HM Revenue & Customs

HM Treasury

Overview of Tax Legislation and Rates

22 November 2017

Introduction

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

Autumn Budget 2017 is the first in the new annual tax policy making cycle. The government's aim is to provide greater certainty and stability for households and businesses by consulting further in advance of changes and changing taxes less frequently. By end March 2018, the Office for Budget Responsibility will publish an updated economic and fiscal forecast, which the Chancellor will respond to in a Spring Statement. The Spring Statement will also be a chance to publish consultations, including early-stage calls for evidence and consultations on long-term tax policy issues. For tax changes announced at this Budget, draft legislation and responses to consultation will be published in July 2018. The government will publish a document before the end of 2017 providing further detail on the new timetable for tax policy development.

Finance Bill 2017-18 will be published on 1 December 2017. References to 'Finance Bill 2018-19' refer to the Finance Bill which will be introduced to Parliament following Budget 2018.

The information in the document is set out as follows:

- Section 1 provides detail on all tax measures to be legislated in Finance Bill 2017-18. 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 Autumn Budget 2017, where they will be legislated in Finance Bill 2017-18.
- Section 2 provides detail on tax measures announced at Autumn Budget 2017 which are not included in Finance Bill 2017-18. Any tax changes will be legislated, for example, by secondary legislation or in a future Finance Bill.
- Table 1 lists measures in this document without a corresponding announcement in the Budget report, which are part of Autumn Budget 2017.
- Table 2 lists upcoming consultations, calls for evidence and other consultative documents announced at Autumn Budget 2017.
- Table 3 provides an update on consultations, calls for evidence and other consultative documents announced at Spring Budget 2017.
- Annex A provides guidance on impact assessments in Tax Information and Impact Notes.
- Annex B includes all Tax Information and Impact Notes published at Autumn Budget 2017 and updated Tax Information and Impact Notes first published on 13 September 2017.
- Annex C provides tables of tax rates and allowances for tax year 2018 to 2019 and tax year 2019 to 2020.

Contents

1. Finance Bill 2017-18

Income Tax

1.1. Income tax charge and rates: tax year 2018 to 2019

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to set the charge for income tax, and the corresponding rates, as it does every year. Finance Bill 2017-18 will set:

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

Income tax rates and thresholds on non-savings, non-dividend income for Scottish taxpayers are set by the Scottish Parliament.

1.2. Marriage Allowance: allowing claims on behalf of deceased partners

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to allow Marriage Allowance claims on behalf of deceased spouses and civil partners, and for the claim to be backdated for up to four years where the entitlement conditions are met. The changes will have effect on and after 29 November 2017. A tax information and impact note is published at Annex B.

1.3. Income tax: mileage rates for landlords

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to give unincorporated property businesses the option to use a fixed rate deduction for every mile travelled by car, motorcycle or goods vehicle for business journeys. This will be as an alternative to claims for capital allowances and deductions for actual expenses incurred, such as fuel. The changes will have effect on and after 6 April 2017. Stakeholders requested this measure during the consultation in summer 2016 on introducing the cash basis for property businesses. A tax information and impact note is published at Annex B.

1.4. Offshore trusts: anti-avoidance rules

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to introduce new anti-avoidance rules that relate to the taxation of income and gains accruing to offshore trusts. This measure ensures that payments from an offshore trust intended for a UK resident individual do not escape tax when they are made via an overseas beneficiary or a remittance basis user.

Draft legislation and a tax information and impact note were published on 13 September 2017. Following consultation, minor changes have been made to the legislation, including to ensure that the onward gift rules can apply if the close family member rule applies, to clarify the position in the year of the settlor's death and in relation to onward gifts to multiple recipients. The changes will have effect on and after 6 April 2018.

1.5. Partnership taxation: proposals to clarify tax treatment

As announced at Budget 2016, the government will legislate in Finance Bill 2017-18 to clarify in particular circumstances where the current rules for partnerships are seen as creating uncertainty, and will reduce the scope for noncompliant taxpayers to avoid or delay paying tax.

Draft legislation and a tax information and impact note were published on 13 September 2017. Following consultation, the legislation has been revised to be more compatible with commercial arrangements for allocating shares of profit and to avoid additional administrative burdens for customers. The changes will have effect for the tax year 2018 to 2019 and subsequent tax years.

1.6. Venture Capital Trusts: effect of anti-abuse provisions on commercial mergers

The government will legislate in Finance Bill 2017-18 to limit the application of an anti-abuse rule relating to mergers of Venture Capital Trusts (VCTs). The rule restricts relief for investors who sell shares in a VCT and subscribe for new shares in another VCT within a six month period, where those VCTs merge. This rule will no longer apply if those VCTs merge more than two years after the subscription, or do so only for commercial reasons. The change will have effect for VCT subscriptions made on or after 6 April 2014. This measure is subject to normal state aid rules. A tax information and impact note is published at Annex B.

1.7. Venture Capital Schemes: risk to capital condition

As announced at Autumn Budget 2017, in response to the Patient Capital Review the government will legislate in Finance Bill 2017-18 to ensure the Venture Capital Schemes (the Enterprise Investment Scheme, Seed Enterprise Investment Scheme and Venture Capital Trusts) are targeted at growth investments. Relief under the schemes will be focussed on companies where there is a real risk to the capital being invested, and will exclude companies and arrangements intended to provide "capital preservation".

The changes will have effect for investments made on and after Royal Assent of Finance Bill 2017-18. Detailed guidance will be issued shortly after the publication of Finance Bill 2017-18. HMRC will cease to provide advance assurances for investments that appear not to meet this condition on and after the date of publication of the guidance where it would be reasonable to conclude that a company appears to be intending to carry out capital preservation activities. This deadline will apply also to advance assurance applications received before that date. This measure is subject to normal state aid rules. A tax information and impact note is published at Annex B.

1.8. Venture Capital Trusts: other reforms

In response to the Patient Capital Review, the government will legislate in Finance Bill 2017-18 to move Venture Capital Trusts (VCTs) towards higher risk investments by:

- removing certain "grandfathering" provisions that enable VCTs to invest in companies under rules in place at the time funds were raised, with effect on and after 6 April 2018;
- requiring 30% of funds raised in an accounting period to be invested in qualifying holdings within 12 months after the end of the accounting period, with effect on and after 6 April 2018;
- increasing the proportion of VCT funds that must be held in qualifying holdings to 80%, with effect for accounting periods beginning on and after 6 April 2019;
- increasing the time to reinvest the proceeds on disposal of qualifying holdings from six months to 12 months for disposals on or after 6 April 2019; and
- introducing a new anti-abuse rule to prevent loans being used to preserve and return equity capital to investors, with effect on and after Royal Assent of Finance Bill 2017-18.

This measure is subject to normal state aid rules. A tax information and impact note is published at Annex B.

1.9. Enterprise Investment Scheme and Venture Capital Trusts: increased limits for investments in knowledge-intensive companies

As announced at Autumn Budget 2017, in response to the Patient Capital Review the government will legislate in Finance Bill 2017-18 to encourage more investment in knowledge-intensive companies under the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) scheme. The government will legislate to:

- double the limit on the amount an individual may invest under the EIS in a tax year to £2 million from the current limit of £1 million, provided any amount over £1 million is invested in one or more knowledge-intensive companies;
- raise the annual investment limit for knowledge-intensive companies receiving investments under the EIS and from VCTs to £10 million from the current limit of £5 million. The lifetime limit will remain the same at £20 million; and
- allow knowledge-intensive companies to use the date when their annual turnover first exceeds £200,000 in determining the start of the initial investing period under the permitted maximum age rules, instead of the date of first commercial sale.

The changes will have effect on and after 6 April 2018. This measure is subject to normal state aid rules. A tax information and impact note is published at Annex B.

1.10. Enterprise Investment Scheme and Venture Capital Trusts: relevant investments

The government will legislate in Finance Bill 2017-18 to ensure all risk finance investments, whenever made, will count towards the lifetime funding limits for companies receiving investments under the Enterprise Investment Scheme and Venture Capital Trusts scheme. The current rules exclude certain investments made before 2012. The changes will have effect for investments made on and after 1 December 2017. This measure is subject to normal state aid rules. A tax information and impact note is published at Annex B.

Employment and benefits in kind

1.11. Armed Forces: accommodation allowance

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to introduce an income tax exemption for certain allowances paid to Armed Forces personnel for renting or maintaining accommodation in the private market. A Class 1 National Insurance Contributions disregard will also be introduced through regulations. The change will have effect on and after Royal Assent of Finance Bill 2017-18, once regulations have been laid. A tax information and impact note is published at Annex B.

1.12. Extending Seafarers' Earnings Deduction to the Royal Fleet Auxiliary

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 so the Seafarers' Earnings Deduction from income tax will be extended to cover the Royal Fleet Auxiliary. This places the existing extra-statutory treatment on to a statutory footing. The change will have effect on and after Royal Assent of Finance Bill 2017-18. A tax information and impact note is published at Annex B.

1.13. Reform of tax treatment of termination payments: foreign service relief

As announced at Budget 2016 and confirmed at Spring Budget 2017, the government will legislate in Finance Bill 2017-18 to ensure employees who are UK resident in the tax year their employment is terminated will not be eligible for foreign service relief on their termination payments. Reforming foreign service relief in this way will help achieve the government's aims of a fairer tax system. The existing Statutory Residency Test will be used to determine whether employees are UK resident in the tax year they receive their termination award. Reductions in the case of foreign service are retained for seafarers.

Draft legislation was published on 13 September 2017. Following consultation on draft legislation, the legislation remains unchanged. The changes will have effect on and after 6 April 2018 and apply to those who have their employment contract terminated on and after 6 April 2018. A tax information and impact note was published on 13 September 2017.

1.14. Tackling disguised remuneration

As announced at Budget 2016 and confirmed at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to tackle existing, and prevent future use of, disguised remuneration tax avoidance schemes. The majority of the changes announced at Budget 2016 have been enacted, including a new charge on loans made after 5 April 1999 through disguised remuneration schemes that remain outstanding on 5 April 2019. Following consultation on draft legislation published on 13 September 2017, the government will legislate in Finance Bill 2017-18 to:

- introduce the close companies' gateway, to tackle disguised remuneration avoidance schemes used by close companies to remunerate their employees, and directors, who have a material interest. This change will have effect on and after 6 April 2017; and
- require all employees, and self-employed individuals, who have received a disguised remuneration loan to provide information to HMRC by 1 October 2019. This information will help HMRC ensure the loan charge is complied with. This change will have effect on and after Royal Assent of Finance Bill 2017-18.

The government will also legislate in Finance Bill 2017-18 to:

- put beyond doubt, with effect from 22 November 2017, that Part 7A of Income Tax (Earnings and Pensions) Act 2003 applies regardless of whether contributions to disguised remuneration avoidance schemes should previously have been taxed as employment income. This change will have effect on and after 22 November 2017; and
- ensure the liabilities arising from the loan charge are collected from the appropriate person where the employer is located offshore. This change will have effect on and after Royal Assent of Finance Bill 2017-18.

Further detail on these changes can be found in the technical update. A tax information and impact note is published at Annex B.

