increasing flexibility for savers and investors – Secondary legislation will be introduced to equalise the annual subscription limit for cash and stocks and shares ISA at £15,000, and to remove restrictions on the transfer of funds between stocks and shares and cash accounts. Consequential changes will be made to the rules concerning the securities and other investments that can be held in an ISA, and Core Capital Deferred Shares issued by a building society will also be eligible for investment in an ISA and CTF. The annual subscription limit for Junior ISA and CTF will be increased from £3,840 to £4,000. These changes will have effect from 1 July 2014. A TIIN is available at Annex A.

1.74 Value of landfill communities fund (LCF) – Secondary legislation will be introduced to reduce the potential value of the LCF for 2014-15 to £71 million of claimable landfill tax credit. This will be achieved by amending the maximum credit that landfill site operators may claim against their annual landfill tax liability for contributions made to environmental bodies with objects concerned with the environment enrolled under the LCF, from 6.8 per cent to 5.1 per cent from 1 April 2014.

1.75 Carbon price support (CPS) rates of fuel duty – Secondary legislation will be introduced to set the CPS rates of fuel duty on oils used in electricity generation from 1 April 2016. A TIIN is available at Annex A. The legislation will also extend the CPS rates of fuel duty to cover duty paid kerosene used in electricity generation from 1 May 2014. The CPS rates of fuel duty are set out in Annex B.

1.76 Enhanced capital allowances: energy saving and water efficient technologies – The energy-saving and water efficient enhanced capital allowance schemes will be updated to include two new technologies:

- active chilled beams; and
- desiccant air dryers with energy saving controls.

In addition, the qualifying criteria for a number of technologies in both schemes will be revised. These changes will come into effect by Treasury Order in summer 2014, subject to State aid approval. A TIIN is available at Annex A.

Measures unchanged following consultation

1.77 This section lists those measures where draft legislation has been published for consultation and no changes were made as a result, or minor technical amendments have been made to the final legislation to be introduced in Finance Bill 2014.

Personal tax

- Income tax personal allowances for 2014-15
- Tax exemption for employer expenditure on recommended medical treatment
- Capital gains tax: annual exempt amount (AEA)
- Inheritance Tax (IHT): nil-rate band
- Tax incentives for employee ownership trusts
- Exemption threshold for employer provided beneficial loans
- Pensions tax relief
- Income tax: indexation
- Inheritance tax: periodic charges on trusts
- Vulnerable beneficiary trusts
- Capital gains tax private residence relief final period exemption
- Changes to qualifying loan interest relief
- Company car tax rates 2016-17
- Company cars: repeal of section 114(3) Income Tax (Earnings and Pensions) Act (ITEPA) 2003
- Company cars: payments for private use of a company car or van
- Cultural Gifts Scheme (CGS)

Corporate tax

- Corporation tax rates
- Code of Practice on taxation for banks
- Bank levy rates
- Bank levy review
- Amending loss relief provisions
- Controlled foreign companies (CFC): profit shifting
- Capital allowances: mineral extraction allowances
- Stamp duty: House of Commons resolution provisions
- Stamp duty land tax (SDLT): charities relief
- UK oil and gas fiscal regime: new onshore allowance
- UK oil and gas fiscal regime: extension of the Ring Fence Expenditure Supplement for onshore activities
- Consultation on tax support to the film industry
- Corporate gift aid for Community Amateur Sports Clubs
- Loan relationships: release of debts: financial institutions in resolution
- UK management of offshore funds
- Stamp duty and stamp duty reserve tax on junior shares

Indirect tax

- VAT refunds for the Health Research Authority and Health Education England
- VAT: changes to the place of supply rules
- Vehicle excise duty (VED) for heavy goods vehicles (HGVs)
- Vehicle excise duty (VED)
- Air passenger duty (APD) rates RPI uprating for 2014-15
- Modernisation of ships' stores

- Customs and excise modernisation

Anti-avoidance, fairness and planning

- Compensating adjustments
- Changes to the debt cap provisions
- Double taxation relief: revenue protection
- Avoidance scheme using total return swaps
- Corporation tax: avoidance involving losses

Tax administration

- Administration of the Scottish rate of income tax

2 Future Tax Changes

2.1 This chapter summarises new tax changes announced in Budget 2014, where the change is to be made in Finance Bill 2015, other future finance bills, programme bills or secondary legislation. In line with the Government's new approach to tax policy making, the vast majority of these measures will be subject to consultation. Tax consultations will be published on GOV.UK. Where the policy changes are straightforward (for example routine rate changes or where the policy is settled and will not be subject to consultation), Tax Information and Impact Notes (TIINs) have been published (see Annex A). For other measures, the Government will assess the impacts as part of the consultation and publish a TIIN alongside the draft legislation in the autumn.

Personal tax

2.2 **Inheritance Tax (IHT): Simplification of trust charges and the division of the nil-rate band** – The Government will consult on revised proposals for simplifying the calculation of the IHT trust charges and dividing the nil-rate band available to trusts created by the same settlor. Legislation will be introduced in Finance Bill 2015.

2.3 **Qualifying non-UK pension schemes** – The Government will consult on ways to give equivalent treatment to Qualifying non-UK Pension Schemes (QNUPS) and to UK-registered pension schemes, to ensure fairness and remove opportunities to avoid inheritance tax. Legislation will be introduced in Finance Bill 2015.

2.4 **Pensions tax: abolish the age 75 rule** – The Government will explore with interested parties whether those tax rules, that prevent individuals aged 75 and over from claiming tax relief on their pension contributions, should be amended or abolished.

2.5 **Increased pension flexibility** – Legislation will be introduced in a future bill to allow those with defined contribution pension savings to draw down from them from age 55 from April 2015, subject to their marginal rate of income tax and their pension scheme rules. The Government will consult on how best to implement this. The Government will also consult on increasing the minimum pension age so that it remains ten years below state pension age, for which legislation will also be in a future bill.

2.6 **Dependants' Scheme Pension** – The Government will consult on options to simplify the Dependants' Scheme Pension rules, to ensure the rules apply fairly, and reduce administrative burdens. Any legislative changes will be in a future finance bill.

2.7 **Inheritance tax (IHT) exemptions** – The Government will consult on options to extend the IHT exemption for armed forces personnel who die on active service to all emergency service personnel who die in the line of duty, or whose death is hastened by injury incurred in the line of duty. Legislation will be in Finance Bill 2015.

2.8 Personal allowances for non-residents – To ensure the UK personal allowance remains well targeted, the Government intends to consult on whether and how the allowance could be restricted to UK residents and those living overseas who have strong economic connections in the UK, as is the case in many other countries, including most of the EU.

2.9 Capital gains tax (CGT): non-residents and UK residential property – As announced in Autumn Statement 2013, legislation will be introduced to charge CGT on future gains made by non-residents disposing of UK residential property. A consultation on how best to produce the charge will be published shortly after Budget. These changes will have effect from April 2015. Legislation will be in Finance Bill 2015.

2.10 Use of convertible loans in Enterprise Investment Schemes (EIS) and Seed Enterprise Investment Schemes (SEIS) – The Government will consult on the need to accommodate the use of convertible loans in EIS and SEIS. If any legislation is required it will be included in a future finance bill.

2.11 Government response to Office of Tax Simplification (OTS) review of unapproved share schemes – The Government will consult on two recommendations of the OTS to introduce the 'marketable security' and the employee shareholding vehicle.

2.12 Government response to Office of Tax Simplification (OTS) Review of Employee Benefits and Expenses – In response to the recommendations made in the OTS report on employee benefits and expenses published on 29 January 2014, the Government will consult on a package of four simplifications based on those recommendations, with a view to introducing legislation in Finance Bill 2015. The package consists of the following:

- abolishing the threshold for the taxation of benefits in kind for those employees who earn less than £8,500, with action to mitigate the effects on any vulnerable groups disadvantaged by the reforms;
- introducing a statutory exemption for trivial benefits;
- introducing a system of voluntary payrolling for benefits in kind; and
- replacing the expenses dispensation regime with a Reimbursed Expenses Exemption.

The Government also confirms its intention to review the rules underlying the tax treatment of travel and subsistence expenses and, in addition, will issue a separate call for evidence on remuneration practices and patterns to inform any future reforms.

2.13 Company Car Tax (CCT) – The appropriate percentage of list price subject to tax will increase by 2 percentage points for cars emitting more than 75 grammes of carbon dioxide per kilometre (gCO_2/km), to a maximum of 37 per cent, in 2017-18 and 2018-19.

In 2017-18 there will be a 4 percentage point differential between the 0-50 and 51-75 gCO_2/km bands and between the 51-75 and 76-94 gCO_2/km bands. In 2018-19 this differential will reduce to 3 percentage points.

The differential will reduce further to 2 percentage points in 2019-20 in line with the Budget 2013 announcement. The Government remains committed to reviewing incentives for Ultra Low Emission Vehicles in light of market developments at Budget 2016, to inform decisions on CCT from 2020-21 onwards. Legislation will be in Finance Bill 2015.

2.14 Van Benefit Charge (VBC) Support for Zero Emission Vans – Legislation will be introduced in Finance Bill 2015 to extend VBC support for zero emission vans to 5 April 2020 on a tapered basis. In 2015-16 the VBC rate paid by zero emission vans will be 20 per cent of the rate paid by conventionally fuelled vans, followed by 40 per cent in 2016-17, 60 per cent in 2017-18, 80 per cent in 2018-19 and 90 per cent in 2019-20, with the rates equalised in 2020-21. The Government will review VBC support for zero emission vans in light of market developments at Budget 2016.

National Insurance contributions

2.15 National Insurance contributions (NICs): simplification for the self-employed – Following the consultation announced in Budget 2013 and the summary of responses published in December 2013, the Government will introduce legislation when parliamentary time allows to simplify the administrative process for the self-employed by using Self Assessment to collect Class 2 NICs alongside income tax and Class 4 NICs. These changes will have effect from April 2016, however customers will start to see the benefits after April 2015.

Corporate tax

2.16 UK oil and gas fiscal regime: ultra high pressure high temperature cluster allowance – The Government will introduce a new ultra high pressure high temperature cluster allowance to replace the existing ultra high pressure high temperature field allowance. The allowance will remove an amount equal to at least 62.5 per cent of qualifying capital expenditure incurred by a company from its adjusted ring fence profits for the purposes of supplementary charge. The Government will consult on the detail of the relief. Legislation will be introduced in Finance Bill 2015.

2.17 UK oil and gas fiscal regime – The Government will work with industry and the new oil and gas body to ensure the oil and gas fiscal regime is fit for purpose and remains competitive as the basin matures and extraction becomes increasingly difficult and costly. The Government will also task the new body to review how best to encourage exploration and reduce decommissioning costs. Any legislation required as a result of these reviews will be in a future finance bill.

2.18 Enhanced Capital Allowances (ECA) for zero emission goods vehicles – The Government will extend the ECA for zero emission goods vehicles to March/April 2018. However, to comply with EU State aid rules the availability of the ECA will be limited to businesses that do not claim the Government's Plug-in Van Grant. Legislation will be in Finance Bill 2015.

Property tax

2.19 Application of stamp duty land tax (SDLT) on certain authorised property funds – As part of the Investment Management Strategy, the Government will consult on the SDLT treatment of the seeding of property authorised investment funds and the wider SDLT treatment of co-ownership authorised contractual schemes.

Indirect tax

2.20 Alcohol fraud – Legislation will be introduced in Finance Bill 2015 to bring in a registration scheme for alcohol wholesalers to reduce the illicit trade in alcohol products. The substance of the measure will have effect from April 2017, with any necessary transitional provisions coming into effect during 2016.

2.21 Tobacco Minimum Excise Tax (MET) – The Government will consult on whether a MET on tobacco products would help improve public health. This is part of the Government's wider health agenda to deter those who do not currently smoke, especially young people, from taking up smoking by reducing the availability of cheap tobacco. Any legislation will be in a future finance bill.

2.22 Tobacco controls and revenue protection – The Government will consult on a range of measures to strengthen our response to tobacco smuggling and improve anti-forestalling controls. Any legislation will be in a future finance bill.

2.23 Future tobacco duty rates – The Government will continue to increase all tobacco duties rates by 2 per cent above the rate of inflation (based on RPI) for each year up to and including 2019-20. These duty changes will be legislated for each year in the relevant finance bills.

2.24 Fuel duty – Legislation will be introduced in Finance Bill 2015 to apply a reduced rate of fuel duty to methanol composed of 95 per cent pure methanol and 5 per cent water, to be implemented from 1 April 2015. The rate of fuel duty applied to methanol will be 9.32 pence per litre**.** The size of the duty differential between the main rate and methanol will be maintained until March 2024, and the Government will review the impact of this incentive alongside the duty incentives for road fuel gases at Budget 2018.

2.25 VAT: zero-rate for adapted motor vehicles for wheelchair users – The Government will consult on reform of the VAT zero-rate relief on the supply of motor vehicles adapted for the use of wheelchair users, to seek to better target the relief and reduce fraud, and to ensure that users of lower limb prosthetics can benefit from the relief. Legislation will be in a future finance bill.

2.26 Carbon price floor (CPF): exemption for fuels used in combined heat and power plants (CHPs) to generate good quality electricity that is used onsite - The Government will introduce an exemption from the CPF for fossil fuels that are used in CHPs to generate good quality electricity that is used onsite. This will have effect from 1 April 2015. The Government will seek views from the CHP sector after Budget, with the intention of introducing legislation in Finance Bill 2015 and secondary legislation.

Anti-avoidance, fairness and planning

2.27 Disclosure of Tax Avoidance Schemes (DOTAS) – The Government will consult on extensions to the DOTAS "hallmarks" (the descriptions of schemes required to be disclosed) to be introduced by secondary legislation later in 2014, and proposals to strengthen HMRC's powers to tackle non-compliance with the rules, with a view to legislating in a future finance bill.

2.28 VAT Avoidance Disclosure Regulations (VADR) – The Government will consult on proposals to improve the VAT Avoidance Disclosure Regulations (VADR) regime, including placing the obligation to disclose primarily on the scheme promoter. Legislation will be in a future finance bill.

Tax administration and secondary legislation

2.29 Gift Aid digital – As announced at Autumn Statement 2013, legislation will be introduced in Finance Bill 2015 to establish a framework for allowing non-charity intermediaries to take a greater role in operating Gift Aid. This will include broad powers to enable the Government to introduce detailed rules, establishing the roles and regulatory regimes for intermediaries through secondary legislation. The Government will consult on the regulations before introducing them after Royal Assent to Finance Bill 2015.

2.30 Direct recovery of debts – Legislation will be introduced to allow HMRC to recover tax and tax credit debts of £1,000 or more directly from taxpayer accounts, subject to rigorous safeguards. The Government will also consult on the draft primary and secondary legislation and on the implementation of the measure, including safeguards to prevent hardship. Legislation will be in Finance Bill 2015.

2.31 Charity donor benefits – The Government will review current rules which determine the treatment of benefits given to donors by charitable organisations. This follows informal feedback from the sector that these rules are complex. HMRC will work with stakeholders to review whether it is possible to simplify the existing rules. Any legislation will be in a future finance bill.

2.32 Exempting satellites from Insurance Premium Tax (IPT) – Secondary legislation will be introduced to provide an IPT exemption for premiums received under insurance contracts covering certain risks relating to space satellites. The exemption will be effective by the end of 2014.

2.33 VAT: reverse charge – Secondary legislation will be introduced to prevent missing trader intra-community fraud in the wholesale gas and electricity sectors through a reverse charge. The Government will informally consult on the timing with those affected, with a view to laying the necessary secondary legislation at the earliest opportunity thereafter. Under EU law member states can introduce a reverse charge in relation to those supplies which the EU have identified as being at risk of fraud, including wholesale gas and electricity.

2.34 VAT: refunds for public bodies – Secondary legislation will be introduced to include Combined Authorities established under existing legislation within the Section 33 VAT Refund Scheme, and the Government commits to include the London Legacy Development Corporation from 2015-16.

2.35 Including peer to peer loans (P2P) within Individual Saving Account (ISA) eligible investments – Secondary legislation will be introduced to enable peer to peer loans to be tax advantaged within an ISA. These changes will come into effect after consultation has taken place on technical detail.

A Tax Information and Impact Notes: Introduction

A.1 Tax Information and Impact Notes (TIINs) are designed to provide a clear statement of changes the Government proposes making to the tax system, including why it proposed the change and what it expects the impacts of the change to be. A TIIN is published for most tax policy changes at the point at which the policy design is final or near final. Depending on the nature of the policy change, a TIIN could be published alongside the Budget, draft legislation or final legislation. The Government will produce a TIIN for the majority of substantive changes in tax and NICs policy by primary and secondary legislation.

A.2 The TIINs published in this document are for measures that fall into the following categories:

- new tax changes announced in Budget 2014 for inclusion in Finance Bill 2014;
- tax changes for inclusion in Finance Bill 2014 for which a TIIN has previously been published, but where a change in policy or legislation is substantive; and,
- new tax changes announced in Budget 2014 but planned for later finance bills or secondary legislation where the changes are straightforward and will no be subject to more detailed consultation.

Impact of policy changes

A.3 The tax changes contained in this document have been tested against the list of possible impacts used in regulatory impact assessments. Except where specified, the commentary on these is recorded under the “other impacts” section of the TIIN. Those tests which result in no impact have not been recorded. The full list of these ‘other’ impacts against which each policy has been tested is as follows:

- equality;
- competition;
- small and micro businesses;
- carbon emissions;
- wider environment;
- health;
- sustainable development;
- rural proofing; and
- justice; and privacy.

Ministerial sign-off for Tax Information and Impact Notes

I can confirm that Treasury Ministers have read the attached Tax Information and Impact Notes and are satisfied that, given the available evidence, each represents a reasonable view of the likely costs, benefits and impacts of the measures.

David Gauke MP

Exchequer Secretary to the Treasury

Tax Information and Impact Notes Contents

Personal tax

Corporate tax

Property & Indirect tax

Anti-avoidance, fairness and planning

Tax administration & secondary legislation

HM Revenue & Customs

Income tax personal allowance for those born after 5 April 1948 and basic rate limit for 2015-16

Who is likely to be affected?

Income tax payers, employers and pension providers.

General description of the measure

For 2015-16, the personal allowance for those born after 5 April 1948 will be increased to £10,500, and the basic rate limit will be reduced to £31,785.

Policy objective

The increase to the personal allowance delivers the government's stated objective to support those on low and middle incomes and reward work.

The change to the basic rate limit for 2015-16 reflects the government's announcement at Autumn Statement 2012 that the ‘higher rate threshold’ for 2015-16 will be increased by 1 per cent.

Background to the measure

The government committed in the coalition agreement *Coalition: our programme for government*, “to announce in the first Budget a substantial increase in the personal allowance from April 2011”, with, “a longer term policy objective of further increasing the personal allowance to £10,000, making further real terms steps each year towards this objective”.

Legislation will be introduced in Finance Bill 2014 to increase the personal allowance by £560 in 2014-15, meeting the Government's commitment to increase it to £10,000. Finance Bill 2014 will also introduce legislation to reduce the basic rate limit by £145 to £31,865 in 2014-15, to increase the personal allowance by a further £500 in 2015-16, and for a £80 reduction in the basic rate limit in 2015-16.

As announced at Autumn Statement 2012, for 2014-15 and 2015-16, ‘the higher rate threshold’, the level of income after which taxpayers begin to pay the 40 per cent higher rate of tax, will increase by 1 per cent to £41,865 and £42,285 respectively. The higher rate threshold is the sum of the personal allowance and the basic rate limit. The higher rate threshold of £41,865 for 2014-15 will be made up of a personal allowance of £10,000 and a basic rate limit of £31,865. For 2015-16, the higher rate threshold of £42,285 will be made up of a personal allowance of £10,500 and a basic rate limit of £31,785.

Taking into account the changes set out by this measure, the table below shows the changes to the personal allowance, basic rate limit and higher rate threshold over the lifetime of the Parliament.

£	**2010-11**	**2011-12**	**2012-3**	**2013-4**	**2014-15**	**2015-16**
Personal Allowance	6,475	7,475	8,105	9,440	10,000	10,500
Basic Rate Limit	37,400	35,000	34,370	32,010	31,865	31,785
Higher Rate Threshold	43,875	42,475	42,475	41,450	41,865	42,285

Detailed proposal

Operative date

The measure will have effect on and after 6 April 2015.

Current law

The annual Finance Act (FA) provides the charge and the main income tax rates (the basic rate, the higher rate and the additional rate). Section 1 of FA 2013 provides for income tax for 2013-14 and sets the main rates.

Section 10 of the Income Tax Act 2007 (ITA 2007) provides that an individual's income is taxable at the basic rate of income tax up to a limit. Section 2 of FA 2013 sets the basic rate limit at £32,010 for 2013-14.

Section 4, FA 2012 made changes to the main income tax personal allowances, detailed in Sections 35, 36 and 37 of ITA (2007). From 2013-14, there are still three main personal allowances, but availability is by reference to date of birth rather than age in the tax year. The higher allowances for those born before 6 April 1948 will not be increased, and in the long term they will be removed from the statute book when the personal allowance for those born after 5 April 1948 catches up.

Existing legislation within ITA 2007 requires the government to increase personal allowances and rate limits (except the £150,000 higher rate limit, the £100,000 personal allowance income limit and since 2013-14 the personal allowances for people born before 6 April 1948) by the annual percentage increase in the Retail Prices Index (RPI) for the year to September preceding the new tax year (indexation).The government made the Order for 2014-15 on 5 December 2013. Legislation to be introduced in Finance Bill 2014 will over-ride the amounts set in the Indexation Order for the personal allowance for those born after 5 April 1948, and the basic rate limit for tax year 2014-15.

At Budget 2011, the government announced its intention to move the underlying indexation assumption for all direct taxes to the Consumer Prices Index (CPI). This transition began in April 2012. The CPI change for income tax allowances and limits will be made in Finance Bill 2014. The annual percentage increase that will provide the basis for indexation for 2015-16 will be published in late 2014.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to set for 2015-16, the personal allowance for those born after 5 April 1948 at £10,500, and the basic rate limit at £31,785.

Prospective amendments will also be made at Finance Bill 2014 to remove references to section 36 (the personal allowance for those born after 5 April 1938 and before 6 April 1948) with effect from 2015-16, as the two levels of the personal allowance will be the same.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-	-1410	-1770	-1875	-1895
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.				
Economic impact	This measure will reduce income tax for 25.4 million income tax payers, including low and middle income individuals, improving incentives to enter employment and increasing real household disposable incomes. This might feed through to higher consumption or savings in the household sector. Overall employment outcomes will also depend on other measures announced relating to personal tax and national insurance contributions as well as aggregate labour demand and the performance of the wider economy.				
Impact on individuals and households	The increase in the personal allowance to £10,500 will take 288,000 individuals out of income tax altogether in 2015-16. In 2015-16, the increase will provide 25.4 million individuals with a real terms gain (over and above that from normal indexation) averaging £61. Of these, 20.9 million will be basic rate taxpayers and 4.45 million higher rate taxpayers (figures may not sum due to rounding). 584,000 individuals will have an average loss of £62 in 2015-16. All of these have incomes above the breakeven level near £121,000 at which the personal allowance is tapered to zero and so no benefit is derived from the personal allowance increase.				
Equalities impacts	Income tax changes apply regardless of personal circumstances or protected characteristics such as gender, race or disability. Of the categories, HM Revenue & Customs (HMRC) only hold taxpayer data on age and gender. In 2015-16, females are projected to account for 42 per cent of all taxpayers and males 58 per cent. From this measure, 2015-16 estimated impacts are: • 288,000 individuals taken out of tax altogether, of which 120,000 (42 per cent) are male and 168,000 (58 per cent) are female, and all of which are under 68 years old. • 25.4 million individuals gain an average of £61, of which 14.4 million (57 per cent) are male and 11.0 million (43 per cent) are female. 24.4 million (96 per cent) are under 68 years old and 0.95 million (4 per cent) are 68 years old or over. Average gains do not differ significantly by gender or between those under and over 68 year olds. • 584,000 individuals lose an average of £62, of which 0.48 million (83 per cent) are male and 0.10 million (17 per cent) are female. 0.54 million (93 per cent) are under 68 years old and 0.04 million (7 per cent) are 68 years old or over. Average losses do not differ significantly by gender or between those under and over 68 year olds.				

Impact on business including civil society organisations	Impacts on administrative and compliance cost for businesses, employers, pension providers or civil society organisations will be negligible. An individual's personal allowance is reflected in their PAYE tax code. Any changes to individuals' tax codes are a routine annual event for employers and pension providers. Non-routine changes are handled by HMRC.
Operational impact (£m) (HMRC or other)	The impact on HMRC will be negligible. Changes to the amounts of personal allowances and rate limits are an annual requirement.
Other impacts	<u>Small and micro business assessment</u>: this measure will have a minimal impact on small businesses. To minimise the impact of the requirements on firms employing up to and including nine employees, there is a HMRC P11 calculator on the business link website. Other impacts have been considered and none have been identified.

Monitoring and evaluation

HMRC and HM Treasury will seek to assess the cumulative labour market effects of personal allowance increases in the context of other relevant tax and benefit changes.

Further advice

If you have any questions about this change, please contact Roopal Pujara on 03000 586462 (email: roopal.pujara@hmrc.gsi.gov.uk).

HM Revenue & Customs

Transferable tax allowances for married couples and civil partners

Who is likely to be affected?

Income tax payers, employers and pension providers.

General description of the measure

This measure will allow a spouse or civil partner who is not liable to income tax above the basic rate to transfer up to £1,050 of their personal allowance to their spouse/civil partner, provided that the recipient of the transfer is not liable to income tax above the basic rate.

Policy objective

This measure recognises marriage and civil partnerships in the income tax system. Taking the tax liabilities of a couple together, it can provide a financial benefit where one spouse or civil partner has an income less than their personal allowance.

Background to the measure

This measure was confirmed on 5 December 2013.

This Tax Information and Impact Note (TIIN) updates and replaces the TIIN published on 10 December 2013.

Detailed proposal

Operative date

This measure will have effect from the 2015-16 tax year.

HM Revenue & Customs (HMRC) is developing the process by which the married couple or civil partners will transfer their personal allowance. HMRC will ensure that the process is as straightforward as possible for customers. The lead option is that one party will apply on-line to transfer the allowance to their spouse or civil partner and HMRC will notify the recipient about the subsequent change to their tax code. HMRC recognises that some customers may need additional support to apply to transfer the allowance.

Current law

Sections 35, 36 and 37 of the Income Tax Act 2007 (ITA) provide a personal allowance for people according to their date of birth and their income. These personal allowances provide an amount of tax-free income for a tax year.

These allowances cannot be transferred to another individual.

Sections 45 and 46 ITA provide married couple's allowance to married couples or civil partnerships where one or both spouses or civil partners were born before 6 April 1935. The allowance is given effect as a reduction to an individual's income tax liability (for 2014-15, up to £816.50 and a minimum of £314). Sections 47 to 52 ITA provide for the transfer of married couple's allowance between spouses or civil partners including the transfer of unused relief.

Section 6 ITA provides the main rates of income tax (basic rate, higher rate and additional rate). Section 10 provides the basic rate limit. Section 13 ITA provides alternative rates of income tax for dividends otherwise taxable at the main rates. Dividends otherwise taxable at the basic rate of income tax are taxable at the dividend ordinary rate. Section 12 provides a starting rate for savings, which is an alternative rate of income tax available in limited circumstances.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to provide that from the 2015-16 tax year, a spouse or civil partner who is not liable to income tax because their income is below their personal allowance or who is liable to income tax at the basic rate, dividend ordinary rate or the starting rate for savings will be able to elect to transfer £1,050 of their personal allowance to their spouse or civil partner. There will be a corresponding reduction to the transferring spouse's personal allowance.

A spouse or civil partner who is liable to income tax at the basic rate, dividend ordinary rate or the starting rate for savings will receive the transferred personal allowance. The transferred allowance will be given effect as a reduction to the recipient's income tax liability at the basic rate of tax.

From 2016-17 the transferable amount will be 10 per cent of the basic personal allowance.

Further provisions will account for changes to individuals' marital or civil partnership status such as divorce, dissolution and death.

Married couples or civil partnerships entitled to claim the married couple's allowance will not be entitled to make a transfer.

Summary of impacts

<table>
<tr><td rowspan="4">Exchequer impact (£m)</td><td></td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td></tr>
<tr><td>Transferable amount of £1,000</td><td>nil</td><td>-490</td><td>-590</td><td>-655</td><td>-780</td></tr>
<tr><td>Increase in the transferable amount to £1,050</td><td>nil</td><td>-25</td><td>-30</td><td>-35</td><td>-40</td></tr>
<tr><td colspan="6">These figures are set out in Table 2.2 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2013.

The Exchequer impact of the increase in the value of the allowance from £1,000 to £1,050 is set out in table 2.1 at Budget 2014.</td></tr>
<tr><td>Economic impact</td><td colspan="6">This measure is expected to increase real household disposable incomes. This might feed through to higher consumption or savings in the household sector.</td></tr>
<tr><td>Impact on individuals and households</td><td colspan="6">4.2 million non-taxpayer/basic-rate taxpayer married couples stand to gain an average £197 between them; most non-taxpayers will be no worse off while the basic rate taxpayer will gain.</td></tr>
</table>

<table>
<tr><td></td><td colspan="3">Of the 4.2 million potential gaining couples, around 310,000 individuals may lose by an average of £104 in 2015-16, where their reduced allowance brings them into tax. However in these cases they will gain as a couple.

