HM Revenue
& Customs

HM Treasury

Overview of Tax Legislation and Rates

16 March 2016

Introduction

This document sets out the detail of each tax policy measure announced at Budget 2016. It is intended for tax practitioners and others with an interest in tax policy changes, especially those who will be involved in consultations both on the policy and on draft legislation. The information is set out as follows:

Section 1 provides detail on all tax measures to be legislated in Finance Bill 2016. 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 2016 where they will be in Finance Bill 2016.

Section 2 provides details of proposed tax changes announced at Budget 2016 (or earlier) which will be legislated in a future Finance Bill, programme bills or which will be legislated in secondary legislation.

Annex A includes all Tax Information and Impact Notes published at Budget 2016.

Annex B provides tables of tax rates and allowances.

Finance Bill 2016 will be published on 24 March 2016.

1. Finance Bill 2016

This section summarises tax changes legislated in Finance Bill 2016 or in other legislation coming into effect for 2016 to 2017.

Most of the legislation in Finance Bill 2016 was exposed in draft for consultation on 9 December 2015 following announcement at Spending Review and Autumn Statement 2015. The paragraphs in this section indicate where changes have been made following consultation. Where clauses are unchanged, or only subject to minor technical amendments they are listed at the end of this section.

Income tax

1.1. Income Tax Personal Allowance and Basic Rate Limit from 2017. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to increase the income tax personal allowance to £11,500 in 2017 to 2018. The basic rate limit will also increase to £33,500 in 2017 to 2018.

Taken together, these changes will increase the higher rate threshold, above which individuals pay income tax at 40%, to £45,000 in 2017 to 2018.

A tax information and impact note for this measure is published at Annex A.

1.2. Personal Tax - Personal Savings Allowance. As announced at March Budget 2015, legislation will be introduced in Finance Bill 2016 to provide for a new tax-free Personal Savings Allowance (PSA) for individuals. This will apply a 0% rate for up to £1,000 of savings income, such as interest, paid to an individual (or £500 for individuals with any higher rate income). The PSA will not be available to individuals with any additional rate income. Alongside the introduction of the PSA, banks, building societies and National Savings and Investments (NS&I) will cease to deduct tax from the account interest they pay to customers. These changes will have effect in relation to savings income paid or credited on or after 6 April 2016.

The draft clause published on 9 December 2015 has been updated following consultation to clarify

- the definition of additional rate income for the purpose of the PSA
- the interaction of the PSA and the starting rate for savings
- the interaction between savings income and the rules for calculating a reduction in the residuary income of an estate

1.3. Applying 'English Votes for English Laws' to Income Tax. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to enable the 'English Votes for English Laws' procedure to apply to the UK main rates of income tax. The UK-wide savings rates of income tax will be renamed as 'savings basic', ‘savings additional’ and, 'savings higher'. The main rates of income tax will then apply to the non-savings, non-dividend income of any individual taxpayer that is resident in the UK and is not subject to the Scottish rate of income tax. A default rate of income tax will apply to the non-savings, non-dividend income of taxpayers who are not subject to either the UK main rates of income tax or the Scottish rates of income tax. These include trustees, non-UK resident companies and non-UK resident individuals.

A tax information and impact note is published at Annex A.

1.4. Northern Ireland top-ups As announced at Budget 2016, the government will legislate at a later stage of Finance Bill 2016 to exempt from income tax the payments intended to top-up non-taxable welfare benefits that the Northern Ireland Executive intends to fund from within its block grant.

Employment and benefits in kind

1.5. Car benefit, appropriate percentage for 2019 to 2020 As announced at Budget 2015, legislation will be introduced in Finance Bill 2016 to increase the appropriate percentage of list price subject to tax by 3 percentage points for cars emitting more than 75 grams of carbon dioxide per kilometre (gCO_2km), to a maximum of 37%, in 2019 to 2020.

The 3 percentage point differential between the 0-50 and 51-75 gCO_2km bands and between the 51-75 and 76-96 gCO_2/km bands will remain.

The legislation also modifies the appropriate percentage for cars which have no registered CO_2 emissions figure. The appropriate percentage will be increased by two percentage point for each band, these changes apply to 2017 to 2018 and 2018 to 2019.

A tax information and impact note is published at Annex A.

1.6. Van Benefit Charge (the VBC) As announced at Budget 2016, from 6 April 2017 the main VBC will increase by Retail Price Index (RPI). The increase will be based on the September 2016 RPI figure and will be introduced by secondary legislation later in 2016, in time for the tax code exercise in January 2017. The government will extend the VBC support for zero emission vans so that from 6 April 2016 the charge will be 20% of the main rate in 2016 to 2017 and 2017 to 2018, and will then increase on a tapered basis to 5 April 2022. The government will review VBC for zero emission vans again at Budget 2018 together with Enhanced Capital Allowances for zero emission vans.

A tax information and impact note is published at Annex A.

1.7. Preventing liability to charge being removed from certain taxable benefits in kind. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to ensure that if there is a specific statutory provision for calculating the tax charge on a benefit-in-kind, this must be used. This will mean that where an employee gets something from their employer on the same terms as a member of the public, there will still be a taxable benefit based on the statutory provisions for calculating the charge.

A tax information and impact note is published at Annex A.

1.8. Sporting testimonials. As announced at Autumn Statement 2015, legislation will be introduced in Finance Bill 2016 to confirm that income from sporting testimonials and benefit matches for employed sportspersons, irrespective of whether they are arranged by the sportsperson's employer or by an independent testimonial committee, is chargeable to income tax. This legislation will apply to testimonials which are non-contractual or non-customary and where the testimonial has been granted or awarded on or after 25 November 2015 for income from events taking place on or after 6 April 2017. Testimonials granted or awarded under contract or custom are already subject to income tax and will not be affected by the new legislation.

A tax information and impact note is published at Annex A.

Following consultation on the draft legislation, the exemption previously announced of £50,000 has been increased to £100,000. This applies from 6 April 2017 to an employed sportsperson against income from sporting testimonials which are non-contractual or non-customary. This will apply only to a single testimonial (which may consist of one or more events in a testimonial year). Separate corporation tax provisions to take such testimonial income out of charge if appropriate will also be introduced in Finance Bill 2016. Further legislation will also be introduced before 6 April 2017 to confirm the National Insurance treatment of income subject to the new legislation and to make some further consequential amendments.

1.9. Extending the real time collection of tax on benefits in kind: voluntary payrolling. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to allow for the payrolling of non-cash vouchers and credit tokens. A statutory framework has been introduced to allow payrolling of certain benefits in kind from 6 April 2016. This change will extend the statutory framework for payrolling benefits in kind to include non-cash vouchers and credit tokens. The regulations will be published in the summer and will come into effect from 6 April 2017.

A tax information and impact note is published at Annex A.

1.10. Employee share schemes: simplification of the rules. As announced at the Spending Review and Autumn Statement 2015, legislation will be introduced in Finance Bill 2016 to simplify tax-advantaged and non tax-advantaged employee share scheme rules. The changes will:

- for non-tax-advantaged schemes, clarify the tax treatment for internationally mobile employees of certain employment-related securities (ERS) and ERS

options; this will come into force on 6 April 2016. Any charge to tax will arise under the rules that deal with ERS options, rather than earnings

- reinstate rules for Share Incentive Plans (SIPs) previously repealed, to enforce the principle that shares with preferential rights cannot be issued to selected employees only. This will have effect from the date that the Finance Bill 2016 receives Royal Assent.
- permit late notification of tax-advantaged share schemes where the taxpayer had a reasonable excuse. This will have effect in relation to notifications made on or after 6 April 2016

Following technical consultation on the draft legislation, Finance Bill 2016 will also revise capital gains tax legislation so that a rights issue that takes place on or after 6 April 2016, in respect of shares received on exercise of an Enterprise Management Incentive option, will be treated in the same way for share identification purposes as other rights issues.

A tax information and impact note is published at Annex A.

1.11. Employment Intermediaries and tax relief for travel and subsistence. As announced at the March Budget 2015 and following publication of draft legislation on 9 December 2015, the government will introduce legislation in Finance Bill 2016 to restrict tax relief for travel and subsistence expenses for workers engaged through an employment intermediary.

Following the publication of the draft legislation, amendments have been made to allow grouped companies to second workers within the group, and to prevent the organised misuse of Personal Service Companies in order to avoid the restrictions. Minor amendments have also been made to improve clarity and correct errors.

1.12. Tackling disguised remuneration. As announced at Budget 2016, the government will bring forward a package of changes to ensure that those who have used disguised remuneration tax avoidance schemes pay their fair share of tax and National Insurance contributions. These schemes often involve individuals being paid in loans through structures such as offshore Employee Benefit Trusts.

The changes will tackle disguised remuneration schemes used in the past as well as their continued use. Part of the package will be legislated in Finance Bill 2016, including closing down one type of scheme from Budget day (16 March 2016), with the remainder to follow in a Finance Bill 2017 following a technical consultation. This will include a new charge on loans paid through disguised remuneration schemes which have not been taxed and are still outstanding on 5 April 2019.

The draft legislation, explanatory note and tax Information and impact note for the part of the package that will be introduced in Finance Bill 2016 have been published today. An overview of the changes and technical note also published today gives additional details about all parts of the package.

A tax information and impact note is published at Annex A.

Pensions tax

1.13. Bridging pensions changes. Following the introduction of a single tier pension from 6 April 2016, legislation will be introduced in Finance Bill 2016 to allow the pension tax rules on bridging pensions to be aligned with Department for Work and Pensions legislation.

1.14. Serious Ill Health Lump Sums - under 75. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to enable a serious-ill health lump sum to be paid out of remaining funds once pension savings have been accessed. The changes will take effect from the day after Royal Assent to Finance Bill 2016.

A tax information and impact note is published at Annex A.

1.15. Serious Ill Health Lump Sum - 75 and over. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to replace the 45% tax charge on serious ill-health lump sums paid to individuals who have reached age 75, with tax at the individual's marginal rate. The changes will take effect from the day after Royal Assent to Finance Bill 2016.

A tax information and impact note is published at Annex A.

1.16. Dependant's Flexi-Access Drawdown. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to enable dependants with drawdown or flexi-access drawdown pension who would currently have to take one lump sum before age 23 to continue to access their funds as they wish. The changes will take effect from the day after Royal Assent to Finance Bill 2016.

A tax information and impact note is published at Annex A.

1.17. Charity Lump Sum Death Benefits. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to align the tax treatment of charity lump sum death benefits whether they are paid out of drawdown and flexi-access drawdown funds or uncrystallised funds. The changes will take effect from the day after Royal Assent to Finance Bill 2016.

A tax information and impact note is published at Annex A

1.18. Trivial Commutation of Defined Contribution pensions in payment. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to enable money purchase scheme pensions in payment to be paid as a trivial commutation lump sum. The changes will take effect from the day after Royal Assent to Finance Bill 2016.

A tax information and impact note is published at Annex A.

1.19. Top ups to Dependants' Death Benefits. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to enable the full amount of dependants' benefits to be paid as authorised payments where there are insufficient funds in a cash balance arrangement when the member dies. The changes will take effect from the day after Royal Assent to Finance Bill 2016.

A tax information and impact note is published at Annex A.

Trading income

1.20. Extending Enhanced Capital Allowances (ECAs) for Enterprise Zones (EZs). As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to change the period in which 100 per cent ECAs are available in EZs to eight years from the date that they are announced.

ECAs are available to companies investing in qualifying plant and machinery on designated sites within EZs. These changes will have effect from Royal Assent.

A tax information and impact note is published at Annex A.

1.21. Repeal of renewals allowance. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to repeal the renewals allowance, with effect from 6 April 2016 for income tax purposes and from 1 April for corporation tax purposes. These dates align with the introduction of replacement furniture relief for residential landlords, ensuring alternative relief for this type of expenditure is available. The measure will ensure that tax relief for expenditure incurred by a business on replacement and alteration of tools is obtained under the same rules as apply to other equipment.

A tax information and impact note is published at Annex A.

1.22. Amendments to finance cost restriction for landlords. As announced at Summer Budget 2015 and legislated for in Finance (No. 2) Act 2015, relief for finance costs on residential properties will be restricted to the basic rate of income tax, gradually introduced from 6th April 2017. Finance bill 2016 amends the landlords finance cost restriction legislation to clarify that beneficiaries of deceased persons' estates are entitled to the basic rate tax reduction and to ensure that the basic rate tax reduction is applied and calculated as intended.

A tax information and impact note is published at Annex A.

1.23. Reform of Wear and Tear Allowance. As announced at Summer Budget 2015, legislation will be introduced in Finance Bill 2016 to repeal the Wear and Tear allowance and make new provision for a deduction for expenditure on the replacement of domestic items such as furniture, furnishings, appliances (including white goods) and kitchenware in a let dwelling-house. The deduction will be for expenditure incurred on or after 1 April 2016 for corporation tax payers and 6 April 2016 for income tax payers on an item that is substantially the same as the item being replaced, plus any costs incurred in disposing of, or less any proceeds received for, the item being replaced.

Following technical consultation on the draft clauses, the legislation now accommodates part-exchanges and letting arrangements without a formal lease and clarifies that the item being replaced should no longer be available for use in the dwelling-house.

1.24. Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT). As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to ensure the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) legislation works as intended. The changes to the rules determining the five year period for the average turnover amount and the relevant three preceding years for the operating costs conditions will take effect for shares issued under the EIS, and investments made by VCTs, on or after 18 November 2015. This will ensure that the most recently filed accounts of a company are generally used to determine the end date of the relevant period. However an investee company may elect for the current law to apply for investments received up to and including 5 April 2016, in which case the measure will take effect for investments made on or after 6 April 2016. A new condition will be introduced to clarify the non-qualifying investments a VCT may make for liquidity management purposes, and will take effect for investments made by VCTs on or after 6 April 2016.A tax information and impact note is published at Annex A.

1.25. Company distributions. As announced at the Spending Review and Autumn Statement 2015, legislation will be introduced in Finance Bill 2016 to amend the Transactions in Securities rules and introduce a Targeted Anti-Avoidance Rule in order to prevent opportunities for income to be converted to capital in order to gain a tax advantage.

The government will shortly publish its response to the consultation concerning company distributions, which was published on 9 December 2015.

1.26. Asset Managers Performance Linked Rewards. As announced at Budget 2016 and following technical consultation on draft clauses published on 9 December 2015, legislation will be introduced in Finance Bill 2016 to confirm the circumstances in which performance-related rewards paid to asset managers may be charged to capital gains tax rather than being charged to tax as income. The change will apply in relation to sums arising to managers on or after 6 April 2016.

Under this legislation, eligibility for capital gains tax treatment will be determined by the length of time for which the underlying scheme holds its investments on average. Full capital gains tax treatment will apply where the average hold period is 40 months or more (rather than 48 months specified in the draft legislation published on 9 December 2015). Additional bespoke calculation rules will also be introduced for additional asset classes, including venture capital and real estate, alongside a number of other minor technical changes.

1.27. Offshore Avoidance- Taxation of immovable property in the UK. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to ensure that all profits from dealing in and developing UK land are taxed fully in the UK, whether or not the business is resident in the UK and regardless of whether there is a UK permanent establishment. A technical note is published on GOV.UK. The legislation will be introduced at Report Stage, and take effect from the date it is introduced. Anti-avoidance rules have immediate effect to prevent arrangements to circumvent the rules: for example, by advancing profits to periods before the new legislation takes effect, or by arrangements designed to take advantage of tax treaties to avoid tax. Protocols have been agreed with Guernsey, the Isle of Man and Jersey, amending their treaties with the UK to support the introduction of this legislation. These will have effect from 16 March 2016.

Corporation Tax

1.28. Corporation tax - changes to rates. As announced at Budget 2016, the corporation tax (CT) main rate will be reduced by an additional 1% for the Financial Year beginning 1 April 2020. Legislation in Finance Bill 2016 will set the rate at 17%, replacing the rate set for Financial Year 2020 in the Finance (No. 2) Act 2015.

A tax information and impact note is published at Annex A.

1.29. Anti-hybrids rules. Legislation will be included in Finance Bill 2016 in response to the OECD Report on hybrid mismatches and to deal with tax mismatches involving permanent establishments. This follows a consultation announced at Autumn Statement 2014. A summary of responses to the consultation was published on 9 December 2015. The legislation tackles aggressive tax planning, typically involving multinational groups, where either one party gets a tax deduction for a payment while the other party does not pay tax on the receipt, or where there is more than one deduction for the same expense. The legislation will have effect from 1 January 2017.

A Tax information and Impact Note is published in Annex A.

1.30. Royalty withholding tax. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to widen the circumstances in which withholding tax must be deducted from payments of royalties to persons not resident in the UK and to counter the use of contrived arrangements involving double taxation treaties to obtain relief from withholding taxes on royalties. The changes preventing the use of contrived arrangements have effect for payments made on or after 17 March 2016. The changes to widen the circumstances in which withholding tax must be deducted from payments of royalties will be introduced later in the passage of Finance Bill 2016 and will have effect for payments made on or after the date of Royal Assent to the Finance Bill 2016.

A tax information and impact note is published at Annex A.

1.31. Patent Box. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to amend the Patent Box rules (Part 8A of CTA 2010) to ensure they comply with the new international framework for tax favoured Intellectual Property (IP) regimes set out by the OECD in October 2015, and in particular that profits qualifying for a reduced rate of corporation tax are determined by reference to the company's direct engagement in R&D. The changes generally have effect from 1 July 2016.

1.32. Expiration of Vaccine Research Relief. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to permit the expiry of the vaccine research relief with effect from 1 April 2017.

A tax information and impact note is published at Annex A.

1.33. Research and development state aid cap. Legislation will be introduced in Finance Bill 2016 to amend the calculation of the State aid cap in sections 1114 and 1118 Corporation Tax Act 2009. This calculation allows a company to work out whether or not they are under the state aid cap for research and development (R&D) SME relief, and it includes a figure for notional relief within the large company relief scheme. Since that scheme is being replaced by the R&D Expenditure Credit on 1 April 2016 an amendment is needed so that the calculation continues to apply in the same way as it did under the previous scheme.

A tax information and impact note is published at Annex A.

1.34. Loans to participators and other arrangements: rate of tax. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to specifically link the rate of tax chargeable on loans or advances to, or arrangements conferring benefits on, participators made by close companies to the higher dividend rate. The rate will be increased from 25% to 32.5%. The new rate will apply to loans made or benefits conferred on or after 6 April 2016.

A tax information and impact note is published at Annex A.

1.35. Banking Companies: excluded entities. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to amend the definition of an investment bank to ensure it is delivering its intended policy objective.

A tax information and impact note is published at Annex A.

1.36. Bank loss relief restriction: amendment to restriction. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to amend the rules restricting loss relief for banks announced at Autumn Statement 2014 and legislated in Finance Act 2015. The proportion of a banking company's annual taxable profit that can be offset by carried-forward losses will be restricted to 25%. The new rules will apply with effect from 1 April 2016.

A tax information and impact note is published at Annex A.

1.37. Oil and gas: Reducing the supplementary charge. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to reduce the rate of supplementary charge from 20% to 10%. The reduction will take effect for accounting periods starting on or after 1 January 2016.

A tax information and impact note for this measure is available at Annex A.

1.38. Oil and gas: Extension of 'relevant income' for the cluster area and investment allowances. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to give HMRC a power to extend the definition of 'relevant income' for the cluster area and investment allowances by secondary legislation. The government intends to allow tariff income to activate the allowance.

A tax information and impact note for this measure is available at Annex A.

1.39. Minor amendments to the anti avoidance provisions in the onshore, cluster area and investment allowances. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to amend the onshore, cluster area, and investment allowances to update the conditions which disqualify expenditure, incurred on the acquisition of an asset in certain circumstances, from generating allowance.

A tax information and impact note for this measure is available at Annex A.

1.40. Zero-rating Petroleum Revenue Tax.
As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to reduce the rate of Petroleum Revenue Tax from 35% to 0%. This permanent reduction will have effect in respect of chargeable periods ending after 31 December 2015 and will replace the 35% rate announced at Budget 2015.

A tax information and impact note for this measure is available at Annex A.

1.41. Securitisation and annual payments. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to amend the regulation making power which concerns the corporation tax treatment of securitisation companies. The revised power to make regulations will be extended so that it also applies to the Income Tax Acts and will have effect on and after the date of Royal Assent.

A tax information and impact note is published at Annex A.

1.42. Corporation tax rules for life insurance companies. Legislation will be introduced in Finance Bill 2016 to amend the taxation of life insurance companies to ensure the regime works as intended in relation to the treatment of intangible fixed assets debits, deemed income and trading losses in certain specific circumstances.

1.43. Tax treatment for Insurance Linked Securities. As announced at Budget 2016, legislation will be included in Finance Bill 2016 to enable regulations to provide for a bespoke corporate tax regime for insurance linked securities.

This follows announcement at March Budget 2015, since when the government has been working with the insurance industry to develop a new corporate and tax

structure for allowing vehicles issuing Insurance Linked Securities to be domiciled in the UK. The power to make regulations will have effect from Royal Assent. Consultation on the design features of the regime is underway and further detailed

consultation on the content of regulations will take place in summer 2016. The regulations will be laid by the end of 2016.

A tax information and impact note is published at Annex A.

1.44. Trading Income Received in Non-Monetary form. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to confirm that trading income received in non-monetary form is fully brought into account in calculating taxable profits for income tax and corporation tax purposes. This measure will also apply to the calculation of taxable property income.

A tax information and impact note is published at Annex A

1.45. Updating transfer pricing guidelines. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to update the definition of "transfer pricing guidelines" in section 164(4) Taxation (International and Other Provisions) Act 2010 and section 357GE(1) Corporation Tax Act 2010. This will maintain the link between the UK's transfer pricing legislation and the internationally agreed consensus on the practical application of transfer pricing principles.

A tax information and impact note is published at Annex A

Capital gains tax

1.46. Capital Gains Tax: Changes to rates. Legislation will be introduced in Finance Bill 2016 to reduce the rate of CGT charged on most gains accruing to basic rate taxpayers from 18% to 10%. For higher rate taxpayers, or those whose gains exceed the unused part of their basic rate tax band, the rate of CGT charged on most gains will be reduced from 28% to 20%.

The 28% and 18% rates will continue to apply for gains accruing on the disposal of interests in residential properties that do not qualify for Private Residence Relief, and the receipt of carried interest. The rate of CGT charged on Annual Tax on Enveloped Dwellings related chargeable gains will continue to be 28%. These changes will have effect from 6 April 2016.

A tax information and impact note is published at Annex A.

1.47. Capital Gains Tax – entrepreneurs' relief and associated disposals. Legislation will be introduced in Finance Bill 2016 to allow claims to entrepreneurs' relief in certain cases where relief ceased to be due as a result of changes in Finance Act 2015. In particular, relief will be due, subject to conditions, on an 'associated disposal' of a privately-held asset when the accompanying disposal of business assets is to a family member. Relief can also be claimed in some cases where the disposal of business assets does not meet the present 5% minimum size condition. These changes have effect for disposals on or after 18 March 2015.

A tax information and impact note is published at Annex A

1.48. Capital Gains Tax – entrepreneurs' relief and disposals of goodwill. Legislation will be introduced in Finance Bill 2016 to allow claims to entrepreneurs' relief in certain cases where relief ceased to be due as a result of changes in Finance Act 2015. In particular, relief will be due, subject to conditions, on gains on the goodwill of a business when that business is transferred to a company controlled by five or fewer persons or by its directors. These changes have effect for disposals on or after 3 December 2014.

A tax information and impact note is published at Annex A.

1.49. Capital Gains Tax – entrepreneurs' relief: definition of a trading company etc. Legislation will be introduced in Finance Bill 2016 to allow claims to entrepreneurs' relief in certain cases where relief ceased to be due as a result of changes in Finance Act 2015. The definitions of a trading company and trading group which apply for entrepreneurs' relief purposes will be amended. This will allow a percentage of the activities of a joint venture company to be treated as carried on by a company which holds shares in that company. Where the new definitions apply, trading activities of a company in its capacity as a partner in a firm may be taken into account as such rather than treated as being non-trading. These changes have effect for disposals on or after 18 March 2015.

A tax information and impact note is published at Annex A.

1.50. Capital Gains Tax – entrepreneurs' relief: extension to long-term external investors. Legislation will be introduced in Finance Bill 2016 applying a 10% rate of Capital Gains Tax (CGT) to gains accruing on the disposal of ordinary shares in an unlisted trading company held by individuals that were acquired for new consideration. The qualifying gains will be subject to a separate lifetime limit of £10 million. This legislation will apply to qualifying shares bought on or after 17 March 2016, and held for a period of at least three years starting from 6 April 2016.

A tax information and impact note is published at Annex A.

1.51. Capital Gains Tax for non-UK residents disposing of UK residential property. As announced at the Spending Review and Autumn Statement 2015, the government will amend the CGT computations required by non-residents on the disposal of UK residential property by removing with effect from 6 April 2015 a double charge that occurs in some circumstances and correcting an omission with effect from 25 November 2015. The government will also add CGT to the list of taxes that the government may collect on a provisional basis. Following consultation on the draft legislation, published on 9 December 2015, the government will also prescribe with effect from 6 April 2015 two specific circumstances where a return is not required and give HM Treasury, rather than HMRC, powers to add, amend or remove circumstances and make consequential provision.

1.52. Changes to Employee Shareholder Status. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to place a lifetime limit of £100,000 on the gains that a person with Employee Shareholder Status can make on the disposal of Employee Shares exempt from Capital Gains Tax. The change will take effect in relation to Employee Shareholder shares acquired in consideration of an Employee Shareholder agreement entered into from midnight at the end of 16 March 2016, and to gains on such shares.

A tax information and impact note is published at Annex A.

Inheritance Tax

1.53. Inheritance Tax: Downsizing and the residence nil-rate band. As announced at Summer Budget 2015, legislation will be introduced in Finance Bill 2016 to ensure that the residence nil-rate band will be available in cases where a person downsizes or ceases to own a home and other assets are passed on death to direct descendants. Following consultation, the draft legislation will be revised to clarify when a disposal has occurred, to ensure that certain disposals made by trustees will also be taken into account, and to ensure that the provisions relating to cases involving conditionally exempt assets work as intended. These changes will apply for deaths on or after 6 April 2017 where the deceased downsized or disposed of a property on or after 8 July 2015.

1.54. Estates Duty and Inheritance Tax: Objects granted exemption from Estate Duty. As announced at Budget 2016 legislation will be introduced in Finance Bill 2016 to:

- revise the way Estate Duty and IHT interact so that where both charges could apply HMRC may elect which charge to raise in relation to chargeable events occurring on or after 16 March 2016;
- create, with effect from the date of Royal Assent, a charge on objects which are currently subject to an Estate Duty exemption and which have been lost;
- bring back within scope, with effect from the date of Royal Assent, certain galleries and museums who used to benefit from the favourable tax exemptions under Schedule 3 to Inheritance Tax Act (IHTA) 1984 on the grounds that they were maintained by a local authority but are currently unable to do so because of their status as independent charitable trusts..

A tax information and impact notes is published at Annex A

1.55. Inheritance Tax: exemption for compensation and ex-gratia payments to victims of persecution during World War II. As announced at Autumn Statement 2015, the government will legislate Extra Statutory Concession F20, which gives an inheritance tax exemption in respect of certain compensation and ex-gratia payments for World War II claims. The legislation will also extend the scope of the existing concession to include a payment made under a recently created compensation scheme known as the Child Survivor Fund. Following consultation, the legislation has amended to extend the power for the Treasury to add additional payments from particular schemes so that it includes prisoners of war and civil internees as well as victims of National Socialist persecution. The legislation will apply to deaths on or after 1 January 2015.

Apprenticeship Levy

1.56. Apprenticeship levy. Legislation will be introduced in Finance Bill 2016 for the apprenticeship levy on employers (first announced in the Summer Budget). The levy will be introduced in April 2017. Minor amendments have been made to the draft legislation published on 4th February 2016.

VAT

1.57. Changes to VAT representatives legislation and the introduction of joint and several liability on the online marketplaces. Legislation will be introduced in Finance Bill 2016 to:

- amend section 48 of the VAT Act 1994 to strengthen the existing rules that enable HMRC to direct overseas businesses selling goods in the UK to appoint a VAT representative with joint and several liability and/or provide security for the VAT that becomes due; and
- hold an online marketplace jointly and severally liable for the VAT that an overseas business selling goods via the online marketplace fails to account for.

A tax information and impact note is published at Annex A

Stamp duty Land Tax

1.58. Reform of charging provisions for Stamp Duty Land Tax (SDLT) on non-residential property. SDLT on purchases of non- residential property is being reformed with effect on or after 17 March 2016. SDLT will be payable at each rate on the portion of the purchase price which falls within each band, rather than at a single rate on the whole transaction value. The rates and thresholds for freehold and lease premium transactions, as well as leasehold rent transactions, are also being amended as part of this reform.

For freehold and lease premium transactions the portion of the transaction value up to £150,000 is charged at a rate of 0%, the portion of the transaction value between £150,001 and £250,000 is charged at a rate of 2% and the portion over £250,001 is charged at a rate of 5%. For leasehold rent transactions the portion of the net present value of the rent (NPV) up to £150,000 is charged at a rate of 0%, the

portion of the NPV between £150,001 and £5,000,000 is charged at a rate of 1% and the portion of the NPV over £5,000,000 is charged at a rate of 2%.

A tax information and impact note is published at Annex A.

1.59. Higher rate of Stamp Duty Land tax (SDLT) on additional residential properties. As announced at the Spending Review and Autumn Statement 2015, legislation will be introduced in Finance Bill 2016 to apply higher rates of SDLT, 3 percentage points above the existing rates, for purchases of additional residential properties on or after 1 April 2016.

A tax information and impact note is published in Annex A.

1.60. Stamp Duty Land Tax (SDLT): application to certain authorised property funds. As announced at the Spending Review and Autumn Statement 2015, the government will introduce a seeding relief for Property Authorised Investment Funds (PAIFs) and Co-ownership Authorised Contractual Schemes (CoACSs) and make changes to the SDLT treatment of CoACSs investing in property so that SDLT does not arise on the transactions in units. Some minor technical changes have been made since publication of the draft clause. This legislation will take effect from the date Finance Bill 2016 receives Royal Assent.

1.61. Annual Tax on Enveloped Dwellings and 15% rate of Stamp Duty Land Tax (SDLT): Widening the Scope of the Reliefs. As announced at the Spending Review and Autumn Statement 2015, the scope of the reliefs available from these charges will be extended where a residential property is held for the purposes of an Equity Release Scheme (Home Reversion Plan), occupied by certain employees, or acquired for demolition or conversion into non-residential use. Following consultation on the draft legislation some amendments have been made of a minor technical nature. These changes will come into effect from 1 April 2016.

1.62. Stamp duty and Stamp duty reserve Tax: Deep In The Money Options (DITMOs). As announced at Spending Review and Autumn Statement 2015, legislation will be introduced in Finance Bill 2016 to stop avoidance of stamp duty and SDRT using 'deep in the money' options to transfer shares to a depositary receipt issuer or clearance service. Deep in the money call options have a strike price significantly below market value. Shares transferred to a depositary receipt issuer or clearance service as a result of the exercise of an option will now be charged the 1.5% higher rate of stamp duty or SDRT based on either their market value or the option strike price, whichever is higher.

Draft legislation was published for consultation in December 2015. The legislation has been revised so that the change will now have effect from 23 March 2016 and apply to options exercised on or after 23 March 2016 which were entered into on or after 25 November 2015. The effective date has been moved back to allow the appropriate resolutions for stamp duty and SDRT to take effect at the same time.

Indirect taxes

1.63. Insurance Premium Tax. Legislation will be introduced in Finance Bill 2016 to increase the standard rate of Insurance Premium Tax (IPT) to 10%. The change will take effect on 1 October 2016. The rate rise will help to pay for flood defences and resilience.

A tax information and impact note is published at Annex A.

1.64. Landfill tax rates. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to increase the standard and lower rates of Landfill Tax in line with RPI, rounded to the nearest 5 pence, from 1 April 2017 and again from 1 April 2018. A tax information and impact note for this measure is available at Annex A and the rates of Landfill Tax are set out in Annex B. The annexes confirm the Budget 2015 announcement on the end of the transition period for the loss on ignition test for qualifying waste fines that are eligible for the lower rate.

A tax information and impact note is published at Annex A.

1.65. Climate Change Levy (CCL) main rates. As announced at Budget 2016 legislations will be introduced in Finance Bill 2016 to increase the main rates of CCL in 2017 to 2018, 2018 to 2019 and 2019 to 2020.

In line with usual practice, the rates will increase in line with the Retail Price Index (RPI) from 1 April 2017 and again on 1 April 2018.

The rates will again increase on 1 April 2019 to recover the tax revenues lost by closing the Carbon Reduction Commitment (CRC) energy efficiency scheme. The balance between rates on taxable commodities will be updated to reflect changes in the fuel mix used in electricity generation. In addition, the reduced rates of CCL for participants in the Climate Change Agreement scheme will be amended so participants will not pay more CCL than they would have done had the rates increased with RPI in 2019 to 2020. All these changes from 2019 to 2020 are part of a package of wider reform to business energy taxation following consultation during 2015. A response document to this consultation is being published at Budget 2016.

A tax information and impact note for this measure is available at Annex A and the main and reduced rates of CCL are set out in Annex B.

1.66. Air Passenger Duty (APD) - Rates for 2016 to 2017. As announced at March Budget 15, legislation will be introduced in Finance Bill 2016 to increase air passenger duty rates in line with RPI from 1 April 2016.

A tax information and impact note is published at Annex A

1.67. Vehicle Excise Duty (VED) rates for cars, vans, motorcycles and motorcycle trade licences. Legislation will be introduced in Finance Bill 2016 to increase VED rates in line with the Retail Price Index (RPI) with effect from 1 April 2016. Details of the VED rate changes are published in Annex B.

A tax information and impact note is published at Annex A.

1.68. Vehicle Excise Duty (VED) 40-year rolling classic vehicle exemption. Legislation will be introduced in Finance Bill 2016 to extend the existing VED exemption for classic vehicles permanently so that on the 1 April each year vehicles constructed more than 40 years before the beginning of the year will automatically be exempt. This change will have effect from 1 April 2017.

A tax information and impact note is published at Annex A.

1.69. Heavy Goods Vehicle (HGV) VED and Road User Levy. The government will freeze rates of VED for HGVs in 2016 to 2017, which includes all rates linked to the basic goods rate. Levy rates will also be frozen in 2016 to 2017.

1.70. Gaming duty. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 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 2016. The GGY bandings are published in Annex B

A tax information and impact note is published at Annex A

1.71. Fuel Duty. Fuel duty rates will remain frozen for 2016 to 2017.

1.72. Aqua methanol rates. As announced at Budget 2016, and following the previous announcement at Budget 2014, legislation will be introduced in Finance Bill 2016 to set a reduced road fuel duty rate for aqua methanol from 1 October 2016 of 7.90p per litre.

A tax information and impact note is published at Annex A

1.73. Tobacco products duty rates. As announced at Budget 2016, the duty rates for all tobacco products will be increased by 2% above inflation, from 6pm on the 16 March 2016. This is in accordance with the Budget 2014 announcement that all tobacco duty rates will increase by this amount each year until the end of this Parliament.

Budget 2016 also announced that hand-rolling tobacco duty would rise by an additional 3% above this to 5% above retail price inflation. Legislation for this will be introduced in Finance Bill 2016 and the rates are set out in Annex B.

A tax information and impact note is published at Annex A

1.74. Alcohol duty rates. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to increase the following alcohol duty rates in line with inflation (based on RPI):

- sparkling cider and perry exceeding 5.5% alcohol by volume (abv) but less than 8.5% abv
- all wine and made-wine rates at or below 22% abv

These changes will take effect from 21 March 2016.

