HM Revenue & Customs

HM Treasury

Overview of Tax Legislation and Rates

8 July 2015

Introduction

This document summarises tax announcements and incorporates all of the Tax Information and Impact Notes published at Summer Budget 2015. It also indicates how the table of rates published at the March Budget is modified. A full table of rates for 2015-16 and 2016-17 will be published 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:

Table 1 provides summary information about all tax measures to be legislated in Summer Finance Bill 2015 or in secondary legislation. A Tax Information and Impact Note is provided for all of these measures, or which will otherwise come into effect in 2015-16. 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 Summer Budget 2015 where they will be in Summer Finance Bill 2015 or secondary legislation.

Table 2 provides summary information about tax announcements where the government has made a commitment to legislate. A Tax Information and Impact Note will be published later.

Table 3 summarises other tax announcements where there is no current commitment to legislate, where a decision has not been made about timing, or where the announcement is not related to legislation.

Annex A includes all Tax Information and Impact Notes published at Summer Budget 2015.

Annex B explains how the tables of tax rates and allowances published at the March Budget 2015 should be updated to reflect the Summer Budget. Where changes do not take effect before 1 April 2016 full details are provided in the relevant TIIN.

Summer Finance Bill 2015 will be published on 15 July 2015.

Table 1

Measures to be enacted in Summer Finance Bill 2015.

This table provides a summary of measures which are to be enacted in Summer Finance Bill 2015. Full details of all of these measures can be found in the tax Information and Impact Note in Annex A.

Principal tax rates and allowances

Title	When first announced	Date change takes effect	Budget Report Paragraph
Tax lock for income tax and VAT	Summer Budget 2015	Applies to future tax years	2.53
Personal allowance indexation change	Summer Budget 2015	Applies to future tax years	2.55
Personal allowance increase	Summer Budget 2015	6 April 2016	2.54
Income tax higher rate threshold increase	Summer Budget 2015	6 April 2016	2.56
Corporation tax rates	Summer Budget 2015	1 April 2017	2.117
Capital allowances: Annual Investment Allowance	Summer Budget 2015	1 January 2016	2.120

Inheritance tax

Title	When first announced	Date change takes effect	Budget Report Paragraph
Inheritance tax main residence nil-rate band	Summer Budget 2015	6 April 2017	2.88
Inheritance tax and the nil-rate band	Summer Budget 2015	6 April 2018	2.89
Inheritance tax and trusts	Autumn Statement 2014	Royal Assent	2.93
Inheritance tax changes to support the new digital service	Autumn Statement 2014	Royal Assent	2.92

Banking

Title	When first announced	Date change takes effect	Budget Report Paragraph
Bank levy rate reduction	Summer Budget 2015	1 January 2016	2.127
Bank corporation tax surcharge	Summer Budget 2015	1 January 2016	2.126
Tax treatment of banks' compensation payments	Summer Budget 2015	8 July 2015	2.129
Loss-relief restriction allowance (Savings Bank (Scotland Act 1819))	Summer Budget 2015	1 April 2015	2.131
Banking tax definitions	Summer Budget 2015	1 April 2014 for Bank Levy and 1 April 2015 for loss restriction legislation	2.130

Income tax, corporation tax and capital gains tax

Title	**When first announced**	**Date change takes effect**	**Budget Report Paragraph**
Taxation of pensions at death	March Budget 2015	6 April 2016	2.79
Pensions: reduced annual allowance for top earners	Summer Budget 2015	6 April 2016	2.83
Restricting finance cost relief for landlords	Summer Budget 2015	6 April 2017	2.59
Venture capital schemes: changes to scheme rules	Summer Budget 2015	See TIIN for details	2.71
Taxation of councillors' travel expenses	Autumn Statement 2014	6 April 2016	2.70
Income tax exemption for non-residents participating in the 2015 Anniversary games	Summer Budget 2015	24 July 2015	2.69
Research and Development (R&D) tax credits: universities and charities	Summer Budget 2015	1 August 2015	2.121
Modernisation of the taxation of corporate debt and derivative contracts	Autumn Statement 2014	Accounting periods commencing on or after 1 January 2016	2.123
Restriction of corporation tax relief for business goodwill amortisation	Summer Budget 2015	8 July 2015	2.124
Consortium link company rule	Autumn Statement 2014	10 December 2014	2.160
Controlled Foreign Companies (CFC) loss relief restriction	Summer Budget 2015	8 July 2015	2.177
Disposal of stock other than in trade	Summer Budget 2015	8 July 2015	2.178
Taxation of carried interest - base cost shifting and cherry picking	Summer Budget 2015	8 July 2015	2.179

Excise duties and other taxes

Title	When first announced	Date change takes effect	Budget Report Paragraph
Reform of Vehicle Excise Duty (VED) rates and bands for post-2017 cars	Summer Budget 2015	1 April 2017	2.145
Insurance Premium Tax standard rate	Summer Budget 2015	1 November 2015	2.133
Aggregates levy	Summer Budget 2015	1 August 2015	2.151
Climate change levy	Summer Budget 2015	1 August 2015	2.150

Administration and enforcement

Title	When first announced	Date change takes effect	Budget Report Paragraph
Financial intermediaries writing to their customers in advance of receipt of data under the Common Reporting Standard	Summer Budget 2015	Royal Assent	2.168
Direct recovery of debts	Autumn Statement 2014	Royal Assent	2.170
Simplification of HMRC debtor and creditor interest rate	Summer Budget 2015	8 July 2015	2.167

Measures announced which are to be enacted in statutory instrument

A Tax information and Impact Note for these measures will be published when the regulations are made, but where a Tax Information and Impact Note is published at Summer Budget it is linked below.

	Statutory Instrument to be published (where announced)	Effective date of change (where announced)	Budget Report Paragraph
Making Individual Savings Accounts (ISAs) more flexible		6 April 2016	2.78
Increasing the level of the rent-a-room relief		6 April 2016	2.60
National Insurance contributions Employment Allowance		6 April 2016	2.62
Increasing the employer National Insurance Employment Allowance		6 April 2016	2.61
UK Continental Shelf (UKCS) investment and cluster area allowances			2.132
VAT on services used and enjoyed in the UK			2.136
Direct recovery of debts (regulations to prescribe information - see TIIN)	2015		TIIN
Bank Levy double tax relief		1 January 2016	2.128

Table 2

Measures that the government has announced that it intends to enact in Finance Bill 2016 or a later Finance Bill, or in other legislation, (following consultation where applicable)

	Legislative vehicle	Date of implementation (where announced)	Date consultation expected to be launched	Budget Report Paragraph
Taxation of employee benefits and expenses	Finance Bill 2016	6 April 2016		2.161
Simplified expenses – legislative amendments	Finance Bill 2016			2.162
Employment Intermediaries and tax relief for travel and subsistence	Finance Bill 2016	6 April 2016	Budget	2.182
Personal savings allowance	Finance Bill 2016	6 April 2016	Summer 2015	2.76
Secondary market for annuities	Finance Bill 2016			2.81
Extending averaging for farmers	Finance Bill 2016	6 April 2016	Budget	2.67
Bad debt relief for peer to peer (P2P) industry	Finance Bill 2016	6 April 2015		2.74
Peer to peer withholding tax	Finance Bill 2016	6 April 2017	Summer 2015	2.75
Reform of the wear and tear allowance	Finance Bill 2016	6 April 2016	Summer 2015	2.58
Eligibility of non-domicile status for UK-born individuals	Finance Bill 2016	6 April 2017	Summer 2015	2.64
Abolishing non-domicile status for long domicile residents	Finance Bill 2016	6 April 2017	Technical note; Budget day Consultation Later July 2015	2.63
Dividends taxation	Finance Bill 2016	6 April 2016		2.57
Lifetime allowance for pension contributions	Finance Bill 2016	6 April 2016		2.82

Company car tax rates for 2019-20	Finance Bill 2016			2.149
Inheritance tax and the main residence nil-rate band (downsizing)	Finance Bill 2016		Autumn 2015	2.88
Inheritance tax on UK residential property of non-domiciles, including non-domiciles who are not UK resident	Finance Bill 2017	6 April 2017	Autumn 2015	2.90
Inheritance tax and non-domiciles	Finance Bill 2016	6 April 2017	Summer 2015	2.91
Corporation tax: orchestra tax relief	Finance Bill 2016	1 April 2016		2.119
VAT refunds for shared services	Finance Bill 2016			2.137
Fuel duty for aqua-methanol	Finance Bill 2016			2.148
Control of raw tobacco	Finance Bill 2016			2.139
Stamp Duty Land Tax: application to certain authorised property funds	Finance Bill 2016			2.154
General Anti-Abuse Rule (GAAR) Penalty	Finance Bill 2016		Summer 2015	2.175
Serial avoiders	Finance Bill 2016		Summer 2015	2.174
Tackling the hidden economy	Finance Bill 2016			2.172
Office of Tax Simplification: Framework Agreement	Finance Bill 2016		Summer 2015	2.157

Table 3

Other tax announcements.

	Date of implementation (if announced and if applicable)	Date consultation expected to be launched	Budget Report Paragraph
Making tax easier		Summer 2015	2.166
IR35 reform		Summer 2015	2.183
Employment taxes and salary sacrifice			2.66
Taxation of sporting testimonials		Budget	2.68
Taxation of carried interest: base cost shifting and cherry picking		Budget	2.179
Self-employed National Insurance contributions		Autumn 2015	2.163
Simplification of the treatment of termination payments		Summer 2015	2.164
Extending ISA eligibility		Summer 2015	2.77
Apprenticeships levy			2.201
Reviewing the rules for tax relief on travel and subsistence expense		Summer 2015	2.165
Pensions tax relief		Budget	2.84
Unfunded employer financed retirement benefit schemes			2.80
Business tax road map		April 2016	2.125
Business energy tax reform		Autumn 2015	2.153
Corporation tax payment dates	1 April 2017		2.118
Company distributions: consultation on rules		Autumn 2015	2.122
Air Passenger Duty (APD) devolution		Budget	2.147
Small cider makers			2.143
VAT on services used and enjoyed in the UK			2.136

HMRC tax enquiries closure rules		Response to consultation- summer 2015	2.169
Additional resource to target non-compliance by wealthy individuals		Autumn 2015	2.180
Office of Tax Simplification Reports: alignment of income tax and NICs and review of small companies			2.158, 2.159

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 Tax Information and Impact Note is published for most tax policy changes at the point at which the policy design is final or near final when legislation is published in draft either at Autumn Statement, in the Finance Bill or via secondary legislation.

The Tax Information and Impact Notes published in this document are for measures that are included in Summer Finance Bill 2015 or secondary legislation.

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 Tax Information and Impact Note. Those tests which result in no impact have not been recorded. The full list of these ‘other’ impacts against which each policy has been tested is as follows:

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

Ministerial sign-off for Tax Information and Impact Notes

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

David Gauke MP

Financial Secretary to the Treasury

Tax Information and Impact Notes: Contents

Tax lock: Income Tax, National Insurance contributions and VAT

Who is likely to be affected?

Those liable to pay Income Tax, National Insurance contributions (NICs) and VAT.

General description of the measure

This measure will introduce legislation to provide that the rates of income tax and Class 1 NICs will not rise; it also ensures increases to the Upper Earnings Limit (UEL) will not exceed the Higher Rate Tax Threshold. The measure will also introduce legislation to provide that the standard rate of VAT shall not exceed 20% and the reduced rate shall not exceed 5% and to provide that the relevant provisions will be locked to prevent them being used to remove any items from the current VAT reduced rates and VAT zero rates. This will be limited for the duration of the Parliament.

Policy objective

The main objective of this measure is to legislate that the rates of income tax, NICs and VAT may not increase. Also, that the relevant provisions will be locked to prevent them being used to remove any items from the current VAT reduced rates and VAT zero rates. This will be limited for the duration of the Parliament.

Background to the measure

This measure was announced in the Queen's Speech on 27 May 2015.

Detailed proposal

Operative date

For income tax and VAT this measure will have effect on the date that the summer Finance Bill 2015 receives Royal Assent. For NICs it will have effect after Royal Assent of the National Insurance Contributions Bill.

Current law

Income tax is charged annually and rates of income tax are normally set in each Finance Bill.

NICs rates and thresholds are set out in the Social Security Contributions and Benefits Act 1992 (SSCBA) and for the purposes of section 5 of SSCBA in the Social Security (Contributions) Regulations 2001 (SSCR).

The standard rate of VAT is set out in section 2 of the VAT Act 1994 (VATA). The reduced rate of VAT is set out in section 29A. Supplies listed in Schedule 7A may be amended through use of the powers in Section 29A(3). Section 30 requires the supplies listed in Schedule 8 to be zero-rated. Schedule 8 may be amended through use of the powers in section 30(4).

Proposed revisions

<u>Income Tax</u>

Legislation will be introduced to set out that the basic, higher and additional rates of income tax will not increase above 20%, 40% and 45% for the duration of this Parliament. This will apply to earnings income in England, Wales and Northern Ireland and UK wide savings income as expressed in Section 6(1) of the Income Tax Act 2007.

<u>National Insurance contributions</u>

Legislation will be introduced in a NICs Bill to set out that Class 1 NICs rates payable by employers and employees under the SSCBA will not be increased for the duration of this Parliament. The rates of Class 1 contributions paid by employers and employees are set out in the SSCBA. Section 8(2) sets the employees main rate of contributions at 12% and the additional rate at 2%. Section 9(2) sets the employers rate of NICs at 13.8%.

Legislation will also be introduced to ensure the UEL for Class 1 contributions (currently £815 per week) does not exceed the Higher Rate Tax Threshold (HRT). The UEL is the point at which employee's earnings no longer count toward contributory benefits and they start to pay NICs at 2%. The HRT is the sum of the Personal Allowance (currently £10,600 and the Basic Rate Limit (£31,785) equating to £42,385 in 2015-16. The UEL is specified in Regulation 10(b) of the SSCR as a weekly amount of £815 and the prescribed annual equivalent in regulation 11(2A)(b) as £42,385.

Northern Ireland has separate legislation covering NICs and these changes will apply to Northern Ireland as well.

<u>VAT</u>

Legislation will be introduced specifying that, for the duration of this Parliament, the standard rate under section 2 of VATA can be no higher than 20% and that the reduced rate under section 29A can be no higher than 5%. The zero rate cannot be more than 0% and therefore this is not covered by the legislation.

The legislation will also prevent supplies specified in Schedule 7A (reduced rate supplies) and Schedule 8 (zero rate supplies) from being removed from those schedules through use of the powers in 29A(3) and 30(4).

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	nil	nil	nil	nil	nil	nil
	This measure is not expected to have an Exchequer impact.					
Economic impact	This measure is not expected to have any significant economic impacts.					
Impact on individuals, households and families	This measure is not expected to have any negative financial impact on individuals, households or families. However, it will bring social benefits in providing certainty about tax rates for the duration of this Parliament. This measure 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 expected to have no impact on businesses and civil society organisations, however, it will provide certainty about tax rates for the duration of this Parliament.
Operational impact (£m) (HMRC or other)	There will be no significant operational impacts on HMRC.
Other impacts	Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored and assessed alongside other tax changes.

Further advice

If you have any questions about this change, please contact Hasan Mustafa for income tax and NICs on 03000 586718 (email: hasan.mustafa@hmrc.gsi.gov.uk) or Phil Sears for VAT on 03000 585502 (email: phil.sears@hmrc.gsi.gov.uk).

Income tax: personal allowance indexation

Who is likely to be affected?

Income tax payers, and those whose income is close to the income tax threshold.

General description of the measure

This measure will ensure that the personal allowance automatically increases in line with the equivalent of 30 hours a week at the national minimum wage once the personal allowance has reached £12,500. This refers to the national minimum wage rate that individuals over 21 are entitled to.

This measure will also introduce a legal duty for the Chancellor of the Exchequer to consider the level of the national minimum wage in setting the personal allowance each year, until it reaches £12,500. The Chancellor will be required to report to Parliament at each Autumn Statement or Budget to set out how he has met this legal duty.

Policy objective

This measure delivers the government's objective to support and rewards individuals in work. It also provides additional certainty about the level of personal allowances.

Background to the measure

This measure was announced at Summer Budget 2015.

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. The personal allowance is currently £10,600 (in 2015-16) and is set to rise to £11,000 (in 2016-17).

The government also has an objective to ensure that individuals working 30hrs at the national minimum wage, will not pay income tax.

Detailed proposal

Operative date

This measure will have effect on and after the date of Royal Assent to Summer Finance Bill 2015.

Current law

Finance Act 2014 changed the basis of indexation for income tax allowances and limits from the retail prices index (RPI) to the consumer prices index (CPI).

Income tax personal allowances, the basic rate limit, the starting rate limit for savings and the adjusted net income limit are increased each year by the annual percentage increase in the CPI (“indexation”).

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to change the indexation of the personal allowance to increase in line with the annual equivalent of 30 hours a week at the national minimum wage where the adult rate for individuals over the age of 21 will apply. This change will take place once the personal allowance has reached £12,500.

Before the start of each tax year where the personal allowance is less than £12,500, the Chancellor must consider the impact of the level of personal allowance on an adult worker working 30 hours per week on the national minimum wage.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	nil	nil	nil	nil	nil	nil
	This measure is not expected to have an Exchequer impact.					
Economic impact	This measure is not expected to have any significant economic impacts.					
Impact on individuals, households and families	Actual gains for individual taxpayers will vary according to individual circumstances. This measure is not expected to negatively impact on households and families.					
Equalities impacts	This measure is not expected to have any impact on protected groups.					
Impact on business including civil society organisations	Impacts on administrative and compliance cost for businesses, employers, pension providers or civil society organisations will be negligible. An individual's personal allowance is reflected in their PAYE tax code. Any changes to individuals' tax codes are a routine annual event for employers and pension providers. Non-routine changes are handled by HMRC.					
Operational impact (£m) (HMRC or other)	There will be no significant operational impacts for HMRC.					
Other impacts	Other impacts have been considered and none have been identified.					

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Paul Phillips on 03000 586521 (email: paul.phillips1@hmrc.gsi.gov.uk).

Income tax: personal allowance and basic rate limit for 2016-17

Who is likely to be affected?

Income tax payers, employers and pension providers.

General description of the measure

The personal allowance will be increased to £11,000 for 2016-17 and to £11,200 in 2017-18. The basic rate limit will be increased to £32,000 for 2016-17 and to £32,400 for 2017-18. As a result, the higher rate threshold will be £43,000 in 2016-17 and £43,600 in 2017-18.

Policy objective

This delivers the government's objective to support and rewards individuals in work.

Background to the measure

This measure was announced at Summer Budget 2015.

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.

At Budget 2015, the coalition government announced that the personal allowance will increase to £10,800 for 2016-17 and £11,000 for 2017-18. This measure will increase the personal allowance to £11,000 for 2016-17 and £11,200 for 2017-18.

The basic rate limit for 2016-17 will be increased to £32,000 for 2016-17 and £32,400 for 2017-18.

The table below sets out the thresholds from 2015-16 to include the changes from this measure.

	2015-16	2016-17	2017-18
Personal allowance (PA)	10,600	11,000	11,200
Basic Rate Limit (BRL)	31,785	32,000	32,400
Higher Rate Threshold (HRT)	42,385	43,000	43,600

The NICs Upper Earnings/Profit Limits will remain aligned to the higher rate threshold and will therefore also increase for 2016-17 and 2017-18.

Detailed proposal

Operative date

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

Current law

In 2015-16 there are two personal allowances available by reference to an individual’s date of birth: one for those born after 5 April 1938 and one for those born before 6 April 1938.

The amount of the personal allowance for those born before 6 April 1938 was fixed at £10,660.

Finance Act 2015 increased the personal allowance to £10,800 for 2016-17, so it removed the personal allowance for those born before 6 April 1938. The effect is that from 2016-17 everyone, regardless of their date of birth, will be entitled to the same personal allowance.