Couples where both partners are basic-rate taxpayers will in almost all cases see no gain or loss.</td></tr>
<tr><td>Equalities impacts</td><td colspan="3">Couples will benefit as a unit, but the majority (84 per cent) of individual gainers will be male. This reflects earning patterns in the population more generally.

35 per cent of couples who stand to gain will be above state pension age.

No other equalities impacts are expected.

HMRC recognises that some customers will need additional support to apply to transfer the allowance, and will ensure that processes are in place to ensure that everyone entitled to transfer the allowance can do so.</td></tr>
<tr><td rowspan="15">Impact on business including civil society organisations</td><td colspan="3">In line with the current Pay As You Earn (PAYE) process, where the transfer of allowances is given effect via individuals’ PAYE tax codes, employers and pension providers will need to process and operate revised codes at the time of the initial claim or when circumstances change. Generally speaking, changes to individuals’ tax codes are a routine annual event for employers and pension providers and ad hoc changes to tax codes occur regularly throughout the year.

However, it is estimated that in 2015-16, the cost across 1.6 million employers and pension providers of processing PAYE tax codes to reflect transferred allowances may be up to £5.8 million. In subsequent years, the additional cost across employers and pension providers may be up to £0.8 million. There are also likely to be negligible one-off costs in 2015-16 due to employers and pension providers familiarising themselves with the change to the legislation.</td></tr>
<tr><td></td><td>Cost</td><td>Time period (years)</td></tr>
<tr><td colspan="3">Compliance Costs</td></tr>
<tr><td>One-off Costs</td><td>Negligible</td><td>N/a</td></tr>
<tr><td>Average annual costs</td><td>£1.7m</td><td>5</td></tr>
<tr><td>Total Costs (PV)</td><td>£8.7m</td><td>N/a</td></tr>
<tr><td colspan="3">Compliance Benefits</td></tr>
<tr><td>One-off benefit</td><td>N/a</td><td>N/a</td></tr>
<tr><td>Average Annual Benefit</td><td>N/a</td><td>N/a</td></tr>
<tr><td>Total Benefit (PV)</td><td>N/a</td><td>N/a</td></tr>
<tr><td>Total Benefit (NPV)</td><td>-£8.7m</td><td></td></tr>
<tr><td colspan="3">Impact on Administrative Burden (included in Net Benefit)</td></tr>
<tr><td>Increase</td><td>Decrease</td><td>Net Impact</td></tr>
<tr><td>£5.8m</td><td>£0</td><td>£5.8m</td></tr>
</table>

	Note: The impact on administrative burden (included in net benefit) represents the expected cost for the first year. The £1.7 million included in compliance costs represents the average amount over five years.
Operational impact (£m) (HMRC or other)	HMRC will incur additional costs on the introduction and administration of the transferable allowance. The highest expenditure will be in 2015-16, when HMRC will introduce the application processes to enable everyone who is entitled to benefit from the transfer. During 2014-15, HMRC will refine its costs as part of its work on the new IT to provide on-line services for customers, other customer support and the new internal IT to link spouses and civil partners' income tax records.
Other impacts	Other impacts have been considered and none have been identified.

Monitoring and evaluation

HMRC and HM Treasury will monitor take-up.

Further advice

If you have any questions about this change, please contact Paul Thomas on 03000 586524 (email: paul.thomas@hmrc.gsi.gov.uk).

HM Revenue & Customs

The starting rate of tax for savings

Who is likely to be affected?

Low income individuals who have taxable savings income (such as bank or building society interest).

Deposit takers (such as banks) and building societies.

General description of the measure

From 6 April 2015, the maximum amount of an eligible individual's savings income that can qualify for the starting rate of tax for savings will be increased to £5,000, and this starting rate will be reduced from 10 per cent to nil. This will increase the number of savers who are not required to pay tax on savings income, such as bank or building society interest.

Policy objective

This measure is part of a broader package of changes to support savers. In particular, it will enable savers with low incomes, and many people who depend on savings income, to retain more of their savings income. It will also simplify the current process around the starting rate for savings, removing the need for many eligible savers to reclaim tax from HM Revenue & Customs (HMRC).

Background to the measures

These measures were announced at Budget 2014.

Detailed proposal

Operative date

The measures will have effect on and after 6 April 2015.

Current law

Section 6 of the Income Tax Act 2007 (ITA 2007) provides three main rates of income tax. Section 7 specifies a 10 per cent rate for savings income - the starting rate for savings - which applies in defined circumstances.

Section 10(2) confirms that the first slice of an individual's taxable income is charged at the basic rate, unless it is alternatively charged by section 12 at the starting rate for savings. Section 12(1) provides that income tax is charged at the starting rate for savings on an individual's annual savings income up to the starting rate limit for savings.

Section 16 provides the ordering rules which determine at what rate income is taxable. Sections 16(3) to (5) provide that dividend income is the top part of an individual's taxable income (it is taxed last), savings income the middle part, and other income the lowest part (it is taxed first). The effect is that, should an individual's taxable non-savings income in a year exceed the starting rate limit for savings, the starting rate for savings will not apply. However, should their taxable non-savings income in a year be less than the starting rate limit, this savings income will be taxable at the starting rate, up to the starting rate limit.

Section 17 allows a tax repayment claim outside Self Assessment if a person has suffered tax at the basic rate on income liable to tax at the starting rate for savings. Currently, the starting rate for savings may be claimed by eligible savers making a reclaim to HMRC, where they have overpaid tax on their savings income.

Section 18 defines savings income. This includes various types of income in addition to bank and building society interest, such as gains on life insurance policies and income from purchased life annuities.

Section 21 includes indexation provisions for the starting rate limit for savings.

Section 851 requires deposit-takers (such as banks) and building societies to deduct sums representing basic rate income tax from certain interest payments. Section 852 allows HMRC to make regulations disapplying section 851 in certain circumstances. These include where a saver supplies a certificate to the bank or building society declaring that they are unlikely to be liable to pay any income tax for the year. The Regulations made under this provision are the Income Tax (Deposit–takers and Building Societies) (Interest Payments) Regulations 2008 (2008/2682).

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend ITA 2007. It will reduce the starting rate for savings at section 7 to nil, and increase the annual starting rate limit for savings at section 12 to £5,000. It will also provide that indexation of the starting rate limit for savings (as provided for at section 21) will be disapplied for 2015-16.

Section 852 of ITA 2007 will be updated to allow regulations to provide that deduction of sums representing income tax on interest payments will not be required where a saver provides a certificate declaring they are unlikely to be liable to pay income tax on their savings income for the year.

Following Royal Assent to Finance Bill 2014, changes will be made to the Income Tax (Deposit–takers and Building Societies) (Interest Payments) Regulations 2008 by secondary legislation. This will enable savers to register with their bank and building society to receive interest payments without tax deducted if all of their savings income is eligible for the starting rate. This will remove the need for many savers to make a reclaim to HMRC in relation to tax amounts deducted from interest payments.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td></tr>
<tr><td>-</td><td>-135</td><td>-320</td><td>-325</td><td>-355</td></tr>
<tr><td colspan="5">These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.</td></tr>
<tr><td>Economic impact</td><td colspan="5">These measures will reduce income tax on savings for some low income individuals, improving incentives to save and increasing real household disposable incomes. This might feed through to higher consumption or savings in the household sector.</td></tr>
<tr><td>Impact on individuals and households</td><td colspan="5">The Government expects around 1.5 million individuals to potentially benefit from a tax reduction on their savings income, and around half of these individuals to benefit by more than £50 per year. It estimates that over one million individuals will no longer be liable for tax on any of their savings income as a result of this change. Allowing eligible savers to register with a bank or building society for interest to be paid gross (without tax deducted) will remove the need for many to reclaim tax from HMRC, and will therefore provide a significant simplification. As well as savers with low overall incomes, this measure will also benefit some individuals with average or higher incomes whose income is primarily interest on savings.</td></tr>
</table>

Equalities impacts	The change will primarily benefit those with low overall incomes - typically pensioners, part time workers, and non-working adults with savings income that takes them above the personal allowance. Around 40 per cent of those benefitting are expected to be pensioners, 185,000 of whom would be entirely taken out of tax. This measure will also benefit some individuals with average or higher incomes whose income is primarily interest on savings. No other impacts are anticipated in respect of groups with protected characteristics.
Impact on business including civil society organisations	The Government anticipates that banks and building societies could receive requests for account interest to be paid gross, from up to 900,000 additional savers. This will require them to undertake the one-off process of registering the request. However, banks and building societies already have well-established and simple processes in place and the overall impact on businesses is expected to be negligible. This measure is expected to have no impact on civil society organisations.
Operational impact (£m) (HMRC or other)	The additional costs/savings for HMRC in implementing this change are not expected to be significant.
Other impacts	Small and micro business assessment: no major issues specific to smaller businesses have been identified. Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be kept under review through communication with affected taxpayer groups and account providers.

Further advice

If you have any questions about this change, please contact Simon Turner on 03000 546588 (email: simon.turner@hmrc.gsi.gov.uk).

HM Revenue & Customs

Increasing pension flexibility

Who is likely to be affected?

- Individuals above the minimum pension age (normally 55 and over), who have pension savings in a registered pension scheme;
- individuals with drawdown pensions; and
- scheme administrators of registered pension schemes.

General description of the measure

A number of changes are being made to the drawdown, trivial commutation and small pots limits affecting the benefits that can be taken from a registered pension scheme as drawdown pension income and as taxed lump sums.

Policy objective

This measure makes the tax system fairer by providing a greater number of people with flexibility to access their pension savings.

Background to the measure

This measure was announced at Budget 2014.

Detailed proposal

Operative date

The increase in the maximum annual pension for capped drawdown pensioners applies for all drawdown pension years starting on or after 27 March 2014.

The reduction in the amount of relevant income needed to be eligible for flexible drawdown applies to all individuals who apply for flexible access to their drawdown pension on or after 27 March 2014.

The rise in the trivial commutation limit applies to all commutation periods starting on or after 27 March 2014.

The rise in the amount that can be taken as a taxed lump sum from other small pension pots, and the number that can be taken, applies to all payments made on or after 27 March 2014.

Current law

Registered pension schemes are tax-advantaged vehicles that encourage saving for retirement. They were introduced by Part 4 of Finance Act (FA) 2004 and replaced a system of tax-approval for pension schemes.

Section 164 details payments that a registered pension scheme is authorised to make to or in respect of members. These include the payment of pensions to members and dependants under sections 165 and 167 respectively and the payment of lump sums to members under section 166.

Capped drawdown

Pension rule 5 in section 165 imposes a limit on the amount of drawdown pension that the drawdown pensioner may withdraw from their capped drawdown pension arrangement during a drawdown pension year. The current limit is 120 per cent of a value called the 'basis amount'. A drawdown pension year is the period of 12 months starting on the anniversary of when the individual first became entitled to the drawdown pension.

The basis amount is defined in Schedule 28 to FA 2004 and in the Registered Pension Schemes (Relevant Annuities) Regulations 2006, SI2006/129. The basis amount is also commonly referred to as the amount of an 'equivalent annuity'.

Flexible drawdown

Where a drawdown pensioner (or dependant) meets the flexible drawdown conditions there is no limit on the amount that they can take each year as drawdown pension. One of the required conditions is that the individual is receiving relevant income of £20,000. 'Relevant income' is defined in paragraph 14A of Schedule 28 (for members) and in paragraph 24C (for dependants). £20,000 is the minimum income threshold.

Trivial commutation

A trivial commutation lump sum can be paid when the member is 60 or over and the total value of their pension rights under all registered pension schemes is less than the commutation limit and the lump sum extinguishes all of the rights the member has under the scheme. The current commutation limit is £18,000.

Small pots

The Registered Pension Schemes (Authorised Payments) Regulations 2009 (SI 2009/1171) sets out circumstances in which small pots can be commuted into an authorised lump sum. Under regulation 10, a lump sum up to £18,000 can be paid where, were it not for the fact that the lump sum would not extinguish all of the rights under the scheme because of an annuity in payment the lump sum could have been paid as a trivial commutation lump sum. Under the rest of the rules in Part 2 of the regulations the lump sum payments must be less than £2,000.

A lump sum can only be paid under regulation 11A of SI2009/1171, which applies where the pension scheme is not an occupational pension scheme nor a public sector pension, where the member has not previously received more than one lump sum under this regulation.

Members with transitionally protected rights to receive a tax free pension commencement lump sum worth more than 25 per cent of their total rights, who exercise that right, may also receive the balance of their fund to be paid as a taxed lump sum if it is worth £2,000 or less. This is under Article 23C of The Taxation of Pensions (Transitional Provisions) Order 2006 (SI2006/572).

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend FA 2004 to:

- increase the maximum income that a drawdown pensioner (member or dependant) with a capped drawdown pension fund can choose to receive to 150 per cent of the "basis amount";
- reduce the minimum income threshold for flexible drawdown to £12,000;
- allow members over 60, with total pension savings of £30,000 or less to take out all of those savings as one or more trivial commutation lump sums;

- remove the revaluation factor for determining how much of the commutation limit is used up by crystallisation of previous pension rights;
- increase the limit in regulation 10 of SI2009/1171 to £30,000;
- increase the other small pots limits in Part 2 of SI2009/1171 to £10,000;
- Increase the number of lump sums that can be taken under regulation 11A of SI2009/1171 to three; and
- increase the small pot limit in Article 23C of SI2009/1172 to £10,000.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-5	+320	+600	+910	+1220
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget. The changes covered by this TIIN primarily affect pension withdrawals in 2014-15. From 2015-16 these rules are largely superseded by the pensions flexibility reforms described in the consultation document 'Freedom and Choice in Pensions', the estimated exchequer impact of which is also included in the line above.				
Economic impact	This measure may result in a shift in households' portfolio composition towards other financial and non-financial assets.				
Impact on individuals and households	HMRC estimates that as a result of these changes over 400,000 individuals will be able to withdraw their pension wealth more flexibly if they wish to do so.				
Equalities impacts	Increases to the small pot and trivial commutation limits are likely to benefit women proportionately more than men, as they are more likely to have smaller pension wealth. Reducing the minimum income requirement for flexible drawdown will have a disproportionate impact on women, as they are less likely to have a large pension pot than men. The proposal to increase the capped drawdown limit is not likely to impact on groups with protected characteristics. The changes to drawdown will benefit those over the age of 55, and the changes to the small pot and trivial commutation limits will benefit those over the age of 60.				
Impact on business including civil society organisations	The changes to the capped drawdown limit will require pension scheme administrators to recalculate the total annual drawdown income that may be withdrawn for some individuals who have already had their limits calculated for their next withdrawal period. The Government also anticipate an increase in the number of contacts that pension schemes and/or drawdown providers will have to deal with from individuals contacting them to discuss how these changes affect them.				

	As a result, pension scheme administrators may incur negligible one-off compliance costs. Overall, this measure is expected to have a negligible impact on businesses and civil society organisations.
Operational impact (£m) (HMRC or other)	There will be additional costs for HMRC to deal with end of year tax reconciliations for some individuals taking lump sums. These are estimated to be up to £1.5 million for staff resources over a five year period.
Other impacts	Small and micro-business assessment: the impact on small and micro businesses has been considered. As the changes are intended to provide individuals with greater flexibility in how they take their pension benefits, it would not be appropriate for the measure to apply differently according to the size of the firm. Other impacts have been considered and none have been identified.

Monitoring and evaluation

The policy will be kept under review through regular communication with taxpayer groups affected by the measure

Further advice

If you have any questions about the policy rationale for this change, please contact HM Treasury on email: Pensions.Consultation2014@hmtreasury.gsi.gov.uk. For questions on the operation of the legislation, please contact Samantha Skill on 03000 564149 or Neeta Ruparelia on 03000 564289 (email: Pensions.policy@hmrc.gsi.gov.uk).

HM Revenue & Customs

Pension liberation

Who is likely to be affected?

Pension scheme administrators and trustees of existing registered pension schemes and pension schemes. Individuals who seek to surrender their pension rights in favour of an employer will also be affected.

General description of the measure

The purpose of the measure is to further tackle the growing threat of pension liberation fraud where individuals are encouraged to access their pension savings before they reach retirement.

Policy objective

The measure supports the Government's objective of fairness in the tax system by maintaining the integrity of pensions tax relief. The changes will give HM Revenue & Customs (HMRC) the powers that it needs to identify and tackle pension schemes which are being or are intended to be used as liberation vehicles.

The measure will also close a loophole used in a widely-marketed avoidance scheme, and remove tax obstacles to effective regulatory interventions instigated by the Pensions Regulator.

Background to the measure

The measure was announced at Budget 2014.

Detailed proposal

Operative date

The measures will have effect from 20 March 2014, with the exception of the following changes which have effect from 1 September 2014:

- changes in connection with the introduction of a fit and proper person test; and
- changes in connection with the tax rules after certain regulatory interventions have taken place.

Current law

The pensions tax rules for registered pension schemes are set out in Part 4 of the Finance Act (FA) 2004.

Registrations and de-registrations

In order for a pension scheme to be registered with HMRC, it must provide any information which HMRC reasonably requires. HMRC must register the scheme unless the application contains incorrect information or a false declaration (Section 153 of FA 2004).

HMRC may only withdraw registration from a pension scheme in limited circumstances, which are set out in statute (Section 158 of FA 2004).

Schedule 36 of Finance Act 2008 provides information powers for HMRC to ask for information in order to establish a taxpayer's tax position. It is also provides for appeals and penalties in connection with these information notices.

Independent Trustees

The person(s) responsible for discharging the tax functions of a registered pension scheme are known as the scheme administrators. The High Court or the Pensions Regulator may appoint Independent Trustees to safeguard the interests of members. These trustees or persons they appoint to act as a scheme administrator may become liable for tax on payments and other events occurring before the Independent Trustee was appointed (sections 270-272 of FA 2004).

If the scheme administrator has become insolvent, cannot be traced or has died or ceased to exist, the liability passes to the sponsoring employer, scheme manager or the members.

The Pensions Regulator or the court has the power to make orders of restitution in the form of payments to a registered pension scheme. Such payment may entitle the member and the scheme administrator to claim relief from tax on an earlier unauthorised payment made to or in respect of the member (sections 266A – 266B of FA 2004).

Pension contributions paid in respect of and on behalf of an individual are tax relievable, except in specified circumstances (section 188 of FA 2004).

Surrenders

Where an individual surrenders rights under a registered pension scheme, the value of what is surrendered is treated as an unauthorised payment. This is intended to prevent individuals avoiding tax or liberating funds. There are two key exceptions: rights can be given up in favour of higher pensions for dependents; or rights can be given up to fund the making of an authorised surplus payment to the scheme's sponsoring employer (section 172A of FA 2004). Authorised surplus payments are liable to tax at 35 per cent (section 207 of FA 2004).

Proposed revisions

Registrations and de-registrations

Legislation will be introduced in Finance Bill 2014 amending FA 2004 to widen the circumstances in which HMRC may refuse to register a pension scheme to include where HMRC believes a) that the scheme administrator is not a fit and proper person to fulfil that role and b) that the scheme has been established for purposes other than of providing pension benefits.

FA 2004 will also be amended to increase HMRC's information powers in connection with new applications to register pension scheme in relation to scheme administrators and third parties. The new powers will also enable HMRC to enquire into whether a scheme administrator is a fit and proper person. Similar appeals processes and penalties to those in Schedule 36 of FA 2008 will apply to these new information notices.

New penalties for false information of up to £3,000 and similar to those in Schedule 36 of FA 2008 will also be introduced in connection with the registration application.

Similar changes to the circumstances when HMRC can refuse to register a pension scheme will be made to the circumstances when HMRC can de-register a pension scheme.

Independent Trustees appointed by the court or by the Pensions Regulator

Legislation will be introduced in Finance Bill 2014 to provide that Independent Trustees and scheme administrators appointed after Independent Trustees have been appointed at the instigation of the Pensions Regulator, will not become liable for tax liabilities arising on events occurring before the trustee was appointed. The previous scheme administrator will instead retain liability for these tax charges. If the previous scheme administrator has become insolvent, cannot be traced or has died or ceased to exist, the liability will pass to the sponsoring employer, scheme manager or the members in line with existing rules.

Where a court orders the repayment of pension funds into a pension scheme where scheme assets have been misused or misappropriated, amendments will be made to FA 2004 entitling the member and the scheme administrator to claim relief from tax on an earlier unauthorised member payment. However to the extent relief is given under this provision in respect of the repayment to the pension scheme, that member will not also be entitled to tax relief on the repayment as a contribution paid on the member's behalf.

Surrenders

FA 2004 will be amended to remove the rule that prevents a surrender of rights under a registered pension scheme in order to fund the making of an authorised surplus payment from being treated as an unauthorised payment. There will be no charge on an authorised surplus payment to a sponsoring employer funded by a surrender to the extent the surrender was treated as an unauthorised payment.

A surrender of rights in favour of dependants will be prevented from being treated as an unauthorised payment only when the dependants' newly-acquired rights are provided under the same pension scheme.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	negligible	negligible	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer.				
Economic impact	The measure is not expected to have any significant economic impacts. The proposed changes will ensure that pension funds remain invested in registered pension schemes for the period initially intended, until the member reaches the age at which they can take their benefits. This in turn will increase the retirement income for these individuals.				
Impact on individuals and households	The changes will save individuals the loss of most of their pension savings through tax charges and fees to promoters, as we hope to protect the innocent from engaging in pension liberation activity.				
Equalities impacts	The changes will help vulnerable people to save money for their retirement, and protect our customers from pension liberation. The only possible equalities impact might be that changes impact more males than females, as men tend to have higher pension savings than women.				

<table>
<tr><td>Impact on business including civil society organisations</td><td>
Estimates of the costs to the pension industry as a result of the changes are:
One-off costs to pension schemes (reading guidance and ensuring scheme administrator is a fit and proper person) of around £3 million.
An increase in administrative burdens arising at the point of scheme registration, where the process is anticipated to take slightly longer to complete than prior to this change. In addition, some pension schemes will be asked to provide additional information to HMRC to prove they meet the standards required. The recurring costs on the industry will be around £200,000 per year.
Estimates of compliance costs are shown in the table below, including an estimate of total costs for a five year period at present value.
<table>
<tr><th></th><th>Cost</th><th>Time Period (yrs)</th></tr>
<tr><td colspan="3">Compliance Costs</td></tr>
<tr><td>One-off Costs</td><td>£3.0m</td><td>N/A</td></tr>
<tr><td>Average Annual Costs</td><td>£0.2m</td><td>5</td></tr>
<tr><td>Total Costs (PV)</td><td>£3.8m</td><td>N/A</td></tr>
<tr><td colspan="3">Compliance Benefits</td></tr>
<tr><td>One-off Benefit</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Average Annual Benefit</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Total Benefit (PV)</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Net Benefit (NPV)</td><td>-£3.8m</td><td>N/A</td></tr>
<tr><td colspan="3">Impact on Administrative Burden (included in Net Benefit)</td></tr>
<tr><td>Increase</td><td>Decrease</td><td>Net Impact</td></tr>
<tr><td>£0.2m</td><td>£0</td><td>£0.2m</td></tr>
</table>
</td></tr>
<tr><td>Operational impact (£m) (HMRC or other)</td><td>There will be additional costs for HMRC to amend its IT system and carry out the additional compliance into suspected liberation schemes, as well as to deal with enquiries from customers. These are estimated to be £2 million for IT changes and £1 million for staff resources over a five year period.</td></tr>
<tr><td>Other impacts</td><td>
<u>Small and micro business assessment</u>: the impact on small and micro businesses has been considered. As the changes are intended to protect individuals from pension liberation it would not be appropriate for the measure to apply differently according to the size of the firm applying to register or acting as scheme administrator of the pension scheme.
Other impacts have been considered and none have been identified.
</td></tr>
</table>

Monitoring and evaluation

The measure will be kept under review through monitoring pension scheme registrations and de-registrations.

Further advice

If you have any questions about this change, please contact Paul Cottis on 03000 564209 (email: pensions.policy@hmrc.gsi.gov.uk).

HM Revenue
& Customs

Glasgow Grand Prix

Who is likely to be affected?

Non-UK resident sportspeople competing in the athletics event the Glasgow Grand Prix 2014.

General description of the measure

This measure provides an exemption from UK income tax for non-UK resident sportspeople on any income received as a result of their performance at the Glasgow Grand Prix 2014, or as a result of any activity carried out between 5 and 14 July 2014, where the main purpose is to support or promote the Glasgow Grand Prix.

Policy objective

The measure has been put in place to support the 2014 Glasgow Commonwealth Games in maximising the legacy of the London 2012 Olympic and Paralympic Games, and in spreading that legacy to Scotland.

Background to the measure

This exemption was announced on 12 February 2014. It is similar to the exemptions provided for non-UK resident competitors who took part in the 2013 London Anniversary Games and are taking part in the 2014 Glasgow Commonwealth Games. It applies only to income received by non-UK resident sportspeople who compete at or carry out activities between 5 July and 14 July 2014, where the main purpose is to support or promote the Glasgow Grand Prix.

Separately, a power is being taken in Finance Bill 2014 to allow for granting of similar future tax exemptions from primary to secondary legislation.

Detailed proposal

Operative date

The measure will affect the income tax of non-UK resident competitors in the Glasgow Grand Prix between 5 July and 14 July 2014.

Current law

Section 27 of the Income Tax (Earnings and Pensions) Act 2003 and sections 13 and 14 of the Income Tax (Trading and Other Income) Act 2005 impose a UK income tax charge on non-resident sportspeople's employment and self-employment income respectively, that is connected to a performance which takes place in the UK. Without the exemption provided by this measure, non-UK resident sportspeople would be taxed in the UK on both their income gained as a result of their performance at Glasgow Grand Prix, plus a proportionate share of their worldwide sponsorship income. The exemption will not apply to the income of UK resident sportspeople.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to provide an exemption from the above UK income tax charges for non-resident sportspeople on income related to a Glasgow Grand Prix performance.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td></tr>
<tr><td>negligible</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td colspan="5">This measure is expected to have a negligible impact on the Exchequer.</td></tr>
<tr><td>Economic impact</td><td colspan="5">The measure is not expected to have any significant economic impacts.</td></tr>
<tr><td>Impact on individuals and households</td><td colspan="5">The exemption means that non-UK resident sportspeople will not be subject to UK income tax on income related to Glasgow Grand Prix. They would be liable to tax on this income in the countries in which they are resident. UK resident competitors will not benefit from the exemption.

The fact that exempted individuals would not need to fill out tax returns for this income will reduce the administrative burden on them.</td></tr>
<tr><td>Equalities impacts</td><td colspan="5">The measure benefits non-UK residents, including some who are likely to belong to non-UK ethnic or national groups. The measure will benefit non-UK resident disabled competitors through the para-athletic element of the Glasgow Grand Prix. There are not expected to be any disproportionate impacts on protected groups.</td></tr>
<tr><td>Impact on business including civil society organisations</td><td colspan="5">This measure is expected to have a negligible impact on businesses and civil society organisations. It only affects a small number of non-UK resident sportspeople and may have a very slight effect in easing the burden on a very small number of associated accountants or management companies.</td></tr>
<tr><td>Operational impact (£m) (HMRC or other)</td><td colspan="5">It is not expected that implementing this change will incur any additional costs for HM Revenue & Customs.</td></tr>
<tr><td>Other impacts</td><td colspan="5"><u>Small and micro business assessment</u>: a negligible and non-differential impact is expected on small and micro businesses.

Other impacts have been considered and none have been identified.</td></tr>
</table>

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Alan Patrick on 03000 551839 (email: alan.patrick@hmrc.gsi.gov.uk).

HM Revenue
& Customs

Major sporting events: power to provide for tax exemptions

Who is likely to be affected?

There will be no direct taxpayer impacts arising from the introduction of the power.

General description of the measure

This measure will introduce a power which will allow the Government to make future income tax and corporation tax provision for major sporting events using secondary legislation.

Policy objective

This measure makes the process of providing tax exemptions and making other provision simpler, quicker and more flexible.

Background to the measure

This measure was announced in Budget 2014.

Previous exemptions have included those for the 2012 Olympic and Paralympic Games (for both taxes) and income tax exemptions for the 2011 and 2013 Champions League finals and the 2013 London Anniversary Games. Finance Bill 2014 will introduce an income tax exemption for the 2014 Glasgow Grand Prix.

Detailed proposal

Operative date

This measure will have effect on the date that Finance Bill 2014 receives Royal Assent.

Current law

The power does not exist in current law.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to introduce a power to allow income tax and corporation tax provision to be made for major sporting events using Treasury regulations. The power will remove the need to legislate for such provisions in a Finance Bill.

Summary of impacts: power only

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	nil	nil	nil	nil	nil
	This measure is not expected to have an Exchequer impact.				
Economic impact	The measure is not expected to have any economic impacts.				
Impact on individuals and households	This measure will have no impact on individuals or households.				
Equalities impacts	No equalities impacts have been identified.				
Impact on business including civil society organisations	This measure is expected to have no impact on businesses or civil society organisations. It is an administrative measure to allow the Government to make income tax and corporation tax provision for major sporting events using secondary legislation				
Operational impact (£m) (HMRC or other)	There will be no significant operational impacts.				
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 Julie De Brito on 03000 585115 (email: julie.debrito@hmrc.gsi.gov.uk) or contact Alan Patrick 03000 551839 (email: alan.patrick@hmrc.gsi.gov.uk)

HM Revenue & Customs

Inheritance tax: liabilities and foreign currency bank accounts

Who is likely to be affected?

Participators in arrangements which use foreign currency bank accounts to sidestep new rules restricting how liabilities are deducted from the value of an estate for inheritance tax (IHT) purposes.