The duty rates on beer, spirits, wine and made wine exceeding 22% abv, still cider and perry, and sparkling cider and perry of a strength not exceeding 5.5% abv have been frozen.

A tax information and impact note for this measure is available at Annex A. The rates are set out in Annex B.

Tax administration

1.75. State Aid Modernisation. As announced at Budget 2016, legislation will be introduced in Finance Bill 2016 to enable HMRC, from July 2016, to collate more information on beneficiaries of approved State aids. This will help the UK improve the monitoring of tax State aids and compliance with State aid guidelines.

A tax information and impact note is published at Annex A.

1.76. Large Business – requirement to publish tax strategies and special measures. As announced at Budget 2016, and following consultation on the draft clauses published on 9 December 2015, legislation will be introduced in the Finance Bill 2016 to:

- provide a requirement for large businesses to publish their tax strategy as it relates to or affects UK taxation
- a ‘special measures’ process narrowly targeted to tackle the small number of large businesses that persistently engage in aggressive tax planning and/or refuse to engage with HMRC in an open and collaborative way

Following consultation, the draft legislation has been revised to clarify the population of those entities in scope of the legislation. The legislation will be effective for accounting periods commencing on or after Royal Assent to Finance Bill 2016.

1.77. Strengthening civil deterrents for offshore evasion. As announced at Budget 2016, and following publication of draft legislation on 9 December 2015, Finance Bill 2016 will include legislation to increase minimum penalties for deliberate offshore tax evasion, require greater levels of disclosure for penalty reductions, remove protection from naming for unprompted disclosures, and allow naming provisions to name individuals who look to hide their evasion behind companies and other entities. This introduces an additional penalty for serious cases of deliberate offshore evasion, which is equivalent to up to 10% of the underlying asset value. This will come into force from to Finance Bill 2016.

1.78. Simple Assessment. As announced at Spending Review and Autumn Statement 2015, legislation will be introduced in Finance Bill 2016 to provide a new power to allow HMRC to make an assessment of a person’s income tax or capital gains tax liability without them first being required to complete a self-assessment return and where it has sufficient information about that individual to make the assessment.

Following consultation on the draft legislation for Simple Assessment as published on 9 December 2015 we have increased the time limit for customers to dispute the amount due in their assessment to 60 days and have clarified the arrangements for interest and late payment penalties to bring these in line with interest and late payment penalties for Self Assessment.

This measure will have effect on and after the date of Royal Assent to Finance Bill 2016.

Measures unchanged following consultation

This section lists those measures for which legislation is included in Finance Bill 2016 where draft legislation was been published for consultation on 9 December 2015 and either no changes were made, or only minor technical amendments have been made to the final legislation to be introduced in Finance Bill 2016.

The list indicates which draft clause at 9 December 2015 the measure listed .refers to.

Income Tax

Retention of the Diesel Supplement (draft clause 7)

Personal Tax - Trivial Benefits in kind (draft clause 8)

Deductions at a fixed rate (draft clause 20)

Bad debt relief on peer-to-peer lending (draft clause 5)

Plant and machinery Leasing Anti-Avoidance (draft clauses 35 and 36)

Self Assessment Time Limits (draft clause 72)

Tax exemption for payments from the Netherlands' government to victims of persecution 1940 to 1945 (draft clause 15)

Exclusion of energy generation from the venture capital schemes (draft clause 6)

Personal Tax - Personal Savings Allowance (draft clauses 1 and 4)

Personal Tax - Extending tax advantages after death of an ISA account holder (draft clause 2)

Business Tax - Farmers' averaging period extended (draft clause 19)

Dividend Tax (draft clauses 2 and 3)

Pensions

Dependants' scheme pensions (draft clause 14)

Pensions - Lifetime allowance reduction (draft clause 12)

Capital gains tax

Capital Gains Tax (CGT) for non-UK residents disposing of UK residential property (draft clauses 41 and 42)

Inheritance Tax

Inheritance Tax (IHT) - Treatment of unused drawdown funds on death (draft clause 46)

Corporation tax

Loan relationships and derivative contracts (draft clauses 23,24, and 25)

Corporation Tax - Orchestra tax relief (draft clauses 27 and 28)

Corporation Tax – loans to participators (draft clause 26)

VAT

VAT refunds to certain bodies (draft clause 47)

VAT - Reliefs for Isle of Man Charities (draft clause 49)

Indirect tax

Climate change levy removal of exemption for renewable source electricity: transition period (draft clause 59)

Tax administration

Raw Tobacco Approval Scheme (draft clause 82)

Criminal offence for offshore tax evaders (draft clause 70)

Serial Avoiders (draft clauses 63 and 64)

Extending HMRC's data-gathering powers (draft clauses 79 and 80

Civil sanctions for enablers (draft clause 67)

Corporation Tax - Intangible assets transferred for partnerships and related party rules (draft clauses 29 and 30)

Anti-Avoidance - General Anti-Abuse Rule (GAAR) penalties (draft clauses 60, 61 and 62)

Gift aid and intermediaries (draft clause 76)

HMRC judgement debt interest rate (draft clauses 73, 73 and 75)

Detention and seizure - amendment to the Customs and Excise Management Act 1979 (draft clause 77)

Proceedings under the customs and excise management act 1979 – prosecuting authority (draft clause 78)

Application to Scotland of HMRC’s set-off debt collection powers (draft clause 81)

Legislation to put the Office of Tax Simplification on a statutory footing ((draft clauses 83, 83, 85, 86, 87 and 88)

2. Future tax changes

This section summarises tax changes announced at Budget 2016 where the changes will be legislated in a future Finance Bill or other future legislative vehicle.

Income tax

Domicile

2.1. Reform of domicile rules and Inheritance tax. The government is undertaking a major reform to non-domicile taxation. As announced at Summer Budget 2015, from April 2017 non-UK domiciled individuals (non-doms) will be deemed UK domiciled for all tax purposes after they have been UK resident for 15 out of the past 20 tax years. Additionally, individuals who were born in the UK and who have a UK domicile of origin will revert to their UK domiciled status for tax purposes while resident in the UK. The government will also legislate to charge inheritance tax on all UK residential property indirectly held through an offshore structure from 6 April 2017. As set out at Summer Budget 2015, non-doms who have a non-UK resident trust set up before becoming deemed domiciled in the UK will not be taxed on income and gains retained in the trust. The government will legislate all non-dom reforms in Finance Bill 2017. Budget 2016 confirms that non-doms who become deemed-domiciled in April 2017 can treat the cost base of their non-UK based assets as being the market value of that asset on 6 April 2017. Individuals who expect to become deemed UK domicile under the 15 out of 20 year rule will be subject to transitional provisions with regards to offshore funds to provide certainty on how amounts remitted to the UK will be taxed.

Employment income taxation and benefits in kind

2.2. Fuel benefit charge (FBC). As announced at Budget 2016, the FBC multipliers for both company cars and vans will be increased in line with RPI with effect from 6 April 2017. The changes will be introduced by secondary legislation later in 2016, in time for the usual tax code exercise in January 2017.

2.3. Alignment of dates for 'making good' payments. As announced at Budget 2016, the government will consult on proposals to align the dates by which an employee has to ‘make good’ the cost of their benefit-in-kind to reduce their tax liability. The aim of the proposals is to simplify and clarify the current range of dates for ‘making good’ payments.

‘Making good’ is where an employee makes a payment to their employer in return for a benefit-in-kind they receive.

The consultation will be published in the summer and will run for 12 weeks.

2.4. Salary Sacrifice for Provision of Benefits in Kind. As announced at Budget 2016, the government will consider limiting the range of benefits that attract income tax and National Insurance contributions (NICs) advantages when they are provided as part of salary sacrifice schemes. However, the government’s intention is that pension saving, childcare, and health-related benefits such as Cycle to Work should continue to benefit from income tax and NICs relief when provided through salary sacrifice arrangements**.**

2.5. Travel and subsistence expenses rules. Following the consideration of travel and subsistence (T&S) rules by the Office of Tax Simplification (OTS), the government announced at Budget 2014 that it would conduct a review of the current tax rules for T&S.

The government published a discussion paper in September 2015 that outlined a proposed T&S framework for consideration. Responses received made clear that, although complex in parts, the current T&S rules are generally well understood and work effectively for the majority of employees. Revised guidance published in 2015 has improved understanding and application of the rules.

Therefore, as announced at Budget 2016, the government will not be taking forward the proposed framework for consultation and the broad T&S rules will remain as they are. The government will publish a summary of responses to the discussion paper shortly after Budget 2016.

The government will continue to look for simplifications and seek to improve employers' reporting requirements for T&S.

2.6. Company Car Tax (CCT) Review. As announced at Budget 2016, from 2020 to 2021, the government will continue to base Company Car Tax on the carbon dioxide (CO2) emissions of cars and will consult on reform of the bands for Ultra-Low Emission Vehicles (below 75 grams of CO2 per kilometre).

2.7. Exemption for employer provided pensions advice. As announced at Budget 2016, legislation will be introduced by statutory instrument under the minor benefits provisions to introduce a new income tax exemption and a corresponding National Insurance disregard for financial advice on pensions for the first £500 of the cost of provision, where the advice is arranged by the employer. This will come into effect from 6 April 2017.

The existing tax relief for employer-provided pensions advice, which has been in force since 2004, will be repealed as the new tax relief extends to tax advice on pensions, and the existing provision will become otiose.

2.8. Pensions Advice Allowance. As announced at Budget 2016, the government will consult over summer 2016 on introducing a Pensions Advice Allowance. This will allow people to withdraw £500 tax free, before the age of 55, from their defined contribution pension to redeem against the cost of financial advice.

2.9. Off payroll working in the public sector: reform of the intermediaries legislation. As announced at Budget 2016, from April 2017 the government will make public sector bodies and agencies responsible for operating the tax rules that apply to off payroll working in the public sector. The rules will remain unchanged when individuals are working in the private sector. The government will consult on a clearer and simpler set of tests and online tools. Legislation will be included in Finance Bill 2017.

2.10. Termination Payments. As announced at Budget 2016, the government will clarify and tighten the rules about the taxation of termination payments. This will include introducing legislation to clarify that all payments in lieu of notice and certain damages payments are taxable as earnings and removing foreign service relief. The government will also be aligning the employer NICs and tax treatments of termination payments, so employers will have to pay NICs on the elements of termination payments that exceed £30,000. These changes will be legislated in Finance Bill 2017 and a future NICs Bill and will take effect from April 2018. A technical consultation will be published over the summer.

2.11. Deduction of tax from savings income. As announced at Budget 2016, legislation will be introduced in Finance Bill 2017 to remove the requirement to deduct income tax at source from interest distributions from Open-Ended Investment Companies, authorised unit trusts and investment trust companies and from interest on peer to peer loans. These changes will have effect from 6 April 2017. They will bring these types of savings income into line with the treatment of interest paid on bank and building society accounts following the introduction of the Personal Savings Allowance.

Trading income etc

2.12. Business Premises Renovation Allowance (BPRA). As announced at Budget 2016, the Business Premises Renovation Allowance will expire in 2017 as legislated in Finance Act 2012. BPRA will end on 31 March 2017 for Corporation Tax and 5 April 2017 for Income Tax respectively. BPRA will not be extended after those dates.

2.13. Partnership taxation: Proposals to clarify tax treatment. As announced at Budget 2016, the government will consult on proposals to clarify the taxation treatment of partnerships in particular circumstances.

Any necessary legislation will be announced in a future Finance Bill.

2.14. Property and Trading Income Allowances. The government announced at Budget 2016 the introduction of a £1000 allowance for property income and a £1000 allowance for trading income from the 2017 to 2018 tax year. The new allowances will mean that individuals with property income below £1000 or trading income below £1000 will no longer need to declare or pay tax on that income. Those with income above the allowance will be able to calculate their taxable profit either by deducting their expenses in the normal way or by simply deducting the relevant allowance from their gross income. Legislation will be introduced in Finance Bill 2017.

2.15. Lifetime Individual Savings Account. As announced at Budget 2016, legislation will be introduced to provide a Lifetime Individual Savings Account (Lifetime ISA). The Lifetime ISA will be available from April 2017 for adults under the age of 40. They will be able to contribute up to £4,000 per year, and receive a 25% bonus from the government. Funds from the Lifetime ISA, including the government bonus, can be used to buy a first home at any time from 12 months after the account opening, and be withdrawn from age 60.

The government will discuss the implementation of the Lifetime ISA with the savings and investment industry ahead of April 2017.

The government also announced that the annual ISA subscription limit will be increased to £20,000 from 6 April 2017. This applies to all savers.

Capital allowances

2.16. Capital allowances: business cars first-year allowance (FYA). The government will extend the 100% FYA for businesses purchasing low emission cars for a further three years to April 2021. From April 2018 the carbon dioxide emission threshold below which cars are eligible for the FYA will also be reduced from 75 grams/kilometre to 50 grams/kilometre.

From April 2018, the government will reduce the carbon dioxide emission threshold for the main rate of capital allowances for business cars from 130 grams/kilometre to 110 grams/kilometre.

The government will review the case for the FYA and the appropriate emission thresholds from 2021 at Budget 2019.

A tax information and impact note will be published with the statutory instrument later in 2016.

2.17. Announcement of New and Extended Enterprise Zones (EZs). The government has announced the creation of three new Enterprise Zones and the extension of an existing Zone. Secondary legislation will be introduced in 2016 to set out the specific areas which will able to receive the Enhanced Capital Allowance (ECAs).

ECAs in EZs are available to qualifying companies on qualifying expenditure. ECAs provide a cashflow advantage by allowing companies to write off such expenditure more quickly for tax purposes.

2.18. Enhanced Capital Allowances for Enterprise Zone at Coleraine, NI.. The Northern Ireland Executive has set out its plans for a pilot Enterprise Zone on two sites near Coleraine, which the government will support by offering enhanced capital allowances to investors within that Zone. Secondary legislation will be introduced in 2016 to set out the specific areas which will able to receive the Enhanced Capital Allowance (ECAs). ECAs in EZs are available to qualifying companies on qualifying expenditure.

2.19. Annual Updates to the Schemes for energy-saving and water technologies. As announced at Budget 2016, the lists of energy-saving and water-efficient technologies that qualify for Enhanced Capital Allowances are updated annually at Budget. The lists will be updated to:

- create a new sub-technology for early leak warning
- clarify the qualifying criteria for Leak Detection Equipment
- amend the criteria for converter-fed motors

- modify 10 existing technologies to reflect technological advances and changes in standards and clarify the qualifying criteria
- remove the Integrated Motor Drive Units.

These changes update the qualifying criteria to reflect technological advances and changes in standards. The changes will be given effect via statutory instrument in July. A tax information and impact note will be published with the statutory instrument.

2.20. Plant and Machinery: lease accounting changes. The government will publish a discussion document in spring 2016 with options for change to the tax treatment of leases of plant and machinery in response to the International Accounting Standards Board's new lease accounting standard (IFRS 16).

Other income tax

2.21. Part surrenders and part assignments of life insurance policies. As announced at Budget 2016, the government will change the current tax rules for part surrenders and part assignments of life insurance policies to prevent excessive tax charges arising on these products. The government will consult later this year on alternatives to the current rules with a view to legislating in Finance Bill 2017.

2.22. Life insurance policies (personal portfolio bonds). As announced at Budget 2016, the government will consult later in 2016 on updating the list of assets that life insurance policyholders can choose to invest in without giving rise to an annual tax charge under the personal portfolio bond legislation. This is with a view to legislating, if appropriate, in Finance Bill 2017.

2.23. Unfunded Employer Financed Retirement Benefit Schemes (unfunded EFRBS). As announced at Budget 2016, following the informal consultation announced at Autumn Statement the government will keep this issue under review.

2.24. Pensions Tax Consultation. As announced at Budget 2016, the government published a summary of responses to the consultation on “Strengthening the incentive to save: a consultation on pensions tax relief”.

2.25. Authorised Contractual Schemes. As announced at Budget 2016, the government will consult later this year on measures to streamline the tax rules for investors in Authorised Contractual Schemes and reporting requirements. Any necessary legislation will be introduced in a Finance Bill 2017 or secondary legislation as appropriate.

2.26. Phased rollout of Tax-Free Childcare, with Employer-Supported Childcare remaining open to new entrants until April 2018. The government will introduce Tax-Free Childcare in early 2017, gradually rolling it out in a managed and careful way. As part of the transition to Tax-Free Childcare, Employer Supported Childcare will remain open to new entrants until April 2018. This means that families who join the scheme before April 2018 will continue to be able to access the associated tax and NICs reliefs. Workplace nurseries will be unaffected by the introduction of Tax-Free Childcare.

Corporation tax

2.27. Oil and gas: Relief for decommissioning expenditure.
As announced at Budget 2016, a technical note will be issued that clarifies HMRC's view of current legislation and confirms that tax relief is available for decommissioning expenditure incurred by the previous licensee of an oil field.

2.28. Corporation Tax - Tax deductibility of corporate interest expense. As announced at Budget 2016, the government will introduce new rules to limit the tax relief that companies can claim for their interest expenses.

In October 2015, the OECD published its recommendations for best practice in this area as one of the outputs from its Base Erosion Profit Shifting (BEPS) project. The government has consulted on the merits and general framework of the recommendations and has decided to introduce rules to limit interest deductions by companies. More information is included in the government's business tax road map published at Budget. Existing commercial arrangements within the oil and gas ring-fence regime will not be adversely affected.

After further consultation during the spring and summer on the detailed design, the government will publish draft legislation for inclusion in Finance Bill 2017. The new rules will come into effect from 1 April 2017.

2.29. Corporation Tax: reform of loss relief. As announced at Budget 2016, the government will reform the rules governing certain corporate losses carried forward from earlier periods. Firstly, the reform will give all companies more flexibility by relaxing the way in which they can use losses arising on or after 1 April 2017 when they are carried forward. These losses will be useable against profits from different types of income and other group companies. Secondly, companies will have their use of carried forward losses restricted so that they cannot reduce their profits arising on or after 1 April 2017 by more than 50%. This restriction will apply to a company or group's profits above £5m. Carried forward losses arising at any time will be subject to the restriction. For banking companies, losses that are within the separate bank loss restriction will continue to be subject to those rules (see 'Bank loss relief restriction: amendment to restriction'). Profits and losses subject to the oil and gas ring-fence regime will be excluded from the loss reform. Following a consultation later in 2016 on the detailed design and implementation of the reform, legislation will be introduced in Finance Bill 2017.

2.30. Museums and galleries tax relief. As announced at Budget 2016, the government will introduce a tax relief for museums and galleries that will be available for temporary and touring exhibition costs. A consultation will run over summer 2016 to determine how the relief will be designed. Legislation will be introduced in Finance Bill 2017.

2.31. Reform of the Substantial Shareholdings Exemption. As announced at Budget 2016, as part of the Business Tax Roadmap, the government will consult on possible reform of the Substantial Shareholdings Exemption for corporate Capital Gains.

2.32. Office of Tax Simplification small companies review.. As announced at Budget 2016, the government has received the OTS's review of small companies and will accept or consider nearly all of its recommendations, including that the OTS continues to develop the design for a look-through taxation system and a new simple business model that protects the assets of the self-employed.

2.33. Transfer pricing administration. As announced at Budget 2016, the government will consult on the introduction of secondary adjustment rules into the UK's transfer pricing legislation (Part 4, Taxation (International and Other Provisions) Act 2010). The current transfer pricing legislation taxes a company by reference to the profits which would have been made had the arm's length price been paid, but does not adjust the underlying transaction. This means that some of the cash benefit of the original incorrect pricing is not addressed. Secondary adjustments address that benefit by ensuring the actual allocation of profits is consistent with the primary adjustment made to correct the value of the transaction.

2.34. Corporation tax: payment dates for very large companies. As announced at Budget 2016, the commencement of rules advancing quarterly instalment payments for very large companies (those with profits above £20m) is deferred for two years, so they will have effect for accounting periods commencing on or after 1 April 2019. This follows representations on draft secondary legislation (regulations) and gives companies more time to transition to the new payment schedule of quarterly instalments at months 3, 6, 9 and 12 of a 12-month accounting period, which was announced at Summer Budget 2015. The final regulations will reflect this change to give effect to the new commencement rule.

2.35. Consultation on how to expand corporation tax deductions for contributions to grassroots sport. As announced at Budget 2016, the government will launch a consultation at Budget 2016 on how to expand support that can be given to grassroots sport through the corporation tax system.

Inheritance Tax

2.36. Property held through offshore structures- inheritance tax. As announced at Budget 2015, the government will consult on proposals to ensure that from 6 April 2017 all UK residential property held indirectly through an offshore structure or trust is chargeable to inheritance tax. Legislation will be introduced in Finance bill 2017 following a consultation on the details.

VAT

2.37. VAT: revalorisation of registration and deregistration thresholds. As announced at Budget 2016, 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 £82,000 to £83,000
- the taxable turnover threshold which determines whether a person may apply for deregistration will be increased from £80,000 to £81,000

- the registration and deregistration threshold for relevant acquisitions from other EU Member States will also be increased from £82,000 to £83,000

HMRC will simultaneously introduce corresponding increases in the thresholds for Income Tax self-assessment 'three line accounts' and the Income Tax Cash Basis.

These changes will be effective from 1 April 2016.

A tax information and impact note is published at Annex A

2.38. VAT – Introduction of a Fulfilment House Due Diligence Scheme. As announced at Budget 2016, the government will introduce a new scheme for fulfilment houses from 2018 which will set out standards of due diligence and record-keeping, and introduce penalties for non-compliance. The scheme will have an online registration service.

The government invites views on the scheme via a consultation entitled “Fulfilment House Due Diligence Scheme” and a tax impact assessment is included within this document.

The consultation will run from 16 March – 30 June 2016 and responses will be published later in the year. HMRC will also consult on draft legislation later this year which will be introduced in Finance Bill 2017.

Indirect tax and Excise Duties

2.39. Tackling illicit tobacco: sanctions. As announced at Budget 2016, the government will consult on detailed proposals on sanctions to tackle illicit tobacco. This follows an informal targeted consultation that closed on 28 August 2015 which invited views on sanctions and other action to tackle illicit tobacco. Any necessary legislation will be introduced in Finance Bill 2017.

2.40. Heated tobacco products. The government will consult on the duty treatment of heated tobacco products later in 2016. A consultation will help to inform any future decisions on the duty regime for these products. Any necessary legislation will be introduced in a future Finance Bill.

2.41. Minimum Excise Tax (MET). As announced at Budget 2016, following the earlier consultation the government will introduce a MET for cigarettes. Legislation will be introduced in Finance Bill 2017, at which time the level of the MET will also be set.

2.42. Landfill communities fund reform. Spending review and Autumn Statement 2015 announced the value of the fund for 2016 to 2017 will be set at £39.3 million, with the cap on contributions by landfill operators amended to 4.2% of their Landfill Tax liability. It also announced £20 million of the additional Landfill Tax revenues from this change will be allocated to the Environment Agency to address waste crime over the next 5 years, a simplification of record-keeping requirements and changes to the fund’s objectives from 1 April 2016. These changes will be made by a statutory instrument laid on Budget day 2016.

Following consultation since Autumn Statement, the government does not intend to proceed with the removal of provisions for third parties to contribute 10% of landfill operators' contributions to projects. Instead, HMRC and the fund's regulator will publish guidance indicating that government expects to see landfill operators make a greater contribution to the fund.

A tax information and impact note for this measure is available at Annex A.

2.43. Aggregates levy: consultation on exemption for laying underground utility pipes. As announced at Budget 2016, the government will consult during 2016 on the introduction of a new aggregates levy exemption for aggregate which is an unavoidable by-product when laying underground utility pipes. Any legislative changes required would be included in Finance Bill 2017.

2.44. Landfill Tax reform. As announced at Budget 2016, the government will consult during 2016 on the definition of a taxable disposal. This follows litigation on whether material is 'used' at a landfill site. Any legislative changes required will be included in Finance Bill 2017 (and secondary legislation if necessary).

2.45. Alcohol strategy. As announced at Budget 2016, the government is committed to modernising alcohol taxes to tackle fraud and reduce burdens on alcohol businesses. On 24 March, HMRC will publish a new alcohol strategy. Its aims, working with other enforcement agencies and the alcohol industry, are to:

- promote good compliance – making it easier for businesses to pay the right duties
- prevent tax losses – making it harder to make mistakes or to deliberately cheat, including tightening regulations to address vulnerabilities, and exploring technology to track the distribution of alcohol
- respond to those who cheat – increasing the impact of enforcement

The new strategy also confirms HMRC's plans to consult:

- on reform of procedures for the collection of alcohol duty
- on the feasibility and impacts of specific anti-fraud measures

2.46. Air Passenger Duty (APD) – Rates for 2017 to 2018. As announced at Budget 2016, legislation will be introduced in Finance Bill 2017 to increase air passenger duty rates in line with RPI from 1 April 2017.

2.47. Remote gaming duty: freeplays. As announced at Budget 2016, Legislation will be introduced in Finance Bill 2017 to amend the definition of gaming payments and prizes, and change the tax treatment of freeplays, for remote gaming duty. This will ensure that when a person uses a freeplay to participate in gaming these will have a value for calculating the operator's dutiable profit, but freeplays given as prizes will not reduce that profit.

2.48. Carbon Price Support (CPS) rates. Budget 2014 announced that the CPS rate per tonne of carbon dioxide (CO2) will be capped at a maximum of £18 from 2016 to 2017 until 2019 to 2020, in effect capping the CPS rate for each of the individual taxable commodities across this period at around 2015 to 2016 levels.

Budget 2015 announced that the commodity rates for 2017 to 2018 and the indicative commodity rates for 2018 to 2019 and 2019 to 2020 would be unchanged.

Budget 2016 has confirmed the unchanged commodity rates for 2018 to 2019 and the unchanged indicative commodity rates for 2019 to 2020. It has also announced that the £18 per tonne of CO2 cap will increase in line with RPI in 2020 to 2021. The commodity rates for 2020 to 2021 will be similarly uprated and included in Finance Bill 2018 and future secondary legislation. A further announcement about future CPS rates will be made at Autumn Statement 2016.

The CPS rates from 1 April 2016 to 31 March 2021 are set out in Annex B.

2.49. CRC energy efficiency scheme. The government will abolish the CRC energy efficiency scheme following the 2018 to 2019 compliance year, with no purchase of allowances required to cover emissions used from April 2019. Organisations will report under the CRC for the last time by the end of July 2019, with a surrender of allowances for emissions from energy used in the 2018 to 2019 compliance year by the end of October 2019. The government will work with the Devolved Administrations on scheme closure arrangements. Allowance prices for CRC compliance years 2016 to 2017, 2017 to 2018 and 2018 to 2019 will increase in line with RPI. The government intends to legislate for these changes by a statutory instrument.

2.50. Soft Drinks Industry Levy. As announced at Budget 2016, the government will introduce legislation in Finance Bill 2017 to encourage the reformulation of drinks that are high in added sugar by levying a unit charge on UK producers and importers of such drinks. There will be an exemption for smaller producers. HMRC will consult on the detail in summer 2016 and the levy will come into effect in 2018.

Tax administration

2.51. Defining reasonable care. As announced at Budget 2016, the government will consider clarifying in statute what constitutes 'reasonable care' in avoidance penalty cases, to include making clear that avoiders cannot rely on generic, third party legal advice received via the promoter or other enabler of the scheme.

2.52. Tackling avoidance enablers. As announced at Budget 2016, the government intends to explore new options to ensure that avoidance scheme promoters and other intermediaries who 'enable' scheme sale and use face greater, direct consequences when one of their schemes fails.

2.53. Modernising the VAT Disclosure Regime (VADR). As announced at Budget 2016, the government intends to consult over the summer on reform of the VAT Disclosure Regime (VADR) to expand coverage to other indirect taxes and align more closely with the Disclosure of Tax Avoidance Schemes (DOTAS) model which covers direct taxes.

2.54. Penalty for participating in VAT fraud. As announced at Budget 2016, the government will consult on the idea of a new penalty for participating in VAT Fraud. The consultation document will be published in spring 2016. If, following consultation, the government decides to legislate, draft legislation will be published, for further consultation, with the intention of introducing final legislation in Finance Bill 2017.

2.55. Business Tax - Making Tax Digital. At the March 2015 Budget, the government committed to transform the tax system through digital technology and end the need for annual tax returns. At the Spending Review and Autumn Statement 2015, the government announced a major investment in HMRC to deliver this as well as a new requirement on businesses, self-employed people and landlords to keep digital records and provide updates to HMRC at least quarterly. As part of this transformation, HMRC will publish a number of consultations later in 2016 covering use of digital tools to keep records and report information to HMRC, options to make greater use of third party data to prepopulate digital tax accounts and changes to the tax administration framework reflecting the transition to digital. The government will respond to these consultations at Autumn Statement 2016 with draft legislation for Finance Bill 2017.

In addition, and to make further progress towards this vision, the Budget announces that from 2018 businesses, self-employed people and landlords who are keeping their records digitally and providing regular digital updates to HMRC will be able to adopt pay-as-you-go tax payments, enabling them to choose payment patterns that suit them and better manage their cash flow. The government will consult in 2016 on how best to implement a pay-as-you-go system.

2.56. Simplifying tax rules for businesses, self-employed and landlords. The government will also consult on a number of further options to simplify the tax rules for small businesses and ensure regular updates work smoothly.

2.57. Offshore evasion requirement to correct. As announced at Budget 2016, the government will introduce a new legal requirement for taxpayers to come forward and correct any past offshore non-compliance with new sanctions for failure to do so. The new requirement will underpin the offshore disclosure facility and operate ahead of the widespread reporting of information under the Common Reporting Standard in 2018. A formal consultation on the detail of the requirement will be published later this year.

2.58. PAYE Settlement Agreements (PSAs). As announced at Budget 2016, and in response to the 2014 review of employee benefits and expenses by the Office of Tax Simplification (OTS), the government will consult on proposals to simplify the process for applying for and agreeing PSAs.

A consultation will be held over summer 2016.

2.59. Amendment to the Customs and Excise Management Act 1979. Legislation to be introduced in Finance Bill 2017 to clarify the powers that allow officers of HM Revenue and Customs to use force to gain access to a locked vehicle, when stopping and searching it, which they suspect contains goods liable to forfeiture.

2.60. Tackling the Hidden Economy: Conditionality. As announced at Budget 2016, the government will consult, over the summer, on the principles of making access to licenses or services for businesses conditional on them being registered for tax. This will include consideration of what services or licenses could be conditional on registration, and ways to minimise burdens on business.

2.61. Tackling the Hidden Economy: Tougher sanctions. As announced at Budget 2016, the government will consult, over the summer, on new sanctions on those who repeatedly and deliberately participate in the hidden economy, including potential tough penalties and monitoring of repeat offenders.

2.62. Tackling the Hidden Economy: Access to data held by Money Service Businesses. As announced at Budget 2016, the government will also consult, over the summer, on new powers to enable HMRC to gather data held by Money Service Businesses for tax compliance purposes. This is ahead of potential legislation in Finance Bill 2017.

2.63. Office of Tax Simplification next reviews. The government will commission the OTS to review the impacts of moving employee NICs to an annual, cumulative and aggregated basis and moving employer NICs to a payroll basis. It will also commission the OTS to review the options to simplify the computation of corporation tax. The Terms of Reference for both reviews will be published shortly.

2.64. Office of Tax Simplification IT/NICs Closer Alignment review. The government welcomes the OTS's report into income tax and NICs alignment and will respond in due course.

2.65. Abolishing Class 2 National Insurance contributions (NICs). As announced at Budget 2016, the government will abolish Class 2 NICs from April 2018. The government will publish its response to the recent consultation on benefit entitlement for the self-employed in due course. This will set out details of how the self-employed will access contributory benefits after Class 2 is abolished. The government will legislate for these changes in a forthcoming NICs Bill.

2.66. Restrict entitlement of the Employment Allowance from employers of illegal workers. Regulations will be introduced to exclude employers from claiming the National Insurance contributions Employment Allowance for one year, if they have received a civil penalty from the Home Office for employing illegal workers. The first period under assessment will be the tax year 2017 to 2018 with exclusions coming into force from 2018 to 2019.

Annex A

Tax **Information and Impact Notes: Introduction**

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 when legislation is published either in draft at either at Autumn statement, in the finance Bill or via secondary legislation.

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

- new tax changes announced in Budget 2016 for inclusion in Finance Bill 2016;
- tax changes for inclusion in Finance Bill 2016 for which a TIIN has previously been published, but where a change in policy or legislation is substantive,

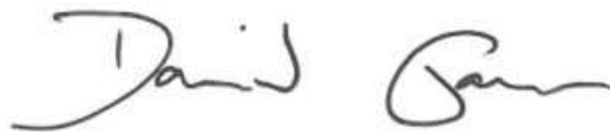
Impact of policy changes

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
- 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

Financial Secretary to the Treasury

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Income tax: personal allowance and basic rate limit for 2017 to 2018

Who is likely to be affected?

Income tax payers, employers and pension providers.

General description of the measure

This measure increases the personal allowance to £11,500 for 2017 to 2018. The basic rate limit will be increased to £33,500 for 2017 to 2018. As a result, the higher rate threshold will be £45,000 in 2017 to 2018.

Policy objective

This policy is intended to ensure progress is made towards the government's commitment to raise the personal allowance to £12,500 and the higher rate threshold to £50,000, by the end of this parliament.

Background to the measure

The government has an objective to raise the personal allowance to £12,500 and the higher rate threshold to £50,000 by the end of this parliament.

This measure will increase the personal allowance for 2017 to 2018 to £11,500, and the basic rate limit will be increased to £33,500 for 2017 to 2018. As a result, the higher rate threshold will be £45,000 in 2017 to 2018.

Detailed proposal

Operative date

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

Current law

The Summer Finance Bill 2015 set the personal allowance for 2017 to 2018 at £11,200, and the basic rate limit for 2017 to 2018 at £32,400.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to set the personal allowance for 2017-18 at £11,500, and the basic rate limit for 2017 to 2018 at £33,500.

The table below sets out the thresholds from 2016 to2017 to include the changes from this measure.

	2016 to 2017	2017 to 2018
Personal allowance (PA)	11,000	11,500
Basic Rate Limit (BRL)	32,000	33,500
Higher Rate Threshold (HRT)	43,000	45,000

The NICs Upper Earnings/Profit Limits is aligned to the higher rate threshold and will therefore also increase for 2017 to 2018.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-	-2,030	-2,540	-2,510	-2,590

These figures represent the combined Exchequer impact of 'Personal Allowance: increase to £11,500 in April 2017' and 'Higher Rate Threshold: increase to £45,000 in April 2017'. The figures for these measures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

This measure will reduce income tax for 28.9 million income tax payers in 2017 to 2018, 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 upon other measures announced as well as aggregate labour demand and the performance of the wider economy.

Impact on individuals, households and families

The impact analysis that follows relates specifically to the impact of the legislative provisions outlined above. Figures for individuals that are taken out of higher rate tax exclude Scottish taxpayers as the Scottish government will set its own income tax rates and thresholds for non-savings, non-dividend income from 2017 to 2018.

In 2017 to 2018, this measure will benefit 28.9 million individuals of whom 24.1 million will be basic rate taxpayers and 4.5 million are higher rate taxpayers. A basic rate taxpayer will have an average real gain of £56. A higher rate taxpayer will have an average real gain of £233. An additional rate taxpayer will have an average real gain of £110.These above inflation increases will take an additional 424,000 individuals out of income tax altogether in 2017 to 2018 compared to previously announced policy. 1.3m individuals have been taken out of tax as a result of changes announced since 2015 to 2016. 359,000 individuals are taken out of higher rate tax in 2017-18 compared with previously announced policy. 585,000 are taken out of higher rate tax as a result of changes announced since 2015-16.