Finance Act 2015 set the basic rate limit at £31,900 for 2016-17, and £32,300 for 2017-18.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to set the personal allowance for 2016-17 at £11,000 and for 2017-18 at £11,200, and the basic rate limit for 2016-17 at £32,000 and for 2017-18 at £32,400.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	-	-1055	-1160	-1195	-1160	-1200
	These figures are set out in Table 2.1 of Summer Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Summer Budget 2015.					
Economic impact	This measure will reduce income tax for 29.0 million income tax payers in 2016-17 and 29.4 million income tax payers in 2017-18, 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	In 2016-17, this measure will benefit 29 million individuals of whom 24.1 million will be basic rate taxpayers with average real gains of £38 and 4.9 million higher/additional rate taxpayers with average real gains of £77. In 2017-18, this measure will benefit 29.4 million individuals of whom 24.2 million will be basic rate taxpayers with average real gains of £38 and 5.2 million higher/additional rate taxpayers with average real gains of £77. These above inflation increases will take an additional 277,000 individuals out of income tax altogether in 2016-17 and a total of 289,000 by 2017-18 compared to previously announced policy. All taxpayers with income of £122,000 or above in 2016-17 and £122,400 or above in 2017-18 have their personal allowance tapered to zero. Therefore they derive no benefit from the personal allowance increase. 520,000 individuals will have an average real loss of £8 in 2016-17, rising to 550,000 with an average real loss of £7 in 2017-18, the majority of which have incomes above these levels.					

	Actual gains for individual taxpayers will vary according to individual circumstances. This measure is not expected to impact on family formation, stability or breakdown. Cumulative increases to the personal allowance and higher rate threshold between 2015-16 and 2016-17 mean a typical basic rate taxpayer will have an overall cash gain of £80 and a real terms gain of £78. A typical higher rate taxpayer will have an overall cash gain of £142 and a real terms gain of £127. Cumulative increases to the personal allowance and higher rate threshold between 2015-16 and 2017-18 mean a typical basic rate taxpayer will have an overall cash gain of £120 and a real terms gain of £92. A typical higher rate taxpayer will have an overall cash gain of £242 and a real terms gain of £148. Cumulative changes to the personal allowance and higher rate threshold since 2010-11 mean a typical basic rate taxpayer will have an overall cash gain of £905 in 2016-17 and £945 in 2017-18. A typical higher rate taxpayer will have an overall cash gain of £818 in 2016-17 and £918 in 2017-18.
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 2016-17, there will be one personal allowance for all individuals regardless of an individual's date of birth. In 2016-17 and 2017-18, males are projected to account for 58% of all taxpayers and females 42%. From this measure, 2016-17 estimated impacts are: 277,000 individuals are taken out of tax altogether, of which 105,000 (38%) are male and 172,000 (62%) are female. Average impacts do not differ significantly by gender. 29 million individuals will benefit. Of these, 16.7 million (58%) are male and 12.3 million (42%) are female. Average gains are £46 for males and £43 for females. 520,000 individuals lose, of which 412,000 (79%) are male and 108,000 (21%) are female. Average impacts do not differ significantly by gender. From this measure, 2017-18 estimated impacts are: 289,000 individuals are taken out of tax altogether, of which 109,000 (38%) are male and 181,000 (62%) are female. Average impacts do not differ significantly by gender.

	29.4 million individuals will benefit. Of these, 16.9 million (58%) are male and 12.5 million (42%) are female. Average gains are £47 for males and £43 for females. 550,000 individuals lose, of which 435,000 (79%) are male and 115,000 (21%) are female. Average impacts do not differ significantly by gender.
Impact on business including civil society organisations	Impacts on administrative and compliance cost for businesses, employers, pension providers or civil society organisations will be negligible. An individual's personal allowance is reflected in their PAYE tax code. Any changes to individuals' tax codes are a routine annual event for employers and pension providers. Non-routine changes are handled by HMRC.
Operational impact (£m) (HMRC or other)	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	<u>Small and micro business assessment</u>: 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 contact Paul Phillips on 03000 586521 (email: paul.phillips1@hmrc.gsi.gov.uk).

Corporation tax: corporation tax main rate

Who is likely to be affected?

Incorporated businesses which pay corporation tax (CT) at the main rate.

General description of the measure

The measure sets the CT main rate for each year from the Financial Year beginning 1 April 2017 to the Financial Year beginning 1 April 2020, reducing the CT main rate by 2% by 2020.

The CT main rate for 1 April 2016 is set at 20%. This measure reduces the rate to 19% for the Financial Year beginning 1 April 2017 and sets it at this rate for the Financial Years beginning 1 April 2018 and 1 April 2019. The CT main rate will be reduced by a further 1% to 18% for the Financial Year beginning 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. It also provides certainty for businesses for the remainder of the Parliament.

Background to the measure

The Finance Act 2015 set the CT main rate at 20% for the Financial Year 2016. At the Summer Budget 2015, the government announced a reduction in the rate from 20% to 19% for the year beginning 1 April 2017, with a further reduction from 19% to 18% for the year beginning 1 April 2020.

Detailed proposal

Operative date

The CT main rate for Financial Year 2017 will have effect from 1 April 2017 to 31 March 2018.

The CT main rate for Financial Year 2018 will have effect from 1 April 2018 to 31 March 2019.

The CT main rate for Financial Year 2019 will have effect from 1 April 2019 to 31 March 2020.

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 20% for the Financial Year 2016 was set by section 6 of the Finance Act 2015 for all non-ring fence profits.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to reduce the main rate of CT for all non-ring fence profits to 19% for Financial Year 2017, set the rate at 19% for Financial Years 2018 and 2019, and reduce it to 18% for Financial Year 2020.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td><td>2020-21</td></tr>
<tr><td>-</td><td>-10</td><td>-605</td><td>-1600</td><td>-1870</td><td>-2475</td></tr>
<tr><td colspan="6">These figures are set out in Table 2.1 of Summer Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Summer Budget 2015.</td></tr>
<tr><td>Economic impact</td><td colspan="6">A lower corporation tax rate makes the UK more attractive as a destination to locate business activity.

The costing includes a behavioural response to account for changes in the incentives for multinational companies to shift profits in to the UK.</td></tr>
<tr><td>Impact on individuals, households and families</td><td colspan="6">The measure is not expected to impact on family formation, stability or breakdown.</td></tr>
<tr><td>Equalities impacts</td><td colspan="6">Changes to the CT rates affect corporate entities and therefore do not have equalities impacts.</td></tr>
<tr><td>Impact on business including civil society organisations</td><td colspan="6">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. It is expected to result in negligible one-off costs as businesses familiarise themselves with the rate change and for some companies to update administrative systems. The change makes little difference to the complexity of the tax calculation and is not expected to increase compliance costs on an ongoing basis.</td></tr>
<tr><td>Operational impact (£m) (HMRC or other)</td><td colspan="6">Implementation is likely to have only minor operational impact but will necessitate some changes to HM Revenue & Customs IT systems and online filing products.</td></tr>
<tr><td>Other impacts</td><td colspan="6"><u>Competition assessment:</u> 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.</td></tr>
</table>

Monitoring and evaluation

This measure will be kept under review through communication with affected taxpayer groups and the monitoring of corporation tax receipts.

Further advice

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

Annual Investment Allowance: permanent increase to £200,000

Who is likely to be affected?

Businesses investing more than £25,000 in plant and machinery from January 2016.

General description of the measure

The measure increases the permanent level of the Annual Investment Allowance (AIA) from £25,000 to £200,000 for all qualifying investment in plant and machinery made on or after 1 January 2016.

Policy objective

This measure is designed to encourage investment by providing a permanent generous incentive to invest in plant and machinery and giving certainty to businesses planning to invest.

Background to the measure

The maximum amount of the AIA was temporarily increased from April 2014 until 31 December 2015 after which it would have returned to £25,000. This measure permanently increases the amount of the AIA to £200,000 from 1 January 2016.

Detailed proposal

Operative date

The new permanent level of AIA will have effect from 1 January 2016. Where a business has a chargeable period that spans that date, the transitional rules outlined below will apply.

Current law

Current law is included in Chapter 3A and Chapter 5 of Part 2 of the Capital Allowances Act 2001 (CAA). Businesses are able to claim the AIA in respect of their expenditure on both general and 'special rate' plant and machinery. There are however certain exceptions, set out in section 38B of CAA 2001, the main exception being expenditure on cars. The AIA is a 100 % upfront allowance that applies to qualifying expenditure up to a specified annual limit. The current limit will revert to £25,000 from 1 January 2016.

Where businesses spend more than the annual limit, any additional qualifying expenditure will attract relief under the normal capital allowances regime, entering either the main rate or the special rate pool, where it will attract writing-down allowances at the 18 per cent or 8 % rate respectively. Current law included at Paragraph 4 Schedule 2 Finance Act 2014, provides the transitional provisions for chargeable periods which straddle 1 January 2016. The provisions themselves are unchanged but the limit to which they reference will be altered. A revised example of how the transitional provision works is provided below, using £200,000 as opposed to £25,000.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to increase the permanent AIA limit to £200,000 from 1 January 2016.

Where a business has a chargeable period that spans 1 January 2016, the maximum allowance for that business's transitional chargeable period comprises two parts:

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

(b) the AIA entitlement, based on the £200,000 cap for the portion of the period falling on or after 1 January 2016.

Example

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

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

(b) the proportion of the period from 1 January 2016 to 31 March 2016, that is 3/12 x £200,000 = £50,000.

The company's maximum AIA for this transitional chargeable period would therefore be the total of (a) + (b) = £375,000 + £50,000 = £425,000, although in relation to (b) (the part period falling on or after 1 January 2016) no more than £50,000 of the company's actual expenditure in that part period would be covered by its transitional AIA entitlement.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	-5	-215	-850	-895	-840	-795
	These figures are set out in Table 2.1 of Summer Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Summer Budget 2015.					
Economic impact	By accelerating the relief on qualifying expenditure up to £200,000 limit, this measure will provide an incentive, particularly to small and medium-sized businesses, to increase their capital expenditure on plant and machinery.					
Impact on individuals, households and families	This measure is not expected to impact on individuals, families or households. Capital allowances can only be claimed in the course of business.					
Equalities impacts	The measure is not expected to impact on the equality of groups sharing protected characteristics.					
Impact on business including civil society organisations	This measure is expected to result in a negligible one-off cost to approximately 15,000 businesses and civil society organisations claiming more than £200,000 in AIA, as they will need to determine their maximum AIA in the transitional chargeable period. The impact on businesses' on-going administrative burdens are expected to be negligible as most of the businesses affected are					

	likely to still need to calculate some capital allowances on a year-by-year basis for previously pooled expenditure and/or new expenditure not qualifying for the AIA.
Operational impact (£m) (HMRC or other)	It is not anticipated that there will be any material additional information technology and compliance costs for HMRC as a result of the increase in the amount of AIA.
Other impacts	Small and micro business assessment: an increase in the AIA will benefit small and micro businesses who invest between £25,000 and the new level. Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax returns and through regular engagement with businesses and their representative bodies.

Further advice

If you have any questions about this change, please contact Jim Rogers on 03000 588833 (email: jim.a.rogers@hmrc.gsi.gov.uk).

Inheritance tax: main residence nil-rate band and the existing nil-rate band

Who is likely to be affected?

Individuals with direct descendants who have an estate (including a main residence) with total assets above the inheritance tax threshold (or nil-rate band) of £325,000 and personal representatives of deceased persons.

General description of the measure

This measure introduces an additional nil-rate band when a residence is passed on death to a direct descendant. This will be £100,000 in 2017-18, £125,000 in 2018-19, £150,000 in 2019-20, and £175,000 in 2020-21. It will then increase in line with Consumer Prices Index (CPI) from 2021-22 onwards. Any unused nil-rate band will be able to be transferred to a surviving spouse or civil partner.

The additional nil-rate band will also be available when a person downsizes or ceases to own a home on or after 8 July 2015 and assets of an equivalent value, up to the value of the additional nil-rate band, are passed on death to direct descendants.

There will be a tapered withdrawal of the additional nil-rate band for estates with a net value of more than £2m. This will be at a withdrawal rate of £1 for every £2 over this threshold.

The existing nil-rate band will remain at £325,000 from 2018-19 until the end of 2020-21.

Policy objective

This measure will reduce the burden of inheritance tax for most families by making it easier to pass on the family home to direct descendants without a tax charge.

Background to the measure

The measure was announced at Summer Budget 2015.

Detailed proposal

Operative date

The measure will take effect for relevant transfers on death on or after 6 April 2017. It will apply to reduce the tax payable by an estate on death; it will not apply to reduce the tax payable on lifetime transfers that are chargeable as a result of death.

The main residence nil-rate band will be transferable where the second spouse or civil partner of a couple dies on or after 6 April 2017 irrespective of when the first of the couple died.

The nil-rate band will continue to be £325,000 from 2018-19 until the end of 2020-21.

Current law

Section 7 of the Inheritance Tax Act 1984 (IHTA) provides for the rates of inheritance tax to be as set out in the table in Schedule 1 to that Act. The current table provides that the nil-rate band is £325,000.

Inheritance tax is charged at a rate of 40% on the chargeable value of an estate, above the nil-rate band, after taking into account the value of any chargeable lifetime transfers. The chargeable value is the value after deducting any liabilities, reliefs and exemptions that apply.

Where an estate qualifies for spouse or civil partner exemption, the unused proportion of the nil-rate band when the first of the couple dies can be transferred to the estate of the surviving spouse or civil partner, sections 8A-C IHTA. The nil-rate band can be transferred when the surviving spouse or civil partner dies on or after 9 October 2007, irrespective of when the first of the couple died, so that the nil-rate band can be up to £650,000.

There is currently no specific exemption for a residence, or for assets being transferred to children and other direct descendants.

Section 8(3) to Finance Act 2010 provides for the nil-rate band to be frozen at £325,000 up to and including 2014-15. Section 117 and paragraph 2 of Schedule 25 to Finance Act 2014 extends the freeze on the nil-rate band until the end of 2017-18.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to provide for an additional main residence nil-rate band for an estate if the deceased's interest in a residential property, which has been their residence at some point and is included in their estate, is left to one or more direct descendants on death.

The value of the main residence nil-rate band for an estate will be the lower of the net value of the interest in the residential property (after deducting any liabilities such a mortgage) or the maximum amount of the band. The maximum amount will be will be phased in so that it is £100,000 for 2017-18, £125,000 for 2018-19, £150,000 for 2019-20, and £175,000 for 2020-21. It will then increase in line with CPI for subsequent years.

The qualifying residential interest will be limited to one residential property but personal representatives will be able to nominate which residential property should qualify if there is more than one in the estate. A property which was never a residence of the deceased, such as a buy-to-let property, will not qualify.

A direct descendant will be a child (including a step-child, adopted child or foster child) of the deceased and their lineal descendants.

A claim will have to be made on the death of a person's surviving spouse or civil partner to transfer any unused proportion of the additional nil-rate band unused by the person on their death, in the same way that the existing nil-rate band can be transferred.

If the net value of the estate (after deducting any liabilities but before reliefs and exemptions) is above £2 million, the additional nil-rate band will be tapered away by £1 for every £2 that the net value exceeds that amount. The taper threshold at which the additional nil-rate band is gradually withdrawn will rise in line with CPI from 2021-22 onwards.

The legislation will also extend the current freeze of the existing nil-rate band at £325,000 until the end of 2020-21.

In addition, legislation in Finance Bill 2016 will provide that where part of the main residence nil-rate band might be lost because the deceased had downsized to a less valuable residence or had ceased to own a residence on or after 8 July 2015, that part will still be available provided the deceased left that smaller residence, or assets of equivalent value, to direct descendants. However, the total amount available will not exceed the maximum available residence nil-rate band. The technical details of how the additional nil-rate band will be enhanced to support those who have downsized or ceased to own their home will be the subject of a consultation to be published in September 2015 ahead of the draft Finance Bill 2016.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	nil	nil	-270	-630	-790	-940
	These figures are set out in Table 2.1 of Summer Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Summer Budget 2015.					
Economic impact	This measure could marginally increase demand for housing but it is not expected to have a significant impact on either house prices or rent levels due to the small overall proportion of the housing market affected and the offsetting impact of wider budget measures. The main behavioural response is the proportion of estates with a residence being left to direct descendants may be expected to increase as people change their wills over time so that their estates can benefit from the main residence nil-rate band to a greater extent.					
Impact on individuals, households and families	This measure will reduce the burden of inheritance tax for families by making it easier to pass on the family home to direct descendants for all but the largest estates.					
Equalities impacts	The government has no evidence to suggest that the measure will have any significant adverse equalities impacts. Those in same sex relationships may be less likely to have direct descendants, although children will also include adopted and foster children. HMRC does not hold data on the protected characteristics of all those potentially affected.					
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. It may lead to a small additional burden for personal representatives to confirm that a residence meets the qualifying criteria. There will be a negligible one off cost to advisers as they familiarise themselves with the measure and advise on changes that individuals may wish to make to their wills in response to the policy.					
Operational impact (£m) (HMRC or other)	HMRC will need to make changes to IT systems to deliver changes to the proposals relating to the main residence nil-rate band, the costs of which are currently being finalised.					

Other impacts	Small and micro business assessment: These measures are expected to have negligible impact on small and micro businesses. Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Inheritance tax: simplifying charges on trusts and new rules to target avoidance through the use of multiple trusts

Who is likely to be affected?

Individuals settling property into relevant property trusts, trustees and their advisers.

General description of the measure

The measure will simplify the calculation of trust charges by removing the need to include non-relevant property in the calculation. It also introduces new rules about adding property to more than one relevant property trust on the same day to protect inheritance tax revenues from the use of multiple trusts. The measure also includes changes to the relevant property trust legislation to provide more certainty and to ease the effect of the legislation.

Policy objective

This measure will reform IHT for relevant property trusts and make the tax system fairer by removing the advantage under the current rules that enables individuals to create multiple trusts and avoid IHT through the use of multiple nil rate bands.

Background to the measure

Budget 2014 announced that the government would consult on revised proposals for simplifying the calculation of IHT trust charges and dividing the nil rate band for trusts created by the same settlor. A consultation document was published in June 2014 and the consultation closed on 29 August 2014. Following the consultation the government decided not to proceed with the division of the nil rate band. Legislation on the new rules for adding property to more than one relevant property trust on the same day was published at Autumn Statement 2014.

The draft legislation published at Autumn Statement has since been revised in the light of the consultation responses. Details of the changes made are contained within the detailed proposal and proposed revision sections of this document.

This Tax Information and Impact Note (TIIN) updates and replaces the TIIN published on 10 December 2014.

Detailed proposal

Operative date

The part of the measure relating to same day additions will apply to all charges arising on or after the date of Royal Assent in respect of relevant property trusts created on or after the publication of draft legislation on 10 December 2014. To prevent forestalling, it will also apply to relevant property trusts created before 10 December 2014 where there are additions made on or after 10 December 2014 to more than one relevant property trust on the same day. The new rules which ignore non relevant property in the calculation of the rate of charge on a 10 year anniversary will apply to all charges arising on or after the date of Royal Assent regardless of when the trust was created.

The new rule about same day additions to trusts created before 10 December 2014 will not apply to a will executed before 10 December 2014 but this exclusion will be limited to deaths before 6 April 2017. This will prevent unwanted tax consequences arising where minor or unrelated changes to the will are made in the excluded period.

With regard to the changes being made to other areas of the relevant property trust legislation, the amendments will apply to charges arising under section 79 (IHTA) on or after the date that Finance Bill 2015 receives Royal Assent and after the date of Royal Assent for charges arising under s.80 (IHTA). The amendment relating to appointments for the benefit of the deceased's surviving partner (section 144 of the Inheritance Tax Act 1984 (IHTA)) will apply to all deaths on or after 10 December 2014.

Current law

The current law is contained in sections 62 and 66 to 69, section 71F, section 79, 80 and 144 of IHTA 1984.

Proposed revisions

Simplification of trust charges
Legislation will be introduced in Summer Finance Bill 2015 to remove the requirement to include non-relevant property in the calculation of the rate of tax under section 66 (the ten year anniversary charge) and sections 68 and 69 (exit charges) for rate where appropriate for both the section 66 ten year and section 68 and section 69 exit charges.