General description of the measure

The measure will amend the new rules introduced in Finance Act 2013 dealing with liabilities so that foreign currency accounts in UK banks are treated in a similar way as excluded property for the purposes of restricting the deduction of a liability.

Policy objective

This measure will close a loophole that would otherwise allow the new rules to be sidestepped and a deduction for a liability to be allowed where the borrowed funds are deposited in a foreign currency account in a UK bank, which is disregarded for IHT purposes. The measure supports the Government's anti-avoidance strategy and fairness agenda.

Background to the measure

This measure has not been previously announced. There has been no consultation on the measure.

Detailed proposal

Operative date

This measure will apply to liabilities incurred at any time but only where the death has occurred on or after the date of Royal Assent to Finance Bill 2014.

Current law

IHT is charged on the net value of a deceased person's estate after taking into account any liabilities outstanding at the date of death (section 5(3) Inheritance Tax Act 1984,(IHTA)) and after deducting any reliefs, exemptions and the nil-rate band or IHT threshold.

Property which is situated outside the UK and which belongs to, or was settled by, a non-UK domiciled individual is 'excluded property' and does not form part of a person's estate (section 6(1) IHTA). It is not chargeable to IHT.

Legislation introduced by Schedule 36 of Finance Act 2013 allows a deduction for a liability only if it has not been used directly or indirectly to acquire excluded property, or to maintain or enhance the value of such property, except in a few specified circumstances (section 162A(1) IHTA).

Deposits in a UK bank account which is denominated in a currency other than sterling are left out of account in determining the value of a person's estate if the depositor is non-UK domiciled and non-UK resident immediately before their death (section 157 IHTA). The balance in the account is not excluded property but is nonetheless not chargeable to IHT.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to treat funds in a foreign currency bank account in a similar way to how excluded property is treated under section 162A IHTA. A liability will be disallowed as a deduction from the value of an estate where the borrowed funds have been put into a foreign currency bank account, either directly or indirectly, so that the funds are not in chargeable to IHT at death. Additional rules will determine the treatment if the liability is partially repaid before or after death.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td></tr>
<tr><td>nil</td><td>nil</td><td>nil</td><td>nil</td><td>nil</td></tr>
<tr><td colspan="5">This measure is not expected to have an Exchequer impact.

This measure supports the Exchequer in its commitment to protect revenue.</td></tr>
<tr><td>Economic impact</td><td colspan="5">This measure is not expected to have any significant economic impacts</td></tr>
<tr><td>Impact on individuals and households</td><td colspan="5">This measure will only affect individuals who are non-UK domiciled and non-UK resident at date of death who have deposited borrowed sums in UK bank accounts denominated in a foreign currency.

The base of estates that fall within the charge to IHT is fairly small (in 2013-14 we forecast that there will be approximately 26,000 estates left on death paying IHT (around 5 per cent of the total). Of these, we estimate around 75 estates per year could potentially be affected by this measure.

The administrative impact of this measure is on those acting as executors or administrators of the estate. Personal representatives will need to check whether the deceased had any borrowed funds deposited in a foreign currency account.</td></tr>
<tr><td>Equalities impacts</td><td colspan="5">The measure is not expected to adversely or disproportionately impact on any equality group (gender, ethnicity, disability, caring responsibilities, religion or belief and sexual orientation).</td></tr>
<tr><td>Impact on business</td><td colspan="5">This measure is expected to have no impact on businesses or civil society organisations as they are not within the scope of inheritance tax.</td></tr>
<tr><td>Operational impact (£m)</td><td colspan="5">The operational impact on HM Revenue & Customs will be insignificant.</td></tr>
<tr><td>Other impacts</td><td colspan="5">Other impacts have been considered and none have been identified.</td></tr>
</table>

Monitoring and evaluation

The measure will be monitored through monitoring of disclosures of new avoidance schemes to circumvent the measure and through regular communication with taxpayers and practitioners affected by this measure.

Further advice

If you have any questions about this change, please contact Danka Wigley on 03000 585277 (email: danka.wigley@hmrc.gsi.gov.uk).

HM Revenue & Customs

Chargeable gains roll-over relief: reinvestment in intangible fixed asset

Who is likely to be affected?

Companies making a disposal of tangible assets and using the proceeds to acquire intangible fixed assets.

General description of the measure

This measure prevents companies claiming chargeable gains roll-over relief on the disposal of tangible assets where the proceeds are reinvested in an intangible fixed asset.

This measure also adjusts the tax cost of the replacement intangible fixed asset for claims made on or after 1 April 2009 and before 19 March 2014, preventing double tax relief being given on any roll-over relief claims already made.

Policy objective

This measure corrects an error in the rewriting of legislation in relation to capital gain roll-over relief where the proceeds on the disposal of a tangible asset are reinvested in an intangible fixed asset. This measure amends the re-written legislation in line with that previously enacted and in line with policy intentions.

This measure makes the tax system fairer and simpler by clarifying the current legislation.

Background to the measure

This measure was announced in Budget 2014. There has been no previous consultation on the change.

Detailed proposal

Operative date

This measure will have effect on and after 19 March 2014 for corporation tax purposes in respect of claims to capital gain roll-over relief where the proceeds are reinvested in an intangible fixed asset.

Current law

Schedule 29 to the Finance Act 2002 (gains and losses of a company from intangible fixed assets) withdrew capital gains roll-over relief on disposals of tangible assets where the proceeds were reinvested in replacement intangible fixed assets acquired on or after 1 April 2002. The current legislation, rewritten as part of the Tax Law Rewrite project, is now contained with section 156ZB of the Taxation of Chargeable Gains Act 1992 (TCGA 1992).

Subsection (3) of section 156ZB of TCGA 1992 replicates the source legislation at paragraph 132(5) of Schedule 29 Finance Act 2002 but the opening words of subsection (1) “This section applies if…” might be regarded as limiting when the provision can apply and inadvertently allowing a gain in respect of a tangible asset, e.g. on the disposal of property, to be rolled-over under the capital gains rules on the acquisition of an intangible fixed asset.

If that interpretation is correct, the current rules in Part 8 of the Corporation Tax Act 2009 (CTA 2009) do not provide for an adjustment to the cost of the replacement asset. The overall tax effect would be to allow relief to be given twice: once when capital gains roll-over relief is claimed under the capital gains regime and again when the expenditure on the replacement asset is relieved under Part 8 CTA 2009.

The rewrite of the legislation was not intended to change the rules. Although HMRC are confident that the courts would recognise the change as an obvious drafting error a legislative change will put the matter beyond doubt.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend section 156ZB TCGA 1992 to bring the corporation tax treatment of companies seeking to claim capital gains roll-over relief into line with the rules enacted in Finance Act 2002.

Section 156ZB TCGA 1992 will be amended to make it clear that roll-over relief under the chargeable gains rules is not available where the proceeds are reinvested in an intangible fixed asset, effective from 19 March 2014.

Legislation will also be introduced in Finance Bill 2014 to enable the tax cost of any intangible fixed asset to be adjusted where roll-over relief has been claimed in respect of a reinvestment in intangible fixed assets before Budget 2014 (19 March 2014). The tax cost will be adjusted when calculating any debits and credits within Part 8 CTA 2009 arising for any accounting periods beginning on or after 19 March 2014. Any companies affected by this change will be required to compute debits and credits separately for the periods before and on or after 19 March 2014.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td></tr>
<tr><td>nil</td><td>nil</td><td>nil</td><td>nil</td><td>nil</td></tr>
<tr><td colspan="5">This measure is not expected to have an Exchequer impact.
This measure supports the Exchequer in its commitment to protect revenue.</td></tr>
<tr><td>Economic impact</td><td colspan="5">The measure is not expected to have any economic impacts.</td></tr>
<tr><td>Impact on individuals and households</td><td colspan="5">This measure is expected to have no impact on individuals or households. This measure will only affect companies.</td></tr>
<tr><td>Equalities impacts</td><td colspan="5">The measure is not expected to have an impact on any protected equality group as it will only affect companies.</td></tr>
<tr><td>Impact on business including civil society organisations</td><td colspan="5">This measure is expected to have no impact on businesses or civil society organisations.
This measure clarifies existing legislation but does not change the burden.</td></tr>
<tr><td>Operational impact (£m) (HMRC or other)</td><td colspan="5">This measure is expected to have negligible operational impacts.</td></tr>
<tr><td>Other impacts</td><td colspan="5">Other impacts have been considered and none have been identified.</td></tr>
</table>

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact John Williams on 03000 530434 (email: john.r.williams@hmrc.gsi.gov.uk).

HM Revenue & Customs

Capital gains business asset roll-over relief

Who is likely to be affected?

Farmers, including companies carrying on a farming business, who dispose of or acquire payment entitlements under the new agricultural subsidy Basic Payment Scheme.

General description of the measure

The measure will include payment entitlements under the Basic Payment Scheme within the classes of assets eligible for business asset roll-over relief.

Policy objective

Roll-over relief allows capital gains tax and corporation tax on chargeable gains to be deferred where the proceeds from disposing of certain qualifying classes of qualifying asset are reinvested into new qualifying assets. This helps businesses modernise and expand.

The measure ensures farmers are not disadvantaged by changes to the European Union's agricultural subsidy scheme.

Background to the measure

Payment entitlements under the Single Payment Scheme – the principal agricultural subsidy scheme in the European Union – have been included in the classes of assets eligible for CGT roll-over relief since 22 March 2005.

Payment entitlements under the Single Payment Scheme will cease in 2014 with new payment entitlements being allocated to farmers under the Basic Payment Scheme.

Detailed proposal

Operative date

This measure will be retrospective and have effect in relation to acquisitions and disposals of Basic Payment Scheme payment entitlements on and after 20 December 2013 (the date the relevant EU Regulation came into force).

Current law

Roll-over relief is provided for in sections 152 to 159 of the Taxation of Chargeable Gains Act 1992. The classes of qualifying assets are listed at section 155. Single Payment Scheme entitlements are in Class 7A.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to include payment entitlements under the Basic Payment Scheme within the classes of qualifying assets at section 155.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td></tr>
<tr><td>negligible</td><td>negligible</td><td>negligible</td><td>negligible</td><td>negligible</td></tr>
<tr><td colspan="5">This measure is expected to have a negligible impact on the Exchequer.</td></tr>
<tr><td>Economic impact</td><td colspan="5">The measure is not expected to have any significant economic impacts</td></tr>
<tr><td>Impact on individuals and households</td><td colspan="5">This measure will only affect a small number of individuals who run a farming business. The measure is expected to have a negligible impact on the numbers, amounts or cost of claims involved.</td></tr>
<tr><td>Equalities impacts</td><td colspan="5">The gender split for CGT payers is relatively stable over time, with around 60 per cent of filers male and 40 per cent female. It is not known how this pattern might change for farmers but we do not expect this measure to create a disproportionate impact on a particular group of people.</td></tr>
<tr><td>Impact on business including civil society organisations</td><td colspan="5">Farmers, including companies carrying on a farming business, will face a negligible one-off cost in familiarising themselves with the measure. There will only be a change in the administrative burden for the small number of businesses who will be able to claim business roll-over relief as a result of the change. Overall, this measure will have a negligible impact on businesses and civil society organisations.</td></tr>
<tr><td>Operational impact (£m) (HMRC or other)</td><td colspan="5">No significant impact is envisaged.</td></tr>
<tr><td>Other impacts</td><td colspan="5">Other impacts have been considered and none have been identified.</td></tr>
</table>

Monitoring and evaluation

This measure will be kept under review through communication with relevant taxpayer groups.

Further advice

If you have any questions about this change, please contact Alan McGuinness on 03000 585256 (email: alan.mcguinness@hmrc.gsi.gov.uk).

HM Revenue & Customs

Annual investment allowance: increase to £500,000 for extended temporary period

Who is likely to be affected?

Businesses investing more than £250,000 in plant or machinery from April 2014.

General description of the measure

The measure increases the maximum amount of the annual investment allowance (AIA) to £500,000 from 1 April 2014 for corporation tax (CT) and 6 April 2014 for income tax (IT) to 31 December 2015, after which it will return to £25,000.

Policy objective

This measure is designed to stimulate business investment in the economy by providing an increased time-limited incentive for businesses to invest in plant or machinery.

Background to the measure

The maximum amount of the AIA was temporarily increased to £250,000 from £25,000 for the period from 1 January 2013 to 31 December 2014. This measure extends the period of the temporary increase to 31 December 2015 and further increases the amount of the AIA to £500,000 from April 2014.

Detailed proposal

Operative date

The increase in the AIA limit to £500,000 will have effect in relation to qualifying expenditure incurred from 1 April 2014 for CT and 6 April 2014 for IT to 31 December 2015.

Current law

Since 1 April 2008 (CT) and 6 April 2008 (IT) most businesses, regardless of size, have been able to claim the AIA on their expenditure on plant or machinery, up to a specified annual amount each year (subject to certain conditions mentioned below). With effect from 1 April 2012 (CT) or 6 April 2012 (IT) the maximum amount of the AIA became £25,000 for qualifying expenditure incurred on or after those dates. This was temporarily increased to £250,000 for the period 1 January 2013 to 31 December 2014 in Finance Act 2013.

Businesses are able to claim the AIA in respect of their expenditure on both general and ‘special rate’ plant and machinery. There are however certain exceptions, set out in section 38B of the Capital Allowances Act 2001 (CAA), the main exception being expenditure on cars. The AIA is a 100 per cent upfront allowance that applies to qualifying expenditure up to a specified annual limit or cap.

Where businesses spend more than the annual limit, any additional qualifying expenditure will attract relief under the normal capital allowances regime, entering either the main rate or the special rate pool, where it will attract writing-down allowances at the 18 per cent or 8 per cent rate respectively.

Proposed revisions

Legislation will be introduced in Finance Bill 2014, to further increase the AIA limit to £500,000 from 1 (or 6) April 2014 to 31 December 2015.

Where a business has a chargeable period that spans either of: (i) the operative date of the increase to £500,000 on 1 (or 6) April 2014, or (ii) the operative date of the reversion to £25,000 on 1 January 2016, transitional rules will apply:

(i) Chargeable periods spanning date of increase to £500,000

Where a business has a chargeable period of 12 months that spans the operative date of the increase on 1 (or 6) April 2014, the maximum allowance for that business's transitional chargeable period comprises two parts:

(a) its AIA entitlement, based on the current £250,000 annual cap for the portion of the period falling before 1 (or 6) April 2014; and

(b) its AIA entitlement, based on the new £500,000 cap for the portion of the period falling on or after 1 (or 6) April 2014.

Example

A company with a 12 month chargeable period from 1 January 2014 to 31 December 2014 would calculate its maximum AIA entitlement based on:

(a) the proportion of the period from 1 January 2014 to 31 March 2014, that is, 3/12 x £250,000 = £62,500; and

(b) the proportion of the period from 1 April 2014 to 31 December 2014, that is, 9/12 x £500,000 = £375,000.

The company's maximum AIA for this transitional chargeable period would therefore be the total of (a) + (b) = £62,500 + £375,000 = £437,500, although in relation to (a) (the part period falling before 1 (or 6) April 2014, no more than a maximum of £250,000 of the company's actual expenditure in that particular part period would be covered by its transitional AIA entitlement (the maximum claimable before the increase to £500,000).

(ii) Chargeable periods spanning date of reversion to £25,000

Where a business has a chargeable period that spans the date of end of the temporary increase on 31 December 2015, the maximum allowance for that business's transitional chargeable period comprises two parts:

(a) the AIA entitlement, based on the temporary £500,000 annual cap for the portion of the period falling before 1 January 2016; and

(b) the AIA entitlement, based on the £25,000 cap for the portion of the period falling on or after 1 January 2016.

Example

A company with a 12 month chargeable period from 1 April 2015 to 31 March 2016 would calculate its maximum AIA entitlement based on:

(a) the proportion of the period from 1 April 2015 to 31 December 2015, that is, 9/12 x £500,000 = £375,000; and

(b) the proportion of the period from 1 January 2016 to 31 March 2016, that is 3/12 x £25,000 = £6,250.

The company’s maximum AIA for this transitional chargeable period would therefore be the total of (a) + (b) = £375,000 + £6,250 = £381,250, although in relation to (b) (the part period falling on or after 1 January 2016) no more than £6,250 of the company’s actual expenditure in that part period would be covered by its transitional AIA entitlement.

There are more detailed transitional rules for businesses subject to IT and with a chargeable period spanning both (1) 1 January 2013, the increase of the AIA limit to £250,000 and (ii) 6 April 2013 the date of the increase of the AIA limit to £500,000.

There are also more detailed transitional rules about entitlement to AIA for example, in relation to group companies, or when businesses under common control are regarded as “related”. These transitional rules are based on similar time-apportionment principles as applied to the rules in section 51K of CAA (operation of the annual investment allowance where restrictions apply).

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-85	-665	-1270	+175	+270
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.				
Economic impact	By accelerating the relief on qualifying expenditure up to £500,000 limit, this measure will provide an incentive, particularly to small and medium-sized businesses, to increase or bring forward their capital expenditure on plant and machinery.				
Impact on individuals and households	Capital allowances can only be claimed in the course of a business. .				
Equalities impacts	The measure does not impact on the equality of groups with protected characteristics.				
Impact on business including civil society organisations	Businesses, investing in qualifying plant and machinery, will benefit from the extension of this measure. It increases the net present value of capital allowances to investors in plant or machinery and provides a cash flow benefit, likely to be of most help to small and medium-sized businesses. The temporary increase in the allowance to £500,000 is not expected to result in any material compliance costs for businesses. The impacts on businesses' on-going administrative burdens are also expected to be negligible as most of the businesses affected are likely to still need to calculate some capital allowances on a year-by-year basis for previously pooled expenditure and/or new expenditure not qualifying for the temporary £500,000 AIA. This measure is not expected to have a material impact on civil society organisations.				
Operational impact (£m) (HMRC or other)	It is not anticipated that there will be any material additional information technology and compliance costs for HMRC as a result of the extension of the temporary increase in the amount of AIA.				

Other impacts	Small and micro business assessment: the temporary increase in the AIA is not expected to have any material impact on small firms (those with up to 49 employees). 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 through regular engagement with businesses and their representative bodies.

Further advice

If you have any questions about this change, please contact Paul Philip on 03000 589279 (email: paul.philip@hmrc.gsi.gov.uk).

HM Revenue
& Customs

Targeted anti-avoidance loss buying rules: exclusion of Research and Development Allowances

Who is likely to be affected?

Non-trading companies that have incurred capital expenditure on research and development, and those buying such companies in whose hands the expenditure will qualify for Research and Development Allowances (RDAs).

General description of the measure

In Finance Act 2013 (FA 2013) the Government introduced, as a new Part 14A of Corporation Tax Act 2010 (CTA 2010), targeted loss buying anti-avoidance rules to bring the tax treatment of unrealised losses more closely into line with the longstanding treatment of realised losses by restricting their set-off against other profits (including by group relief). This measure will exclude RDAs from Part 14A CTA 2010.

Policy objective

The anti- loss-buying rules had a more significant adverse impact on RDAs than intended. The rules catch situations where a company does preliminary capital work in the furtherance of research and development, but does not reach the point of trading, and then is sold on to trading groups. Before the rules introduced by FA 2013 the trading groups could claim the Research and Development Allowances under Part 6 Capital Allowances Act 2001 (CAA 2001).

Although these rules contain an avoidance motive test their introduction has caused uncertainty and risks undermining capital investment in research and development.

Background to the measure

Representations were made by business following the introduction of the Budget 2013 loss buying rules, and the measure was announced at Budget 2014 following informal consultation.

Detailed proposal

Operative date

This measure will have effect for ‘qualifying changes’ within Part 14A CTA 2010 occurring on and after 1 April 2014.

Current law

<u>Disallowance of deductible amounts</u>

The anti- loss-buying rules within Part 14A of CTA 2010 apply where there has been a ‘qualifying change’ in relation to a company. It restricts the use of ‘deductible amounts’ against total profits within the company, or as group relief outside the company, and restricts any use of those amounts within the company (or one connected to it) following the transfer of profits to that company. There is an avoidance motive test so that the rules will only apply where the main purpose, or one of the main purposes, of the arrangements is to utilise the deductible amounts.

A ‘qualifying change’ is a change in the company’s ownership meeting one of the conditions in section 212C of CAA 2001.

Under section 730B ‘deductible amounts’ covers expenses of a trade or UK or overseas property business, management expenses of an investment company, and non-trading debits from loan relationships, derivative contracts or intangible fixed assets.

<u>Research and Development Allowances</u>

RDAs are defined in Chapters 1 and 2 of Part 6 of CAA 2001. RDAs are available as a 100 per cent allowance within the period for capital expenditure incurred by a person on research and development directly undertaken by him or on his behalf if he is carrying on a trade connected with the research and development or (importantly) after incurring the expenditure he sets up and commences a trade connected with the research and development. An expense crystallising as RDAs would form part of the ‘deductible amounts’ of a company.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend the definition of ‘deductible amounts’ in section 730B of Part 14A of CTA 2010 to exclude expenditure that crystallises as RDAs.

There will be no amendments to the RDA rules themselves.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	negligible	negligible	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer.				
Economic impact	The measure is not expected to have any significant economic impacts.				
Impact on individuals and households	There is no impact on individuals because this measure only affects companies.				
Equalities impacts	No equalities impacts have been identified because this measure only affects companies.				
Impact on business including civil society organisations	This measure is expected to have no impact on administrative burdens of businesses or civil society organisations For companies involved in pre-trading activity who make capital expenditure on research and development this will preserve the value of their investment on the sale or partial sale of the company. For those who rely on the preliminary capital research and development work of unconnected companies this will enable them to benefit from the expenditure made on their behalf. There will be no amendments to the RDA rules themselves.				
Operational impact (£m) (HMRC or other)	There will be no significant impact on HM Revenue & Customs.				

Other impacts	Small and micro business assessment: the impact of this measure on small and micro businesses is not anticipated to differ from that on large businesses. Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be kept under review through communication with affected customer groups and their industry bodies.

Further advice

If you have any questions about this change, please contact James Konya on 03000 544525 (email: james.konya@hmrc.gsi.gov.uk).

HM Revenue & Customs

Capital allowances regime: mineral extraction allowance

Who is likely to be affected?

Companies involved in the mineral extraction industry including oil and gas.

General description of the measure

The measure will provide that successful planning permission costs will be treated as expenditure on mineral exploration and access rather than as expenditure on acquiring a mineral asset.

Policy objective

This measure is designed to accelerate the relief available to the mineral extraction industry in respect of costs incurred in obtaining planning permission.

Background to the measure

This measure was announced in Budget 2014 and is in response to representations made as to the different treatment of the costs of successful and unsuccessful applications for planning permission for mineral extraction allowances purposes.

Detailed proposal

Operative date

The measure will have effect in respect of qualifying expenditure incurred on and after the date that Finance Bill 2014 receives Royal Assent.

Current law

Capital Allowances Act (CAA) 2001 Part 5 provides for the relief of qualifying expenditure including, under Chapter 2, mineral exploration and access and, under Chapter 3, acquiring a mineral asset. Expenditure under Chapter 2 qualifies for relief at 25 per cent per annum (100 per cent for oil and gas) and at 10 per cent under Chapter 3.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend CAA 2001 to ensure that all costs incurred in obtaining planning permission for the purposes of a mineral extraction trade qualify for relief at the higher rate under Chapter2.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	negligible	negligible	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer.				
Economic impact	The changes to the legislation are expected to facilitate investment in the mineral extractives industry.				
Impact on individuals and households	The allowance is considered to have no differential impact on individuals and households.				
Equalities impacts	The allowance is considered to have no differential impact on any equality groups.				
Impact on business including civil society organisations	Only a small number of UK businesses will be affected by the measure. This measure is expected to have negligible impact on these businesses as they will claim relief at a new rate. This measure will have no impact on civil society organisations.				
Operational impact (£m) (HMRC or other)	The additional costs for HM Revenue & Customs in implementing this change are expected to be negligible.				
Other impacts	Small and micro business assessment: it is not anticipated that many small or micro businesses will be affected by this measure. It is expected to have a negligible impact on these businesses as they will be able to claim relief at a new rate. Other impacts have been considered and none have been identified.				

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Tony Chanter on 03000 589073 (email: tony.chanter@hmrc.gsi.gov.uk)**.**

Abolition of Stamp Duty Reserve Tax applied to collective investment schemes

Who is likely to be affected?

Managers of and investors in UK unit trusts and open ended investment companies (OEICs).

General description of the measure

The measure will abolish the Stamp Duty Reserve Tax (SDRT) charge for which fund managers are liable when investors surrender their units in UK unit trust schemes or shares in UK OEICs.

Policy objective

This measure supports the Government's objective of making the tax system more competitive by making the UK more attractive as a domicile for certain collective investment schemes.

Background to the measure

The measure was announced at Budget 2013.

This Tax Information and Impact Note (TIIN) updates and replaces the TIIN published on 10 December 2013.

Detailed proposal

Operative date

The change will have effect on and after 30 March 2014.

Current law

The Schedule 19 SDRT charge is levied on the managers of UK-domiciled unit trusts and OEICs.

A fund manager will pay 0.5 per cent SDRT on the market value of units they buy back from one investor and sell on to another. The amount of duty is then reduced by the proportion of the fund not invested in UK equities.

Subsection (1B) of section 90 Finance Act (FA) 1986 provides an exemption from the principal SDRT charge (section 87 FA 1986) for *in specie* redemptions. This is where an investor surrenders their units in a fund and in return receives securities from the fund rather than cash. The securities transferred to the investor will usually be in proportion (pro rata) to the assets held in the fund, but might not be.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to abolish Part 2 of Schedule 19 to Finance Act 1999. Consequential amendments will be made to primary legislation in Finance Bill 2014. Consequential amendments to secondary legislation will be made by statutory instrument.

Subsection (1B) of section 90 FA 1986 will be amended so that it applies only to pro rata *in specie* transactions. Non-pro rata *in specie* redemptions will become subject to the principal SDRT charge.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-160	-160	-160	-165	-170
	These figures were set out in Table 2.2 of Budget 2013 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2013.				
Economic impact	The measure is likely to have a positive effect on investments and employment. In addition this measure is likely to increase the attractiveness of the UK Asset Management industry.				
Impact on individuals and households	This measure directly affects managers of collective investment schemes. There will be an indirect effect on individuals who invest in such schemes. This measure could improve returns on investments (including pensions) but would otherwise have no impacts on individuals or households.				
Equalities impacts	This measure removes a charge and simplifies rules for managers of collective investment schemes rather than particular types of individuals. As such the proposed change is not expected to have a disproportionate impact on any protected equality groups.				
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses. There are around 100 fund managers in the UK. Fund managers control around 2,500 schemes liable to SDRT under Schedule 19. Schemes that are affected will pay less tax. The change removes a charge that the industry regards as complex and burdensome. All schemes that hold investments in other schemes may be affected by this change. The abolition of Schedule 19 is likely to attract more UK and non-UK asset managers to launch UK based fund products leading to an increase in the number of jobs in support services around the UK. Compliance costs are expected to be negligible. This measure has no impact on civil society organisations.				
Operational impact (£m) (HMRC or other)	This measure will have a negligible cost to HM Revenue & Customs.				
Other impacts	<u>Small firms impact test</u>: the impact on small businesses will be a positive one as the legislation applies to all sizes of businesses. Other impacts have been considered and none have been identified.				

Monitoring and evaluation

The measure will be monitored through regular communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Jeremy Schryber on 03000 585762 (email: stamptaxes.budget&financebill@hmrc.gsi.gov.uk).

HM Revenue & Customs

Business Premises Renovation Allowances

Who is likely to be affected?

Businesses that incur capital expenditure on bringing back into business use qualifying business premises in disadvantaged areas which have been unused for over a year.

General description of the measure

This measure clarifies the type of expenditure that qualifies for relief under Business Premises Renovation Allowance (BPRA).

Policy objective

This measure ensures that only the actual direct costs of converting or renovating an unused business premises, to bring it back into business use (i.e. the cost of construction and related professional services), are relieved under BPRA.

Background to the measure

On 18 July 2013, the Government invited comments on the Technical Note, *Business Premises Renovation Allowances (BPRA)* and draft legislation was published for consultation in December 2013.

This Tax Information and Impact Note (TIIN) updates and replaces the TIIN published on 10 December 2013.

Detailed proposal

Operative date

The changes will have effect for qualifying expenditure incurred on and after 1 April 2014 for businesses within the charge to corporation tax, and 6 April 2014 for businesses within the charge to income tax.

Current law

Capital allowances enable the costs of capital assets to be written off against taxable profits. Different classes of assets qualify for allowances at different rates. Under part 3A of the Capital Allowances Act 2001 (CAA 2001), the BPRA legislation provides a 100 per cent initial allowance for capital expenditure incurred on the renovation or conversion of business properties that have been unused for at least a year in disadvantaged areas of the UK.

Section 360B and 360C CAA 2001 defines the meaning of qualifying expenditure and requires that a building must have been unused for a year before expenditure qualifies for relief.

Section 360M prevents a balancing adjustment being made if certain balancing events take place more than seven years after the time when the qualifying building was first used or was suitable for letting.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend Part 3A of CAA 2001 to clarify the scope of the expenditure that qualifies for BPRA. This will mean that relief is only available for the actual costs of construction and building work, and for certain specified activities such as architectural and surveying services. The legislation will also provide that additional associated but unspecified activities (such as project management services) qualify for relief, limited to five per cent of the actual costs as newly specified.