1.6 million individuals will have an average real loss of £23 in 2017-18.

All taxpayers with income of £123,000 or above in 2017-18 have their personal allowance tapered to zero. Therefore they derive no benefit from the personal allowance increase.

Actual gains for individual taxpayers will vary according to individual circumstances.

Cumulative changes to the personal allowance and higher rate threshold between 2015 to 2016 and 2017 to 2018 mean a typical basic rate taxpayer will have an overall cash gain of £180 and a real terms gain of £166. A typical higher rate taxpayer will have an overall cash gain of £442 and a real terms gain of £399.

Cumulative changes to the personal allowance and higher rate threshold since 2010 to 2011 mean a typical basic rate taxpayer will have an overall cash gain of £1,005 in 2017 to 2018. A typical higher rate taxpayer will have an overall cash gain £1,118 in 2017 to 2018.

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

Equalities impacts

Income tax changes apply regardless of personal circumstances or protected characteristics such as gender, race or disability. Equalities impacts will reflect the composition of the income tax-paying population.

From 2016 to 2017, there will be one personal allowance for all individuals regardless of an individual's date of birth.

In 2017 to 2018, males are projected to account for 58% of all taxpayers and females 42%.

From this measure, 2017 to 2018 estimated impacts on males/females are:

28.9 million individuals will benefit. Of these, 16.5 million (57%) are male and 12.4 million (43%) are female.

1.6 million individuals lose, of which 1.3 million (82%) are male and 282,000 (18%) are female.

424,000 individuals are taken out of tax altogether, of which 170,000 (40%) are male and 254,000 (60%) are female.

359,000 individuals are taken out of higher rate tax, of which 245,000 (68%) are male and 113,000 (32%) are female.

From this measure, 2017 to 2018 estimated impacts by age are:

28.9 million individuals will benefit. Of these, 22.7 million (78%) are below state pension age (SPA) and 6.2 million (22%) are above SPA.

1.6 million individuals lose, of which all are below SPA.

424,000 individuals are taken out of tax altogether, of which 256,000 (60%) are below SPA and 169,000 (40%) are above SPA.

359,000 individuals are taken out of higher rate tax, of which 317,000 (88%) are below SPA and 42,000 (12%) are above SPA.

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 HM Revenue and Customs (HMRC).

Operational impact (£m) (HMRC or other)

There will be no significant operational impacts on HMRC. HMRC will need to make IT changes but this will be done at negligible costs.

Other impacts

Small and micro business assessment: the impact on small and micro businesses is expected to be negligible because changes to tax thresholds are a routine annual event. HMRC publishes a PAYE tax calculator on the gov.uk website to help micro businesses to calculate their payroll deductions.

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 email: incometax.structure@hmrc.gsi.gov.uk

Applying 'English Votes for English Laws' to Income Tax

Who is likely to be affected?

Income Tax payers, employers and pension providers.

General description of the measure

This measure separates the rates that apply to savings income from the main rates of Income Tax.

It will also create a default rate of Income Tax on 'non-savings, non-dividends' income (i.e. employment income, pension income, property income and trading income) that will apply to, but is not limited to, trustees and non-residents.

Policy objective

The policy objective of this measure is to meet the government's commitment to ensure that the 'English Votes for English Laws' (EVEL) procedure can apply to the main rates of Income Tax.

Background to the measure

In April 2017, the UK government will devolve the power to set the rates and thresholds that apply to the 'non-savings, non-dividends' income of individuals resident in Scotland to the Scottish government. This will mean that members of the Scottish Parliament will have the final say on Scottish Income Tax.

Following the devolution of income tax to Scotland, the existing UK-wide main rates of income tax applied to 'non-savings, non-dividends' income will no longer apply in Scotland. However, without any further changes, Scottish MPs will continue to play their existing role in approving these rates in the UK Parliament.

The measure will separate out the 'main rates' of income tax that apply to 'non-savings, non-dividend income' into three rates:

- the ‘main rates’ will continue to apply to ‘non-savings, non-dividends’ income, such as employment, pensions and property income
- the ‘savings rates’ will apply to savings income
- the ‘default rates’ will apply to a very limited category of income taxpayers that will not fall within these two groups, made-up primarily of trustees and non-residents

This will ensure that the UK's 'main rates' of income tax on 'non-savings, non-dividends' income correspond to the rates that have been created in Scotland, with the effect that English, Welsh and Northern Irish MPs have a decisive say on the main rates of income tax from Finance Bill 2017 onwards.

Detailed proposal

Operative date

The measure will have effect on and after 6 April 2017, to coincide with the further devolution of income tax powers to the Scottish Government, as agreed by the Smith Commission.

Current law

The UK income tax rates currently apply across the whole of the United Kingdom to non-savings, non-dividends income, dividend income and savings income.

From 6 April 2016, the Scottish Parliament will have power to set the rates of income tax on non-savings, non-dividend income for Scotland taxpayers, by the UK main rates plus or minus ten percent. This is known as the Scottish rate of income tax (SRIT).

From April 2017, the Scottish Parliament will have full control over rates and thresholds of income tax for non-savings and non-dividend income of Scottish taxpayers.

The law outlining the UK main rates and the SRIT is included in Chapter 2 of Part 2 of the Income Tax Act 2007 (ITA).

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to amend Chapter 2 of Part 2 of ITA to separate savings income from non-savings, non-dividend income so that the rates which currently apply to UK wide savings (basic, higher and additional) will become the:

- savings basic rate
- savings higher rate
- savings additional rate

The UK main rates will apply to the non-savings, non-dividend income of any individual that is both resident in the United Kingdom and not subject to the Scottish or default rate of Income Tax.

A default rate of income tax will be introduced into chapter 2 of part 2 of the ITA.

The default rate will apply to any taxpayer that is not subject to the UK main rates or the Scottish rates of Income Tax, and will be charged on non-savings, non-dividend income.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer Impact.

Economic impact

This measure is not expected to have any economic impacts.

Impact on individuals, households and families

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

Equalities impacts

This measure affects taxpayers equally.

Impact on business including civil society organisations

This measure is expected to have no impact on businesses and civil society organisations.

Operational impact (£m) (HMRC or other)

There will be no significant operational impacts on HM Revenue and Customs.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please email: incometax.structure@hmrc.gsi.gov.uk

Appropriate percentage for cars for 2019 to 2020 and for cars without a registered CO2 emissions figure which cannot produce CO2 for 2017 to 2018 and 2018 to 2019

Who is likely to be affected?

Businesses and employers who provide company cars that are made available for employees' private use and those employees.

General description of the measure

The appropriate percentage which is applied to the list price of company cars subject to tax will increase by 3 percentage points to a maximum of 37% in 2019 to 2020.

There will be a 3 percentage point differential between the 0-50 and 51-75gCO2/km bands and between the 51-75 and 76-94gCO2/km bands.

The measure also sets the level of the appropriate percentage for the years 2017 to 2018 and 2018 to 2019 for cars which do not have a registered CO2 emissions figure and which cannot produce CO2.

Policy objective

This measure provides an incentive to employers and employees to purchase ultra-low emission company cars and supports the UK's Ultra-Low Emission Vehicle (ULEV) market. In addition, the increase in appropriate percentages ensures the tax system continues to support the sustainability of the public finances.

Background to the measure

The appropriate percentage for all cars in 2019 to 2020 and for cars with no registered CO2 emissions which cannot produce emissions for 2017 to 2018 and 2018 to 2019 were announced at March Budget 2015.

Detailed proposal

Operative date

This measure will take effect from 6 April 2017 for cars with no registered CO2 emissions which are unable to produce CO2 under any circumstances by being driven, and from 6 April 2019 for all other cars.

Current law

Sections 121 to 148 of the Income Tax (Earnings & Pensions) Act 2003 (ITEPA) provide for calculating the cash equivalent of the benefit of a company car which is made available for private use. In broad terms, this depends on the list price of the car plus taxable accessories, multiplied by the level of CO2 emissions the car produces, which is expressed as the appropriate percentage.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to make the following changes:

Section 139 of ITEPA sets out the basis for calculating the appropriate percentage for cars with CO2 emissions. From 6 April 2019, the graduated table of company car tax bands will provide for a 16% band for cars with emissions of 0-50g CO2 per km, a 19% band for cars with emissions of 51-75g CO2 per km, a 22% band for other low emission cars (76g-94g CO2 per km); and a 3% increase for each rise in emissions of 5g CO2 per kg from 95g CO2 to the existing maximum of 37%.

Section 140 ITEPA sets out the basis for calculating the appropriate percentage for cars without a CO2 emissions figure. From 6 April 2019, the appropriate percentage for the lowest band (cars with a cylinder capacity of up to 1,400cc) will be set at 23%; the appropriate percentage for cars in the medium band (cars with a cylinder capacity greater than 1,400cc but no more than 2,000cc) will be set at 34%; and the appropriate percentage for cars with a cylinder capacity greater than 2,000cc will remain at 37%.

From 6 April 2017, the appropriate percentage for cars which have neither a CO2 emissions figure nor an engine cylinder capacity and which cannot produce CO2 emissions in any circumstances by being driven will be set at 9%. From 6 April 2018, this will be increased to 13%, and from 6 April 2019, to 16%.

Section 142 sets out the appropriate percentage for cars first registered before 1 January 1998. From 6 April 2019, the appropriate percentage for the lowest band (cars with a cylinder capacity of up to 1,400cc) will be set at 23% the appropriate percentage for cars in the medium band (cars with a cylinder capacity greater than 1,400cc but no more than 2,000 cc) will be set at 34%; and the appropriate percentage for cars with a cylinder capacity greater than 2,000cc will remain at 37%.

A table of rates can be found in the 'Overview of Tax Legislation and Rates' document that is published alongside Budget 2016.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-	-	-	+315	+320

These figures represent the Exchequer impact of 'Company car taxation: 3ppt increase in 2019 to 2020', which are set out in Table 2.2 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside March Budget 2015.

The Exchequer impact of changes in the appropriate percentages for cars with no registered CO2 emissions which cannot produce emissions for 2017 to 2018 and 2018 to 2019 formed part of the figures for 'Company Car Tax: continuing to increase by 2 ppt in 2017 to 2018 and 2018 to 2019'. 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 Budget 2014.

Economic impact

By maintaining lower taxation for ULEVs, the measure will support the take-up and development of ULEVs in the UK.

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

Impact on individuals, households and families

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

Equalities impacts

It is not anticipated that this measure will have adverse impacts on any group with protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses and civil society organisation. Those businesses affected by the change will incur a negligible one-off cost to update their systems. There are not expected to be any additional on-going costs.

Operational impact (£m) (HMRC or other)

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

Other impacts

Carbon emissions: by strengthening the incentive to purchase zero-emission cars and ULEVs this measure is expected to contribute to the UL's carbon emissions targets and other air quality objectives.

Other impact have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the Employment Income Team on Telephone: 03000 521589 or email: employmentincome.policy@hmrc.gsi.gov.uk.

Van benefit charge for zero emission vans

Who is likely to be affected?

Businesses and employers that provide company vans which do not emit CO2 by being driven (zero emission vans) and employees provided with such company vans which are made available for significant private use.

General description of the measure

The measure amends existing legislation to apply the level of the van benefit charge for zero-emissions vans at 20% of the charge for conventionally fuelled vans for the tax years 2016 to 2017 and 2017 to 2018. This defers the planned increase to 40% of the van benefit charge for conventionally-fuelled vans to 2018 to 2019. The van benefit charge for zero emission vans will be 60% of the van benefit charge for conventionally fuelled vans in 2019 to 2020, 80% in 2020 to 2021 and 90% in 2021 to 2022. From 2022 to 2023, the van benefit charge for zero emission vans is 100% of the van benefit charge for conventionally-fuelled vans.

Policy objective

The objective is to encourage cleaner technology and less polluting vehicles by extending the support for the market for zero emission vans that was announced at Budget 2014.

Background to the measure

At Budget 2014, the government announced that the van benefit charge for zero emission vans would be a percentage of the van benefit charge for conventionally-fuelled vehicles until April 2020. These changes to the van benefit charge for zero emission vans were legislated for in Finance Act 2015.

Detailed proposal

Operative date

This measure will have effect on or after 16 March 2016.

Current law

Sections 154 to 159 of the Income Tax (Pensions and Earnings) Act 2003 provide for a van benefit charge. When a van is made available to an employee by reason of the employee's employment and is also made available for private use other than for restricted private use. Where this is the case, the benefit of the van is treated as earnings from the employment. The benefit is subject to tax on the employee and Class 1A National Insurance contributions on the employer.

If the employee is liable for the charge, it is applied as a single figure. The charge is not dependent on the value of the van or the proportion of private use within the period it has been made available, unless it meets the conditions of restricted private use.

For the period 6 April 2010 to 5 April 2015, the legislation provided for a van benefit charge of £nil for vans which could not, under any circumstances by being driven, produce CO2 emissions (zero emission vans). Section 10(2) Finance Act 2015 introduced a tapered increase in the level of the van benefit charge for zero emissions vans through applying an

appropriate percentage to the charge applying to conventionally-fuelled vans, starting at 20% for the year 2015 to 2016. The level of the appropriate percentage is currently due to increase to 40% in 2016 to 2017; 60% in 2017 to 2018; 80% in 2018 to 2019 and 90% in 2019 to 2020 until the charge applying to conventionally-fuelled vans applies to zero emission vans in 2020 to 2021.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to amend subsection 155(1C)(b) to (e). This will have the effect of retaining the appropriate percentage of 20% for the tax years 2016 to 2017 and 2017 to 2018 and deferring further increases to the level of the appropriate percentage until later years.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
negligible	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

There would be no impacts arising from this measure on family formation, stability quality or breakdown or on family members' ability to carry out family duties.

Equalities impacts

It is not anticipated that this measure will have adverse impacts on any group with protected characteristics.

Impact on business including civil society organisations

This measure supports the development and manufacture of zero emission vans in the UK by confirming preferential tax treatment of zero emission vans over conventionally fuelled vans. There is expected to be no impact on civil society organisations. Employer reporting and administrative requirements and costs would not significantly change.

Operational impact (£m) (HMRC or other)

This measure is not expected to cause increased administrative burden on HM Revenue and Customs or employers of company zero emission van drivers as part of the routine PAYE cycle.

Other impacts

Environmental impact: by slowing down the rate of the withdrawal of the relief, this measure will have a small beneficial impact on carbon emission compared to the previously announced policy.

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 the Employment Income Policy Team on Telephone: 03000 521589 or email: employmentincome.policy@hmrc.gsi.gov.uk.

Income Tax: preventing liability to charge being removed from certain taxable benefits in kind

Who is likely to be affected?

Individuals who pay for benefits-in-kind they receive, where the taxable value is determined by specific legislative rules (other than the cost to the employer of providing the benefit).

Any employer who provides its employees with benefits-in-kind who then pay for the benefit, where the taxable value is determined by specific charging rules other than cost of providing the benefit.

General description of the measure

The policy intention has always been that 'fair bargain' does not apply to certain taxable benefits in kind where the charge is based on tax rules that specify how the benefit in kind should be calculated. This type of benefit includes beneficial loans, expenses, employer-provided living accommodation, company cars, vans and fuel.

This measure is a technical change to the wording of the legislation to ensure clarity. There is no change to existing government policy.

Policy objective

The measure seeks to clarify in law that the concept of "fair bargain" applies only to general taxable benefits where the taxable amount is based on the cost to the employer of providing the benefit. It does not apply to the taxation of certain benefits in kind which have specific charging rules.

Background to the measure

This measure was announced at Budget 2016. It puts beyond doubt that the principle of 'fair bargain' does not apply to benefits chargeable to income tax within Part 3, Chapter 10 of Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003).

Detailed proposal

Operative date

This measure will have effect on and after 6 April 2016.

Current law

Part 3, Chapter 10 of ITEPA 2003 imposes a charge to tax where an employment-related benefit is provided to a director or an employee by reason of their employment except for those benefits which are already chargeable to income tax by virtue of Chapters 3 to 9 of Part 3 or other legislation, or are specifically exempt from charge.

A benefit is defined in Section 201(2) of ITEPA 2003 as a 'benefit or facility of any kind'. When a benefit is provided to an employee by reason of the employment, it is an 'employment-related benefit'. The definition of a benefit includes everything that confers a special bounty on the recipient.

However, for the purposes of Part 3 Chapter 10 of ITEPA 2003, something which is a 'fair bargain' between the employer and the employee is not a 'benefit'. Fair bargain applies

where an employee has received goods or services from their employer at exactly the same cost, terms and conditions as a member of the public or other independent third party dealing with the employer on arms-length terms. When this occurs, there is no benefit in kind.

The government's policy intention is that the principle of 'fair bargain' does not apply to benefits chargeable to income tax within Part 3, Chapters 3 to 9 of ITEPA 2003. For those benefits the amount of the taxable benefit is calculated by reference to the specific charging rules and any payments made by the employee are deducted from that charge.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to amend ITEPA to put this matter beyond doubt. It will provide a general provision to exclude the application of fair bargain to identified taxable benefits in kind where the level of the benefit is set out in statute.

The changes will apply to Chapter 5 Taxable benefits: living accommodation, Chapter 6 Taxable benefits: cars, vans and related benefits and Chapter 7 Taxable benefits: loans.

Legislation will be introduced in Finance Bill 2016 to amend ITEPA to provide a provision to exclude the application of fair bargain to the identified benefits.

The legislation will specifically exclude employees who work for an employer where the employer trades in the provision of hire cars to the public. In the circumstances where the employee hires a car from the employer at the same cost and under the same terms and conditions as any member of the public, there will not be a benefit in kind charge.

This measure is a technical change to the wording of the legislation to ensure clarity. There is no change to existing government policy.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
negligible	negligible	negligible	negligible	negligible

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

Economic impact

This measure is not expected to have any macroeconomic impacts.

Impact on individuals, households and families

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

Equalities impacts

HMRC does not hold data on the protected characteristics of those affected, but the measure is not expected to have equality impacts on groups with protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses and civil society organisations who will incur one-off costs to familiarise themselves with the new rules. Employers will continue to annually declare these benefits in kind on forms P11D and the associated employer Class 1A NIC's costs for the relevant employees. This measure is not expected to bring any more employers into the scope of benefits in kind and there are not expected to be any additional on-going costs.

Operational impact (£m) (HMRC or other)

There will be no significant operational impact on HMRC.

Other impacts

Other impacts have been considered and none have been identified

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the Employment Income Policy Team on email: employmentincome.policy@hmrc.gsi.gov.uk.

Income Tax: treatment of income from sporting testimonials

Who is likely to be affected?

Employed sportspersons who receive income from a sporting testimonial or a benefit match which is non-contractual or non-customary.

Independent testimonial committees who may now have to operate Pay As You Earn (PAYE), and account for National Insurance contributions (NICs) on income from a sporting testimonial or a benefit match for a sportsperson.

General description of the measure

The measure confirms that all income from sporting testimonials and benefit matches for an employed sportsperson will be chargeable to tax, and NICs. This treatment will be subject to a 'one-off' exemption of £100,000 of the income received from events held during a single testimonial or testimonial year. Where there is a contractual entitlement or customary right to the sporting testimonial or benefit match then this exemption will not apply.

Independent testimonial committees will now need to operate PAYE where the total proceeds from a non-contractual sporting testimonial or benefit match (or a number of events comprising a testimonial year) for an employed sportsperson exceed £100,000.

Policy objective

This measure will clarify the income tax and NICs treatment where an employed sportsperson receives income from sporting testimonials and benefit matches. The new one-off exemption of £100,000 will ensure that employed sportspersons on modest incomes who, for whatever reason, may be coming to or have already reached the end of their playing career are protected from these changes.

Background to the measure

The guidance currently published by HM Revenue and Customs (HMRC) on the tax treatment of sporting testimonials and benefits for employed sportspersons does not reflect the current state of the law detailed below. Some testimonial income which should already have fallen within the charge to tax may have been excluded incorrectly as a result. HMRC's current guidance is therefore an extra statutory concession.

A consultation on the withdrawal of this and other extra statutory concessions was held during the summer of 2014. It was clear from the responses to that consultation that employed sportspersons on modest incomes would have been disproportionately affected by its withdrawal.

At March Budget 2015 the government announced that the current tax treatment of payments from sporting testimonials for employed sportspersons as set out in HMRC's guidance would be preserved while it considered representations, and that no changes would be made before April 2016.

At Summer Budget 2015 the government announced that it would consult on the tax treatment of income from sporting testimonials and benefit matches. HMRC published a consultation paper titled 'Tax Treatment of income from Sporting Testimonials - Proposals for Legislation' on 8 July 2015 and the consultation ran until 2 September 2015. A summary

of responses to the public consultation was published on the GOV.UK website on 9 December 2015, along with draft legislation. A technical consultation on the draft legislation ended on 3 February 2016.

In response to the representations made during this latter consultation, the proposed exemption of £50,000 has been increased to £100,000.

This tax information and impact note (TIIN) updates and replaces the TIIN published on 9 December 2015 to take account of changes made to the policy since December 2015.

Detailed proposal

Operative date

The measure will have effect for the income received from non-contractual / non-customary sporting testimonial events held on or after 6 April 2017 where the testimonial has been awarded on or after 25 November 2015. Income from sporting testimonial events held on or after 6 April 2017 where the testimonial or benefit match was awarded before 25 November 2015 will be subject to existing arrangements.

Current law

Where an employed sportsperson has a contractual right, or a 'custom' is established to a sporting testimonial or benefit match, then the income (after expenses incurred are deducted) is chargeable to tax as earnings of the sportsperson under section 62 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) from the related employment. There is also a Class 1 NICs liability on these earnings.

HMRC's treatment of sporting testimonials and benefit matches where there is no contractual right (or no custom established) has relied on the 1927 tax case of Reed v Seymour. This case established the principle that where a testimonial or benefit is organised to demonstrate affection and regard for the personal qualities of the sportsperson, the proceeds are not from the employment and are not earnings.

However, since then there have been significant changes to tax legislation. In particular, the introduction of the 'benefits code' in 1948, and more recently in 2011 the introduction of Part 7A of ITEPA (which applies a charge to tax on employment income provided through third parties). Taken together these changes mean that a wider range of payments are chargeable to tax.

HMRC's current practice is therefore concessionary. The House of Lords' 'Wilkinson' judgement (R (Wilkinson) v Inland Revenue Commissioners 2005) established that various concessions exceeded the powers available to HMRC to depart from the strict statutory position. Our guidance on sporting testimonials is such a concession and cannot be maintained.

Proposed revisions

Legislation is introduced in Finance Bill 2016 to amend ITEPA to clarify the law in this area and confirm that income arising from a non-contractual or non-customary sporting testimonial or benefit for an employed sportsperson is liable to income tax. Legislation will also be introduced before April 2017 to deal with certain consequential amendments for income tax and to set out the NICs position.

The changes to ITEPA will also include the introduction from 6 April 2017 of a one-off exemption of £100,000 from income tax, and corresponding legislation will be introduced for NICs. This will apply to income from a non-contractual or non-customary testimonial being paid to or on behalf of an employed sportsperson. The exemption will apply to income arising from relevant events held in a maximum period of 12 calendar months only, beginning with the date the first event is held in a 'testimonial year', even if that year straddles more than one tax year.

If the level of the income arising from the testimonial or testimonial year falls below the value of the exemption, the amount of the unused exemption will not be available to carry forward to a future sporting testimonial or benefit match for the sportsperson, or against any other testimonial events held after the end of that 12 month period.

Any non-contractual or non-customary testimonial events held on or after 6 April 2017 from a testimonial that is awarded or arranged for a sportsperson prior to 25 November 2015 will fall within existing arrangements.

Finance Bill 2016 will also introduce legislation in Corporation Tax Act 2010 that will enable an independent testimonial committee that is chargeable to corporation tax to deduct sums paid to, or for the benefit of, the employed sportsperson, and associated PAYE and any NICs liability, from the committee's taxable profits.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

Research indicates that some 220 sporting testimonials or benefit matches are held annually, but of these a much smaller number are held for professional sportspersons who are not self-employed. Employed sportspersons who have a contractual entitlement or customary right to a sporting testimonial or benefit match will not be affected by these changes as these are already fully charged to income tax and Class 1 NICs. A small number of individuals may now pay income tax and NICs on some of the income from their sporting testimonial or benefit match where this is in excess of the £100,000 exemption.

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

Equalities impacts

While the measure is not targeted at any specific age group, and applies equally to sportspersons of all ages, it is recognised that it may affect individuals who feel they need to retire from their sport. Any adverse effects applicable for a specific age group is offset by

the exemption of £100,000 being available to income arising to an employed sportsperson from a non-contractual sporting testimonial or benefit match. This measure is therefore not expected to have any disproportionate effect on people with protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses and civil society organisations.

Up to 220 independent testimonial committees, that are temporarily formed each year to organise non-contractual or non-customary testimonial events, are expected to be affected by the changes.

All committees will incur a one-off cost of becoming familiar with the changes, and those affected will also need to monitor proceeds to identify if the exempted amount has been exceeded.

If the exemption limit is exceeded, the committee will incur an additional administrative burden in order to operate PAYE on some of the proceeds and report tax deductions to HMRC by a Real Time Information (RTI) return. The committee will also need to monitor PAYE costs for corporation tax purposes. Overall, these costs are expected to be negligible.

Operational impact (£m) (HMRC or other)

There will be no significant operational impacts on HMRC arising from this measure and no IT changes will be required. HMRC will however need to provide clear guidance on the changes brought by this legislation. Because of the small number of sporting testimonials and benefit matches taking place annually any increased contact is likely to be insignificant.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored and assessed alongside other measures in the government's package of reforms, through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact the Employment Income Policy Team on email: employmentincome.policy@hmrc.gsi.gov.uk or Telephone: 03000 521589.

Extending the real time collection of tax on benefits in kind: voluntary payrolling

Who is likely to be affected?

Employers, employees, payroll providers and payroll software providers.

General description of the measure

The measure will amend primary legislation to allow HM Revenue and Customs (HMRC) to make changes to the Pay As You Earn (PAYE) Regulations ('the Regulations'). The changes to the Regulations will enable the voluntary payrolling of non-cash vouchers and credit tokens.

Policy objective

The payrolling of non-cash vouchers and credit tokens provides an opportunity to reduce employers' reporting obligations to HMRC. The collection of tax in real time will create efficiencies for employers and a simplified system should prove easier for employees to understand. Payrolling will reduce the likelihood of an over or underpayment of tax.

Background to the measure

The Office of Tax Simplification (OTS) recommended the introduction of a legislative framework to allow employers to payroll some, or all, of the benefits they provide to their employees on a voluntary basis.

Budget 2014 announced a number of measures aimed at simplifying the administration of benefits in kind and expenses, including voluntary payrolling.

Finance Act 2015 introduced legislation giving HMRC new powers to make regulations allowing employers to voluntarily payroll some benefits in kind (BiKs) for tax from the 6 April 2016. Non-cash vouchers and credit tokens were excluded from the payrolling of benefits in kind legislation in Finance Act 2015 as HMRC concentrated on developing the framework for voluntarily payrolling the BiKs that are most commonly provided by employers and so are the largest by volume and value.

This measure will extend the scope of HMRC's powers, enabling the Regulations to be amended so that employers can choose to payroll non-cash vouchers and credit tokens from 6 April 2017.

Detailed proposal

Operative date

HMRC will amend the Regulations in the summer of 2016 to enable employers to choose to payroll non-cash vouchers and credit tokens from 6 April 2017.

Current law

A taxable benefit arises when, by reason of the employment, an employee receives a voucher or credit token. Chapter 4 of Part 3 of the Income Tax (Earnings and Pensions) Act (ITEPA) 2003 charges vouchers and credit tokens to tax as earnings. Non-cash vouchers

and credit tokens give rise to an income tax liability as if the employee had received a sum equal to the cost of providing the voucher or credit token.

Part 11 of ITEPA provides for a PAYE system, where employers deduct income tax at source from an employee's salary. Section 684 ITEPA requires HMRC to set out the detailed provisions for PAYE in Regulations. These are the Income Tax (PAYE) Regulations 2003 (2003/2682) (the "PAYE Regulations").

In general, when HMRC knows that a BiK is available to an employee, HMRC uses its powers in Part 2 of Regulation 19 of the 2003 Regulations to amend the employee's PAYE tax code. The intention is to deduct the right amount of tax from the employee's salary for the tax year, taking account of the value of the BiK.

Part 4 of Chapter 2, Regulation 85 of the PAYE Regulations requires employers to send HMRC annual returns of other earnings, including vouchers and credit tokens.

The voluntary payrolling framework, set out mainly in Chapter 3A of Part 3 of the PAYE Regulations (as introduced by the Income Tax (Pay As You Earn) (Amendment No. 4) Regulations 2015 (2015/1927)) enables employers to opt to payroll car, van, car and van fuel and other BIKs, such as medical insurance and subscriptions for tax from the 6 April 2016.

Where an employer choses to payroll the tax charge on BiKs its obligation to make a return (form P11D) under Part 4 of Chapter 2, Regulation 85 of the PAYE Regulations is dis-applied. Employers are required to report the value of these BiKs through Real Time Information. The PAYE Regulations set out how the cash equivalent of the BiK provided to an employee is to be calculated. The cash equivalent is treated as PAYE income which is liable to deduction using the PAYE Tax Tables.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to amend section 684 of ITEPA to allow HMRC to amend the PAYE Regulations to include non-cash vouchers and credit tokens in the framework for voluntary payrolling. HMRC will amend the PAYE Regulations in the summer of 2016 to enable employers to voluntarily payroll non-cash vouchers and credit tokens from 6 April 2017.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

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

Equalities impacts

There are no equality impacts arising from this measure.

Impact on business including civil society organisations

This measure is expected to reduce the administrative burden on employers who choose to voluntarily payroll non-cash vouchers and credit tokens. The reporting burden on employers will be eased as the obligation to submit P11Ds will be reduced or removed.

Employers currently payrolling on an informal basis will benefit, as there will be no obligation to return a P11D for non-cash vouchers and credit tokens.

There will be a negligible one-off cost to employers adopting payrolling of non-cash vouchers and credit tokens - reflecting the need for employers to familiarise themselves with guidance, register with HMRC and make the requisite changes to their payroll system.

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

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

Estimated ongoing impact on administrative burden (£m)

Ongoing average annual impact	(£m)
Costs	-
Savings	0.13
Net impact on annual administrative burden	-0.13

Operational impact (£m) (HMRC or other)

The measure is expected to deliver a small administrative saving for HMRC as a result of a reduced number of BiKs returned on form P11D. The administrative savings are anticipated to be negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the Employment Income Policy Team on email: employmentincome.policy@hmrc.gsi.gov.uk.

Employee share schemes: simplification

Who is likely to be affected?

Individuals who exercise an Enterprise Management Incentive (EMI) option to acquire shares, where those shares are then subject to a rights issue on or after 6 April 2016.

General description of the measure

The measure simplifies the law so that a rights issue which takes place on or after 6 April 2016 in respect of shares received on exercise of an EMI option will be treated in the same way for share identification purposes as other rights issues.

Policy objective

The measure support the government's objective to simplify the tax system.

Background to the measures

A tax information and impact note (TIIN) containing a summary of impacts entitled "Employee share schemes: simplification of the rules" was published by HM Revenue and Customs (HMRC) on 9 December 2015, together with draft clauses for Finance Bill 2016. The TIIN and draft legislation dealt with a number of different elements relating to both tax-advantaged and non tax-advantaged employee share schemes. Please refer to that TIIN, which still stands, for information about the impact of those elements.

This TIIN deals only with the impact relating to the time limits for the exercise of EMI options. When Finance Act 2013 extended the time limit for employees to exercise EMI options without loss of tax and NIC reliefs following a disqualifying event from 40 to 90 days after the event, it did not update a corresponding time limit for capital gains tax (CGT) in Part 4, Schedule 7D to the Taxation of Chargeable Gains Act 1992 (TCGA). A draft clause for the Finance Bill 2016 (published for consultation on 9 December 2015) corrected this.

Following a representation made in response to the draft legislation, the government has now concluded that since the ending of business asset taper relief in 2008, the whole of Part 4 of Schedule 7D to TCGA has lost its original purpose and should therefore be repealed. In the absence of taper relief the government no longer believes that there is any reason why the date of acquisition of shares on a rights issue should vary depending on whether the original shares were or were not acquired by exercise of an EMI option. This conclusion was tested with stakeholders through informal consultation in January 2016 and welcomed by them. The repeal proposed by Finance Bill 2016 removes nearly a page of legislation.

Other changes to the employee share scheme rules published on 9 December 2015 will appear in the Finance Bill 2016 unamended.

Detailed proposal

Operative date

The measure will have effect for rights issues and disqualifying events occurring on or after 6 April 2016.

Current law

The taxation of chargeable gains in relation to tax-advantaged share schemes is dealt with in Schedule 7D to TCGA.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to repeal Part 4 of Schedule 7D to TCGA. The effect of the repeal will be that a rights issue which takes place on or after 6 April 2016 in respect of shares received on exercise of an EMI option will be treated in the same way for share identification purposes as other rights issues: the new shares will be treated as acquired at the same time as the original shares.

Summary of impacts

This table deals only with the impact of the EMI option element of the overall package of measures relating to simplification of the rules relating to employee share schemes. The impact of the other elements was set out in the TIIN relating to that measure, which was published on 9 December 2015.

Exchequer impact (£m)

2016 to 2017	2017 to 18	2018 to 2019	2019 to 2020	2020 to 2021
negligible	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

This measure simplifies the law so that a rights issue which takes place on or after 6 April 2016, in respect of shares received on exercise of an EMI option, will be treated in the same way for share identification purposes as other rights issues.

The measure will affect only those limited number of individuals who exercise an EMI option to acquire shares, where those shares are then subject to a rights issue. The latest data shows that in the tax year 2013 to 2014 5,000 individuals exercised EMI share options. Of those individuals, the change will only affect an individual who has exercised an EMI share option and then, instead of selling the shares has continued to hold them until the company has declared a rights issue (itself a rare occurrence), to which that individual has then subscribed. The change will affect the acquisition date for those shares. For some shareholders, compared with the previous rules, this will give a larger allowable cost and therefore lower chargeable gain and others a lower allowable cost and therefore higher chargeable gain, depending on the performance of the underlying shares over the relevant period.

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

Equalities impacts

The measure affects those receiving EMI options who are likely to be employees of above average income. The equality impacts will therefore reflect those protected equality groups represented in this population.

Impact on business including civil society organisations

This measure is expected to have no impact on businesses or civil society organisations because it affects individuals only.

Operational impact (£m) (HMRC or other)

The additional costs for HMRC in implementing the change are anticipated to be negligible.

Other impacts

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 change, please contact Tom Rollinson on Telephone: 03000 585167 or email: tom.rollinson@hmrc.gsi.gov.uk

Tackling disguised remuneration avoidance schemes

Who is likely to be affected?

Employers, companies and individuals using tax avoidance schemes that fall within the disguised remuneration legislation.

Employers, companies and individuals that used an Employee Benefit Trust (EBT) arrangement prior to 2011 and have yet to settle with HM Revenue and Customs (HMRC).

General description of the measure

As announced at Budget 2016 the government will bring forward a package of changes to tackle the use of disguised remuneration avoidance schemes. The first part of the package is being introduced in Finance Bill 2016 and this tax information and impact note (TIIN) deals with those changes.

The remainder of the package will follow in future Finance Bills and a TIIN will follow the publication of the relevant legislation. More details on the whole package are included within the overview of changes and technical note also published on 16 March 2016.

Inserting an additional TAAR

The measure prevents attempts to exploit the disguised remuneration legislation by inserting an additional targeted anti-avoidance rule (TAAR) with effect from 16 March 2016.