Introduction of the new rules to target IHT avoidance
New section 62A introduces a rule to ensure that where property is added to two or more relevant property settlements on the same day and after the commencement of those settlements, the value added to the settlement together with the value of property settled at the date of commencement (that is not already in a related settlement) will be brought into account in calculating the rate of tax for the purposes of ten year charges under section 66, for exit charges before the first ten-year anniversary under section 68 and for exit charges between anniversaries under section 69.

Claims for conditional exemption
Section 79 is amended so that the requirement that a claim must be made and the property designated before the ten year charge is removed and will instead allow trustees to make a claim for exemption within two years of the ten year charge arising.

Settlements created by individuals before March 2006 giving themselves an interest in possession or to their spouse/widow/civil partner/surviving civil partner.
Section 80 is amended so that "a qualifying interest in possession" is substituted for "an interest in possession" in each place that it appears. This will mean that where one party to a couple succeeds to a life interest to which their spouse or civil partner was previously entitled during the latter's lifetime and that interest is not a transitional serial interest section 80 will apply at that time (because neither spouse would then have a qualifying interest in possession) with the result that the settled property would be treated as being comprised in a settlement and therefore subject to the relevant property charges.

Appointments for the benefit of the deceased's surviving partner
Section 144 is amended so that the provisions of section 65(4), which prevent a charge to tax arising in the first three months after the settlement commenced, or within a ten-year anniversary, shall not apply to appointments out of property settled by Will. This will ensure that where an appointment is made within three months of the date of death in favour of the

deceased's surviving spouse or civil partner, it can be read back into the will and exemption under section 18 can be given.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	negligible	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 economic impacts					
Impact on individuals, households and families	Individuals will no longer have the advantage of multiple nil rate bands by creating multiple trusts but they will be able to settle property up to the value of the nil rate band into trust every seven years.					
Equalities impacts	The government has no evidence to suggest that the measure will have any adverse equalities impacts.					
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. Removing the requirement to include non-relevant property for the calculation of the rate for ten year anniversary and exit charges will result in a small reduction in the on-going administrative burden for trustees for under 1,000 trusts per year. It is estimated that the reduction in their administrative burdens will be negligible due to the relatively small number of trusts affected per year.					
Operational impact (£m) (HMRC or other)	There will be no significant operational impact on HMRC because the problem of IHT avoidance is addressed through the rules on how property added to trusts on the same day is treated. There will be some costs for changes to HMRC's IT systems but these are not expected to be significant.					
Other impacts	<u>Small and micro business assessment</u>: the measure will not affect small business in general but it will benefit trust administrators who run small businesses due to the reduction in complexity and administration burdens. Other impacts have been considered and none have been identified.					

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Tony Zagara on 03000 585265 (email: antonio.zagara@hmrc.gsi.gov.uk).

Inheritance tax: interest changes to support the new digital service

Who is likely to be affected?

Personal representatives and advisors or agents who administer the estate of a deceased person, trustees and other individuals who are liable to inheritance tax.

General description of the measure

The measure makes amendments to legislation relating to late payment interest to:

- extend the power to make regulations to allow the instalment interest provisions relating to certain financial institutions and companies to be updated
- clarify the period from when interest is charged.

Policy objective

These amendments will complement other changes which will be included in secondary legislation to support the digitisation of inheritance tax as part of the government's digital strategy to improve the process for customers and the administration of the tax.

Background to the measure

At Autumn Statement 2013 the Chancellor announced that HMRC will provide an online service in 2015-16 for people to submit inheritance tax returns and settle the tax affairs of those who have died. To support the introduction of the new online service, various legislative changes will be made in primary and secondary legislation to facilitate the new online processes and to align the treatment of interest and penalties for inheritance tax purposes with other taxes. The amendments made by this measure are a part of those changes and will ensure that the relevant interest provisions are updated and apply correctly when the new online service becomes available from 2015-16. HMRC are continuing to develop the new online service and will be publishing a number of draft regulations in 2015.

This Tax Information and Impact Note (TIIN) updates and replaces the TIIN published on 10 December 2014.

Detailed proposal

Operative date

The amendments will come into force at an appointed day to be specified in regulations. This is expected to be at the same time as the new online service becomes available.

Current law

The current relevant legislation is in:

- sections 147(4), 234(3)(c) and 234(4) of Inheritance Tax Act 1984, and
- paragraphs 7 to 9 and 14 of Schedule 53 to Finance Act (FA) 2009 (which are not yet in force but are expected to be commenced when the online service is introduced).

Proposed revisions

Legislation will be included in Summer Finance Bill 2015 to:

- extend the power to make regulations under section 107(4) and (5) FA 1986 in connection with section 234(3) and (4) IHTA to paragraph 7(7) and (8) of Schedule 53 FA 2009
- amend paragraph 9 of Schedule 53 FA 2009 to refer to the end of the month in which the testator died to align the provisions with those in section 233(1)(b) IHTA.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	negligible	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 economic impacts.					
Impact on individuals, households and families	The changes will only affect a small number of personal representatives dealing with the estate of a deceased person, trustees and other individuals who are liable to inheritance tax and who may be charged interest on unpaid tax. The measure is not expected to impact on family formation, stability or breakdown.					
Equalities impacts	It is not anticipated that there will be any specific impacts identified for any equalities group.					
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. The changes will also affect solicitors, estate practitioners, accountants and other professional advisers and agents who deal with the small number of estates, trusts and lifetime transfers likely to be affected by this measure. The proposed changes are expected to have negligible one off costs on these businesses as they familiarise themselves with the changes and how they apply to their clients' tax affairs.					
Operational impact (£m) (HMRC or other)	There will be no significant additional operational impacts from the legislative changes needed to support the new online processes.					
Other impacts	Small and micro business assessment: this measure is expected to have negligible impact on small and micro businesses. Other impacts have been considered and none have been identified.					

Monitoring and evaluation

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

Further advice

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

Bank levy: rate reduction

Who is likely to be affected?

UK banks, banking groups and building societies, foreign banking groups operating in the UK through permanent establishments or subsidiaries and UK banks and banking sub-groups in non-banking groups.

General description of the measure

This measure sets out the rate at which the bank levy will be charged for the next 6 years. The bank levy rate will decrease from 0.21% to 0.18% from 1 January 2016 and will continue to decrease each calendar year thereafter until 2021.

A proportionate decrease to 0.09% with effect from 1 January 2016 will be made to the half rate, with corresponding reductions being made each following calendar year until 2021.

Policy objective

Banks should continue to make a fair contribution in respect of the potential risks they pose to the UK financial system and wider economy. As the banking sector recovers and profitability improves, the government believes it is now appropriate to reform how banks are taxed.

The government will reduce the rate at which the bank levy is charged and introduce a surcharge on the profits of banking companies. The government will also set the rate at which the bank levy is charged for the next 6 years. It is estimated that the revenue raised by the surcharge will offset bank levy reductions over the forecast period.

Background to the measure

This measure was announced at Summer Budget 2015.

The government announced the introduction of the bank levy at Budget 2010 to commence for chargeable periods ending on or after 1 January 2011. This staged reduction is being introduced in conjunction with a new surcharge to be charged on banking profits.

Detailed proposal

Operative date

The new rates of bank levy will apply on and after 1 January 2016, with future rates specified for application in each calendar year up to 2021.

Current law

The bank levy rates are set out in paragraphs 6 and 7 of Schedule 19 to the Finance Act (FA) 2011 as amended by section 211 of FA 2011, paragraphs 1 to 7 of Schedule 34 to FA 2012, section 202 of FA 2013, section 119 of FA 2014 and section 76 of FA 2015.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to amend paragraphs 6 and 7 of Schedule 19 to FA 2011.

For periods falling wholly or partly after 1 January 2016 the rate applying to chargeable equity will be decreased from 0.21% for short term chargeable liabilities and from 0.105 for long term chargeable liabilities to the rates outlined below:

Rate period	Rate for long term chargeable equity and liabilities	Rate for short term chargeable liabilities
1 January 2016 to 31 December 2016	0.09%	0.18%
1 January 2017 to 31 December 2017	0.085%	0.17%
1 January 2018 to 31 December 2018	0.08%	0.16%
1 January 2019 to 31 December 2019	0.075%	0.15%
1 January 2020 to 31 December 2020	0.07%	0.14%
Any time on or after 1 January 2021	0.05%	0.10%

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	nil	+415	+555	+365	+225	+105
	These figures are set out in Table 2.1 of Summer Budget 2015 as 'Banks: 8% Corporation Tax Surcharge and changes to Bank Levy' and have been certified by the Office for Budget Responsibility. They represent the combined Exchequer impact of 'Bank corporation tax surcharge' and 'Bank levy: rate reduction'. More details can be found in the policy costings document published alongside Summer Budget 2015.					
Economic impact	This measure is not expected to have any significant long-term macroeconomic impacts. It is estimated that the revenue from the surcharge will offset bank levy reductions over the forecast period.					
Impact on individuals, 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 a direct or disproportionate impact on any of the protected equality groups.					
Impact on business including civil	This measure is expected to have a negligible impact on businesses. It will only affect banking business with liabilities in excess of £20 billion and amendments to the rate are expected to have a					

society organisations	negligible administrative impact. Banks are expected to incur a negligible one-off cost to become familiar with the change in legislation. This measure will have no impact on civil society organisations.
Operational impact (£m) (HMRC or other)	There will be no significant impacts.
Other impacts	Competition assessment: the scope of the bank levy has been specifically designed to ensure a level playing field for all those affected by it in the UK. Small and micro-business assessment: the banks, building societies and banking groups affected by the bank levy are not small businesses, as only institutions with over £20 billion of chargeable liabilities are liable to pay the bank levy. Other impacts have been considered and none have been identified

Monitoring and evaluation

Receipts from the bank levy are being monitored on an ongoing basis.

Further advice

If you have any questions about this change, please contact Charlotte Hopwood on 03000 585950 (email: charlotte.hopwood@hmrc.gsi.gov.uk).

Bank corporation tax surcharge

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 imposes a surcharge of 8% on the profits of banking companies. The profits will be calculated on the same basis as for corporation tax, but with some reliefs added back.

Policy objective

Banks should continue to make a fair contribution in respect of the potential risks they pose to the UK financial system and wider economy.

As the banking sector recovers and profitability improves, the government believes it is now appropriate to reform how banks are taxed. The surcharge will link the contribution a bank makes to its profitability and will operate alongside the existing bank levy, a charge on banks' balance sheets. It is estimated that the revenue from the surcharge will offset bank levy reductions over the forecast period.

Background to the measure

This measure was announced at Summer Budget 2015.

Detailed proposal

Operative date

The surcharge will be levied on profits of banking companies in accounting periods beginning on or after 1 January 2016.

Where a company's accounting period straddles 1 January 2016, the period will be split and the surcharge will apply to the profits of the notional period commencing on 1 January 2016.

Current law

Companies are chargeable to corporation tax on their "taxable total profits" (section 4 of the Corporation Tax Act 2010; CTA 2010). The rate of corporation tax is set annually in the Finance Act.

The appropriate rate is applied to a company's profits and if applicable, certain reliefs may be applied against the amount to be charged to corporation tax (paragraph 8 of Schedule 18 to the Finance Act 1998).

<u>Controlled Foreign Companies (CFC) rules and calculation of liability to a CFC charge</u>
If a company has an overseas subsidiary with profits that are chargeable under Part 9A of the Taxation (International and Other Provisions) Act 2010 (TIOPA), it will be liable to a CFC charge based on the percentage of a CFC's profits that are apportioned to the chargeable company. The CFC charge is normally charged at the UK main rate of corporation tax (section 371BC(3) TIOPA).

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to levy a surcharge upon the taxable profits of a banking company or building society. The surcharge will be treated as an amount chargeable as if it were corporation tax. Double taxation relief will be allowed on the surcharge on a similar basis as for corporation tax.

The profits for the purposes of the surcharge will be the "taxable total profits" (section 4 CTA 2010) with certain reliefs added back.

The reliefs added back are:

- any group relief for the period from non-banking companies
- any relief arising before 1 January 2016.

Group relief from a non-banking company is group relief claimed from any company that does not meet the definition of a banking company. Relief arising before 1 January 2016 is relief, including losses, arising in accounting periods ending on or before 1 January 2016, or accounting periods straddling 1 January 2016 which will be notionally split so that relief arising in the notional period ending 31 December 2015 will be added back.

The legislation also contains a targeted anti-avoidance rule, applying to arrangements (whenever entered into) that seek to avoid or reduce the surcharge. The rule will negate the effect of the arrangements.

There is an annual allowance of £25 million available to groups, or, where a group has only one banking company or the banking company is not in a group, to that banking company alone. The allowance is available from 1 January 2016 and unused allowance cannot be carried forward. The allowance exempts surcharge profits or CFC profits apportioned to a banking company from liability to the surcharge.

Supplementary CFC charge

The appropriate rate to apply in charging the CFC charge for a banking company is a rate equivalent to the total of the UK main rate of corporation tax and the rate for the surcharge.

Reporting requirements

The surcharge will be paid alongside a company's liability to corporation tax. When a company makes a payment that includes, or is wholly, surcharge liability, it must notify HM Revenue & Customs of the amount of surcharge paid. This requirement is the same regardless of whether the company pays by instalments or not.

Where a company pays by instalments (Corporation Tax (Instalment Payment) Regulations SI 1998/3175), any surcharge element of an instalment due before 1 January 2016 will be treated as due at the next instalment date following 1 January 2016.

Groups will need to nominate one banking company to make a statement to HMRC of how the allowances will be used for the period. The statement should include details of the banking companies which will receive the allowance and the amount they will receive (up to a maximum of £25m for the group). Where a banking company is not in a group, it does not need to make a statement.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td><td>2020-21</td></tr>
<tr><td>nil</td><td>+415</td><td>+555</td><td>+365</td><td>+225</td><td>+105</td></tr>
<tr><td colspan="6">These figures are set out in Table 2.1 of Summer Budget 2015 as 'Banks: 8% Corporation Tax Surcharge and changes to Bank Levy' and have been certified by the Office for Budget Responsibility. They represent the combined Exchequer impact of 'Bank corporation tax surcharge' and 'Bank levy: rate reduction'. More details can be found in the policy costings document published alongside Summer Budget 2015.</td></tr>
<tr><td>Economic impact</td><td colspan="6">This measure is not expected to have any significant long-term macroeconomic impacts. It is estimated that the revenue from the surcharge will offset bank levy reductions over the forecast period.</td></tr>
<tr><td>Impact on individuals, households and families</td><td colspan="6">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.</td></tr>
<tr><td>Equalities impacts</td><td colspan="6">This measure concerns the taxation of incorporated businesses. As such it is very unlikely that there will be any impact on equality.</td></tr>
<tr><td>Impact on business including civil society organisations</td><td colspan="6">This measure is expected to have a negligible impact on businesses.

The measure impacts on banks and building societies within the charge to UK corporation tax, with those banks which are profitable incurring negligible ongoing costs associated with calculating their liability and submitting an additional return.

Banks are expected to incur a negligible one-off cost to become familiar with the change in legislation.

This measure will have no impact on civil society organisations.</td></tr>
<tr><td>Operational impact (£m) (HMRC or other)</td><td colspan="6">It is anticipated that HMRC will have to make changes to IT systems to implement this change. Work is ongoing to estimate the likely costs involved. This measure is not expected to have any significant operational impacts.</td></tr>
<tr><td>Other impacts</td><td colspan="6"><u>Small and micro business assessment</u>: This measure is expected to have a negligible impact on small and micro businesses.

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

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 Anthony Fawcett on 03000 585911 (email: anthony.c.fawcett@hmrc.gsi.gov.uk) or Hardeep Soor on 03000 589516 (email: hardeep.soor@hmrc.gsi.gov.uk).

Restricting tax relief for banks' compensation payments

Who is likely to be affected?

Banks and building societies within the charge to UK corporation tax.

General description of the measure

This measure denies banks and building societies corporation tax relief for compensation payments, and associated expenditures, relating to misconduct issues.

Policy objective

The measure will ensure that corporation tax receipts are not affected by large compensation payments made in relation to banks' past misconduct and management failures, ensuring that the sector makes an appropriate contribution to restoring the public finances.

Background to the measure

This measure was announced at Budget 2015.

A consultation on the measure's detailed design was published on 26 March 2015 and closed on 29 May 2015.

Detailed proposal

Operative date

This measure applies to compensation expenditure arising after on or after the 8 July 2015. Customers with an accounting period straddling the commencement date are required to apportion expenses between the pre- and post-commencement periods on a just and reasonable basis.

Current law

The current law on calculation of trading profits for corporation tax are contained in Part 3 of the Corporation Tax Act 2009. Within this Part, Chapter 3 contains the basic rules on trade profits, Chapter 4 contains rules restricting deductions, and Chapter 5 contains rules allowing deductions. Rules on specific trades are contained in Chapter 9.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to insert a new section into Chapter 9 of Part 3 of the Corporation Tax Act 2009. This section will provide that where a banking company (or a company associated with a banking company) incurs expenses in making a compensation payment to a customer in respect of a relevant issue, these expenses may not be deducted in the calculation of corporation tax.

The legislation will apply to companies which, at the time of a relevant issue, were carrying on a trade either as a retail or an investment bank.

An issue is a relevant issue if it relates to a bank's conduct of its banking business, is not an isolated issue and is significant in size, and it is not an excluded issue. Excluded issues include those relating to administrative issues.

There are further provisions to ensure that where payments are made through associated companies, or to third parties which then pay customers directly, tax relief will still be denied. The legislation will cover all direct compensation costs, with a percentage uplift to reflect associated administrative costs.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	+150	+260	+225	+180	+150
	These figures are set out in Table 2.1 of Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2015.				
Economic impact	This measure is not expected to have any significant macroeconomic impacts. The costing accounts for a number of behavioural responses that could affect the overall yield.				
Impact on individuals, households and families	This measure will only impact on companies. The measure is not expected to impact on individuals or households, and is not expected to impact on family formation, stability or breakdown.				
Equalities impacts	This measure will only impact on companies. The measure is not expected to have any equalities impacts.				
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses. The affected businesses will be required to identify relevant compensation and associated expenses in order to disallow them for tax purposes, which could lead to system change costs. The measure is not however expected to lead to significant on-going additional administrative costs to affected businesses. This measure is expected to have no impact on civil society organisations.				
Operational impact (£m) (HMRC or other)	It is not anticipated that there will be any implementation costs for HMRC.				
Other impacts	Small and micro business assessment: this measure is expected to have no impact on small and micro businesses Other impacts have been considered and none have been identified.				

Monitoring and evaluation

The measure will be monitored through information collected from corporation tax returns and through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact James Ewington on 03000 553788 or james.ewington@hmrc.gsi.gov.uk

Corporation tax: extending carried-forward loss allowance to savings banks established under the Savings Bank (Scotland) Act 1819

Who is likely to be affected?

Savings banks established under the Savings Bank (Scotland) Act 1819.

General description of the measure

At Autumn Statement 2014, the government announced a restriction on the amount of profit that banks and building societies can offset by carried-forward losses. This restriction took effect from 1 April 2015.

The restriction included a £25 million allowance for the building societies sector which applies when working out the amount of taxable profit that can be offset by carried-forward losses.

This measure extends this allowance to savings banks established under the Savings Bank (Scotland) Act 1819, in the same way as it currently applies to building societies within the meaning of the Building Societies Act 1986.

Policy objective

The government believes that the arguments for introducing an allowance for building societies are also relevant to savings banks established under the Savings Bank (Scotland) Act 1819. These banks have many of the same characteristics to building societies in that they do not have shareholders, are restricted in their ability to issue capital instruments, and are not profit-maximising.

Background to the measure

The bank loss-relief restriction was announced by the government at Autumn Statement 2014.

It was legislated in Finance Bill 2015 following a period of technical consultation on the draft legislation.

Detailed proposal

Operative date

The measure will have effect on and after 1 April 2015 so that savings banks covered by the measure are not affected by the restriction without an allowance.