In addition:

- A rule will be introduced preventing claims to BPRA being made if another form of State aid has or will be received. Following consultation, the proposal to limit qualifying plant and machinery to integral features has been widened to cover additional listed items.
- The rule preventing expenditure incurred on buildings qualifying for relief before they have been unused for a year will be clarified.
- Where expenditure is paid in advance and tax relief claimed immediately, the works to which that expenditure relates must be completed within 36 months or that relief will be withdrawn.
- The period in which balancing adjustments must be made if certain events occur will be reduced from seven to five years.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	negligible	negligible	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer. This measure supports the Exchequer in its commitment to protect revenue.				
Economic impact	This measure is not expected to have any significant economic impacts. The changes simply clarify the expenditure qualifying for BPRA, to target the relief more effectively. In particular, they will deter transactions that attempt to exploit BPRA inappropriately, or that run the risk of breaching State aid rules. However, there is a risk that the changes may deter some future BPRA projects.				
Impact on individuals and households	This measure will not have a significant impact on individuals and households as the changes simply clarify the business expenditure qualifying for BPRA, to target the relief more effectively.				
Equalities impacts	This measure simply clarifies the business expenditure qualifying for BPRA, to target the relief more effectively, and is not therefore expected to have an impact on any specified group.				
Impact on business including civil society organisations	The changes will require businesses and civil society organisations to clearly identify expenditure that qualifies for BPRA, and that which does not. In order to make a valid claim for BPRA, the business already has to carry out such an exercise; the changes simply require more care to be taken. Although this may increase a business's administration costs, claims will be easier to process and agree with HM Revenue & Customs (HMRC). Around 1,700 BPRA claims were made in 2011-12.				

	There may also be some impact if businesses receive grant funding that is a State aid towards the costs of BPRA projects. In such cases, any BPRA claimed will have to be repaid. This will be a negligible one off cost. The change is required to ensure compliance with State aid rules that BPRA has been designed to meet. It is difficult to establish how many businesses might be impacted because grants are funded on a case-by-case basis, but it is considered that the impact will be limited as not every potential BPRA project qualifies for such grant. The cumulative effect of all the changes being suggested will result in an increase in administration costs for businesses, but these are expected to be negligible.
Operational impact (£m) (HMRC or other)	HMRC prioritises compliance activity according to risk and it is expected that any legislation resulting from this review will reduce the compliance risk in this area.
Other impacts	<u>Small and micro business assessment</u>: this measure applies to all sizes of business. Should a small business decide to make use of BPRA it will be subject to the same rules as any other business. The impact on small and micro businesses is expected to be negligible. Other impacts have been considered and none have been identified.

Monitoring and evaluation

The take-up and annual cost of BPRA is regularly monitored through boxes on tax returns and annual State aid reports to the European Commission.

Further advice

If you have any questions about this change, please contact Nick Williams on 03000 585660 (email: nicholas.williams@hmrc.gsi.gov.uk).

HM Revenue
& Customs

Modernising the taxation of corporate debt and derivative contracts

Who is likely to be affected?

Companies which are subject to the corporation tax rules on loan relationships and derivative contracts, and which are members of groups.

General description of the measure

The measure will amend the rules in Chapter 4 of Part 5, and Chapter 5 of Part 7, of the Corporation Tax Act 2009 (CTA 2009) that apply to groups of companies. The changes will amend the 'de-grouping' provisions in those chapters that apply when a company to which a loan relationship or derivative contract has been transferred (a 'transferee company') ceases to be a member of the group.

Policy objective

This measure supports the Government's objective of establishing a simpler, more certain and more robust tax system.

Background to the measure

At Budget 2013 the Government announced a review of the legislation governing the taxation of corporate debt and derivative contracts. On 6 June 2013 a consultation document *Modernising the taxation of corporate debt and derivative contracts* was published, and informal consultation has continued since then. The Government's response to the consultation was published on 10 December 2013.

This measure is being introduced in Finance Bill 2014 in advance of the main changes arising from this review, which will be included in Finance Bill 2015.

Detailed proposal

Operative date

This measure will have effect where a company ceases to be a member of a group on or after 1 April 2014.

Current law

Chapter 4 of Part 5 of CTA 2009 contains provisions under which loan relationships are transferred from one company to another in the same group at a 'notional carrying value'. Equivalent provisions in Part 7 of CTA 2009 apply for the purposes of the rules on derivative contracts. These 'group continuity' rules ensure, broadly, that loan relationships and derivative contracts are transferred between two companies in the same group on a 'tax neutral' basis, that is without crystallising losses or bringing gains into charge. The profit or loss on the loan relationship or derivative is not brought into account for tax purposes until the instrument is finally disposed of out of the group.

Where a transferee company ceases to be a member of the group within six years of the date of the transfer, there is a deemed disposal and reacquisition of the asset or liability. The effect of this de-grouping charge is that an amount equal to the difference between the notional carrying value and the fair value of the loan relationship or derivative contract is brought into account for tax purposes.

In most cases the de-grouping charge applies only to bring credits, not debits, into charge.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to repeal the provisions in sections 345, 346, 631 and 632 CTA 2009 which have the effect of restricting the de-grouping charge to only bring into account credits and certain debits in very limited circumstances. Where a transferee company ceases to be a member of a group on or after 1 April 2014, the rules will apply to bring into account both credits and debits.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	negligible	negligible	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer.				
Economic impact	The measure is not expected to have any significant economic impacts.				
Impact on individuals and households	No impact on individuals or households has been identified. The measure is concerned with corporate taxpayers only.				
Equalities impacts	No impact on equalities has been identified.				
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. There may be some savings through revised legislation being easier to operate, and will affect a relatively small number of businesses.				
Operational impact (£m) (HMRC or other)	Revised legislation should be easier for HM Revenue & Customs to operate and reduce resource needed to combat attempted avoidance.				
Other impacts	Small and micro business assessment: no material impact is anticipated on small companies, whose current interaction with the loan relationships/derivative contracts regimes is generally straightforward. Other impacts have been considered and none have been identified.				

Monitoring and evaluation

The measure will be monitored through information received from company tax returns and tax administrative data and through regular communication with affected businesses.

Further advice

If you have any questions about this change, please contact Tony Sadler on 03000 585479 (email: tony.sadler@hmrc.gsi.gov.uk) or contact Richard Daniel on 03000 569408 (email: richard.daniel@hmrc.gsi.gov.uk).

HM Revenue
& Customs

Increasing the payable credit to loss-makers under the small and medium sized enterprises research and development tax relief

Who is likely to be affected?

Loss-making small and medium sized enterprises (SMEs) conducting research and development (R&D) activities. .

General description of the measure

From 1 April 2014 the rate of R&D payable tax credit for loss making small SMEs will be increased from 11 per cent to 14.5 per cent. This will increase the rate of the cash credit payable to SMEs that conduct qualifying R&D activity but do not have corporation tax liabilities.

Policy objective

The measure will provide further incentives for small companies and start-ups to invest in R&D. It targets companies for whom risks and market failures are most pronounced. This measure is consistent with the Government's wider objective to support small innovative companies with high growth potential.

Background to the measure

This measure was announced in Budget 2014.

R&D relief gives additional corporation tax relief for expenditure incurred on R&D projects that seek to achieve an advance in science or technology. A distinct scheme exists for SMEs, which was originally introduced in Finance Act 2000. For a SME with no corporation tax liability a tax credit can be claimed by way of a cash sum paid by HM Revenue & Customs (HMRC). A SME is a company or organisation with fewer than 500 employees and either an annual turnover not exceeding €100 million, or a balance sheet not exceeding €86 million.

Detailed proposal

Operative date

The rate increase will apply for qualifying expenditure incurred on or after 1 April 2014.

Current law

Part 13 of the Corporation Tax Act 2009 (CTA 2009, sections 1039 to 1142) provides additional corporation tax relief for R&D expenditure. Section 1054 of CTA 2009 provides for the payment of R&D tax credits to loss-making SMEs. Section 1058 gives the rate at which this payable tax credit is calculated.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to increase the rate in section 1058 of CTA 2009 at which the payable tax credit is calculated from 11 per cent to 14.5 per cent in respect of expenditure incurred on or after 1 April 2014.

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Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-5	-50	-	-	-
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.				
Economic impact	R&D tax relief reduces the cost of R&D investment that companies make and is therefore likely to increase aggregate R&D expenditure, which will benefit the economy more widely through the positive spill over effects in terms of increased innovation and productivity in the wider economy.				
Impact on individuals and households	There is no impact on individuals or households. This change only affects companies involved in R&D.				
Equalities impacts	This change only affects companies involved in R&D and not individuals. It is considered that these proposals have no significant impacts on protected equality groups.				
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses. Around 10,000 SME's claim R&D tax relief each year. These companies will benefit from the improved incentive to carry out additional R&D. As this is a straightforward change, companies claiming will face a negligible one-off administrative impact. This measure is expected to have no impact on civil society organisations.				
Operational impact (£m) (HMRC or other)	Some increases are anticipated in the number of companies making claims, in the amount of R&D expenditure companies incur, and in the amount of relief claimed. However, no structural changes are necessary to operational delivery and there should be no significant impact on HMRC operational costs.				
Other impacts	Small and micro business assessment: there will be a positive impact for small firms carrying out R&D, as they can benefit from an increased payable tax credit. Competition assessment: there should not be any impact on competition as they do not affect or limit suppliers' ability to compete. Other impacts have been considered and none have been identified.				

Monitoring and evaluation

Uptake of the number of companies claiming the relief and amounts of relief claimed are regularly monitored, and published as National Statistics.

Further advice

If you have any questions about this change, please contact Jennifer Payne on 03000 575330 (email: jennifer.payne@hmrc.gsi.gov.uk).

HM Revenue & Customs

Enterprise Zones: enhanced capital allowances

Who is likely to be affected?

Companies investing in plant or machinery in designated enhanced capital allowance (ECA) sites in Enterprise Zones.

General description of the measure

This measure extends to 31 March 2020 the period in which businesses investing in new plant and machinery in ECA sites in Enterprise Zones can qualify for 100 per cent capital allowances.

Policy objective

Enterprise Zones are designed to encourage economic growth and investment. ECAs are intended to contribute to this objective by promoting capital investment by companies in a number of designated ECA sites within Enterprise Zones.

Background to the measure

ECAs in Enterprise Zones were introduced in 2012 for a five year period to 31 March 2017.

The Government announced at Budget 2014 that the measure would be extended for a further three years to 2020.

Detailed proposal

Operative date

The availability of ECAs will be extended for a further three years to 31 March 2020.

Current law

Capital allowances allow businesses to write down the costs of qualifying plant and machinery assets against their taxable income. Any qualifying expenditure, not covered by a claim to the annual investment allowance (AIA) or an ECA, qualifies for writing-down allowances at either 18 per cent or 8 per cent a year depending on the nature of the asset.

The Enterprise Zone legislation is found at sections 45K to 45N Capital Allowances Act 2001. This provides 100 per cent ECAs for expenditure incurred by companies on qualifying plant or machinery for use primarily in designated sites within Enterprise Zones, subject to certain conditions. The qualifying expenditure must be incurred between 1 April 2012 and 31 March 2017, and the area in which the plant or machinery is to be used must be an Assisted Area at the time that the expenditure is incurred.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to extend to 31 March 2020 the period in which ECAs are available in Enterprise Zones.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-	-	-	nil	nil
	This measure is not expected to have an Exchequer impact.				
Economic impact	The extension of the ECA for a further three years is expected to support further investment in Enterprise Zones.				
Impact on individuals and households	There is no impact on individuals or households. This change only affects companies that invest in plant or machinery in designated sites in Enterprise Zones.				
Equalities impacts	The proposals have no impacts on protected equality groups.				
Impact on business including civil society organisations	Companies qualifying for ECAs in Enterprise Zones will benefit from 100 per cent first-year allowances, which will enable them to write off qualifying expenditure more quickly for tax purposes. The impacts of this measure on businesses' administrative burdens are expected to be negligible as the change simply extends the relief and does not make any changes to the scope of the relief.				
Operational impact (£m) (HMRC or other)	There will be a small cost for HM Revenue & Customs in updating guidance and instructions.				
Other impacts	Small and micro business assessment: the majority of small and micro businesses will be able to write down all of their capital investment under the AIA. ECAs in Enterprise Zones are more likely to benefit businesses undertaking large capital investment. Other impacts have been considered and none have been identified.				

Monitoring and evaluation

The measure will be monitored and assessed alongside other measures in the Government's package for Enterprise Zones.

Further advice

If you have any questions about this change, please contact Nick Williams on 03000 585660 (email: nicholas.williams@hmrc.gsi.gov.uk).

Making the Seed Enterprise Investment Scheme and the capital gains tax reinvestment relief permanent

Who is likely to be affected?

Small, early stage companies raising equity, and individuals investing in such companies.

General description of the measure

This measure makes permanent the tax-advantaged Seed Enterprise Investment Scheme (SEIS) and the associated capital gains tax (CGT) relief for re-investing chargeable gains in SEIS shares.

Policy objective

The measure will support the Government's growth agenda by continuing to help small, riskier, early stage UK companies, which may face barriers in raising external finance, to attract investment, making it easier for these companies to become established and to grow. Making SEIS and SEIS CGT reinvestment relief permanent provides more certainty for early stage companies raising equity, and individuals investing in such companies.

Background to the measure

SEIS, which came into effect from 6 April 2012, is designed to help small, early-stage companies raise equity finance by offering a range of tax reliefs to individual investors who subscribe for shares and have a stake of no more than 30 per cent in these companies. It complements the Enterprise Investment Scheme (EIS), which also offers tax reliefs to investors in higher-risk small companies. SEIS recognises the particular difficulties that very early-stage companies face in attracting investment, by offering tax relief at a higher rate than that offered by EIS.

To help kick-start the scheme and encourage investment in SEIS, CGT relief was given to chargeable gains accruing to an investor in 2012-13 where the gain is re-invested in shares that qualify for SEIS income tax relief. The amount re-invested was exempt from CGT. This was subject to a £100,000 investment limit (which matches a similar cap on SEIS-related income tax relief). In 2013 the CGT relief was extended to chargeable gains accruing in 2013-14. The extended relief was given to half the qualifying re-invested amount.

Detailed proposal

Operative date

The removal of the sunset clause will take effect from the date that Finance Bill 2014 receives Royal Assent. The permanent extension of the CGT re-investment relief will have effect in relation to re-invested gains accruing to individuals in 2014-15 and subsequent years.

Current law

Section 257A Income Tax Act 2007 provides for SEIS relief to be available in respect of shares issued on or after 6 April 2012 and before 6 April 2017.

Section 150G of and Schedule 5BB to the Taxation of Chargeable Gains Act 1992 provides the CGT relief for re-investment in SEIS shares. Condition A at paragraph 1(2)(a) to Schedule 5BB holds that the relief is limited to gains accruing to the SEIS investor in 2012-13 or 2013-14.

Paragraph 1(5) and (6) to Schedule 5BB hold that the relevant percentage of gains matched by qualifying SEIS investment is not chargeable to CGT. Paragraph 1(5A) holds that the relevant percentage is 100 per cent for gains accruing to the investor in 2012-13 and 50 per cent for gains accruing in 2013-14.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to provide for SEIS relief to be available without time limit.

Legislation will also be introduced in Finance Bill 2014 to extend Condition A and the 50 per cent relevant percentage to gains accruing to the investor in 2014-15 and subsequent years.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td></tr>
<tr><td>nil</td><td>-5</td><td>-10</td><td>-5</td><td>-40</td></tr>
<tr><td colspan="5">These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office of Budget Responsibility. More detail can be found in the policy costings document published alongside the Budget.</td></tr>
<tr><td>Economic impact</td><td colspan="5">Tax relief is provided to incentivise investment in companies that may face barriers in raising equity finance, including seed level companies. The extension of this scheme will provide a generous rate of relief and will continue to provide increased incentives for individuals to invest in small companies and help new businesses to establish. This is likely to increase investment in these companies, which will contribute to wider economic growth.</td></tr>
<tr><td>Impact on individuals and households</td><td colspan="5">Individual investors will be able to continue to access a higher rate of relief than they would if they invested in qualifying companies under Enterprise Investment Scheme or Venture Capital Trusts from April 2017, or if the re-investment relief was not extended. The extension of the scheme will also continue to encourage individuals to become entrepreneurs with the backing of SEIS investors.</td></tr>
<tr><td>Equalities impacts</td><td colspan="5">Compared to the Self Assessment population, it is anticipated that SEIS investors will tend to be male, located in the south of England and have higher overall income levels (based on users of the EIS and VCT). No further data is available to suggest that there will be impacts on other groups. From the data available it is therefore envisaged that these changes will not have any further impact on those groups affected by equality legislation.</td></tr>
</table>

Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. Businesses will incur a negligible one off implementation cost of familiarising themselves with the measure, but there will be no changes to their administrative burdens because the relief is claimed by investors rather than investment companies.
Operational impact (£m) (HMRC or other)	The additional costs for HM Revenue and Customs in implementing this change are anticipated to be negligible.
Other impacts	Competition assessment: there will be a positive impact for small early stage companies receiving investment under SEIS, as more individuals will look to invest in such companies. It should not have any impact on competition as it will not affect or limit suppliers' ability to compete. Small and micro business assessment: the proposed reforms are beneficial and will help to increase the provision of equity available to invest in small businesses. Other impacts have been considered and none have been identified.

Monitoring and evaluation

Uptake of the reliefs in terms of numbers of investors and investees, amounts of investment and the distribution of levels of investment will continue to be regularly monitored and published.

Further advice

If you have any questions about this change, please contact Alex Buckley (for SEIS) on 03000 586048 (email: alex.buckley@hmrc.gsi.gov.uk) or Alan McGuinness (for CGT reinvestment relief) on 03000 585256 (email: alan.mcguinness@hmrc.gsi.gov.uk).

HM Revenue & Customs

Changes to the taxation of high value UK residential property held by certain non-natural persons

Who is likely to be affected?

Companies, partnerships with company members and collective investment schemes (collectively referred to as non-natural persons (NNPs)) which purchase, own or dispose of residential property in the UK worth over £500,000 and up to £2 million.

General description of the measure

An extension to the package of taxes that affect residential properties held by NNPs, other than genuine commercial businesses and other limited categories, to properties worth more than £500,000 up to £2 million.

These taxes are:

- stamp duty land tax (SDLT) at 15 per cent on acquisition of a residential property;
- an annual tax on enveloped dwellings (ATED); and
- capital gains tax (CGT) at 28 per cent on any gain on disposal.

Policy objective

This measure is to tackle tax avoidance and to ensure that those wrapping residential property in corporate and other 'envelopes' and not using them for a commercial purpose, such as renting them out, pay a fair share of tax.

Background to the measure

This measure was announced in Budget 2014. The Government will consult on possible options to simplify the administration of ATED, in particular for property businesses eligible for reliefs.

Detailed proposal

Operative date

The extension to the 15 per cent rate of SDLT will take effect for transactions where the effective date (normally the date of completion) is on or after 20 March 2014. Transitional provisions will ensure that, in the great majority of cases, the existing threshold will continue to apply in respect of contracts entered into before 20 March 2014 but completed on or after that date.

The new band for ATED applying to residential properties worth more than £1 million and not more than £2 million, with an annual charge of £7,000, will apply from 1 April 2015. In the first year returns applicable to this band will not be required until 1 October 2015 with payment required by 31 October 2015.

An additional band for ATED applying to residential properties worth more than £500,000 and not more than £1 million, with an annual charge of £3,500, will apply from 1 April 2016.

All corporate and other 'envelopes' affected by the new ATED band will also be subject to CGT on disposal of the properties held, at a rate of 28 per cent. The extension to the ATED-related CGT charge will take effect from 6 April 2015 for properties worth more than £1 million and not more than £2 million. The charge will apply only to that part of the gain that is accrued on or after that date. The extension to the ATED-related CGT charge will take effect from 6 April 2016 for properties worth more than £500,000 and not more than £1 million. The charge will apply only to that part of the gain that is accrued on or after that date. The balance of any gain will continue to be treated as at present. Legislation on the CGT elements of this measure will be introduced in Finance Bill 2015.

Current law

Schedule 4A Finance Act (FA) 2003 provides for a higher rate SDLT charge of 15 per cent for acquisitions of a 'higher threshold interest' by a 'non-natural person' (NNP) – that is, by a company, a partnership which includes a company as a partner or a collective investment scheme. A higher threshold interest is an interest in a single dwelling for which chargeable consideration of more than £2 million is given (or one of a number of interests in a single dwelling acquired in linked transactions, the aggregate chargeable consideration for which exceeds £2 million).

Section 94 FA 2013 gives rise to the charge of ATED in respect of a chargeable interest held by a non-natural person.

Section 99 FA 2013 details the amount chargeable by reference to various bands into which a dwelling falls based on prescribed valuation dates.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to:

- amend Schedule 4A FA 2003 so that a higher threshold interest for SDLT is an interest (or interests) in a single dwelling for which chargeable consideration of more than £500,000 is given; and

- amend sections 94 and 99 FA 2013 to introduce a new ATED banding for dwellings valued at more than £500,000 and not more than £1 million and at more than £1 million and not more than £2 million at the prescribed valuation dates which will remain unchanged.

For ATED purposes supplementary provisions will be required for the period 1 April 2015 to 31 March 2016 to accommodate transitional rules for the first period to which the new band of more than £1 million and not more than £2 million applies. The transitional rules will provide for a filing date of 1 October 2015 and a payment date of 31 October 2015.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	+35	+70	+90	+80	+90
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.				
Economic impact	The measure is not expected to have any significant economic impacts.				
Impact on individuals and households	Individuals who are the beneficial owners of companies/properties subject to ATED will be directly affected by the charge. Approximately 12,000 individuals are estimated to be indirectly affected by this measure through their interests in NNPs that purchase UK residential property, such as companies, partnerships including company members, and collective investment schemes.				

	For ATED purposes, these bodies will need to value their residential property every five years, complete an annual return and pay the correct amount of ATED.
Equalities impacts	These changes are not expected to have an impact on any protected equality group.
Impact on business including civil society organisations	Businesses purchasing residential property costing between £500,000 and £2 million are already within the scope of SDLT, and the 15 per cent higher rate will be administered through the current SDLT regime. The SDLT measure should therefore give rise to negligible additional administrative burdens. Unincorporated businesses will be unaffected by this measure and will have no self assessment requirement. Most corporate businesses do not buy, hold or sell residential property worth over £500,000 and will be similarly unaffected. An estimated 8,000 corporate businesses that do buy or hold residential properties worth more than £500,000 will be able to claim relief against the charges, but most will incur an additional administrative burden through having to file a return within the prescribed time limits, or through amending a return. For ATED purposes they will not be required to accurately value residential properties eligible for relief. The Government will consult on possible options to simplify the administration of ATED, especially for property businesses eligible for reliefs. The measure should not significantly impact on charities as these are exempt under the current legislation. Estimates of compliance costs are shown in the table below, including an estimate of total costs for a five year period at present value.

	Cost	**Time Period (yrs)**
Compliance Costs		
One-off Costs	Negligible	N/A
Average Annual Costs	£2.5m	5 years
Total Costs (PV)	£11.2m	N/A
Compliance Benefits		
One-off Benefit	N/A	N/A
Average Annual Benefit	N/A	N/A
Total Benefit (PV)	N/A	N/A
Net Benefit (NPV)	-£11.2m	N/A
Impact on Administrative Burden (included in Net Benefit)		
Increase	**Decrease**	**Net Impact**
£0.3m	£0m	£0.3m

Operational impact (£m) (HMRC or other)	The change to the SDLT regime will not require changes to HMRC systems and any additional compliance work arising will be resourced according to risk. Processing additional ATED returns will require IT systems changes and additional staff resource. Additional compliance work will be resourced according to risk.
Other impacts	Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about these changes, please contact the HMRC Stamp Taxes Helpline on 0300 200 3510 (email: stamptaxes.budget&financebill@hmrc.gsi.gov.uk).

HM Revenue & Customs

Tobacco duty rates

Who is likely to be affected?

Manufacturers, importers, distributors, retailers and consumers of tobacco products. Tobacco products include cigarettes, cigars, hand-rolling tobacco, other smoking tobacco, chewing tobacco and herbal smoking products.

General description of the measure

This measure sets out how tobacco duties will rise each year until the end of the next Parliament.

Policy objective

The Government is committed to maintaining high tobacco duty rates as this is an established tool to reduce smoking prevalence and to ensure that tobacco duties continue to contribute to government revenues.

Background to the measure

The March 2010 Budget announced that tobacco duty rates would increase by two per cent above the Retail Price Index (RPI) inflation in 2014-15.

At Budget 2014, the Chancellor announced that the duty on all tobacco products will continue to increase by a minimum of two per cent above RPI inflation each year until the end of the next Parliament.

Detailed proposal

Operative date

The new tobacco duty rates will have effect from 6pm on 19 March 2014.

Current law

The table of duty rates on tobacco products is in Schedule 1 to the Tobacco Products Duty Act 1979.

Proposed revisions

Legislation will be introduced in future Finance Bills to revise the rates of duty on tobacco products each year until the end of the next Parliament. The legislation will amend Schedule 1 to the Tobacco Products Duty Act 1979.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td></tr>
<tr><td>-</td><td>+40</td><td>+75</td><td>+110</td><td>+135</td></tr>
<tr><td colspan="5">These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.</td></tr>
<tr><td>Economic impact</td><td colspan="5">If passed on to consumers, the higher increases in tobacco duty rates will lead to slightly higher inflation.</td></tr>
</table>

Impact on individuals and households	Assuming 100 per cent pass through, this measure will impact on individuals who smoke by increasing the price of tobacco products. Heavy smokers will face the highest burden from this measure. In response to higher prices, some could chose to consume less, some could down-trade from more expensive to cheaper tobacco products, and others could engage in cross border shopping or purchase from the illicit tobacco market. Any potential shift in consumption to the illicit market will be closely monitored by HM Revenue & Customs (HMRC).
Equalities impacts	Due to differences in tobacco consumption, any change to tobacco duties will have an equalities impact. Men are slightly more likely to smoke than women.
Impact on business including civil society organisations	Tobacco manufacturers and importers will face an increase in tax which they are likely to pass onto consumers. The changes to tobacco duty rates will impose a negligible administrative burden to businesses.
Operational impact (£m) (HMRC or other)	HMRC will incur a negligible cost for changing tobacco duties each year.
Other impacts	<u>Small and micro business assessment:</u> the higher annual increases in tobacco duty will affect all sizes of businesses in the tobacco sector, including small and micro business. <u>Health impact assessment</u>: 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 be reductions in other costs that arise from tobacco use. These costs include losses in productivity from smoking breaks and ill-health absences, the cost of cleaning up cigarette butts, the cost of smoking-related house fires and the loss in economic output from people who die from diseases related to smoking or exposure to second-hand smoke. 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 0300 200 3700.

HM Revenue & Customs

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. Also, retailers and consumers of alcohol.

General description of the measure

This measure changes the pre-announced rises in the duty rates on alcohol manufactured in, or imported into, the UK.

Policy objective

The Government is committed to supporting pubs, which are important community assets that encourage responsible alcohol consumption. The Government is also committed to supporting the domestic market for the thriving Scotch whisky industry.

Background to the measure

Budget 2008 announced that all alcohol duty rates would rise by two per cent above the Retail Prices Index (RPI) inflation each year between 2009-10 and 2012-13 inclusive. The March 2010 Budget announced these two per cent above RPI rises would continue for a further two years until 2014-15. Budget 2013 announced that beer duty rates would be cut in 2013-14 and that beer duties would then rise by RPI only in 2014-15.

At Budget 2014 the Chancellor announced that from 24 March 2014:

- tax on a typical pint of low, average and high strength beer will fall by one penny a pint;
- duties on spirits and other drinks exceeding 22 per cent alcohol by volume (abv), and most cider duties will be frozen in cash terms; and
- the duty escalator for wine, made-wine and high strength sparkling cider will end.

Detailed proposal

Operative date

The new alcohol duty rates will have effect from 24 March 2014.