The withdrawal of the relief on investment returns

The measure will withdraw the transitional relief on investment returns after 30 November 2016. The relief was intended to work alongside the EBT Settlement Opportunity, which closed on 31 July 2015. Anyone who has not settled with HMRC on or before 30 November 2016 will not qualify for the relief.

Minor technical changes

The measure will also make three minor technical clarifications to the disguised remuneration legislation to ensure it works as Parliament intended.

Policy objective

This measure supports the government's commitment to tackling tax avoidance and ensures that those who have used disguised remuneration tax avoidance schemes pay their fair share of tax and National Insurance contributions (NICs).

Background to the measure

These changes are part of a wider package announced at Budget 2016 to tackle the use of disguised remuneration tax avoidance schemes.

Detailed proposal

Operative date

The insertion of the additional TAAR will be effective from 16 March 2016.

The withdrawal of the relief on investment returns will have effect after 30 November 2016.

Current law

Finance Act (FA) 2011 inserted the disguised remuneration rules in Part 7A of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003).

The current law that is subject to attempted exploitation is contained in section 554Z8 of ITEPA 2003. This section reduces the amount subject to a charge under the disguised remuneration legislation when certain conditions are met.

The current law for the transitional relief on investment growth is contained in paragraph 59, Schedule 2 to FA 2011. The relief prevents the disguised remuneration rules from applying to investment growth accrued on amounts of disguised remuneration. This applies where tax has been agreed and paid on the basis that the disguised remuneration was earnings from the employment.

Proposed revisions

Inserting an additional TAAR

One type of disguised remuneration avoidance scheme seeks to exploit a perceived weakness in section 554Z8 of ITPEA 2003. Legislation will be introduced in Finance Bill 2016 to add an additional TAAR within that section. The TAAR will put beyond doubt that the scheme does not work by preventing the relief in section 554Z8 from being available where there is a connection, direct or indirect, with a tax avoidance arrangement. The change will be effective from 16 March 2016.

The withdrawal of the relief on investment returns

Users of a disguised remuneration scheme, usually an EBT, prior to the introduction of Part 7A of ITEPA 2003 have had the option of utilising paragraph 59, Schedule 2 to FA 2011. Paragraph 59 allows those who have settled with HMRC to obtain relief from a charge under Part 7A ITEPA 2003 on any relevant steps taken after settlement. This applies equally to the amount of disguised remuneration and any growth in the value of the disguised remuneration.

Legislation will be introduced in Finance Bill 2016 to restrict paragraph 59 relief to the value of the disguised remuneration. Any investment growth on the disguised remuneration that is included within a relevant step will be liable to a charge under Part 7A of ITEPA 2003. This will apply to situations where the conditions of paragraph 59 are met after 30 November 2016.

Those that have already met, or will meet, the conditions of paragraph 59, on or before 30 November 2016 will not be affected by this measure.

Minor technical changes

Legislation will be introduced in Finance Bill 2016 to make a technical change to section 554Z2 Part 7A of ITEPA 2003. In order to prevent double taxation it will be possible to apportion the value of a relevant step where the relevant step creates a charge on more than one person simultaneously.

Legislation will be introduced in Finance Bill 2016 to make two technical changes to Schedule 2 to FA 2011. It will put beyond doubt that the payment of an Accelerated Payment does not constitute a payment of tax for the purposes of the relief in paragraph 59, and an expired power at paragraph 64 will be removed.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
+100	+335	+645	+1,235	+215

These figures are set out in Table 2.1 of Budget 2016 as 'Disguised remuneration: tackling historic and new schemes' and have been certified by the Office for Budget Responsibility.

These figures reflect the full package of changes to tackle disguised remuneration avoidance schemes announced at Budget 2016, some of which will be legislated in future Finance Bills and so are not reflected in this note. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

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

Impact on individuals, households and families

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

Equalities impacts

There is no reason to suppose this measure will have a significant or disproportionate impact on groups with legally protected characteristics as recognised in the Equality Act 2010.

Impact on business including civil society organisations

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

Operational impact (£m) (HMRC or other)

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

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the Employment Income Policy Team by email at: employmentincome.policy@hmrc.gsi.gov.uk.

Pension flexibility

Who is likely to be affected?

Members of registered pension schemes who have a life expectancy of less than 12 months.

Members of registered pension schemes who have money purchase pensions in payment and their total pension wealth does not exceed £30,000.

Individuals with dependant's drawdown or flexi-access drawdown pensions who will cease to be a dependant on reaching age 23.

Scheme administrators of registered pension schemes.

General description of the measure

A number of minor changes are being made to the pensions tax rules to ensure that they operate as intended following the introduction of pension flexibility in April 2015. The changes will:

- remove the requirement that a serious ill-health lump sum can only be paid from an arrangement that has never been accessed
- replace the 45% tax charge on serious ill-health lump sums paid to individuals who have reached age 75 with tax at the individual's marginal rate
- enable dependants with drawdown or flexi-access drawdown pension who would currently have to use all of this fund before age 23 or pay tax charges of up to 70% on any lump sum payment, to continue to access their funds as they wish after their 23rd birthday
- remove the rule on paying a charity lump sum death benefit out of drawdown pension funds and flexi-access drawdown funds where the member dies under the age of 75 because the equivalent tax-free payment may be made as another type of lump sum death benefit
- enable money purchase pensions in payment to be paid as a trivial commutation lump sum
- enable the full amount of dependants benefits to be paid as authorised payments where there are insufficient funds in a cash balance arrangement when the member dies

Policy objective

These measures make the tax system fairer and ensure that pension flexibility is working as intended.

Background to the measure

At Budget 2014, the government announced the introduction of pension flexibility. These allowed individuals aged 55 and above to access their money purchase pension savings as they wish, subject to their marginal rate of tax.

In September 2014 the government made a further announcement in relation to the taxation of pension death benefits.

These changes were set out in the Taxation of Pensions Act 2014 which took effect from 6 April 2015.

Detailed proposal

Operative date

These measures will have effect on the day after the date of Royal Assent to Finance Bill 2016.

Current law

Registered pension schemes are tax-advantaged vehicles intended to encourage saving for retirement. The current law is mainly included in Part 4 of Finance Act (FA) 2004. Schedule 28 FA 2004 provides the rules for authorised pensions and Schedule 29 FA 2004 provides the rules for authorised lump sums.

Serious ill-health lump sums can be paid only out of funds that have not been accessed. If a serious ill-health lump sum is paid to an individual who has reached age 75, it is taxed at 45% (section 205A FA 2004).

Dependant's drawdown pension and flexi-access drawdown pension may be paid following the death of a member to the member's child who has not reached age 23.

Where the member has no dependants a charity lump sum death benefit may be paid out of their drawdown or flexi-access drawdown pension funds irrespective of their age at death.

Trivial commutation lump sums can be paid out of defined benefits funds whether or not the funds have been accessed.

An uncrystallised funds lump sum death benefit must be paid out of money purchase funds valued at the member's death. Cash balance benefits are money purchase benefits that are not calculated on the basis of contributions to the scheme (section 152 FA 2004). They may be paid as an uncrystallised funds lump sum death benefit but the payment according to the scheme rules will be the amount promised to fund the benefits of the beneficiary.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to amend FA 2004.

Serious ill-health lump sums
If an individual would meet the requirements to take a serious ill-health lump sum but for the fact that they have accessed their pension, they will be able to take the remaining funds that have not been accessed as a serious ill-health lump sum.

Where a serious ill-health lump sum is paid to an individual who has reached age 75, it will be taxable at that individual's marginal rate rather than at a flat rate 45%.

Dependant's drawdown and flexi-access drawdown
Where an individual has a dependant's drawdown pension fund or dependant's flexi-access drawdown fund because they are a child under the age of 23 of the member who has died, they will be able to continue to receive drawdown pension or flexi-access drawdown pension as authorised payments after reaching age 23. This would ensure that a child dependant who continues to draw down from their fund when they have reached age 23 does not have tax charges of up to 70% on any payments received from that date, and aligns their tax treatment with that of a nominee of the member.

Charity lump sum death benefit
A change is made to align the tax treatment of a charity lump sum death benefit after a member has died under the age of 75 whether paid out of drawdown pension funds and flexi-access drawdown funds or out of funds that have not been accessed (uncrystallised funds). The need to pay an uncrystallised funds lump sum death benefit a drawdown pension fund lump sum death benefit or a flexi-access drawdown fund lump sum death benefit within two years when it is paid to a charity is also removed.

Trivial commutation lump sum
A change is made so that a trivial commutation lump sum may be paid out of a money purchase scheme pension that is already in payment.

Cash balance
Where a member dies and the scheme must top-up the remaining funds to meet the entitlement of the member's beneficiaries to an uncrystallised funds lump sum death benefit under the scheme rules, the full amount of the lump sum death benefit will be an authorised payment.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
negligible	negligible	negligible	negligible	negligible

These measures are expected to have a negligible impact on the Exchequer.

Economic impact

These measures are not expected to have any economic impact.

Impact on individuals, households and families

This measure is not expected to have an impact on individuals, households or on family formation, stability or breakdown. These are minor measures to ensure that pensions legislation is working as originally intended.

Equalities impacts

These measures are expected to have minimal impacts on the legally protected equality groups. There may be slight positive impacts on younger people and spouses from changes to dependants' Flexi-Access Drawdown and top ups to fund dependants' death benefits.

Impact on business including civil society organisations

These measures will not significantly impact on businesses or civil society organisations.

Operational impact (£m) (HMRC or other)

There will be no significant operational cost for HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

These measures will be monitored on an ongoing basis, through monitoring tax receipts.

Further advice

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

Extension of enhanced capital allowances for Enterprise Zones

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 the period in which businesses investing in new plant and machinery in ECA sites in Enterprise Zones can qualify for 100% capital allowances to eight years.

Policy objective

Enterprise Zones are part of the government's growth agenda 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. This was extended for a further three years to 2020, giving eight years of ECA. The government announced at Budget 2016 that all EZs will be entitled to eight years of ECA from the date of their announcement.

Detailed proposal

Operative date

The legislation will have effect from Royal Assent to Finance Bill 2016.

Current law

Capital allowances allow businesses to write down the costs of qualifying plant and machinery assets against their taxable income. The Enterprise Zone legislation is at sections 45K to 45N of Capital Allowances Act 2001. This provides 100% 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 in the period of eight years beginning with 1 April 2012, 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 2016 to change to eight years the period in which ECAs are available in Enterprise Zones.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	nil	nil	nil	-5

These figures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

The provision of the ECA for eight years for all Enterprise Zones is expected to support further investment in Enterprise Zones.

Impact on individuals, households and families

There is no impact on individuals or households. This measure has no impact on family formation, stability or breakdown. 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 % 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.

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.

Operational impact (£m) (HMRC or other)

This measure will have negligible operational impact for HM Revenue and Customs.

Other impacts

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 change, please contact Tunde Ojetola on Telephone: 03000 585916 or email: tunde.ojetola@hmrc.gsi.gov.uk.

Income and Corporation Tax: repeal of the renewals allowance

Who is likely to be affected?

Businesses and landlords currently using renewals allowance to obtain tax relief for expenditure on replacement and alteration of tools.

General description of the measure

The measure will ensure that tax relief for expenditure incurred by a business on replacement and alteration of tools is obtained under the same rules as apply to other equipment.

Policy objective

This measure ensures that the tax rules provide fairness by giving the correct amount of deduction against trading or property income for capital expenditure incurred on equipment used in a trade or property business.

Background to the measure

The measure was announced at Budget 2016.

The renewals allowance predates capital allowances and was intended to allow the costs of replacing implements, utensils and articles used in a business.

Some businesses have recently sought to obtain relief under the renewals allowance provisions for expenditure on very large and expensive items of equipment. The renewals allowance was never intended to apply to expenditure of that nature and the measure protects that position.

In addition, the renewals allowance legislation is no longer necessary. At the date of repeal, alternative provisions will provide tax relief for this type of expenditure under the existing capital allowances regime or the new relief for residential landlords, for costs incurred in replacing domestic items such as furnishings and appliances.

Detailed proposal

Operative date

The measure will repeal the renewals allowance with effect for expenditure incurred on or after 6 April 2016 for income tax purposes and from 1 April 2016 for corporation tax purposes.

These dates align with the introduction of a new relief for domestic items for residential landlords, ensuring alternative relief for this type of expenditure is available.

Current law

Section 68 of the Income Tax (Trading and Other Income) Act 2005 (ITTOIA) contains the income tax rules for the renewals allowance. The equivalent corporation tax rules are contained at Section 68 of Corporation Tax Act 2009 (CTA 2009).

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to repeal the relevant provisions in ITTOIA and CTA 2009.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
+5	+5	+5	+5	+5

These figures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

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

Impact on individuals, households and families

This measure is not expected to have any impact on individuals or households.

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

Equalities impacts

The measure is not expected to have any impact on groups with particular protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on a small number of businesses claiming relief for expenditure on tools. Relief for such expenditure will be available through capital allowances or the new relief for domestic items for landlords.

Operational impact (£m) (HMRC or other)

It is anticipated that there will be no significant operational impacts on HMRC arising from this measure with no IT changes required. Guidance will be updated.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Mark Bingham on Telephone: 03000 511496 or email: mark.bingham@hmrc.gsi.gov.uk.

Clarification to finance costs restriction for landlords

Who is likely to be affected?

Individuals, partners and trustees to whom the finance costs restriction applies. Beneficiaries of deceased persons' estates where the residential property finance costs of personal representatives have been restricted.

General description of the measure

This measure will clarify that the basic rate tax reduction is available to beneficiaries of deceased persons' estates. It also ensures that the basic rate tax reduction applies and is calculated as intended.

Policy objective

This measure will ensure that the legislation restricting finance costs relief operates as intended.

Background to the measure

This measure was announced at Budget 2016.

Detailed proposal

Operative date

This measure will have effect for finance costs incurred on or after 6 April 2017.

Current law

Current law restricting landlords' finance costs deductions is in sections 272A and 272B Income Tax (Trading and Other Income) Act 2005. The law that gives entitlement to the basic rate tax reduction is in sections 274A and 274B Income Tax (Trading and Other Income) Act 2005 and section 399B Income Tax Act 2007 for individuals investing in partnerships that operate residential property businesses.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 in order to:

- put beyond doubt that individual beneficiaries of deceased persons' estates are entitled to the basic rate tax reduction
- ensure that the total income restriction to the tax reduction applies where the relevant finance costs or property profits are higher than the total income
- ensure that total income is a measure of the net taxable income after other reliefs
- ensure that any carried forward tax reduction is given in any subsequent year in which property income is received, even if there is no restriction on the deduction of finance costs in that year, for example, where the loan has been repaid

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021

This measure clarifies that the basic rate tax reduction is available to beneficiaries of deceased persons' estates. It also ensures that the basic rate tax reduction applies and is calculated as intended. The Exchequer impact of 'Residential property: restrict finance relief to basic rate, phase from 2017' is set out in Table 2.1 of Summer Budget 2015 and was certified by the Office for Budget Responsibility.

Economic impact

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

Impact on individuals, households and families

This measure is a clarification and is designed to ensure the legislation implements the policy as announced.

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

Equalities impacts

This measure should have no adverse impact on the equality of protected groups.

Impact on business including civil society organisations

Details of the administrative costs and benefits are set out in the 'Restricting finance cost relief for individual landlords' tax information and impact note published as part of the Overview of Tax Legislation and Rates on 8 July 2015.

Operational impact (£m) (HMRC or other)

There will be no significant operational impact. No amendments are needed to self-assessment returns and the only impact for HMRC is to ensure that guidance is updated to make it clear how the provisions work in practice.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Megan Shaw on Telephone: 03000 585628 or email: restricting.financecostrelief@hmrc.gsi.gov.uk.

Income Tax: Enterprise Investment Scheme and Venture Capital Trusts

Who is likely to be affected?

This measure will affect companies and individual investors using the Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) scheme, EIS fund managers and VCTs.

General description of the measure

The measure ensures the EIS and VCT legislation introduced by the Finance (No.2) Act 2015 works as intended:

- the method of determining the five year period for the average turnover amount and the relevant three preceding years for the operating costs conditions will be clarified for both EIS and VCTs to ensure that the most recently filed accounts of a company are generally used to determine the end date of the relevant period
- a new condition will be introduced to clarify the non-qualifying investments a VCT may make for liquidity management purposes

Policy objective

The changes ensure that the EIS and VCT legislation reflects the policy announced at Summer Budget 2015.

Background to the measure

The Summer Budget 2015 announced a number of changes to the EIS and VCT rules. The new rules were introduced by Schedules 5 and 6 to the Finance (No.2) Act 2015. The need to clarify the legislation has emerged since Royal Assent on 18 November 2015.

Detailed proposal

Operative date

The measure will have effect from:

- 18 November 2015 for shares issued under EIS and for investments made by VCTs for determining the relevant accounting period of a company. However an investee company may elect to apply the existing legislation for investments received between 18 November 2015 and 5 April 2016 inclusive
- 6 April 2016 for non-qualifying investments made by a VCT

Current law

The current EIS legislation is contained in Part 5 of the Income Tax Act (ITA) 2007.

The current VCT legislation is contained in Part 6 of ITA 2007.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to ensure that, in general, the following periods end immediately before the beginning of an investee company's last accounts filing period:

- the five year period for determining the average turnover amount in relation to condition B of the permitted maximum age requirement in section 175A and section 294A and the permitted maximum age condition in section 280C
- the relevant three preceding years for the operating costs conditions that must be met by knowledge-intensive companies in section 252A and section 331A

However, if the end of the last accounts filling period falls more than 12 months before the date on which the investment is made, the five and three year periods end 12 months before the date the investment is made.

Legislation will also be introduced in Finance Bill 2016 to clarify the investments a VCT may make for liquidity management purposes, where the investment is not a qualifying holding. A new condition will be introduced in section 274(2) specifying the non-qualifying investments a VCT may make. These investments are those currently specified in section 274(3A).

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

There is negligible impact on individual investors. The changes to the determination of relevant years are technical in nature and should be more advantageous to the company in most cases. The new rules may prevent a small number of older established companies from being eligible for investments under the EIS. Companies can elect to apply the current rules for investments received before 6 April 2016 in the unlikely event that the current rules are more advantageous.

The changes to VCT non-qualifying holdings do not affect individual investors.

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

Equalities impacts

The changes to the schemes are not likely to change the impacts of this measure on any group. After careful consideration, the government has concluded that there are no significant impacts on groups of people sharing protected characteristics differently to other groups, and has not identified any equalities impacts.

From the data available it is reasonable to conclude that these changes will not have any further impact on those groups affected by equality legislation.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses.

The method to determine the relevant years for calculating the average turnover and operating costs of a company is clarified to ensure the legislation operates in the way intended . This measure will affect only a small number of older companies.

The changes to the VCT non-qualifying holdings rules ensure the legislation operates in the way intended.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

The costs to HMRC of implementing these changes are anticipated to be negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The rules introduced in Finance (No.2) Act 2015 will be monitored through information collected from tax returns. An evaluation of the EIS and VCT schemes will be completed in accordance with the State aid evaluation requirements. This report should be published by the end of 2019.

Further advice

If you have any questions about this change, please contact Cathy Wilson on Telephone: 03000 536678 or email: cathy.wilson@hmrc.gsi.gov.uk.

Corporation tax to 17% in 2020

Who is likely to be affected?

Companies and unincorporated associations which pay Corporation Tax (CT).

General description of the measure

The measure reduces the CT main rate to 17% for the Financial Year beginning 1 April 2020.

This is an additional 1% cut on top of the previously announced CT main rate cuts which reduced the CT main rate to 18% from 1 April 2020.

Policy objective

This measure supports the government's objective of a more competitive corporate tax system to provide the right conditions for business investment and growth.

Background to the measure

At Summer Budget 2015, the government announced a reduction in the CT rate from 20% to 19% for the Financial Years beginning 1 April 2017, 1 April 2018 and 1 April 2019, with a further reduction from 19% to 18% for the Financial Year beginning 1 April 2020.

Detailed proposal

Operative date

The CT main rate for Financial Year 2020 will have effect from 1 April 2020 to 31 March 2021.

Current law

A main rate of 18% for the Financial Year 2020 was set by section 7 of Finance (No. 2) Act 2015 for all non-ring fence profits.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to reduce the main rate of CT for all non-ring fence profits to 17% for Financial Year 2020.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-	-	-	-120	-945

These figures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

This measure will benefit over a million companies, large and small. It will ensure the UK has the lowest tax rate in the G20. Updated CGE government analysis shows that the cuts announced since 2010 could increase GDP by between 0.6% and 1.1% in the long run.

The costing includes a behavioural response to account for changes in the incentives for multinational companies to invest and to shift profits in and out of the UK. An adjustment has also been made to account for the increased incentive to incorporate as a result of this measure.

Impact on individuals, households and families

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

Equalities impacts

Changes to the CT rates affect corporate entities and therefore do not have equalities impacts.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on the administrative burdens of businesses and civil society organisations.

This measure will lower the tax bills of 1.1 million businesses which pay corporation tax. Affected businesses will incur negligible one-off costs to familiarise themselves with the rate change and for some companies to update their administrative systems. There are not expected to be any on-going costs.

Operational impact (£m) (HMRC or other)

Implementation is likely to have only minor operational impact but will necessitate some changes to HM Revenue and Customs IT systems and online filing products.

Other impacts

Competition assessment: a lower CT main rate makes the UK more attractive as a destination to locate.

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 the monitoring of CT receipts.

Further advice

If you have any questions about this change, please contact Ellen Milner on Telephone: 03000 585878 or email:ellen.milner@hmrc.gsi.gov.uk.

Corporation Tax: anti-hybrids rules

Who is likely to be affected?

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

General description of the measure

The measure addresses arrangements that give rise to hybrid mismatch outcomes and generate a tax mismatch, and in doing so fully implements the agreed Organisation for Economic Co-operation and Development (OECD) recommendations. Mismatches can involve either double deductions for the same expense, or deductions for an expense without any corresponding receipt being taxable.

The measure neutralises the tax mismatch created by these arrangements by changing the tax treatment of either the payment or the receipt, depending on the circumstances. The rules are designed to work whether both the countries affected by a cross-border arrangement have introduced the OECD rules, or just one. This measure deals with mismatches in two ways, described as a "primary response" and a "secondary response".

In the case of double deductions, the primary response is to deny a deduction to the parent company. If this does not occur (because the tax law in the country in which the parent company is resident does not provide for this), the secondary response is to deny the deduction to the hybrid entity or permanent establishment.

In the case of deduction/non-inclusion, the primary response is to deny a deduction to the payer. If this does not occur, the secondary response is to bring the receipt into charge for the recipient.

Hybrid mismatch outcomes can arise from hybrid financial instruments and hybrid entities, and from arrangements involving permanent establishments.

An example of a hybrid financial instrument would be one which allowed the payer to deduct an amount as interest, but allowed the receipt to be treated as an exempt dividend in the hands of the payee.

An example of a hybrid entity would be a partnership which is treated as transparent by one jurisdiction, but treated as opaque by another jurisdiction. The effect would be that one jurisdiction would apply its tax rules to the partnership, whilst the other would look through the partnership and apply its tax rules to the partners. Permanent establishments can be used in a similar way to generate mismatches.

This measure targets hybrid mismatches in the following circumstances.

Deduction/non-inclusion outcomes involving:

- Hybrid Financial Instruments
- Hybrid Transfers
- Hybrid Entity Payers
- Hybrid Entity Payees
- Arrangements involving permanent establishments

Double deduction outcomes involving:

- Hybrid Entity Payers
- Dual Resident Companies
- Arrangements involving permanent establishments

The measure also includes rules to deter arrangements which attempt to circumvent the main hybrid mismatch rules by transferring a mismatch into a third jurisdiction - such arrangements are known as "imported" mismatches. These additional rules deal with:

Double deduction or deduction/no inclusion imported mismatch outcomes involving:

- Hybrid Financial Instruments
- Hybrid Entity Payees
- Hybrid Entity Payers
- Arrangements involving permanent establishments

Policy objective

The measure will neutralise the tax effect of hybrid mismatch arrangements in accordance with the recommendations of Action 2 of the G20/OECD Base Erosion and Profit Shifting (BEPS) project. In addition, the measure will also neutralise the tax effect of hybrid mismatch arrangements involving permanent establishments.

This measure seeks to tackle aggressive tax planning where, within a multinational group, either one party gets a tax deduction for a payment while the other party does not have a taxable receipt, or there is more than one tax deduction for the same expense.

The aim is to eliminate the unfair tax advantages which arise from the use of hybrid entities, hybrid instruments and permanent establishments, and thereby encourage businesses to adopt less complicated cross-border investment structures.

Background to the measure

In 2013 the OECD and G20 countries adopted a 15-point Action Plan to address BEPS. The Action Plan aims to ensure that profits are taxed where the economic activities generating the profits are performed and where value is created.

This measure implements the recommendations of Action 2 of the BEPS project – “Neutralising the effects of hybrid mismatch arrangements”.

BEPS refers to tax planning strategies that exploit gaps and mismatches in the tax rules of different countries to make profits ‘disappear’ for tax purposes or to shift profits to locations where there is little or no real activity but where the tax rates are low resulting in little or no overall corporate tax being paid.

In response to Action Point 2, agreement was reached on a set of rules designed to ensure that multinational entities can no longer derive tax benefit from mismatch arrangements using hybrids entities or hybrid financial instruments.

The measure also includes rules to tackle hybrid mismatch arrangements which involve permanent establishments. Permanent establishments of companies are often used as an alternative to hybrid entities in tax planning arrangements as they provide for similar

mismatch opportunities. The measure covers such arrangements to ensure that groups cannot simply sidestep the OECD recommendations by using permanent establishments. Failing to tackle such permanent establishment arrangements would present an obvious opportunity for further avoidance, which would undermine the policy objective of the measure.

The government announced its intention on 5 October 2014 to introduce domestic legislation to give effect to the recommendations of Action 2. A consultation document was published at Autumn Statement 2014 inviting responses from stakeholders. This measure has been informed by consideration of responses to the consultation, by further engagement with stakeholders, and by publication of the final OECD report.

This tax information and impact note (TIIN) updates and replaces the TIIN published on 9 December 2015.

Detailed proposal

Operative date

The measure applies to payments made on or after 1 January 2017 involving hybrid entities or instruments which give rise to a hybrid mismatch outcome.

Current law

UK resident companies, and non-resident companies carrying on a trade in the UK through a permanent establishment, are chargeable to corporation tax on their profits. The computation of those profits is, on the issue of a relevant notice, subject to anti-arbitrage legislation set out in Part 6 of Taxation (International and Other Provisions) Act 2010 (TIOPA).

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to substitute Part 6A for Part 6 of TIOPA 2010.

The effect of this change is that hybrid mismatch outcomes involving hybrid entities, hybrid financial instruments and permanent establishments will be countered through the primary response, which is a disallowance of deductions where the UK is the payer jurisdiction in respect of a deduction/non-inclusion mismatch. Where the UK is the payee jurisdiction, and the primary response has not been applied in another jurisdiction, then the UK will bring the receipt into charge.

Where a double deduction arises, the UK will deny the deduction where it is the parent jurisdiction or, if the deduction is not denied in the parent jurisdiction, the UK will deny the deduction as the payer jurisdiction.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
+15	+70	+85	+90	+90
+15	+265	+255	+215	+200

The first row represents the Exchequer impact of 'Corporation tax: hybrids'. These figures are set out in Table 2.2 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2014.

The second row represents the Exchequer impact of 'Corporation Tax: extend scope of hybrid mismatch rules'. These figures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

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

A behavioural adjustment is made to account for the affected population finding ways to mitigate the tax impact.

Impact on individuals, households and families

This measure will not directly affect individuals or households. It is not expected to impact on family formation, stability or breakdown.

Equalities impacts

There are no impacts on any groups which share a protected characteristic.

Impact on business including civil society organisations

This measure is not expected to have any impacts on businesses or civil society organisations who are undertaking normal commercial transactions. It will only affect businesses that use artificially contrived tax planning arrangements to exploit mismatches in international tax systems.

Operational impact (£m) (HMRC or other)

There will be no significant operational impacts for HMRC and additional costs are expected to be negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Yasmin Ali on Telephone: 03000 543326 or email: yasmin.ali@hmrc.gsi.gov.uk.

Andy Preece on Telephone: 03000 586074 or email: andrew.preece@hmrc.gsi.gov.uk.

Income Tax: royalty withholding tax

Who is likely to be affected?

- Persons who make intellectual property royalty payments to non-resident connected persons under tax avoidance arrangements
- persons who make intellectual property royalty payments to non-resident persons in respect of which there is currently no obligation to deduct income tax at source

General description of the measure

The measure will provide additional obligations to deduct income tax at source from royalties paid to non-resident persons where either:

- arrangements have been entered into which exploit the UK's double taxation agreements (DTAs) in order to ensure that little or no tax is paid on royalties either in the UK or anywhere in the world
- the category of royalty is not currently one of those in respect of which there is an obligation to deduct tax under UK law
- royalties which do not have otherwise have a source in the UK are connected with the business that a non-UK resident person carries on in the UK through a permanent establishment in the UK

Policy objective

The measure will align the UK deduction of tax at source regime in respect of royalties with the UK taxing rights over such income and counteract contrived arrangements that are used by groups (typically by large multi-national enterprises) that result in the erosion of the UK tax base.

Background to the measure

This measure has not been previously announced.

Detailed proposal

Operative date

The measure will have effect for payments made under tax avoidance arrangements from 17 March 2016.

The change to the definition of royalties to which deduction of tax applies will have effect for payments made on or after the date of Royal Assent to the Finance Bill 2016.

The change to the source rules in respect of royalties paid under obligations which are connected with a permanent establishment in the UK will have effect for payments made on or after the date Royal Assent to the Finance Bill 2016.

Current law

Part 2 of the Taxation (International and Other Provisions) Act 2010 (TIOPA) sets out the rules that apply to double taxation arrangements, which provide for such payments to be made without deduction of income tax in certain cases, and for income tax deducted at source to be repaid.

The obligation to deduct income tax at source in respect of royalties and other income from intellectual property is set out at Chapter 6 (sections 899-903) and Chapter 7 (sections 906-909) of Part 15 of the Income Tax Act 2007.

The combined effect of these rules is that income tax is currently deductible at source from payments to a non-UK resident person in respect of the following intellectual property:

- copyright (with restrictions)
- a right in design
- public lending right in respect of a book
- royalties etc. in respect of the use of patents
- payments of royalties etc. that are annual payments

Part 5 of the Income Tax (Trading and Other Income) Act 2005 (ITTOIA) sets out the rules that impose the charge to income tax on receipts from intellectual property. Section 577 ITTOIA provides that income arising to a non-UK resident is only chargeable to tax if it is from a source in the UK.

Proposed revisions

A new section 917A ITA will be introduced in Finance Bill 2016. It will apply where a payment of a royalty is made to a connected person as part of arrangements the purpose of which is to obtain a tax advantage by virtue of a provision of a DTA other than where obtaining that benefit in those circumstances is in accordance with the object and purpose of that DTA. Where new section 917A of ITA applies, the payment must be made under deduction of income tax regardless of any DTA which would otherwise restrict the UK's taxing rights.

Legislation will be introduced at a later stage of the Finance Bill 2016 process to amend the definition in section 907 of ITA of intellectual property rights, in respect of which the duty to deduct income tax from royalties applies to ensure it is consistent with the definition of rights in respect of which income is chargeable to tax in the Income Tax Acts.

Legislation will also be introduced at a later stage of the Finance Bill 2016 process to add a new provision to the Tax Acts providing that royalties connected with a permanent establishment that a non-UK resident person has in the UK will be considered to come from a source in the UK. Consequential changes will also be made to the Diverted Profits Tax in Part 3 of the Finance Act 2015 to ensure that no advantages accrue where royalties are connected with avoided permanent establishments as compared to actual permanent establishments.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
+210	+165	+115	+120	+125

These figures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

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

The costing allows for a number of behavioural responses, whereby those affected seek to mitigate the impact of the changes.

Impact on individuals, households and families

The proposed changes will apply mainly to companies. It will have an impact on only a very small number of individuals who make payments of royalties to persons outside the UK.

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

Equalities impacts

This measure applies mainly to companies and is not expected to impact on any equality group.

Impact on business including civil society organisations

Businesses affected by this measure will be those making payments of royalties to persons overseas.

Businesses and civil society organisations are expected to incur one off costs of familiarisation with the new rules.

It is expected that the decision making process regarding whether there is an obligation to withhold tax will become simpler as businesses will only need to consider:

- whether the payment they are making is a royalty
- whether there is a DTA
- whether the DTA provides for a withholding tax on royalties

If there is no DTA, or the DTA does provide for withholding tax on royalties, the government acknowledges that affected businesses will have additional obligations to deduct income tax at source from royalties paid to non-resident persons and will incur on-going costs of withholding the tax, keeping a record of amounts withheld, and reporting and paying the tax to HMRC.

Overall, the impact on businesses is expected to be negligible. Although more businesses are expected to withhold tax, most businesses paying royalties overseas will be familiar with the regime for withholding tax on royalties, including completing the return and paying the tax to HMRC

Operational impact (£m) (HMRC or other)

HMRC operational costs are anticipated to be negligible.

Other impacts

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 change, please contact Tom Matthews on Telephone: 03000 585476 or email tom.o.matthews@hmrc.gsi.gov.uk.

Steven Tovey on Telephone: 03000 542532 or email: steven.tovey@hmrc.gsi.gov.uk.

Vaccine research relief: expiry in 2017

Who is likely to be affected?

Companies that carry out R&D into prescribed types of vaccine and other medicine.

General description of the measure

This measure provides for the expiry of vaccine research relief, in respect of expenditure incurred on or after 1 April 2017.

Policy objective

Vaccine research relief (VRR) was introduced in 2003 as an additional research and development tax relief for companies undertaking research in the fields of vaccines and treatments for tuberculosis, malaria and HIV/AIDS. In 2011, VRR was first reduced, then withdrawn for small and medium sized enterprises. The relief is now only available to large firms and is claimed by fewer than 10 companies a year.

The low level of take-up of the relief suggests it does not have a significant impact on a company's research decisions. The government believes that direct spending programmes like the recently announced Ross Fund offer a more effective and flexible approach to the production of medicines and vaccines.

Background to the measure

This measure was announced at Budget 2016.

Detailed proposal

Operative date

The relief will cease to apply to expenditure incurred on or after 1 April 2017.

Current law

Current law on VRR is included in Chapter 7 of Part 13 Corporation Tax Act (CTA) 2009.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to repeal Chapter 7 of Part 13 of CTA 2009 in respect of expenditure incurred on or after 1 April 2017.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-	nil	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

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

Equalities impacts

There are no significant impacts on groups of people sharing protected characteristics differently to other groups, and no equalities impacts have been identified.

Impact on business including civil society organisations

This measure will have an impact on businesses that currently claim the relief, and is expected to result in a negligible saving for these businesses. The relief is only available to large firms and is claimed by fewer than 10 companies a year and those companies will no longer be able to claim the relief. These companies will see a small reduction in their ongoing costs as a result of no longer calculating and claiming the relief.

This measure will have no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be no significant impact on HMRC; the relief is claimed by fewer than 10 companies a year, generating a negligible administrative saving.

Other impacts

Health impact assessment: due to the low level of take-up of VRR, this proposal would not cause ill health, nor does it affect the social, environmental and economic conditions that impact on health. The proposal does not affect individuals' ability to improve their own heath, or impact on access to health services, or impact on global health.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax returns until the final claims are completed.

Further advice

If you have any questions about this change, please contact Aziz Yusuf on Telephone: 03000 544463 or email: aziz.yusuf@hmrc.gsi.gov.uk.