Current law

The current law is contained in Part 7A of the Corporation Tax Act 2010. Within this Part, Chapter 2 defines "banking company" and "building society" for the purposes of Part 7A and Chapter 3 contains provisions restricting the amount of certain deductions which a banking company may make in calculating its taxable total profits for an accounting period. Within Chapter 3, S269CH establishes the carried-forward loss allowance subject to amendment by this measure.

Proposed revisions

The legislation will be introduced in Summer Finance Bill 2015 to amend Part 7A of the Corporation Tax Act 2010 so that savings banks established under the Savings Bank (Scotland) Act 1819 benefit from the allowance on the same basis as building societies.

A definition of "savings bank" will be inserted in Part 7A of that Act.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	negligible	negligible	nil	nil	nil	nil
	This measure is expected to have a negligible impact on the Exchequer.					
Economic impact	This measure is not expected to have any economic impacts.					
Impact on individuals, households and families	This measure will only impact on companies. The measure is not expected to impact on individuals or households, and is not expected to impact on family formation, stability or breakdown.					
Equalities impacts	This measure will only impact on companies. The measure is not expected to have any equalities impacts.					
Impact on business including civil society organisations	This measure is expect to have a negligible impact on business. This measure is expected to have no impact on civil society organisations.					
Operational impact (£m) (HMRC or other)	HMRC will not incur any operational costs implementing this measure.					
Other impacts	Other impacts have been considered and none have been identified.					

Monitoring and evaluation

This measure will be monitored through information on the loss allowance used by savings banks.

Further advice

If you have any questions about this change, please contact Jason Woodward on 03000 585797 (email: jason.woodward@hmrc.gsi.gov.uk).

Updating bank definitions

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

The measure updates the definition of a banking company used in tax legislation to align the definition with the current regulatory code.

Policy objective

This measure maintains the alignment of the definition of banking company used in bank levy and bank loss restriction legislation with those used by the Prudential Regulatory Authority and the Financial Conduct Authority. This is to ensure that the legislation remains simple, certain and effective.

Background to the measure

This measure was announced at Summer Budget 2015.

Detailed proposal

Operative date

This change will apply from 1 January 2014 in respect of Schedule 19 Finance Act 2011 (the bank levy legislation) and from 1 April 2015 in respect of Part 7A of the Corporation Tax Act 2010 (the bank loss restriction legislation).

Current law

The definition of banking company used in the bank levy and bank loss restriction legislation, relies on reference to the old definitions from the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") which have now been superseded. Although the BIPRU definitions are obsolete they do still remain within the glossary of the handbook of the Prudential Regulation Authority so can still be used.

Proposed revisions

On 1 January 2014 the EU introduced the Capital Requirements Regulations ("CRR"), introducing a new regulatory code for credit institutions and investment firms. This replaced the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") which until then had been the regulatory code for these financial institutions and firms.

From this point forward the financial regulators used the CRR as the regulatory code for banks and building societies rather than BIPRU. The Prudential Regulatory Authority implemented the CRR directly and the Financial Conduct Authority introduced a new Prudential Sourcebook for investment firms called "IFPRU".

In order to maintain the existing application of the bank levy and the bank loss restriction legislation this measure acts to amend the existing legislation to refer to current definitions of firms that are supervised by either the Prudential Regulatory Authority or the Financial Conduct Authority.

This measure is a technical change to the wording of the legislation to ensure clarity. There is no change to the policy. The amended legislation will continue to apply to the same population and will continue to operate in the same manner.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	nil	nil	nil	nil	nil	nil
	This measure 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 concerns banks. 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 concerns the taxation of incorporated businesses, which have no protected characteristics in law. As such it is very unlikely that there will be any impact on equality.					
Impact on business including civil society organisations	This measure acts to maintain the existing application of legislation so there will be no additional impact on business. 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 the monitoring and evaluation processes in place for monitoring the bank levy and the bank loss restriction.

Further advice

If you have any questions about this change, please contact Anthony Fawcett on 03000 585911 (email: anthony.c.fawcett@hmrc.gsi.gov.uk).

Taxation of lump sum death benefits

Who is likely to be affected?

- Beneficiaries of people who have died with pension savings in a registered pension scheme or non-UK pension scheme and
- scheme administrators of registered pension schemes

General description of the measure

A change is being made to the pensions tax rules to reduce the tax charge that applies to taxable lump sum death benefits paid from registered pension schemes or non-UK pension schemes.

Policy objective

This measure makes the tax system fairer by reducing the rate of tax payable on taxable lump sum death benefits from 45% to the recipient's marginal rate of income tax.

Background to the measure

The Taxation of Pensions Act received Royal Assent on 19 December 2014. From April 2015 lump sum death benefits paid from a registered pension scheme or non-UK pension scheme are taxed at 45% where the owner of the pension rights dies age 75 or over. If the deceased was under the age of 75, from April 2015 these lump sum death benefits are not taxed unless they are paid out more than two years after the scheme administrator became aware of the death. The two-year rule does not apply to the pension protection lump sum death benefit of the annuity protection lump sum death benefit.

The government has confirmed that from April 2016 taxable lump sum death benefits will be subject to tax at the recipient's marginal rate of income tax. Where the recipient is, for example, a trust or a company and so does not have a marginal rate the 45% charge will continue to apply.

Detailed proposal

Operative date

This measure will have effect in relation to lump sums paid on or after 6 April 2016.

Current law

Registered pension schemes are tax-advantaged vehicles intended to encourage saving for retirement. The legislation is mainly set out in Part 4 of Finance Act (FA) 2004 and supporting regulations.

Authorised payments of lump sums following the member's death are set out in section 168 FA 2004.

A registered pension scheme is only allowed to pay out benefits as authorised payments following the death of a scheme member in two forms, either as a pension or as a lump sum benefit. The type of benefits that can be paid depend on the exact circumstances and the type of pension scheme and largely mirror the type of benefits that the member could have had from the scheme before death.

Lump sum death benefits are payable tax-free where anyone dies under the age of 75 provided the scheme administrator has determined who the recipient will be and designated the funds. If someone dies under the age of 75 and the required designation by the scheme administrator is not made within two years of the death, the lump sum death benefit is taxable at a flat rate of 45% before payment to the recipient. This two-year rule does not apply to the pension protection lump sum death benefit or the annuity protection lump sum death benefit. Lump sum death benefits are also taxable if the deceased was age 75 or over.

The scheme administrator of a registered pension scheme is liable for the tax charge on lump sum death benefits.

Where UK pensions tax relief has been provided to individuals who are members of non-UK pension schemes, there are similar tax charges to those that exist for registered schemes on payments following the individual's death. The recipient of the lump sum death benefit is liable for the tax charge where it is paid out of a non-UK pension scheme.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to amend FA 2004 and ITEPA 2003.

Changes are being made so that where a lump sum death benefit is taxable it will be subject to the recipient's marginal rate of tax where the lump sum is paid directly from the pension scheme to an individual who is the ultimate beneficiary.

Taxable lump sum death benefits paid to an individual who is the ultimate beneficiary will no longer be subject to the special lump sum death benefits charge at 45%. They will be taxed as pension income and tax will be deducted under PAYE.

The tax charge will remain at 45% where the taxable lump sum death benefit is paid to someone other than an individual who is the ultimate beneficiary, such as a trust or a company.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	-50	-155	-165	-175	-185
	This Exchequer impact forms part of the figures for 'Pensions flexibility: decisions since Budget 2014', which are set out in Table 2.1 of Autumn Statement 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2014.				
Economic impact	This measure is not expected to have any significant macroeconomic impacts. A behavioural response to control for individuals increasing contributions into pensions to avoid Inheritance Tax is incorporated into the costing.				

Impact on individuals, households and families	Around 320,000 people retire each year with defined contribution pension savings. These policy changes mean that if they die before taking all of their pension, their beneficiary will only pay income tax at their marginal rate rather than 45%. These changes are not expected to have an impact on family formation, stability or breakdown.
Equalities impacts	These measures will affect the recipients of lump sum death benefits where someone dies at age 75 or over. The recipients could belong to any age group. The government expects these measures to affect proportionately more women than men, as men are more likely to have pension savings and to die first. No other impacts are anticipated in respect of groups sharing other protected characteristics.
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. There will be one-off burdens for pension scheme administrators including: training, familiarisation with the new rules and updating their systems. There will also be some increased ongoing burdens for pension schemes notably where they need to deduct tax at the recipient's marginal rate rather than at 45%. Also there will be some savings as most lump sum death benefits are payable tax-free where the holder of the pension rights dies under the age of 75.
Operational impact (£m) (HMRC or other)	There will be some changes to administrative processes to implement this change. HMRC is currently assessing the impacts of such changes.
Other impacts	Small and micro business assessment: This measure is expected to have a negligible impact. Other impacts have been considered and none have been identified.

Monitoring and evaluation

These measures will be kept under review through the monitoring of information collected on tax returns and tax records.

Further advice

If you have any questions about this change, please contact Beverley Davies on 03000 585266 (email: pensions.policy@hmrc.gsi.gov.uk).

Pensions tapered annual allowance

Who is likely to be affected?

- individuals with income of over £150,000, including the value of any pension contributions, who save in a registered pension scheme will be affected by the taper
- all savers in registered pension schemes will have their pension savings measured over a tax year
- scheme administrators of registered pension schemes and advisers who have clients who are members of registered pension schemes
- sponsoring employers of occupational registered pension schemes

General description of the measure

The measure will restrict pensions tax relief by introducing a tapered reduction in the amount of the annual allowance for individuals with income (including the value of any pension contributions) of over £150,000 and who have an income (excluding pension contributions) in excess of £110,000. In order to facilitate the taper, legislation will also be introduced to align pension input periods with the tax year as well as transitional rules to protect savers who might otherwise be affected by the alignment of their pension input periods.

Policy objective

The government's objective is to control the cost of pensions tax relief and help make sure pensions tax relief is fair and affordable.

Background to the measure

- the government announced in Summer Budget 2015 their intention to cut pensions tax relief for high earners by introducing a tapered annual allowance for those with incomes of over £150,000.
- draft legislation implementing the taper to the annual allowance, aligning pension input periods with the tax year and bringing in transitional provisions is published in Summer Finance Bill 2015.

Detailed proposal

Operative date

The annual allowance taper will have effect on and after 6 April 2016.

The legislation to align pension input periods with the tax year and to protect any savings will be effective from 8 July 2015.

The legislation for valuing defined benefit and cash balance pension savings for 2015-16 will be effective from Royal Assent to Summer Finance Bill 2015.

Current law

The current pension tax rules were introduced on 6 April 2006 (known as A-day) and are contained in Part 4 of Finance Act (FA) 2004. These rules provide for an annual limit on tax relieved pension savings which is currently £40,000, the recovery of excess relief through the annual allowance charge and the carry forward of unused annual allowance (sections 227 to 238A FA 2004).

Pension savings for a tax year are tested against the annual allowance over a 12 month period but this does not necessarily match the tax year. The period is known as the pension input period (section 238 FA 2004).

Where an individual flexibly assesses their pension savings (section 227G FA 2004), they are subject to a reduced annual allowance.

Proposed revisions

Legislation in Summer Finance Bill 2015 introduces a tapered reduction in the annual allowance from 6 April 2016, for those with an 'adjusted income' of over £150,000.

The 'adjusted income' definition adds-back any pension contributions, to prevent individuals from avoiding the restriction by exchanging salary for employer contributions. For those in defined benefit or cash balance arrangements, the value of the employer contribution will be calculated using the annual allowance methodology. That is the employer contribution will be the pension input amount for the arrangement, less the amount of any contributions made by or on behalf the individual during the tax year.

To provide certainty for individuals with lower salaries who may have one off spikes in their employer pension contributions, a net income threshold of £110,000 will apply. If the individual's net income is no more than £110,000 they will not normally be subject to the tapered annual allowance. However, anti-avoidance rules will apply so that any salary sacrifice set up on or after 9 July 2015 will be included in the threshold definition.

The rate of reduction in the annual allowance is by £1 for every £2 that the adjusted income exceeds £150,000, up to a maximum reduction of £30,000.

Where an individual is subject to the money purchase annual allowance, the alternative annual allowance will be reduced by £1 for every £2 by which their income exceeds £150,000, subject to a maximum reduction of £30,000.

The carry forward of unused annual allowance will continue to be available, but the amount available will be based on the unused tapered annual allowance.

All pension input periods open on 8 July 2015 are closed on that date, with the next pension input period running from 9 July 2015 to 5 April 2016. All subsequent pension input periods will be concurrent with the tax year from 2016-17 onwards.

To prevent retrospective taxation, individuals will have an £80,000 annual allowance for 2015-16, but subject to a £40,000 allowance for savings from 9 July 2015 to 5 April 2016. To achieve this, the 2015-16 tax year will be split into two notional periods, 6 April 2015 to 8 July 2015, the 'pre-alignment tax year' and 9 July 2015 to 5 April 2016, the 'post-alignment tax year'. All individuals will have an annual allowance of £80,000 for the 'pre-alignment tax year'. Where this amount has not been used in the 'pre-alignment tax year', it will be carried forward to the post-alignment tax year, subject to a maximum of £40,000. In addition, any unused annual allowance from the previous three years can be added to these amounts in the normal way.

The calculation of the pension input amount for the 2015-16 tax year will be modified for cash balance and defined benefits arrangements. Rather than having to calculate separately the pension input amount for pre-alignment and post-alignment tax years, the pension input amounts will be based on the total of the increase in the value of the individual's rights across the combined pension input periods for the arrangement ending in the period to 5 April 2016, but apportioned to the pre-alignment and post-alignment tax years.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	- 70	+260	+425	+900	+1180	+1280
	These figures are set out in Table 2.1 of Summer Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Summer Budget 2015.					
Economic impact	This measure is not expected to have any significant macroeconomic impacts. The costing takes into account a number of behavioural responses. These include: • individuals and employers reducing pension contributions which would be in excess of the annual allowance. This increases the amount of income subject to income tax • individuals in the taper region (between £150,000 and £210,000) reducing their incomes in response to the taper • a small increase in pensions contributions after announcement of the policy but prior to implementation.					
Impact on individuals, households and families	Around 300,000 pension savers are expected to have net incomes of at least £110,000 and could be affected by this measure. The measure is not expected to impact on family formation, stability or breakdown.					
Equalities impacts	HMRC data does not allow identification of groups sharing protected characteristics within the affected population. This measure will affect those with net incomes of at least £110,000. It is therefore assessed that the measure does not have a significant equalities impact. No other impacts are anticipated in respect of groups sharing other protected characteristics.					
Impact on business including civil society organisations	There will be some additional burdens for pension schemes and employers to provide information and guidance to individuals, to update their systems to reflect the changes to the annual allowance and pension input periods, and in some cases to do an extra end of year calculation. Anticipated one-off burdens include: salary and pension adjustments, legal and consultation advice, and training and familiarisation. Anticipated ongoing burden increases arise from the need for pension schemes to send more individuals their contribution values					

	(and information for carry forward), and dealing with scheme pays requests. In total, HMRC anticipates one-off costs across employers and pension schemes of £170 million, the majority of which is due to the need to align pension input periods to tax years, and additional annual burden of £20 million/year.
Operational impact (£m) (HMRC or other)	New guidance and tools to be developed to help individuals work out any tax liability. In addition the measure is likely to lead to an increase in contacts from the pensions industry and financial advisors to HMRC Pensions. Existing reporting procedures will need to be enhanced to deal with additional reports. The changes are estimated at £2 million for the necessary IT enhancements to HMRC systems.
Other impacts	Small and micro business assessment: the measure is not expected to have a significant impact on small and micro sized businesses. It would not be appropriate for the policy to apply differently according to the size of the firm within which the affected workers operate. 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 Paul Cottis on 03000 564209 (email: pensions.policy@hmrc.gsi.gov.uk).

Increasing rent-a-room relief

Who is likely to be affected?

Income tax payers with rental income from letting out a room in their home.

General description of the measure

This measure will increase the level of rent-a-room relief, which provides for tax-free income that can be received from renting out a room or rooms in an individual's only or main residential property, from £4,250 to £7,500 per year. It also increases the level if an individual rents out rooms in a guest house, Bed & Breakfast or similar, providing that it is their main residence. The increase to the rent-a-room limit will apply from 6 April 2016.

Policy objective

The increase to the rent-a-room relief threshold delivers the government's objective of supporting individual's living standards. The measure will also reduce and simplify the tax and administrative burden for those with rent-a-room income greater than the previous level of £4,250.

Background to the measure

This measure was announced at Summer Budget 2015.

Detailed proposal

Operative date

This measure will increase the limit from 6 April 2016.

Current law

Current law is provided in Chapter 1 of Part 7 of Income Tax (Trading and Other Income) Act (ITTOIA) 2005 an individual who qualifies for the rent-a-room relief can receive income of up to £4,250 without it being charged to income tax (the individual's limit).

The meaning of 'rent-a-room receipts', as described under Section 786 ITTOIA 2005 includes receipts for any meals and cleaning services paid for in relation to the use of the room. Section 789 makes provisions for when two or more people are entitled to the rent-a-room income, in which instance the relief is halved for each person.

An explanation of what happens when the limit is exceeded is at sections 795 to 798 and sections 799 and 800 describe the elections that can be made to opt out of the relief.

Proposed revisions

Secondary legislation will be laid to increase the individual's limit to £7,500 for the tax year 2016-17 and following years. This will amend section 789 ITTOIA 2005.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	-	-5	-10	-10	-10	-15
	These figures are set out in Table 2.1 of Summer Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Summer Budget 2015.					
Economic impact	This measure is not expected to have any significant economic impacts.					
Impact on individuals, households and families	Individuals who claim rent-a-room relief and have income from letting rooms for more than the current threshold will pay less tax as a result of this measure. Individuals who currently pay tax on profits from letting a room, rather than claiming rent-a-room relief, and who have income of more than the current threshold may pay less tax if they opt to claim the rent-a-room relief as a result of this measure. The administrative burden of completing a Self-Assessment return will be reduced for those individuals that have rental income between £4,250 and £7,500 and opt to claim the relief if this is the only additional income they have to declare on the Self-Assessment return. There are likely to be a small number of individuals (fewer than 10,000) brought out of Self-Assessment as a result of this measure with a small associated reduction in administrative costs. The measure is not expected to impact on family formation, stability or breakdown.					
Equalities impacts	Statistics on home ownership suggest it is people aged 35 and older who are most likely to live in owner occupied housing, and therefore most likely to benefit from the measure. Those individuals living in the rented sector may find that they are not impacted by the measure because their tenancy agreements prohibit them from sub-letting. There are no other expected impacts on the equality of groups sharing protected characteristics.					
Impact on business including civil society organisations	The relief is applicable to Bed & Breakfasts and guesthouses, so long as landlords meet all the requirements of the rent-a-room criteria. The impact on such businesses is expected to be negligible as we predict that most will use reliefs related to their trading activity. This measure is expected to have no impact on civil society organisations					
Operational impact (£m) (HMRC or other)	The operational impact and cost to HMRC will be negligible.					

Other impacts	Small and micro business assessment: more small businesses will be able to benefit from rent-a-room relief. This will also reduce and simplify the tax and administrative burden for those businesses now able to benefit from the relief. 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 Megan Shaw on 03000 585628 (email: megan.shaw@hmrc.gsi.gov.uk).

Restricting finance cost relief for individual landlords

Who is likely to be affected?

Individuals that receive rental income on residential property in the UK or elsewhere and incur finance costs (such as mortgage interest), excluding where the property meets all the criteria to be a furnished holiday letting.

General description of the measure

This measure will restrict relief for finance costs on residential properties to the basic rate of income tax. This will be introduced gradually from 6 April 2017.

Finance costs includes mortgage interest, interest on loans to buy furnishings and fees incurred when taking out or repaying mortgages or loans. No relief is available for capital repayments of a mortgage or loan.

Landlords will no longer be able to deduct all of their finance costs from their property income to arrive at their property profits. They will instead receive a basic rate reduction from their income tax liability for their finance costs.