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); and
- wine are set out in Schedule 1.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to revise the alcohol duty rates. Sections 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 per cent but not exceeding 2.8 per cent abv: £8.62 per hectolitre for each per cent of alcohol;
- general beer duty on beer exceeding 2.8 per cent abv and not produced by small breweries: £18.74 per hectolitre for each per cent of alcohol;
- duty on beer exceeding 7.5 per cent abv (and in addition to general beer duty): £5.29 per hectolitre for each per cent of alcohol;
- duty on sparkling cider and perry exceeding 5.5 per cent but not exceeding 8.5 per cent abv: £264.61 per hectolitre of product;
- duty on wine and made-wine exceeding 1.2 per cent but not exceeding 4 per cent abv: £84.21 per hectolitre of product;
- duty on wine and made-wine exceeding 4 per cent but not exceeding 5.5 per cent abv: £115.80 per hectolitre of product;
- duty on still wine and made-wine exceeding 5.5 per cent but not exceeding 15 per cent abv: £273.31 per hectolitre of product;
- duty on wine and made-wine exceeding 15 per cent but not exceeding 22 per cent abv: £364.37 per hectolitre of product;
- duty on sparkling wine and made-wine exceeding 5.5 per cent but not exceeding 8.5 per cent abv: £264.61 per hectolitre of product; and
- duty on sparkling wine and made-wine exceeding 8.5 per cent but not exceeding 15 per cent abv: £350.07 per hectolitre of product.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td></tr>
<tr><td>-290</td><td>-295</td><td>-305</td><td>-315</td><td>-325</td></tr>
<tr><td colspan="5">These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.</td></tr>
<tr><td>Economic impact</td><td colspan="5">If passed on to consumers, the lower increase in alcohol duty rates will lead to slightly lower inflation.</td></tr>
<tr><td>Impact on individuals and households</td><td colspan="5">There will be a positive financial impact for individuals who consume alcohol. At the current VAT rate, and assuming 100 per cent pass through wherever alcohol is purchased, from 24 March 2014 the tax on a typical:
• pint of beer will be one penny lower in cash terms and 8 pence lower compared to the previous government's duty plans;
• bottle of Scotch whisky will be unchanged in cash terms and 42 pence lower compared to the previous government's duty plans;
• pint of cider will be unchanged in cash terms and 3 pence lower compared to the previous government's duty plans; and
• bottle of wine will be 6 pence higher in cash terms and 5 pence lower compared to the previous government's duty plans.</td></tr>
</table>

Equalities impacts	Due to differences in alcohol consumption, any change to alcohol duties will have an equalities impact. Men are more likely to drink beer and women are more likely to drink wine. Younger people are more likely to drink spirits.
Impact on business including civil society organisations	There will be an increase in alcohol consumption compared to the previous policy. Alcohol manufacturers and importers will see lower duties from 24 March 2014 than expected. The Government expects the benefit will be passed onto consumers. As such, this measure will also support pubs and other retailers of alcohol. The changes in alcohol duty rates will impose a negligible administrative burden to businesses.
Operational impact (£m) (HMRC or other)	HM Revenue & Customs will incur a negligible one-off cost for changing alcohol duties.
Other impacts	<u>Small and micro business assessment</u>: the change to duty rates will affect all sizes of business and poses a negligible administrative burden. 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. <u>Health impact assessment</u>: a cut in beer duty, freezing the duty on spirits and most ciders, and a lower rise in the other alcohol duties is likely to lead to a minor increase in overall alcohol consumption in the UK. The duty on higher strength beer will increase more in relative terms than on lower strength beer, helping to encourage the production and consumption of lower strength beer. 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 0300 200 3700.

HM Revenue & Customs

Bingo duty: reduction in the rate

Who is likely to be affected?

UK bingo promoters.

General description of the measure

This measure will reduce the rate of bingo duty from 20 per cent to 10 per cent. The measure will also update the legislation relating to the bingo duty exemption provision affecting adult gaming centres. This will ensure the relief works as intended.

Policy objective

Bingo halls play an important role in their local communities. The Government is committed to supporting bingo halls.

Background to the measure

The rate of bingo duty is being reduced following consideration of representations made by the bingo sector. In addition the duty exemption is being amended to replace a reference to amusement machine licence duty following its repeal and the introduction of machine games duty (MGD).

Detailed proposal

Operative date

The rate reduction will have effect for bingo duty accounting periods beginning on or after 30 June 2014. The amendment to the exemption provision will take place from the date that Finance Bill 2014 receives Royal Assent.

Current law

Subject to specific exemptions, bingo duty is charged on the playing of bingo in the UK. The duty is charged at the rate of 20 per cent of a person's bingo promotion profits for an accounting period. The amount of a person's bingo promotion profits for an accounting period is the amount of bingo receipts minus the amount of expenditure on bingo winnings. The charging provisions are to be found at section 17 of the Betting and Gaming Duties Act 1981 (BGDA). The current duty rate was introduced by section 19(1) of Finance Act 2010.

The law providing for exemption from bingo duty is to be found in Part 1 of Schedule 3 to BGDA. Paragraph 5 deals with the exemptions available to small-scale amusements provided commercially. The relief available to adult gaming centres is contained at paragraph 5(1)(b) and is dependent on an amusement machine licence being in force in respect of the premises.

Proposed revisions

Legislation will be introduced in the Finance Bill 2014 to amend BGDA to reduce the bingo duty rate to 10 per cent and to make the exemption conditional on there being a liability to MGD.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-30	-40	-40	-40	-40
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.				
Economic impact	The measure is not expected to have any significant economic impacts.				
Impact on individuals and households	The impact on individuals and households is expected to be negligible. This measure is expected to have a small indirect impact on the people who play bingo.				
Equalities impacts	Due to differences in gambling participation, any change to bingo duty will have an equalities impact. Women are more likely to play bingo than men, and those in lower household income groups are more likely to play bingo than those in higher household income groups.				
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. Approximately 170 bingo promoters will benefit from this reduction in the rate of bingo duty. This change will have a negligible one-off compliance cost for those businesses.				
Operational impact (£m) (HMRC or other)	The additional costs for HM Revenue & Customs in implementing these changes are anticipated to be negligible.				
Other impacts	Small and micro business assessment: small and micro businesses may benefit from this reduction in the rate of bingo duty. The impact on these businesses is expected to be negligible. Other impacts have been considered and none have been identified.				

Monitoring and evaluation

The measure will be kept under review through regular communication with the bingo sector and monitored through information collected from tax receipts.

Further advice

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

HM Revenue & Customs

Machine games duty: introduction of a new higher rate

Who is likely to be affected?

Operators that provide gaming machines where the charge payable for playing can exceed £5. This is expected to impact on bookmakers and casinos.

General description of the measure

The measure will create a new 25 per cent rate of machine games duty (MGD) due on the net takings from gaming machines where the charge payable for playing can exceed £5.

Policy objective

This measure will increase the fairness of the tax system by making the more profitable high street gaming machines pay a higher rate of duty.

Background to the measure

This measure was announced at Budget 2014.

Detailed proposal

Operative date

This measure will have effect on and after 1 March 2015.

Current law

MGD is set out in the Finance Act 2012 (FA2012), in Schedule 24. There are currently two rates of MGD: a reduced rate of 5 per cent which applies to machines with a maximum charge payable for playing and a maximum cash prize of not more than 20 pence and £10 respectively (a ‘type 2 machine’, paragraph 5(2) of Schedule 24) and the standard rate of 20 per cent, which applies to any other machine (‘type 1 machine’, paragraph 5(3)).

Proposed revisions

Legislation will be introduced at Finance Bill 2014 to amend Schedule 24 to add a third type of machine (any machine where the charge payable for playing can exceed £5) which will be liable to a 25 per cent rate of duty.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	+5	+75	+80	+85	+90
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.				
Economic impact	The measure is not expected to have any significant economic impacts.				
Impact on individuals and households	The impact on individuals and households is expected to be negligible as this measure is not expected to have a significant impact on the availability, price and payouts of machine games. Furthermore, only a small proportion of the population play machine games.				
Equalities impacts	Due to differences in gambling participation, any change to machine games duty will have an equalities impact. Men are more likely to play these types of gaming machines than women, and younger people are more likely to play these types of gaming machines than older people.				
Impact on business including civil society organisations	The higher rate of MGD will affect in the region of 400 businesses providing gaming machines where the charge payable for playing can exceed £5. There will likely be negligible one-off costs associated with familiarisation with the new tax rate. There will also be negligible administrative burden for some businesses, as they will need to collect and report data in a more disaggregated way. The measure is expected to have no impact on civil society organisations.				
Operational impact (£m) (HMRC or other)	HM Revenue & Customs will incur costs from this increase in MGD of an estimated £350,000 in 2014-15 plus ongoing costs estimated at a total of £50,000 until 2017.				
Other impacts	<u>Small and micro business assessment</u>: some small and micro businesses providing gaming machines will incur negligible one-off familiarisation costs. The administrative burden is expected to be negligible as data collated and reported will need to be disaggregated. 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 Andy Grimsley on 03000 588028 (email: andy.grimsley@hmrc.gsi.gov.uk).

HM Revenue & Customs

Air Passenger Duty: banding reform

Who is likely to be affected?

Airlines and other aircraft operators, and their passengers.

General description of the measure

The number of Air Passenger Duty (APD) destination bands will be reduced to two by merging the former bands B, C and D, and the higher rates that apply to aircraft with an authorised take off weight of 20 tonnes or more and with fewer than 19 seats will be set at six times the reduced rates. Rates for the new bands are shown in the table below.

Policy objective

This measure contributes to the UK's growth opportunities by lowering the cost of travelling to many emerging market destinations such as China, India and Brazil.

Background to the measure

This measure was announced at Budget 2014.

Detailed proposal

Operative date

This measure will have effect in relation to the carriage of chargeable passengers on and after 1 April 2015.

Current law

Section 30 of Finance Act 1994 sets out the rates of APD and schedule 5A to Finance Act 1994 sets out the territories in destination bands.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend section 30 of, and schedule 5A to the Finance Act 1994 to reflect a two destination bands structure.

The rates for these bands will be as follows:

From 1 April 2015			
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)	£71	£142	£426

[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

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td></tr>
<tr><td>-</td><td>-215</td><td>-225</td><td>-230</td><td>-250</td></tr>
<tr><td colspan="5">These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.</td></tr>
<tr><td>Economic impact</td><td colspan="5">The measure is expected to support export trade confidence by strengthening UK links to overseas markets. No other significant economic impacts are expected.</td></tr>
<tr><td>Impact on individuals and households</td><td colspan="5">The measure will reduce the tax paid on flights to many destinations. A family of four visiting relatives in the Caribbean or India flying in economy class will pay £56 less in APD.</td></tr>
<tr><td>Equalities impacts</td><td colspan="5">It is not expected that there will be any particular impacts on people with protected characteristics.</td></tr>
<tr><td>Impact on business including civil society organisations</td><td colspan="5">This measure is expected to have a negligible impact on businesses.

There are approximately 500 airlines and operators flying from UK airports and they are expected to have negligible one-off transition and ongoing costs as a result of this measure. One-off transition costs for airlines include familiarisation with the changes and updating systems to accommodate the new banding structure and duty rates. Continuing costs are expected to be minimal as administrative procedures will be very similar to the existing APD regime.

The measure will reduce the tax paid on flights to many destinations. A businessperson flying business class to China or Brazil will pay £28 less in APD.

Overall this measure is expected to have a negligible impact on civil society organisations and businesses.</td></tr>
<tr><td>Operational impact (£m) (HMRC or other)</td><td colspan="5">Costs to HM Revenue & Customs (HMRC) of implementing this change are expected to be negligible.</td></tr>
<tr><td>Other impacts</td><td colspan="5"><u>Carbon assessment</u>: the banding reform could mean that carbon dioxide emissions are around 0.3 million tonnes higher per year of the scorecard than was expected under the previous policy.

Other impacts have been considered and none have been identified.</td></tr>
</table>

Monitoring and evaluation

HMRC is considering assessing the impact of the policy by monitoring receipts and information collected on tax returns, as well as the wider impact of the measure through communication with stakeholder groups.

Further advice

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

HM Revenue
& Customs

VAT: prompt payment discounts

Who is likely to be affected?

Any VAT registered businesses that offer their customers a prompt payment discount and those customers.

General description of the measure

An amendment to VAT legislation on prompt payment discounts (PPD) to clearly align UK VAT legislation with EU VAT legislation.

Policy objective

This measure will protect revenue by putting it beyond doubt that UK VAT legislation on PPDs is aligned with EU VAT legislation and ensuring VAT is accounted for on the full consideration paid.

Background to the measure

This measure is being announced for the first time in Budget 2014.

HM Revenue & Customs (HMRC) has until now interpreted UK legislation to allow suppliers to account for VAT on the discounted price offered for prompt payment even when that discount is not taken up. This interpretation is to be changed to bring it in to line with the Principal VAT Directive (PVD) which requires VAT to be accounted for on the consideration actually received. The existing UK legislation may be interpreted as being in line with the PVD but has a degree of ambiguity so it will be amended to provide clarity on the VAT treatment of PPDs.

Historically PPDs have mainly been offered business to business (B2B) and recipients have generally been entitled to recover any VAT charged. PPDs are increasingly being offered to final consumers (B2C) who cannot recover the VAT charged. In particular, HMRC have identified several instances of suppliers of B2C services offering PPDs in the telecommunication and broadcasting sectors. Under the existing interpretation this results in a tax loss where PPDs are not taken up.

Detailed proposal

Operative date

This measure will for supplies of telecommunication and broadcasting services where there is no obligation to provide a VAT invoice, have effect for supplies made on and after 1 May 2014. For all other supplies the measure will have effect for supplies made on and after 1 April 2015; unless, for revenue protection purposes, it is necessary to bring forward the implementation date for specified supplies.

Current law

The current UK legislation is the Value Added Tax Act 1994 (VATA 1994), Schedule 6, paragraph 4. The relevant European legislation is the Principal VAT Directive (Directive 2006/112) Article 79.

Proposed revisions

Legislation will be introduced in the Finance Bill 2014 to:

- amend VATA 1994 to clearly bring the UK treatment of VAT when PPDs are offered into line with the European legislation; and
- take a power allowing HM Treasury to extend the early commencement of this amendment by secondary legislation to specified supplies.

In addition, provision will be made for a Provisional Collection of Taxes Act (PCTA) resolution to give statutory effect to the measure from 1 May 2014 for supplies of telecommunications and broadcasting services where there is no obligation to provide a tax invoice.

The reason for the PCTA resolution in relation to specified supplies and the power to provide for early commencement in relation to other supplies is to ensure that the application of PPDs does not result is significantly less VAT being collected prior to the main commencement.

The majority of businesses will have until 1 April 2015 to implement the change.

A consultation will be carried out on implementation prior to the commencement of the main change in April 2015.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-	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 macroeconomic impacts.				
Impact on individuals and households	This measure will principally affect businesses. Individuals may be impacted in that prompt payment discounts are less likely to be offered to them.				
Equalities impacts	There is no specific impact identified for any equalities group.				

<table>
<tr><td>Impact on business including civil society organisations</td><td>
There will be an impact on businesses that currently offer or receive prompt payment discounts. Although the number of businesses using prompt payment discounts is not known, a survey by the British Chambers of Commerce on supply chains suggests that 13 per cent of businesses offer prompt payment discounts. It is therefore estimated that up to 250,000 businesses (i.e. 13 per cent of the VAT-registered population of 1.9 million businesses) could be affected by the change.
It is anticipated that there will be one-off familiarisation and system changes and ongoing costs due to issuing revised paperwork where prompt payment discounts arrangements are in place. It is estimated that the one-off costs to these businesses are likely to be significant at about £8 million. The on-going costs are also likely to be significant at about £3.5 million per annum from 2015-16 but will depend on the mechanism chosen for adjusting VAT. The publication of a consultation document provides an opportunity for those affected by the change in the law to tell us about these practical impacts.
<table>
<tr><th></th><th>Cost</th><th>Time Period (yrs)</th></tr>
<tr><td colspan="3">Compliance Costs</td></tr>
<tr><td>One-off Costs</td><td>£8m</td><td>N/A</td></tr>
<tr><td>Average Annual Costs</td><td>£3.5m</td><td>4</td></tr>
<tr><td>Total Costs (PV)</td><td>£21m</td><td>N/A</td></tr>
<tr><td colspan="3">Compliance Benefits</td></tr>
<tr><td>One-off Benefit</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Average Annual Benefit</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Total Benefit (PV)</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Net Benefit (NPV)</td><td>-£21m</td><td>N/A</td></tr>
<tr><td colspan="3">Impact on Administrative Burden (included in Net Benefit)</td></tr>
<tr><td>Increase</td><td>Decrease</td><td>Net Impact</td></tr>
<tr><td>£3.5m</td><td>£0m</td><td>£3.5m</td></tr>
</table>
</td></tr>
<tr><td>Operational impact (£m) (HMRC or other)</td><td>This measure is not expected to have an operational impact on HMRC.</td></tr>
<tr><td>Other impacts</td><td>
<u>Small and micro business assessment</u>: the measure will impact on all businesses that offer or receive prompt payment discounts including small firms.
Other impacts have been considered and none have been identified.
</td></tr>
</table>

Monitoring and evaluation

This measure will be kept under review through communication with affected taxpayer groups and evaluation of information from compliance work.

Further advice

If you have any questions about this change, please contact Andy Heywood on 03000 554534 (email: andrew.heywood@hmrc.gsi.gov.uk).

HM Revenue & Customs

Aggregates levy: suspension of exemptions

Who is likely to be affected?

Businesses which commercially exploit:

- coal, lignite, slate or shale, or the spoil from the separation of these materials from other rock;
- clay;
- certain industrial minerals, namely: anhydrite; ball clay; barites; china clay; feldspar; fireclay; fluorspar; fuller's earth; gems and semi-precious stones; gypsum; any metal or the ore of any metal; muscovite; perlite; potash; pumice; rock phosphates; sodium chloride; talc and vermiculite;
- the spoil, waste or other by-products from the extraction or separation of the industrial minerals set out in the previous bullet from other rock; and
- the spoil, waste or by-products from industrial combustion or the smelting or refining of metal.

General description of the measure

The measure will suspend those exemptions, exclusions and reliefs from the aggregates levy which are the subject of a State aid investigation by the European Commission.

Policy objective

This measure fulfils the government's obligation under European law to suspend the application of those elements of the aggregates levy which are the subject of a formal Commission investigation.

Background to the measure

On 7 March 2012 the European General Court annulled a 2002 decision by the European Commission not to raise objections against the aggregates levy. As a result of that judgment, the Commission carried out a preliminary assessment of the levy in order to determine whether to raise objections against the tax on the grounds that it potentially gave rise to State aid. On 31 July 2013 the Commission notified its decision to open a formal State aid investigation which would examine whether certain exemptions, exclusions and reliefs ('the exemptions') from the levy are in line with the logic and nature of the tax.

The government is strongly of the view that the exemptions in question do not give rise to State aid, and is providing information to the Commission to support that view as part of the formal investigation process. However, while this process continues, the government is obliged to suspend the exemptions in question under Article 108(3) of the Treaty on the Functioning of the European Union.

Revenue & Customs Brief 31/13, published on 11 October 2013, invited anyone who wished to comment on the suspension before the publication of the draft legislation to register their interest. All those that registered an interest were sent questionnaires with a deadline of 15 November 2013 for responses. Officials from HM Treasury and HM Revenue & Customs (HMRC) also held a number of meetings with interested businesses, their professional advisers and industry representative bodies.

Draft primary and secondary legislation for this measure was published on 18 December 2013 for consultation that closed on 12 February 2014. A Tax Information and Impact Note (TIIN) summarising the legislative changes was published alongside the draft legislation.

This TIIN updates the one published on 18 December 2013 to include minor changes to the two new exempt processes which have been made as a result of the consultation. These are explained in the 'Proposed revisions' section below.

Detailed proposal

Operative date

The measure will have effect on and after 1 April 2014.

Current law

Finance Act 2001 (the Act) (sections 16 to 48 and schedules 4 to 10) contains the primary legislation for the aggregates levy:

- section 17 defines aggregate and taxable aggregate and exempts materials that constitute rock, sand or gravel in geological terms but are not extracted for use as aggregate;
- section 18 deals with exempt processes and excludes from the levy a wide range of industrial minerals, none of which are quarried or mined in the UK for use as aggregate;
- section 19 defines commercial exploitation;
- section 22 determines who is responsible for the exploitation of aggregate;
- section 24 requires any person who carries out taxable activities and is not exempt from registration to be registered for the purposes of aggregates levy; and enables HMRC to make provision, through regulations, for certain persons to be exempt from the requirement to register; and
- section 30 empowers HMRC to make regulations providing for tax credits to be claimed in certain circumstances, including where levy has already been accounted for on aggregate that is subjected to an exempt process, including the separation of that aggregate from the industrial minerals listed in section 18 of the Act.

The Aggregates Levy (Registration and Miscellaneous Provisions) Regulations 2001 (the 2001 Regulations) deal with the requirements to register for aggregates levy. Regulation 3 deals with exemption from registration.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend the Act to make the following materials taxable:

- material that consists wholly of the spoil from any process by which coal, lignite, slate or shale has been separated from other rock after being extracted or won with that other rock;
- material consisting wholly of the spoil, waste or other by-products resulting from the extraction or other separation from any quantity of aggregate of any china clay or ball clay;
- material that is wholly the spoil from the separation of any of the industrial minerals listed in section 18(3) of the Act from other rock with which the mineral was extracted or won;
- material that is wholly or mainly clay, coal, lignite, slate or shale;

- other industrial minerals, namely; anhydrite; ball clay; barites; china clay; feldspar; fireclay; fluorspar; fuller's earth; gems and semi-precious stones; gypsum; any metal or the ore of any metal; muscovite; perlite; potash; pumice; rock phosphates; sodium chloride; talc and vermiculite; and
- material that is mainly but not wholly the spoil, waste or other by-product of any industrial combustion process or the smelting or refining of metal.

The use of clay or shale in the production of ceramic construction products, and the use of gypsum or anhydrite in the production of plaster, plasterboard or related products, will become exempt processes. The legislation published in draft will be amended following consultation on it to include ’related products’ and ’anhydrite’ in the second exempt process; and the wording for both exempt processes will be changed slightly to improve clarity.

The following will not be subject to commercial exploitation where they are not for use for construction purposes:

- material that is wholly or mainly clay, coal, lignite, slate or shale;
- other industrial minerals, namely; anhydrite; ball clay; barites; china clay; feldspar; fireclay; fluorspar; fuller's earth; gems and semi-precious stones; gypsum; any metal or the ore of any metal; muscovite; perlite; potash; pumice; rock phosphates; sodium chloride; talc and vermiculite; and
- material that is mainly but not wholly the spoil, waste or other by-product of any industrial combustion process or the smelting or refining of metal.

This legislation will provide for secondary legislation to restore any suspended exemption and for the restoration to take effect earlier than the date on which the secondary legislation is made. This will mean that tax paid as a result of the suspension of an exemption can be repaid to the person who accounted for it, following the conclusion of the Commission's investigation, should the terms of the Commission’s final decision allow. HMRC would need to be satisfied that the taxpayer would not be unjustly enriched as a result of receiving the repayment. Businesses may therefore wish to keep records to demonstrate that they would not gain financially from this repayment; for example, by including a commitment in contracts to repay any amounts charged to their customers to cover all or part of the cost of the levy in the event that the taxpayer is repaid the tax.

The Aggregates Levy (Registration and Miscellaneous Provisions) (Amendment) Regulations 2014 will amend the 2001 Regulations so that anyone commercially exploiting material that becomes taxable from 1 April 2014 will be required to register for the levy.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	+ 20	nil	nil	nil	nil
	These figures are set out in Table 2.2 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2013.				
Economic impact	The measure is not expected to have any significant economic impacts.				
Impact on individuals and households	There is no impact on individuals or households because the changes affect businesses which commercially exploit aggregate.				
Equalities impacts	The changes are not expected to have any effect on any equalities group.				
Impact on business including civil society organisations	This measure affects approximately 200 businesses. The administrative and compliance costs to businesses exploiting materials affected by these changes are expected to be negligible. There may be some cost associated with registering and accounting for the tax and extra record-keeping. Businesses may incur a significant financial burden if the cost of the levy cannot be passed on fully to their customers. The measure is expected to have no impact on civil society organisations.				
Operational impact (£m) (HMRC or other)	The additional costs for HMRC in implementing this change are expected to be negligible.				
Other impacts	<u>Rural proofing:</u> reduced demand for waste materials for aggregate use from quarries may increase spoil heaps. This will apply particularly to south west England where there are a large number of china clay and ball clay quarries; and to north west Wales, where there are a large number of slate mines. This could impact slightly on wildlife and habitat in those areas. <u>Small and micro business assessment</u>: the impact on small and micro sized firms has been considered. The majority of businesses affected will be small or micro businesses – quarries are quite often family-run businesses – although the impact will be negligible. Administration changes will also be felt more by small and micro businesses. Other impacts have been considered and none have been identified.				

Monitoring and evaluation

Compliance with this measure will be monitored and reviewed as part of HMRC's normal assurance process.

Further advice

If you have any questions about this measure, please contact the Environmental Taxes Unit of Expertise on 03000 557496 (email: environmentaltaxesuofe@hmrc.gsi.gov.uk).

HM Revenue & Customs

Climate change levy: exemptions for energy used in metallurgical and mineralogical processes

Who is likely to be affected?

Businesses carrying out metallurgical and mineralogical processes. Suppliers of taxable commodities liable to account for the climate change levy (CCL) on the energy used in those processes.

General description of the measure

The measure will introduce new exemptions from the main rates of CCL for supplies of taxable energy products used in metallurgical and mineralogical processes. As a result, certain existing reliefs from these rates, including the current lower rate of 20 per cent that applies to supplies of taxable commodities used in metal recycling, will no longer be necessary and will be repealed.

Businesses that currently participate in the Climate Change Agreement (CCA) scheme and become wholly exempt from the CCL as a result of the introduction of these new exemptions may choose to withdraw from the CCA scheme. However, where businesses continue to derive a benefit from the CCA scheme (because not all of their energy use will qualify for the new CCL exemptions) they will be able to retain their agreements. To avoid the unintended consequence that businesses withdrawing from the CCA scheme will become liable to enrol in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme, an exemption from the CRC scheme will be introduced that mirrors the scope of these new CCL exemptions.

Policy objective

The measure will ensure the UK tax treatment of highly energy intensive processes is in line with tax treatments elsewhere in the EU, thereby reducing any distortion of competition.

Background to the measure

The CCL was introduced on 1 April 2001. Its main rates apply to electricity, natural gas, solid fuels and liquid petroleum gas when used as fuels by business and public sector consumers. The purpose of the tax is to encourage energy efficiency.

The Government announced at Budget 2013 that it would introduce exemptions from the main rates of CCL for energy used in metallurgical processes (which include metal recycling) and mineralogical processes, from 1 April 2014. It also announced that it would seek views from industry.

The CCA scheme was introduced at the same time as the CCL came into effect. Under the scheme, in return for meeting energy efficiency or carbon reduction targets energy intensive industries conducting eligible processes could claim a reduction on the main rates of CCL. This reduction is currently 10 per cent of the main rate for electricity and 35 per cent of the main rates for other taxable commodities. Businesses participate in the scheme on the basis of an agreement with the Environment Agency.

Following consultation on this measure throughout 2013, draft primary legislation was published on 10 December 2013 for consultation that closed on 4 February 2014. A Tax Information and Impact Note (TIIN) summarising the legislative changes was published alongside the draft legislation.

This TIIN updates the one published on 10 December 2013 with information about the impact of the new exemptions on the CCA and CRC schemes (see ‘General description of the measure’ above and knock on changes to the ‘Operative date’ and ‘Proposed revisions’ sections below). Minor changes have also been made to the ‘Proposed revisions’ section below to reflect a change to the scope of the metallurgical exemption following exposure of the draft legislation, including the addition of sheet metal pressing.

Detailed proposal

Operative date

The new exemptions will have effect for relevant supplies of taxable commodities made on or after 1 April 2014. The repeal of redundant main rate CCL reliefs will have effect from the same date, as will the introduction of the exemption to the CRC scheme for energy used in metallurgical and mineralogical processes.

Current law

Schedule 6 to the Finance Act 2000 (‘Schedule 6’) sets out the main primary legislation provisions for CCL. Paragraph 18 provides that the Treasury may make regulations providing for an exemption from the main rates of CCL for non-fuel and mixed uses of taxable commodities. Paragraphs 43A and 43B set out the conditions for the lower rate of CCL for supplies of taxable commodities used in metal recycling processes. Paragraph 51 sets out the participation criteria for the CCA scheme, and the Schedule to the Climate Change Agreements (Eligible Facilities) Regulations 2012 (SI 2012/2999) (‘the eligible facilities regulations’) lists the relevant processes and activities.

The Climate Change Levy (Fuel Use and Recycling Processes) Regulations 2005 (SI 2005/1715) (‘the fuel use regulations’) are the regulations made under paragraph 18 of Schedule 6. Schedule 1 Part A of these regulations specifies the non-fuel exemptions and Schedule 1 Part B specifies the mixed use exemptions.

Part 3 of, and Schedule 1 to, the CCL (General) Regulations 2001 (SI 2001/838) (‘the general regulations’) provide for the supplier certification regime to apply to various reliefs from CCL (including the lower rate for metal recycling processes and the exemptions for non-fuel and mixed use). This is the means by which certain CCL reliefs are claimed by businesses and administered by energy suppliers.

The CRC Energy Efficiency Scheme Order 2013 (SI 2013/1119) (‘the CRC Order’) sets out the conditions of operation for the current version of the CRC scheme.

Proposed revisions

Legislation in Finance Bill 2014 will introduce new exemptions for the energy used in metallurgical and mineralogical processes.

The exemptions will be defined by reference to the NACE statistical classification of economic activities. The metallurgical exemption will apply to energy used in processes falling within Division 24 (excluding Class 24.46) of NACE revision 2 and includes manufacture from scrap and waste. It will also apply to energy used in certain processes falling within Group 25.5 and Class 25.61 of Division 25. As a result, metallurgical processes will include all basic metal forming processes from the smelting of ores or the melting of scrap metal through to the rolling and casting of hot metal to produce ingots, bars and similar products, as well as other energy intensive processes such as forging, galvanising and sheet metal pressing.

The mineralogical exemption will apply to energy used in processes falling within Group DI26 of NACE revision 1. Mineralogical processes will therefore include the manufacture of glass and ceramic products, as well as building materials such as cement and plaster.

Finance Bill 2014 will also make a number of amendments to remove provisions that will become redundant as a result of the new exemptions. It will revoke paragraph 43A and amend 43B of Schedule 6 and remove references to the lower rate for metal recycling elsewhere in the schedule.