Small and Medium-Sized Enterprises Research and Development relief: state aid cap calculation

Who is likely to be affected?

Small and medium-sized companies (SMEs) making claims for Research and Development (R&D) tax relief within the SME scheme where any claim for an individual project exceeds €7.5million.

General description of the measure

The SME R&D scheme is a notified state aid and no one company can receive aid in excess of €7.5million for any one project. When calculating whether they have exceeded this €7.5million cap companies can ignore any aid which represents a notional amount which could be claimed under the Large Company Relief (that scheme is not a state aid). This calculation is to the SME's advantage as it reduces the amount of aid which counts towards that €7.5million cap.

The way in which companies obtain benefits within the Large Company relief has changed.

This measure ensures that, despite the fact that the Large Company relief has changed, SMEs continue to get the same benefit from the calculation which is required by statute. Without these changes that benefit would not apply for SME claims covering the period after 1 April 2016.

Policy objective

This measure will prevent an unintended reduction in the R&D relief available to some SMEs when the Large Company relief - which is being replaced by Research and Development Expenditure Credit – expires on 31 March 2016.

Background to the measure

Chapter 2 of Part 13 to Corporation Tax Act 2009 provides tax relief for SMEs undertaking qualifying research and development activities. This relief is in the form of an enhanced deduction in respect of qualifying expenditure which reduces the tax payable or increases the tax losses arising. In some circumstances companies can surrender their losses in return for a payable tax credit. A cap on this R&D aid was introduced by Schedule 10 to Finance Act 2008 to ensure that the aid continued to meet the requirements of the Community Framework for State aid for Research and Development and Innovation.

Detailed proposal

Operative date

The revised calculation will apply in respect of expenditure incurred on or after 1 April 2016.

Current law

Current law on the cap on R&D aid in the SME scheme is in Chapter 8 of Part 13 to Corporation Act 2009.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to make changes to the formula in section 1114 of Corporation Tax Act 2009 (CTA 2009) and to amend the definition of "notional relief" in section 1118 of CTA 2009 in consequence of the Research and Development Expenditure Credit replacing the Large Company relief in respect of expenditure incurred on or after 1 April 2016.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

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

Equalities impacts

There are no significant impacts on groups of people sharing protected characteristics differently to other groups, and no equalities impacts have been identified.

Impact on business including civil society organisations

This measure ensures that, despite the fact that the Large Company scheme has changed, SMEs and civil society organisations continue to get the same benefit from the calculation which is required by section 1114 of CTA 2009. Without these changes that benefit would not apply for SME claims covering the period after 1 April 2016. Those businesses which have to make the calculation and which have an accounting period straddling 1 April 2016 will, for that accounting period only, incur a negligible one-off extra cost to carry out the calculation.

Operational impact (£m) (HMRC or other)

There will be no significant impact on HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Aziz Yusuf on Telephone: 03000 544463 or email: aziz.yusuf@hmrc.gsi.gov.uk.

Corporation Tax: rate of tax for the loans to participators charge

Who is likely to be affected?

Close companies which make loans to their participators or make other arrangements through which participators extract value.

General description of the measure

The rate of tax charged on loans to participators and other arrangements (currently 25%) is being specifically linked to the dividend upper rate, which will be 32.5% from 6 April 2016.

Policy objective

The measure will ensure that the rate of tax chargeable under the loans to participator rules continues to mirror the dividend upper rate, following the changes to dividend taxation from April 2016, and will mean an increase in the rate from 25% to 32.5%. This will ensure that the rules continue to prevent individuals gaining an unfair tax advantage by taking loans (or making other arrangements to extract value) from their companies rather than remuneration or dividends.

Background to the measure

Following the announcement of changes to dividend taxation at Summer Budget 2015, a consequential change to the loans to participator rates maintains their anti-avoidance purpose.

Detailed proposal

Operative date

The new rates will apply to loans made and benefits conferred by close companies on or after 6 April 2016. For accounting periods which straddle 6 April 2016 different rates will be applied to separate loans made or benefits conferred before, and on or after, 6 April 2016.

Current law

Current law is contained in chapters 3 and 3A of Part 10 (specifically section 455 and section 464A) of Corporation Tax Act 2010.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to link the rates of tax chargeable in sections 455 and 464A to the dividend upper rate. It will mean an increase in the rates from 25% to 32.5% for all relevant loans made or benefits conferred by close companies on or after 6 April 2016.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
+15	+80	+80	+70	+65

These figures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

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

The costing also allows for behavioural responses by the groups affected as they seek to mitigate the impact of the new rate.

Impact on individuals, households and families

There is no impact on individuals because the change affects companies only. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure is not expected to have an equality impact on groups of people sharing any protected characteristic.

Impact on business including civil society organisations

The measure is expected to have a negligible impact on businesses administrative burdens but the costs of making loans to participators will increase. Business affected by the rate change will incur a negligible one-off cost to update their systems. There are not expected to be any additional on-going costs. The measure is not expected to have any impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HM Revenue and Customs will have to make changes to IT systems to implement this change, at an estimated cost of £150,000.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be kept under review through monitoring information on the tax returns and associated documentation of affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Lorraine Coster on Telephone: 03000 585676 or email: lorraine.coster@hmrc.gsi.gov.uk.

Banking companies: excluded entities

Who is likely to be affected?

Banks and building societies within the charge to UK Corporation Tax (CT) and bank levy.

General description of the measure

This measure amends the exempt entity test, which forms part of the definition of a bank used in tax legislation.

Policy objective

This measure amends the excluded entities test ensuring that banking taxes are appropriately targeted at banks and that legislation remains simple, certain and effective.

Background to the measure

This measure was announced at Budget 2016.

Detailed proposal

Operative date

The change will apply for accounting periods beginning on or after:

- 1 April 2015 in respect of Part 7A of the Corporation Tax Act 2010 (the bank loss restriction legislation)
- 8 July 2015 in respect of section 133F of CTA 2009 (bank compensation payments)
- 1 January 2016 in respect of section 269DO of CTA 2010 (the banking surcharge legislation)
- reporting periods beginning on or after 1 April 2015 in respect of section 285 of Finance Act 2014 (the Code of Practice on taxation for banks)

Accounting periods that straddling the above dates will follow the commencement provisions within the bank loss restriction legislation, bank compensation legislation and banking surcharge legislation.

Current law

The exempt entities test is included at:

- section 269BA of CTA 2010 (which provides the definition of a bank for the bank loss restriction and via section 269DO of CTA 2010 the definition of a bank for the banking surcharge)
- Paragraph 73, of Schedule 19 to FA 2011 (which provides the definition of a bank for the bank levy and via section 285 of FA 2014 the definition of a bank for the Code of Practice on taxation for banks)
- Section 133F of CTA 2009 (which provides the definition of a bank for the bank compensation restriction)

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to amend the excluded entities test within the three places mentioned above.

The proposed revision will make undertaking a second activity possible, providing that the entity:

- undertakes one of the specified regulated activities within the excluded entities test
- the other activity, when considered by itself (i.e. without taking into account the regulated activity that is specified in the excluded entities test) would not require the firm to be both an IFPRU 730K investment firm and a Full Scope IFPRU investment firm (as defined by reference to the FCA Handbook)

The changes will ensure that the banking taxes are appropriately targeted at banks.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
negligible	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

This measure is not expected to have any impact on individuals, households and families.

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

Equalities impacts

This measure is not expected to impact on any of the groups with protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. There will be a negligible one-off cost to businesses that need to familiarise themselves with the changes, and negligible on-going savings to the businesses that are being taken out of banking taxes by the amendments to the exempt entity test.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

This measure ensures that banking taxes are appropriately targeted at banks. As this was the original policy intention there will be no significant additional impact on HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review using the processes in place for monitoring banking taxes.

Further advice

If you have any questions about this change, please contact Anthony Fawcett on Telephone: 03000 585911 or email: anthony.c.fawcett@hmrc.gsi.gov.uk.

Corporation Tax: bank loss relief restriction

Who is likely to be affected?

Banking companies and building societies within the charge to UK corporation tax.

General description of the measure

The measure will reduce the amount of a banking company's annual taxable profit that can be offset by pre-April 2015 carried-forward losses from 50% to 25%.

The measure will take effect from 1 April 2016.

Policy objective

At Autumn Statement 2014 it was announced that the amount of taxable profit that could be offset by banks' historic carried-forward losses would be restricted to 50% from April 2015.

The measure will maintain the exceptional treatment of banks' carried-forward losses in the context of wider reforms being announced to the loss-relief rules at Budget.

Background to the measure

The measure was announced at Budget 2016.

Detailed proposal

Operative date

This measure will have effect for accounting periods beginning on or after 1 April 2016.

Any profits of a banking company with an accounting period straddling 1 April 2016 will be allocated into notional periods falling before and after that date, on either a time apportioned or just and reasonable basis.

Current law

Current law is included in chapter 3 of part 7A of Corporation Tax Act 2010 having been introduced by schedule 2 of Finance Act 2015. These rules restrict the proportion of a banking company's profits that can be covered by relevant reliefs to 50%.

Relevant reliefs are carried forward trading losses, non-trading loan relationship deficits and management expenses that accrued before 1 April 2015.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to restrict the proportion of a banking company's profits that can be covered by relevant reliefs to 25%.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
+330	+520	+465	+375	+315

These figures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016

Economic impact

This measure will have an impact on firms' cashflow in that it will impact on the timing of banks' taxable profit and loss over time, but is not expected to have any significant wider macroeconomic impacts.

The costing also accounts for a behavioural response of banking groups to the restriction whereby those affected may find alternative routes of tax planning and avoidance, taking into account the targeted anti-avoidance rule within the legislation.

Impact on individuals, households and families

This measure concerns incorporated businesses. It has no direct impact on individuals or households and is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure is not expected to impact on any of the identified diversity groupings.

Impact on business including civil society organisations

The measure impacts on banks and building societies within the charge to UK corporation tax, which have carried-forward losses relating to financial years preceding 2015 to 2016. These banks are expected to incur a negligible one-off cost to update their systems but the amount of carried forward loss they are able to set against their profits will decrease and they will pay more corporation tax. There are not expected to be any additional ongoing costs.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

This measure is not expected to have any significant operational impacts

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be subject to ongoing monitoring through receipts, information collected in tax returns and disclosure of new anti-avoidance schemes to circumvent the measure.

Further advice

If you have any questions about this change, please contact Ursula Crosbie on Telephone: 03000 589086 or email: ursula.crosbie@hmrc.gsi.gov.uk.

Anthony Fawcett on Telephone: 03000 585911 or email: anthony.c.fawcett@hmrc.gsi.gov.uk

Oil and gas taxation: reduction in Petroleum Revenue Tax and Supplementary Charge: Investment and cluster area allowance

Who is likely to be affected?

Oil and gas companies that operate in the UK or on the UK Continental Shelf (UKCS).

General description of the measure

This package of measures will permanently zero rate Petroleum Revenue Tax (PRT) payable in respect of profits from oil and gas production in the UK and UKCS - a reduction from 35%, and further reduces the rate of supplementary charge payable in respect of adjusted ring fence profits from 20% to 10%.

Additionally, it will give HM Revenue and Customs (HMRC) a power to extend the definition of 'relevant income' for the cluster area and investment allowances by secondary legislation, to enable tariff income to be included to activate the allowances.

Policy objective

Building on the £1.3bn package of fiscal reforms delivered at March Budget 2015, these measures deliver the next stage of reform and ensure the UK is in a strong and competitive position, protecting jobs and investment and safeguarding the future of the North Sea industry. These measures support the government's objective of providing the right conditions to maximise the economic recovery of the UK's oil and gas resources at a time when the industry is facing considerable challenges.

The cuts to headline tax rates will simplify the tax regime for investors, and level the playing field between investment opportunities in older fields and infrastructure and new developments. They will increase the attractiveness of projects in the UKCS relative to investment opportunities elsewhere, encouraging investment in the UK and UKCS, and could lead to increased production of oil and gas, helping to increase the UK's energy security, balance of payments and supporting jobs and supply chain opportunities.

The extension to relevant income will encourage investment in infrastructure maintained for third parties. Enabling allowances to be activated by tariff income (payments by a third party for access) will improve the incentive for owners to maintain investment in infrastructure which is critical to the protection of existing production and development of new projects.

The taking of a power to introduce this extension by secondary legislation will provide the opportunity for government to take representations from industry on how best to address issues of allocation and transparency, whilst not being bound to a Finance Bill timetable.

Background to the measure

At Autumn Statement 2014, the government published the conclusions of the HM Treasury review of the oil and gas fiscal regime in "Driving investment: a plan to reform the oil and gas fiscal regime." The Review concluded that the government should keep the rate of PRT under review and consider reducing the rate when fiscal conditions allow, to level the

playing-field between investment opportunities in fields which are subject to PRT and opportunities in other fields and ensure key assets attract the right level of investment. A reduction in the rate of PRT from 50% to 35% was announced at Budget 2015.

"Driving Investment" also recognised that the government would need to reduce the overall tax burden on the industry over time to maximise economic recovery. The government announced a reduction in the rate of Supplementary Charge to 30% at Autumn Statement 2014, and set out its aim to reduce the rate further in an affordable way. Delivering on that aim, Budget 2015 announced a further reduction to 20%.

Budget 2015 also announced the introduction of the cluster area and investment allowance. The legislation did not cover tariff income, owing to the complexities of identifying and apportioning capital expenditure between infrastructure owners and users, and insufficient transparency around the commercial arrangements in place. The response to the consultation on the investment allowance, published on 22 January 2015, confirmed that further work would be carried out to permit tariff income to activate generated allowance in addition to production income.

Detailed proposal

Operative date

The reduction in the rate of PRT will have effect for all chargeable periods ending after 31 December 2015.

The reduction in the rate of supplementary charge will have effect for accounting periods commencing on and after 1 January 2016. There are transitional rules for accounting periods beginning before the operative date.

The power to extend the scope of relevant income will have effect from Royal Assent and will allow a retrospective effective date of the extension.

Current law

Section 1 of Oil Taxation Act 1975 imposes a PRT charge on a participator's assessable profits in respect of a taxable field at the rate of 35%.

Corporation Tax Act (CTA) 2010 Part 8 Chapter 6 section 330 imposes a supplementary charge on a company's adjusted ring fence profits at the rate of 20%.

CTA 2010 sections 332F(3) and 356JH(3) define "relevant income" for the purposes of the investment and cluster area allowances.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to amend section 1 of the Oil Taxation Act 1975 to reduce the rate of PRT to 0%, to amend section 330 of CTA 2010 to reduce the rate of the supplementary charge to 10%, and to enable HMRC to amend the cluster area and investment allowance by secondary legislation to extend the definition of 'relevant income' and to make any amendments in consequence of, or in connection with, this extension.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-165	-265	-225	-155	-200

These figures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

The reduction in the rates of PRT and supplementary charge will increase the post-tax profits for affected companies, making investment into oil and gas projects in the UK and UKCS more attractive. This should lead to additional production of oil and gas, helping to increase the UK's energy security, balance of payments, and supporting jobs and supply chain opportunities.

Impact on individuals, households and families

As this measure affects oil and gas companies only there is no impact on individuals, households or family formation, stability or breakdown.

Equalities impacts

The decrease in the tax rates only applies to companies involved in the oil and gas industry in the UK or UKCS and is considered to have no differential impact on any equality groups.

Impact on business including civil society organisations

There are around 200 companies currently extracting oil and gas in the UK and on the UKCS. The industry also supports c30,000 direct jobs and 250,000 in the supply chain (100,000 in exports). The supply chain is based predominantly in Scotland (c45%), but also has a significant presence in Norfolk, the North East and Yorkshire and the Humber. The decreases in PRT and in the supplementary charge will have a positive impact on company post-tax profits within the UK.

Any reduction in the rate of Supplementary Charge will result in lower instalment payments being made. This will apply, where appropriate, to instalment payments made on or after the date of announcement. If the rate cut is not approved by Parliament then companies will have to pay the additional tax arising.

This measure is expected to have no additional administrative burden on businesses.

There is no impact on civil society organisations.

Small and micro business assessment: The change applies only to oil and gas companies operating in the UK, but helping the large businesses which pay PRT and supplementary charge cope with the challenges of the current low oil price will help to protect jobs in the small businesses sector which are subcontractors to the oil and gas industry.

Operational impact (£m) (HMRC or other)

HM Revenue and Customs will incur some additional costs for implementing this change. For PRT these will be negligible. For the Supplementary Charge they are estimated to be around £120,000 for IT changes. There may also be some small staffing costs but these are anticipated to be negligible.

Other impacts

Sustainable development, wider environment and health: the oil and gas industry is heavily regulated to ensure its activities do not lead to pollution or disturbance to habitat or wildlife, and to ensure the health and wellbeing of its workers. Investment in oil and gas production is needed even as the economy decarbonises; the government estimates that oil and gas will continue to meet 70% of the UK's energy needs out to 2030.

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 and the monitoring of tax receipts from activity in the North Sea oil and gas sector.

Further advice

If you have any questions about this change, please contact Nicola Garrod on Telephone: 03000 589251 or email: nicola.garrod@hmrc.gsi.gov.uk

Oil and gas taxation: minor amendments to onshore, cluster area and investment allowances

Who is likely to be affected?

Oil and gas companies that operate in the UK or on the UK Continental Shelf (UKCS).

General description of the measure

This measure will amend the onshore, cluster area, and investment allowances to update the conditions which disqualify expenditure, incurred on the acquisition of an asset in certain circumstances, from generating allowance.

Policy objective

The allowances support the government's objective of providing the right conditions for business to invest in the UK and UKCS to maximise the economic recovery of the UK's oil and gas resources, at a time when the North Sea industry is facing considerable challenges.

This measure ensures the legislation works as intended and protects the Exchequer by:

- amending the onshore allowance to include the disqualifying conditions relating to the acquisition of an asset, to provide parity with the other allowances
- amending the investment allowance to clarify the circumstances in which investment allowance can be generated
- updating the investment and cluster area allowances, to expand the disqualifying conditions following the extension of the allowances to include some leasing expenditure

Background to the measure

The onshore allowance was introduced from 5 December 2013, and reduces the amount adjusted ring fence profits subject to the supplementary charge. The amount of the reduction is equal to 75% of capital expenditure.

Investment and cluster area allowances were introduced from 1 April 2015 and 3 December 2014 respectively and, similar to the onshore allowance, reduce the amount of adjusted ring fence profits subject to the supplementary charge, equal to 62.5% of the investment expenditure.

At Summer Budget 2015, the Chancellor announced that the definition of investment expenditure would be extended to include certain discretionary non-capital expenditure and payments under long term leases. The draft legislation was published for a technical consultation on 16 December 2015, which closed on 27 January 2016 and was effective from 8 October 2015.

Detailed proposal

Operative date

This measure will have effect for expenditure incurred on and after 16 March 2016.

Current law

The primary legislation covering the onshore, investment and cluster area allowances can be found in Chapters 6A, 8 and 9 in Part 8 of the Corporation Tax Act 2010 (CTA 2010).

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to introduce new section 356CAA of CTA 2010 to introduce a disqualifying condition to prevent the generation of onshore allowance on the acquisition of an asset on which allowance was previously generated.

Legislation will be introduced in Finance Bill 2016 to amend section 356JFA and section 332D of CTA 2010 to introduce a disqualifying condition to prevent the generation of investment allowance on the acquisition of an asset on which allowance was previously generated through the incurring of leasing expenditure on that asset.

Legislation will be introduced in Finance Bill 2016 to amend section 332D of CTA 2010 to introduce a disqualifying condition to prevent the generation of investment allowance on the acquisition of an asset prior to the determination of an oil field, where that asset has already generated allowance.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	nil	nil	nil	nil

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

Economic impact

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

Impact on individuals, households and families

There is no impact on individuals, households as these changes affect oil and gas companies only.

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

Equalities impacts

This measure is considered to have no impact on any equality groups.

Impact on business including civil society organisations

This measure will have no impact on businesses who are undertaking normal commercial transactions; it will only impact on businesses that are seeking to use the legislation in a way not intended. There is no impact on civil society organisations.

Small and micro business assessment: the change applies only to oil and gas companies operating in the UK, so this measure is expected to have no impact on small and micro businesses.

Operational impact (£m) (HMRC or other)

There will be no additional costs or savings for HM Revenue and Customs in implementing these changes.

Other impacts

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 and the monitoring of tax receipts from and activity in the North Sea oil and gas sector.

Further advice

If you have any questions about this change, please contact Nicola Garrod on Telephone: 03000 589251 or email: nicola.garrod@hmrc.gsi.gov.uk.

Corporation Tax: securitisation and annual payments

Who is likely to be affected?

Securitisation companies (see explanation in Background) and persons who have transactions with such companies.

General description of the measure

This measure amends HM Treasury's existing power to make regulations concerning the taxation of securitisation companies. This will permit changes to be made to regulations concerning the treatment of certain payments, known as "residual payments", made by securitisation companies, to clarify that these will not be treated as annual payments and so can be paid without withholding tax.

Policy objective

This measure supports the government's objectives of improving the competitiveness of the UK as a financial centre and reducing the administrative burden of taxation. It will permit the amendment of regulations to clarify a specific area of uncertainty about the withholding of tax from certain payments made by securitisation companies to their investors.

Background to the measure

This measure was announced at Budget 2016.

Securitisation companies are used as part of certain transactions (securitisations) undertaken by some businesses seeking to raise funds in the capital markets. They are used to issue debt to the market and to hold assets as security. Commercially, these transactions depend on the quality of the debt issued as determined by rating agencies. The introduction of International Accounting Standards in 2005 made the accounting results and therefore the taxable profits, of securitisation companies more volatile. This volatility would make it difficult for rating agencies to rate the debt and could place these capital-raising transactions in jeopardy.

In 2006 the government therefore introduced regulations to establish a regime with specific corporation tax rules for companies involved in the securitisation of financial assets.

These rules have worked well, but are now falling behind recent accounting and commercial developments. A consultative working group was therefore formed and met for the first time in October 2015 to consider possible technical changes to the existing regulations. Discussions in the working group confirmed a particular difficulty with the tax treatment of residual payments.

Residual payments arise because special purpose vehicles typically contain more financial assets than are likely to be required to repay the investors, meet transaction costs and retain a profit. This excess protects against possible poor performance of the assets and enables the special purpose vehicle to obtain an attractive credit rating.

There can be uncertainty as to whether the residual payments should be classified as "annual payments", and therefore whether they should be subject to withholding tax. Currently, this uncertainty is addressed by writing to HM Revenue and Customs (HMRC) to seek clearance that residual payments will not be annual payments and so can be paid

without withholding tax. This uncertainty can be eliminated by removing the obligation to withhold income tax in respect of such payments.

Detailed proposal

Operative date

The measure will have effect on and after the date of Royal Assent to Finance Bill 2016 and the changes will be reflected in revised securitisation regulations following a public consultation.

Current law

The current law is set out in Chapter 4, Part 13 of Corporation Tax Act 2010. This defines a "securitisation company" and contains the power to make regulations about the taxation of securitisation companies.

Detailed rules which make provision for the application of the Corporation Tax Acts in relation to a securitisation company are set out in two sets of regulations:

- "The Taxation of Securitisation Companies Regulations 2006" (Statutory Instrument 2006/3296)
- "The Taxation of Insurance Securitisation Companies Regulations 2007" (Statutory Instrument 2007/3402)

Proposed revisions

The existing power permits regulations concerning the application of provisions in the Corporation Tax Acts only.

Legislation will be introduced in Finance Bill 2016 to widen the power to permit regulations concerning the application of the Taxes Acts, so encompassing the Income Tax Acts under which the potential withholding tax charge is imposed on annual payments.

Detailed regulations made under this power will be developed in consultation with interested parties.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

The measure is not expected to impact on individuals and households.

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

Equalities impacts

It is not anticipated that the measure will have any adverse impact on groups with protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. It is expected to deliver negligible savings to businesses mainly in the financial sector who undertake securitisation transactions and who as a result of this measure will no longer need to seek clearances from HMRC. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

Whilst this measure will reduce a number of clearance applications it is not anticipated to have a significant operational impact on HMRC.

Other impacts

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 change, please contact Elizabeth Ward-Penny on Telephone: 03000 585876 or email: elizabeth.ward-penny@hmrc.gsi.gov.uk.

Steven Tovey on Telephone: 03000 542532 or email: steven.tovey@hmrc.gsi.gov.uk.

Corporation Tax: insurance linked securities

Who is likely to be affected?

Insurance and reinsurance groups seeking to transfer insurance risk to capital markets.

General description of the measure

The measure provides a power to make statutory instruments to deal with the treatment of insurance linked securities issued in the UK. Insurance linked securities are a means of transferring insurance risk to capital market investors. The measure will define the scope, conditions and treatment of vehicles issuing insurance linked securities, as well as allowing for the taxation of investors.

Policy objective

The measure forms part of wider work to establish the UK as an attractive domicile for vehicles issuing insurance linked securities. Attracting insurance linked securities business to the UK will maintain and develop the UK's position as a major global hub for specialist insurance and reinsurance. A competitive and certain tax treatment is a key component of this work.

Background to the measure

At Autumn Statement 2014, the government announced work to explore options to ensure the UK's regulatory and tax regime is as competitive as possible to attract more reinsurance business to the UK.

At March 2015 Budget, the government stated that work would focus on developing a new competitive corporate and tax structure for allowing insurance linked securities vehicles to be domiciled in the UK.

Since then, the government has worked closely with the London Market Group Insurance Linked Securities Taskforce to consider the characteristics required for the UK to become a leading market for the issuance of insurance linked securities.

A consultation document was published on 1 March 2016.

Detailed proposal

Operative date

The primary legislation for this measure will have effect on or after the date of Royal Assent to Finance Bill 2016. Regulations made under the power provided in this primary legislation will come into force on the date specified in the regulations.

Current law

The Taxation of Insurance Securitisation Companies Regulations 2007 (SI2007/3338) set out rules applicable to insurance securitisation companies.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to set out the scope of the new regime applicable to insurance linked securities. The legislation will allow regulations to determine the vehicles to which the rules will apply, the treatment of such vehicles, the conditions that

must be satisfied to achieve that treatment, reporting requirements, the tax treatment of payments to investors in such vehicles and anti-avoidance provisions.

Detailed regulations made under this power will be developed in consultation with stakeholders following publication of the primary legislation and conclusion of the consultation on general proposals which began on 1 March 2016.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

The proposed changes will apply only to companies. The measure will have no impact on individuals, or on family formation, stability or breakdown.

Equalities impacts

This measure applies only to companies and will not impact on any equality group.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. This measure will facilitate the growth of the insurance linked securities market in the UK through the removal of obstacles to that growth and will affect a small number of businesses who will incur one off costs to familiarise themselves with the new rules. It is not expected that there will be any on-going costs. There is no impact on civil society organisations

Operational impact (£m) (HMRC or other)

This measure is anticipated to have a negligible operational impact for HM Revenue and Customs.

Other impacts

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 change, please contact John Stokes on Telephone 03000 588827 or email: john.stokes@hmrc.gsi.gov.uk.

Income and Corporation Tax: trading income received in non-monetary form

Who is likely to be affected?

Businesses receiving trading or property income in non-monetary form.

General description of the measure

The measure will ensure that trading or property income received in non-monetary form is fully brought into account in calculating taxable profits for Income Tax and Corporation Tax (CT) purposes.

The measure is not intended to alter existing principles, but to put beyond doubt the current position.

Policy objective

This measure ensures that the tax rules provide fairness and consistency by confirming that trading and property income received in non-monetary form is fully taxable.

Background to the measure

The measure was announced at Budget 2016.

HM Revenue and Customs (HMRC) considers that existing law already requires that trading and property income received in non-monetary form is brought into account fully in calculating taxable profits.

However, this has been challenged in some instances and the legislation is intended to confirm that such income is taxable in full.

Detailed proposal

Operative date

The measure will have effect in relation to trading and property business transactions occurring on or after 16 March 2016.

Current law

Current law in relation to the calculation of taxable trading profits comprises legislation contained in Part 2 of Income Tax Trading and Other Income Act 2005 (ITTOIA 2005) and Part 3 of the Corporation Tax Act 2009 (CTA 2009), and case law (for example, the 1948 House of Lords decision in Gold Coast Selection Trust Ltd v Humphrey (30TC209))

The same basic rules apply for the purposes of calculating taxable property income by virtue of section 272 of ITTOIA.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to confirm that trading income received in non-monetary form is fully brought into account in calculating taxable profits for Income Tax and CT purposes. This will also apply to the calculation of taxable property income.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact. The 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, households and families

This measure is not expected to have any impact on households and families.

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

Equalities impacts

The measure is not expected to have any impact on groups with particular protected characteristics.

Impact on business including civil society organisations

This measure will have no impact on businesses. The proposed measure is not intended to alter the legal position, but to confirm it.

Operational impact (£m) (HMRC or other)

This measure is not expected to have any operational impact.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Mark Bingham on Telephone: 03000 511496 or email: mark.bingham@hmrc.gsi.gov.uk.

Income and Corporation Tax: updating the transfer pricing guidelines

Who is likely to be affected?

Persons who are subject to the transfer pricing rules in respect of a transaction (or series of transactions) with a connected party for purposes of Income Tax or Corporation Tax.

General description of the measure

A transfer price is the price charged in a transaction between two parties. The transfer pricing legislation requires that, for Income Tax or Corporation Tax purposes, the prices charged in transactions between connected parties are the same as those that would be charged if the parties were not connected.

The measure will update the definition of "transfer pricing guidelines" to incorporate the revisions to the Organisation for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (the 'OECD Guidelines') published by OECD in October 2015.

Policy objective

This measure amends the references within the relevant legislation to incorporate the most recent revisions to the OECD Guidelines which are the internationally agreed standard for application of the arm's length principle for transfer pricing purposes.

This should provide certainty for business and minimise the potential for double taxation.

Background to the measure

The OECD published revisions to the 2010 version of the OECD Guidelines on 5 October 2015 within its final report following conclusion of the first part of the joint OECD/G20 BEPS ("base erosion and profit-shifting") project.

That report was formally endorsed by G20 Leaders in the communique issued following the Antalya Summit on 15 and 16 November 2015.

Detailed proposal

Operative date

The measure will have effect for section 164(4) Taxation (International and Other Provisions) Act 2010 for corporation tax purposes in relation to accounting periods beginning on or after 1 April 2016 and for income tax purposes in relation to the tax year 2016 to 2017 and subsequent tax years. For section 357GE(1) Corporation Tax Act 2010 the measure will have effect for accounting periods beginning on or after 1 April 2016.

Current law

Current law is at section 164(4) Taxation (International and Other Provisions) Act 2010 and section 357GE(1) Corporation Tax Act 2010.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to amend the definition of "transfer pricing guidelines" within the current legislation to incorporate the revisions agreed to the OECD Guidelines by the joint OECD/G20 BEPS project.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

The measure is not expected to impact on family formation, stability or breakdown. It is also not expected to have any impact on individuals and households.

Equalities impacts

The measure is not expected to have any equalities impact.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. Businesses will incur a negligible one off cost in familiarisation with the new guidelines. There are not expected to be any additional on-going costs. This measure is expected to have no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be no significant operational impact upon HMRC or other government departments.

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 Jon Clark on Telephone: 03000 585708 or email: jon.a.clark@hmrc.gsi.gov.uk.

Changes to Capital Gain Tax rates

Who is likely to be affected?

Individuals, trusts and personal representatives who pay Capital Gains Tax (CGT).

General description of the measure

This measure reduces the 18% rate of CGT to 10% and the 28% rate of CGT to 20% for chargeable gains, except in relation to chargeable gains accruing on the disposal of residential property (that do not qualify for private residence relief), and carried interest.

Policy objective

The government wants to create a strong enterprise and investment culture. Cutting the rates of CGT for most assets is intended to support companies to access the capital they need to expand and create jobs. Retaining the 28% and 18% rates for residential property is intended to provide an incentive for individuals to invest in companies over property.

Background to the measure

This measure was announced at Budget 2016.

Detailed proposal

Operative date

This measure will have effect for relevant gains accruing on or after 6 April 2016.

Current law

Section 4 of the Taxation of Chargeable Gains Act 1992 (TCGA) provides that chargeable gains accruing in the following circumstances are chargeable to CGT at 18% or 28% after deduction of reliefs, losses and the annual exempt amount (where applicable):

- 18% where a person is not a higher rate taxpayer (section 4(2))
- 28% to the extent that the person is a higher rate taxpayer or the chargeable gains exceed the unused part of the individual's basic rate band (section 4(4) & (5))
- 28% for trustees and personal representatives (section 4(3))
- 28% for ATED-related chargeable gains accruing to any person (principally companies) so chargeable (section 4(3A))

Receipts of carried interest are charged to CGT by section 103KA of TCGA.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to amend subsections 4(2), (3), (4) and (5) of TCGA to reduce the 18% and 28% rates in those provisions to 10% and 20% respectively. This will be subject to exclusions for chargeable gains on disposals of residential property that do not qualify for private residence relief and receipt of carried interest.

Provisions will make clear that a person can use any unused income tax basic rate band in the most beneficial way.

Provisions will also make clear that a residential property interest includes an interest in land that has at any time in the person's ownership consisted of or included a dwelling and an interest in land subsisting under a contract for an off-plan purchase. Rules will set out how gains should be calculated in the case of mixed use properties.

Subsection 4(3A) of TCGA, which applies a 28% rate of CGT to ATED-related chargeable gains, is unchanged by this measure.

Subsection 4(1) and section 169N(3) of TCGA provide for a 10% rate in relation to gains that qualify for entrepreneurs' relief; and subsection 4(3B) provides for a 20% rate in relation to Non-Residents CGT gains accruing to a company. These rates are also unchanged by this measure.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-105	-630	-605	-670	-735

These figures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

Cutting the rates of CGT for most assets should support companies to access the capital they need to expand and create jobs.

The costing accounts for behavioural responses, including greater realisation of gains, and increased incentive to take capital gains relative to income.

Impact on individuals, households and families

The measure will reduce the CGT liability for individuals who make a variety of transactions liable to CGT during the tax-year, including those disposing of shares and other financial and non-financial assets.

Disposals of residential property and carried interest will be charged at the same rates as they are currently.

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

Equalities impacts

The rate cut is not expected to have a disproportionate impact on any income groups. The measure will impact individuals who have accrued gains from the disposal of residential properties and/or have received carried interest from investment funds as they will need to separately identify these gains. These individuals tend to share characteristics with others of above average means.

Impact on business including civil society organisations

This measure is expected to have no negative impact on businesses or civil society organisations as it is aimed at individuals, trustees and personal representatives who pay CGT in their personal or professional capacities. The reduction in CGT rates offered by this measure will make it more attractive for individuals to invest in company shares.

Operational impact (£m) (HMRC or other)

HMRC will need to make changes to its IT systems to implement this change at a cost in the region of £1 million.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Capital Gains Tax: changes to rules to extend availability of entrepreneurs' relief on associated disposals

Who is likely to be affected?

Individuals who realise gains on a disposal of a private asset, which is used in a business carried on by their partnership or company, when they retire or reduce their participation in their business.

General description of the measure

The measure allows entrepreneurs' relief (ER) to be claimed on an 'associated disposal' of a privately-held asset when the accompanying disposal of business assets is to a family member. Relief can also be claimed in some cases where the disposal of business assets does not meet the present 5% minimum size condition.

Policy objective

The measure incentivises and rewards proprietors of businesses who are retiring or reducing their participation in their business and passing it to other family members. It promotes the stability and continuity of a business when ownership changes hands. This is part of the government's policy of supporting enterprise and entrepreneurship.