Landlords will be able to obtain relief as follows:

- in 2017-18 the deduction from property income (as is currently allowed) will be restricted to 75% of finance costs, with the remaining 25% being available as a basic rate tax reduction.
- in 2018-19, 50% finance costs deduction and 50% given as a basic rate tax reduction.
- in 2019-20, 25% finance costs deduction and 75% given as a basic rate tax reduction.
- from 2020-21 all financing costs incurred by a landlord will be given as a basic rate tax reduction.

Policy objective

To make the tax system fairer, the government will restrict the amount of income tax relief landlords can get on residential property finance costs (such as mortgage interest) to the basic rate of tax. This will ensure that landlords with higher incomes no longer receive the most generous tax treatment. To give landlords time to adjust the Government will introduce this change gradually from April 2017 over 4 years.

Background to the measure

This measure was announced in Summer Budget 2015.

Detailed proposal

Operative date

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

Current law

Current law on how to calculate the profits of a property business is included in Chapter 3 of Part 3 Income Tax (Trading and Other Income) Act 2005.

Proposed revisions

Legislation will be published in Summer Finance Bill 2015 to restrict deductions from property income for finance costs for residential properties for individuals and to introduce a tax reduction at the basic rate of income tax.

Deductions from property income will be restricted to:

- 75% for 2017-18
- 50% for 2018-19
- 25% for 2019-20
- 0% for 2020-21 and beyond

Individuals will be able to claim a basic rate tax reduction from their income tax liability on the portion of finance costs not deducted in calculating the profit. In practice this tax reduction will be calculated as 20% of the lower of:

- the finance costs not deducted from income in the tax year (25% for 2017-18, 50% for 2018-19, 75% for 2019-20 and 100% thereafter),
- the profits of the property business in the tax year, or,
- the total income (excluding savings income and dividend income) that exceeds the personal allowance and blind person's allowance in the tax year.

Any excess finance costs may be carried forward to following years if the tax reduction has been limited to 20% of the profits of the property business in the tax year.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	-	-	nil	+225	+415	+665
	These figures are set out in Table 2.1 of Summer Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Summer Budget 2015.					
Economic impact	This measure could marginally reduce demand for housing but it is not expected to have a significant impact on either house prices or rent levels due to the small overall proportion of the housing market affected and the offsetting impact of wider budget measures. The costing includes a behavioural response from the impacted population having relief for finance costs restricted to the basic rate of income tax.					
Impact on individuals, households and families	It is expected that 1 in 5 individual landlords will receive less relief as a result of this measure. Administratively this measure will affect individuals (including partners in partnerships) with income from residential property that incur finance costs. It is also expected that both the one off and on-going administrative burdens for these individuals will be negligible as the majority will still only need to complete one box for finance costs on the self-					

	assessment return and the new tax calculation will be automated for those filing online. For those filing a paper return, we expect a tax calculator to be available. There will be an additional administrative burden for individuals with rental income from both commercial and residential properties as they will need to complete an additional box as a result of the measure. The measure is not expected to impact on family formation, stability or breakdown.
Equalities impacts	It is likely that this measure will impact on those with above average incomes. It is not anticipated that the measure will adversely impact on any particular protected characteristic group. There are no other expected impacts on the equality of groups sharing protected characteristics.
Impact on business including civil society organisations	The impact on individuals is explained above. There is no additional impact on business. This measure is expected to have no impact on civil society organisations
Operational impact (£m) (HMRC or other)	The additional costs for HMRC for implementing this change are estimated to be in the region of £420,000 for the IT changes and £150,000 for customer information and support. Compliance will be carried out in accordance with HMRC's compliance strategy, with an indicative cost of around £500,000 - £1 million for resource, training and guidance.
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 03000 585628 (email: megan.shaw@hmrc.gsi.gov.uk).

Income tax: amendments to tax-advantaged venture capital schemes

Who is likely to be affected?

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

General description of the measure

This measure makes amendments to EIS and VCT rules. The measure

- specifies the age of a company that is eligible for investment under EIS and VCT
- caps the total amount of tax-advantaged investment a company may receive over its lifetime
- stops the use of EIS and VCT money for acquisitions of businesses
- provides that investors are independent from the company in which they invest
- introduces higher limits on total investment, age of company and number of employees to provide support for knowledge-intensive companies that are particularly likely to struggle to access finance
- smooths the interaction between SEIS and EIS.

Policy objective

The measure ensures that the UK continues to offer generous tax incentives to encourage private investment into those small and growing companies which would otherwise struggle to access finance. At the same time, the schemes will be well-targeted and in line with state aids rules. The state aids rules are specified in the "Guidelines on State aid to promote risk finance investments" (2014/C 19/04). The measure also ensures that the UK provides extra support to innovative companies and those which are undergoing significant change.

Background to the measure

The measure was announced at Summer Budget 2015.

A consultation document entitled "Tax-advantaged venture capital schemes: ensuring continued support for small and growing businesses" was published in July 2014. The document explained that new state aids rules were coming into force and sought evidence on the potential impact of any changes. The consultation sought views more generally on the recent expansions of EIS and VCT, the introduction of SEIS, and how the rules within the schemes were working. The consultation closed on 19 September 2014.

Draft legislation was published for consultation on 24 March 2015 and the consultation closed on 15 May 2015.

This Tax Information and Impact Note (TIIN) updates and replaces the TIIN published on 24 March 2015.

A response document to the 2014 consultation was published on 8 July 2015.

The measure is subject to final approval by the European Commission on state aids.

Detailed proposal

Operative date

The measure will have effect from:

- 6 April 2014 for the change to the rule on redemption of shares of SEIS investors
- 6 April 2015 for the provision removing the requirement for 70% of SEIS funds to be used before a company may raise funds under EIS or VCT
- Royal Assent for shares issued under EIS and for investments made by VCTs and for determining whether investments held by the VCT are to be regarded as qualifying holdings.

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 ITA 2007.

Section 996 ITA 2007 defines "farming" for the purposes of the Income Tax Acts.

Proposed revisions

Legislation will be published in Summer Finance Bill to make a number of changes to the EIS, SEIS and VCT rules.

If an individual subscribes for shares in a company and that individual already holds shares in the company, the new shares will not be eligible for EIS unless the individual has made a risk finance investment in the company before Royal Assent or the individual's shares in the company (excluding founders' shares) were a risk finance investment. A risk finance investment is an investment under EIS, SEIS or Social Investment Tax Relief.

A new requirement will be introduced in Part 5 and 6 of ITA 2007 for the money to be used for the growth and development of the company (or subsidiary company).

The rule prohibiting the use of money for the acquisition of shares will be extended to all investments made by VCTs on or after the operative date and will therefore apply to non-qualifying holdings.

A new rule will be introduced to prevent companies from using EIS and VCT investments to acquire a business.

Companies must raise their first investment under EIS, VCT or other risk finance investment within 7 years of making their first commercial sale or 10 years if the company is a knowledge-intensive company. However, no age limit will apply to companies raising an investment where the amount of the investment is at least 50% of the company's annual turnover, averaged over the previous five years. The age limit will apply also to any business that has been owned previously by another company.

In addition to the existing cap on annual investments of £5 million, a new cap will be introduced on the total amount of investments a company may raise under EIS, VCT or other risk finance investment, of £12 million or £20 million for knowledge-intensive companies. Any risk finance investments used by a business previously owned by another company will count towards the total funding limit.

A knowledge-intensive company is a company:

- whose costs of research and development or innovation are at least 15% of the company's operating costs in at least one of the previous three years, or at least 10% of the company's operating costs in each of the previous three years and either
- which has created, is creating or is intending to create, intellectual property or
- which has employees with a relevant Masters or higher degree who are engaged in research and development or innovation and who comprise at least 20% of the company's total workforce.

For knowledge-intensive companies, the limit on employees will be raised from less than 250 to less than 500 employees.

Section 173B and section 292B ITA 2007 will be repealed so that companies will no longer need to use at least 70% of SEIS funds before raising funds under EIS or VCT respectively.

Section 224 ITA 2007 will be amended so that the EIS relief of investors in companies that redeem the shares of SEIS investors will no longer be reduced, so long as the SEIS relief on the redeemed shares is repaid.

Section 996(7) ITA 2007 will be repealed to clarify that farming outside the UK is not an eligible activity for EIS, SEIS, VCT and Enterprise Management Incentives.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td><td>2020-21</td></tr>
<tr><td>+10</td><td>+85</td><td>+15</td><td>+35</td><td>+40</td><td>+40</td></tr>
<tr><td colspan="6">These figures replace those which are set out in Table 2.1 of Budget 2015. The Office for Budget Responsibility has included these numbers in its forecast.</td></tr>
<tr><td>Economic impact</td><td colspan="6">This measure is not expected to have any significant economic impacts.</td></tr>
<tr><td>Impact on individuals, households and families</td><td colspan="6">There may be some impact on individual SEIS, EIS and VCT investors who have been expecting to make particular investments into companies. These investors reflect the demographic of investors in these schemes. These individuals will not be eligible for tax relief on investments made on or after the new limits take effect, where the investments no longer qualify under the tax-advantaged venture capital schemes.

The measure is not expected to impact on households, family formation, stability or breakdown.</td></tr>
<tr><td>Equalities impacts</td><td colspan="6">The changes to the schemes are not likely to change the impacts of this measure on any group.

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.</td></tr>
<tr><td>Impact on business</td><td colspan="6">This measure is expected to have a negligible impact on business.</td></tr>
</table>

including civil society organisations	Some companies may find that they are no longer eligible for support under the scheme; we estimate that more than 90% of companies qualifying under current rules will continue to remain eligible for tax-advantaged investments. As this measure is an amendment to the existing schemes, it is unlikely that many eligible companies will face one-off and ongoing administrative costs in order to qualify for the relief, as they will already have some knowledge of the existing relief. For the newly qualifying knowledge-intensive companies with no knowledge of any of the schemes, there may be negligible one-off costs associated with familiarisation with new legislation, processes and requirements. The ongoing costs include the costs of calculating and claiming the relief. It is expected that fewer than 150 companies would fall in this category. Some VCTs will incur one-off administrative costs since they will need to ensure that their future investments meet the new conditions. These costs are expected to be negligible. This measure is expected to have 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. There will be some small costs in updating forms and guidance.
Other impacts	Small and micro business assessment: the impact on all small and micro businesses is the same as all businesses that are currently eligible for the tax-advantaged venture capital schemes. Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure 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 03000 536678 (email: cathy.wilson@hmrc.gsi.gov.uk).

Tax exemption for travel expenses of members of local authorities

Who is likely to be affected?

Councillors who are elected or appointed to serve as members of a local authority.

General description of the measure

The measure will introduce a new exemption from income tax for travel expenses paid to councillors by their local authority.

There will be a corresponding National Insurance contributions (NICs) disregard.

Policy objective

Councillors perform an important constitutional role in representing communities across the UK. They carry out their duties in their own time, often in addition to other professional and personal commitments, and many receive no payment other than allowances in recognition of the time and expenses they incur. This measure will help ensure that individuals are not discouraged from undertaking a role as a councillor by the tax treatment of travel expenses paid by their local authority.

Background to the measure

On 22 July 2014 the government announced its intention to introduce a tax exemption and matching NICs disregard for councillors' travel expenses.

Following the announcement, informal discussions were held with representative bodies for councils and councillors. A further consultation was held in early 2015 on draft Regulations that set out further details of the exemption.

This Tax Information and Impact Note (TIIN) updates and replaces the TIIN published on 10 December 2014.

Detailed proposal

Operative date

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

Current law

Travel expenses paid to councillors are generally subject to the rules that govern the tax treatment of the travel expenses of all employees and office-holders.

Payments by employers of travel expenses for home to office travel are generally chargeable to income tax as a payment of earnings under section 62 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) and create a liability for Class 1 NICs as earnings from the employment as provided for in section 3 of the Social Security (Contributions) and Benefits Act 1992 (SSCBA).

Sections 229 to 236 ITEPA set out the current rules for Passenger Payments and the approved amounts for such payments, Mileage Allowance Payments (MAPs), Approved Mileage Allowance Payments (AMAPs) and Mileage Allowance Relief (MAR) for employees who use their own vehicle for business travel.

Sections 337-338 ITEPA provide for deduction from earnings for costs necessarily incurred on business travel, specifically on travelling in the performance of the duties of the employment and travelling for the employee's necessary attendance at a temporary workplace.

Subsection 338(2) ITEPA specifically excludes the expenses of ordinary commuting, defined as travel between an employee's home and permanent workplace, from qualifying as business travel.

Sections 6–9 SSCBA impose a Class 1 NICs liability on employees and employers in respect of payments of earnings. Regulation 25 of, and Schedule 3 to, the Social Security (Contributions) Regulations 2001 (S.I. 2001/1004) (SSCR) provide for specified payments to be disregarded in the calculation of earnings for these purposes.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to amend Part 4 of ITEPA to exempt payment of councillors' travel expenses from a charge to income tax. This will include expenses paid for journeys between the councillor's home and permanent workplace, except where the councillor's home is more than 20 miles from the boundary of the local authority area.

The current rules for MAPs, AMAPs and MAR will continue to apply to business travel undertaken by a councillor in their own vehicle. Journeys between a councillor's home and permanent workplace, where their home is either in the local authority area or within 20 miles of the boundary of the area, will be treated as business travel when calculating MAPs and applying the AMAPs limits, but will not be treated as business travel for calculating MAR.

The tax exemption will also apply to qualifying passenger payments up to the approved amount, but only where the passenger is also a member of the local authority.

The exemption will only apply where payments are made by a local authority under certain provisions. Treasury Regulations will set out relevant definitions and the provisions that payments must be made under.

Amendment will also be made to the SSCR to give effect to these provisions for Class 1 NICs purposes.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td><td>2020-21</td></tr>
<tr><td>-</td><td>negligible</td><td>negligible</td><td>negligible</td><td>negligible</td><td>negligible</td></tr>
<tr><td colspan="6">This measure is expected to have a negligible impact on the Exchequer</td></tr>
<tr><td>Economic impact</td><td colspan="6">This measure is not expected to have any significant economic impacts.</td></tr>
<tr><td>Impact on individuals, households and families</td><td colspan="6">This measure will only apply to elected or appointed councillors. It will affect those who currently receive taxable home to work travel expenses. The impact on affected individuals will be limited to the tax and National Insurance currently paid on such expenses.</td></tr>
</table>

Equalities impacts	HMRC does not hold any data on the protected characteristics of councillors. However, this measure will apply equally to all councillors and will not impact other groups.
Impact on business including civil society organisations	This measure is expected to have no impact on businesses or civil society organisations. There are likely to be implementation costs for local authorities due to the need to change some internal processes, but there will be ongoing administrative savings once implementation is complete.
Operational impact (£m) (HMRC or other)	The additional costs for HMRC in implementing these changes are expected 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 the affected group.

Further advice

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

2015 London Anniversary Games

Who is likely to be affected?

Non-UK resident sportspeople competing in the London Olympic and Paralympic Anniversary Games 2015 taking place at the Queen Elizabeth II Olympic Park and stadium from 24 to 26 July 2015.

General description of the measure

This measure provides an exemption from UK income tax for non-UK resident sportspeople on any income received as a result of their performance at the 2015 Anniversary Games.

Policy objective

This exemption has been put in place to celebrate and maintain the legacy of the London 2012 Olympic and Paralympic Games, and to mark its third anniversary.

Background to the measure

This exemption was announced at Summer Budget 2015. It applies only to income received by non-resident sportspeople who compete at or carry out activities between 22 and 28 July 2015 as part of the 2015 London Anniversary Games. The exemption will also apply to a UK resident for whom this activity is performed in an `overseas` part of the year.

Detailed proposal

Operative date

This measure will affect income earned by non-resident competitors in the 2015 London Anniversary Games which arises between 22 and 28 July 2015.

Current law

Section 27 of Income Tax (Earnings and Pensions) Act 2003 and sections 13 and 14 of Income Tax (Trading and Other Income) Act 2005 impose a UK income tax charge on respectively non-resident sportspeople's employment and self-employment income that is connected to a performance which takes place in the UK. Without the exemption provided by this measure, non-resident sportspeople would be taxed in the UK on both their income gained as a result of their performance at the 2015 Anniversary Games, plus a proportionate share of their worldwide sponsorship income. The exemption will not apply to the income of UK resident sportspeople.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to provide an exemption from the above UK income tax charges for non-resident sportspeople on income related to a 2015 London Anniversary Games performance. A similar exemption will apply to UK residents for whom the tax-year 2015-16 is “split” and for whom the games occur in the “overseas” part of the year.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	negligible	negligible	nil	nil	nil	nil

	This measure is expected to have a negligible impact on the Exchequer.
Economic impact	This measure is not expected to have any significant economic impacts.
Impact on individuals, households and families	The exemption means that non-resident competitors will not be subject to UK income tax on income related to the 2015 London Anniversary Games. They would be liable to tax on this income in the countries in which they are resident. UK resident competitors will not benefit from the exemption. The fact that exempted individuals would not need to fill out tax returns for this income will reduce the administrative burden on them.
Equalities impacts	There is no impact 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. It only affects a small number of non-resident sportspeople and may have a very slight effect in easing the burden on a very small number of associated accountants or management companies.
Operational impact (£m) (HMRC or other)	It is not expected that implementing this change will incur any additional costs for 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 taxpayer groups affected by the measure.

Further advice

If you have any questions about this change, please contact Aidan Close on 03000 585 255 (email: aidan.close@hmrc.gsi.gov.uk).

Corporation tax: R&D tax credits: universities and charities

Who is likely to be affected?

Universities and charities claiming the Research & Development Expenditure Credit (RDEC).

General description of the measure

This measure amends legislation so that universities and charities are unable to claim the RDEC, in line with the original intention of the policy. This is to ensure that the scheme remains effective and well-targeted to business Research & Development (R&D).

This measure relates to a university's or charity's own independent research, and also for the R&D they carry out as sub-contractors. This does not affect ‘spin out’ companies used by universities or charities to commercialise their research. This also does not affect any claims made to date, and universities can continue to claim for any qualifying expenditure they have incurred prior to 1 August 2015.

Policy objective

R&D tax credits are a key element in the government’s commitment to an internationally competitive tax system and in its objective for strong and sustainable private sector-led growth. This measure ensures that they remain well-targeted in incentivising business R&D investment.

Background to the measure

This measure was announced at Summer Budget 2015.

The government replaced the previous super-deduction for large companies with the RDEC in 2013. This was to encourage more R&D by large companies. By making the RDEC available to all large companies, including those with no liability to corporation tax, it was intended to make the benefits of R&D tax relief more visible and certain, compared to the previous super-deduction.

Universities and charities were never intended to claim the RDEC and were unable to claim under the previous large company scheme. However, HMRC have now received a number of claims from universities. This change amends the legislation so that it is in line with the original policy intention.

Detailed proposal

Operative date

This measure will have effect in relation to expenditure incurred on or after 1 August 2015.

Current law

Current law on the RDEC is set out in Chapter 6A of Part 3, Corporation Tax Act (CTA) 2009.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to amend the qualifying conditions for RDEC in Section 104A CTA 2009. An institution of higher education or a charity will be ineligible to make a claim for the RDEC in relation to any expenditure incurred on or after 1 August 2015. The legislation will also confer on HM Treasury a power to define further categories of ineligible company via secondary legislation.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td><td>2020-21</td></tr>
<tr><td>nil</td><td>nil</td><td>nil</td><td>nil</td><td>nil</td><td>nil</td></tr>
<tr><td colspan="6">This measure is not expected to have an Exchequer impact. This measure supports the Exchequer in its commitment to protect revenue.</td></tr>
<tr><td>Economic impact</td><td colspan="6">This measure is not expected to have any significant economic impacts.</td></tr>
<tr><td>Impact on individuals, households and families</td><td colspan="6">The measure only applies to universities and charities carrying out qualifying R&D activities and so is not expected to have an impact on individuals, households or family formation, stability or breakdown.</td></tr>
<tr><td>Equalities impacts</td><td colspan="6">This measure only applies to universities and charities carrying out qualifying R&D activities and so is not expected to have any equalities impacts.</td></tr>
<tr><td>Impact on business including civil society organisations</td><td colspan="6">Charities will no longer be eligible for support under the schemes. It is estimated that this will affect less than 50 universities and charities who are currently claiming under the current rules.