1.15. Off-payroll working reform: extension to the private sector

As announced at Autumn Budget 2017, the government will consult on how to tackle non-compliance with the intermediaries legislation (commonly known as IR35) in the private sector. The legislation ensures individuals who effectively work as employees are taxed as employees, even if they choose to structure their work through a company. A possible next step would be to extend the recent public sector reforms to the private sector. The government recognises the importance of taking account of the needs of businesses and individuals who would implement any change. The consultation will draw on the experience of the public sector reforms, and external research already commissioned by the government and due to be published in early 2018.

1.16. Cars: increasing the diesel supplement

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to increase the diesel supplement, from 3% to 4%. The diesel supplement is used to calculate company car tax and car fuel benefit charge, where the employer provides the employee with a diesel car that is made available for private use. This will apply to all diesel cars registered on and after 1 January 1998 that do not meet the Real Driving Emissions Step 2 (RDE2) standards. This has the effect of increasing the level of the taxable benefit for diesel cars, which produce a higher level of harmful particulates such as nitrous oxide, and is intended to have a positive impact on air quality. There is no change to the current position that the diesel supplement does not apply to hybrid cars. The change will have effect on and after 6 April 2018. A tax information and impact note is published at Annex B.

1.17. Company car tax and Vehicle Excise Duty: carbon dioxide emission regime

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to confirm that carbon dioxide figures compatible with the current New European Driving Cycle (NEDC) test procedure will be used by HMRC for the purposes of collecting company car tax until April 2020. A tax information and impact note is published at Annex B.

The government will however also take forward legislation in a future Finance Bill that will change the system for measuring carbon dioxide emissions to the Worldwide Harmonised Light Vehicle Test Procedure (WLTP) from April 2020. Similar legislation will be introduced in respect of Vehicle Excise Duty.

Pensions Tax

1.18. Master trust tax registration

As announced at Spring Budget 2017, the government will legislate in Finance Bill 2017-18 to introduce HMRC powers to register and de-register master trust pension schemes and schemes for dormant companies. Draft legislation and a tax information and impact note were published on 13 September 2017. The legislation is unchanged following consultation. The changes will have effect on and after 6 April 2018.

1.19. Lifetime allowance: ongoing Consumer Prices Index increase

As announced at March Budget 2015 and confirmed at Summer Budget 2015 and Autumn Budget 2017, the lifetime allowance for pension savings will increase in line with the Consumer Prices Index, rising to £1,030,000 for the tax year 2018 to 2019.

Corporation Tax

1.20. Corporate interest restriction

The government will legislate in both Finance Bill 2017-18 and Finance Bill 2018-19 to make technical amendments to the corporate interest restriction rules. This will ensure the regime works as intended. Certain of these amendments are treated as having effect on and after 1 April 2017, when the corporate interest restriction rules commenced. The remainder of the amendments have effect on and after 1 January 2018. A tax information and impact note for the changes to be legislated in Finance Bill 2017-18 is published at Annex B.

1.21. Corporation tax: double taxation relief and permanent establishment losses

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to restrict the amount of credit allowed, or deduction given, for foreign tax suffered by an overseas permanent establishment (PE) of a company, where the company has received relief in the foreign jurisdiction for the losses of the permanent establishment against profits other than those of the PE. The change will have effect on and after 22 November 2017. A tax information and impact note is published at Annex B.

1.22. Hybrid mismatch rules

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to make minor technical changes to the Hybrid and other Mismatches regime (Part 6A of Taxation (International and Other Provisions) Act 2010) to ensure that those rules operate as intended. The change in relation to taxes charged at a nil rate will have effect on and after 1 January 2018. The remaining changes will have effect on and after 1 January 2017. A tax information and impact note is published at Annex B.

1.23. Intangible Fixed Assets: related party step-up schemes

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to ensure licence arrangements between a company and a related party in respect of Intangible Fixed Assets are subject to the market value rule. The government will also legislate to ensure that realisations of a company's intangible fixed asset, where consideration is wholly or partly something other than cash, will recognise the market value of that consideration. The changes will have effect in relation to transactions occurring on and after 22 November 2017. A tax information and impact note is published at Annex B.

1.24. Ring Fence Corporation Tax: tariff receipts

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to clarify that all activities by UK petroleum licence holders that give rise to tariff income in relation to UK oil and gas assets are oil extraction activities, meaning that the profits are subject to Ring Fence corporation tax and Supplementary Charge. The change will have effect in relation to accounting periods beginning on and after 1 January 2018.

This change will allow the government to legislate by statutory instrument to progress the Budget 2016 commitment to expand the scope of the Investment and Cluster Area Allowances. A technical note will be published on 1 December 2017, which will provide further background and information on this announcement. A tax information and impact note is published at Annex B.

1.25. Withholding tax exemption for a debt traded on a multilateral trading facility

As announced at Spring Budget 2017, the government will legislate in Finance Bill 2017-18 to remove the requirement to withhold tax on interest for debt issued on a multilateral trading facility (MTF) operated by a recognised stock exchange regulated in the European Economic Area. Draft legislation and a tax information and impact note were published on 13 September 2017. Following consultation, the legislation has been amended to widen the definition of alternative finance investment bonds to include securities admitted to trading on such an MTF. The changes will have effect for:

- payments of interest made on and after 1 April 2018;
- corporation tax purposes for accounting periods beginning on and after 1 April 2018; and
- income tax purposes for the tax year 2018 to 2019 and subsequent tax years.

1.26. Increasing the rate of the Research and Development expenditure credit

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to increase the rate of the Research and Development (R&D) expenditure credit from 11% to 12%, in order to support business investment in R&D. This change will have effect on and after 1 January 2018. A tax information and impact note is published at Annex B.

1.27. Bank Levy re-scope

As announced at Summer Budget 2015 and confirmed at Autumn Statement 2016, the government will change the Bank Levy's scope so that UK headquartered banks are levied only on their UK balance sheet liabilities. Minor changes will also be made to the administration of the Bank Levy. Draft legislation and a tax information and impact note were published on 13 September 2017. Following consultation, the draft legislation has been amended to include a number of technical changes to the Bank Levy calculation.

The changes to the Bank Levy's scope will have effect for chargeable periods ending on and after 1 January 2021, while other changes will have effect on and after Royal Assent of Finance Bill 2017-18, or for chargeable periods ending on and after 1 January 2018.

1.28. Corporation tax: exemption for the Education Authority (Northern Ireland)
As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to exempt the Education Authority (Northern Ireland) from corporation tax, in order to ensure consistency of tax treatment with equivalent bodies providing state-funded education across the UK. The changes will have effect on and after 1 April 2015. A tax information and impact note for this measure is published at Annex B.

Capital Gains Tax

1.29. Capital gains tax: taxation of carried interest
As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to amend legislation in the Taxes Acts to ensure that asset managers receiving carried interest pay capital gains tax on their full economic gain. The changes will remove the special treatment afforded to carried interest that arises in connection with disposals of assets before certain dates in 2015. The changes will have effect on and after 22 November 2017. A tax information and impact note is published at Annex B.

1.30. Corporation tax: Capital Gains depreciatory transactions
As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to remove the time limit of six years within which companies must adjust for any depreciatory transactions when claiming a capital loss on disposal of shares in a group company. The change will have effect for disposals of shares in or securities of a company made on and after 22 November 2017. A tax information and impact note is published at Annex B.

1.31. Corporation tax: Corporate Capital Gains indexation allowance
As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to freeze indexation allowance on corporate Capital Gains for disposals on and after 1 January 2018. The allowance for subsequent disposals will be frozen at the amount that would be due based on the Retail Price Index for December 2017. The change will have effect for disposals on and after 1 January 2018. A tax information and impact note is published at Annex B.

1.32. Corporation tax: Capital Gains— postponement of gains on branch assets on incorporation
As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to correct an anomaly whereby a postponed tax charge may become payable when a new holding company is inserted directly above an overseas company to which a UK company has previously transferred the trade and assets of a foreign branch in return for shares. The change will have effect for disposals on and after 22 November 2017. A tax information and impact note is published at Annex B.

VAT

1.33. Extension of joint and several liability on the online marketplaces and displaying VAT numbers online
As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to extend the scope of existing joint and several liability (JSL) rules to hold an online marketplace jointly and severally liable for:

- any future VAT that a UK business selling goods via the online marketplace fails to account for after HMRC has issued a notice to the online marketplace, ensuring that all sellers are in scope; and

- any VAT that a non-UK business selling goods via the online marketplace fails to account for, where the business was not registered for VAT in the UK and that online marketplace knew or should have known that that business should be registered for VAT in the UK.

The government will also legislate in Finance Bill 2017-18 to require online marketplaces to ensure that VAT numbers displayed for third party sellers on their websites are valid. They will also be required to display a valid VAT number when they are provided with one by a third party seller operating on their platform. These requirements will be supported by a regulatory penalty. The changes will have effect on and after Royal Assent of Finance Bill 2017-18. A tax information and impact note is published at Annex B.

1.34. VAT: refunds to combined authorities, fire and rescue authorities, the Scottish Fire and Rescue Service, and the Scottish Police
As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18, to amend section 33(3) of Value Added Tax Act 1994 to include the following bodies/class of bodies:

- The Scottish Police Authority;

- The Scottish Fire and Rescue Service;

- Combined Authorities; and

- Fire and Rescue Service Bodies, which become a function of Police and Crime Commissioners (PCC).

This removes the need for individual statutory instruments on the establishment of each new combined authority and PCC Fire and Rescue authorities. The change will have effect on and after Royal Assent of Finance Bill 2017-18. A tax information and impact note is published at Annex B.

Indirect Tax

1.35. Landfill Tax reform

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to make changes to the criteria determining when Landfill Tax is due, and to extend the scope of Landfill Tax to disposals of material at sites operating without the appropriate environmental authorisation. This follows consultations in 2016 and 2017 respectively.

Draft legislation and a tax information and impact note were published on 13 September 2017, when the government also confirmed its intention to legislate from 1 April 2018. Following consultation, changes have been made to further align the legislation with environmental law and ensure that operators of quarries will not be required to register for Landfill Tax. Statutory instruments will also be required. Draft instruments will be published in December 2017 and laid after Royal Assent to Finance Bill 2017-18.

The changes will have effect on and after 1 April 2018. The measure will apply to sites in England and Northern Ireland. Landfill Tax was devolved to the Scottish Parliament in April 2015 and will be devolved to the Welsh Assembly from April 2018.

Excise Duties

1.36. Vehicle Excise Duty

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to increase Vehicle Excise Duty (VED) rates for motorcycles and vans, and cars registered before 1 April 2017 and First Year Rates for cars under the post April 2017 VED system, by the Retail Price Index with effect from 1 April 2018. The rates are set out at Annex C. A tax information and impact note is published at Annex B.

1.37. Vehicle Excise Duty Diesel Supplement

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to apply a supplement to new diesel cars registered on and after 1 April 2018, so that the First Year Rate of Vehicle Excise Duty (VED) for a new diesel car will go up by one band. The change will apply to all new diesel cars that do not meet the Real Driving Emissions Step 2 (RDE2) standards. A tax information and impact note is published at Annex B.