Background to the measure

Finance Act 2015 introduced new rules to combat abuse of ER. Whilst preventing the abuse, those rules also resulted in relief not being due on 'associated disposals' when a business was sold to members of the claimant's family under normal succession arrangements.

It was announced at Autumn Statement 2015 that changes to mitigate the impact of the Finance Act 2015 rules on associated disposals in these circumstances were being considered.

Detailed proposal

Operative date

The changes announced by this measure will be backdated to the date on which the Finance Act 2015 measures became effective. They will therefore apply to associated disposals on or after 18 March 2015.

Current law

Current law is included in chapter 3 of part 5 of the Taxation of the Chargeable Gains Act 1992 (TCGA). Section 169K contains the conditions for a disposal to be an associated disposal.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to change the definitions of 'partnership purchase arrangements' and 'share purchase arrangements' for ER purposes by excluding (i) the material disposal itself and (ii) arrangements which pre-date both the material disposal and the associated disposal, and are independent of them.

The requirement that the material disposal of business assets is of 5% or more of the claimant's share in a partnership or holding in a company does not apply where the claimant disposes of the whole of his interest and has previously held a larger stake.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-45	-20	-40	-40	-40

These figures are set out in Table 2.1 of Budget 2016 as 'Capital Gains Tax: extend reliefs', and have been certified by the Office for Budget Responsibility. They represent the combined Exchequer impact of a number of changes at Budget 2016 to extend the availability of existing reliefs, including entrepreneurs' relief. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

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

Impact on individuals, households and families

Individuals who are either partners in a firm or shareholders in a company will benefit if they dispose of assets which they own and which are used in the business, and also reduce their participation in their firm’s or company’s business in favour of family members.

The measure is expected to have an indirect positive impact on family stability by supporting business succession arrangements.

Equalities impacts

ER claimants tend to be male and of above average means. Individuals selling their businesses on retirement make up a significant group of claimants. People retiring and severing links with their business are likely to be most affected by this measure.

It is not anticipated that there will be adverse impacts on any other group with protected characteristics.

Impact on business including civil society organisations

This measure affects disposals made by individuals of assets held in their personal capacity. There is therefore no direct impact on businesses, but it is expected to benefit businesses indirectly by making it easier to pass on businesses as going concerns within a family.

This measure is particularly relevant to farming businesses and their succession planning.

Operational impact (£m) (HMRC or other)

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

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Rob Clay on Telephone: 03000 570649 or email: rob.clay@hmrc.gsi.gov.uk.

Capital Gains Tax: changes to rules to extend availability of entrepreneurs' relief on goodwill on incorporation

Who is likely to be affected?

Individuals (including partners in a firm) who transfer their business to a close company and become or remain a participator in the acquiring company.

General description of the measure

The measure allows entrepreneurs' relief (ER) to be claimed, subject to certain conditions, on gains on the goodwill of a business when that business is transferred to a company controlled by five or fewer persons or by its directors. The principal condition is that the claimant must hold less than 5% of the acquiring company's shares. There are special rules to allow relief where the acquiring company is then sold to a third party.

Policy objective

The measure incentivises and rewards proprietors of businesses when their business is transferred to a limited company. It promotes the stability and continuity of a business when ownership passes to a limited company. This is part of the government's policy of supporting enterprise and entrepreneurship.

Background to the measure

Finance Act 2015 introduced new rules to combat abuse of ER. Whilst preventing the abuse, those rules also resulted in relief not being due to a person selling their business to a close company in which they, or a member of their family, held any shares whatsoever. It was announced at Autumn Statement 2015 that changes to mitigate the impact of the Finance Act 2015 rules on genuine commercial arrangements for sales of businesses were being considered.

Detailed proposal

Operative date

The changes announced by this measure will be backdated to the date on which the Finance Act 2015 measures became effective. They will therefore apply to disposals on or after 3 December 2014.

Current law

Current law is included in chapter 3 of part 5 of the Taxation of the Chargeable Gains Act 1992 (TCGA). Section 169LA prevents gains on goodwill from being included in the gain eligible ER where specified conditions are met.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to allow ER to be claimed in respect of gains on goodwill where the claimant holds less than 5% of the shares, and less than 5% of the voting power, in the acquiring company. This 'holding condition' will replace the

requirement in section 169LA of TCGA that the claimant must not be a 'related party' in relation to the company.

Relief will also be due where the claimant holds 5% or more of the shares or voting power if the transfer of the business to the company is part of arrangements for the company to be sold to a new, independent owner.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-45	-20	-40	-40	-40

These figures are set out in Table 2.1 of Budget 2016 as 'Capital Gains Tax: extend reliefs', and have been certified by the Office for Budget Responsibility. They represent the combined Exchequer impact of a number of changes at Budget 2016 to extend the availability of existing reliefs, including entrepreneurs' relief. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

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

Impact on individuals, households and families

Individuals who dispose of goodwill in a business to a close company in which they or members of their family hold shares are likely to be affected.

Equalities impacts

ER claimants tend to be male and of above average means. Individuals selling their businesses on retirement make up a significant group of claimants. People ceding control of their business to a company, for instance on retirement, are likely to be most affected by this measure.

It is not anticipated that there will be adverse impacts on any other group with protected characteristics.

Impact on business including civil society organisations

This measure affects disposals made by individuals of assets held in their personal capacity. There is therefore no direct impact on businesses, but it is expected to benefit businesses indirectly by supporting the transfer of the business to a company for genuine commercial purposes such as growth and succession.

Operational impact (£m) (HMRC or other)

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

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Rob Clay on Telephone: 03000 570649 or email: rob.clay@hmrc.gsi.gov.uk.

Capital Gains Tax: entrepreneurs' relief: changes to the treatment of joint ventures and partnerships

Who is likely to be affected?

Individuals and trustees who realise gains on shares in a company which invests in a joint venture company.

General description of the measure

The measure changes the definitions of a 'trading company' and a 'trading group' which apply for entrepreneurs' relief (ER) purposes. Where the new definitions apply, a fraction of the activities of a joint venture company will be treated as carried on by a company which holds shares in the joint venture company. Similarly, where the new definitions apply, trading activities of a company in its capacity as a partner in a firm will be taken into account in deciding whether the company is a trading company for entrepreneurs' relief purposes.

Policy objective

The measure incentivises and rewards investment in trading businesses carried on by companies which do not form part of the same group as the company whose shares are sold. This is part of the government's policy of supporting enterprise and entrepreneurship.

Background to the measure

Finance Act 2015 introduced new rules to combat abuse of ER. Whilst preventing the abuse, those rules also resulted in relief not being due to investors in some types of genuine commercial structures where tax avoidance was not a main motive. It was announced at Autumn Statement 2015 that further changes to mitigate the impact of the Finance Act 2015 rules on genuine commercial arrangements were being considered.

Detailed proposal

Operative date

The changes announced by this measure will be backdated to the date on which the Finance Act 2015 measures became effective. They will therefore apply to disposals on or after 18 March 2015.

Current law

Current law is included in chapter 3 of part 5, and section 165A of the Taxation of Chargeable Gains Act 1992 (TCGA). Subsection (4A) of section 169S TCGA modifies the definitions of 'trading company' and 'trading group' in section 165A for the purposes of ER.

The activities of a joint venture company are not treated as carried on by a company which holds shares in it, and all activities of a corporate partner in a firm are treated as not being trading activities, for ER purposes.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to introduce new definitions of 'trading company' and 'trading group' for ER purposes. Where the new definitions apply, a company which holds shares in a joint venture company will be treated as carrying on a proportion of

the activities of that company corresponding to the investing company's fractional shareholding in it. Also, the activities of a corporate partner in a firm will be treated as having their true nature (trading or non-trading) when determining whether the company is a trading company.

Where a joint venture company is present, the new definitions will apply for the purposes of a disposal of shares if the person making the disposal on which relief is claimed has at least a 5% interest in the shares of the joint venture company, and effectively controls at least 5% of the voting rights in that company. The interest and voting rights may be held directly or indirectly by the claimant. Where a partnership with a corporate partner is concerned, the new definitions will apply if the person making the disposal is entitled to at least 5% of the partnership's assets and profits, and controls at least 5% of the voting rights in the corporate partner. For example, a person who holds 20% of a company which does nothing but hold 40% of a trading company's shares will be treated as holding 8% (20% x 40%) of the trading company and 40% of that company's activities will be taken into account in deciding whether the person's shares are shares in a trading company for ER purposes.

The new definitions mean that, in some cases, whether a company is a trading company or the holding company of a trading group will depend on the size of the claimant's shareholding in the company.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-45	-20	-40	-40	-40

These figures are set out in Table 2.1 of Budget 2016 as 'Capital Gains Tax: extend reliefs', and have been certified by the Office for Budget Responsibility. They represent the combined Exchequer impact of a number of changes at Budget 2016 to extend the availability of existing reliefs, including entrepreneurs' relief. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

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

Impact on individuals, households and families

Individuals who are shareholders in a company which invests in joint venture companies, or is or invests in a member of a trading partnership, may be affected if the company is not presently a trading company in its own right.

Equalities impacts

ER claimants tend to be male and of above average means. Private equity investors and wealthy individuals make up a significant group of claimants, and are likely to be most affected by this measure.

It is not anticipated that there will be adverse impacts on any other group with protected characteristics.

Impact on business including civil society organisations

This measure directly affects individual claimants in their personal capacity.

There will be an indirect beneficial impact on companies carrying on trading businesses because investors are likely to be more willing to invest in those companies through joint venture arrangements.

There may in some cases be a further indirect impact on companies, who may be asked by claimants to provide information in support of their claims to ER.

Operational impact (£m) (HMRC or other)

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

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Rob Clay on Telephone: 03000 570649 or email: rob.clay@hmrc.gsi.gov.uk.

Capital Gains Tax: Entrepreneurs' relief: extension to long-term investors

Who is likely to be affected?

Individuals considering the acquisition by subscription of new shares in unlisted trading companies.

General description of the measure

Entrepreneurs' relief (ER) will be extended to external investors in unlisted trading companies. This new investors' relief will apply a 10% rate of Capital Gains Tax (CGT) to gains accruing on the disposal of ordinary shares in an unlisted trading company held by individuals, that were newly issued to the claimant and acquired for new consideration on or after 17 March 2016, and have been held for a period of at least three years starting from 6 April 2016. A person's qualifying gains for investors' relief will be subject to a lifetime cap of £10 million.

Policy objective

The government wants to create a strong enterprise and investment culture, and ensure that companies can access the capital they need to expand and create jobs. Extending ER to external investors is intended to provide a financial incentive for individuals to invest in unlisted trading companies over the long term.

Background to the measure

This measure was announced at Budget 2016.

Detailed proposal

Operative date

Investors' relief will apply to disposals of qualifying shares held for a period of at least three years starting from 6 April 2016 that were acquired on or after 17 March 2016.

Current law

Section 3 of the Taxation of Chargeable Gains Act 1992 (TCGA) provides that individuals pay CGT only on their chargeable gains (net of allowable losses and all other reliefs) that exceed the Annual Exempt Amount (currently £11,100) for the tax year. Shares are assets for the purposes of CGT (section 21 TCGA 1992) and, in the absence of provisions to the contrary, gains on disposals of such assets are chargeable to CGT.

Gains on disposals of most shares are presently subject to CGT at a rate of either 18% or 28%, depending on whether an individual is a higher rate tax payer (section 4 of TCGA). Where shares qualify for ER, the first £10 million of gains accrued on the disposal of shares in a trading company by an individual who has worked for the company and owned at least 5% of the ordinary shares in the company, are taxed at a rate of 10% (sections 169H to 169S of TCGA).

Proposed revisions

Legislation in Finance Bill 2016 will amend Part V of TCGA.

The extension to ER, introducing investors' relief, will apply to gains accruing on the disposal of certain qualifying shares by individuals (other than employees and officers of the company). In order to qualify for relief, a share must:

- be newly issued, having been acquired by the person making the disposal on subscription for new consideration
- be in an unlisted trading company, or unlisted holding company of trading group
- have been issued by the company on or after 17 March 2016 and have been held for a period of three years from 6 April 2016
- have been held continually for a period of three years before disposal

The rate of CGT charged on the qualifying gain will be 10%, with the total amount of gains eligible for investors' relief subject to a lifetime cap of £10 million per individual. Rules will ensure that this limit applies to beneficiaries of trusts.

Because the relief is designed to attract new capital into companies, avoidance rules set out in the FB16 legislation will ensure that shares must be subscribed for by individuals for genuine commercial purposes and not for tax avoidance purposes.

Summary of impacts

Exchequer impact (£m)

2016 to 17	2017 to 18	2018 to 19	2019 to 20	2020 to 21
negligible	+5	-25	-40	-60

These figures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

Extending ER to long term external investors should support unlisted companies to access the capital they need to expand and create jobs.

The costing accounts for behavioural responses, including greater realisation of gains, and increased incentive to take capital gains relative to income.

Impact on individuals, households and families

Individuals making qualifying investments will be able to access a lower rate of CGT than they would if they had invested in non-qualifying investments.

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

Equalities impacts

It is anticipated that individuals eligible to take advantage of investors' relief will tend to have higher overall income levels. The introduction of investors' relief is not expected to adversely impact those groups protected by equality legislation.

Impact on business including civil society organisations

This measure is expected to have no negative impact on business administrative burdens, but companies whose investors are intending to benefit from the measure may incur additional costs related to the issuing of shares. The lower rate of CGT offered by this measure will benefit business, because this will make it more attractive for individuals to make such investments. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will need to make changes to its IT systems to implement this change at a cost in the region of £1 million.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Capital gains tax: lifetime limit on Employee Shareholder Status exemption

Who is likely to be affected?

Individuals who receive shares under an Employee Shareholder Agreement.

General description of the measure

The measure places a lifetime limit of £100,000 on the Capital Gains Tax (CGT) exempt gains that a person can make on the disposal of shares acquired under Employee Shareholder Agreements entered into after 16 March 2016.

Policy objective

The policy intention of the introduction of Employee Shareholder Status (ESS) in 2013 was to reduce regulatory burdens on business, promote business and employment growth and increase the choices available to businesses and employees.

This measure prevents abuse and improves the fairness of the tax system, by ensuring that the level of exempt capital gains from the disposal of Employee Shareholder shares is not excessive.

Background to the measure

This measure was announced at Budget 2016.

Detailed proposal

Operative date

The measure will have effect in relation to Employee Shareholder shares acquired in consideration of an Employee Shareholder Agreement entered into from midnight at the end of 16 March 2016, and to gains on such shares.

Current law

Current law on ESS is contained in section 205A of the Employment Rights Act 1996. The law on the Capital Gains Tax exemption is at sections 236B to 236G of the Taxation of Chargeable Gains Act 1992.

Proposed revisions

Legislation will be introduced in Finance Bill 2016.

For Employee Shareholder shares issued as consideration for entering into Employee Shareholder Agreements from midnight at the end of 16 March 2016 there will be a lifetime limit of £100,000 CGT exempt gains. Any past or future gains, realised or unrealised, on Employee Shareholder shares that were issued in respect of Employee Shareholder agreements made before midnight at the end of 16 March 2016 will not count towards the limit.

When Employee Shareholder shares issued as consideration for entering into Employee Shareholder Agreements from midnight at the end of 16 March 2016 are disposed of, gains made in excess of the lifetime limit will be chargeable to CGT.

For transfers of Employee Shareholder shares between spouses or civil partners, the transfer will be treated as being for consideration which gives rise to a gain equal to the transferor's unused lifetime limit, subject to the over-riding condition that the consideration does not exceed the market value of the shares transferred. This amount will fix the acquisition cost in the hands of the spouse.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	nil	nil	+10	+35

These figures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costing document published alongside Budget 2016.

Economic impact

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

Impact on individuals, households and families

The measure will affect individuals in relation to Employee Shareholder shares acquired in consideration of an Employee Shareholder Agreement entered into from midnight at the end of 16 March 2016, and to gains on such shares. From the operative date, those individuals with ESS who make more than £100,000 of gains on their Employee Shareholder shares in their lifetime will be charged to CGT on gains made above that threshold. Previously the CGT exemption had no limit. The measure affects only individuals who are Employee Shareholders, that is, who have given up certain statutory employment rights in exchange for free shares. There is currently no data available on the number of individuals who have been granted Employee Shareholder shares. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

The measure affects those individuals who have ESS. The equality impacts will therefore reflect those protected equality groups represented in this population.

Impact on business including civil society organisations

This measure is expected to have a negligible administrative burden impact on businesses and civil society organisations, as businesses with Employee Shareholders familiarise themselves with the new rules for Employee Shareholders.

Operational impact (£m) (HMRC or other)

The measure is expected to cost less than £0.5 million for HMRC to deliver.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through liaising with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Tom Rollinson on Telephone: 03000 585167 or email: tom.rollinson@hmrc.gsi.gov.uk

Estate Duty and Inheritance tax: objects granted exemption from Estate Duty

Who is likely to be affected?

Owners of objects which have a legacy exemption from Estate Duty on the grounds of their national, scientific, historic or artistic interest. Estate Duty is a forerunner to the current inheritance tax (IHT).

General description of the measure

This measure makes three changes:

- to stop the ability to use existing statutory provisions which allow IHT to be paid, at a lower rate than Estate Duty would be payable, where a charge arises following a death. The measure will change the current position so that it aligns with the position for lifetime transfers, where HM Revenue and Customs (HMRC) can elect for either IHT or Estate Duty to be paid
- to create a charge on objects which are currently subject to an Estate Duty exemption and which have been lost, but will not include a loss which the Commissioners are satisfied was outside the owner's control
- to bring back within scope certain public galleries and museums who benefitted from the favourable tax exemptions under Schedule 3 to Inheritance Tax Act (IHTA) 1984 on the grounds that they were maintained by a local authority but are currently unable to do so because of their status as independent charitable trusts. It will also transfer the current power to add new national institutions to Schedule 3 from HMRC to HM Treasury

Policy objective

This measure will correct a few technical issues with the current legislative framework to ensure that the scheme works in line with the publicly stated policy.

Background to the measure

IHT was introduced in 1984. It replaced Capital Transfer Tax, which replaced Estate Duty in 1975. The current IHT legislation contains a scheme designed to protect certain assets which are considered to be of national importance, and prevent them from being sold off to meet an estate's IHT liabilities.

The relief is available for either IHT or Capital Gains Tax (CGT), and allows the charge to be deferred providing certain conditions are met (these include maintaining the object in a good condition, having the object open for the public to view, and to display the object without prior appointment for a number of days each year). If any of the conditions are breached, or the asset is sold, tax becomes payable. A few legacy Estate Duty legislative provisions still remain in force in relation to exemptions given pre-March 1975 and govern the interaction between Estate Duty and Conditional Exemption.

This measure was announced at Budget 2016. There has been no previous consultation on this measure.

Detailed proposal

Operative date

The provision to stop the ability to pay IHT, at a lower rate than Estate Duty would be payable where a charge arises following a death will have effect in relation to a chargeable event occurring on or after 16 March 2016.

The Estate Duty charge for items which have been lost, and the provisions to bring back within scope of existing legislation galleries and museums who used to benefit from favourable tax exemptions will have effect on and after the date of Royal Assent to Finance Bill 2016.

Current law

Change to charging provisions
In cases where exemption from Estate Duty has been granted under the provisions of section 40 of Finance Act (FA) 1930, the exemption remains in place until the object is sold (section 40 (2) of FA 1930). Where Conditional Exemption from an IHT charge is granted upon a charge arising on a death then the earlier Estate Duty exemption becomes absolute and on a subsequent sale IHT is chargeable (Schedule 6 Paragraph 4(2) (b) of IHTA). If however Conditional Exemption is granted on a lifetime transfer the Estate Duty exemption runs in tandem with that granted from IHT (Schedule 6 Paragraph 4(2) (a) of IHTA). Upon a sale HMRC then have the choice of which charge to raise.

Raising a charge for an Estate Duty item that has been lost
Under the provisions of section 40 (2) of FA 1930, exemption for objects to which that section applies lasts until the objects are sold. There is currently no legislation in place to determine a charge when the owner of an Estate Duty exempt object loses it. The loss of an object is dealt with under the IHTA regime by section 32(2) IHTA 1984 which allows for a charge on loss due to negligence.

Schedule 3 to IHTA
In order to encourage gifts to public collections Schedule 3 of IHTA includes a list of bodies to whom gifts are exempt from IHT (section 25 IHTA 1984) and CGT (section 257 Taxation of Capital Gains Act). Treasury functions include the power to be able to add further public bodies to Schedule 3 under section 95 (1) of FA 1985 transferred to the Commissioners of Inland Revenue ("the Board") from July 1985.

Proposed revisions

Change to charging provisions
Legislation will be included in Finance Bill 2016 to amend paragraph 4(2) (a) Schedule 6 to IHTA so that upon a sale HMRC will then have the choice of which charge to raise. This proposed change will bring the position for deaths in line with the tax position for lifetime transfers.

Raising a charge for an Estate Duty item that has been lost
Legislation will be introduced in Finance Bill 2016 to amend section 40 (2) of FA 1930 create a charge on objects which are currently subject to an Estate Duty exemption and which have

been lost, but will not include a loss which the Commissioners are satisfied was outside the owner's control.

Schedule 3 to IHTA

Schedule 3 to IHTA will be amended to bring back within scope of existing legislation public museums and galleries that previously benefitted from the advantageous tax provisions currently provided by the IHT legislation, but have lost this benefit because some local authorities have placed their museum's collection into independent charitable trusts which are not within the terms of the legislation. Section 95(1) of FA 1985 will also be amended so that the power to add further national institutions to Schedule 3 will be transferred to the Treasury.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
negligible	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

This measure will affect around 2,000 individuals who are owners of objects which have been given exemption from Estate Duty. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

HMRC does not hold data on the protected characteristics of all those potentially affected but this measure should not have an impact on any of those groups sharing protected characteristics.

Impact on business including civil society organisations

The measure is not expected to have any administrative impact on customers, however we expect negligible one-off costs to organisations and businesses who will need to familiarise themselves with the new legislation.

Operational impact (£m) (HMRC or other)

There will be no significant additional operational impacts from this legislative change.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through communication with affected taxpayer groups to ensure the legislation operates as intended.

Further advice

If you have any questions about this change, please contact the Assets and Residence Policy Team on Telephone: 03000 558 551 or email:Ihtandtrustsconsult.car@hmrc.gsi.gov.uk.

VAT: representatives for overseas businesses and joint and several liability for online marketplaces

Who is likely to be affected?

Overseas businesses selling goods to UK consumers via online marketplaces and businesses that control and support the sale of such goods through their online marketplaces.

General description of the measure

There are two aspects to this measure. The first part makes changes to the existing rules which allow HM Revenue and Customs (HMRC) to direct an overseas business to appoint a VAT representative with joint and several liability. The changes make this a more effective power and also give HMRC greater flexibility in respect of seeking a security. The second part is the introduction of a new provision which will enable HMRC to hold an online marketplace jointly and severally liable for the unpaid VAT of an overseas business that sells goods in the UK via that online marketplace. Neither of these changes will apply automatically to any businesses and HMRC will use them on the highest risk cases to tackle non-compliance.

Policy objective

The government is taking action to protect the UK market from unfair online competition. The objective of this measure is to give HMRC strengthened operational powers to tackle the non-compliance from some overseas businesses that avoid paying UK VAT on sales of goods made to UK consumers via online marketplaces. It is directed at getting overseas businesses that are or should be VAT registered in the UK paying VAT due either directly or through a VAT representative. If the overseas businesses continues to be non-compliant, HMRC can make the online marketplace jointly and severally liable for the unpaid VAT on goods sold through its online marketplace. The measure will level the playing field for businesses.

Background to the measure

There has been no prior consultation on this measure.

Detailed proposal

Operative date

The measure will have effect from Royal Assent to Finance Bill 2016.

Current law

Current law in Section 48 of VAT Act 1994 (VATA) gives HMRC the power to direct a "person" to appoint a VAT representative, with joint and several liability, where the "person" is not established in the UK and/or another EU Member State.

Proposed revisions

VAT representatives

The government will legislate in Finance Bill 2016 to amend Section 48 of VATA1994 to provide HMRC with strengthened powers for directing the appointment of a VAT representative. This will include a requirement that the VAT representative is in the UK and will also provide more flexibility in respect of seeking a security.

Joint and several liability on the online marketplaces

New legislation will be introduced in Finance Bill 2016 to enable HMRC to hold an online marketplace jointly and severally liable for the unpaid VAT of an overseas business that sells goods in the UK via the online marketplace's website.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	+65	+130	+315	+365

These figures are set out in Table 2.1 of Budget 2016 as 'Value Added Tax: tackling overseas trader evasion' and have been certified by the Office for Budget Responsibility. They represent the combined Exchequer impact of the new HMRC powers to deal with overseas businesses and the new Due Diligence Scheme.

The amount of VAT revenue forgone on such under-declarations is estimated to be £1-1.5 billion in 2015 to 2016. This estimate has been derived from UK import data, supplemented with operational and other intelligence to identify high risk imports, the proportion of goods undervalued, and the extent of the undervaluation. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

The proposal to provide HMRC with additional powers for directing the appointment of a VAT Representative and greater flexibility in respect of seeking security may have a very small positive impact on inflation.

The costing accounts for a behavioural response whereby some non-EU online sellers or fulfilment houses may find ways to mitigate the impact of this measure.

Impact on individuals, households and families

This is a VAT compliance measure, and could result in a minor increase in inflation which would increase prices. It is expected to have a negligible impact on individuals, households and families, and is not expected to impact on family formation, stability or breakdown.

Equalities impacts

The measures are only aimed at non-compliant overseas sellers. It will not disadvantage sellers who are operating legitimately.

Impact on business including civil society organisations

This measure will level the playing field for businesses.

This measure is expected to have a negligible impact on businesses. The online marketplace population is small, with a few major players and HMRC understands that these businesses already have existing processes in place for the removal of sellers that break the rules of the marketplace. Affected businesses will incur one-off costs of familiarisation with the new rules. Any ongoing additional costs are expected to be minimal. This measure is not expected to have any impact on civil society organisations

Operational impact (£m) (HMRC or other)

HMRC will incur one-off capital costs of approximately £700,000 and resource costs of approximately £22.5 million between 2016 to 2017 and 2020 to 2021.

Other impacts

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 change, please contact Susanna Hanks on Telephone: 03000 544495 or email: susanna.hanks@hmrc.gsi.gov.uk.

James Smallbone on Telephone: 03000 536986 or email: james.smallbone@hmrc.gsi.gov.uk.

Stamp Duty Land Tax: reform of charging provisions for non-residential property

Who is likely to be affected?

Purchasers of non-residential property with an upfront payment worth more than £150,000 or a lease net present value of more than £5 million.

General description of the measure

The measure changes the rules for calculating the stamp duty land tax (SDLT) charged on purchases of non-residential properties and transactions involving a mixture of residential and non-residential properties.

At present, for purchases of freehold, the assignment of an existing lease and for the upfront payment (premium) on a new leasehold transaction, SDLT is charged at a single percentage of the price paid for the property, depending on the rate band within which the purchase price falls. On and after 17 March 2016, SDLT will be charged at each rate on the portion of the purchase price which falls within each rate band.

The new rates and thresholds for freehold purchases and leases premiums are:

Transaction Value Band	Rate
£0 - £150,000	0%
£150,001 - £250,000	2%
£250,000 +	5%

For new leasehold transactions, SDLT is already charged at each rate on the portion of the net present value (NPV) of the rent which falls within each band. On and after 17 March 2016 a new 2% rate for rent paid under a non-residential lease will be introduced where the net present value (NPV) of the rent is above £5 million.

The new rates bands and thresholds for rent paid under a lease are:

Net present value of rent	Rate
£0 - £150,000	0%
£150,001 - £5,000,000	1%
£5,000,000 +	2%

Policy objective

This measure cuts the tax that many businesses pay when purchasing non-residential property, whilst ensuring those purchasing the most expensive non-residential properties make an important contribution to tackling the deficit.

Background to the measure

This measure was announced at Budget 2016.

Detailed proposal

Operative date

This measure will have effect on and after 17 March 2016. Where contracts have been exchanged but transactions have not completed before 17 March 2016 purchasers will have a choice of whether the old or new structure and rates apply.

This measure does not apply in Scotland as SDLT was devolved to Scotland on 1st April 2015. This measure will apply in Wales until 1 April 2018, when SDLT will be devolved to Wales.

Current law

The main SDLT legislation is in Part 4 of the Finance Act (FA) 2003. Section 55 provides for the amount of tax chargeable. It includes two tables which set out how the tax is to be charged: Table A applies where the relevant land consists wholly of residential property (section 55(1B) and (1C)) and Table B applies where the relevant land consists wholly of non-residential property or partly of residential and partly of non-residential property, i.e. a mixed transaction (section 55(2)). Section 56 and Schedule 5 Finance Act 2003 provide for a separate SDLT charge on the net present value of the rent payable under a new lease.

Para 9A , Schedule 5 of FA 2003 provides that where the annual rent is £1000 or more, SDLT is charged at 1% on the whole of the premium up to £250,000 regardless of whether it is below the £150,000 non-residential threshold. The higher non-residential rates apply if the premium is more than £250,000.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to amend section 55 of FA 2003 to provide for a new method of calculating the amount of tax due in respect of transactions to which Table B (non-residential and “mixed” property) applies.

Amendments will also be made to Table B at paragraph 2 of Schedule 5 of FA 2003 to provide for an additional rate of 2% to be applied when to NPV's of the rent is above £5 million and to abolish para 9A, Schedule 5 of FA 2003.

The changes will have effect on and after midnight 17 March 2016 by virtue of a resolution under the Provisional Collection of Taxes Act 1968.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
+385	+515	+535	+560	+590

These figures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

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

The costing takes into account impacts on the frequency of transactions. For transactions where the tax charge is lower than the previous SDLT system there is an expected increase in the volume of transactions, and for high-value properties adjustments for wider behavioural effects have been made. It also incorporates temporary behavioural effects around implementing the new system.

Impact on individuals, households and families

This measure will only affect those individuals and households who purchase non-residential property. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This is a business measure and is therefore not expected to have an impact on any protected equality groups.

Impact on business including civil society organisations

There are approximately 100,000 non-residential and mixed property transactions per year.

All non-residential freehold and lease premium transactions worth less than £1.05 million will pay the same SDLT or less compared to the current system.

For leasehold rent transactions, those with a NPV of up to £5 million will pay the same in SDLT as under the current system.

As a result of these changes over 90% of non-residential property transactions will pay the same or less in SDLT.

This measure is expected to have a negligible administration impact on businesses. Businesses (lawyers and conveyancers) are expected to incur negligible one-off costs due to familiarising themselves with the new structure of SDLT. The process of automatically calculating the amount of tax will be fully integrated into HMRC online systems from April 2016. Before then HMRC is providing online calculators to reduce the administrative burden of the change in method to taxpayers. There may be an additional ongoing cost for the few businesses that do not file online. This is also expected to be negligible.

This measure is also likely to have a negligible administration impact on civil society organisations.

Operational impact (£m) (HMRC or other)

Changes will be required to HM Revenue and Customs (HMRC) IT systems including online tax calculators. In advance of the main systems changes HMRC will support customers by providing a standalone online calculator and online guidance to inform them of the change in the rules. The changes are estimated to cost approximately £110,000 for IT with some minor additional costs incurred in helpline staff time.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

The measure will also be monitored and assessed through information collected from tax returns and communication with stakeholders and published as Official Statistics.

Further advice

If you have any questions about this change, please contact the HMRC SDLT Helpline on Telephone: 0300 200 3510.

Stamp Duty Land Tax: higher rates on purchases of additional residential properties

Who is likely to be affected?

Individuals purchasing a residential property in England, Wales and Northern Ireland who, at the end of the day of the transaction, own two or more residential properties and are not replacing a main residence. Companies and other non-natural persons purchasing residential property in England, Wales and Northern Ireland.

General description of the measure

From 1 April 2016 higher rates of Stamp Duty Land Tax (SDLT) will be charged on purchases of additional residential properties, such as second homes and buy-to-let properties. The higher rates will be 3 percentage points above the current SDLT rates:

Threshold	Existing SDLT rates	New additional property SDLT rates
£0 - £125k	0%	3%
£125k - £250k	2%	5%
£250k - £925k	5%	8%
£925k - £1.5m	10%	13%
£1.5m +	12%	15%

If, at the end of the day of the transaction, an individual owns two or more properties and has not replaced their main residence, the higher rates will apply. Purchasers will have 36 months to either claim a refund from the higher rates, or before the higher rates will apply, in the event that there is a period of overlap or a gap in ownership of a main residence. Companies purchasing residential property will be subject to the higher rates, including the first purchase of a residential property. Properties purchased for under £40,000, caravans, mobile homes and houseboats will be excluded from the higher rates. Furthermore, small shares in recently inherited properties will not be considered when determining if the higher rates apply.

Policy objective

Higher rates of SDLT on additional residential properties form part of the government’s Five Point Plan for housing, and are part of the government’s commitment to supporting home ownership and first-time buyers.

Background to the measure

This measure was announced at the Spending Review and Autumn Statement 2015. The government ran a consultation on these changes between 28 December 2015 and 1 February 2016.

Detailed proposal

Operative date

This measure will have effect for purchases which complete on and after 1 April 2016. Where contracts have been exchanged on or before 25 November 2015 but not completed until on and after 1 April 2016, the higher rates will not apply.

This measure does not apply in Scotland as SDLT was devolved to Scotland on 1 April 2015. This measure will apply in Wales until 1 April 2018, when SDLT will be devolved to Wales.

Current law

The main SDLT legislation is in Part 4 of Finance Act (FA) 2003. Section 55 provides for the amount of tax chargeable and sets out separate tables of rates for purchases of residential and non-residential (or mixed residential and non-residential) property. Section 56 and Schedule 5 to FA 2003 provide for a separate SDLT charge on the net present value of the rent payable under a new lease.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to insert a new section 56A and Schedule 5A into Finance Act 2003 to provide for the higher rates of SDLT for purchases of additional residential property.

The changes will have effect on and after 1 April 2016 by virtue of a resolution under the Provisional Collection of Taxes Act 1968.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
+630	+695	+750	+805	+855

These figures are set out in Table 2.2 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2015.

Economic impact

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

The costing accounts for a behavioural response whereby the volume of affected transactions is reduced. It should increase the amount of owner-occupied properties.

Impact on individuals, households and families

Around 10% of residential property transactions are expected to be subject to the higher rates.

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

Equalities impacts

The impact of these changes will reflect the demographic composition of buyers purchasing additional residential properties.

This measure is not expected to have an impact on any of the protected equality groups.

Impact on business including civil society organisations

Businesses purchasing residential property may pay a higher amount in SDLT.

Lawyers and conveyancers are expected to incur negligible one-off costs due to familiarising themselves with the new structure of SDLT. The process of automatically calculating the amount of tax will be fully integrated into HM Revenue and Customs (HMRC) online systems.

Operational impact (£m) (HMRC or other)

HMRC will have to make changes to IT systems to implement this measure, at an estimated cost of £400,000. Staff costs of administering this change are estimated at £1.5 million a year.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the HMRC SDLT Helpline on Telephone: 0300 200 3510

Insurance Premium Tax: increase to standard rate

Who is likely to be affected?

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

All households and businesses that purchase insurance which is not exempt from Insurance Premium Tax (IPT), where the insurer chooses to pass on the IPT rate rise to its customers.

General description of the measure

The measure will increase the rate of IPT paid on premiums which are taxed at the standard rate of IPT by 0.5%.

Policy objective

This measure will help the government fund flood defences and resilience.

Background to the measure

This measure was announced at Budget 2016.

Detailed proposal

Operative date

The new standard rate of IPT will be due on insurance premiums treated by the legislation as received on or after 1 October 2016, except where insurers operate a special accounting scheme. From 1 February 2017, the new rate applies to all premiums, regardless of when the contract was entered into.