Finance Bill 2014 will also amend secondary legislation. References to the revoked lower rate for scrap metal recycling will be removed from the general regulations. Part 3 of, and paragraph 2 of Schedule 1 to, these general regulations will also be amended to enable energy suppliers to apply the new CCL main rate exemptions to supplies of taxable commodities made to those involved in undertaking metallurgical and mineralogical processes. The fuel use regulations will be amended to remove certain non-fuel and mixed use exemptions in relation to metals that will be become redundant as a result of the new metallurgical exemption.

The CRC Order will be amended during 2014 to exclude energy used in metallurgical and mineralogical processes on the same basis that they will be exempt from the main rates of CCL.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-20	-25	-25	-25	-25
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.				
Economic impact	The measure is expected to improve the international competitiveness of firms in the metallurgical and mineralogical sectors. This measure is not expected to have wider significant economic impacts.				
Impact on individuals and households	There is no impact on individuals and households because the beneficiaries of this measure are industrial concerns.				
Equalities impacts	It is not expected that this measure will have any impact on any of the protected groups.				
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. It is expected that several hundred firms will be affected by the measure, many of which already hold a CCA. Firms not covered by a CCA will be required to report additional information to their energy suppliers once every 5 years to claim the new CCL exemptions. Costs to these firms are expected to be negligible. Moreover, offsetting these costs, firms that will become exempt from CCL and which already hold a CCA will be required to report less information once the measure is introduced.				
Operational impact (£m) (HMRC or other)	The additional costs and savings for HMRC in implementing this measure are expected to be negligible.				
Other impacts	Small and micro business assessment: it is expected this measure will have a negligible impact on small and micro businesses. Other impacts have been considered and none have been identified.				

Monitoring and evaluation

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

Further advice

If you have any questions about this measure, please contact Andy Jameson on 03000 586082 (email: andy.jameson@hmrc.gsi.gov.uk).

HM Revenue & Customs

Vehicle Excise Duty: 40 year rolling exemption for classic vehicles

Who is likely to be affected?

Owners of vehicles built 40 or more years ago.

General description of the measure

The measure extends the exemption from Vehicle Excise Duty (VED) to vehicles constructed 40 or more years ago on an automatic rolling basis on 1 April each year.

Policy objective

The VED exemption is intended to support classic vehicle, which the Government considers are an important part of the nation's historical heritage. According to research by the Historic Vehicle Research Institute and the Federation of British Historic Vehicles Clubs, in their publication *The British Historic Vehicle Movement: A £4 Billion Hobby,* the historic car industry employs about 28,000 people in the UK.

Background to the measure

Budget 2013 announced a measure to extend the scope of the VED exemption to classic vehicles by one additional year. From the 1 April 2014, vehicles manufactured in 1973 will be added to the exemption for this category. Budget 2014 announced the introduction of a rolling 40 year exemption of VED on classic vehicles. From the 1 April 2015, vehicles constructed 40 years ago will be added to the scope of the exemption.

Detailed proposal

Operative date

The measure will have effect for eligible vehicles presented for exemption from 1 April 2014 and each subsequent 1 April thereafter.

Current law

Section 1 and Schedule 1 of the Vehicle Excise and Registration Act establishes VED in respect of mechanically propelled vehicles and sets out the rates of duty on vehicles. Schedule 2 of the Act provides a rates exemption in respect of vehicles constructed before 1 January 1973, provided that such vehicles are not used commercially.

Proposed revisions

The exemption cut-off date in Schedule 2 of the Act will be changed to 1 January 1974 to apply from 1 April 2014 as announced at Budget 2013, and to 1 January 1975 to apply from 1 April 2015 as announced at Budget 2014. This will be legislated in Finance Bill 2014. The cut-off date will be rolled forward by one year on every 1 April in each subsequent Finance Bill.

Summary of impacts

Exchequer Impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	negligible	negligible	-5	-10	-15
	The figures for the Budget 2014 element form part of the motoring tax package set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.				
Economic impact	The measure is not expected to have any significant economic impacts.				
Impact on individuals and households	When it is introduced in 2014-15 this measure will have an advantageous impact for the owners of around 10,000 classic vehicles, who will benefit each year as they are currently paying VED but will not under the exemption. Every year thereafter, the number of classic vehicles affected will increase, as additional cohorts of vehicles are included in the exemption. It is estimated that an additional 10,000 classic vehicles will be affected in each year of the scorecard. Most of these vehicles are assumed to be cars or vans giving annual savings in 2014-15 of £145 or £230 depending on engine size.				
Equalities impacts	There will be no significant impacts as a result of these changes.				
Impact on business including civil society organisations	This measure is expected to have a negligible impact on business and civil society organisations. There may be negligible one-off cost to classic vehicle motor trades associated with familiarisation with the new legislation.				
Operational impact (£m) (HMRC or other)	A systems change cost of at least £40,000 will be met by the Driver and Vehicle Licensing Agency (DVLA) to revise the qualifying cut-off date for the exemption each year.				
Other impacts	Other impacts have been considered and none have been identified.				

Monitoring and evaluation

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

Further advice

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

HM Revenue & Customs

VAT: reverse charge for gas and electricity

Who is likely to be affected?

Wholesalers of gas and electricity. Generators of electricity.

General description of the measure

The measure will introduce a reverse charge for wholesale supplies of gas and electricity which means the customer is liable to account for the VAT rather than the supplier. It does not apply to domestic supplies or to businesses not registered or liable to be registered for VAT.

Policy objective

This is an anti-fraud measure which removes the opportunity for fraudsters to charge VAT and then go missing before paying it over to the Exchequer.

Background to the measure

This measure was announced in Budget 2014. Informal consultation between HM Revenue & Customs, HM Treasury and the main trade bodies has been ongoing for over two years.

Detailed proposal

Operative date

There will be further informal consultation with the industry to determine an operative date taking account of the time businesses will need to make the necessary IT changes and other preparations for the orderly introduction of the reverse charge.

Current law

Section 1(2) of the VAT Act 1994 (VATA) makes the supplier liable for any VAT on supplies of goods or services.

Section 55A of VATA provides that the recipient of a supply must account for the VAT due on supplies of a kind specified in an order made by the Treasury.

EU legislation in Article 199a of Directive 2006/112/EC allows member states to provide for a reverse charge for supplies of gas and electricity to a taxable dealer as defined in Article 38(2) of the Directive.

Proposed revisions

A statutory instrument subject to the negative resolution will be made under section 55A of VATA to make taxable persons receiving supplies of gas and electricity liable to account for the VAT due on those supplies (subject to certain exceptions specified in the order).

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	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	The measure is not expected to have any significant economic impacts.				
Impact on individuals and households	The measure is not expected to have an impact on individuals and households.				
Equalities impacts	There are no impacts on any group which shares a protected characteristic.				
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. The number of businesses affected by the introduction of a reverse charge for gas and power is unknown. However, the Government believes that it is comparable to the number affected by the reverse charge on carbon emissions. It is estimated that up to 1,000 businesses could potentially be affected by this change. These businesses will need to familiarise themselves with the change, and may need to modify their IT systems and invoices. It is assumed that most of the affected businesses will be in the financial services sector and will already be using the reverse charge mechanism for other supplies. The one-off implementation costs and ongoing administrative burdens are estimated to be negligible.				
Operational impact (£m) (HMRC or other)	This measure will not increase operational costs.				
Other impacts	Small and micro business assessment: there is not expected to be an impact on small and micro businesses. Other impacts have been considered and none have been identified.				

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Nick Chambers on 03000 585662 (email: nick.chambers@hmrc.gsi.gov.uk).

Venture capital trusts return of capital

Who is likely to be affected?

Individuals who invest in venture capital trusts (VCTs) and the VCTs in which they invest.

General description of the measure

This measure will prevent VCTs from returning share capital to investors within three years of the end of the accounting period in which the VCT issued the shares.

Distributions made from realised profits will not be affected by this change.

Policy objective

This measure is intended to ensure that the tax reliefs offered to investors making VCT investments are well-targeted, so that VCTs can continue to operate effectively and provide support to high-growth potential small and medium-sized companies. The change is intended to ensure that investments through the tax-advantaged venture capital schemes continue to support growth, but that the tax reliefs operate in a fair and sustainable way.

Background to the measure

The Government signalled in Budget 2013 that it was concerned that particular forms of share buy-back and reinvestment arrangements offered by VCTs were not in keeping with the intention of the legislation.

A technical consultation ran from July to September 2013, which also raised questions about the use of share premium accounts. A summary of responses was published on 12 December 2013, setting out policy options to address the use of share premium accounts to return capital to investors. A number of technical working groups were held to consult on these options.

Detailed proposal

Operative date

This measure will have effect in respect of shares issued on or after 6 April 2014.

Current law

The current VCT legislation is at Part 6 of Income Tax Act 2007.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to prevent VCTs from returning share capital to investors within three years of the end of the accounting period in which the VCT issued the shares. This amendment will take effect in respect of shares on or after 6 April 2014.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	nil	+5	+5	+5	+5
	These figures form part of the venture capital tax package set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget. This measure, when combined with, the measure to exclude companies already receiving specific government subsidies from the tax advantaged venture capital schemes (the Seed Enterprise Investment Scheme, the Enterprise Investment Scheme, and VCTs), have the following combined exchequer impact that appears in Table 2.1.				
	2014-15	2015-16	2016-17	2017-18	2018-19
	nil	+35	+65	+55	+45
Economic impact	The measure is not expected to have any significant economic impacts. However investments in VCT should support growth and development of SMEs.				
Impact on individuals and households	There may be some impact in terms of a reduction in available tax reliefs on any individual VCT investors who seek to participate in arrangements where a VCT returns capital to them within a short period after fund raising.				
Equalities impacts	This measure is not expected to have a disproportionate impact on any protected group.				
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses. There will be a negligible impact on VCT fund managers, and some tax and wealth advisors may face some one-off administrative cost to update any guidance for use of VCTs. It is expected that this measure will have no ongoing administrative burden for VCT's, as there are only very slight changes to the way they have to keep their accounts. This measure is expected to have no impact on civil society organisations.				
Operational impact (£m) (HMRC or other)	It is not expected that implementing this change will incur any significant additional costs for HM Revenue & Customs.				
Other impacts	Other impacts have been considered and none have been identified.				

Monitoring and evaluation

The measure will be monitored through the amount of funds raised by VCTs and the amount claimed by VCT investors.

Further advice

If you have any questions about this change, please contact Kathryn Robertson on 03000 585729 (email: kathryn.robertson@hmrc.gsi.gov.uk).

HM Revenue & Customs

Artificial use of dual contracts by non-domiciles

Who is likely to be affected?

UK resident non-domiciles paying income tax on the remittance basis who use separate employment contracts for UK and overseas duties with the same or associated employers. In most cases separate contracts will have been artificially arranged in order to obtain a tax advantage.

General description of the measure

The measure will tax non-domiciles on the overseas employment income it identifies according to the 'arising' basis. In other words, the income caught by this measure will cease to be eligible for remittance basis tax treatment.

Policy objective

This measure supports the Government's objective of making the tax system fairer. It targets and prevents contrived arrangements by a small number of high earning UK resident non-domiciled individuals who create what are typically artificial divisions between the duties of a UK employment and an employment overseas in order to obtain a tax advantage.

Background to the measure

This measure was announced at Autumn Statement 2013. Draft legislation was published for technical consultation in January 2014.

Following technical consultation, a number of changes will be made to the legislation to reflect concerns that the initial draft caught arrangements that were not set up for tax avoidance purposes. The legislation will be amended to prevent charges arising on nominal directorships if they (or their associates) own/control less than 5 per cent of the company's ordinary share capital. The legislation will also be amended to clarify that an income tax charge cannot arise on income related to employment duties performed in tax years prior to 2014-15. The legislation will also take into account employments held for legal/regulatory reasons. Finally, the threshold in the comparative tax rate test will be reduced from 75 per cent to 65 per cent.

This Tax Information and Impact Note (TIIN) updates and replaces the TIIN published on 16 January 2014.

Detailed proposal

Operative date

This measure will have effect for general earnings and employment-related securities income from an overseas employment and overseas employment income provided through third parties arising on and after 6 April 2014. Income which arises on or after this date but which is related to employment duties performed in a year prior to 2014-15 will not be subject to this legislation.

Current law

Section 22 Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003) provides that, for remittance basis users, general earnings that are 'chargeable overseas earnings' (as defined in section 23) are not subject to tax in the UK unless they are remitted.

Chapter 5A of the same Act applies the remittance basis to taxable specific income from employment related securities that is ‘foreign securities income’. Foreign securities income is determined by sections 41C to 41E.

Section 554Z9 of the same Act applies the remittance basis to employment income from a foreign employer which is provided through a third party. Section 554Z2 sets out the amount of income provided through a third party that is considered to be employment income.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to:

- take certain ‘overseas’ employment income out of the definition of ‘chargeable overseas earnings’;
- take certain employment related securities income out of the definition of ‘foreign securities income’; and
- take certain overseas employment income that is provided through a third party out of the calculation of third party employment income to which the remittance basis applies.

This will apply to income associated with an overseas employment where:

- an individual has both UK and overseas employment(s) either with the same employer, or where the UK employer is “associated” with an overseas employer;
- a UK and an overseas employment are “related” to each other; and
- the foreign tax rate that applies to the income associated with an overseas employment, calculated in accordance with the amount of foreign tax credit relief available against that income under section 18 of the Taxation (International and Other Provisions) Act 2010, is less than 65 per cent of the UK’s additional rate of tax (currently 45 per cent).

Where income associated with an overseas employment meets all the above criteria in a tax year, then the income that this measure identifies will be taxed in the UK on the arising basis. Foreign tax credit relief available against any UK tax charge will be available in the usual way. Income from each overseas employment will be considered independently – in other words, the income and foreign tax credit relief available for all overseas employments are not aggregated for the purposes of the 65 per cent test.

This measure will not apply to overseas income that falls within the three year period for Overseas Workday Relief set out at section 26 ITEPA 2003. If income associated with an overseas employment falls outside the parameters of this targeted measure, the existing rules will continue to apply.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-	+75	+55	+55	+60
	These figures are set out in Table 2.2 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2013. This measure supports the Exchequer in its commitment to protect revenue.				
Economic impact	The measure is not expected to have any significant economic impacts. Its effect will be to hinder the use of artificial tax arrangements by a small number of individuals.				
Impact on individuals and households	The measure will have an impact on approximately 350 non-domiciled individuals who are currently seeking to use artificial tax arrangements.				
Equalities impacts	The individuals affected by this measure are mostly male non-UK nationals. There are no disproportionate impacts.				
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. It is directed at a small number of individuals seeking to use artificial tax arrangements in conjunction with their employers. There will be no effect on compliant employers.				
Operational impact (£m) (HMRC or other)	There will be no significant impact on HM Revenue & Customs (HMRC).				
Other impacts	Other impacts have been considered and none have been identified.				

Monitoring and evaluation

This measure will be kept under review through the monitoring of information collected on tax returns and tax receipts, and through ongoing communication with affected taxpayer group representatives. HMRC will also monitor behavioural responses to the measure.

Further advice

If you have any questions about this change, please contact Simon Galloway on 03000 585154 (email: PTIConsultation.SpecialistPersonalTax@hmrc.gsi.gov.uk).

Accelerated payments of tax associated with schemes covered by the DOTAS rules or counteracted under the GAAR

Who is likely to be affected?

Taxpayers who have sought tax advantages through tax avoidance schemes that fall within the Disclosure of Tax Avoidance Schemes (DOTAS) rules or are counteracted under the General Anti-Abuse Rule (GAAR).

General description of the measure

This measure extends requirement for taxpayers to pay disputed tax upfront to any disputed tax associated with schemes covered by the DOTAS rules or counteracted under the GAAR.

Policy objective

The measure widens the circumstances where the disputed tax sits with the Exchequer during a dispute, putting all taxpayers involved in avoidance schemes on the same footing (currently, repayments can be withheld while the matter is resolved but a taxpayer can include the tax advantage in their initial self-assessment and reduce their liability). This new power will remove the cashflow advantage for the taxpayer of holding onto the disputed tax during an avoidance dispute. There is no change to the tax liability owed. This will make the tax system fairer for all compliant taxpayers and secure tax revenues for the provision of public services.

Background to the measure

Budget 2013 announced the Government's intention to give HM Revenue & Customs (HMRC) the power to issue a notice to a taxpayer to the effect that a previously decided case also determines their dispute, and that they should therefore settle their own dispute. A consultation was held during August and September 2013.

At Autumn Statement 2013 the Government announced that accelerated (upfront) payments would apply to those taxpayers who did not settle in response to the notice, and, in addition, the government announced that there would be further consultation in relation to how the accelerated payments measure could be applied more widely to taxpayers who have used avoidance schemes. The consultation, carried out from 24 January to 24 February 2014, proposed the extension of accelerated payments to schemes falling within DOTAS and schemes that HMRC counteracts under the GAAR.

Detailed proposal

Operative date

This measure will have effect from the date that Finance Bill 2014 receives Royal Assent. They will be applicable to all cases where there is an open enquiry or open appeal on or after the day of Royal Assent.

Current law

Most people pay their tax upfront – PAYE, VAT, interest on bank accounts, and some pay on account; for most people it is a case of pay now, dispute later. In certain circumstances, for example where a repayment is claimed, HMRC may retain the tax claimed whilst an enquiry is pursued. In addition, whilst a case is under appeal the taxpayer may postpone some or all of the tax in dispute, but HMRC may seek a tribunal decision to put some or all of that amount into charge during the dispute.

However, under the self assessment systems for income tax, Class 4 National Insurance contributions, capital gains tax, corporation tax, stamp duty land tax and the annual tax on enveloped dwellings the taxpayer can usually claim the benefit of the tax advantage as part of their self assessed liability, and retain the cash benefit whilst the dispute is resolved.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to enable HMRC to issue a 'Notice to Pay' to any taxpayer for whom there is an open enquiry, or the matter is under appeal, and who has claimed a tax advantage by the use of arrangements that:

- fall to be disclosed under DOTAS, or
- HMRC counteracts under the GAAR following an opinion of the GAAR Advisory Panel that, in the Panel's opinion, the arrangements are not a reasonable course of action.

The notice will require the taxpayer to pay the tax in dispute within 90 days, or a further 30 days where the taxpayer requests that HMRC should reconsider the amount of the payment notice. Where the matter is under appeal, the measure will operate so as to remove any postponement of the disputed tax. Penalties will apply for late payment.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	+340	+1230	+1300	+715	+385
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings documents published alongside Budget 2014.				
Economic impact	This measure may impact the timing of saving and consumption decisions made by individuals using the affected avoidance schemes.				
Impact on individuals and households	It is estimated that accelerated payment notices relating to existing avoidance cases currently under dispute will be issued to approximately 33,000 individual taxpayers concerning £5.1 billion of tax under dispute under this measure and the Autumn Statement 2013 measure applying accelerated payments to follower cases. Estimates of the distributional impacts of these measures are affected by the use of avoidance schemes that deflate the income reported on self-assessment returns. Having noted this caveat, analysis shows that the population of individuals affected: • have a mean gross income of £262,000, compared to £29,000 for the wider income tax paying population;				

	• around 85 per cent of individuals have multiple sources of income, with employment income (including self-employment) the predominant income source for 54 per cent and non-employment, non-pension income the predominant income source for 42 per cent of the individuals affected respectively, compared to 78 per cent and 5 per cent for the wider income tax paying population respectively.
Equalities impacts	These measures will predominantly affect individuals with above average incomes. It will therefore have greater effect on those protected equality groups who are overrepresented in more affluent populations. Of the protected characteristics, HMRC only hold taxpayer data on age and gender. Analysis shows that of the individuals affected by these measures: • 85 per cent are male and 15 per cent are female • The majority (87 per cent) are aged between 35 and 64. 5 per cent are under 35 and 9 per cent are 65 or over.
Impact on business including civil society organisations	This measure will have no impact on business and civil society organisations who are undertaking normal commercial transactions; it will only impact on the small number of businesses that are using avoidance schemes affected by this measure. It is estimated that accelerated payment notices relating to existing avoidance cases currently under dispute will be issued to around 10,000 corporates for £2.1bn of tax under dispute under this measure and the Autumn Statement 2013 measure applying accelerated payments to follower cases.
Operational impact (£m) (HMRC or other)	This measure and the Autumn Statement 2013 follower measure will require Payment Notices to be issued to around 43,000 taxpayers involved in avoidance schemes currently under dispute with HMRC. The vast majority of notices are expected to be issued over the course of 2014-15 and 2015-16. These measures are expected to prompt a range of different legal challenges including judicial review proceedings, an increase in closure applications to the Tribunal and disputed enforcement activity. Flexible legal resource options are being considered to meet the expected demands of this work. This legal resource will be increased and adapted depending on the scale and scope of any legal challenges. The Government will ensure that Departments have the necessary resources to deliver this key policy successfully.
Other impacts	Small and micro business assessment: small and micro businesses firms will only be affected if they participate in tax avoidance schemes. Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Accelerated payments will be monitored through monitoring of disclosures of new avoidance schemes to circumvent the measure, and through regular communication with affected taxpayers and practitioners.

Further advice

If you have any questions on accelerated payments, please contact Brian New on 03000 536935 (email brian.new@hmrc.gsi.gov.uk) or contact David Edney on 03000 585985 (email david.edney1@hmrc.gsi.gov.uk).

HM Revenue & Customs

Amendment of return to take account of relevant judicial ruling and accelerated payments of tax in follower cases

Who is likely to be affected?

Taxpayers who have sought tax advantages through tax avoidance schemes, particularly those schemes marketed to wide numbers of users where one judicial ruling is likely to have wide application.

General description of the measure

As announced at Autumn Statement and following a consultation that closed in February 2014, the government will legislate to provide that HM Revenue & Customs (HMRC) may issue a notice to the user of a tax avoidance scheme that they should settle their dispute with HMRC when the claimed tax effect has been defeated in other litigation. If the taxpayer does not settle they risk a penalty and must make upfront payment of the tax in dispute.

Policy objective

When faced with a large number of very similar cases, it is sometimes most efficient for HMRC to investigate ‘representative cases’, taking them to litigation if necessary. If HMRC is successful in this litigation, unpaid tax is recovered from the litigants but there is little incentive for other scheme users, or those using essentially similar arrangements, to accept the court’s findings and pay to HMRC any underpaid tax.

The measure widens the circumstances where the disputed tax sits with the Exchequer during a dispute, putting taxpayers that include the tax advantage in their initial self-assessment on the same footing as taxpayers that claim a repayment (currently, repayments can be withheld while the matter is resolved but a taxpayer can include the tax advantage in their initial self-assessment and reduce their liability). This will make the tax system fairer for all compliant taxpayers and secure tax revenues for the provision of public services.

Background to the measure

Budget 2013 announced the Government’s intention to give HMRC the power to issue a notice to a taxpayer to the effect that a previously decided case also determines their dispute, and that they should therefore settle their own dispute. A consultation was held during August and September 2013.

At Autumn Statement 2013 the Government announced that accelerated (upfront) payments would apply to those taxpayers who did not settle in response to the notice, and, in addition, the government announced that there would be further consultation in relation to how the accelerated payments measure could be applied more widely to taxpayers who have used avoidance schemes. The consultation, carried out from 24 January to 24 February 2014, proposed the extension of accelerated payments to schemes falling within DOTAS and schemes that HMRC counteracts under the GAAR.

Detailed proposal

Operative date

These measures will have effect from the date that Finance Bill 2014 receives Royal Assent. They will be applicable to all cases where there is an open enquiry or open appeal on or after the day of Royal Assent and where there has been or will be a relevant qualifying judgment.

Current law

<u>Amendment of return to take account of relevant judicial ruling</u>

Under current law, there is no requirement to apply the outcome in another case, even where that other case ruling is publicly available and is to all intents and purposes resolved on the same basis.

<u>Accelerated payments</u>

Most people pay their tax upfront – PAYE, VAT, interest on bank accounts, and some pay on account; for most people it is a case of pay now, dispute later. In certain circumstances, for example where a repayment is claimed, HMRC may retain the tax claimed whilst an enquiry is pursued. In addition, whilst a case is under appeal the taxpayer may postpone some or all of the tax in dispute, but HMRC may seek a tribunal decision to put some or all of that amount into charge during the dispute.

However, under the self assessment systems for income tax, Class 4 National Insurance contributions, capital gains tax, corporation tax, stamp duty land tax and the annual tax on enveloped dwellings the taxpayer can usually claim the benefit of the tax advantage as part of their self assessed liability, and retain the cash benefit whilst the dispute is resolved.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to enable HMRC to issue a 'Follower Notice' to any taxpayer for whom there is an open enquiry or appeal and who has used a tax arrangement that the courts have found to fail. The notice will inform the taxpayer that in HMRC's opinion another judicial decision is relevant to their case and determines their dispute, and that they should therefore amend their return or agree to resolve their appeal in line with the court's decision. The legislation will amend the time limits within which taxpayers may amend their returns in relation to the affected taxes, solely to allow them to comply with the notice.

If the taxpayer has appealed against an amendment to his return when the enquiry is closed, or against a discovery assessment if there was no enquiry, and that appeal relates to a relevant judicial ruling, HMRC will be able to issue a Follower Notice to the effect that the taxpayer should take all reasonable steps to agree his case with HMRC.

Legislation will be introduced in Finance Bill 2014 to enable HMRC to issue a 'Notice to Pay' to any taxpayer for whom there is an open enquiry, or the matter is under appeal, and who has claimed a tax advantage by the use of arrangements that are on the same or on very similar grounds to one that the courts have shown to fail.

The notice will require the taxpayer to pay the tax in dispute within 90 days, or a further 30 days where the taxpayer requests that HMRC should reconsider the 'follower notice' or the amount of the payment notice. Where the matter is under appeal, the measure will operate so as to remove any postponement of the disputed tax. Penalties will apply for late payment.

Summary of impacts

<table>
<tr><td rowspan="4">Exchequer impact (£m)</td><td></td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td></tr>
<tr><td>Follower notices (Budget 2013)</td><td>+55</td><td>+75</td><td>+30</td><td>+30</td><td>+30</td></tr>
<tr><td>Accelerated payment for followers (Autumn Statement 2013)</td><td>+15</td><td>+305</td><td>+300</td><td>+200</td><td>+100</td></tr>
<tr><td colspan="6">These figures are set out in Tables 2.2 of the Budget document and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings documents published alongside Budget 2013, Autumn Statement 2013 and Budget 2014.</td></tr>
<tr><td>Economic impact</td><td colspan="6">This measure may impact the timing of saving and consumption decisions made by individuals using the affected avoidance schemes.</td></tr>
<tr><td>Impact on individuals and households</td><td colspan="6">It is estimated that accelerated payment notices relating to existing avoidance cases currently under dispute will be issued to approximately 33,000 individual taxpayers concerning £5.1bn of tax under dispute under this measure and the Budget 2014 measure applying accelerated payments to schemes covered by the DOTAS rules or counteracted under the GAAR. The majority of taxpayers will be covered by the Budget measure.

Estimates of the distributional impacts of these measures are affected by the use of avoidance schemes that deflate the income reported on self-assessment returns. Having noted this caveat, analysis shows that the population of individuals affected:

• have a mean gross income of £262,000, compared to £29,000 for the wider income tax paying population;
• around 85 per cent of individuals have multiple sources of income, with employment income (including self-employment) the predominant income source for 54 per cent and non-employment, non-pension income the predominant income source for 42 per cent of the individuals affected respectively, compared to 78 per cent and 5 per cent for the wider income tax paying population respectively.</td></tr>
<tr><td>Equalities impacts</td><td colspan="6">These measures will predominantly affect individuals with above average incomes. It will therefore have greater effect on those protected equality groups who are overrepresented in more affluent populations.

Of the protected characteristics, HMRC only hold taxpayer data on age and gender. Analysis shows that of the individuals affected by these measures:

• 85 per cent are male and 15 per cent are female
• the majority (87per cent) are aged between 35 and 64. 5 per cent are under 35, and 9 per cent are 65 or over.</td></tr>
<tr><td>Impact on business including civil society organisations</td><td colspan="6">This measure will have no impact on business and civil society organisations who are undertaking normal commercial transactions; it will only impact on the small number of businesses that are using avoidance schemes affected by this measure.</td></tr>
</table>

	It is estimated that accelerated payment notices relating to existing avoidance cases currently under dispute will be issued to around 10,000 corporates for £2.1 billion of tax under dispute, under this measure and the Budget 2014 measure applying accelerated payments to schemes covered by the DOTAS rules or counteracted under the GAAR. The majority of taxpayers will be covered by the Budget measure.
Operational impact (£m) (HMRC or other)	This measure and the Budget 2014 DOTAS and GAAR measure will require Payment Notices to be issued to around 43,000 taxpayers involved in avoidance schemes currently under dispute with HMRC. The vast majority of notices are expected to be issued over the course of 2014-15 and 2015-16. These measures are expected to prompt a range of different legal challenges including judicial review proceedings, an increase in closure applications to the Tribunal and disputed enforcement activity. Flexible legal resource options are being considered to meet the expected demands of this work. This legal resource will be increased and adapted depending on the scale and scope of any legal challenges. The Government will ensure that Departments have the necessary resources to deliver this key policy successfully.
Other impacts	Small and micro business assessment: small and micro businesses will only be affected if they participate in tax avoidance schemes. Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Accelerated payments will be monitored through monitoring of disclosures of new avoidance schemes to circumvent the measure, and through regular communication with affected taxpayers and practitioners.

Further advice

If you have any questions about the issue of ‘follower notices’, please contact Pete Woodham on 03000 586533 (email: peter.woodham@hmrc.gsi.gov.uk). If you have any questions on accelerated payments, please contact Brian New on 03000 536935 (email: brian.new@hmrc.gsi.gov.uk); or contact David Edney on 03000 585985 (email: david.edney1@hmrc.gsi.gov.uk).