1.38. Air Passenger Duty

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to increase the Air Passenger Duty long-haul standard rate to £172 and the long-haul higher rate to £515 on and after 1 April 2019. Short haul rates and the long haul reduced rate for economy passengers will be frozen at the tax year 2018 to 2019 levels. Rates for the tax year 2020 to 2021 will be set at Budget 2018. A tax information and impact note is published at Annex B.

1.39. Tobacco duty rates

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to:

- increase the duty rates for all tobacco products by 2% above Retail Price Index inflation from 6pm on 22 November 2017; and

- increase duty for hand-rolling tobacco by an additional 1% above this 2% increase, to 3% above retail price from 6pm on 22 November 2017.

Autumn Budget 2017 also announced that tobacco duty rates will increase by a minimum of 2% above inflation until the end of this Parliament. The rates are set out in Annex C. A tax information and impact note is published at Annex B.

1.40. Tobacco Minimum Excise Tax

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to set the Minimum Excise Tax at £280.15 per 1000 cigarettes. The change will have effect from 6pm on 22 November 2017. The rates are set out in Annex C. A tax information and impact note is published at Annex B.

Stamp Duty Land Tax

1.41. Stamp Duty Land Tax relief for first-time buyers

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017 to 2018 for a new relief from Stamp Duty Land Tax (SDLT) that will permanently raise the price at which a property becomes liable for SDLT to £300,000 for first-time buyers. Those claiming the relief will pay no SDLT on the first £300,000 of the consideration and 5% on any remainder. No relief will be available where the total consideration is more than £500,000. The relief will apply to transactions with an effective date on or after 22 November 2017. A tax information and impact note is published at Annex B.

1.42. Stamp Duty Land Tax Higher Rates

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to improve the operation of the Higher Rates of Stamp Duty Land Tax (SDLT) by granting relief from tax in certain cases where:

- a court order issued on a divorce or dissolution of a civil partnership prevents someone from disposing of their interest in a main residence;
- a spouse buys property from their spouse;
- a person buys a property in a child's name or on a child's behalf, where they are doing so in their capacity as the deputy of that child; or
- a purchaser adds to their interest in their main residence.

The government will also introduce a new rule to prevent abuse of relief for replacement of a purchaser's only or main residence, by requiring the purchaser to dispose of the whole of their interest in their former main residence and to do so to someone who is not their spouse. The changes will have effect on and after 22 November 2017. A tax information and impact note is published at Annex B.

Avoidance and Evasion

1.43. Double Taxation Relief: changes to targeted anti-avoidance

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to make two changes to the Double Taxation Relief Targeted Anti-Avoidance Rule (DTR TAAR).

The first change will remove the need for HMRC to give a counteraction notice before the DTR TAAR applies. The second change will extend the scope of one of the categories of prescribed schemes to with the TAAR applies, to include tax payable by any connected persons.

The first change will have effect on and after 1 April 2018 and the second change will have effect on and after 22 November 2017. A tax information and impact note is published at Annex B.

Tax Administration

1.44. Amendment to the Customs and Excise Management Act 1979

As announced at Autumn Statement 2016, the government will legislate in Finance Bill 2017-18 to clarify the powers that allow officers of HMRC to use force to gain access to a locked vehicle, when stopping or searching it, which they suspect contains goods liable to forfeiture. The changes will have effect on and after Royal Assent of Finance Bill 2017-18. A tax information and impact note was published on 5 December 2016.

1.45. Customs examination powers: section 24 of Finance Act 1994

As announced at Autumn Statement 2016, the government will legislate in Finance Bill 2017-18 to extend the powers HMRC officers currently have under section 24 of the Finance Act 1994, so they can examine and take account of goods thoroughly, post clearance, inland, where a customs offence is suspected. This will enable an officer to move, open or unpack goods or containers, or require them to be opened or unpacked, and search the containers and anything in them, as well as mark them as necessary. The changes will have effect on and after Royal Assent of Finance Bill 2017-18. A tax information and impact note was published on 5 December 2016.

1.46. Giving effect to the Base Erosion and Profit Shifting (BEPS) Multilateral Instrument (MLI) in domestic law

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2017-18 to amend the powers by which double taxation arrangements with other territories are given effect in the UK. The changes are being made to ensure that the powers are sufficient to give full effect to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the Multilateral Instrument or MLI), which was signed by the UK in June 2017. The changes will have effect on and after Royal Assent of Finance Bill 2017-18. A tax information and impact note is published at Annex B.

2. Future tax changes

Income Tax

2.1. Income tax personal allowance and higher rate threshold from 2018

As announced at Autumn Budget 2017, the government will increase the income tax personal allowance to £11,850 for the tax year 2018 to 2019. The basic rate limit will also be increased to £34,500 in 2018 to 2019. Changes to the basic rate limit will apply to England, Wales and Northern Ireland. Since April 2017, the Scottish Parliament sets the basic rate limit for Scotland. Taken together, these changes will increase the higher rate threshold, above which individuals in England, Wales and Northern Ireland pay income tax at 40%, to £46,350 in 2018 to 2019. The increases are based on the September 2017 Consumer Prices Index and will be introduced by statutory instrument later in 2017. The updated rates are available in Annex C.

2.2. Starting rate for savings

As announced at Autumn Budget 2017, the 0% band for the starting rate for savings income will be retained at its current value of £5,000 during 2018 to 2019 and will not be uprated in line with inflation. This measure will apply to the whole of the United Kingdom.

2.3. Extending the scope of Qualifying Care Relief to cover self-funded Shared Lives payments

As announced at Autumn Budget 2017, the government will amend Qualifying Care Relief to include Shared Lives schemes that are self-funded by the person receiving care. The relief is being extended in this way to reflect current developments in the care sector. The changes will have effect for the tax year 2017 to 2018. A tax information and impact note is published at Annex B.

2.4. Engaging with stakeholders on Social Investment Tax Relief care homes accreditation

At Autumn Statement 2016, the government announced an intention to introduce an accreditation system to allow investment in care homes under Social Investment Tax Relief. The government intends that the design for the system will include a minimum proportion of Local Authority funded beds. The government will engage with stakeholders to test and develop the proposed design.

2.5. Simplification of Gift Aid donor benefit rules for charities

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to simplify the donor benefit rules that apply to charities that claim Gift Aid tax relief on donations. Currently there are a mix of monetary and percentage thresholds that charities have to consider when determining the value of benefit they can give to their donors in consequence of a donation on which Gift Aid can be claimed. These will be replaced by two percentage thresholds:

- the benefit threshold for the first £100 of the donation will remain at 25% of the amount of the donation; and
- for larger donations, charities will be able to offer an additional benefit to donors up to 5% of the amount of the donation that exceeds £100.

The total value of the benefit that a donor will be able to receive remains at £2,500. Four extra statutory concessions that currently operate in relation to the donor benefit rules will also be brought into legislation. A summary of responses to a consultation on simplifying the Gift Aid donor benefit rules will be published on 1 December 2017. The changes will have effect on and after 6 April 2019.

2.6. Profit fragmentation

As announced at Autumn Budget 2017, the government will consult in 2018 on the best way to prevent UK traders or professionals from avoiding UK tax by arranging for UK trading income to be transferred to unrelated entities. This will include arrangements where profits accumulate offshore and are not returned to the UK.

2.7. Royalties Withholding Tax

As announced at Autumn Budget 2017, the government will publish a consultation on 1 December 2017 on the design of rules expanding the circumstances in which a royalty payment to persons not resident in the UK has a liability to income tax. Legislation will be introduced in Finance Bill 2018-19, and the changes will have effect from April 2019.

2.8. Call for evidence on rent-a-room relief

As announced at Autumn Budget 2017, the government will publish a call for evidence on 1 December 2017 to build the evidence base around the usage of rent-a-room relief and to help establish whether it is consistent with the original policy rationale to support longer-term lettings.

2.9. Venture Capital Schemes: streamlining the advance assurance service

As announced at Autumn Statement 2016, a consultation document titled 'Tax-advantaged venture capital schemes – streamlining the advance assurance service', was published on 5 December 2016. A summary of responses was published on 20 March 2017. The government response will be published on 1 December 2017.

2.10. Consultation on an innovative Enterprise Investment Scheme fund

In response to the Patient Capital Review, the government will consult in 2018 on the introduction of a new knowledge intensive Enterprise Investment Scheme fund structure in which funds would have flexibility to deploy capital raised over a longer period. This measure is subject to normal state aid rules.

2.11. Taxation of trusts

As announced at Autumn Budget 2017, the government will publish a consultation in 2018 on how to make the taxation of trusts simpler, fairer and more transparent.

2.12. Individual Savings Account (ISA) and Child Trust Funds annual subscription limits

As announced at Autumn Budget 2017, the ISA subscription limit for 2018 to 2019 will remain unchanged at £20,000. The annual subscription limit for Junior ISAs and Child Trust Funds for the tax year 2018 to 2019 will be uprated in line with the Consumer Prices Index to £4,260. This measure will apply to the whole of the United Kingdom.

Employment and benefits in kind

2.13. National Insurance Contributions (NICs) Bill

The government has announced that it will introduce the National Insurance Contributions (NICs) Bill in 2018. The measures it will implement will now take effect one year later, from April 2019. This includes the abolition of Class 2 NICs, reforms to the NICs treatment of termination payments, and changes to the NICs treatment of sporting testimonials.

Draft legislation was published on 5 December 2016. A tax information and impact note for the abolition of Class 2 NICs and a tax information and impact note for reforms to the NICs treatment of termination payments were published on 5 December 2016. A tax information and impact note for changes to the NICs treatment of sporting testimonials was published on 16 March 2016.

2.14. Save-As-You-Earn Pause

The government will allow employees on maternity and parental leave to take a pause of up to 12 months from saving into their Save-As-You-Earn employee share scheme. Employees can currently pause saving for 6 months. This increase is to allow employees on maternity and parental leave to continue saving into the scheme. The change will have effect on and after 6 April 2018. HMRC guidance will set out the changes.

2.15. Employer-provided electricity for an electric car

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to exempt employer-provided electricity from being taxed as a benefit in kind from April 2018. This will apply to electricity provided in workplace charging points for electric or hybrid cars owned by employees.

2.16. Van Benefit Charge and van and car fuel benefit charges

As announced at Autumn Budget 2017, the government will increase Van Benefit Charge and the van and car fuel benefit charges by the September 2017 Retail Price Index. The change will have effect on and after 6 April 2018. The government will legislate by statutory instrument in December 2017 to ensure the changes are reflected in tax codes for 2018 to 2019. A tax information and impact note is published at Annex B.

2.17. Legislate existing overseas scale rates for accommodation and subsistence

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 so the existing concessionary travel and subsistence overseas scale rates will be placed on a statutory basis on and after 6 April 2019, to provide clarity and certainty. Employers will only be asked to ensure that employees are undertaking qualifying travel. This follows the call for evidence on the taxation of employee expenses published on 20 March 2017. The government response will be published on 1 December 2017.