As this measure is an amendment to the existing schemes, it is unlikely that many eligible companies will face one-off and ongoing administrative costs in order to qualify for the relief, as they will already have some knowledge of the existing relief. For organisations that are no longer eligible for the relief, there will be some one-off costs involved in altering their approach. These costs are expected to be negligible.</td></tr>
<tr><td>Operational impact (£m) (HMRC or other)</td><td colspan="6">There will be no significant impact on HMRC.</td></tr>
<tr><td>Other impacts</td><td colspan="6"><u>Small and micro business assessment</u>. This measure has no impact on small and micro businesses.

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

Monitoring and evaluation

The measure will be monitored through information collected from tax returns and the HMRC Incentives and Reliefs units.

Further advice

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

Corporation tax: modernising the taxation of corporate debt and derivative contracts

Who is likely to be affected?

This measure affects companies subject to corporation tax, which issue or hold debt or which are party to derivative contracts.

General description of the measure

This measure updates the rules governing the taxation of corporate debt (known as loan relationships) and derivative contracts. It makes a series of changes to update the computation of profits and losses on these instruments and the detailed rules by which they are taxed.

Policy objective

The measure updates the rules to take account of developments in accounting and in business practice since their original introduction in 1996. It supports the government's policy of simplifying taxation by addressing difficulties which have arisen in the application of the regime. It makes the rules more certain and easier to comply with by clarifying the structure and detailed rules, and makes the regime fairer by providing more robust protection against tax avoidance.

Background to the measure

At Budget 2013, the government announced consultation on a package of proposals to modernise the corporation tax rules governing the taxation of corporate debt and derivative contracts.

A consultation document 'Modernising the taxation of corporate debt and derivative contracts' was published on 6 June 2013, and the government's response was published on 10 December 2013.

A Technical Note, setting out the framework of the changes and the government's priorities in the light of consultation, was published on 8 April 2014.

This Tax Information and Impact Note (TIIN) updates and replaces the TIIN published on 10 December 2014.

Detailed proposal

Operative date

The changes made by this measure will have effect in respect of companies' accounting periods commencing on or after 1 January 2016, with two exceptions. First, a new provision which relieves credits which arise when debts of companies in financial distress are released, or the terms modified, will apply to releases and modifications on or after Royal Assent to Summer Finance Bill 2015. Second, new anti-avoidance rules will apply to arrangements entered into from the same date.

Current law

The current legislation is in Parts 5 and 7 of the Corporation Tax Act (CTA) 2009, dealing with loan relationships and derivative contracts respectively. Part 6 deals with matters which, while not within the definition of loan relationships, are brought within the Part 5 rules.

The Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004 (SI 2004/3256) (known as the 'Disregard Regulations') provide detailed rules concerning the tax treatment of hedging relationships. The Loan Relationships and Derivative Contracts (Change of Accounting Practice) Regulations 2004 (SI 2004 / 3271) provide rules concerning changes in accounting practice.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015. The main changes are:

Sections 307 and 595 CTA 2009 will be amended to remove the requirement that amounts brought into account for tax must 'fairly represent' the profits, gains and losses arising.

Sections 308 and 597 will be amended to bring the calculation of taxable amounts in line with the usual approach to the computation of profits, for both commercial and tax purposes. Taxation will be based only on amounts recognised as items of accounting profit or loss, rather than on amounts recognised anywhere in accounts – in reserves or equity, for example. A transitional rule will ensure that this change is broadly tax neutral.

Section 322 will be amended and a new section 323A introduced to exclude taxable amounts which would otherwise arise where arrangements are made to restructure the debts of a company in financial distress with a view to ensuring its continued solvency. This will cover situations where debt is released, or where the terms are modified, supplementing and extending the existing rule which exempts credits arising in debtor companies when creditors exchange debt investment for an equity stake.

A new regime-wide anti-avoidance rule will be introduced into each of Parts 5 and 7, which will counter arrangements entered into with a main purpose of obtaining a tax advantage by way of the loan relationships or derivative contracts rules. As a consequence, a number of existing specific anti-avoidance rules will be repealed.

Further changes to Parts 5 and 7 are being made by way of secondary legislation in 2015, in particular to update the rules on forex hedging, convertible instruments and property-based derivatives.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td><td>2020-21</td></tr>
<tr><td>nil</td><td>negligible</td><td>negligible</td><td>negligible</td><td>negligible</td><td>negligible</td></tr>
<tr><td colspan="6">This measure is expected to have a negligible impact on the Exchequer.</td></tr>
<tr><td>Economic impact</td><td colspan="6">This measure is not expected to have any significant economic impacts.</td></tr>
</table>

Impact on individuals, households and families	No impact on individuals or households has been identified. The measure is concerned with corporate taxpayers only. The measure is not expected to impact on family formation, stability or breakdown.
Equalities impacts	No impact on equalities has been identified.
Impact on business including civil society organisations	This measure is expected to have a negligible one-off familiarisation impact on businesses overall. It will affect mainly large companies and that impact is expected to be negligible. The measure is expected to reduce ongoing costs due to simplification of the legislation. No impact on civil society organisations is anticipated.
Operational impact	Revised legislation should be easier for HMRC to operate and reduce resource needed to combat attempted avoidance.
Other impacts	Small and micro business assessment: the interaction of small companies with the loan relationships and derivative contracts regimes is generally straightforward, and no material impact on them is anticipated. Other impacts have been considered and none have been identified.

Monitoring and evaluation

The impact and operation of this measure will be continuously monitored by way of information collected from companies' tax returns and regular contacts with businesses and other stakeholders.

Further advice

If you have any questions about this change, please contact Andy Stewardson on 03000 586085 (email: andy.stewardson@hmrc.gsi.gov.uk).

Corporation tax: restriction of CT relief for business goodwill amortisation

Who is likely to be affected?

Companies who recognise purchased goodwill and customer related intangible assets in their accounts, typically on the acquisition of a business.

General description of the measure

This measure removes corporation tax (CT) relief for companies who write off the cost of purchased goodwill and certain customer related intangible assets. Relief will still be available if the goodwill is sold.

Policy objective

In accounting terms, purchased goodwill is the balancing figure between the purchase price of a business and the net value of the assets acquired. Goodwill can therefore be thought of as representing the value of a business's reputation and customer relationships.

This measure removes the tax relief that is available when structuring a business acquisition as a business and asset purchase so that goodwill can be recognised. This advantage is not generally available to companies who purchase the shares of the target company. The current rules allow corporation tax profits to be reduced following a merger or acquisition of business assets and can distort commercial practices and lead to manipulation and avoidance. Removing the relief brings the UK regime in line with other major economies, reduces distortion and levels the playing field for merger and acquisition transactions.

Background to the measure

This measure was announced at Summer Budget 2015.

Detailed proposal

Operative date

This measure will apply to accounting periods beginning on or after 8 July 2015, but not in respect of acquisitions made before 8th July 2015.

Where there is a disposal, on or after 8 July 2015, of goodwill that is subject to the new rules, any additional relief due in respect of qualifying expenditure will be allowed as a non-trading debit.

Current law

Under Part 8 Corporation Tax Act 2009 (CTA09), CT relief is given to companies for the costs of purchased goodwill and intangible assets that are recognised in the accounts. Relief is normally given on these costs as and when the expenditure is written off in accordance with generally accepted accounting practice. A fixed 4% rate is also available if the company so elects.

The current rules only allow relief to be claimed when a company acquires a business directly rather than acquiring the shares in the target company. Purchased goodwill can only be recognised on a business acquisition but not on an acquisition of shares.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to amend Part 8 CTA 2009. This will withdraw relief for all goodwill and customer related intangible asset acquisitions.

Part 8 CTA 2009 will be amended to remove relief for debits under Chapter 3 for all purchased goodwill and customer related intangible assets, except in respect of acquisitions made before 8 July 2015 (or acquisitions made afterwards pursuant to an unconditional obligation entered into before then).

Part 8 CTA 2009 will also be amended to treat any debits arising on a realisation of a relevant asset as a non-trading debit. This is to limit how these debits can be relieved. In particular the debit will not be included in the calculation of trading losses. This amendment will apply to all disposals occurring on or after 8 July 2015 of goodwill and customer related intangible assets that are subject to the new rules.

No restriction will be made where a profit (credit) arises on a subsequent realisation.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td><td>2020-21</td></tr>
<tr><td>+35</td><td>+100</td><td>+165</td><td>+220</td><td>+280</td><td>+320</td></tr>
<tr><td colspan="6">These figures are set out in Table 2.1 of Summer Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Summer Budget 2015.</td></tr>
<tr><td>Economic impact</td><td colspan="6">This measure is not expected to have any significant macroeconomic impacts. The costing reflects a behavioural response whereby there will be an increase in tax planning arrangements from some companies.</td></tr>
<tr><td>Impact on individuals, households and families</td><td colspan="6">No impact on individuals and households.
The measure is not expected to impact on family formation, stability or breakdown.</td></tr>
<tr><td>Equalities impacts</td><td colspan="6">This measure affects companies. There will be no impact on equalities.</td></tr>
</table>

Impact on business including civil society organisations	This measure is expected to have negligible impact on large businesses. There are likely to be negligible one-off and on-going costs for approximately 500 large businesses affected, some of which may need to make computational adjustments to their corporation tax profits. This measure is expected to have no impact on civil society organisations.
Operational impact (£m) (HMRC or other)	The additional costs or savings for HMRC in implementing this change are anticipated to be negligible. Compliance checks will be carried out in the normal way.
Other impacts	Small and micro business assessment: this measure is expected to have a negligible impact on around 25,000 small, medium and micro businesses. There are likely to be negligible one-off and on-going costs for these businesses, as they may need to make computational adjustments to their corporation tax profits. 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 John Williams on 03000 530434 (email: john.r.williams@hmrc.gsi.gov.uk).

Corporation tax: simplifying 'link company' requirements for consortium claims

Who is likely to be affected?

Groups who hold shares in a UK consortium company through a group company resident outside the UK.

General description of the measure

Currently, for corporation tax group relief to flow between a consortium and a group owning a share in that consortium, the company that is a member of both the group and consortium (the "link company") must be located in the UK or the European Economic Area (EEA) and, if in the EEA, must meet other requirements.

This measure removes all requirements relating to the location of the "link company" so that relief may flow regardless of where the link company is based.

Policy objective

This measure makes the tax system simpler by removing any difference in treatment of consortium "link companies" based in the UK and other jurisdictions.

Background to the measure

This measure was announced at Autumn Statement 2014.

This Tax Information and Impact Note (TIIN) updates and replaces the TIIN published on 10 December 2014.

Detailed proposal

Operative date

This measure will have effect for consortium claims to group relief for accounting periods beginning on and after 10 December 2014.

Current law

Claim and surrender of group relief can currently be made between a company with a share in a consortium (the "member of the consortium") and the consortium company (the "company owned by a consortium"). Relief is also extended to companies in the same group as the member of the consortium.

Section 133 Corporation Tax Act (CTA) 2010 sets out the requirements for a claim for group relief between a company owned by a consortium and a company in the same group as a member of the consortium. The section defines the company that is in both the group and the consortium as the "link company".

Subsections 133(1)(g) and (2)(g) require that the "link company" must be in the UK or the EEA.

Subsections 133(5) to (8) contain additional requirements where the "link company" is in the EEA: all of the companies establishing the group relationship between the link company and the member of its group must also be within the EEA. If any of the intermediate companies are not in the EEA then group relief is not possible.

Section 134A CTA 2010 defines “established in the EEA” for the purposes of section 133.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to omit subsections 133(1)(g) and 133(2)(g), as well as subsections 133(5) to (8). This will remove the requirements relating to the location of the “link company” so that claims are possible under the conditions of section 133 regardless of the location of the “link company”.

Section 134A will be redundant, so this will be omitted.

References to the omitted sections will be removed from sections 129 and 130 of CTA 2010.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	negligible	negligible	negligible	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer.					
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals, households and families	This measure concerns incorporated businesses and has no direct impact on individuals or households. This measure concerns multinational groups of companies so is not anticipated to have any impact on family formation, stability or breakdown.					
Equalities impacts	This measure concerns the taxation of incorporated businesses, which have no protected characteristics in law. As such it is very unlikely that there will be any impact on equality.					
Impact on business including civil society organisations	This measure will simplify the process for inward investors entering a consortium to trade in the UK by removing all requirements relating to the location of the “link company”. This measure is expected to have a negligible impact on civil society organisations.					
Operational impact (£m) (HMRC or other)	This measure is not expected to have any significant operational impacts.					
Other impacts	Small and micro business assessment: this measure is expected to have a negligible impact on small and micro businesses. Other impacts have been considered and none have been identified.					

Monitoring and evaluation

The measure will be subject to ongoing monitoring through information collected in tax returns.

Further advice

If you have any questions about this change, please contact Steven Mole on 03000 585460 (email: steven.mole@hmrc.gsi.gov.uk).

Corporation tax: controlled foreign companies: loss restriction

Who is likely to be affected?

Large UK multinational companies with overseas subsidiaries.

General description of the measure

The measure stops losses and other surplus expenses from being set off against the CFC charge on the profits of controlled foreign companies (CFCs).

A CFC charge arises to a UK company in relation to profits from its CFCs which have been diverted from the UK.

This measure removes the ability of UK companies to reduce or eliminate a CFC charge by offsetting UK losses and surplus expenses against that CFC charge.

More specifically, the measure prevents the use of the following three types of expenses against a CFC charge:

- losses and surplus expenses brought forward from previous years
- losses and surplus expenses of the current year
- losses and surplus expenses arising in other group companies (group relief).

The measure also amends the rules restricting the use of carried forward losses in Part 14B of CTA 2010 ("tax avoidance involving carried-forward losses") to put beyond doubt that they apply to arrangements involving CFCs.

Policy objective

The UK CFC regime targets profits which have been diverted from the UK. The aim of this measure is to improve the effectiveness of the CFC regime in both deterring the diversion of profits, and in taxing any profits which are diverted.

Under the current rules, UK losses can be offset against profits taxable under the CFC rules. This reduces the amount of UK tax actually paid in respect of those diverted profits.

Restricting the use of UK losses against CFC profits is in line with broader corporate tax policy objectives, which seek to balance competitiveness and fairness.

Background to the measure

The measure was announced at Summer Budget 2015.

The measure forms part of a package of measures which deal with avoidance, evasion and imbalances.

Detailed proposal

Operative date

The measure applies to profits which arise on or after 8 July 2015.

The measure includes commencement provisions which are intended to ensure that profits are allocated appropriately to the periods before and after the commencement date.

Current law

The CFC legislation is set out in TIOPA 2010, Part 9A.

The current law relating to the offset of UK losses and expenses against a CFC charge is set out in TIOPA 2010, Part 9A, Chapter 21, section 371UD.

Anti-avoidance legislation was introduced in Finance Act 2015 restricting the ability of companies to use carried-forward losses in relation to profits that arise in connection with certain arrangements. That legislation is set out in Part 14B of CTA 2010 (tax avoidance involving carried forward losses).

Proposed revisions

Legislation will be introduced to repeal TIOPA 2010, Part 9A, Chapter 21, section 371UD.

The effect of this change is that UK losses and expenses will not be available to set off against a CFC charge.

A CFC charge is computed by reference to the profits of the CFC for an accounting period.

For CFC accounting periods that start on or after the commencement date, the UK losses and expenses set out in section 371UD will no longer be available to set off against a CFC charge arising in respect of these periods.

For CFC accounting periods which begin before but end after the commencement date, this measure includes commencement provisions which apportion the CFC profits (and related CFC charge) on a just and reasonable basis. This will ensure that CFC profits (and related CFC charges) that arise before the commencement date can still have UK losses and expenses set off against them.

Changes will be made to Part 14B of CTA 2010 to clarify that it also applies to arrangements involving the use of carried-forward losses against profits apportioned under the CFC rules. This will apply only where the other conditions in Part 14B of CTA 2010 are also met.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td><td>2020-21</td></tr>
<tr><td>+65</td><td>+140</td><td>+190</td><td>+165</td><td>+150</td><td>+150</td></tr>
<tr><td colspan="6">These figures are set out in Table 2.1 of summer Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Summer Budget 2015.</td></tr>
<tr><td>Economic impact</td><td colspan="6">This measure is not expected to have any significant macroeconomic impacts.

The costing allows for a number of behavioural responses by the UK multinationals affected by the measure that could reduce the yield.</td></tr>
</table>

Impact on individuals, households and families	The measure is not expected to have any impacts on individuals, households and families. The measure is not expected to impact on family formation, stability or breakdown.
Equalities impacts	There are no impacts on any group which shares a protected characteristic.
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. Almost all of the impact is focussed on less than 100 large UK based multinationals, in particular those with offshore financing arrangements. There will be some small one-off familiarisation costs for these businesses, but no significant ongoing additional administrative burdens.
Operational impact (£m) (HMRC or other)	There will be no significant operational impacts for HMRC. The measure is a simple amendment to the existing CFC rules.
Other impacts	<u>Small and micro business assessment</u>: there are expected to be no impacts on small or micro businesses as the measure affects large multinationals. Other impacts have been considered and none have been identified.

Monitoring and evaluation

The impact of this measure will be evaluated by monitoring CFC tax receipts, and CFC data included on corporation tax returns.

Further advice

If you have any questions about this change, please contact Mark Bryan on 03000 585607 (email: mark.bryan@hmrc.gsi.gov.uk), or Tommy Li on 03000 542679 (email tommy.li@hmrc.gsi.gov.uk).

Corporation tax and income tax: disposal of stock other than in trade, and corporate intangibles

Who is likely to be affected?

Businesses liable to corporation tax and income tax.

General description of the measure

The measure clarifies the tax treatment of transfers between related or connected parties of trading stock and of intangible fixed assets.

It ensures that the correct overall value is taken into account in computing profits for tax purposes when rules imposing market value for the transfer and separate rules for transfer pricing both apply.

Policy objective

The measure will ensure that the tax rules applying to transfers of trading stock or intangible fixed assets between related parties bring into account the correct values for tax purposes. The intention is to prevent attempted avoidance by ensuring that, as far as possible, values brought into account are equivalent to those that would be achieved in a sale to an unconnected third party.

Background to the measure

The measure was announced at Summer Budget 2015.

Detailed proposal

Operative date

The measure will have effect for transfers of trading stock or intangible fixed assets made on or after 8 July 2015.

Current law

Current law in relation to transfers of stock is contained in Chapters 10 and 11 of Part 3 of Corporation Tax Act 2009 (CTA). The equivalent legislation in relation to income tax is in Chapters 11A and 12 of Part 2 of Income Tax (Trading and Other Income) Act 2005 (ITTOIA).

Current law in relation to transactions between related parties in relation to intangible fixed assets is contained in Chapter 13 of Part 8 of CTA. There is no equivalent for income tax.

These provisions ("market value rules") typically provide that transfers are treated as taking place at market value. However, the transfer pricing legislation contained in Chapter 1 of Part 4 of Taxation (International and Other Provisions) Act 2010 (TIOPA) takes priority over the market value rules, with the result that they do not apply if transfer pricing does.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 revising the interaction between the market value rules and Part 4 of TIOPA.