Current law

The relevant legislation is Part III of Finance Act (FA) 1994. Currently the IPT standard rate is 9.5%, as provided by section 51 of FA1994. Insurance contracts which are exempt from IPT are set out in Part 1 of Schedule 7A to FA1994. Certain categories of insurance are subject to a higher rate (20%) of IPT and these are set out in Part II of Schedule 6A to FA1994.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to amend section 51 of FA1994 to change the standard rate of IPT to 10%.

The new standard rate will be due from 1 October 2016, with an exception for those insurers who use a special accounting scheme rather than the cash receipt method. The exception operates to require the new standard rate to be applied by them only to premiums received on or after 1 February 2017, where the premium relates to risks covered by the terms of a contract entered into before 1 October 2016.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
+80	+200	+205	+205	+210

These figures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

The changes to IPT will have a small positive impact on CPI inflation.

The costing is adjusted for behavioural responses resulting from any change associated to prices of general insurance products. It also takes into account a small reduction in the demand for standard-rated insurance and a small increase in tax planning activity by insurance companies.

Impact on individuals, households and families

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

The measure is expected to have a small impact on individuals and households purchasing insurance which is not exempt from IPT, if insurers choose to pass on the IPT rate rise to customers.

Equalities impacts

This measure will not impact on those disabled people who are eligible for the Motability Scheme as insurance for vehicles provided under the scheme is exempt from IPT.

No other impacts affecting those sharing other protected characteristics have been identified.

Impact on business including civil society organisations

This measure is expected to have no administrative impact on businesses purchasing insurance which is not exempt from IPT, but the cost of purchasing insurance may rise, if Insurers choose to pass on the IPT rate rise.

There are in the region of 1,000 insurers in the UK who will incur one-off costs in updating their systems to apply the new tax rate. The government expects this additional burden to be negligible. This measure is expected to have no ongoing administration burdens.

Insurers, brokers and agents will have to change the details of their contracts but by allowing a delay to 1 October 2016 before the full impact of the rate rise is felt, the impact of this will be minimised.

Operational impact (£m) (HMRC or other)

There will be no significant operational costs for HMRC in implementing these changes

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Ishrat Ali on Telephone: 03000 585850 or email: ishrat.ali@hmrc.gsi.gov.uk.

Landfill Tax: increase in rates

Who is likely to be affected?

Businesses registered with HM Revenue and Customs (HMRC) for Landfill Tax.

General description of the measure

This measure will increase both the standard and lower rates of Landfill Tax in line with the Retail Prices Index (RPI), rounded to the nearest 5 pence, for taxable disposals of waste made at authorised landfill from April 2017 and again from April 2018.

Policy objective

Landfill Tax is charged on waste disposed of at a landfill site. As such, it encourages efforts to minimise the amount of waste produced and the use of non-landfill waste management options, which may include recycling, composting and recovery. Since 2000, the amount of waste sent to landfill has dropped by 70% and the average household recycling rates have risen from 18% to 44%. Increasing Landfill Tax rates in line with RPI means that the Landfill Tax can continue to help the government meet its environmental objectives.

Background to the measure

Landfill Tax was introduced on 1 October 1996 to encourage waste producers and the waste management industry to switch to more sustainable alternatives for disposing of waste. There is a lower rate of tax, which applies to less polluting qualifying wastes covered by two Treasury Orders, and a standard rate which applies to all other taxable waste disposed of at authorised landfill sites. The tax applied across the UK until 1 April 2015 when it was devolved in Scotland.

The June 2010 Budget confirmed that the standard rate of Landfill Tax would rise by £8 per tonne on 1 April each year up to and including 2014. It also announced a floor under the standard rate so that the rate would not fall below £80 per tonne from April 2014 to at least 2020. Budget 2014 clarified that this floor should be interpreted in real terms and announced that the lower rate would, in future, also increase each year in line with inflation (based on the RPI), rounded to the nearest 5 pence. It also announced the intention to provide further long-term certainty.

In line with these announcements, Budgets 2014 and 2015 announced that, on 1 April 2015 and 1 April 2016, the standard and lower rates would increase in line with RPI, rounded to the nearest 5 pence.

A Loss on Ignition (LOI) testing regime was introduced on 1 April 2015. This provides for laboratory testing of samples of waste 'fines' to help operators determine Landfill Tax liability (fines are the residual waste produced following treatment of waste at waste transfer stations, before the waste is sent to a landfill site). The test measures the amount of water lost when the waste is burned - only qualifying fines with an LOI of 10% or lower are considered eligible for the lower rate, though there is a 12 month transitional period from 1 April 2015 where the threshold is 15%. This transitional period will come to an end on 31 March 2016.

Detailed proposal

Operative date

The increases in the standard and lower rates of Landfill Tax in line with RPI will apply to taxable disposals made, or treated as made at relevant landfill sites, on or after 1 April 2017 and on or after 1 April 2018. It is expected that Landfill Tax will be devolved to Wales from 1 April 2018 but this is subject to confirmation by the UK and Welsh governments and an Order being laid before Parliament. If devolution goes ahead by this date, the 2018 to 2019 rate changes will apply in England and Northern Ireland only.

Current law

Section 42 of the Finance Act 1996 specifies the rates of Landfill Tax.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to amend section 42(1)(a) and 42(2) to provide for the new rates of Landfill Tax. The rates being amended and the new rates will be:

Waste sent to landfill	Rate from 1 April 2016	Rate from 1 April 2017	Rate from 1 April 2018
Standard rated	£84.40/tonne	£86.10/tonne	£88.95/tonne
Lower rated	£2.65/tonne	£2.70/tonne	£2.80/tonne

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

This measure is not expected to have any economic impacts.

Impact on individuals, households and families

It is businesses and local authorities that bear the cost of Landfill Tax passed on to them by landfill site operators on the waste they send to landfill. This measure will not have a direct impact on individuals or households and is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure concerns the taxation of businesses. As such it is very unlikely that there will be any impact on equality.

Impact on business including civil society organisations

The measure is expected to have a negligible impact on businesses. Those businesses registered with HMRC for the Landfill Tax which will be affected by the rate changes will incur a negligible one-off cost to update their systems. There are not expected to be any additional on-going costs. The measure is not expected to have any impact on civil society organisations or any significant impact on competition.

Operational impact (£m) (HMRC or others)

HMRC processing systems are designed to accommodate tax rate changes. The change will not increase HMRC processing or compliance resource.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through receipts and tonnage information collected from tax returns or other data about volumes of waste sent to landfill.

Further advice

If you have any questions about this change, please contact Helen Horton on Telephone: 03000 514475 or email: helen.horton@hmrc.gsi.gov.uk.

Climate Change Levy: main and reduced rates

Who is likely to be affected?

Business and public sector users of energy, gas and electricity utilities and suppliers of solid fuels and liquefied petroleum gas (LPG).

General description of the measures

This measure increases the main rates of Climate Change Levy (CCL), for 2017 to 2018, 2018 to 2019 and 2019 to 2020.

For 2019 to 2020, the balance between rates on taxable commodities will be updated to reflect changes in the fuel mix used in electricity generation and the increase in main rates of CCL will recover the tax revenues lost by closing the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. In addition, the reduced rates of CCL for qualifying businesses in the Climate Change Agreements (CCA) scheme will be amended so participants will not pay more in CCL than they would under the currently expected Retail Prices Index (RPI) increase for that year.

In line with usual practice, CCL main rates for 2017 to 2018 and 2018 to 2019 will be increased in line with RPI to maintain the price signal.

Policy objectives

This measure forms part of a wider set of announcements in Budget 2016 following from the conclusion of the business energy efficiency review announced at Summer Budget 2015. This includes the closure of the CRC scheme with effect from the end of the 2018 to 2019 compliance year following business concerns that the scheme is overly complex, administratively burdensome and ineffective. Businesses will be required to surrender allowances for the final time in October 2019. The government will work with the Devolved Administrations on closure details for the reporting element of the scheme.

The increases in CCL main rates from 2019 to 2020 recoup revenue lost from the abolition of CRC and strengthen the incentive for businesses with the greatest potential to save energy. The difference in CCL rates between electricity and gas is currently outdated at an electricity to gas ratio of 2.9:1 and this will be adjusted to reflect the fuel mix used in electricity generation, adjusting the electricity to gas ratio to 2.5:1. CCL rates for LPG and other taxable fuels will also be increased in proportion to the rate for gas. This will provide a financial incentive for businesses to reduce gas use, saving carbon in the non-traded sector and delivering on national climate change targets. The government also intends to further rebalance to an electricity to gas ratio of 1:1 by 2025 to deliver greater carbon savings.

Increases to the CCL discount available to energy intensive businesses in the CCA scheme who meet agreed energy efficiency or carbon reduction targets will compensate for the CCL rate increases from 2019 to 2020, meaning that businesses in the CCA scheme will only be subject to an increase to their CCL liability broadly in line with RPI.

Other key elements of the reform being announced at Budget 2016 include retaining existing eligibility criteria for CCA schemes until at least 2023. The Department of Energy and Climate Change (DECC) will carry out a target review to include a review of the Buy-Out price for periods 3 and 4 in 2016.

The package will mean a streamlined business energy tax and reporting landscape designed to cut red tape and unlock investment in business energy efficiency, boosting productivity, whilst protecting the smallest businesses and most energy intensive firms.

Background to the measures

CCL was introduced in 2001 and is a UK-wide tax on electricity, gas, LPG and solid fuels supplied to businesses and public sector consumers. The main rates on these commodities are paid to HM Revenue and Customs (HMRC) by energy suppliers who pass on the costs through billing to their non-domestic customers. The reduced rates available to CCAs participants are expressed as a percentage of the full main rates.

Budget 2015 announced that the main rates of CCL will increase in line with inflation for 2016 to 2017. Rates from 1 April 2016 were legislated in the Finance Act 2015.

Following concerns expressed by business about complexity and burdensome reporting requirements, Summer Budget 2015 announced a review of the business energy efficiency tax landscape. A consultation paper was issued in September 2015 seeking evidence and setting out policy proposals to simplify and improve the effectiveness of the landscape in supporting the government's objectives around simplicity, productivity, security of energy supplies and decarbonisation. This review considered the interactions between business energy policies and regulations, including the CCL, the CRC, CCAs, taxes on other fuels (e.g. heating oils), mandatory greenhouse gas reporting, the Energy Saving Opportunity Scheme, Enhanced Capital Allowances, and the Electricity Demand Reduction pilot.

A consultation response document was published on 16 March 2016.

Detailed proposal

Operative dates

The changes will have effect for supplies of taxable commodities treated as taking place on and after 1 April 2017 (2017 to 2018), 1 April 2018 (2018 to 2019) and 1 April 2019 (2019 to 2020).

Current law

The CCL is provided for by the Finance Act (FA) 2000. The main rates are set out in paragraph 42(1) of Schedule 6 to the Act.

Paragraph 42(1) (ba) and (c) of Schedule 6 to FA 2000 provides that, for supplies of electricity only, 10% of the main rate is payable where a supply is a reduced-rated supply. For supplies of other taxable commodities, 35% of the main rate is payable where a supply is reduced-rated supply.

Paragraph 2 of Schedule 1 to the Climate Change Levy (General) Regulations 2001 (SI 2001/838) ('the Regulations') sets out the formula used by businesses in the CCA scheme to calculate their CCL relief entitlement, including the reduced rate.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to amend the CCL main rates and the reduced rates in paragraph 42 of Schedule 6 to FA 2000.

The rates for 2016 to 2017 and the rates covered by the Budget 2016 announcement are as follows:

Climate Change Levy main rates				
Taxable commodity	**Rate from 1 April 2016**	**Rate from 1 April 2017**	**Rate from 1 April 2018**	**Rate from 1 April 2019**
Electricity (£ per kilowatt hour (KWh))	0.00559	0.00568	0.00583	0.00847
Natural gas (£ per KWh)	0.00195	0.00198	0.00203	0.00339
LPG (£ per kilogram (kg))	0.01251	0.01272	0.01304	0.02175
Any other taxable commodity (£ per kg)	0.01526	0.01551	0.01591	0.02653

Climate Change Levy reduced rates				
Taxable commodity	**Rate from 1 April 2016**	**Rate from 1 April 2017**	**Rate from 1 April 2018**	**Rate from 1 April 2019**
Electricity	10%	10%	10%	7%
Natural gas	35%	35%	35%	22%
LPG	35%	35%	35%	22%
Any other taxable commodity	35%	35%	35%	22%

A statutory instrument will be introduced before April 2019 to amend the formula in the Regulations.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-	nil	nil	+425	+35

These figures are set out in Table 2.1 of Budget 2016 as 'Business Energy: abolish Carbon Reduction Commitment and offsetting increase to Climate Change Levy', and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016

Economic impact

Replacement of carbon reduction commitment with higher CCL is expected to lower inflation. We expect reduced costs to be passed on to consumers.

Impact on individuals, households and families

The CCL is not levied on the supply of energy to individuals and households so the measure is not expected to impact on their energy bills, family formation, stability or breakdown.

Equalities impacts

The proposed changes will affect businesses that pay CCL on their qualifying energy consumption. There will be no direct impact on individuals. As such, it is unlikely that there will be any impact on equality.

Impact on business including civil society organisations

The measure is expected to have a negligible impact on businesses' administrative burdens but the cost of CCL for some businesses and civil society organisations will rise. Those businesses affected by the rate changes will incur a negligible one-off cost to update their systems. There are not expected to be any additional ongoing costs.

Operational impact (£m) (HMRC or other)

HMRC's processing systems are designed to accommodate tax rate changes. The measure will not increase HMRC processing or compliance resource.

Other impacts

Environmental impact: CCL is an energy tax which aims to increase energy efficiency. Increasing tax rates strengthens the price signal for businesses to reduce energy consumption.

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 Cesar Yanchev on Telephone: 03000 532030 or email: lachezar.yanchev@hmrc.gsi.gov.uk

Air passenger duty: rates

Who is likely to be affected?

Airlines and other aircraft operators, and their passengers.

General description of the measure

The rates of air passenger duty (APD) for the tax year 2016 to 2017 and 2017 to 2018 will increase in line with the retail price index (RPI).

Policy objective

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

Background to the measure

The rates for the tax year 2016 to 2017 were announced at Budget 2015. The rates for the tax year 2017 to 2018 are being announced at Budget 2016 to give the industry sufficient advance notice of changes in APD rates.

Detailed proposal

Operative date

The rates for the tax year 2016 to 2017 will have effect in relation to the carriage of chargeable passengers on or after 1 April 2016.

The rates for the tax year 2017 to 2018 will have effect in relation to the carriage of chargeable passengers on or after 1 April 2017.

Current law

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

Proposed revisions

Legislation will be introduced in the Finance Bill 2016 to amend section 30 of FA1994. The rates will be as follows:

From 1 April 2016			
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)	£73	£146	£438

From 1 April 2017			
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)	£75	£150	£450

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

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

Summary of impacts

Exchequer impact (£m)

2016-17	2017-18	2018-19	2019-20	2020-21
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

This measure is not expected to have any economic impacts.

Impact on individuals, households and families

As APD is not a direct tax on individuals, there are no compliance or administration costs attributable to them. Therefore this measure is not expected to have an impact on individuals, households and family neither is it expected to impact on family formation, stability or breakdown.

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses and civil society organisations. Those businesses affected by the rate change will incur a negligible one-off cost to update their systems. There are not expected to be any additional on-going costs.

Operational impact (£m) (HMRC or other)

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

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

VED rates for cars, vans, motorcycles and motorcycle trade licences

Who is likely to be affected?

Owners of cars, vans, motorcycles and holders of motorcycle trade licences.

Policy objective

Increasing VED rates by RPI in 2016 to 2017 would ensure that VED receipts are maintained in real terms and that motorists make a fair contribution to the public finances.

Background to the measure

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

Detailed proposal

Operative date

The measure will come into effect for all vehicles on 1 April 2016.

Current law

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

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to amend the applicable rates for cars, vans, motorcycles and motorcycle trade licences specified in Schedule 1 of VERA. Full details of the new rates are given in Annex B to the Overview of Tax Legislation and Rates

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
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 significant economic impacts.

Impact on individuals, households and families

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

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

Equalities impacts

This measure will have no differential impact on any equality groups.

Impact on business including civil society organisations

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

Operational impact (£m) (HMRC or other)

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

Monitoring and evaluation

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

Further advice

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

Vehicle Excise Duty: 40 year rolling exemption for classic vehicles

Who is likely to be affected?

Owners of vehicles built more than 40 years ago.

General description of the measure

The measure extends the scope of the existing 40 year rolling Vehicle Excise Duty (VED) exemption for classic vehicles permanently so that on the 1 April each year vehicles constructed more than 40 years before the 1 January that year will automatically be exempt from paying VED.

Policy objective

The VED exemption is intended to support classic vehicles, which the government considers are an important part of the country's historical and cultural heritage.

Background to the measure

Budget 2014 announced the introduction of a rolling 40 year exemption of VED for classic vehicles.

Detailed proposal

Operative date

The measure will have effect for eligible vehicles presented for exemption from 1 April 2017.

Current law

Section 1 and Schedule 1 of the Vehicle Excise and Registration Act (VERA) 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 1976, 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 each year to apply from 1 April of that year to take effect from 1 April 2017 as announced at Budget 2016. This will be legislated in Finance Act 2016.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact

Economic impact

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

Impact on individuals, households and families

This measure will have an advantageous impact for around 10,000 classic vehicle owners who will be included in the exemption each year. Most of these vehicles are assumed to be cars or vans and the annual savings will depend on the engine size of the vehicle.

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

Equalities impacts

It is not anticipated that there will be any significant impacts on groups with protected characteristics 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. Classic vehicle motor traders and dealers who trade and sell cars may see an increase in sales as a result of the extension to the exemption.

Operational impact (£m) (HMRC or other)

This measure will have a negligible impact on operational costs for the Driver and Vehicle Licensing Agency (DVLA).

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Gaming Duty: increase gross gaming yield bands

Who is likely to be affected?

UK casino operators.

General description of the measure

This measure will increase the gross gaming yield (GGY) bands for gaming duty in line with inflation.

Policy objective

The measure will ensure that the gaming duty accounted for by the casino operators is maintained at real levels and does not increase simply on account of inflation.

Background to the measure

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

The rates range from 15% which is applied to the first £2,370,500 of GGY up to 50%. The 50% rate applies to any GGY that exceeds the aggregate of the bandings to which the rates of 15%, 20%, 30% or 40% apply. If the bandings were not increased in line with inflation then over time more GGY would be subject to higher rates.

Detailed proposal

Operative date

The increase to gaming duty bands will have effect for gaming duty accounting periods starting on or after 1 April 2016.

Current law

Current law is contained in the table at section 11(2) of the Finance Act (FA) 1997. The GGY bandings have been revalorised on an annual basis since 1998. The bandings were last amended by section 60 of FA 2015.

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to increase the GGY values in section 11(2) FA 1997. These bandings cover a six month accounting period and businesses liable to gaming duty are required to submit two returns: an interim return after three months and a full return at the end of the six month accounting period. Each time the bands for the six monthly accounting periods are increased the bands applicable to the three months period contained in the Gaming Duty Regulations 1997 (S.I. 1997/2196) are also increased to ensure consistency. The Gaming Duty Regulations will be laid after Royal Assent to Finance Bill 2016.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

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

Equalities impacts

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

Impact on business including civil society organisations

There will be a negligible one-off cost to businesses who will need to change their systems to reflect the new GGY values. There are not expected to be any additional on-going costs.

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

Operational impact (£m) (HMRC or other)

There will be no significant operational impact to HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Fuel duty: aqua-methanol

Who is likely to be affected?

Businesses producing and importing, and consumers of, hydrocarbon oils and alternative fuel products.

General description of the measure

This measure provides a reduced rate of excise duty for aqua methanol (a new fuel that is 95% methanol, 5% water) that is set aside for use, or used, as fuel in any engine motor or other machinery.

Policy objective

The reduced duty rate is intended to incentivise the uptake of aqua-methanol as a greener cleaner fuel relative to petrol and diesel. The reduced duty rate will take effect on 1 October 2016.

Background to the measure

At Autumn Statement 2013, the government announced that the duty differential between the lower rate for alternative road fuel gases and the main rate for petrol/diesel will be maintained until 2024.

The government announced at Budget 2014, that it will apply a reduced rate of fuel duty to aqua methanol. The rate is set at 7.90 pence per litre.

Detailed proposal

Operative date

The change will have effect on and after 1 October 2016.

Current law

Excise duty rates are in section 6 of the Hydrocarbon Oil Duties Act (HODA) 1979, which contains the rates for hydrocarbon oils; sections 6AA, 6AB, 6AD and 6AE contains the rates for biofuels; section 8 contains the rates for road fuel gases; section 11 contains rebated rates for heavy oils; section 14 contains the rebated rate for light oil used as furnace fuel; and section 14A contains the rebated rate for certain biodiesel.

Proposed revisions

Legislation in Finance Bill 2016 will introduce a new rate of fuel duty for aqua methanol composed of 95% pure methanol and 5% water.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021

The Exchequer impact of ' Fuel Duty: support for cleaner fuels' is set out in Table 2.1 of Autumn Statement 2013, and has 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

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

Impact on individuals, households and families

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

Equalities impacts

This measure is not expected to have an impact on any equalities group.

Impact on business including civil society organisations

The measure is expected to have a negligible impact on businesses' administrative burdens but the costs of purchasing aqua-methanol as a fuel for business and civil society organisations will decrease. The small number of businesses affected by the duty reduction will incur negligible one off costs to update their systems. There are not expected to be any additional on-going costs.

Operational impact (£m) (HMRC or other)

This measure is expected to increase the availability of aqua-methanol and so could have an impact on compliance costs.

Other impacts

Carbon assessment: the overall support for cleaner fuels measure is expected to deliver carbon savings.

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 Dale Cambridge-Sharpe on Telephone: 03000 558483 or email: dale.cambridge-sharpe@hmrc.gsi.gov.uk.

Hand-rolling tobacco duty rate

Who is likely to be affected?

Manufacturers, importers, distributors, retailers and consumers of hand-rolling tobacco products.

General description of the measure

This measure increases the hand-rolling tobacco (HRT) duty rate by 5% above retail price index (RPI) inflation this year. This is an additional 3% rise above the tobacco duty escalator which, as announced at Budget 2014, will continue until the end of the 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. This increase goes further than the duty escalator and narrows the gap between the duty on HRT and that on cigarettes. This reduces the incentives for consumers to substitute to relatively lower priced products.

Background to the measure

Budget 2014 announced that the specific duty on all tobacco products will continue to increase by 2% above RPI inflation each year until the end of this Parliament.

Detailed proposal

Operative date

The new tobacco duty rates will have effect from 6pm on 16 March 2016.

Current law

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

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to increase the duty rate on all HRT by 5% above inflation. The legislation will amend Schedule 1 to the Tobacco Products Duty Act 1979.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
+10	+10	+10	+10	+10

These figures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

If passed on to consumers, this measure is expected to have a very small positive impact on inflation.

The costing includes a behavioural effect to account for the reduction in consumption resulting from higher prices.

Impact on individuals, households and families

Assuming the duty increase is passed on to consumers, this measure will impact on individuals who smoke HRT by increasing its price. Heavy HRT smokers will face the highest burden from this measure.

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

Equalities impacts

Due to differences in HRT consumption, any change to the HRT duty rate will have a small equalities impact that reflects HRT consumption trends across the adult population.

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses and civil society organisations.

Tobacco manufacturers and importers will face an increase in the HRT duty rate which they are likely to pass onto consumers.

The change to the HRT duty rate will impose a negligible one-off administrative cost to businesses.

Small and micro business assessment: an increase in HRT duty rate will affect all sizes of businesses in the tobacco sector, including small and micro business.

Operational impact (£m) (HMRC or other)

HMRC will incur a negligible one-off cost for changing the HRT duty rate.

Other impacts

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

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be 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.

Alcohol duty rates

Who is likely to be affected?

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

General description of the measure

The public finances assume that all alcohol duties rise by RPI inflation each year. This measure changes the expected duty rates on some alcohol manufactured in, or imported into, the UK.

Policy objective

The government is committed to helping pubs, which are important community assets that encourage responsible alcohol consumption.

Background to the measure

At Budget 2016 the Chancellor of the Exchequer announced that the following duty rates will be frozen in cash terms this year:

- duty rates on beer
- duty rates on spirits and other drinks above 22% alcohol by volume (abv)
- duty rates on still cider and lower strength sparkling cider

The duty rates on wine and made-wine at or below 22% abv, and high strength sparkling cider above 5.5% abv will rise by RPI inflation from 21 March 2016.

Detailed proposal

Operative date

The new alcohol duty rates will have effect from 21 March 2016.

Current law

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

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

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to revise the alcohol duty rates. Section 62(1A)(a) 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 sparkling cider and perry exceeding 5.5% but less than 8.5% abv: £268.99 per hectolitre of product

- duty on wine and made-wine exceeding 1.2% but not exceeding 4% abv: £85.60 per hectolitre of product
- duty on wine and made-wine exceeding 4% but not exceeding 5.5% abv: £117.72 per hectolitre of product
- duty on still wine and made-wine exceeding 5.5% but not exceeding 15% abv: £277.84 per hectolitre of product
- duty on sparkling wine and made-wine exceeding 5.5% but less than 8.5% abv: £268.99 per hectolitre of product
- duty on sparkling wine and made-wine of at least 8.5% but not exceeding 15% abv: £355.87 per hectolitre of product
- duty on wine and made-wine exceeding 15% but not exceeding 22% abv: £370.41 per hectolitre of product

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
-85	-85	-85	-85	-85

These figures represent the combined Exchequer impact of all the alcohol duty changes at Budget 2016. The figures for these measures are set out in Table 2.1 of Budget 2016 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

If passed on to consumers, this measure is expected to have a very small positive impact on inflation.

A behavioural adjustment is made to take into account changes in the consumption of alcohol in response to a price change.

Impact on individuals, households and families

There will be a positive financial impact for individuals who consume some alcoholic drinks compared to the expected duty rate increases. At the current VAT rate, and assuming 100% pass through wherever alcohol is purchased, from 21 March 2016 the tax on a typical:

- pint of beer will be unchanged in cash terms and 10 pence lower than it otherwise would have been since ending the beer duty escalator in 2013
- litre of cider will be unchanged in cash terms and 4 pence lower than it otherwise would have been since ending the cider duty escalator in 2014
- bottle of Scotch whisky will be unchanged in cash terms and 87 pence lower than it otherwise would have been since ending the spirits duty escalator in 2014
- bottle of wine will be 4 pence higher in cash terms and 7 pence lower than it otherwise would have been since ending the wine duty escalator in 2014

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

Equalities impacts

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

Impact on business including civil society organisations

The changes in alcohol duty rates are intended to help pubs, which the government acknowledges are important community assets that encourage responsible alcohol consumption. This measure will also help other retailers of alcohol. Some alcohol manufacturers and importers will also benefit from lower duty rates than expected. The government expects that the benefit will be passed onto consumers.

This measure is expected to have a negligible impact on businesses. Those businesses affected by the duty rate change will incur a negligible one-off cost to update their systems. There are not expected to be any additional on-going costs. This measure is not expected to have any impact on civil society organisations.

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

Operational impact (£m) (HMRC or other)

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

Other impacts

Health impact assessment: Freezing the duty rates on beer, spirits and other drinks above 22% abv, and most ciders is likely to lead to a minor increase in overall alcohol consumption in the UK.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

State aid modernisation

Who is likely to be affected?

Customers receiving certain state aids.

General description of the measure

This measure provides HM Revenue and Customs (HMRC) with additional powers to collect information on certain state aids and share this information with the European Commission through a legal gateway.

Policy objective

This measure will allow HMRC to collect additional data to help the UK contribute towards the monitoring of and compliance with state aids. This supports the government's objective to promote enterprise and entrepreneurship. The policy will also allow HMRC to transmit the data through a legal gateway for publication in accordance with the guidelines.

Background to the measure

State aid is any advantage granted by public authorities through state resources on a selective basis to any organisations that could potentially distort competition and trade in the European Union (EU). It includes certain tax reliefs. The UK and EU support strong state aid rules to ensure aid is well targeted to address market failures and avoid negative effects on competition.

In 2012 the European Commission set out a programme to modernise state aids, including reporting. One of the key ambitions is to streamline processes and reduce the number of aids that require detailed examination by the European Commission before they can be implemented.

To offset less examination before implementation this reform introduces more transparency after implementation to ensure state aids are monitored and to identify the beneficiaries of aid above €500,000, and certain financial intermediaries, through the European Commission's database.

Detailed proposal

Operative date

The measure will have effect from 1 July 2016.

Current law

HMRC's powers to request information are generally restricted for the purpose of checking a tax position, for example checking the amount of the claim is correct or checking a tax position in a tax return.

The reliefs affected are:

- Enterprise Investment Scheme (Part 5 Income Tax Act 2007)
- Venture Capital Trusts (Part 6 Income Tax Act 2007)
- Film Tax Relief (Part 15 Corporation Tax Act (CTA) 2009)

- Orchestras Relief (Part 15D CTA 2009 - to be enacted)
- High End TV Relief (Part 15A CTA 2009)
- Animation Relief (Part 15A CTA 2009)
- Children's Television (Part 15A CTA 2009)
- Theatre Relief (Part 15C CTA 2009
- R&D credit for SMEs
- Vaccine Research Relief
- Climate Change Agreements (reduced rate of Climate Change Levy)
- Capital Allowances - Business Premises Renovation Allowance
- Enhanced Capital Allowances - Zero emission goods vehicles
- Enhanced Capital Allowances in Enterprise Zones

Proposed revisions

Legislation will be introduced in Finance Bill 2016 to provide HMRC with additional powers to:

- require information to be provided by the beneficiary as a condition of entitlement for tax relief
- require information to be provided for the purpose of checking that state aid requirements have been fulfilled
- disclose information through a legal gateway for the purpose of publication

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

State aid is a support mechanism for businesses/organisations so this measure has no impact on individuals, households or families, nor does it impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that this measure will impact on any of the groups with protected characteristics.

Impact on business including civil society organisations

This measure will affect businesses in receipt of state aids. The amount of additional data businesses would be required to provide to HMRC will vary depending on what data businesses already provide. Businesses may incur a negligible one-off cost to familiarise themselves with the requirements and update their systems to capture the information. Although on-going additional burden is expected to be negligible, some businesses may incur a greater cost in the first year of providing the information as a result of gathering and preparing this for the first time. HMRC will continue to monitor the number of businesses affected and additional burden incurred in order to provide additional information as a result of this legislation.

Operational impact (£m) (HMRC or other)

HMRC is reviewing the implications of the new state aid requirements across all of the taxes affected. The implications are likely to vary but some changes to its internal systems for monitoring certain reliefs are likely to be required.

Other impacts

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 through monitoring the information they provide.

Further advice

If you have any questions about this change, please contact:

Rachael Dudley on Telephone: 03000 539134 or email: rachael.dudley@hmrc.gsi.gov.uk

John Williams on Telephone: 03000 530434 or email: john.r.williams@hmrc.gsi.gov.uk

VAT: revalorisation of the registration and deregistration thresholds

Who is likely to be affected?

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

Small businesses registered for VAT, who make taxable supplies below £81,000 or EU acquisitions below £83,000.

General description of the measure

The measure will:

- increase the registration and deregistration thresholds for VAT, in line with inflation
- increase the registration and deregistration threshold for EU acquisitions, in line with the VAT registration threshold
- raise the turnover limit for Income Tax self-assessment 'three line accounts' to align with the VAT registration threshold
- increase the entry and exit thresholds for the Income Tax cash basis accounting in line with the VAT registration threshold

The measure was announced at Budget 2016.

Policy objective

The UK's VAT registration threshold (above which persons making taxable supplies are required to register and account for VAT) is currently set at £82,000 and is one of the highest in the EU. The high threshold is an advantage to small firms, although they can choose to register voluntarily if they are trading below the registration limit. The deregistration threshold for taxable supplies is currently £80,000. It is set lower than the registration threshold to avoid businesses trading around the threshold level having to frequently register and deregister.

Revalorisation of the threshold will prevent around 2,000 small businesses from having to register for VAT by the end of the 2016 to 2017 financial year.

The simplified reporting requirement (three line accounts) for the Income Tax self-assessment return will continue to be aligned with the VAT registration threshold. Small unincorporated businesses are able to use the simpler Income Tax cash basis which simplifies the way in which these 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. So, the effect of the above changes will be to revalorise the cash basis thresholds for the tax year commencing 6 April 2015.

Background to the measure

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

In recent years, the qualification thresholds for Income Tax 'three line accounts' and cash basis accounting have been aligned with the VAT registration threshold and revalorised accordingly.

Detailed proposal

Operative date

The changes to the thresholds will have effect from 1 April 2016.

Current law

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

Proposed revisions

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

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

- in paragraph 1(1)(a), (1)(b), (2)(a) and (2)(b), "£82,000" will be replaced by "£83,000"
- in paragraph 1(3), "£80,000" will be replaced by "£81,000"
- in paragraph 4(1) and (2), "£80,000" will be replaced by "£81,000"

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

- in paragraph 1(1) and (2), "£82,000" will be replaced by "£83,000"
- in paragraph 2(1)(a), (1)(b) and (2), "£82,000" will be replaced by "£83,000"

HMRC will simultaneously introduce corresponding increases in the thresholds for Income Tax self-assessment 'three line accounts' and the Income Tax Cash Basis.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact

Economic impact

This measure is not expected to have any economic impact.

Impact on individuals, households and families

There is no impact on individuals, households or families. This measure relates solely to increasing the VAT registration thresholds for businesses by inflation and will not affect the current availability or price of goods and services from registered and unregistered businesses.

Equalities impacts

This measure does not impact on equality.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. Revalorisation of the threshold will save about 2,000 businesses from the costs they would otherwise have incurred in registering for and administering VAT. Some businesses may incur a negligible one-off cost to check their turnover and determine whether they need to register for VAT. There are not expected to be any additional on-going costs.

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

Operational impact (£m) (HMRC or other)

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

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Steven Williams on Telephone: 03000 572469 or email: steven.williams1@hmrc.gsi.gov.uk.

Reform of the Landfill Communities Fund

Who is likely to be affected?

- landfill operators registered for Landfill Tax
- environmental bodies (EBs), including distributive environmental bodies, authorised under the Landfill Communities Fund (LCF) scheme
- all organisations administering projects funded through the LCF

General description of the measure

Autumn Statement announced that the value of the LCF for 2016 to 2017 will be set at £39.3 million. Legislation will be made to amend the Landfill Tax Regulations 1996 to set the cap on contributions by landfill operators at 4.2%.

Autumn Statement announced a number of changes to the LCF. However, following consultation since Autumn Statement, the government has listened to concerns and now does not intend to proceed with the removal of provisions for contributing third parties to contribute 10% of landfill operators' contributions to projects. Instead, HMRC and the fund's regulator will publish guidance indicating that government expects to see landfill operators make a greater contribution to the fund.

This Tax Information and Impact Note replaces the one published at Autumn Statement to reflect this change.

Other amendment amendments announced at Autumn Statement to the Landfill Tax Regulations will be made to:

- simplify record keeping requirements;
- remove the provisions that allow landfill operators to stipulate that funds must be invested for the purpose of generating interest
- remove provisions permitting administration services to be provided by one EB to another

Policy objective

Changes are being made which will improve the flow of funds to communities by removing barriers that prevent funds reaching projects and ensure value for money for the taxpayer.