2.18. Abolition of receipt checking for subsistence benchmark scale rates

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 so employers will no longer be required to check receipts when making payments to employees for subsistence using benchmark scale rates. This administrative easement applies to standard meal allowances paid in respect of qualifying travel and the newly legislated overseas scale rates. Employers will only be asked to ensure that employees are undertaking qualifying travel.

The change will have effect from April 2019. Abolition of receipt checking does not apply to amounts agreed under bespoke scale rates or industry wide rates. This follows the call for evidence on the taxation of employee expenses published on 20 March 2017. The government response will be published on 1 December 2017.

2.19. Improve guidance on taxation of employee expenses and online process for claiming tax relief on non-reimbursed expenses

As announced at Autumn Budget 2017, HMRC will work with external stakeholders to explore improvements to the guidance on employee expenses, particularly on travel and subsistence, and the claims process for tax relief on employment expenses. This programme of work will also increase simplicity around the process for claiming tax relief and will take action to improve awareness of the process and the rules. This follows the call for evidence on the taxation of employee expenses published on 20 March 2017. The government response will be published on 1 December 2017.

2.20. Consultation on extending the scope for employees and the self-employed to claim tax relief on self-funded training

As announced at Autumn Budget 2017, the government will consult in 2018 on extending the scope of tax relief currently available to employees and the self-employed for work-related training costs. This follows the call for evidence on the taxation of employee expenses published on 20 March 2017. The government response will be published on 1 December 2017

2.21. Employment status consultation

As announced at Autumn Budget 2017, the government will publish a consultation as part of its response to Matthew Taylor’s review of modern working practices, considering options for reform to make the employment status tests for both employment rights and tax clearer. The government recognises that this is an important and complex issue, and so will work with stakeholders to ensure that any potential changes are considered carefully.

Pensions Tax

2.22. Widening the tax exemption for employer premiums paid into life assurance and overseas pension schemes

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to modernise the tax relief for employer premiums paid into life assurance products or certain overseas pension schemes. This will extend the existing exemption to cover policies when an employee nominates any individual or registered charity to be their beneficiary. The change will have effect on and after 6 April 2019.

Corporation Tax

2.23. Disincorporation relief

At Budget 2013, the government introduced a disincorporation relief for 5 years from April 2013, which was legislated for in Finance Act 2013. The government will not extend current relief beyond the current 31 March 2018 expiry date.

2.24. Research and Development Tax Credit increasing certainty for large businesses and increasing awareness amongst small and medium-sized enterprises

As announced at Autumn Budget 2017, the government will pilot a new Advanced Clearance service for Research and Development (R&D) expenditure credit claims, to provide pre-filing agreement for 3 years. The government will also launch a campaign to increase awareness of eligibility for R&D tax credits among small and medium-sized enterprises (SMEs), working with businesses that develop and use key emerging technologies to ensure that there are no barriers to them claiming R&D tax credits.

2.25. Securing debt in insolvency: extension of security deposit legislation

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to extend existing security deposit legislation to include corporation tax and Construction Industry Scheme deductions. The change will have effect on and after 6 April 2019. The government will publish a consultation in spring 2018 on the most effective means of introducing this change, including through consolidating existing legislation to cover all heads of duty.

2.26. Accounting changes for leasing: tax responses

The introduction of a new accounting standard for leasing, IFRS 16, creates the need for changes to tax legislation. The government will publish two consultations on 1 December 2017:

- firstly, on the legislative changes required by the new accounting standard to ensure that the income and corporation tax rules for leased plant and machinery continue to work as they do currently, and on the wider impact of the accounting change for income and corporation tax; and

- secondly, to evaluate options for the corporation tax treatment of lease payments under the new corporate interest restriction rules at Part 10 of Taxation (International and Other Provisions) Act 2010.

2.27. Annual Update to the Energy Technology List and First Year Tax Credits
As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to extend First Year Tax Credits (FYTC) for five years and reduce the percentage rate of the claim to two-thirds of the corporation tax rate. The government will also update the energy-saving technology list (ETL) that qualify for this First Year Allowance (FYA).

FYA enables profit-making businesses to deduct the full cost of investments in energy and water technology from their taxable profits. Loss-making businesses do not make profits, so they cannot claim these tax breaks. Instead, loss-making businesses can claim FYTC when they invest in efficient products that feature on the energy and water technology lists.

The ETL will be updated to:

- Add three new technologies to the list: evaporative air coolers, saturated steam to electricity conversion, and white LED lighting modules for backlit illuminated signs;
- modify nine existing technologies to reflect technological advances and changes in standards and clarify the qualifying criteria; and
- remove Localised Rapid Steam Generators and Biomass fired Warm Air Heaters.

These changes update the qualifying criteria to reflect technological advances and changes in standards. The government will legislate by statutory instrument to update the ETL in December 2017. The changes to FYTC will have effect on and after 1 April 2018. A tax information and impact note is published at Annex B.

2.28. First Year Allowances for zero-emission goods vehicles and gas refuelling equipment
The government will extend the First Year Allowances (FYA) for zero-emission goods vehicles and gas refuelling equipment to March/April 2021. This will allow tax relief for investment on relevant plant and machinery. The change will take place on 1 April 2018. The government will legislate by statutory instrument in December 2017. A tax information and impact note is published at Annex B.

2.29. Oil and gas: transferable tax history
As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to introduce transferable tax history for oil and gas companies. This follows publication of a discussion document at Spring Budget 2017 on tax issues for late-life oil and gas assets, and the establishment of an expert panel to examine the issue. This change will have effect on and after 1 November 2018.

The government has also published a further document, entitled ‘An Outline of Transferable Tax History’, which provides an outline of how transferable tax history is intended to work, and sets out a timeframe for publication of draft legislation and technical consultation.

2.30. Petroleum Revenue Tax (PRT) treatment of retained decommissioning liabilities

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to amend the Petroleum Revenue Tax (PRT) rules to enable more flexibility over retention of decommissioning. This follows from the publication of a discussion document at Spring Budget 2017 on tax issues for late-life oil and gas assets, and the establishment of an expert panel to consider the issue. A technical consultation will be issued in spring 2018.

2.31. Intangible Fixed Asset regime consultation

As announced at Autumn Budget 2017, the government will consult in 2018 on the Intangible Fixed Asset regime. This consultation will look again at the regime, which is now more than 15 years old, consider how it encourages growth and whether there are targeted changes that can be made in response to this.

2.32. Corporation tax: non-UK resident companies' UK property income and certain gains

As announced at Autumn Budget 2017, the government will legislate so that non-UK resident companies that carry on a UK property business or have other UK property income will be charged to corporation tax, rather than being charged to income tax as at present. A non-UK resident company that has chargeable gains on the disposal of UK residential property will also be charged to corporation tax, instead of capital gains tax as at present. This follows consultation published in March 2017. The government plans to publish draft legislation for consultation in summer 2018. The change will have effect on and after 6 April 2020.

Capital Gains Tax

2.33. Capital gains tax: Annual Exempt Amount

The government will uprate the capital gains tax annual exempt amount in line with the Consumer Prices Index from £11,300 for individuals and personal representatives and £5,650 for most trustees of a settlement, to £11,700 and £5,850 respectively. This will have effect for the tax year 2018 to 2019. The rates are set out in Annex C.

2.34. Capital Gains Tax payment window

As announced at Autumn Budget 2017, the government will defer the introduction of the 30-day payment window for gains on residential property disposals until April 2020.

2.35. Taxing non-residents' gains on immovable property

As announced at Autumn Budget 2017, the government has published a consultation on taxing non-residents' gains on immovable property. This measure will broaden the UK's tax base to include disposals of UK commercial property by non-residents, both directly and indirectly, and will bring all companies into charge on disposals of residential property, and all persons into charge on indirect disposals of residential property. A Table of Impacts is included the consultation document.

Legislation will be introduced in Finance Bill 2018-19. The changes will have effect on and after 1 April 2019 for companies, and on and after 6 April 2019 for those in charge to capital gains tax. An anti-forestalling measure to support this reform will have effect on and after 22 November 2017.

2.36. Capital gains tax: Entrepreneurs' Relief— relief after dilution of holdings
As announced at Autumn Budget 2017, the government will consult in spring 2018 on how access to the relief might be given to entrepreneurs whose holding in their company is reduced below the normal 5% qualifying level as a result of raising funds for commercial purposes by means of issues of new shares. Allowing relief in these circumstances would incentivise entrepreneurs to remain involved in their businesses after receiving external investment.

VAT

2.37. VAT: grouping consultation— summary of responses
At Autumn Statement 2016, the government launched a consultation to gather evidence on whether to make changes to UK VAT grouping provisions. The government will publish a summary of responses document on 1 December 2017. The government will consider further the scope of VAT grouping, the issues raised and the impact of any potential changes

2.38. Office of Tax Simplification VAT review
The Office of Tax Simplification (OTS) published their review of the VAT regime on 7 November 2017. The Chancellor has written to the OTS setting out how the Government will respond to the recommendations.

2.39. VAT: no change in registration and deregistration thresholds
As announced at Autumn Budget 2017, the VAT registration and deregistration thresholds will not be uprated for a period of two years. There will be no revisions to existing legislation and no new legal provisions will be introduced. Therefore, legislation will continue as follows:

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

The two year period ends on 31 March 2020. The government will consult on the design of the VAT threshold. A tax information and impact note is published at Annex B.

2.40. VAT fraud in labour provision in the construction sector

As announced at Autumn Budget 2017, the government will publish a technical consultation on draft legislation for a VAT reverse charge in spring 2018. A final draft of the legislation and guidance will be published by October 2018. This follows conclusion of the consultation announced at Spring Budget 2017. A summary of responses to the consultation will be published on 1 December 2017.

The measure shifts responsibility for paying the VAT along the supply chain to remove the opportunity for it to be stolen. The changes will have effect on and after 1 October 2019. The long lead-in time reflects the government’s commitment to give businesses adequate time to prepare for the changes. The government has decided not to bring in legislative measures highlighted in the consultation to address the fraud in the Construction Industry Scheme. Instead, HMRC is increasing its compliance response to target the fraud there.

2.41. VAT: split payment for online payments

As announced at Autumn Budget 2017, the government will publish on 1 December 2017 a response document to the call for evidence to develop a split payment model that was launched after Spring Budget 2017. A split payment model would allow VAT to be extracted from online payments in real time. The responses to the call for evidence were broadly positive about the concept but highlighted the complexities of implementation. The response document will set out plans for further engagement with external stakeholders, in preparation for a full consultation in 2018.

2.42. VAT and vouchers

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to implement certain changes in the VAT treatment of vouchers with effect from 1 January 2019. These will simplify the VAT treatment of vouchers, including the point at which they will become subject to VAT, and in some cases their value for taxation. A consultation paper will be published in December 2017.

2.43. Call for evidence on VAT and Air Passenger Duty on tourism in Northern Ireland

As announced at Autumn Budget 2017, the government will publish a call for evidence in early 2018 on the impact of VAT and Air Passenger Duty on tourism in Northern Ireland, to report at Budget 2018.

2.44. VAT : imports—postponed accounting

As stated at Autumn Budget 2017, the government recognises that businesses currently benefit from postponed accounting for VAT when importing goods from the EU, as well as the importance of such arrangements to business due to the cash flow advantage they provide. The government will take this into account when considering potential changes following EU exit and will look at options to mitigate any cash-flow impacts for businesses.