The proposed revisions ensure that transactions between related parties, within the ambit of Part 4, can remain subject to further adjustment required under the market value rules in CTA or ITTOIA. The amendments ensure that between them the amended rules will bring into overall charge, as intended, an amount not less than the market value of the trading stock or intangible asset that has been transferred.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td><td>2020-21</td></tr>
<tr><td>+ 15</td><td>+ 30</td><td>+ 30</td><td>+ 20</td><td>+ 15</td><td>+15</td></tr>
<tr><td colspan="6">These figures are set out in Table 2.1 of Summer Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Summer Budget 2015.</td></tr>
<tr><td>Economic impact</td><td colspan="6">This measure is not expected to have any significant macroeconomic impacts.
The costing reflects a behavioural response by the population impacted by this measure.</td></tr>
<tr><td>Impact on individuals, households and families</td><td colspan="6">There is no impact on individuals and households because this is a change that affects businesses only. The measure is not expected to impact on family formation, stability or breakdown.</td></tr>
<tr><td>Equalities impacts</td><td colspan="6">The government does not consider this will have a detrimental impact on particular protected groups.</td></tr>
<tr><td>Impact on business including civil society organisations</td><td colspan="6">This measure clarifies the law on transfers of stock or intangible assets between related parties. There is expected to be no additional on-going burden to businesses and civil society organisations, although those businesses affected by the legislation may incur a negligible one-off cost of familiarising themselves with the measure.</td></tr>
<tr><td>Operational impact (£m) (HMRC or other)</td><td colspan="6">The additional costs for HMRC for implementing this change is anticipated to be negligible.</td></tr>
<tr><td>Other impacts</td><td colspan="6"><u>Small and micro business assessment</u>: this measure clarifies the law on transfers of stock or intangible assets between related parties. There is expected to be no additional on-going burden to businesses, although businesses affected by the legislation may incur a negligible one-off cost of familiarising themselves with the measure.
Other impacts have been considered and none have been identified.</td></tr>
</table>

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Mark Bingham on 03000 511496 (email: mark.bingham@hmrc.gsi.gov.uk), or Kieran Jordan on 03000 524811 (email: kieran.jordan@hmrc.gis.gov.uk).

Investment managers: capital gains tax treatment of carried interest

Who is likely to be affected?

Individuals involved in investment management for private equity or other investment funds, who are members of a partnership, or involved in arrangements including partnerships. These individuals will be affected if they receive a sum chargeable to capital gains tax (CGT) which is linked to the successful performance of a fund ("carried interest") and they have been paying an effective rate of tax on such sums which is below the rate of capital gains tax.

General description of the measure

Individuals will normally be charged to capital gains tax on the full amounts they receive in respect of their carried interest. Deductions will only be allowed in respect of sums actually given by the individuals as consideration for acquiring the right to that carried interest. The measure will not affect genuine investments in funds made by managers on an arm's length basis (known as "co-invest").

Policy objective

This measure will make the tax system fairer by ensuring that individuals to whom a gain arises in the form of carried interest are taxed on their true, economic gain and that planning tools designed to ensure they are taxed on a lower figure, to achieve a lower effective rate of tax are not effective.

Background to the measure

This measure was announced at Summer Budget 2015.

Detailed proposal

Operative date

This measure will have effect on all carried interest arising on or after 8 July 2015, whenever the arrangements were entered into.

Current law

Carried interest arises from an individual's participation in an investment vehicle, typically a partnership. Sums allocated to an individual in satisfaction of carried interest are treated, for tax purposes, as though the individual and not the partnership had carried out the transactions which gave rise to the sums in question. Where a chargeable asset held by a partnership is disposed of, a chargeable gain accrues to the individual and is calculated in accordance with the chargeable gains legislation. HMRC has published Statement of Practice D12 (SoPD12) which sets out an agreed interpretation of how the chargeable gains legislation operates in these circumstances. The application of SoPD12, together with tax planning techniques, can result in fund managers being charged to capital gains tax on amounts significantly lower than their actual economic returns.

Proposed revisions

Legislation in Summer Finance Bill 2015 will introduce new sections in Part III of the Taxation of Chargeable Gains Act 1992 to require the treatment set out below for sums received by managers in respect of their carried interest. For this purpose, carried interest will be defined by reference to the disguised investment management fees legislation introduced at Chapter 5E, Income Tax Act 2007 by section 21of the Finance Act 2015.

The new sections will provide that, where an individual performs investment management services for a collective investment scheme through an arrangement involving one or more partnerships, then any sums received in respect of carried interest under that arrangement will constitute a chargeable gain and be subject to capital gains tax. This will cover the entire sum received by an individual, regardless of the items notionally applied to satisfy the carried interest at the level of the partnership or other entity in the fund structure.

Only specified sums will be allowable as a deduction against the sum received when calculating the chargeable gain to ensure that individuals are charged to tax on their true economic profit. In particular, a deduction will only be allowed for consideration actually given by the individual (if any) in return for the carried interest rather than for the amount that would be allowed under SoPD12. Provision will be made to ensure that credit is given for employment income tax charges where relevant.

This measure will not affect the taxation of performance-linked rewards which are charged to income tax.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td><td>2020-21</td></tr>
<tr><td>nil</td><td>+265</td><td>+375</td><td>+390</td><td>+390</td><td>+375</td></tr>
<tr><td colspan="6">These figures are set out in Table 2.1 of Summer Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Summer Budget 2015.</td></tr>
<tr><td>Economic impact</td><td colspan="6">This measure is not expected to have any significant macroeconomic impacts.
A behavioural response of those affected by the measure is included in the costing.</td></tr>
<tr><td>Impact on individuals, households and families</td><td colspan="6">This measure will have an impact on, at most, several thousand individuals in private equity firms or elsewhere in the investment management sector who are currently in arrangements which result in a low effective rate of capital gains tax on their carried interest.
The measure is not expected to impact on family formation, stability or breakdown.</td></tr>
<tr><td>Equalities impacts</td><td colspan="6">This measure will affect individuals receiving carried interest from investment funds. These are likely to share protected characteristics with others of above average means, and equality groups represented in lower income groups are less likely to be affected.</td></tr>
</table>

Impact on business including civil society organisations	This measure will have no direct impact on business and civil society organisations. It will impact indirectly on the investment fund businesses that use the services of individuals who are affected by this measure. Such individuals may have to pay a higher effective rate of tax on their performance linked rewards but this is expected to result in a negligible ongoing compliance cost for investment funds and their investors.
Operational impact (£m) (HMRC or other)	The costs to HMRC of implementing this change are not expected to be significant.
Other impacts	<u>Small and micro business assessment</u>: investment fund management business which are small and micro businesses will be indirectly affected to the extent that the individuals involved in those businesses benefit from the current treatment set out in SoPD12 or the other tax planning tools which will targeted by this measure. Those individuals may have to pay a higher effective rate of tax on their performance-linked rewards, although this is not expected to involve additional costs to small and micro businesses. Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Rob Clay on 03000 570649 (email: rob.clay@hmrc.gsi.gov.uk) or contact James Coward on 03000 579560 (email: james.coward@hmrc.gsi.gov.uk).

Vehicle Excise Duty

Who is likely to be affected?

Purchasers of cars first registered from 1 April 2017 onwards.

General description of the measure

This measure reforms Vehicle Excise Duty (VED) for cars first registered from 1 April 2017 onwards. First Year Rates (FYRs) of VED will vary according to the carbon dioxide (CO2) emissions of the vehicle. A flat Standard Rate (SR) of £140 will apply in all subsequent years, except for zero-emission cars for which the SR will be £0. Cars with a list price above £40,000 will attract a supplement of £310 on their SR for the first five years in which a SR is paid. All cars first registered before 1 April 2017 will remain in the current VED system, which will not change. The new rates and bands for the post-2017 VED system are set out in the table below:

New VED system – for cars registered from 2017		
Emissions ($g/CO_2/km$)	*First year rate*	*Standard rate**
0	£0	£0
1-50	£10	£140
51-75	£25	
76-90	£100	
91-100	£120	
101-110	£140	
111-130	£160	
131-150	£200	
151-170	£500	
171-190	£800	
191-225	£1200	
226-255	£1700	
Over 255	£2000	
*cars above £40,000 pay £310 supplement for 5 yrs		

Policy objective

The current VED structure based on CO2 bands was introduced in 2001 when average UK new car emissions were 178 gCO2/km. The Band A threshold of 100 gCO2/km below which cars pay no VED was introduced in 2003 when average new car emissions were 173 gCO2/km. Since then, to meet EU emissions targets average new car emissions have fallen to 125 gCO2/km. This means that an increasingly large number of ordinary cars now fall into the zero- or lower-rated VED bands, creating a sustainability challenge and weakening the environmental signal in VED. This is set to continue as manufacturers meet further EU targets of 95 gCO2/km set for 2020. Additionally, the system results in significant unfairness as owners of newer cars pay little or no VED while owners of older cars generally pay higher rates.

The reformed VED system retains and strengthens the CO2-based FYRs to incentivise uptake of the very cleanest cars whilst moving to a flat SR in order to make the tax fairer, simpler and sustainable. To ensure those who can afford the most expensive cars make a fair contribution, a supplement of £310 will be applied to the SR of cars with a list price (not including VED) over £40,000, for the first five years in which a SR is paid.

Background to the measure

This measure was announced at Summer Budget 2015.

Detailed proposal

Operative date

The measure will have effect from 1 April 2017 for cars first registered on or after that date.

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.

Part 1A of Schedule 1 to VERA sets out the VED rates for cars registered on or after 1 March 2001, as amended by successive Finance Acts.

Proposed revisions

Schedule 1 will be amended to include a provision that differentiates rates applying to cars first registered before 1 April 2017 from those registered on or after that date.

Summary of impacts

<table>
<tr><td rowspan="3">Exchequer impact (£m)</td><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td><td>2020-21</td></tr>
<tr><td>-</td><td>+250</td><td>+195</td><td>+670</td><td>+940</td><td>+1425</td></tr>
<tr><td colspan="6">These figures are set out in Table 2.1 of Summer Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Summer Budget 2015.</td></tr>
<tr><td>Economic impact</td><td colspan="6">This measure is expected to have a small positive effect on inflation but is not expected to have any significant macroeconomic impacts. The costing includes a behavioural response to account for an increase in vehicle purchases in the period between the measure being announced and it being implemented.</td></tr>
</table>

Impact on individuals, households and families	This measure will impact on motorists purchasing a car first registered on or after 1 April 2017. In the current system the average annual VED across all UK motorists is £166. In the new system most motorists will be paying an annual VED payment of £140. Motorists purchasing a car above £40,000 will pay more than other motorists. The likelihood of a households purchasing one of these cars increases as the household's income increases. No one will pay more for the car they already own. This measure is not expected to impact on family formation, stability or breakdown.
Equalities impacts	This measure will affect everyone purchasing a car first registered from 1 April 2017 onwards. Car ownership can help people get around if they suffer from a mobility impairment. This is addressed through the 100% rates exemption and 50% rates discount that will continue to be available to people in receipt of the mobility component of Disability Living Allowance or Personal Independence Payments.
Impact on business including civil society organisations	This measure is expected to have a negligible impact on businesses and civil society organisations. This measure will not alter the administrative process to licence a car and pay tax for use on public roads. It is expected to result in negligible one-off costs as businesses and civil society organisations familiarise themselves with the band and rates changes and update administrative systems. This measure supports the development and manufacture of zero and Ultra Low Emission Vehicles (ULEVs) in the United Kingdom by providing preferential tax treatment of these cars over conventionally fuelled cars. The very cleanest zero-emission vehicles are particularly incentivised as they continue to be pay a £0 of VED.
Operational impact (£m) (HMRC or other)	There will be some operational impact on the Driver and Vehicle Licensing Agency (DVLA) as they set up the new VED system alongside the existing system. There will be no additional administrative costs for affected car drivers.
Other impacts	Carbon emissions: by strengthening the incentive to purchase zero-emission cars and ULEVs over conventionally fuelled cars this measure is expected to contribute to the UKs carbon emissions targets. Small and micro business assessment: this measure is expected to have negligible one-off costs on small and micro businesses as they familiarise themselves with the band and rates changes and update administrative systems. It impacts on all businesses in the same way irrespective of their size.

	Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact:
ETTAnswers@HMTreasury.gsi.gov.uk

Insurance Premium Tax: increase to standard rate

Who is likely to be affected?

All households and businesses that purchase insurance which is not exempt from Insurance Premium Tax (IPT). All insurers who provide non-exempt insurance cover for UK risks.

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 3.5 %.

Policy objective

This measure will increase the revenue raised by IPT.

Background to the measure

This measure was announced at Summer Budget 2015.

Detailed proposal

Operative date

This measure will have effect from the date that Summer Finance Bill 2015 receives Royal Assent. The new standard rate will be due on premiums treated by the legislation as received on or after 1 November 2015, except where insurers operate a special accounting scheme. In that latter case, the new standard rate is only applied to premiums relating to risks covered by the terms of a contract entered into after 1 November 2015. From 1 March 2016, the new standard rate applies to all premiums, regardless of when the contract was entered into.

Current law

Currently the IPT standard rate is 6%, as set out in Part 3, Section 51 of Finance Act 1994. Insurance which is exempt from IPT is defined in Part 1, Section 70 of Finance Act 1994. Certain categories of insurance are subject to a higher rate (20%) of IPT and these are set out in Part II, Schedule 6A of the Finance Act 1994.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to amend the Finance Act 1994, Part III, section 51 to change the standard rate of IPT. The new standard rate will generally be due from 1 November 2015, 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 March 2016, where the premium relates to risks covered by the terms of a contract entered into before 1 November 2015.

Summary of impacts

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21

Exchequer impact (£m)	+530	+1460	+1510	+1530	+1550	+1580
	These figures are set out in Table 2.1 of Summer Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Summer Budget 2015.					
Economic impact	The changes to insurance premium tax would likely have a small positive impact on CPI inflation of approximately +0.01 percentage points in 2015-16 and 2016-17. The costing 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.					
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. There are around about 20,000 insurers, brokers and agents in the UK who will incur one-off costs 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 will have to change the details of their contracts but by allowing a delay 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	<u>Small and micro businesses assessment</u>: this measure is expected to have a negligible impact on small and micro businesses. Other impacts have been considered and none have been identified.					

Monitoring and evaluation

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

Further advice

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

Aggregates levy: reinstatement of exemptions

Who is likely to be affected?

Businesses that have been paying aggregates levy since 1 April 2014 on the commercial exploitation of various materials (including slate, shale, clay and spoil from ball and china clay extraction) while the European Commission undertook a state aid investigation into the former exemptions for the materials.

General description of the measure

This measure will repeal the legislation that suspended exemptions from aggregates levy in 2014. All exemptions apart from shale will be restored in full. Shale spoil will continue to be exempt in some circumstances and shale will be relieved when used in specified industrial processes (including when used in brick-making). In addition, a new exempt process relating to shale will be introduced.

Once the legislation comes into force, businesses will be able to claim a refund of any levy paid since 1 April 2014 (with interest) on materials for which the exemption was found by the Commission to be lawful. HMRC will publish a Revenue & Customs Brief later this month to provide more information on the repayment process.

Those businesses that no longer have a liability to pay aggregates levy following reinstatement of an exemption will no longer be required to be registered for the levy.

Policy objective

The reinstatement of exemptions will encourage the recycling of aggregates, and the use of waste and by-products from other processes instead of virgin aggregate.

Background to the measure

On 1 August 2013 the UK was notified of the Commission's decision to open a formal state aids investigation into certain exemptions from the levy. The government at the time was obliged to suspend these exemptions (in some cases partially so that the material was only taxable when used as aggregate) pending the outcome of the investigation. The suspension took effect from 1 April 2014.

On 27 March 2015, the Commission concluded its investigation and decided that the aggregates levy as a whole and the exemptions under investigation were lawful, with the exception of part of the shale exemption. Details of the Commission's decision and the implications for businesses affected were set out in Revenue and Customs Brief 6 (2015) issued on 27 March 2015.

Detailed proposal

Operative date

The reinstatement of exemptions will come into force on 1 August 2015 and have effect retrospectively on and after 1 April 2014. The changes to the registration requirements will take effect on 1 August 2015.

Current law

Sections 16 to 48 of, and Schedules 4 to 10 to, the Finance Act (FA) 2001 as amended (in particular by section 94 of FA 2014, which suspended the levy exemptions) contains the primary legislation for the aggregates levy.

The Aggregates Levy (Registration and Miscellaneous Provisions) Regulations 2001 ('the 2001 Regulations') deal with the requirements to register for aggregates levy.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to repeal section 94 of FA 2014 and make certain consequential changes in relation to shale. As a result, the following materials will once again be exempt from the levy regardless of their use:

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

The legislation will provide that shale is not an exempt material. However, shale that is extracted as by-product of the extraction of some other untaxed materials (e.g. coal) will be exempt as spoil from the separation of rocks after extraction (see above); and shale used in ceramic processes (such a brick-making) will continue to be a relieved industrial process and therefore not subject to tax. Similarly, shale used with limestone in the production of cement will continue to be an exempt process and therefore not subject to tax. The legislation will provide for a new exempt process for shale that is used for a purpose other than construction purposes.

The Aggregates Levy (Registration and Miscellaneous Provisions) (Amendment) Regulations 2015, made by the Commissioners for HMRC, will amend the 2001 Regulations to take account of the reinstatement of exemptions. In particular, the instrument will remove for the future the liability to register under the 2001 Regulations in relation to exemptions that are being reinstated. For compliance purposes, it will also reinstate the requirement that businesses notify HMRC where they undertake activities that fall within certain exemptions.

Summary of impacts

<table>
<tr><th rowspan="3">Exchequer impact (£m)</th><td>2015-16</td><td>2016-17</td><td>2017-18</td><td>2018-19</td><td>2019-20</td></tr>
<tr><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="5">Businesses will be repaid approximately £25 million. The Office for Budget Responsibility has included this in its forecast.</td></tr>
</table>

Economic impact	This measure is not expected to have any significant economic impacts.
Impact on individuals, households and families	There is no impact on individuals or households because the changes affect businesses which commercially exploit aggregate. The measure is not expected to impact on family formation, stability or breakdown.
Equalities impacts	The changes are not expected to have any effect on any equalities group.
Impact on business including civil society organisations	Businesses will be able to claim a repayment of the tax paid on materials for which the exemption is being reinstated. Many of the businesses submitting repayment claims deal only in materials that will become exempt again and they will experience a reduction in administrative and compliance costs as a result of no longer needing to submit aggregates levy returns. Businesses that produce shale aggregate for which an exemption from the levy is not being re-introduced will now fall within the scope of the tax permanently. Such businesses have been paying tax since 1 April 2014. The measure is expected to have no impact on civil society organisations.
Operational impact (£m) (HMRC or other)	Any additional costs for HMRC in implementing this change are expected to be negligible.
Other impacts	Rural proofing: increased demand for waste materials for aggregate use from quarries may reduce spoil heaps. This will apply particularly to south west England where there are a large number of china clay and ball clay quarries; and to north west Wales, where there are a large number of slate mines. This could have a slight beneficial impact on wildlife and habitat in those areas. Small and micro business assessment: the impact on small and micro sized firms has been considered. The majority of businesses positively affected will be small or micro businesses – quarries are quite often family-run businesses. The benefits of reduced administrative costs will also be felt more by small and micro businesses. Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Catherine Osborne on 03000 536971 (email catherine.osborne@hmrc.gsi.gov.uk).

Climate change levy: removal of exemption for electricity from renewable sources

Who is likely to be affected?

Generators of renewable source electricity (RSE), energy market participants and suppliers of such electricity to business or public sector consumers.

General description of the measure

This measure removes the exemption from the climate change levy (CCL) for RSE which is supplied to business or public sector consumers under the terms of a renewable source contract.

There will be a transitional period from 1 August 2015, during which electricity suppliers will be able to continue to exempt RSE generated before that date. This will be permitted if they hold sufficient renewable levy exemption certificates (LECs) that relate to that electricity and use them against supplies they make to eligible consumers. The length of this transition period will be discussed with regulators and affected businesses over the summer and autumn.

Policy objective

Renewable electricity has been exempt from the CCL since its introduction in 2001. The tax is not paid on renewable electricity supplied to businesses and the public sector under renewable source contracts.

Since the exemption was introduced, more effective policies have been put in place to support renewable electricity generation. These target support directly at renewable generators, whilst the CCL exemption seeks to support renewable generation indirectly through stimulating demand. In 2015-16 alone the support for low carbon generators will be around £4.3 billion.

The government is committed to meeting its climate change objectives in a cost effective way. Without action the exemption would cost £3.9bn over this Parliament and one third of this value would go to supporting renewable electricity generated overseas. This electricity would not contribute to the UK's climate change or renewable energy targets. There is evidence that some of the suppliers receiving the exemption are already in receipt of subsidies in their own country. This does not represent good value for money.