HM Revenue & Customs

Avoidance schemes involving the transfer of corporate profits

Who is likely to be affected?

Groups of companies using tax avoidance arrangements in order to transfer profits.

General description of the measure

The measure blocks tax avoidance arrangements where profits are transferred between companies in the same group for tax avoidance purposes. It does not apply to any arrangement falling within section 695A of the Corporation Tax Act 2009 (CTA 2009) which came into effect from 5 December 2013 and relates specifically to derivative contracts, but it does apply to any arrangements that have been put in place to circumvent that provision.

Policy objective

This measure supports the Government's objectives of promoting fairness and tackling avoidance in the tax system. It ensures that where profits are transferred between companies for tax avoidance purposes, then corporation tax will be charged as though the profits had not been transferred.

Background to the measure

At Autumn Statement 2013, the Government announced a measure, with effect from 5 December 2013, to block avoidance schemes where deductions are claimed for payments between companies in the same group under derivative contracts which are linked to company profits.

This new measure complements the Autumn Statement 2013 (AS13) measure, as a broader response to arrangements that have the same economic characteristics as those affected by the AS13 measure but using a mechanism other than a derivative contract.

Detailed proposal

Operative date

This measure will apply to payments made on or after 19 March 2014 arising from arrangements entered into on any date.

Current law

The tax treatment in respect of restriction of deductions for dividends and other distributions is set out in Chapter 1, Part 20 of CTA 2009.

Section 695A denies relief for a payment that is, in substance, a payment made out of profits after they have been earned. That measure was a direct response to an arrangement entered into by certain groups that had been using swaps to transfer UK profit out of the UK tax net.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to create a new section 1305A in Chapter 1, Part 20 of CTA 2009 which will provide that when in substance, the profits of a group company are transferred to a different group company and a main purpose of the arrangements is to secure a tax advantage (whether by circumventing section 695A or otherwise) then for tax purposes the transfer will regarded as not having taken place.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2014-15</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td></tr>
<tr><td>+60</td><td>+80</td><td>+80</td><td>+85</td><td>+75</td></tr>
<tr><td colspan="5">These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.

This measure supports the Exchequer in its commitment to protect revenue</td></tr>
<tr><td>Economic impact</td><td colspan="5">The measure is not expected to have any significant economic impacts.</td></tr>
<tr><td>Impact on individuals and households</td><td colspan="5">This measure will have no impacts on individuals and households – it only affects corporations.</td></tr>
<tr><td>Equalities impacts</td><td colspan="5">There are no impacts on any group which shares a protected characteristic.</td></tr>
<tr><td>Impact on business including civil society organisations</td><td colspan="5">This measure will have no impact on business and civil society organisations who are undertaking normal commercial transactions; it will only impact on the small number of businesses that are using the avoidance schemes.</td></tr>
<tr><td>Operational impact (£m) (HMRC or other)</td><td colspan="5">The costs to HM Revenue & Customs will be negligible.</td></tr>
<tr><td>Other impacts</td><td colspan="5">Other impacts have been considered and none have been identified.</td></tr>
</table>

Monitoring and evaluation

The measure will be monitored through monitoring of disclosures of new avoidance schemes to circumvent the measure, and through regular communication with affected taxpayers and practitioners.

Further advice

If you have any questions about this change, please contact Steven Tovey on 03000 542532 (email: steven.tovey@hmrc.gsi.gov.uk) or contact Chris Murricane on 03000 585953 (email: chris.murricane@hmrc.gsi.gov.uk).

HM Revenue
& Customs

Legislative changes resulting from the introduction of the Scottish rate of income tax

Who is likely to be affected?

Employers and pension providers and individuals identified as Scottish taxpayers.

General description of the measure

The measure will amend the structure of the income tax legislation setting out how the Scottish rate of income tax (SRIT) is applied in calculating the overall rates of tax applicable to the non-savings income of Scottish taxpayers.

Policy objective

The measure will ensure that the income tax legislation relating to the SRIT can be applied to a number of consequential areas in a clear and straightforward manner. It has no effect on the tax paid by any Scottish or other taxpayer.

Background to the measure

The Scotland Act 2012 legislated for the SRIT which is expected to be introduced in April 2016. The Act inserts provisions into the Scotland Act 1998 to define who should pay the SRIT and the basis on which the rate will be set and also amends the Income Tax Act 2007 (ITA) to calculate the overall rates of tax to be paid by Scottish taxpayers.

HM Revenue & Customs (HMRC) published a Technical Note in May 2012 setting out the Government's policy intentions where the Scottish rate setting power interacts with other areas of the income tax system (for example, in relation to Gift Aid and pensions tax relief). In preparing to legislate for these proposals, it has become clear that the Scottish rate of income tax provisions in ITA, as amended by the 2012 Act, will be complex to apply for the purposes of the measures in the Technical Note.

This measure therefore amends the SRIT provisions in ITA so that subsequent secondary legislation to apply the proposals in the Technical Note can be made to work more clearly and effectively.

Detailed proposal

Operative date

The changes to introduce the SRIT are expected to take effect on 6 April 2016.

Current law

Chapter 2 of Part 2 of ITA deals with the rates at which income tax is charged. The Scotland Act 2012 inserted new sections 6(2A)-(2C) into ITA, which set out that section 6(2) of ITA does not apply to the non-savings income of a Scottish taxpayer.

Section 6(2B) of ITA sets out how to calculate the basic, higher and additional rates of tax to be paid by Scottish taxpayers on their non-savings income – the UK rates are reduced by 10 percentage points and a single Scottish rate is added to these reduced amounts.

Section 10 then sets out the income on which the Scottish basic, higher and additional rates in section 6(2B) is charged.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to remove section 6(2A)-(2C) and the amendments made to section 10 by the Scotland Act 2012 and replace these by inserting new sections 6A and 11A into ITA. These will set out the Scottish basic rate, Scottish higher rate and Scottish additional rate, how each is calculated, and the income charged at these rates. The calculation of these rates will remain unchanged. But the structure of the provisions is changed so that they apply as needed elsewhere in the Income Tax Acts, and so that consequential amendments can be applied by Order under section 80G of the Scotland Act 1998 to implement the changes consulted on in the May 2012 Technical Note.

Other consequential amendments will also be made to other parts of ITA, the Scotland Act 1998 and other legislation as a result of the redrafted provisions.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-	-	nil	nil	nil
	This measure is not expected to have an Exchequer impact.				
Economic impact	The measure is not expected to have any economic impacts.				
Impact on individuals and households	This measure will enable changes to be made which will mean that certain types of income will be taxed at Scottish (rather than UK) rates. Any impact on individuals in receipt of this income will depend on rates set by the Scottish Government.				
Equalities impacts	This measure will have no impact on people with protected characteristics.				
Impact on business including civil society organisations	This measure enables the implementation of a previously announced policy, which will require employers and pension providers to make changes to their systems. The changes announced here are expected to have no impact on business.				
Operational impact (£m) (HMRC or other)	This measure enables part of HMRC’s wider work in introducing the Scottish rate of income tax and will not increase the costs.				
Other impacts	Other impacts have been considered and none has been identified.				

Monitoring and evaluation

This measure changes the structure of the income tax legislation setting out how the SRIT is applied, but does not alter the policy. It will therefore be monitored as part of the existing wider arrangements relating to the SRIT as a whole.

Further advice

If you have any questions about this change, please contact Doug Stoneham on 03000 586858 (email: douglas.stoneham@hmrc.gsi.gov.uk) or contact Ian Sainsbury on 03000 586739 (email: ian.sainsbury@hmrc.gsi.gov.uk).

HM Revenue & Customs

The New ISA and changes to Junior ISA and the Child Trust Fund: increasing flexibility for savers and investors

Who is likely to be affected?

Savers holding an Individual Savings Account (ISA), Junior ISA or Child Trust Fund (CTF).

Parents who manage a Junior ISA or CTF account on behalf of their children.

Banks, building societies and other financial institutions who offer these accounts.

General description of the measures

From 1 July 2014 ISAs will be reformed into a simpler product, the 'New ISA' (NISA) and all existing ISAs will become NISA. From 1 July the overall annual subscription limit for these accounts will be increased to £15,000 for 2014-15. For the first time, ISA savers will also be able to subscribe this full amount to a cash account (currently only 50 per cent of the overall ISA limit can be saved in cash). Under the NISA, investors will also have new rights to transfer their investments from a stocks and shares to a cash account. There will be consequential changes to the rules on the investments that can be held in a NISA, so that a wider range of securities (including certain retail bonds with less than five years before maturity) can be invested. In addition, Core Capital Deferred Shares issued by building societies will become eligible to be held in a NISA, Junior ISA or CTF.

The amount that can be subscribed to a child's Junior ISA or CTF in 2014-15 will also be increased to £4,000.

Policy objective

These measures are part of a broader package of changes to support savers. In particular they will increase the choice and flexibility available to savers in tax advantaged products such as NISA, Junior ISA and CTF.

Background to the measure

This measure was announced at Budget 2014.

Detailed proposal

Operative date

These measures will have effect from 1 July 2014.

Current law

Individual Savings Accounts

Account rules for ISA (including Junior ISA) are set out in the Individual Savings Account Regulations 1998 (SI 1998/1870) (ISA Regulations).

Regulation 4ZA sets out the maximum amounts that can be subscribed to an 'adult' ISA for a tax year, including the maximum that can be subscribed to a cash ISA. The overall limit for 2012-13 is £11,520, of which only up to 50 per cent can be subscribed to a cash ISA.

Regulation 4ZB sets out the maximum amount which can be subscribed to a Junior ISA (£3,720 for 2012-13).

Other Regulations include provisions which are necessary as a consequence of the application of different subscription limits for cash and stocks and shares ISAs. For example, Regulation 7 sets out the qualifying investments for a stocks and shares ISA and includes conditions designed to determine whether an investment is eligible for a stocks and shares ISA (and therefore a higher annual subscription limit). One such condition is that certain securities (such as retail bonds) must, at the time they are first held in an ISA, have a remaining term to maturity that is longer than five years. Regulation 8 sets out what qualifies for investment in a cash ISA (which includes certain investments which do not satisfy the relevant tests within Regulation 7).

Regulation 21 provides the rules for the transfer of ISAs, and prohibits the transfer of investments from a stocks and shares ISA to a cash ISA. Regulation 23 provides that interest arising on uninvested cash held in a stocks and shares ISA will be subject to a flat rate charge representing tax at basic rate.

Regulation 4C concerns insurance components held within an ISA at 6 April 2005.

Child Trust Funds

Account rules for CTF are set out in the Child Trust Fund Regulations 2004 (SI 2004/1450) (CTF Regulations).

Regulation 9 sets the maximum amount which can be subscribed to a CTF account (£3,720 for 2012-13). CTF Regulation 12 sets out the qualifying investments for a CTF account.

Proposed revisions

The ISA Regulations will be amended by secondary legislation to reflect the rules that will apply for NISAs.

These amendments will increase the overall ISA subscription limit at Regulation 4ZA(1) to £15,000. The rule at Regulation 4ZA(2), which provides that only 50 per cent of this overall limit may be invested in a cash ISA, will be removed.

The equalisation of limits for cash and stocks and shares NISAs means that a number of current ISA provisions will no longer be required, and these will therefore be removed. For example, tests within Regulation 7 that are designed to prevent the holding of ‘cash like’ investments in a stocks and shares ISA will be removed. This includes the rule concerning the remaining term of a security when it is first held in an ISA. Regulation 21 will be amended to allow transfers to be made from a stocks and shares NISA to a cash NISA. The flat rate charge at Regulation 23, representing tax at the basic rate on any interest arising on uninvested cash held in a stocks and shares ISA, will also be removed.

Regulation 7 will be updated to add Core Capital Deferred Shares issued by a building society to the list of investments that can be held in a stocks and shares NISA or Junior ISA.

Regulation 4C concerning insurance components held within an ISA at 6 April 2005 is no longer required and will therefore be removed.

There will be other consequential changes elsewhere in the ISA Regulations to reflect these changes.

The CTF Regulations will also be amended by secondary legislation. This will increase the CTF subscription limit at Regulation 9 to £4,000. In addition, Regulation 12 will be updated to add Core Capital Deferred Shares issued by a building society to the list of investments that can be held in a CTF.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-5	-85	-235	-400	-575
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.				
Economic impact	These measures will reduce income tax on savings for people constrained by the current ISA limits, improving incentives to save and increasing real household disposable incomes. This might feed through to higher consumption or savings in the household sector. There may also be a shift in the savings portfolio composition towards cash deposits.				
Impact on individuals and households	Over 24 million adults hold an ISA, around 300,000 children have a Junior ISA and over 6 million children have a CTF. The rules that will apply for NISAs will increase the choice and flexibility available to savers holding tax advantaged accounts. They will increase the amount that can be saved, and provide savers with greater flexibility and choice on whether to hold their tax advantaged savings in cash or stocks and shares. The measures are not expected to increase the administrative or tax costs for any individual.				
Equalities impacts	Official data indicates that individuals from all income and age groups, and both sexes, invest in ISAs and CTFs. This data does not enable detailed estimates to be made of the total impact of this change on individuals with protected characteristics. Although the change in subscription limits is more likely to affect those in higher income groups, over 3 million basic rate taxpayers currently subscribe to the cash ISA limit. The ability to transfer funds from a stocks and shares NISA to a cash NISA may have a greater effect on those later in life who wish to access investments for retirement. The changes in relation to Junior ISA and CTF will affect the children (aged under 18) who hold these accounts. No other impacts are anticipated in respect of groups sharing other protected characteristics.				
Impact on business including civil society organisations	The impact on businesses will depend upon individual circumstances, but overall this is expected to be negligible All ISA and CTF providers will benefit from new commercial opportunities arising from increased subscription limits. ISA and CTF providers will also benefit from the opportunity to offer a broader range of investments within their products. The impact of increased choice and flexibility for ISA investors will depend upon the circumstances of each provider. The measure is likely to see an increase in deposits in cash NISAs, in some cases at the expense of investment in stocks and shares NISAs. There are likely to be one off set up costs and system changes required in relation to the new account limits and the rights for investors to transfer holdings from stocks and shares NISA to cash NISA. However, the ongoing impact is expected to be negligible. This measure is expected to have no impact on civil society organisations.				

Operational impact (£m) (HMRC or other)	The additional costs/savings for HM Revenue & Customs in implementing this change are anticipated to be negligible.
Other impacts	Small and micro business assessment: the impact on small businesses is expected to be broadly similar to that for other businesses. No major issues specific to smaller businesses have been identified. Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be kept under review through communication with affected taxpayer groups and account providers.

Further advice

If you have any questions about this change, please contact Simon Turner on 03000 546588 (email: simon.turner@hmrc.gsi.gov.uk).

HM Revenue & Customs

Carbon price floor: reform and other technical amendments

Who is likely to be affected?

UK generators of fossil-fuel based electricity, including combined heat and power operators and auto generators; those supplying such generators and electricity utilities.

General description of the measure

The Government is announcing reform of the carbon price floor (CPF). The carbon price support (CPS) rate per tonne of carbon dioxide (tCO_2) - the UK-only element of the CPF - will be capped at a maximum of £18 from 2016-17 until 2019-20. This will effectively freeze the CPS rates for each of the individual taxable commodities across this period at around 2015-16 levels.

The CPS rates for individual commodities for 2016-17 and indicative individual commodity rates for 2017-18 and 2018-19, reflecting this reform, are shown in the following table. The indicative rates are shown on the basis that £18 is the maximum CPS rate per tCO_2, and is expected to be in force in these years.

	Confirmed rates	Indicative rates	
	2016-17	**2017-18**	**2018-19**
CPS rate per tCO2	18.00	18.00 maximum	18.00 maximum
Supplies of commodity liable to CPS rates of climate change levy (CCL)			
Natural gas (£ per kilowatt hour)	0.00331	0.00331	0.00331
Liquefied petroleum gas (LPG) (£ per kilogram)	0.05280	0.05280	0.05280
Coal and other taxable solid fossil fuels (£ per gross gigajoule)	1.54790	1.54790	1.54790
Supplies of commodity liable to CPS rates of fuel duty			
Gas oil; rebated bioblend; kerosene (£ per litre)	0.04916	0.04916	0.04916
Fuel oil; other heavy oil; rebated light oil (£ per litre)	0.05711	0.05711	0.05711

Policy objective

The CPF which came into effect on 1 April 2013 is made up of the price of CO_2 from the EU Emissions Trading System (EU ETS) and the CPS rate per tCO_2 which is the UK-only additional tCO_2 emitted in the power sector. This CPS rate per tCO_2 is used as the basis for setting individual CPS rates for each of the taxable commodities. The CPS rates of CCL apply to fossil fuels used in electricity generation that are taxed under the CCL regime (gas, solid fuels and LPG). The CPS rates of fuel duty apply to oils and bioblends used in electricity generation.

The CPF is designed to provide an incentive to invest in low-carbon power generation. The current CPF trajectory reaches £30/tCO_2 in 2009 prices by 2020. However, EU ETS carbon prices are now substantially lower than was expected when the CPF was introduced. If kept in place, the current CPF trajectory would cause a large and increasing gap between the carbon price faced by UK energy users and those faced abroad. This would result in UK firms facing significantly higher energy prices than those of competitors abroad, and raise energy bills for households.

This measure caps the UK-only element of the CPF at £18 per tCO_2 from 2016-17 until 2019-20 to support UK business competitiveness and helps to restrain increases in household energy bills, while still maintaining the incentive to invest in low-carbon generation.

Background to the measure

The Government announced at Budget 2011 that the CPF would be introduced on 1 April 2013. In order to provide certainty, it made clear that CPS rates would be announced and legislated for two years in advance and that indicative rates would be announced for two further years. CPS rates for individual commodities liable to CCL are set out each year in the Finance Act, and CPS rates for individual oils / bioblends liable for fuel duty are set out in secondary legislation.

Budget 2013 announced that the CPF would not apply in Northern Ireland, confirmed the CPS rates for 2013-14 and 2014-15 and announced the CPS rates for 2015-16. It also announced updated indicative rates for 2016-17 and new indicative rates for 2017-18.

The CPF was introduced on schedule on 1 April 2013. Although it is a new tax in terms of its implementation in Great Britain, the trajectory and impacts on business competitiveness have been considered since it was announced in 2011 and there has been extensive consultation with industry and other stakeholders both before and after the implementation of the tax.

Draft Finance Bill legislation was published on 10 December 2013 setting out a revised CPS rate for coal and other taxable solid fossil fuels for both 2014-15 and 2015-16.

Detailed proposal

Operative date

<u>Carbon price floor reform</u>

The revised individual CPS rates for individual commodities for 2016-17 will come into force on 1 April 2016 reflecting the reform of the CPF.

<u>Other amendments</u>

As announced at Budget 2013 (or Autumn Statement 2013 in the case of coal and other solid fossil fuels) the CPS rates of CCL and fuel duty for 2014-15 and 2015-16 will come into force on 1 April 2014 and 1 April 2015 respectively. Duty paid kerosene used to generate electricity will become a taxable CPS commodity from 1 May 2014.

Current legislation

Schedule 6 to Finance Act 2000 (Schedule 6) contains CCL's primary legislation. Schedule 6 was amended by section 200 of and Schedule 42 to Finance Act 2013 to provide for the CPF provisions in respect of fuels liable to CCL. Paragraph 42A sets out the CPS rates applicable to the relevant taxable commodities.

The Hydrocarbon Oil Duties (Reliefs for Electricity Generation) Regulations 2005 (SI 2005/3320) (the 2005 regulations) enable generators who use oil to generate electricity to reclaim the fuel duty paid on the oil when it leaves the refinery. These regulations were amended by the Hydrocarbon Oil Duties (Reliefs for Electricity Generation) (Amendment) Regulations 2013 to adjust the amount of fuel duty that can be reclaimed by those generating electricity using oils, in effect creating CPS rates of fuel duty.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to amend paragraph 42A of Schedule 6. It will set the CPS rates of CCL for all fossil fuels (excluding oils) used in electricity generation for 2016-17 and amend the previously legislated CPS rate for coal and other solid fossil fuels for 2014-15 and 2015-16.

Secondary legislation will be introduced to amend the 2005 regulations to adjust the amount of relief from excise duty available on heavy and light oils used to generate electricity to reflect the CPS rates of fuel duty in 2016-17. It will also provide for duty paid kerosene used to generate electricity to become a taxable CPS commodity.

Following these changes the CPS rates for 2014-15, 2015-16 and 2016-17 will be:

Supplies of commodity liable to:	**2014-15**	**2015-16**	**2016-17**
CPS rates of CCL			
Natural gas (£ per kilowatt hour)	0.00175	0.00334	0.00331
LPG (£ per kilogram)	0.02822	0.05307	0.05280
Coal and other taxable solid fossil fuels (£ per gross gigajoule)	0.81906	1.56860	1.54790
CPS rates of fuel duty			
Gas oil; rebated bioblend; kerosene (£ per litre)	0.02642*	0.04990	0.04916
Fuel oil; other heavy oil; rebated light oil (£ per litre)	0.03011	0.05730	0.05711

* from 1 May 2014 in case of kerosene only

Table of impacts – carbon price floor: reform

		2014-15	2015-16	2016-17	2017-18	2018-19
Exchequer impact (£m)	Cap CPS rate at £18 tCO_2 between 2016-17 and 2019-20	-	-	-340	-615	-870
	The figures for the Budget 2014 element are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.					
Economic impact	This measure is expected to restrain energy bills for businesses, and to improve the international competitiveness of UK firms with respect to competitors. The impact will be greatest in business sectors where energy bills are a high proportion of costs. This measure is estimated to reduce business energy costs by up to £4 billion by 2018-19.					
Impact on individuals and households	Compared with current policy, this measure will reduce domestic electricity bills from 2016-17 onwards. The average annual household bill is expected to fall by £15 in 2018-19.					
Equalities impacts	The changes are not expected to have any impact on any equalities group.					

Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses. Major power producers will incur a one-off negligible cost of familiarising themselves with the new CPF trajectory. This will affect approximately 150 firms. There will be no change in how the CPF is administered, or in the population of firms paying CPF charges. This measure is expected to have no impact on the administrative burden of civil society organisations.
Operational impact (£m) (HMRC or other)	There will be no significant costs or savings for HMRC as a result of these changes.
Other impacts	Carbon assessment: the measure rebalances CPF policy to provide more support to UK business competitiveness and helps to restrain increases in household energy bills, while still giving an incentive to invest in low carbon electricity generation. The measure is not expected to impact upon security of supply. The cap on CPS rates will have no impact on the maximum allowable CO_2 emissions at a European level. The EU ETS specifies a hard limit on CO_2 emissions across the EU and changing the CPF does not affect this limit. 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, and through regular communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Tim Smith on 03000 585475 (email: timothy.smith@hmrc.gsi.gov.uk).

HM Revenue & Customs

Enhanced capital allowances schemes for energy-saving and environmentally beneficial (water efficient) technologies

Who is likely to be affected?

Businesses purchasing designated plant and machinery which uses energy efficiently, reduces water use or improves water quality.

General description of the measure

This measure updates the lists of technologies and products covered by the energy-saving and water efficient enhanced capital allowances (ECA) schemes.

The schemes allow 100 per cent of the cost of an investment in qualifying plant and machinery to be written off against the taxable profits of the period in which the investment is made, improving cash flow for businesses.

Policy objective

The schemes aim to reduce the consumption of energy and water by business, by encouraging their investment in the most efficient plant and machinery. This can help reduce overall energy costs and carbon emissions, aiding the UK's carbon reduction obligations, and encourages the sustainable use of water resources.

Background to the measure

Since their introduction, in 2001 and 2003 respectively, the schemes have been updated annually to ensure that only the most efficient products are supported.

Detailed proposal

Operative date

Subject to State aid approval, the changes to the schemes will have effect on and after a date to be appointed by Treasury Order, to be made prior to the summer 2014 Parliamentary Recess.

Current law

Capital expenditure by business on plant and machinery normally qualifies for tax relief by way of capital allowances. Once businesses have fully used their Annual Investment Allowance (AIA), which for the period 1 January 2013 to 31 December 2014 is £250,000, plant and machinery allowances are available at the 18 per cent main rate and the 8 per cent special rate.

These two ECA schemes provide an alternative 100 per cent first-year allowance for expenditure on certain energy-saving and water efficient technologies, which is particularly beneficial for those businesses that have fully used their AIA.

Recommendations for updates to the list of qualifying technologies and products for the schemes, and reviews of the relevant criteria are made annually – by the Department of Energy and Climate Change (DECC) in respect of the energy-saving scheme; by the Department for Environment, Food and Rural Affairs (Defra) in respect of water. These departments then consult on the relevant changes. Treasury Ministers decide on the availability of the ECAs, with the qualifying technologies published in the Energy Technology Criteria List and Water Technology Criteria List.

Proposed revisions

It is intended that secondary legislation will amend the list of technologies that qualify for the energy-saving scheme to include two new technologies: Active chilled beams and desiccant air dryers with energy saving controls. The qualifying criteria for twelve current technologies will also be revised.

The water efficient scheme will be amended to clarify the qualifying criteria for a number of technologies and to incorporate changes in technical standards. The primary amendment is to the criteria for efficient washing machines, to enable a slightly wider range of businesses to benefit from the scheme

Details on when the new lists take effect will be published in the Energy Technology List and Water Technology List section of the GOV.UK website.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	negligible	negligible	+5	+10	+15
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside the Budget.				
Economic impact	The measure is not expected to have any significant economic impact on the overall UK economy. It should encourage businesses to concentrate their investments on technologies which will receive ECAs.				
Impact on individuals and households	This measure will not impact on households. Although it is possible for individual employees to claim capital allowances, it is unlikely that any would claim ECAs.				
Equalities impacts	The ECA schemes are aimed at businesses. Following discussions with DECC and Defra on this year's amendments, HM Revenue & Customs (HMRC) has not identified any impact on any specified groups.				
Impact on business including civil society organisations	There will be some negligible one-off costs for businesses who consider buying products affected by the updates, including understanding what differences the updates may make to the capital allowances that they can claim. These updates only apply to business expenditure that qualifies for the schemes.				

	For 99 per cent of businesses there will be no impact because the majority of the expenditure they incur on plant and machinery will be eligible for full relief under the separate AIA which for the period from 1 April 2014 for businesses within the charge to corporation tax and 6 April 2014 for businesses within the charge to income tax to 31 December 2015 has been temporarily increased from £250,000 to £500,000. Even after AIA reverts to £25,000 from 1 January 2016, over 95 per cent of businesses will still be able to write off the majority of their qualifying expenditure under AIA. For those businesses that have fully used their AIA the updates will come into effect in the summer 2014. The scheme and qualifying products will be published in advance on the etl.decc.gov.uk website. Where contracts have been finalised for the delivery of qualifying plant and machinery that are to be removed from the scheme as a result of the changes, those items will still qualify for the allowance even if delivered after the updates take effect. The updates will have a negligible impact on businesses and civil society organisations.
Operational impact (£m) (HMRC or other)	This change will not increase HMRC's processing or compliance resource needs.
Other impacts	<u>Small and micro business assessment</u>: this measure applies to all sizes of business, but in practice it will only affect those with qualifying plant and machinery expenditure above the level of the AIA. As a result there is expected to be very limited impact on small firms, the large majority of which incur less than the AIA limit annually on capital expenditure. However, should a small business decide to write off the cost of qualifying plant and machinery under the schemes, rather than AIA, they will need to identify the products that qualify (via etl.decc.gov.uk) and make a claim. <u>Carbon emissions and wider environment impact</u>: by incentivising investment in energy and water efficient technologies, this measure should reduce carbon emissions and encourage sustainable use of water resources. Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

The lists of technologies and products that qualify for the schemes are also reviewed every year by DECC in respect of the energy-saving scheme, and by Defra in respect of water. This ensures that the lists remain relevant and that qualifying criteria are discussed with suppliers to ensure they remain accurate and effective.

Further advice

If you have any questions about this change, please contact Nick Williams on 03000 585660 (email: nicholas.williams@hmrc.gsi.gov.uk).

B Rates and Allowances

This annex includes Budget 2014 announcements of main rates and allowances. It also covers all announcements made at Budget 2013 and subsequently.

PERSONAL TAX AND BENEFITS

At Autumn Statement 2012 the Government announced that for 2013-14:

- people born after 5 April 1948 will be entitled to a personal allowance of £9,440; and
- the basic rate limit will be £32,010.

At Budget 2013 the Government announced:

- people born after 5 April 1948 will be entitled to a personal allowance of £10,000 for 2014-15;
- the basic rate limit will be £31,865 in 2014-15; and
- as set out at Budget 2011, once the personal allowance has reached £10,000, it will then increase by Consumer Prices Index (CPI) in future years, starting from 2015-16.

At Budget 2014, the Government announced that for 2015-16, people born after 5 April 1938 will be entitled to a personal allowance of £10,500 and the basic rate limit will be £31,785.

At Autumn Statement 2013 the Government announced with effect from the 2015-16 tax year, a spouse or civil partner will be allowed to apply to transfer £1,000 of their personal allowance to their spouse or civil partner. At Budget 2014 the transferable amount for 2015-16 was increased to £1,050. The spouse or civil partner will receive the transferable allowance as a reduction to their income tax liability at the basic rate of tax. To be eligible to make or receive the transfer, neither party must be liable to income tax at the higher or additional rate. From 2016-17, the transferable amount will be 10 per cent of the personal allowance for those born after 5 April 1948.