Indirect Tax

2.45. Climate Change Levy: main rates

As announced at Autumn Budget 2017, the government will set Climate Change Levy main rates for the tax years 2020 to 2021 and 2021 to 2022 at Budget 2018, with the exception of the rate for liquefied petroleum gas. To ensure better consistency between portable fuels in the off-gas grid market, this rate will be frozen at the tax year 2019 to 2020 level in tax years 2020 to 2021 and 2021 to 2022.

This follows the announcement at Budget 2016 that main rates of Climate Change Levy would increase on 1 April 2019 to recover the tax revenues lost by closing the Carbon Reduction Commitment energy efficiency scheme, with changes to the reduced rates payable by businesses in the Climate Change Agreement scheme. It was also announced that the balance between rates on taxable commodities would be updated to reflect changes in the fuel mix used in electricity generation, starting with an adjustment of the current electricity to gas ratio of 2.9:1 to 2.5:1 in the tax year 2019 to 2020. The government also announced its intention to rebalance the rates to an electricity to gas ratio of 1:1 by 2025 to deliver greater carbon savings. The main and reduced main rates of Climate Change Levy from 1 April 2017 are set out in Annex C.

2.46. Climate Change Levy: exemptions for mineralogical and metallurgical processes

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to make minor amendments to the way the exemptions from Climate Change Levy for energy used in mineralogical and metallurgical processes are defined. The scope will remain unchanged, but the changes will ensure the exemptions remain operable after EU exit and address business concerns about how the exemptions apply in landlord–tenant situations. The changes will have effect from spring 2019.

2.47. Aggregates Levy: rates

As announced at Autumn Budget 2017, the rate of Aggregates Levy will be frozen for the tax year 2018 to 2019. The rate has been frozen since 2009 and the government will return to index linking the levy in the longer term. This follows the announcement at Spring Budget 2017 that the rate of Aggregates Levy would remain at £2 per tonne in the tax year 2017 to 2018. The Aggregates Levy rate on and after 1 April 2017 is set out in Annex C.

2.48. Aggregates Levy: consultation on exemption for laying underground utility pipes

As announced at Autumn Budget 2017, the government has concluded that the case to introduce a new Aggregates Levy exemption for aggregate which is an unavoidable by-product when laying underground utility pipes is not strong enough at this time. This follows consultation in 2016. A summary of responses to the consultation and the government's response will be published on 1 December 2017.

2.49. Landfill Communities Fund for 2018 to 2019

As announced at Autumn Budget 2017, the government will set the value of the Landfill Communities Fund for 2018 to 2019 at £33.9 million, with the cap on contributions by landfill operators remaining at 5.3% of their Landfill Tax liability.

2.50. Landfill Tax: rates for 2019 to 2020
As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to increase the standard and lower rates of Landfill Tax in line with Retail Price Index, rounded to the nearest 5 pence. The change will have effect on and after 1 April 2019. The rates of Landfill Tax on and after 1 April 2017 are set out in Annex C.

2.51. Call for evidence on single-use plastics waste
As announced at Autumn Budget 2017, the government will launch a call for evidence in early 2018 on how the tax system or charges could help to reduce the amount of single-use plastic waste.

2.52. Carbon Price Support rates for tax year 2020 to 2021
As announced at Autumn Budget 2017, revised indicative Carbon Price Support rates have been published for the tax year 2020 to 2021. The Carbon Price Support rates between 1 April 2016 and 31 March 2021 are set out in Annex C.

Excise Duties

2.53. Vehicle Excise Duty
As announced at Autumn Budget 2017, the government will exempt zero-emission capable taxis from the Vehicle Excise Duty supplement that applies to expensive cars. The government will consult on how to define zero-emission capable taxis, ahead of implementation in April 2019.

2.54. HGV Vehicle Excise Duty and HGV Levy
As announced at Autumn Budget 2017, the government will freeze rates of Vehicle Excise Duty for heavy goods vehicles (HGVs) for the tax year 2018 to 2019, which includes all rates linked to the basic goods rate. HGV Levy rates will also be frozen for the tax year 2018 to 2019. The government has also published a call for evidence on updating the existing HGV Road User levy.

2.55. Fuel duty rates
As announced at Autumn Budget 2017, fuel duty rates will remain frozen for the tax year 2018 to 2019.

2.56. Rural fuel duty rebate scheme
As announced at Autumn Budget 2017, the rural fuel duty rebate scheme for the Scottish Islands and Isles of Scilly will be extended until 31 October 2023.

2.57. Alternative fuels
As announced at Autumn Budget 2017, the government will review whether existing fuel duty rates for alternatives to petrol and diesel are appropriate ahead of making decisions at Budget 2018. In the meantime, the government will no longer be bound by the duty escalator policy for liquefied petroleum gas road fuel.

2.58. Alcohol duty rates

As announced at Autumn Budget 2017, the government will freeze all alcohol duty rates. There will be no revisions to existing legislation and no new legal provisions will be introduced. Rates and allowances are set out in Annex C.

2.59. New cider duty band

As announced at Autumn Budget 2017, the government intends to introduce a new duty band in 2019 for still cider of a strength of at least 6.9% but not exceeding 7.5% alcohol by volume, to encourage the production and consumption of lower-strength ciders. This follows the Alcohol Structures Consultation announced at Spring Budget 2017. The government's summary of responses to this consultation will be published on 1 December 2017. Legislation will be introduced in Finance Bill 2018-19 and changes will have effect on and after 1 February 2019.

2.60. Wine dilution

HMRC will review the practice of diluting wine and made-wine after excise duty has been calculated. The aim is to prevent wine producers from unfairly reducing the excise duty they pay on the larger volume of diluted product, and create consistency with all other alcohol sectors.

2.61. Gaming duty

The government will publish a consultation in early 2018 on gaming duty return periods to seek views on bringing the administration of gaming duty more into line with the other gambling duties. It will also seek views on removal of the requirement to make payments on account.

Stamp Duty Land Tax

2.62. Annual tax on enveloped dwellings— 2018 to 2019 annual chargeable amounts

The annual tax on enveloped dwellings (ATED) annual charges will rise 3% from 1 April 2018 in line with the September 2017 Consumer Prices Index. A Treasury Order confirming the charges will be published shortly after Budget. A tax information and impact note is published at Annex B.

2.63. Stamp Duty Land Tax: changes to the filing and payment process

At Spring Budget 2017, the government announced that the reduction in the Stamp Duty Land Tax (SDLT) filing and payment window from 30 days to 14 days would be delayed until after April 2018. The government now confirms that the 14 day filing and payment window will apply to land transactions with an effective date on and after 1 March 2019. The government is planning improvements to the SDLT return that aim to make compliance with the new time limit easier. Legislation will be introduced in Finance Bill 2018-19.

2.64. Stamp Duty, Stamp Duty Reserve Tax and Stamp Duty Land Tax: resolution of financial institutions

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to ensure that Stamp Duty, Stamp Duty Reserve Tax (SDRT) and Stamp Duty Land Tax (SDLT) are not chargeable on exercise of resolution powers under the UK special resolution regime for managing failing financial institutions. The exemption will be limited to the temporary transfer of shares or land to a bridge entity, and the transfer of shares in exchange for temporary certificates issued to creditors that identify their entitlement to the shares. This will simplify and strengthen the process of resolving a failed financial institution and help to ensure that the “no creditor worse off” principle is upheld. The change will have effect on and after Royal Assent of Finance Bill 2018-19.

2.65. Stamp Duty and Stamp Duty Reserve Tax: 1.5% charge on the issue of shares

As announced at Autumn Budget 2017, the government will continue not to apply the Stamp Duty and Stamp Duty Reserve Tax (SDRT) 1.5% charge on the issue of shares (and transfers integral to capital raising) into overseas clearance services and depositary receipt issuers following the UK’s exit from the European Union. Following a Court of Justice of the European Union judgement in the case of HSBC Holdings PLC and Vidacos Nominee Ltd v Commissioners for HM Revenue & Customs (HMRC) (C569/07) and a subsequent First Tier Tribunal judgement in the case of HSBC Holdings PLC and the Bank of New York Mellon Corporation v Commissioners for HM Revenue & Customs [2012] UKFTT 163 (TC), HMRC accepts that the charge is incompatible with the Capital Duty Directive. A GOV.UK publication sets out when HMRC does not collect Stamp Duty and SDRT in line with the rulings.

Avoidance and Evasion

2.66. Requirement to notify HMRC of offshore structures

As announced at Autumn Budget 2017, the government will publish a response to the consultation carried out between December 2016 and February 2017 on a proposal to require businesses or intermediaries creating or promoting certain types of complex offshore financial arrangements to notify HMRC of these structures and the details of their clients using these arrangements. The response document will be published on 1 December 2017.

Since the consultation was undertaken, both the Organisation for Economic Co-operation and Development and the European Union have instigated work on similar measures and are considering whether multinational standards would be appropriate to tackle the use of offshore structures for tax evasion purposes. The government is engaging with our international partners and will ensure the responses received for this consultation are fed into this work.

2.67. Extending time limits for offshore non-compliance

As announced at Autumn Budget 2017, the government will extend the time limits for assessing all offshore cases to at least 12 years where non-compliant behaviour is involved, with a consultation on this in spring 2018. The current time limits are usually 4, 6 or 20 years depending on the behaviour that led to the non-compliance. It can take longer to establish the facts where offshore non-compliance is involved but, at the moment, time limits for onshore and offshore cases are the same. For offshore non-compliance, the time limit will be extended to at least 12 years, whatever the behaviour, to give more time to investigate offshore non-compliance. Where there is deliberate behaviour, the time limit for both onshore and offshore cases remains 20 years.

2.68. Hidden economy: conditionality

As announced at Autumn Budget 2017, the government is committed to tackling the hidden economy by making access to some licences conditional on proving tax registration (when an obligation to register exists). Conditionality will make it more difficult to trade in the hidden economy, levelling the playing field for compliant businesses. The government will publish a second consultation on conditionality in December 2017 to set out sectors in which this could practically apply. Final policy design will be confirmed following consultation and the changes will be legislated in a future Finance Bill.

2.69. Insolvency and phoenixism risks

The government will explore further means for tackling the small minority of taxpayers who deliberately abuse the insolvency regime in trying to avoid or evade their tax liabilities, including through the use of phoenixism. A discussion document will be published in 2018.

Tax Administration

2.70. Simplifying late submission and late payment sanctions

As announced at Autumn Budget 2017, the government will publish a response to the recent consultation on proposals for late submission penalties and reform of sanctions for late payment. This was the most recent of a series of consultations on late payment and late submission sanctions.

The response document will be published on 1 December 2017. Alongside the summary of responses, a further consultation on harmonised interest and late payment sanctions will also be published. The government will be taking forward the points-based model for late submission sanctions through consultation on draft legislation in summer 2018. The government intends to legislate for this model in a future Finance Bill.