Background to the measure

Following the failure of the sector to meet the government's challenge to reduce the value of unspent funds, a consultation 'Reform of the Landfill Communities Fund' was published in March 2015. The consultation sought views on proposals developed by a government-industry working group which aimed to improve the flow of funds to communities by removing barriers that prevent or delay funding reaching projects.

Detailed proposal

Operative date

The measure will have effect on and after 1 April 2016.

Current law

The Landfill Tax Regulations 1996 (SI 1996/1527), regulations 30-36, prescribe the rules for the operation of the Landfill Communities Fund.

Proposed revisions

The Landfill Tax (Amendment) Regulations 2016 will amend the Landfill Tax Regulations 1996.

The amendments will apply to contributions made from 1 April 2016 and will:

- change the maximum credit that landfill site operators may claim against their annual Landfill Tax liability when making contributions in respect of the LCF, reducing it from 5.7% to 4.2%
- remove the provision that allows a landfill operator to make a qualifying contribution subject to a condition that it must be invested for the purpose of generating interest
- remove object (f) which allows LCF funds to be used for the provision of financial, administration and other similar services from one EB to another EB
- restrict the length of time records need to be retained to 6 years

Exchequer impact (£m)

2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
nil	+20	+20	+20	+20	+20

These figures are set out in Table 3.1 of Autumn Statement 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

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

Impact on individuals, households and families

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

Equalities impacts

It is not anticipated that there will be any impact on groups sharing protected characteristics.

Impact on business including civil society organisations

Registered landfill operators and environmental bodies, including distributive environmental bodies, will have to familiarise themselves with the changes to the Regulations and may have to make changes to business practices and records that they keep as a result of the changes. There will be a reduction in administrative burden for all organisations in receipt of LCF funding from the reduction in the length of time records have to be retained Both the one-off and ongoing impacts are expected to be negligible.

Operational impact (£m) (HMRC or other)

There is no impact on HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored though the existing compliance programme for Landfill Tax and as part of the existing arrangements for monitoring the LCF.

Further advice

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

Annex B

Rates and Allowances

This annex includes Budget 2016 announcements of the main rates and allowances. It also covers all announcements made at Budget 2015 and subsequently.

PERSONAL TAX AND BENEFITS

Income tax bands of taxable income (£ per year)			
	Tax year 2015-16	Tax year 2016-17	Tax year 2017-18
Basic rate	£0 – 31,785	£0 – 32,000	£0 – 33,500
Higher rate	£31,786 – 150,000	£32,001 – 150,000	£33,501 – 150,000
Additional rate	Over £150,000	Over £150,000	Over £150,000

Income tax rates		
	Tax year 2015-16	Tax year 2016-17
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)[1]	10% (0%)	7.5%
Dividend upper rate - for dividends otherwise taxable at the higher rate (effective rate with tax credit)[1]	32.5% (25%)	32.5%
Dividend additional rate - for dividends otherwise taxable at the additional rate (effective rate with tax credit)[1]	37.5% (30.6%)	38.1%

[1] From April 2016 the dividend tax credit will be abolished and replaced with a new £5,000 tax-free Dividend Allowance.

Starting rates for savings		
	Tax year 2015-16	**Tax year 2016-17**
Starting rate for savings	0%	0%
Starting rate limit for savings	£5,000	£5,000

Special rates for trustees' income		
	Tax year 2015-16	**Tax year 2016-17**
Standard rate on first £1,000 of income which would otherwise be taxable at the special rates for trustees	Up to 20%, depends on the type of income	Up to 20%, depends on the type of income
Trust rate	45%	45%
Dividend trust rate	37.5%	38.1%

Income tax allowances 2015-16 (£ per year)	
Personal allowance	
Born after 5 April 1938[2]	£10,600
Born before 6 April 1938[2] [3]	£10,660
Income limit for personal allowance	£100,000
Income limit for personal allowances (born before 6 April 1938)	£27,700
Marriage allowance	
Marriage allowance[4]	£1,060
Married couple's allowance for those born before 6 April 1935	
Maximum amount of married couple's allowance[3] [5]	£8,355
Minimum amount of married couple's allowance[5]	£3,220
Blind person's allowance	
Blind person's allowance	£2,290

[2] The Personal Allowance reduces where the income is above £100,000 – by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of date of birth.
[3] These allowances reduce where the income is above the income limit - by £1 for every £2 of income above the limit of £27,700 down to the minimum/basic allowance.
[4] This transferable allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax; or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates.
[5] The relief for this allowance is given at 10%.

Income tax allowances 2016-17 (£ per year)	
Personal allowance	
Personal allowance[2]	£11,000
Income limit for personal allowance	£100,000
Income limit for married couple's allowance	£27,700
Marriage allowance	
Marriage allowance[4]	£1,100
Married couple's allowance for those born before 6 April 1935	
Maximum amount of married couple's allowance[3] [5]	£8,355
Minimum amount of married couple's allowance[5]	£3,220
Blind person's allowance	
Blind person's allowance	£2,290
Dividend allowance	
Dividend allowance[6]	£5,000
Personal savings allowance	
Personal savings allowance for basic rate taxpayers[7]	£1,000
Personal savings allowance for higher rate taxpayers[7]	£500

[6] From April 2016, the new Dividend Allowance means that individuals will not have to pay tax on the first £5,000 of dividend income they receive.
[7] From April 2016, the new Personal Savings Allowance means that basic rate taxpayers will not have to pay tax on the first £1,000 of savings income they receive and higher rate taxpayers will not have tax to pay on their first £500 of savings income.

Income tax allowances 2017-18 (£ per year)	
Personal allowance	
Personal allowance[2]	£11,500
Income limit for personal allowance	£100,000
Income limit for married couple's allowance	£27,700
Marriage allowance	
Marriage allowance[4]	£1,150
Married couples allowance for those born before 6 April 1935	
Maximum amount of married couple's allowance[3] [5]	£8,355
Minimum amount of married couple's allowance[5]	£3,220
Blind person's allowance	
Blind person's allowance	£2,290

Company car tax					
2017-18		**2018-19**		**2019-20**	
CO_2 emissions, g/km	***Appropriate percentage* of car list price taxed**	**CO_2 emissions, g/km**	***Appropriate percentage* of car list price taxed**	**CO_2 emissions, g/km**	***Appropriate percentage* of car list price taxed**
0-50	9	0-50	13	0-50	16
51-75	13	51-75	16	51-75	19
76 to 94	17	76 to 94	19	76 to 94	22
95-99	18	95-99	20	95-99	23
100-104	19	100-104	21	100-104	24
105-109	20	105-109	22	105-109	25
110-114	21	110-114	23	110-114	26
115-119	22	115-119	24	115-119	27
120-124	23	120-124	25	120-124	28
125-129	24	125-129	26	125-129	29
130-134	25	130-134	27	130-134	30
135-139	26	135-139	28	135-139	31
140-144	27	140-144	29	140-144	32
145-149	28	145-149	30	145-149	33
150-154	29	150-154	31	150-154	34
155-159	30	155-159	32	155-159	35
160-164	31	160-164	33	160-164	36
165-169	32	165-169	34	165 and above	37
170-174	33	170-174	35		
175-179	34	175-179	36		
180-184	35	180 and above	37		
185-189	36				
190 and above	37				

NATIONAL INSURANCE CONTRIBUTIONS (NICs)

Class 1 NICs: Employee and employer rates and thresholds (£ per week)		
	Tax year 2015-16	**Tax year 2016-17**
Weekly Lower Earnings Limit (LEL)[8]	112	112
Weekly Primary Threshold (PT)[8]	155	155
Weekly Secondary Threshold (ST)[8]	156	156
Upper Earnings Limit (UEL)[9]	815	827
Upper Secondary Threshold for U21's[9]	815	827
Apprentice Upper Secondary Threshold (AUST) for under 25s[9][10]	-	827
Upper Accruals Point[11]	770	-
Employment Allowance (per employer)	£2,000 (per year, per employer)	£3,000 (per year, per employer)

Employee's (primary) Class 1 contribution rates	**Tax year 2015-16**	**Tax year 2016-17**
Earnings (£ per week)[12]	*NIC rate (per cent)*	*NIC rate (per cent)*
Below £112 (LEL)	-	-
£112-£155 (PT)[13]	0	0
£155-£827 (UEL)	12	12
Above £827	2	2

[8] These thresholds are uprated by CPI.
[9] These thresholds are uprated in line with the Higher Rate Threshold to maintain alignment between the Upper Earnings Limit and Higher Rate Threshold.
[10] The Upper Secondary Threshold for Apprentices under 25 comes into effect on 6 April 2016.
[11] The Upper Accruals Point is the upper level of earnings to which the contracted out rebate is applied. When the contracted out rebate is abolished in April 2016, the Upper Accruals Point will also be removed from the NICs system.
[12] The limits are defined as LEL - Lower Earnings Limit; PT - Primary Threshold; and UEL - Upper Earnings Limit.
[13] No National Insurance contributions (NICs) are actually payable but a notional Class 1 NIC is deemed to have been paid in respect of earnings between the LEL and PT to protect contributory benefit entitlement.

Employee's contracted-out rebate	Tax year 2015-16	Tax year 2016-17
Salary related schemes (COSR) between LEL & UAP[14]	1.4%	-

Married woman's reduced rate for (primary) Class 1 contribution rates	Tax year 2015-16	Tax year 2016-17
Weekly earnings from between the PT and UEL	5.85%	5.85%
Weekly earnings above the UEL	2%	2%

Employer's (secondary) Class 1 contribution rates	Tax year 2015-16	Tax year 2016-17
Earnings (£ per week)[15]	*NIC rate (per cent)*	*NIC rate (per cent)*
Below £156 (ST)	0	0
Above £156 (ST)	13.8	13.8

Employer's contracted-out rebate	Tax year 2015-16	Tax year 2016-17
COSR schemes between LEL and UAP[14]	3.4%	-

[14] The contracting out rebate will be abolished from 6 April 2016.
[15] The limit is defined as ST - Secondary Threshold.

Class 2 NICs: Self-employed rates and thresholds (£ per week)		
	Tax year 2015-16	**Tax year 2016-17**
Small Profits Threshold (SPT)[16]	£5,965	£5,965

Class 2 contribution rates[17]	**Tax year 2015-16**	**Tax year 2016-17**
Annual Profits (£ a year)[16]	*£ per week*	*£ per week*
Below £5,965 (SPT)[18] [19]	£0.00	£0.00
Above £5,965 (SPT)	£2.80	£2.80
Special Class 2 rate for share fishermen	£3.45	£3.45
Special Class 2 rate for volunteer development workers	£5.60	£5.60

Class 3 NICs: Other rates and thresholds (£ per week)		
	Tax year 2015-16	**Tax year 2016-17**
Voluntary contributions[20] [21]	£14.10	£14.10

[16] These thresholds are uprated by CPI.
[17] These contribution rates are uprated by CPI.
[18] The Limit is defined as SPT – Small Profits Threshold
[19] Class 2 NICs are liable to be paid by all self-employed persons with profits above the Small Profits Threshold (SPT). The self-employed may choose to pay Class 2 if their profits are below the SPT.
[20] This contribution rate is uprated by CPI.
[21] Class 3 NICs can be paid by contributors to make the year a qualifying year for the basic State Pension (new State Pension from 6 April 2016) and Bereavement Benefit purposes.

Class 4 NICs: Self-employed and other rates and thresholds (£ per week)		
	Tax year 2015-16	**Tax year 2016-17**
Lower Profits Limit (LPL)[22]	£8,060	£8,060
Upper Profits Limit (UPL)[23]	£42,385	£43,000

Class 4 contribution rates	**Tax year 2015-16**	**Tax year 2016-17**
Annual profits (£ a year)[24]	*NIC rate (per cent)*	*NIC rate (per cent)*
Below £8,060 (LPL)	-	-
£8,060 to £43,000 (UPL)	9	9
Above £43,000	2	2

[22] This threshold is uprated by CPI.
[23] This threshold is uprated in line with the Higher Rate Threshold to maintain alignment between the Upper Profits Limit and Higher Rate Threshold.
[24] These limits are defined as LPL – Lower Profits Limit; and UPL – Upper Profits Limit.

WORKING AND CHILD TAX CREDITS, CHILD BENEFIT AND GUARDIANS ALLOWANCE

Working and child tax credits		
£ per year (unless stated)	**Tax year 2015-16**	**Tax year 2016-17**
Working tax credit		
Basic element	£1,960	£1,960
Couple and lone parent element	£2,010	£2,010
30 hour element	£810	£810
Disabled worker element	£2,970	£2,970
Severe disability element	£1,275	£1,275
Childcare element of the working tax credit		
Maximum eligible cost for one child	£175 per week	£175 per week
Maximum eligible cost for two or more children	£300 per week	£300 per week
Percentage of eligible costs covered	70%	70%
Child tax credit		
Family element	£545	£545
Child element	£2,780	£2,780
Disabled child element	£3,140	£3,140
Severely disabled child element	£1,275	£1,275
Income thresholds and withdrawal rates		
Income threshold	£6,420	£6,420
Withdrawal rate (per cent)	41%	41%
First threshold for those entitled to child tax credit only	£16,105	£16,105
Income rise disregard	£5,000	£2,500
Income fall disregard	£2,500	£2,500

Child benefit (£ per week)		
	Tax year 2015-16	**Tax year 2016-17**
Eldest/only child	£20.70	£20.70
Other children	£13.70	£13.70
Guardians allowance (£ per week)		
Guardians allowance	£16.55	£16.55

CAPITAL, ASSETS AND PROPERTY

Pensions tax relief		
	Tax year 2015-16	**Tax year 2016-17**
Lifetime Allowance limit	£1.25 million	£1 million
Annual Allowance limit	£40,000	£40,000
Tapered Annual Allowance (applies to income over this amount)	N/A	£150,000 (including pension contributions)

Tax free savings accounts		
	Tax year 2015-16	**Tax year 2016-17**
Individual Savings Account (ISA) subscription limit	£15,240	£15,240
Junior ISA subscription limit	£4,080	£4,080
Child Trust Fund (CTF) subscription limit	£4,080	£4,080

Capital gains tax		
	Tax year 2015-16	**Tax year 2016-17**
Main rates for individuals	18% / 28%	10% / 20%
Rates for individuals (for gains on residential property not eligible for Private Residence Relief, and carried interest)	18% / 28%	18% / 28%
Main rate for trustees and personal representatives	28%	20%
Rate for trustees and personal representatives (for gains on residential property not eligible for Private Residence Relief)	28%	28%
Annual exempt amount (AEA) for individuals and personal representatives	£11,100	£11,100
AEA for most trustees	£5,550	£5,550
Rate on gains subject to entrepreneurs' relief	10%	10%
Rate on gains subject to entrepreneurs' relief for long-term external investors	N/A	10%
Entrepreneurs' relief: lifetime limit on gains for entrepreneurs	£10,000,000	£10,000,000
Entrepreneurs' relief: separate lifetime limit on gains for external investors	N/A	£10,000,000

Inheritance tax		
	Tax year 2015-16	**Tax year 2016-17**
Rate (for estates)	40%	40%
Reduced rate (for estates leaving 10% or more to charity)	36%	36%
Rate (for chargeable lifetime transfers)	20%	20%
Nil rate band limit	£325,000	£325,000

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

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

Stamp Duty Land Tax – non-residential property

Purchase and Premium Transactions			
Property value	**Rate before 17 March 2016 (on entire property value)**	**Property Value**	**Rate on or after 17 March 2016 (on portion of value above threshold)**
0 to £150k	0%	0 to £150k	0%
£150k to £250k	1%	£150k to £250k	2%
£250k to £500k	3%	£250k+	5%
£500k +	4%		
Leasehold Transactions			
Net Present Value (NPV) of the Lease	**Rate before 17 March 2016 (on portion of value above threshold)**	**Net Present Value (NPV) of the Lease**	**Rate on or after 17 March 2016 (on portion of value above threshold)**
0 to £150k	0%	0 to £150k	0%
£150K+	1%	£150K to £5m	1%
		£5m+	2%

Annual Tax on Enveloped Dwellings

Property value	Charge for tax year 2015-16	Charge for tax year 2016-17
More than £500,000 but not more than £1m	-	£3,500
More than £1m but not more than £2m	£7,000	£7,000
More than £2m but not more than £5m	£23,350	£23,350
More than £5m but not more than £10m	£54,450	£54,450
More than £10m but not more than £20m	£109,050	£109,050
More than £20m +	£218,200	£218,200

BUSINESS AND FINANCIAL SERVICES

Corporation tax rates

Level of profits	Financial year 2014-15	Financial year 2015-16[26]	Financial year 2016-17
£0 - £300,000: small profits rate	20%	N/A	N/A
£300,001 - £1,500,000	Marginal rate	N/A	N/A
Marginal rate fraction	1/400th	N/A	N/A
£1,500,001 or more: main rate	21%	N/A	N/A
All profits: main rate	N/A	20%	20%
North sea oil and gas ring fence profits[27]	See footnote 27.	See footnote 27.	See footnote 27.

[26] From 1 April 2015, for all profits except North Sea Oil and gas ring fence profits, corporation tax is paid at a single rate of 20%.

[27] 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.

Corporation tax allowances and reliefs			
	Financial year 2014-15	**Financial year 2015-16**	**Financial year 2016-17**
Plant and machinery: main rate expenditure	18%	18%	18%
Plant and machinery: special rate expenditure	8%	8%	8%
Annual investment allowance (AIA)	£500,000[28]	£425,000[29]	£200,000
First year allowances (e.g. for certain energy-saving/water efficient products)	100%	100%	100%
R&D tax credits SME scheme	225%	230%	230%
R&D SME payable credit	14.5%	14.5%	14.5%
R&D tax credits large companies scheme	130%	130%	Not available for accounting periods starting on or after April 1st 2016.
R&D Expenditure Credit	10%	11%	11%
Patent Box	10%	10%	10%
Film tax relief	All films, 25% up to £20m of surrendered loss, 20% thereafter.	25% for all surrendered losses.	25% for all surrendered losses.
Open ended investment companies and authorised unit trusts[30]	See footnote 30.	See footnote 30.	See footnote 30.

[28] 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. Summer Budget 2015 announced that the permanent level of the AIA would rise to £200,000 from 1 January 2016.

[29] Financial year 2015-16 encompasses two AIA periods. The £425,000 is calculated as 9 months at £500,000 and 3 months at £200,000.

[30] For open ended investment companies and authorised unit trusts the applicable corporation tax rate is 20 per cent.

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 – 31 March 2015	0.078%	0.156%
1 April 2015	0.105%	0.21%
1 January 2016	0.09%	0.18%
1 January 2017	0.085%	0.17%
1 January 2018	0.08%	0.16%
1 January 2019	0.075%	0.15%
1 January 2020	0.07%	0.14%
1 January 2021 onwards	0.05%	0.10%

Bank Surcharge	
1 January 2016 onwards	8% on profits

UK oil and gas taxes			
	2015	**2016**	**2017**
Petroleum revenue tax	50%	0%	0%
Ring fence corporation tax[31]	See footnote 31.	See footnote 31.	See footnote 31.
Supplementary charge	20%	10%	10%

Business rates		
	Financial year 2015-16	**Financial year 2016-17**
England standard multiplier	49.3p	49.7
England small business multiplier[32]	48.0p	48.4

[31] 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.
[32] Small business multiplier applies to properties with a rateable value of less than £18,000 (or £25,500 in London).

INDIRECT TAX

Budget 2016 confirmed that alcohol duty rates will change as shown in the table below.

Alcohol duty		
	Duty rate from 23 March 2015	**Duty rate from 21 March 2016**
Rate per litre of pure alcohol		
Spirits	£27.66	£27.66
Spirits-based RTDs	£27.66	£27.66
Wine and made-wine: exceeding 22% alcohol by volume (abv)	£27.66	£27.66
Rate per hectolitre per cent of alcohol in the beer		
Beer - lower strength: exceeding 1.2% - not exceeding 2.8% abv.	£8.10	£8.10
Beer – General Beer Duty: exceeding 2.8% - not exceeding 7.5% abv.	£18.37	£18.37
Beer - High strength: exceeding 7.5% - in addition to the General Beer Duty	£18.37 + £5.48	£18.37 + £5.48
Rate per hectolitre of product		
Still cider and perry: exceeding 1.2% - not exceeding 7.5% abv.	£38.87	£38.87
Still cider and perry: exceeding 7.5% - less than 8.5% abv.	£58.75	£58.75
Sparkling cider and perry: exceeding 1.2% - not exceeding 5.5% abv.	£38.87	£38.87
Sparkling cider and perry: exceeding 5.5% - less than 8.5% abv.	£264.61	£268.99
Wine and made-wine: exceeding 1.2% - not exceeding 4% abv.	£84.21	£85.60
Wine and made-wine: exceeding 4% - not exceeding 5.5% abv.	£115.80	£117.72
Still wine and made-wine: exceeding 5.5% - not exceeding 15% abv.	£273.31	£277.84
Wine and made-wine: exceeding 15% - not exceeding 22% abv.	£364.37	£370.41
Sparkling wine and made-wine: exceeding 5.5% - less than 8.5% abv.	£264.61	£268.99
Sparkling wine and made-wine: at least 8.5% - not exceeding 15% abv.	£350.07	£355.87

Budget 2016 announced that the duty rates for all tobacco products will be increased by 2% above inflation, from 6pm on the 16 March 2016. This is in accordance with the Budget 2014 announcement that all tobacco duty rates will increase by this amount each year until the end of this Parliament. Budget 2016 also announced that hand-rolling tobacco duty would rise by an additional 3% above this to 5% above retail price inflation.

Tobacco Products				
	From 6pm 18 March 2015	**Ad valorem element**	**From 6pm 16 March 2016**	**Ad valorem element**
Cigarettes	£189.49 per 1000 cigarettes	16.5% of retail price	£196.42 per 1000 cigarettes	16.5% of retail price
Cigars	£236.37/kg	N/A	£245.01/kg	N/A
Hand rolling tobacco	£185.74/kg	N/A	£198.10/kg	N/A
Other smoking tobacco and chewing tobacco	£103.91/kg	N/A	£107.71/kg	N/A

Gambling duties		
	Tax year 2015-16	**Tax year 2016-17**
Bingo duty		
Percentage of bingo promotion profits	10%	10%
General betting duty		
Percentage of ‘net stake receipts’ for fixed odds bets and totalisator bets on horse or dog races	15%	15%
Percentage of ‘net stake receipts’ for financial spread bets	3%	3%
Percentage of ‘net stake receipts’ for all other spread bets	10%	10%
Pool betting duty		
Percentage of net pool betting receipts	15%	15%
Lottery duty		
Percentage of the price paid or payable on taking a ticket or chance in a lottery	12%	12%
Remote gaming duty		
Percentage of remote gaming profits	15%	15%
Machine games duty		
Percentage of the net takings from dutiable machine games with a maximum cost to play not more than 20p and a maximum cash prize not more than £10 (Type 1 machines)	5%	5%
Percentage of net takings from machines which are not Type 1 machines but where the cost to play cannot exceed £5	20%	20%
Percentage of net takings from dutiable machine games where the maximum cost to play can exceed £5[33]	25%	25%

Gaming duty 2015-16					
Tax rate	15%	20%	30%	40%	50%

[33] MGD new higher rate effective from 1 March 2015.

Gross gaming yield	£2,347,500	£1,618,000	£2,833,500	£5,981,000	Remainder
New figures for accounting periods beginning on or after 1 April 2016.					
Tax rate	15%	20%	30%	40%	50%
Gross gaming yield	£2,370,500	£1,634,000	£2,861,500	£6,040,000	Remainder

Insurance Premium Tax

	Tax year 2015-16	Tax year 2016-17
Standard rate	6% 9.5% (from 1 November 2015)	9.5% 10% (from 1 October 2016)
Higher rate	20%	20%

Budgets 2015 and 2016 announced that the main rates of climate change levy (CCL) will increase in line with RPI in 2016 to 2017, 2017 to 2018 and 2018 to 2019.

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

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

Climate change levy main rates				
Taxable commodity	**Rate from 1 April 2016**	**Rate from 1 April 2017**	**Rate from 1 April 2018**	**Rate from 1 April 2019**
Electricity (£ per kilowatt hour)	0.00559	0.00568	0.00583	0.00847
Natural gas (£ per kilowatt hour)	0.00195	0.00198	0.00203	0.00339
Liquefied petroleum gas (£ per kilogram)	0.01251	0.01272	0.01304	0.02175
Any other taxable commodity (£ per kilogram)	0.01526	0.01551	0.01591	0.02653

Climate change levy reduced rates				
Taxable commodity	**Rate from 1 April 2016**	**Rate from 1 April 2017**	**Rate from 1 April 2018**	**Rate from 1 April 2019**
Electricity	10%	10%	10%	7%
Natural gas	35%	35%	35%	22%
Liquefied petroleum gas	35%	35%	35%	22%
Any other taxable commodity	35%	35%	35%	22%

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

Budget 2015 announced that the CPS commodity rates for 2017 to 2018 and the indicative commodity rates for 2018 to 2019 and 2019 to 2020 would be unchanged.

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

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

CPS rates of CCL and fuel duty			
	Capped rate from 1 April 2016 until 31 March 2019	**Indicative capped rate from 1 April 2019 to 31 March 2020**	**Indicative rate from 1 April 2020 to 31 March 2021**
Carbon price equivalent (£ per tonne of carbon dioxide)	18.00	18.00	18.57
Supplies of commodity used in electricity generation			
Natural gas (£ per kilowatt hour)	0.00331	0.00331	0.00342
LPG (£ per kilogram)	0.05280	0.05280	0.05447
Coal and other taxable solid fossil fuels (£ per gross gigajoule)	1.54790	1.54790	1.58490
Gas oil; rebated bio blend; and kerosene (£ per litre)	0.04916	0.04916	0.05054
Fuel oil; other heavy oil and rebated light oil (£ per litre)	0.05711	0.05711	0.05874

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

Aggregates levy		
	Rate from 1 April 2015	**Rate from 1 April 2016**
Commercially exploited taxable aggregate	£2 per tonne	£2 per tonne

Budget 2015 announced that both the standard and lower rates of landfill tax will increase in line with RPI, rounded to the nearest 5 pence, in 2016 to 2017. Budget 2016 announced that both rates would rise in line with RPI in 2017 to 2018 and 2018 to 2019.

Following the introduction of the loss on ignition (LOI) testing regime in Finance Act 2015, the transitional period where the threshold for qualifying fines is 15% will end on 31 March 2016. As announced at Budget 2015, only qualifying fines with an LOI of 10% or lower will be considered eligible for the lower rate from 1 April 2016.

Landfill tax			
Waste sent to landfill	**Rate from 1 April 2016**	**Rate from 1 April 2017**	**Rate from 1 April 2018**
Standard rated (per tonne)	£84.40	£86.10	£88.95
Lower rated (per tonne)	£2.65	£2.70	£2.80

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

Air passenger duty rates [34, 35]									
Bands (approximate distance in miles from London)	**Reduced rate (lowest class of travel)**			**Standard rate** [36] **(other than the lowest class of travel)**			**Higher rate** [37]		
	From 01 April 2015	From 01 April 2016	From 01 April 2017	From 01 April 2015	From 01 April 2016	From 01 April 2017	From 01 April 2015	From 01 April 2016	From 01 April 2017
Band A (0 – 2,000 miles)	£13	£13	£13	£26	£26	£26	£78	£78	£78
Band B (over 2,000 miles)	£71	£73	£75	£142	£146	£150	£426	£438	£450

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

Fuel duty – pound per litre unless stated

	Rates on and after 6pm on 23 March 2011
Light oils	
Unleaded petrol	0.5795
Light oil (other than unleaded petrol or aviation gasoline)	0.6767
Aviation gasoline (Avgas)	0.3770
Light oil delivered to an approved person for use as furnace fuel	0.1070
Heavy oils	
Heavy oil (diesel)	0.5795
Marked gas oil	0.1114
Fuel oil	0.1070
Heavy oil other than fuel oil, gas oil or kerosene used as fuel	0.1070
Kerosene to be used as motor fuel off road or in an excepted vehicle	0.1114
Biofuels	
Bio-ethanol	0.5795
Bio-diesel	0.5795
Bio-diesel for non-road use	0.1114
Bio-diesel blended with gas oil not for road fuel use	0.1114
Road fuel gases	
Liquefied petroleum gas (£ per kilogram)	0.3161
Road fuel natural gas including biogas (£ per kilogram)	0.2470

Other fuel		
	Rate on and after 6pm on 23 March 2011	**Rate on and after 1 October 2016**
Aqua-methanol set aside for road use	0.5795	0.07900

The changes to VED rates to take effect from 1 April 2016 are set out in the tables below: [38]

VED bands and rates for cars registered on or after 1 March 2001					
VED band	**CO_2 emissions (g/km)**	**Tax year 2015-16**		**Tax year 2016-17**	
		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	£110	£0	£110	£0
E	131-140	£130	£130	£130	£130
F	141-150	£145	£145	£145	£145
G	151-165	£180	£180	£185	£185
H	166-175	£205	£295	£210	£300
I	176-185	£225	£350	£230	£355
J	186-200	£265	£490	£270	£500
K38	201-225	£290	£640	£295	£650
L	226-255	£490	£870	£500	£885
M	Over 255	£505	£1,100	£515	£1,120

[38] Includes cars emitting over 225g/km registered before 23 March 2006.

VED bands and rates for cars and vans registered before 1 March 2001		
Engine size	**Tax year 2015-16**	**Tax year 2016-17**
1549cc and below	£145	£145
Above 1549cc	£230	£235

VED bands and rates for vans registered on or after 1 March 2001		
Vehicle registration date	**Tax year 2015-16**	**Tax year 2016-17**
Early Euro 4 and Euro 5 compliant vans	£140	£140
All other vans	£225	£230

VED bands and rates for motorcycles		
Engine size	**Tax year 2015-16**	**Tax year 2016-17**
Not over 150cc	£17	£17
151cc and 400cc	£38	£39
401cc to 600c	£59	£60
Over 600cc	£81	£82

VED bands and rates for motor tricycles		
Engine size	**Tax year 2015-16**	**Tax year 2016-17**
Not over 150cc	£17	£17
All other tricycles	£81	£82

VED bands and rates for trade licences		
Vehicle type	**Tax year 2015-16**	**Tax year 2016-17**
Available for all vehicles	£165	£165
Available only for bicycles and tricycles (weighing no more than 450kg without a sidecar)	£81	£82

The following VED and HGV road user levy rates will apply to HGVs of 12 tonnes or more, from 1 April 2016. 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		Levy rates	
					12 months	6 months	12 months	6 months
Two	B(T)	4,001-12,000kg	27,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	33,000kg	B(T)3	£295	£147.50		
			36,000kg	B(T)6	£401	£200.50		
			38,000kg	B(T)4	£319	£159.50		
			40,000kg	B(T)7	£444	£222		
	D(T)	4,001-12,000kg	30,000kg	D(T)1	£365	£182.50	£450	£270
		Over 12,000kg	38,000kg	D(T)4	£430	£215		
			40,000kg	D(T)5	£444	£222		
Three	B(T)	4,001-12,000kg	33,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	38,000kg	B(T)3	£295	£147.50		
			40,000kg	B(T)5	£392	£196		
			44,000kg	B(T)3	£295	£147.50		
	C(T)	4,001-12,000kg	35,000kg	C(T)1	£305	£152.50	£310	£186
		Over 12,000kg	38,000kg	C(T)2	£370	£185		
			40,000kg	C(T)3	£392	£196		
			44,000kg	C(T)2	£370	£185		
	D(T)	4,001-10,000kg	33,000kg	D(T)1	£365	£182.50	£450	£270
			36,000kg	D(T)3	£401	£200.50		
		10,001-12,000kg	38,000kg	D(T)1	£365	£182.50		
		Over 12,000kg	44,000kg	D(T)4	£430	£215		
Four	B(T)	4,001-12,000kg	35,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	44,000kg	B(T)3	£295	£147.50		
	C(T)	4,001-12,000kg	37,000kg	C(T)1	£305	£152.50	£310	£186
		Over 12,000kg	44,000kg	C(T)2	£370	£185		
	D(T)	4,001-12,000kg	39,000kg	D(T)1	£365	£182.50	£450	£270
		Over 12,000kg	44,000kg	D(T)4	£430	£215		
	E(T)	4,001-12,000kg	44,000kg	E(T)1	£535	£267.50	£830	£498
		Over 12,000kg	44,000kg	E(T)2	£600	£300		

VED and levy amounts payable for rigid vehicles with trailers (vehicles WITHOUT Road Friendly Suspension)								
HGV axles	**Levy band**	**Trailer weight category**	**Total weight of HGV and trailer, not over**	**VED band (letter) and rate (number)**	**VED rates**		**Levy rates**	
					12 months	**6 months**	**12 months**	**6 months**
Two	B(T)	4,001-12,000kg	27,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	31,000kg	B(T)3	£295	£147.50		
			33,000kg	B(T)6	£401	£200.50		
			36,000kg	B(T)10	£609	£304.50		
			38,000kg	B(T)7	£444	£222		
			40,000kg	B(T)9	£604	£302		
	D(T)	4,001-12,000kg	30,000kg	D(T)1	£365	£182.50	£450	£270
		Over 12,000kg	33,000kg	D(T)4	£430	£215		
			36,000kg	D(T)8	£609	£304.50		
			38,000kg	D(T)5	£444	£222		
			40,000kg	D(T)7	£604	£302		
Three	B(T)	4,001-10,000kg	29,000kg	B(T)1	£230	£115	£135	£81
			31,000kg	B(T)2	£289	£144.50		
		10,001-12,000kg	33,000kg	B(T)1	£230	£115		
		Over 12,000kg	36,000kg	B(T)3	£295	£147.50		
			38,000kg	B(T)5	£392	£196		
			40,000kg	B(T)8	£542	£271		
	C(T)	4,001-10,000kg	31,000kg	C(T)1	£305	£152.50	£310	£186
			33,000kg	C(T)4	£401	£200.50		
		10,001-12,000kg	35,000kg	C(T)1	£305	£152.50		
		Over 12,000kg	36,000kg	C(T)2	£370	£185		
			38,000kg	C(T)3	£392	£196		
			40,000kg	C(T)5	£542	£271		
	D(T)	4,001-10,000kg	31,000kg	D(T)1	£365	£182.50	£450	£270
			33,000kg	D(T)3	£401	£200.50		
			35,000kg	D(T)8	£609	£304.50		
		10,001-12,000kg	36,000kg	D(T)1	£365	£182.50		
			37,000kg	D(T)2	£392	£196		
		Over 12,000kg	38,000kg	D(T)4	£430	£215		
			40,000kg	D(T)6	£542	£271		
Four	B(T)	4,001-12,000kg	35,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	40,000kg	B(T)3	£295	£147.50		
	C(T)	4,001-12,000kg	37,000kg	C(T)1	£305	£152.50	£310	£186
		Over 12,000kg	40,000kg	C(T)2	£370	£185		

	D(T)	4,001-10,000kg	36,000kg	D(T)1	£365	£182.50	£450	£270
			37,000kg	D(T)5	£444	£222		
		10,001-12,000kg	39,000kg	D(T)1	£365	£182.50		
		Over 12,000kg	40,000kg	D(T)4	£430	£215		
	E(T)	4,001-10,000kg	38,000kg	E(T)1	£535	£267.50	£830	£498
			40,000kg	E(T)3	£604	£302		
		10,000-12,000kg	40,000kg	E(T)1	£535	£267.50		

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

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

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

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

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

VAT

VAT		
	April 2015-16	**April 2016-17**
Standard rate	20%	20%
Reduced rate	5%	5%
Zero rate	0%	0%
Exempt	N/A	N/A

VAT registration and deregistration thresholds		
	From April 2015	**From April 2016**
VAT registration thresholds	£82,000	£83,000
VAT deregistration threshold	£80,000	£81,000