Income tax bands of taxable income (£ per year)			
	Tax year 2013-14	**Tax year 2014-15**	**Tax year 2015-16**
Basic rate[1]	£0 – 32,010	£0 – 31,865	£0 – 31,785
Higher rate	£32,011 – 150,000	£31,866 – 150,000	£31,786 – 150,000
Additional rate	Over £150,000	Over £150,000	Over £150,000

[1] There is a starting rate for savings income only. The starting rate limit for savings is £2,790 for 2013-14 and will increase in line with RPI to £2,880 for 2014-15. If an individual's taxable non-savings income (i.e. after deduction of their personal allowance) exceeds the starting rate limit, then the 10 per cent starting rate for savings will not be available for savings income. From 6 April 2015, the starting rate for savings income will be reduced to 0 per cent and the maximum amount of an individual's income that can qualify for this starting rate will increase to £5,000.

Income tax rates		
	Tax year 2013-14	**Tax year 2014-15**
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Dividend ordinary rate (for dividends otherwise taxable at the basic rate (effective rate with tax credit))	10% (0%)	10% (0%)
Dividend upper rate (for dividends otherwise taxable at the higher rate (effective rate with tax credit))	32.5% (25%)	32.5% (25%)
Dividend additional rate (for dividends otherwise taxable at the additional rate (effective rate with tax credit))	37.5% (30.6%)	37.5% (30.6%)

Starting rate for savings	**Tax year 2013-14**	**Tax year 2014-15**	**Tax year 2015-2016**
Starting rate for savings	10 %	10%	0%
Starting rate limit for savings	£2,790	£2,880	£5,000

Special rates for trustees' income			
	Tax year 2012-13	**Tax year 2013-14**	**Tax year 2014-15**
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	Up to 20%, depends on the type of income
Trust rate	50%	45%	45%
Dividend trust rate	42.5%	37.5%	37.5%

Income tax allowances (£ per year)			
Personal allowance	**Tax year 2013-14**	**Tax year 2014-15**	**Tax year 2015-16**
Born after 5 April 1948	£9,440	£10,000	£10,500
Born after 5 April 1938 but before 6 April 1948	£10,500	£10,500	£10,500
Born before 6 April 1938	£10,660	£10,660	£10,660
Income limit for personal allowance[2]	£100,000	£100,000	£100,000
Income limit for personal allowances (born before 6 April 1948)	£26,100	£27,000	TBA[3]
Married couples allowance[4]			
Maximum amount of married couple's allowance[5]	£7,915	£8,165	TBA[3]
Minimum amount of married couple's allowance	£3,040	£3,140	TBA[3]
Blind person's allowance			
Blind person's allowance	£2,160	£2,230	TBA[3]

[2] The personal allowance reduces where the individual's income is above this limit by £1 for every £2 above the limit. This applies regardless of the individual's date of birth.

[3] Personal allowances and rate limits (except the £150,000 higher rate limit, the £100,000 personal allowance income limit and since 2013-14 the personal allowances for people born before 6 April 1948) are indexed by the annual percentage increase in CPI for the year to September preceding the new tax year from 2015-16. The CPI increase that will provide the basis for indexation for 2015-16 will be published in late 2014.

[4] Available to people born before 6 April 1935. Tax relief for this allowance is restricted to 10 per cent.

[5] This allowance reduces where the individual's income is above the income limit by £1 for every £2 above the income limit until it reaches the minimum amount. Any reduction applies after any reduction to the individual's personal allowance.

Company Car Tax					
2016-17		**2017-18**		**2018-19**	
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 to 50	7	0-50	9	0-50	13
51-75	11	51-75	13	51-75	16
76-94	15	76 to 94	17	76 to 94	19
95-99	16	95-99	18	95-99	20
100-104	17	100-104	19	100-104	21
105-109	18	105-109	20	105-109	22
110-114	19	110-114	21	110-114	23
115-119	20	115-119	22	115-119	24
120-124	21	120-124	23	120-124	25
125-129	22	125-129	24	125-129	26
130-134	23	130-134	25	130-134	27
135-139	24	135-139	26	135-139	28
140-144	25	140-144	27	140-144	29
145-149	26	145-149	28	145-149	30
150-154	27	150-154	29	150-154	31
155-159	28	155-159	30	155-159	32
160-164	29	160-164	31	160-164	33
165-169	30	165-169	32	165-169	34
170-174	31	170-174	33	170-174	35
175-179	32	175-179	34	175-179	36
180-184	33	180-184	35	180 and above	37
185-189	34	185-189	36		
190-194	35	190 and above	37		
195-199	36				
200 and above	37				

NATIONAL INSURANCE CONTRIBUTIONS (NICs)

Employee and employer rates and thresholds (£ per week)		
Class 1 NICs	**Tax year 2013-14**	**Tax year 2014-15**
Lower Earnings Limit (LEL) for Class 1 NICs	£109.00	£111.00
Upper Earnings Limit (UEL) for employee's (primary) Class 1 NICs	£797.00	£805.00
Upper Accrual Point (UAP)	£770.00	£770.00
Primary Threshold	£149.00	£153.00
Secondary Threshold	£148.00	£153.00
Employment allowance (per employer)	N/A	£2000 per year
Employee's (primary) Class 1 contribution rates		
2013-14 weekly earnings from £149.01 to £797.00	12%	N/A
2013-14 weekly earnings above £797.00	2%	N/A
2014-15 weekly earnings from £153.01 to £805.00	N/A	12%
2014-15 weekly earnings above £805.00	N/A	2%
Employee's contracted-out rebate		
Salary related schemes (COSR) between LEL & UAP	1.4%	1.4%
Married woman's reduced rate for (primary) Class 1 contribution rates[6]		
2013-14 weekly earnings from £149.01 to £797.00	5.85%	N/A
2013-14 weekly earnings above £797.00	2%	N/A
2014-15 weekly earnings from £153.01 to £805.00	N/A	5.85%
2014-15 weekly earnings above £805.00	N/A	2%
Employer's (secondary) Class 1 contribution rates		
2013-14 weekly earnings above £148.00	13.8%	N/A
2014-15 weekly earnings above £153.00	N/A	13.8%
Employer's contracted-out rebate		
COSR schemes between LEL and UAP	3.4%	3.4%

[6] The reduced rate applies to women married before 6 April 1977 who have elected to pay a reduced rate of Class 1 contributions.

Self-employed and other rates and thresholds (£ per week)		
Class 2 NICs[7]	**Tax year 2013-14**	**Tax year 2014-15**
Self-employed class 2 NICs	£2.70	£2.75
Small Earnings Exception from Class 2 NICs (annual)	£5,725	£5,885
Volunteer development workers Class 2 NICs	£5.45	£5.55
Share fishermen Class 2 NICs	£3.35	£3.40

Other rates and thresholds (£ per week)		
Class 3 NICs	**Tax year 2013-14**	**Tax year 2014-15**
Voluntary contributions	£13.55	£13.90

Self-employed and other rates and thresholds		
Class 4 NICs	**Tax year 2013-14**	**Tax year 2014-15**
2013-14 annual profits below LPL £7,755	Nil	N/A
2013-14 annual profits above LPL £7,755 but below UPL £41,450	9%	N/A
2013-14 annual profits above UPL £41,450	2%	N/A
2014-15 annual profits below LPL £7,956	N/A	Nil
2014-15 annual profits above LPL £7,956 but below UPL £41,865	N/A	9%
2014-15 annual profits above UPL £41,865	N/A	2%

[7] Class 2 NICs are paid at a weekly flat rate by all self-employed persons. Those with profits less than, or expected to be less than, the level of the Small Earnings Exception may apply for exemption from paying Class 2 NICs.

WORKING AND CHILD TAX CREDITS, CHILD BENEFIT AND GUARDIANS ALLOWANCE

Working and child tax credits		
£ per year (unless stated)	**From April 2013**	**From April 2014**
Working tax credit		
Basic element	£1,920	£1,940
Couple and lone parent element	£1,970	£1,990
30 hour element	£790	£800
Disabled worker element	£2,855	£2,935
Severe disability element	£1,220	£1,255
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	£2,720	£2,750
Disabled child element	£3,015	£3,100
Severely disabled child element	£1,220	£1,255
Income thresholds and withdrawal rates		
Income threshold	£6,420	£6,420
Withdrawal rate	41%	41%
First threshold for those entitled to child tax credit only	£15,910	£16,010
Income disregard	£5,000	£5,000
Income fall disregard	£2,500	£2,500

Child benefit (£ per week)		
	From April 2013	**From April 2014**
Eldest/only child	£20.30	£20.50
Other children	£13.40	£13.55
Guardians allowance (£ per week)		
Guardians allowance	£15.90	£16.35

CAPITAL, ASSETS AND PROPERTY

Pensions savings tax relief				
	Tax year 2012-13 allowance limit	**Tax year 2013-14 allowance limit**	**Tax year 2014-15 allowance limit**	**Tax year 2015-16 allowance limit**
Lifetime allowance	£1.5 million	£1.5 million	£1.25 million	£1.25 million
Annual allowance	£50,000	£50,000	£40,000	£40,000

Individual Savings Account (ISA)	Tax year 2013-14	6 April 2014 - 30 June 2014	1 July 2014- 5 April 2015
Cash value of ISA limit	£11,520, up to £5,760 of which can be saved in cash	£11,880, up to £5,940 of which can be saved in cash	£15,000

Junior ISA	Tax year 2013-14	6 April 2014 – 30 June 2014	1 July 2014 – 5 April 2015
Cash value of Junior ISA limit	£3,720	£3,840	£4,000

Child Trust Fund (CTF)	Tax year 2013-14	6 April 2014 – 30 June 2014	1 July 2014 – 5 April 2015
Cash value of CTF limit	£3,720	£3,840	£4,000

Capital gains tax	Tax year 2013-14	Tax year 2014-15
Rates for individuals	18% / 28%	18% / 28%
Rates for trustees and personal representatives	28%	28%
Annual exempt amount (AEA) for individuals and personal representatives[8]	£10,900	£11,000
AEA for most trustees	£5,450	£5,550
Rate on gains subject to entrepreneurs' relief	10%	10%
Entrepreneurs' relief lifetime limit of gains	£10,000,000	£10,000,000

Inheritance tax	Tax year 2013-14	Tax year 2014-15
Rate	40%	40%
Lower rate[9]	36%	36%
Nil rate band	£325,000	£325,000

Stamp duty land tax				
Rate	**Threshold for transactions up to 19 March 2014**		**Threshold for transactions on and after 20 March 2014**	
	Residential	**Non-residential**	**Residential**	**Non-residential**
0%	£0 – 125,000	£0 – 150,000	£0 – 125,000	£0 – 150,000
1%	£125,001 – 250,000	£150,001 – 250,000	£125,001 – 250,000	£150,001 – 250,000
3%	£250,001 – 500,000	£250,001 – 500,000	£250,001 – 500,000	£250,001 – 500,000
4%	£500,001 – £1,000,000	Over £500,000	£500,001 – £1,000,000	Over £500,000
5%	£1,000,001 – £2,000,000	N/A	£1,000,001 – £2,000,000	N/A
7%	Over £2,000,000	N/A	Over £2,000,000	N/A
15% [10]	Over £2,000,000	N/A	Over £500,000	N/A

[8] Personal representatives are entitled to the annual exempt amount for the tax year in which the individual dies and the next two years.
[9] Budget 2011 announced that for deaths on or after 6 April 2012, a lower rate of Inheritance tax of 36 per cent will be introduced where 10 per cent or more of the deceased person's net estate is left to charity.
[10] The 15% rate applies to certain acquisitions of residential property by "non-natural persons" (a company, a partnership including a company or a collective investment scheme).

Stamp Duty and stamp duty reserve tax		
Band	**Tax year 2013-14**	**Tax year 2014-15**
Standard rate	0.5%	0.5%
Higher rate	1.5%	1.5%

Budget 2014 confirms that the charges for the Annual Tax on Enveloped Dwellings will increase in line with the September 2013 Consumer Prices Index of 2.7 per cent (rounded down to the nearest £50) for the chargeable period 1 April 2014 to 31 March 2015.

Annual Tax on Enveloped Dwellings		
Property value	**Charge for tax year 2013-14**	**Charge for tax year 2014-15**
Less than £2m	0	0
More than £2m but not more than £5m	£15,000	£15,400
More than £5m but not more than £10m	£35,000	£35,900
More than £10m but not more than £20m	£70,000	£71,850
More than £20m +	£140,000	£143,750

BUSINESS AND FINANCIAL SERVICES

Budget 2012 announced that the main rate of corporation tax would be reduced from 23 per cent to 21 per cent for the financial year beginning 1 April 2014. There will be a further one per cent reduction for the financial year beginning 1 April 2015, and the small profits rate and main rate will be unified at 20 per cent.

Corporation tax rates			
Level of profits	**Financial year 2012-13**	**Financial year 2013-14**	**Financial year 2014-15**
£0 - £300,000: small profits rate	20%	20%	20%
£300,001 - £1,500,000	Marginal rate	Marginal rate	Marginal rate
Marginal rate fraction	1/100th	3/400th	1/400th
£1,500,001 or more: main rate	24%	23%	21%
North sea oil and gas ring fenced profits[11]	See footnote	See footnote	See footnote

[11] For North Sea Oil and gas ring fenced profits the main rate is 30 per cent and the small profits rate is 19 per cent. The marginal relief ring fenced fraction is 11/400ths.

Corporation tax allowances and reliefs			
	Financial year 2012-13	**Financial year 2013-14**	**Financial year 2014-15**
Plant and machinery: main rate expenditure	18%	18%	18%
Plant and machinery: special rate expenditure	8%	8%	8%
Annual investment allowance (AIA)	£25,000[12]	£250,000	£500,000[13]
First year allowances (e.g. for certain energy-saving/ water efficient products)	100%	100%	100%
R&D tax credits SME scheme	225%	225%	225%
R&D tax credits Large companies scheme	130%	130%	130%
Patent Box[14]	-	10% CT rate	10% CT rate
Film tax relief	100% limited budget, 80% large budget	100% limited budget, 80% large budget	100% limited budget, 80% large budget
Open ended investment companies and authorised unit trusts[15]	See footnote	See footnote	See footnote

Bank levy		
	Chargeable equity and long-term chargeable liabilities	**Short-term chargeable liabilities**
1 January – 28 February 2011	0.025%	0.05%
1 March – 30 April 2011	0.05%	0.1%
1 May – 31 December 2011	0.0375%	0.075%
1 January – 31 December 2012	0.044%	0.088%
1 January – 31 December 2013	0.065%	0.130%
1 January 2014 onwards	0.078%	0.156%

[12] It was announced at Autumn Statement 2012 that legislation would be included in Finance Bill 2013 to increase the AIA from £25,000 to £250,000 for a temporary period of two years for qualifying expenditure incurred between 1 January 2013 and 31 December 2014.
[13] It was announced at Budget 2014 that legislation would be included in Finance Bill 2014 to further increase the AIA to £500,000 for a temporary period for qualifying expenditure incurred between April 2014 and December 2015.
[14] The Patent Box will be phased in from April 2013, with companies 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.
[15] For open ended investment companies and authorised unit trusts the applicable corporation tax rate is 20 per cent.

UK oil and gas taxes		
	Tax year 2013-14	**Tax year 2014-15**
Petroleum revenue tax	50%	50%
Ring fence corporation tax[16]	See footnote	See footnote
Supplementary charge	32%	32%

Business rates		
	Tax year 2013-14	**Tax year 2014-15**
England standard multiplier	47.1p	48.2p
England small business multiplier	46.2p	47.1p

[16] 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.

INDIRECT TAX

Budget 2014 confirmed that alcohol duty rates will change as shown in the table below.

Alcohol duty		
	Duty rate from 25 March 2013	**Duty rate from 24 March 2014**
	Rate per litre of pure alcohol	
Spirits	£28.22	£28.22
Spirits-based RTDs (i.e. Ready to drink)	£28.22	£28.22
Wine and made-wine: exceeding 22% alcohol by volume (abv)	£28.22	£28.22
	Rate per hectolitre per cent of alcohol in the beer	
Beer - lower strength: exceeding 1.2% - not exceeding 2.8% abv	£9.17	£8.62
Beer – General Beer Duty: exceeding 2.8% - not exceeding 7.5% abv	£19.12	£18.74
Beer - High strength: exceeding 7.5% - in addition to the General Beer Duty	£19.12 + £5.09	£18.74 + £5.29
	Rate per hectolitre of product	
Still cider and perry: exceeding 1.2% - not exceeding 7.5% abv	£39.66	£39.66
Still cider and perry: exceeding 7.5% - less than 8.5% abv	£59.52	£59.52
Sparkling cider and perry: exceeding 1.2% - less than 5.5% abv	£39.66	£39.66
Sparkling cider and perry: exceeding 5.5%abv- less than 8.5% abv	£258.23	£264.61
Wine and made-wine: exceeding 1.2% - not exceeding 4% abv	£82.18	£84.21
Wine and made-wine: exceeding 4% - not exceeding 5.5% abv	£113.01	£115.80
Still wine and made-wine: exceeding 5.5% - not exceeding 15% abv	£266.72	£273.31
Wine and made-wine: exceeding 15% - not exceeding 22% abv	£355.59	£364.37
Sparkling wine and made-wine: Exceeding 5.5% - less than 8.5% abv	£258.23	£264.61
Sparkling wine and made-wine: exceeding 8.5% - not exceeding 15% abv	£341.63	£350.07

Budget 2014 confirmed that tobacco duty rates will increase by 2 per cent above inflation and announced that tobacco duty rates will continue to increase by 2 per cent above inflation each year between 2015-16 and 2019-20 inclusive.

Budget 2014 announced a consultation on the public health impacts of a Minimum Excise Tax (MET) on tobacco products.

Budget 2014 also announced a consultation on tobacco controls and revenue protection.

Tobacco product	**From 6pm 20 March 2013**	**Ad valorem element**	**From 6pm 19 March 2014**	**Ad valorem element**
Cigarettes	£176.22 per 1000 cigarettes	16.5% of retail price	£184.10 per 1000 cigarettes	16.5% of retail price
Cigars	£219.82/kg	N/A	£229.65/kg	N/A
Hand rolling tobacco	£172.74/kg	N/A	£180.46/kg	N/A
Other smoking tobacco and chewing tobacco	£96.64/kg	N/A	£100.96/kg	N/A

Gambling duties		
	Tax year 2013-14	**Tax year 2014-15**
Bingo duty		
Percentage of bingo promotion profits [17]	20%	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 [18] and a maximum cash prize not more than £10 [19] (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 [20]	20%	25%

[17] Bingo duty rate change effective from 30 June 2014
[18] 10p increased to 20p with effect from 6 February 2014
[19] £8 increased to £10 with effect from 6 February 2014
[20] MGD new higher rate effective from 1 March 2015

Gaming duty 2013-14 [21]					
Tax rate	15%	20%	30%	40%	50%
Gross gaming yield	£2,242,500	£1,546,000	£2,707,500	£5,714,500	Remainder
New figures for accounting periods beginning on or after 1 April 2014					
Tax rate	15%	20%	30%	40%	50%
Gross gaming yield	£2,302,000	£1,587,000	£2,779,000	£5,865,500	Remainder

Insurance Premium Tax		
	Tax year 2013-14	**Tax year 2014-15**
Standard rate	6%	6%
Higher rate	20%	20%

Budgets 2013 and 2014 announced that climate change levy (CCL) main rates will increase in line with inflation in 2014-15 and 2015-16 respectively.

Climate change levy main rates		
Taxable commodity	**Rates from 1 April 2014**	**Rates from 1 April 2015**
Electricity	£0.00541 per kilowatt hour	£0.00554 per kilowatt hour
Natural gas	£0.00188 per kilowatt hour	£0.00193 per kilowatt hour
Liquefied petroleum gas	£0.01210 per kilogram	£0.01240 per kilogram
Any other taxable commodity	£0.01476 per kilogram	£0.01512 per kilogram

[21] Budget 2014 confirmed that gaming duty bands will increase in line with inflation for accounting periods starting on or after 1 April 2014.

Budget 2013 announced the carbon price support (CPS) rates of CCL and fuel duty for 2014-15 and 2015-16. Budget 2014 announced:

- an amended CPS rate on coal and other taxable solid fossil fuels for both 2014-15 and 2015-16;
- an extension of the CPS rates of fuel duty to cover duty paid kerosene used in electricity generation from 1 May 2014; and
- the CPS rates of CCL and fuel duty for 2016-17.

CPS rates of CCL and fuel duty			
	Rate from 1 April 2014	**Rate from 1 April 2015**	**Rate from 1 April 2016**
Carbon price equivalent (£ per tonne of carbon dioxide)	9.55	18.08	18.00
Supplies of commodity used in electricity generation			
Natural gas (£ per kilowatt hour)	0.00175	0.00334	0.00331
LPG (£ per kilogram)	0.02822	0.05307	0.05280
Coal and other taxable solid fossil fuels (£ per gross gigajoule)	0.81906	1.56860	1.54790
Gas oil; rebated bioblend; and kerosene (£ per litre)	0.02642 [22]	0.04990	0.04916
Fuel oil; other heavy oil; rebated light oil (£ per litre)	0.03011	0.05730	0.05711

Budget 2014 announced that the rate of aggregates levy will remain at £2.00 per tonne in 2014-15.

Aggregates levy	
	Rate from 1 April 2014
Commercially exploited taxable aggregate	£2.00/tonne

Budget 2013 confirmed the previously announced £8 per tonne increase to the standard rate of landfill tax for 2014-15 and froze the lower rate in that year. Budget 2014 announced that both rates would increase in line with inflation, rounded to the nearest 5 pence, in 2015-16.

Landfill tax		
Waste sent to landfill	**Rate from 1 April 2014**	**Rate from 1 April 2015**
Standard rated	£80/tonne	£82.60/tonne
Lower rated	£2.50/tonne	£2.60/tonne

[22] rate for kerosene applies from 1 May 2014.

Air Passenger Duty (APD) rates for 2014-15 were set out at Budget 2013. The APD rates for 2015-16 are set out below.

Air Passenger Duty Rates [23] [24]						
Bands (approximate distance in miles from the UK)	**Reduced rate (lowest class of travel)**		**Standard rate [25] (other than the lowest class of travel)**		**Higher rate [26]**	
	From 01 April 2013	From 01 April 2014	From 01 April 2013	From 01 April 2014	From 01 April 2013	From 01 April 2014
Band A (0 – 2000 miles)	£13	£13	£26	£26	£52	£52
Band B (2001 – 4000 miles)	£67	£69	£134	£138	£268	£276
Band C (4001 – 6000 miles)	£83	£85	£166	£170	£332	£340
Band D (over 6000 miles)	£94	£97	£188	£194	£376	£388
From 1 April 2015						
Bands (approximate distance in miles from the UK)	**Reduced rate (lowest class of travel)**		**Standard rate [25] (other than the lowest class of travel)**		**Higher rate [26]**	
Band A (0 – 2000 miles)	£13		£26		£78	
Band B (over 2000 miles)	£71		£142		£426	

[23] From 1 April 2013, APD has applied to all flights aboard aircraft 5.7 tonnes and above.
[24] From 1 January 2013 the rates for direct long-haul flights from NI were devolved to the Northern Ireland Executive, and set at £0. Direct long haul journeys from NI are those where the first part of the journey is to a destination outside Band A.
[25] 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.
[26] The higher rate applies to flights aboard aircraft of 20 tonnes and above with fewer than 19 seats.

Fuel duty – pound per litre (unless stated)	
	Rates until 1 September 2015
Light oils	
Unleaded petrol	0.5795
Light oil (other than unleaded petrol or aviation gasoline)	0.6767
Aviation gasoline (Avgas)	0.3770
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
Biodiesel	0.5795
Biodiesel for non road use	0.1114
Biodiesel blended with gas oil not for road fuel use	0.1114
Road fuel gases	
Liquefied petroleum gas (LPG)	0.3161 £/kg
Road fuel natural gas including biogas	0.2470 £/kg

Budget 2014 announced that from 1 April 2014, Vehicle Excise Duty (VED) rates for cars, vans, motorcycles and motorcycle trade licences will increase in line with RPI, apart from the VED rates for Euro IV and V light goods vehicles which will be frozen in 2014-15.

VED bands and rates for cars registered on or after 1 March 2001					
VED band	**CO_2 emissions (g/km)**	**Tax year 2013-14**		**Tax year 2014-15**	
		Standard rate*	**First year rate***	**Standard rate***	**First year rate***
A	Up to 100	£0	£0	£0	£0
B	101-110	£20	£0	£20	£0
C	111-120	£30	£0	£30	£0
D	121-130	£105	£0	£110	£0
E	131-140	£125	£125	£130	£130
F	141-150	£140	£140	£145	£145
G	151-165	£175	£175	£180	£180
H	166-175	£200	£285	£205	£290
I	176-185	£220	£335	£225	£345
J	186-200	£260	£475	£265	£485
K[27]	201-225	£280	£620	£285	£635
L	226-255	£475	£840	£485	£860
M	Over 255	£490	£1,065	£500	£1,090

* Alternative fuel discount: £10 for all cars

VED bands and rates for cars and vans registered before 1 March 2001		
Engine size	**Tax year 2013-14**	**Tax year 2014-15**
1549cc and below	£140	£145
Above 1549cc	£225	£230

VED bands and rates for vans registered on or after 1 March 2001		
Vehicle registration date	**Tax year 2013-14**	**Tax year 2014-15**
Early Euro 4 and Euro 5 compliant vans	£140	£140
All other vans	£220	£225

[27] Includes cars emitting over 225g/km registered before 23 March 2006

VED bands and rates for motorcycles		
Engine size	**Tax year 2013-14**	**Tax year 2014-15**
Not over 150cc	£17	£17
151cc and 400cc	£37	£38
401cc to 600c	£57	£58
Over 600cc	£78	£80

VED bands and rates for motor tricycles		
Engine size	**Tax year 2013-14**	**Tax year 2014-15**
Not over 150cc	£17	£17
All other tricycles	£78	£80

VED bands and rates for trade licences		
Vehicle type	**Tax year 2013-14**	**Tax year 2014-15**
Available for all vehicles	£165	£165
Available only for bicycles and tricycles (weighing no more than 450kg without a sidecar)	£78	£80

The following VED and HGV Road User Levy rates will apply to HGVs of 12 tonnes or more, from 1 April 2014. 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	£165.00	£90.75	£165.00	£90.75	**n/a**	£0	£0
B0	£200.00	£110.00	£200.00	£110.00			
A1	£165.00	£91.00	£80.00	£40.00	**A**	£85	£51
A2	£169.00	£93.00	£84.00	£42.00			
A3	£185.00	£101.00	£100.00	£50.00			
A4	£231.00	£124.00	£146.00	£73.00			
A5	£236.00	£126.50	£151.00	£75.50			
B1	£200.00	£110.50	£95.00	£47.50	**B**	£105	£63
B2	£210.00	£115.50	£105.00	£52.50			
B3	£230.00	£125.50	£125.00	£62.50			
C1	£450.00	£249.00	£210.00	£105.00	**C**	£240	£144
C2	£505.00	£276.50	£265.00	£132.50			
C3	£529.00	£288.50	£289.00	£144.50			
D1	£650.00	£360.00	£300.00	£150.00	**D**	£350	£210
E1	£1,200.00	£664.00	£560.00	£280.00	**E**	£640	£384
E2	£1,249.00	£688.50	£609.00	£304.50			
F	£1,500.00	£831.00	£690.00	£345.00	**F**	£810	£486
G	£1,850.00	£1,025.00	£850.00	£425.00	**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 12 months	VED rates 6 months	Levy rates 12 months	Levy rates 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		
			-	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		
			-	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		
			-	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		
			-	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	-	D(T)4	£430	£215		
Four	B(T)	4,001-12,000kg	35,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	-	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	-	C(T)2	£370	£185		
	D(T)	4,001-12,000kg	39,000kg	D(T)1	£365	£182.50	£450	£270
		Over 12,000kg	-	D(T)4	£430	£215		
	E(T)	4,001-12,000kg	44,000kg	E(T)1	£535	£267.50	£830	£498
		Over 12,000kg	-	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		
			-	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		
			-	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		
			-	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		
			-	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		
			-	D(T)6	£542	£271		
Four	B(T)	4,001-12,000kg	35,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	-	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	-	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	-	D(T)4	£430	£215		
	E(T)	4,001-10,000kg	38,000kg	E(T)1	£535	£267.50	£830	£498
			-	E(T)3	£604	£302		
		10,001-12,000kg	-	E(T)1	£535	£267.50		

The band and rate payable can be calculated by using the following look-up tables. Please note that in all the below tables the letter indicates the tax 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 tax 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">Rigid goods vehicle - WITHOUT trailer</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">Rigid vehicles - WITH trailer</th></tr>
<tr><th colspan="2">Weight of rigid (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">Articulated vehicles – Tractive unit with three or more axles</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">Articulated vehicles – Tractive unit with two axles</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 2013-14	**April 2014-15**
Standard rate	20%	20%
Reduced rate	5%	5%
Zero rate	0%	0%
Exempt	n/a	n/a

VAT registration and deregistration thresholds		
	From April 2013	**From April 2014**
VAT registration thresholds	£79,000	£81,000
VAT deregistration threshold	£77,000	£79,000

The revalorisation of fuel scale charges is no longer part of the Budget process. The new tables are published on the HMRC website at: http://www.hmrc.gov.uk/vat/forms-rates/rates/rates-thresholds.htm#8

HM Treasury contacts

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HM Revenue & Customs contacts

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This document can be found in full on
www.GOV.UK