2.71. Certificates of Tax Deposit closure

As announced at Autumn Budget 2017, the government has decided that no new Certificates of Tax Deposit can be purchased with effect on and after 23 November 2017. Existing Certificates will continue to be honoured until 23 November 2023. Any certificates remaining after this date should be promptly submitted to HMRC for a refund. Thereafter, HMRC will seek to repay the balance of any certificate that remains unpaid and unclaimed. If HMRC is unable to do so, for example because the current certificate holder cannot be contacted after reasonable effort, the balance will be regarded as forfeit.

2.72. Making Tax Digital: changing the scope and pace

As announced at Autumn Statement 2015 and confirmed at subsequent fiscal events, the government legislated Making Tax Digital for Business (MTDfB) in Finance (No.2) Act 2017. This legislates to allow HMRC to require certain businesses, self-employed individuals and landlords to keep records digitally and update HMRC on a quarterly basis.

A tax information and impact note was published at Spring Budget 2017. In a Written Ministerial Statement on 13 July 2017, the government announced that only businesses with a turnover above the VAT threshold will be mandated to use MTDfB from April 2019, and then only to meet their VAT obligations. Businesses with a turnover below the VAT threshold will not be required to use MTDfB from April 2019 but can choose to do so. An updated statement of impacts will be published on 1 December 2017.

2.73. Encouraging compliance by users of digital platforms

As announced at Autumn Budget 2017, the government will explore with digital platforms how their business operating models work and what opportunities there are to promote better tax compliance by their users, before publishing a call for evidence in spring 2018 on what more digital platforms could do to prevent non-compliance among their users. The government has previously put obligations on digital platforms to tackle VAT evasion, and expects digital platforms to play a wider role in ensuring that their users are compliant with the tax rules and to minimise opportunities for their users to unfairly undercut businesses that comply with their tax obligations.

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

Title	Paragraph number
Amendment to the Customs and Excise Management Act 1979	1.44
Annual tax on enveloped dwellings (ATED) – 2018 to 2019 annual chargeable amounts	2.62
Bank levy re-scope	1.27
Consultation on an innovative Enterprise Investment Scheme fund	2.10
Corporate interest restriction	1.20
Corporation tax: exemption for the Education Authority (Northern Ireland)	1.28
Customs examination powers: section 24 of Finance Act 1994	1.45
Disincorporation relief	2.23
Engaging with stakeholders on Social Investment Tax Relief care homes accreditation	2.4
Enterprise Investment Scheme and Venture Capital Schemes	1.10
First Year Allowances for zero-emission goods vehicles and gas refuelling equipment	2.28
Gaming duty	2.61
Insolvency and phoenixism risks	2.69
Landfill Tax: rates 2019 to 2020	2.50
Master trust tax registration	1.18
Partnership taxation: proposals to clarify tax treatment	1.5
Accounting changes for leasing: tax responses	2.26
Reform of tax treatment of termination payments: foreign service relief	1.13
Save-As-You-Earn Pause	2.14
Stamp Duty Land Tax: changes to the filing and payment process	2.63
VAT: grouping consultation— summary of responses	2.37
Venture Capital Schemes: streamlining the advance assurance service	2.9

Table 2: Consultations, calls for evidence and other consultative documents announced at Autumn Budget 2017

Title	Paragraph number	Start date
Capital gains tax: Entrepreneurs' Relief— relief after dilution of holdings	2.36	Spring 2018
Corporation tax treatment of lease payments	2.26	1 December 2017
Corporation tax: non-UK resident companies' UK property income and certain gains	2.32	Summer 2018
Encouraging compliance by users of digital platforms	2.73	2018
Enterprise Investment Scheme fund	2.10	2018
Extending the scope for employees and self-employed to claim tax relief on self-funded training	2.20	2018
Extending time limits for offshore non-compliance	2.67	Spring 2018
Gaming duty	2.61	Early 2018
Hidden economy: conditionality	2.68	December 2017
Impact of VAT and Air Passenger Duty on tourism in Northern Ireland	2.43	Early 2018
Insolvency and phoenixism risks	2.69	2018
Intangible Fixed Asset regime	2.31	2018
Petroleum Revenue Tax treatment of retained commissioning liabilities	2.30	Spring 2018
Profit fragmentation	2.6	2018
Royalties Withholding Tax	2.7	1 December 2017
Securing debt in insolvency: extension of security deposit legislation	2.25	Spring 2018
Simplifying late payment sanctions	2.70	1 December 2017
Single-use plastics waste	2.51	Early 2018
Taxation of trusts	2.11	2018
Taxing non-residents' gains on immovable property	2.35	22 November 2017

VAT and vouchers	2.42	December 2017
VAT fraud in labour provision in the construction sector	2.40	Spring 2018
VAT: consultation on the design of the registration threshold	2.39	2018

Table 3: Update on consultations, calls for evidence and other consultative documents announced at Spring Budget 2017

Title	Start date announced at Spring Budget 2017	Actual or deferred start date
Alcohol duty rates and bands	20 March 2017	20 March 2017
Digital Tax Administration: sanctions for late submission and late payment	20 March 2017	20 March 2017
Employee business expenses	20 March 2017	20 March 2017
Employer-provided accommodation	20 March 2017	Not yet published
Heated tobacco	20 March 2017	20 March 2017
HGV Road User Levy	Spring 2017	22 November 2017 see paragraph 2.54
Landfill Tax: extending the scope to illegal disposals	20 March 2017	20 March 2017
Large Business Risk Review	Summer 2017	13 September 2017
Non-resident companies chargeable to income tax and non-resident capital gains tax	20 March 2017	20 March 2017
Oil and gas: Tax for Late-Life Oil & Gas assets	20 March 2017	20 March 2017
Plant and machinery leasing: response to lease accounting changes	Summer 2017	1 December 2017 see paragraph 2.26
Red diesel	20 March 2017	20 March 2017
Rent-a-Room Relief	Summer 2017	1 December 2017 see paragraph 2.8
Tackling Disguised Remuneration avoidance schemes	Later in 2017	13 September 2017
Taxation of benefits in kind	20 March 2017	Not yet published
VAT: fraud in the provision of labour in the construction sector.	20 March 2017	20 March 2017
VAT: split payment model	20 March 2017	20 March 2017
Withholding tax exemption for debt traded on a Multilateral Trading Facility	20 March 2017	20 March 2017

Annex A: Impact assessments in tax information and impact notes

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

Exchequer impact

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

Where exchequer impacts are significant, they are agreed with the Office for Budget Responsibility (OBR) and are shown in Table 2.1 of the Budget report. Where the exchequer impact is negligible, the impact is less than £5 million in any one year.

Economic impact

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

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

Individuals and households impact

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

A quantitative impact will be shown where:

- each individual’s one-off cost to comply is greater than two hours (cost equivalent £30);
- each individual’s annual cost to comply is greater than one hour (cost equivalent £15);
- the total affected population had one-off and annual costs exceeding £7.5 million per year.

Equalities impact

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

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

- eliminate discrimination;

- advance equality of opportunity; and
- foster good relations between persons who share relevant protected characteristics with other people.

The relevant protected characteristics for the purposes of section 149 of Equality Act 2010 are:

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

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

Business and civil society organisations

This section shows the impact on business and civil society organisations. If not otherwise set out in the TIIN, this section will show the overall positive or negative impact on these organisations. It will also show the additional costs to businesses of implementing the measure, including familiarisation costs (for example, reading related legislation or learning about new procedures and processes). For tax measures, costs are calculated using the "Standard Cost Model". Where the costs are significant a compliance cost table is shown setting out the costs. Most measures do not have a significant cost.

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

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

Three different levels will be shown:

- no impact;
- negligible impact, where the impact is below the £100,000 annual and £3million one off cost or saving; or
- significant impact, where the impact is over at least one of the thresholds and a cost table is shown.

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

Operational impact

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

Other impacts

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

- wider environmental impact and carbon assessment;
- justice impact;
- competition assessment; and
- health impact.

Annex B: Tax Information and Impact Notes

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

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

Impact of policy changes

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

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

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

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

Ministerial sign off for tax impact and information notes

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

Financial Secretary to the Treasury

Tax Information and Impact Notes Contents

Income Tax: Marriage Allowance claims on behalf of deceased partners

Who is likely to be affected

Income tax payers, employers and pension providers.

General description of the measure

This measure allows Marriage Allowance (MA) claims on behalf of deceased spouses and civil partners, and the backdating of these claims by up to four years.

Policy objective

This change makes MA more widely available.

Background to the measure

The government introduced MA in 2015 to recognise marriage through the tax system.

MA allows individuals to transfer 10% of their personal allowance to their spouse or civil partner where the recipient is not a higher rate or additional rate taxpayer. Individuals are able to backdate claims for up to four years.

Currently, the legislation does not allow transfers of personal allowance on behalf of deceased spouses and civil partners, or from a surviving partner to a deceased partner.

Detailed proposal

Operative date

This measure will come into force on 29 November 2017.

Current law

Sections 55A to 55E of the Income Tax Act (2007) provide for the transfer of a portion of income tax personal allowances for married couples and civil partners.

Section 55C(1)(a) provides that an individual may make an MA election only if they are married to, or in a civil partnership with, the same person both 'for the whole or part of the tax year concerned' and 'when the election is made'.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to amend Sections 55B to 55D of the Income Tax Act 2007. This will enable an individual whose spouse or civil partner is deceased to make an application for MA, and for the claim to be backdated for up to four years where the entitlement conditions are met.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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

This measure will benefit individuals who are now able to make an application for MA in respect of a deceased spouse or civil partner. This could reduce their tax by up to £230 per year.

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

Equalities impacts

This measure will impact on married couples, and those who are considering marriage.

It is not anticipated that there will be impacts on groups sharing other protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on employers and pension provider's administrative burdens. One-off costs include familiarisation with the new rules. On-going costs include changing the tax codes of individuals who are now eligible to claim MA. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be no significant operational impact.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the Income Tax Structure and Earnings by email: incometax.structure@hmrc.gsi.gov.uk.

Income Tax: mileage rates for unincorporated property businesses

Who is likely to be affected

Individuals and partnerships made up only of individuals carrying on a property business who travel by cars, goods vehicles or motor cycles for business purposes.

General description of the measure

The measure allows landlords the choice to use fixed rates per business mile to calculate their allowable deductions for motoring expenses, instead of deducting actual running costs and claiming capital allowances. It will not be available to landlords who are companies or in mixed partnerships (a partnership with both individual and non-individual members).

This makes the tax computations of these businesses more consistent with trading businesses who already have this choice, and the mileage rates will be the same as for trading businesses and employees using the same vehicles.

Policy objective

The measure will simplify tax computations for unincorporated property businesses who choose to use mileage rates.

Background to the measure

The measure was announced at Autumn Budget 2017.

The option for landlords to calculate deductions using fixed mileage rates was requested by stakeholders during the consultation on simplified cash basis for unincorporated property businesses, which ran from August to November 2016. Until 2013 landlords were able to deduct fixed mileage rates under an Extra Statutory Concession.

Detailed proposal

Operative date

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

It will include transitional arrangements to allow landlords who previously claimed mileage rates under the Extra Statutory Concession to start using mileage rates again, from 6 April 2017, without having to wait to acquire a new vehicle.