In addition the value of the exemption going to support UK renewable generators is likely be negligible by the early 2020s, when the supply of renewable electricity will exceed CCL eligible business demand for it. As a result it is hard for generators to factor the exemption into their long term investment plans.

Removing the exemption will stabilise CCL revenues, contributing to fiscal consolidation. It will maintain the price signal necessary to incentivise energy efficiency. It will also bring a significant simplification to CCL.

Background to the measure

The CCL was introduced in 2001, to improve industrial and commercial energy efficiency and so reduce greenhouse gas emissions. It is a UK-wide tax on the supply of energy to businesses and the public sector, with separate rates for electricity, gas, solid fuels and liquefied gases depending on their energy content.

The CCL exemption for RSE was introduced from the start of the CCL, to increase demand for renewables from business consumers and so support the renewable generation sector. It works by UK suppliers acquiring electricity generated from renewable sources (whether domestically or overseas) and supplying it to business customers, with whom they must hold a contract that contains a renewable source declaration. These contracts are referred to in HMRC and Ofgem guidance as 'renewable source contracts'.

The acquisition of RSE, and the allocation of it to an eligible business supply, is evidenced by LECs. The electricity regulators - Ofgem (for Great Britain) or the Northern Ireland Authority for Utility Regulation (NIAUR) (for Northern Ireland) - issue LECs to renewable generators, with one LEC representing one megawatt of renewable electricity generated. Generators then sell their renewable electricity, along with the accompanying LECs, to suppliers, who supply the renewable electricity to an eligible business customer and apply the CCL exemption to their customer's bill. Electricity suppliers must then redeem the LEC with the relevant regulator.

Detailed proposal

Operative date

With effect from midnight on 31 July 2015, electricity generated from renewable sources will no longer be eligible for the CCL exemption for RSE when supplied under a renewable source contract.

Electricity utilities that have accumulated RSE and renewable LECs relating to RSE that was generated before 1 August 2015 may continue to allocate these to renewable source contracts for a transitional period commencing on 1 August 2015. Such supplies can be exempted from CCL.

Current law

The exemption from CCL for supplies of renewable electricity is contained in paragraph 19 of Schedule 6 to the Finance Act 2000 (‘Schedule 6’).

To cater for variations in supply of and demand for RSE, paragraph 20 of Schedule 6 enables electricity utilities to match the acquisition of RSE with supplies that are exempt from CCL because they were made under the terms of a contract that contains a renewable source declaration. The matching is carried out over quarterly periods and allows the carry forward of credit and debit balances.

The administrative provisions for the exemption are set out in Part IV of the CCL (General) Regulations 2001. For example, Regulation 48 determines that in order for electricity to be considered to be RSE for the purposes of paragraphs 19 and 20 of Schedule 6, it must be the subject of a LEC.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to amend paragraph 19 of Schedule 6 to the Finance Act 2000 so that any RSE generated on or after 1 August 2015 is no longer eligible for the RSE exemption for CCL when supplied under the terms of a renewable source contract.

Where an electricity utility has a credit balance at 1 August 2015 relative to the provisions of paragraph 20 of Schedule 6, it will be able to continue to make CCL exempt supplies under either existing or new renewable source contracts until the transitional arrangements end or their credit balance is used up, whichever is sooner. Where it has a debit balance at 1 August 2015, the utility will either have to acquire RSE generated before that date in order to continue to make exempt supplies in respect of its renewable source contracts, or it will have to make payment to HMRC to account for the deficit due at the end of the relevant averaging period.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	+450	+490	+575	+685	+800	+910
	These figures are set out in Table 2.1 of Summer Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Summer Budget 2015.					
Economic impact	This measure is not expected to have any significant macroeconomic impacts. The costing includes a behavioural effect to account for suppliers adjusting to the new tax regime.					
Impact on individuals, households and families	As CCL is not chargeable on supplies of electricity to individuals and households, the change should not impact on or increase domestic electricity bills. The measure is not expected to impact on family formation, stability or breakdown.					
Equalities impacts	The proposed changes will affect businesses and public sector consumers that contract for a supply of RSE. There will be no direct impact on individuals. As such, there will be no differential impact on different equality groups.					
Impact on business including civil society organisations	The measure is expected to have a negligible administrative impact on businesses and civil society organisations. Electricity suppliers will, after the transitional period, have to start accounting for CCL on RSE supplies to business and public sector consumers. This will result in a negligible continuing saving for them in calculating tax liability as they will no longer have to deduct RSE. There will be a negligible one-off cost as suppliers will need to make changes to their administrative systems to apply CCL at the main rate when the exemption runs out. We expect there are no suppliers who will have to register for CCL as a result of this measure but if there are this will result in a negligible one off cost.					

	Removing the exemption is not expected to impact on wholesale electricity prices. As the business energy market is highly competitive, removing the exemption is not expected to significantly increase business energy bills. Energy intensive industries can already exempt themselves from 90% of CCL costs by signing Climate Change Agreements. Renewable generators overseas who export electricity to the UK will cease to benefit from the exemption. Renewable generators in the UK could be impacted by the change in the short-term. However the value they receive from the exemption is expected to be negligible by the early 2020s. Any short-term loss will be minimal compared with the support expected to be allocated to renewable generators in 2015-16 alone.
Operational impact (£m) (HMRC or other)	Changes in HMRC costs are estimated to be negligible and would fall as part of the existing operational cost of administering CCL. The government will consult Ofgem and NIAUR over summer/ autumn 2015 to establish the costs and other impacts on the regulators of removing the exemption.
Other impacts	<u>Environmental impact</u>: this will maintain the price signal for incentivising energy efficiency. The measure will have no direct impact on the achievement of UK Carbon Budget targets, as emissions from electricity generation are capped through the EU Emissions Trading System The measure is not expected to impact on the UK's renewable energy target. The government is on track to meet its ambition for at least 30% of electricity demand to be met by renewable sources. Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through regular communication with taxpayer groups affected by the measure. HMRC will also work closely with Ofgem and NIAUR to monitor the redemption of renewable LEC holdings.

Further advice

If you have any questions about this change, please contact Tim Smith on 03000 585475 (email: timothy.smith@hmrc.gsi.gov.uk) or contact Viki Moore on 03000 587920 (email: viki.moore@hmrc.gsi.gov.uk)

Tackling offshore evasion: requiring financial intermediaries and tax advisers to notify their customers

Who is likely to be affected?

Financial institutions, tax advisers and other professionals that may be aware of, or may have given advice in respect of, an offshore account.

General description of the measure

The government will take a power in legislation under which financial intermediaries, tax advisers and other professionals will be required to notify their customers or clients that:

- The UK will begin to receive information on offshore accounts in 2017 and at the same time will begin to share information with other tax authorities on accounts held in the UK. This will allow HM Revenue and Customs (HMRC) and other tax authorities to check that the right amount of tax is being paid on money held abroad.
- HMRC will open a time-limited disclosure facility in early 2016 to allow non-compliant taxpayers to correct their tax affairs under certain terms before HMRC start to receive data under the Common Reporting Standard. This new facility will be on tougher terms than the previous offshore disclosure facilities HMRC have operated.
- If non-compliant taxpayers continue to conceal their tax affairs, HMRC will enforce tough penalties for offshore evasion through the existing offshore penalty regime, new civil penalties for tax evaders and the new simple criminal offence for failing to declare taxable offshore income and gains.

HMRC will informally consult financial institutions and tax advisers to develop targeted and cost-effective communications including the points above, and to ensure the right people are involved in delivering the messages.

Policy objective

The UK has been an international leader in implementing automatic exchange of information agreements, including through its G8 Presidency. The agreements are a key part of the government's wider offshore evasion strategy. They will increase the effectiveness of HMRC's compliance activity as well as increasing the deterrent effect for those who attempt to evade UK tax by holding financial assets outside of the UK.

We know from experience that direct communication to a customer about their accounts from HMRC, their account provider or their adviser is more likely to encourage a disclosure than general communications and advertising. This measure will ensure that customers receive targeted and effective messages that help to make sure that they are aware of the new information arrangements and that they disclose any offshore tax liabilities.

Background to the measure

In September 2012 the UK became the first jurisdiction to sign an enhanced automatic tax information exchange agreement with the US to implement the reporting required under US FATCA legislation. In 2013 the UK signed automatic tax information agreements with its Crown Dependencies (Isle of Man, Jersey and Guernsey) and Overseas Territories

(Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, Gibraltar, Montserrat and the Turks and Caicos Islands).

The US agreement and the agreements with the Crown Dependencies and Gibraltar are reciprocal. They impose obligations on UK financial institutions to report financial account information to HMRC for onward transmission to those territories. HMRC will in turn receive information about UK tax residents with accounts in those territories. The agreements with the remaining Overseas Territories are non-reciprocal since those Territories do not have income taxes. So while the UK will receive information no information will be provided.

In April 2013 the UK announced an initiative for multilateral exchange based on FATCA with France, Germany, Italy and Spain (the G5). The UK also worked closely with the Organisation for Economic Cooperation and Development (OECD) on the development of a new global standard on automatic exchange of financial account information (known as the "Common Reporting Standard" or "CRS"). The CRS is designed to provide maximum consistency with US FATCA in order to minimise the additional costs and burdens to business from the increased reporting requirements. To date, following on from the G5 initiative, over 90 countries have committed to exchange information under the CRS with first reporting in 2017 or 2018.

HMRC published a discussion document setting out its plans for implementing the CRS together with draft regulations in July 2014. A summary of the responses was published in March 2015.

The European Union (EU) Revised Directive on Administrative Cooperation (Council Directive 2014/107/EU) (the DAC) implements the CRS within the EU. The UK and other Member States are required to implement the DAC via domestic legislation by 31 December 2015.

Detailed proposal

Operative date

The power will have effect on and after the date of Royal Assent to the Summer Finance Bill 2015. Regulations will be made after Royal Assent and after the informal consultation has concluded. The Regulations are expected to have effect from early 2016.

Current law

Current law is contained in section 222 to the Finance Act 2013.

The International Tax Compliance Regulations 2015 (S.I. 2015/878) implement the CRS and DAC. They also incorporate the provisions of the (revoked) International Tax Compliance Regulations (S.I. 2014/1506), which implemented FATCA.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to amend Section 222 of the Finance Act 2013.

Section 222 will be amended to allow HM Treasury to make regulations to impose customer notification obligations on financial institutions, tax advisers and other professionals. This may include obligations to notify customers or clients of certain information relating to information HMRC will receive under international agreements to improve tax compliance, the law relating to offshore tax evasion and associated criminal and civil penalties, and opportunities that HMRC will make available to individuals to disclose their tax affairs.

Regulations will be made after the date of Royal Assent to Summer Finance Bill 2015.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	-5	+90	+270	+75	+130
	These figures are set out in Table 2.1 of Budget 2015 as 'Evasion: Common Reporting Standard', and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2015.				
Economic impact	This measure is not expected to have any significant economic impacts.				
Impact on individuals, households and families	There are no expected impacts on tax compliant individuals and organisations. The sanctions and offences will only apply to individual offshore evaders.				
Equalities impacts	The measures to tackle offshore evaders are likely to affect those of above average wealth and who may be non-UK nationals or have significant family links outside the UK.				
Impact on business including civil society organisations	This measure is expected to result in a one-off cost for financial institutions and tax advisers. The government is not able to quantify the burden at this stage, but intend to consult with the affected businesses to develop a targeted and cost effective communications strategy. This measure will have 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 monitored through the disclosure facility HMRC will provide, tax returns and compliance work undertaken by HMRC.

Further advice

If you have any questions about this change, please contact Hardeep Soor on 03000 589516 (email: hardeep.soor@hmrc.gsi.gov.uk).

Direct recovery of debts due to HMRC from debtors' bank and building society accounts

Who is likely to be affected?

Individuals and businesses who have debts of over £1,000 payable to the Commissioners for Revenue and Customs under or by virtue of an enactment or under a contract settlement.

General description of the measure

The measure will allow HMRC to secure payment of tax and tax credit debts directly from debtors' bank and building society accounts that have a minimum aggregate credit of £5,000. Additional safeguards have been included following consultation.

Policy objective

This measure will contribute towards making the tax system fairer for those who pay what they owe on time. It will enable HMRC to recover debt directly from cash held in the bank and building society accounts, in credit, of debtors who have the means to pay but choose not to do so. This includes funds held in cash in Individual Savings Accounts (ISAs).

Background to the measure

This measure was announced at Budget 2014.

A consultation document was published on 6 May 2014. The formal consultation was open until 29 July 2014.

Following consultation and feedback from stakeholders, including professional and representative bodies, the safeguards for DRD were strengthened further. These revised safeguards were set out in the government's consultation response published on 21 November and draft legislation was published on 10 December 2014.

This Tax Information and Impact Note (TIIN) updates and replaces the TIIN published on 10 December 2014.

Detailed proposal

Operative date

This measure will have effect on and after the date of Royal Assent of the Summer Finance Bill 2015.

Current law

Currently, HMRC does not have the power to hold and then remove debts directly from the bank accounts of debtors (who have the means to pay, but choose not to do so), without first applying to the courts for a Third Party Debt order in England and Wales, or seeking a garnishee order from the Enforcement of Judgements Office in Northern Ireland.

Under current law, HMRC does have the ability to seize 'physical' assets of a debtor to sell at auction if a debt is not paid. In England and Wales HMRC does this under the Taking Control of Goods regime (see Schedule 12 of the Tribunals, Courts and Enforcement Act 2007), whilst in Northern Ireland HMRC continues to exercise older distraint powers (see section 61 of the Taxes Management Act 1970).

This measure will modernise HMRC's debt collection powers by introducing a power to recover debt directly from cash held in the bank and building society accounts, in credit, of debtors who have the means to pay but choose not to do so. This includes funds held in cash in Individual Savings Accounts (ISAs). This is analogous to HMRC's existing powers to seize and sell 'physical' assets.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015, to enable HMRC to collect tax and duties from credit balances in accounts to satisfy HMRC debts.

Draft secondary legislation will be published alongside this, for consultation. These regulations - the Enforcement by Deduction from Accounts (Information) Regulations 2015 - specify the information that HMRC can require from deposit-takers through information notices and hold notices.

HMRC estimates DRD will apply to around 11,000 cases per year. HMRC will only take action against debtors who owe over £1,000 of debt. HMRC will always leave a minimum aggregate of £5,000 across debtors' accounts, and will only put a hold on the funds in the affected account up to the value of the debt.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	+20	+100	+120	+100	+80
	The figures include those for 'Direct recovery of debts', which 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. The figures include the adjustments set out in Table 2.1 of Autumn Statement 2014, which cover the effect of the safeguards, as part of HMRC: operational measures, and have also been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2014. The figures also include adjustments for the impact of other measures and updated analysis at Summer Budget 2015.				
Economic impact	The measure is not expected to have any significant economic impacts.				
Impact on individuals, households and families	This measure will affect around 11,000 individuals (including self-employed taxpayers) and businesses a year. The measure is not expected to impact on family formation, stability or breakdown.				

Equalities impacts	This measure will not impact disproportionately on people with any of the legally protected characteristics.
Impact on business including civil society organisations	This measure will impact on non-compliant individuals and businesses with debts over £1,000 who have not complied with their legal obligations. Deposit-takers (e.g. financial institutions) will be required to provide information to HMRC and hold and transfer sums from customers' accounts to HMRC. The administrative costs of doing this are expected to be negligible and the legislation provides for the ability to introduce regulations to enable deposit-takers to re-coup some of their costs by deducting a small administrative fee from debtors' accounts.
Operational impact (£m) (HMRC or other)	The additional costs to HMRC of implementing this change are expected to be £800,000 over 5 years.
Other impacts	Justice impact test: the measure includes a right of objection to HMRC, followed by a right of appeal to the County Court. It is estimated that approximately 200 objections to HMRC will be generated each year. A small number of these may be followed by appeals to the County Court which will have an impact on HM Courts & Tribunals Service (HMCTS). HMRC has worked closely with Ministry of Justice and HMCTS to ensure the County Courts are prepared for this small increase in cases. Small and micro business assessment: the measure will have no impact on small and micro businesses Other impacts have been considered and none have been identified.

Monitoring and evaluation

The government has committed to an HMRC-led review of this measure after two years of operation, to be laid before Parliament.

Further advice

If you have any questions about this change, please contact Andrew Willis on 03000 579079 (email: andrew.willis@hmrc.gsi.gov.uk).

Simplification of HMRC debtor and creditor interest rate

Who is likely to be affected?

Taxpayers in litigation cases where there is a tax-related judgment debt with interest due and HMRC is either the debtor or creditor.

General description of the measure

This measure provides that where HMRC is party to a tax-related debt, the rates of interest are those referred to in tax legislation whether the debt follows from court action or not.

Policy objective

The measure ensures that rates of interest payable on tax-related debts to which HMRC is a party are all contained within tax legislation. It also reduces the rates of interest on tax-related judgment debts owed by or to HMRC to an appropriate level given prevailing interest rates.

Background to the measure

Legislation currently provides for different interest rates to apply depending upon whether the tax-related debt follows from court action or not. For example, the repayment interest rate varies from 8% (where the debt follows from court action) to 0.5% (where the debt does not follow from court action).

Detailed proposal

Operative date

This measure will have effect on and after 8 July 2015.

Current law

Legislation dealing with interest on court judgments is in section 17(1) Judgments Act 1838 and section 74(1) County Courts Act 1984. The rate of interest is currently 8%.

Proposed revisions

Legislation will be introduced in Summer Finance Bill 2015 to disapply the interest rates in section 17(1) Judgment Act 1838 and section74(1) County Courts Act 1984 in relation to interest accruing on or after 8 July 2015 on all judgment debts (including pre-existing judgments) relating to a taxation matter where HMRC is a party, and instead apply the late payment interest rate where HMRC is the creditor and the Bank of England base rate plus 2% (subject to future changes) where HMRC is the debtor.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	Robust estimates of the Exchequer impacts are not available.					
Economic impact	This measure is not expected to have any economic impacts.					

Impact on individuals, households and families	There is no impact on individuals, households or families.
Equalities impacts	There are no equality impacts arising from this measure.
Impact on business including civil society organisations	Overall, this measure is expected to have a negligible impact on businesses and civil society organisations.
Operational impact (£m) (HMRC or other)	This measure will have no 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 Helen Sawyer on 03000 586355 (email: Helen.sawyer@hmrc.gsi.gov.uk)

Annex B

Rates and Allowances

This section updates the rates and thresholds table published at the March Budget.

Section 1 sets out tables for 2015-16 where changes in rates or thresholds have been made at Summer Budget (and Finance Bill) to take effect for before 31 March 2016.

Section 2 lists taxes where announcements have been made about rates and thresholds which will apply from 1 April 2016 or later. Full details are explained in the relevant Tax Impact and Information Note.

At Budget 2016 a full table or rates will be produced for all taxes showing the rates that applied for 2015-16 and those that will come into force in 2016-17

Section 1

Capital allowances for income and corporation tax- Annual Investment Allowance limit
From 1 January 2016
£200,000

Insurance premium tax- standard rate	
1 April 2015- 31/10/2015	1 November 2015- 31 March 2016
6%	9.5%

Rate of Bank Corporation Tax supplementary charge from 1 January 2016
8%

Bank levy rate from 1 January 2016	
Rate for long term chargeable equity and liabilities	Rate for short term chargeable liabilities
0.09%	0.18%

Section 2

This section lists taxes where the Summer Budget 2015 announces changes legislated in Summer Finance Bill 2015, or in a NICs Bill, or statutory instrument but which take after 1 April 2016. Full details are provided in see the Tax Information and Impact Notes with tables where relevant.

- Inheritance tax main residence nil rate band
- Increases in personal allowances for income tax
- Increase the income tax higher rate threshold
- Increase rent-a-room relief
- Income tax rates
- VAT rates
- NICs rates
- Corporation tax rates
- Vehicle excise duty rates