Current law

Taxable profits of a property business are calculated according to the rules in Part 3 of Income Tax (Trades and Other Income Act) 2005 (ITTOIA 2005). In many respects those rules apply the same rules as provided in Part 2 for calculating trading profits, but this does not include section 94D, which allows expenditure of vehicles to be deducted on a fixed rate in calculating the profits of a trade.

Currently, unincorporated property businesses may only deduct actual motoring expenses incurred for the purpose of the business and claim capital allowances for the cost of the vehicle.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to add the use of mileage rates as an allowable method of calculating the allowable deduction in respect of motoring expenses incurred for the purposes of a property business.

This will be achieved by adding sections 94C to 94G of Income Tax (Trading and Other Income) Act 2005 to the list of trading provisions applied in calculating the profit of a property businesses by section 272(2) of ITTOIA 2005.

In most cases mileage rates will not be available in respect of vehicles for which capital allowances have already been claimed, or for which expenditure in acquiring the vehicle has been deducted in a business using the cash basis.

However, there will be transitional arrangements for property businesses who claimed capital allowances in relation to a vehicle in the tax years 2013 to 2014 to 2016 to 2017, and who wish to start using mileage rates for use of the same vehicle from the 2017 to 2018 tax year. The transitional arrangements will prevent the deduction of any further capital allowances in this circumstance.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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

This measure has no impact on individuals as it only affects unincorporated businesses. There is no impact on family formation, stability or breakdown.

Equalities impacts

This measure is an optional and simpler method of calculating a category of expenses for landlords and as such, no impact on the equality of protected groups has been identified.

Impact on business including civil society organisations

This measure will make record keeping and claiming for motoring expenses simpler, and has been requested by landlords and their advisers following the introduction of statutory mileage rates for trading businesses, and the withdrawal of the Extra Statutory Concession in 2013. The population expected to benefit from this measure cannot be accurately identified from the existing tax returns, however, it is expected this measure will contribute to a reduction in administrative burdens for unincorporated property business. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be negligible IT or operational costs for HMRC implementing this measure. Updates will be made to our guidance.

Other impacts

Wider environment impact: because the mileage rate provides the same relief for all cars, it may provide some incentive to use smaller, more fuel efficient cars.

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 Elinor Crockford on Telephone: 03000 565875 or email: elinor.crockford@hmrc.gsi.gov.uk.

Offshore trusts: anti-avoidance rules

Who is likely to be affected

This measure affects settlors and beneficiaries of an offshore trust where a UK resident individual receives an indirect payment or benefit from the trust.

General description of the measure

The measure ensures that payments from an offshore trust intended for a UK resident individual do not escape tax when they are made via an overseas beneficiary or a remittance basis user.

Policy objective

The measure restores an objective of the rules relating to the taxation of income arising and gains accruing to offshore trusts, which is that UK residents are taxed when they receive a payment or benefit from a trust.

Background to the measure

At Summer Budget 2015 the government announced that it would bring an end to permanent foreign domicile ('non-dom') status. These reforms will bring a relatively large number of wealthy individuals, who are likely to have settled offshore trusts, within the scope of UK tax for the first time.

In December 2016, in its response to consultation on these reforms, the government announced that it would also take steps to tighten and add to the existing anti-avoidance rules that relate to the taxation of income arising and gains accruing to offshore trusts.

Detailed proposal

Operative date

The measure will have effect on or after 6 April 2018.

Current law

The law relating to the taxation of income arising, and gains accruing to, an overseas trust is set out in sections 86 and 87 of the Taxation of Chargeable Gains Act (TCGA) 1992 (attribution of gains to settlors and beneficiaries), sections 619 to 648 of the Income Tax (Trading and Other Income) Act (ITTOIA) 2005 (settlements: amounts treated as income of settlor) and sections 714 to 751 of the Income Tax Act (ITA) 2007 (transfer of assets abroad).

Proposed revisions

This measure will amend TCGA 1992 so that where capital payments are made to a close family member of a UK resident settlor, the capital payments are taxable as if they were received by the settlor under a modified version of Section 87.

Capital payments to a non-resident made on or after 6 April 2018 will not be matched against the pool of trust gains for the purposes of section 87, regardless of the domicile status of the settlor and whether or not the recipient of the payment is the settlor or another beneficiary of the trust.

ITTOIA 2005 will be amended so that where a benefit is provided to a close family member of a UK resident settlor, the benefits are taxable as if they were received by the settlor.

Amendments will also be made to TCGA 1992, ITTOIA 2005 and ITA 2007 to ensure that capital payments or benefits received by individuals who do not pay tax on the distribution (because they are either non-resident or are non-domiciled remittance basis users who do not remit the payment) and that person then makes an onward gift to a UK resident, the recipient (the UK resident) is treated as if they had received a capital payment or benefit from the trust equal to the amount of the gift.

Summary of impacts

Exchequer impact (£m)

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

This measure is not expected to have additional Exchequer impact.

This measure supports the Exchequer in its commitment to protect revenue that was set out in the costing for the package of reforms of the non-dom regime that incorporates trusts and anti-avoidance rules announced at Summer Budget 2015. The latest figures for the wider package are set out in Table 2.2 of Spring Budget 2017 as "Non-domiciles: abolish permanent status". They have been certified by the Office for Budget Responsibility. More details can be found in the policy costing 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

This measure is an anti-avoidance measure impacting those individuals seeking to avoid tax. It is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure is an anti-avoidance measure and therefore does not have an equality impact.

Impact on business including civil society organisations

This measure is expected to have no impact on businesses or civil society organisations. The measure will impact on settlors and trustees of offshore trusts and UK resident individuals who receive payments or benefits (directly or indirectly) from an offshore trust.

Operational impact (£m) (HMRC or other)

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

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Aidan Close on Telephone: 03000 585255 or email: aidan.close@hmrc.gsi.gov.uk.

Partnership taxation: proposals to clarify tax treatment

Who is likely to be affected

Partnership, Limited Partnerships and Limited Liability Partnerships could be affected by one or more of the proposals.

General description of the measure

The measure provides additional clarity over aspects of the taxation of partnerships:

- how the current rules and reporting operate in particular circumstances where a partnership has partners who are bare trustees for another person or that are partnerships
- the allocation and calculation of partnership profit for tax purposes

As well as providing certainty needed by partnerships and their advisers, the new provisions ensure that partnership returns contain sufficient information to facilitate HMRC's assurance work.

In addition the measure:

- makes it clear that the allocation of partnership profits shown on the partnership return is the allocation that applies for tax purposes for the partners but provides a new, structured mechanism for the resolution of disputes between partners over the allocation of taxable partnership profits and losses shown on the partnership return
- provides a relaxation in the information to be shown on the partnership return for investment partnerships that report under the Common Reporting Standard or Foreign Account Tax Compliance Act and who have non-UK resident partners who are not chargeable to tax in the UK

Policy objective

While the rules governing the allocation of partnership profits for tax purposes and the return of those profits are clear in the majority of situations, their application in certain modern commercial arrangements is not always without doubt. The changes and clarifications comprised in this measure both seek to address areas of uncertainty and complexity identified as problematic by stakeholders but also limit the opportunity for partnerships to manipulate the allocation of taxable profits to obtain a tax advantage. The changes also facilitate digital transformation of partner taxation using information in the partnership return.

Background to the measure

The measure was announced at Budget 2016 and was subject to a consultation published in August 2016 entitled Partnership taxation: proposals to clarify tax treatment. At Autumn Statement 2016 the government announced a response document (published on 20 March 2017) and that draft legislation would be published.

Detailed proposal

Operative date

New rules for the allocation of partnership profits and losses will have effect for accounting periods and periods of account starting after the date of Royal Assent to the Finance Bill 2017.

Changes to give effect to the new return relaxation in respect of overseas partners in investment partnerships will have effect for returns made after the date of Royal Assent to Finance Bill 2017.

Other changes will have effect for 2018 to 2019 returns.

Current law

The current law is included within:

Sections 12AA to 12ADA of Taxes Management Act 1970 (TMA) (partnership return)

Part 9 of Income Tax Trading and Other Income Act 2005 (ITTOIA) and Part 17 of Corporation Tax Act 2009 (CTA) (calculating a partnership's profits and losses and allocating them between partners)

Proposed revisions

Clarification of partnership rules and return requirements.

1. Partners in nominee or bare trust arrangements. This change clarifies that where a beneficiary of a bare trust is entitled absolutely to any income of that bare trust consisting of profits of a firm, but is not themselves a partner in the firm then they are subject to the same rules for calculating profits etc and reporting as actual partners.

2. Partnerships with partnerships as partners. A partnership that has partners that are themselves partnerships (participating partnerships) will be required to include, for each of the participating partnerships, the share of the partnership's income or loss calculated on all four possible bases of calculation unless details for all the partners and indirect partners are included on the partnership statement.

3. Investment partnerships. Partnerships that do not carry on a trade or profession or a UK property business will not be required to return the tax reference for a partner if that partner is not chargeable to income tax or corporation tax in the UK and the partnership reports details of the partner to HMRC under the Common Reporting Standard (CRS) or Foreign Account Tax Compliance Act (FATCA).

4. Partnerships that are partners in another partnership. If a partnership (the reporting partnership) is a partner in one or more partnerships that carry on a trade, profession or business then the legislation will make clear that the profits or losses from each partnership must be shown separately, and separately from any other income or losses, on the reporting partnership's return.

Allocation of partnership profits determined by the partnership statement

It will be made clear that the allocation of partnership profits shown on the partnership return is the allocation that applies for tax purposes for the partners and introduces a new process to allow disputes over the correctness of the allocation of profit (or loss) for tax purposes to be referred to the tribunal to be resolved. Disputes over the quantum of partnership profits are not within the scope of the new process.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	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 measure is not expected to impact on individuals, households or on family formation, stability or breakdown.

Equalities impacts

It is not expected that the measure will affect any of those groups that share protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on the net administrative burdens for the affected population of partnerships. Some partnerships may experience an increase in burdens whereas others may see a reduction. However, the overall impact is negligible.

One-off costs for all affected partnerships are expected to be negligible. They include familiarisation with the new rules and may also include the introduction of new systems and processes in order to provide additional information to HMRC. On-going costs are expected to affect around 300 partnerships and include the following:

- partners in nominee or bare trust arrangements: additional information regarding name, tax residence and reference number of such representative partners will be required in the partnership return
- partnerships as partners: some partnerships may be required to calculate partnership profit on all four possible bases of calculation (i.e. UK resident individual, non-UK resident individual, UK resident company, non-UK resident company), and report these in the partnership return. However, this requirement is relaxed in cases where not all the calculations are relevant to the partnership

On-going savings are expected to affect around 1,300 investment partnerships as there is no longer a requirement to provide a tax reference for partners who have no charge to tax or business activity in the UK and for which they report details of under the Common Reporting Standard.

Overall, the net ongoing impacts are expected to be negligible.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

The overall operational impact of this measure is expected to be negligible. There are expected to be fewer interventions as a result of clarifying various partnership rules and requiring partners to return the profit/loss allocation shown on the partnership return, which will generate operational savings. Developing an IT mechanism for partners to notify HMRC of disputes referred to the tribunal may cost up to £100,000.

Other impacts

Justice Impact Test: partners will be able to refer profit/loss allocation disputes to the tribunal. A full Justice Impact Test will be completed.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

Monitoring will be achieved through analysis of tax return information and compliance activity.

Further advice

If you have any questions about this change, please contact Rob Nott on Telephone: 03000 537413 or email: robert.nott@hmrc.gsi.gov.uk.

Income Tax: venture capital trusts: limiting the effect of anti-abuse provisions on commercial mergers

Who is likely to be affected

Individuals who have invested in Venture Capital Trusts (VCTs) and VCT fund managers.

General description of the measure

This measure limits the scope of an anti-abuse rule relating to share buy-backs by VCTs.

The rule restricts income tax relief where a VCT buys back shares from an investor and the investor subscribes for new shares in the same VCT within a 6 month period, a form of 'bed and breakfasting'. It also restricts income tax relief for investors who sell shares in a VCT and subscribe for new shares in another VCT within a 6 month period, where those VCTs merge.

This measure will ensure that income tax relief may no longer be withdrawn where the relevant VCTs merge more than two years after the latest subscription for shares, or do so where it is not one of the main purposes of the merger to obtain a tax advantage. It will take effect for VCT subscriptions made on or after 6 April 2014.

Policy objective

The measure ensures that an existing anti-abuse rule for VCTs works as intended and addresses arrangements most likely intended to provide a tax advantage. The anti-abuse rule is intended to prevent multiple claims to income tax relief on what is, in effect, the same investment. However, the rule is not intended to apply to investors who subscribe for shares in a VCT, and sell shares in a different VCT, before there is any arrangement made for the VCTs to merge.

The changes mean that the scheme is well targeted to incentivise new investment by individuals and does not unduly restrict the commercial activities of VCTs.

Background to the measure

This measure was announced at Autumn Budget 2017.

The problem was raised by a representative body after it was contacted by a VCT planning a merger.

Detailed proposal

Operative date

The measure will have effect in relation to relief claims in respect of VCT shares issued on or after 6 April 2014.

Current law

Current law for VCTs is contained in Part 6 of the Income Tax Act (ITA) 2007.

Section 264A restricts income tax relief where, within a six-month period, an investor sells shares in a VCT and subscribes for shares in either the same VCT, or another VCT where those VCTs merge.

There is currently no limit on the merger condition, which means that income tax relief may be withdrawn even where the merger takes place several years after the subscription, or where the merger takes place solely for commercial reasons and the investor was not aware at the time of subscription that the merger would occur.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to limit the scope of section 264A ITA 2007.

Section 264A will be amended to include new provisions which limit the scope of section 264A(5). Where the date of restructuring or merger in section 264A(7) is more than 2 years after the date of the subscription of shares, section 264A(5)(b) will not apply.

Where the date of restructuring or merger is less than 2 years after the date of the subscription of shares section 264A(5)(b) will also not apply if at the time of the subscription the individuals subscribing for the shares could not reasonably be expected to know that the merger or restructuring was likely to take place, or if it is not one of the main purposes of the merger to obtain a tax advantage.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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

This measure would ensure that individual investors in VCTs who have subscribed for shares in one VCT, and sold shares in another VCT within a six month period since 2014 will not be required to pay back tax relief where the VCTs merge only for commercial reasons. The number of individuals affected is not known but is likely to be fewer than 1,000.

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

Equalities impacts

The changes to the schemes are not likely to change the impacts of this measure on any group. There are no impacts on groups of people sharing protected characteristics differently to other groups, and has not identified any equalities impacts.

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

Impact on business including civil society organisations

This measure affects VCT fund managers. It will ensure that the anti-abuse rules work as intended and will not unduly restrict the commercial activities of VCTs. The measure is expected to have a negligible impact on VCT fund managers' administrative burdens. One-off costs include familiarisation with the anti-abuse provision updates. It is not expected that there will be any on-going costs.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

This measure would have no operational impact on HMRC. It would save resource costs in identifying affected investors and recovering the tax due.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The effect of the changes will be monitored. An evaluation of the Enterprise Investment Scheme (EIS) and the VCT scheme will be carried out in accordance with the State aid evaluation requirements.

Further advice

If you have any questions about this change, please contact Martin Trott on telephone: 03000 585619 or email: venturecapitalschemes.policy@hmrc.gsi.gov.uk.

Income Tax: Venture Capital Schemes: risk-to-capital condition

Who is likely to be affected

This will affect certain companies and individuals using the Enterprise Investment Scheme (EIS), Seed Enterprise Investment Scheme (SEIS) and Venture Capital Trusts (VCTs), VCTs, fund managers and other promoters and advisers for the EIS, SEIS and VCTs. This measure will not affect independent, entrepreneurial companies seeking to expand.

General description of the measure

The measure introduces a new condition to the EIS, SEIS and VCT rules to exclude tax-motivated investments, where the tax relief provides most of the return for an investor with limited risk to the original investment (that is, preserving an investor's capital). The condition depends on taking a 'reasonable' view as to whether an investment has been structured to provide a low risk return for investors.

The condition has two parts: whether the company has objectives to grow and develop over the long-term (which broadly mirrors an existing test with the schemes); and whether there is a significant risk that there could be a loss of capital to the investor of an amount greater than the net return. The condition requires all relevant factors about the investment to be considered in the round.

Policy objective

The government wants the venture capital schemes to be focused on support for companies with high growth potential. In response to the consultation, 'Financing Growth in Innovative Firms', evidence was provided suggesting that a significant subset of EIS investment 2016-17 was focused on capital preservation. The risk to capital condition is a principled approach which enables the government to avoid excluding further specific types of activity, which would risk excluding genuine entrepreneurial businesses, whilst reducing opportunity to use the schemes for tax motivated investment.

Background to the measure

A number of specific trading activities have been excluded from the schemes since 1998 because they offer low risk investment opportunities for investors. Most recently, all energy generation activities were excluded for investments made on or after 6 April 2016.

The government published a consultation, 'Financing growth in innovative firms' on 1 August 2017 which asked for views on reducing lower risk capital preservation' investments in the venture capital schemes. The government's response document was published on 22 November 2017.

Detailed proposal

Operative date

The new condition will apply to all investments made on or after Royal Assent of Finance Bill 2017-18.

HMRC will cease to provide advance assurances on proposed investments that would appear not to meet the new condition from the date of the publication of draft guidance, which will be alongside the Finance Bill publication process.

Current law

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

The current SEIS legislation is contained in Part 5A ITA 2007

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

Proposed revisions

Legislation in Finance Bill 2017-18 will introduce a new qualifying condition (the 'risk-to-capital condition)' to Parts 5, 5A and 6 by new sections 157A, 257AAA and 286ZA respectively.

The new condition introduces a principles-based test to determine if, at the time of the investment, a company is a genuine entrepreneurial company. It requires a conclusion to be reached as to whether the company has objectives to grow and develop and whether there is significant risk of loss of capital, where the amount of the loss could be greater than the net return to the investor. All relevant factors must be considered in reaching that conclusion.

The net investment return is defined by reference to the net return to investors including income or capital growth and any income tax relief.

The condition includes a non-exhaustive list of the types of factors that may be taken into consideration when arriving at the conclusion.

These changes are subject to normal state aid rules.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	nil	+45	+35	-15	-20

These figures are set out in Table 2.1 of Autumn Budget 2017 as 'Patient Capital Review: reforms to tax reliefs to support productive investment' and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Budget 2017.

Economic impact

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

The costing accounts for behavioural responses to the changes, whereby a proportion of capital preservation investment excluded is reinvested elsewhere through these schemes, and the new incentives to invest in knowledge intensive companies result in increased investment in those.

Impact on individuals, households and families

This measure will affect individuals who subscribe for shares in companies that are carrying out capital preservation activities, often through an EIS fund manager or investment house.

The affected individuals are likely to be affluent but risk-averse because they are not prepared to lose capital on their investments. The numbers of investors affected is not known.

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

Equalities impacts

It is anticipated that the changes to the schemes will impact on risk-averse users of the EIS, SEIS and VCT scheme.

HMRC has not identified that any specific groups with protected characteristics that would be affected.

Impact on business including civil society organisations

This measure is expected to impact investment houses, fund managers and other promoters of capital preservation schemes using the EIS, SEIS and VCTs. These businesses may need to find alternative investment opportunities: either higher risk investments within the tax-advantaged venture capital schemes or in the wider market.

Negligible one-off costs include familiarisation with the new rules. Negligible on-going costs may include making arrangements to obtain follow-on funding.

Operational impact (£m) (HMRC or other)

The costs to HMRC of implementing these changes are anticipated to be negligible. Some resource may be freed up as the changes should result in fewer applications at the advance assurance stage.

Other impacts

Justice impact test: there may be more appeals against HMRC decisions to refuse to authorise companies to issue compliance certificates to their investors, as the new law is tested. A justice impact test will be completed.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through applications from companies to HMRC under the schemes, and by the amount of funds raised by companies using the EIS, SEIS and VCTs.

Further advice

If you have any questions about this change, please contact Cathy Wilson on Telephone: 03000 536 678 or email: cathy.wilson@hmrc.gsi.gov.uk or venturecapitalschemes.policy@hmrc.gsi.gov.uk

Income Tax: encouraging more high-growth investment through Venture Capital Trusts

Who is likely to be affected

This measure will affect venture capital trusts (VCTs), fund managers, companies seeking investment from VCTs and individuals who invest in VCTs.

General description of the measure

This measure changes certain rules on investments made by VCTs. The measure will:

- insert a final date of 6 April 2018 in relation to the applicability of certain "grandfathering" provisions
- double the time VCTs have to reinvest gains from investments from six to 12 months
- require 30% of funds raised in an accounting period to be invested in qualifying holdings within 12 months after the end of the accounting period
- require qualifying loans to be unsecured and ensure that returns on loan capital above 10% represent no more than a commercial return on the principal
- increase the proportion of VCT funds that must be held in qualifying holdings from 70% to 80%

Policy objective

This measure helps to ensure that tax-advantaged VCTs continue to focus on long-term investment in higher risk companies that intend to grow and develop.

Background to the measure

The government published a consultation, 'Financing growth in innovative firms', on 1 August 2017 which asked for views on the value for money provided by the venture capital schemes, including VCTs. The government's response document was published on the 22 November 2017.

Detailed proposal

Operative date

From the date of Royal Assent:

- VCTs may no longer offer secured loans to investee companies, and any returns on loan capital above 10% must represent no more than a commercial return on the principal

From 6 April 2018:

- the 'grandfathering' provisions affected by this measure will not apply to new investments made by VCTs
- VCTs will be required to invest 30% of funds raised in an accounting period beginning on or after 6 April 2018 in qualifying holdings within 12 months after the end of the accounting period

From 6 April 2019:

- the period for reinvestment of gains on disposal of qualifying holdings investments will increase from 6 to 12 months
- the proportion of VCT funds that must be held in qualifying holdings will increase from 70% to 80%

Current law

The current VCT legislation is contained in Part 6 of the Income Tax Act (ITA) 2007.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to make a number of changes to VCT rules.

This measure amends certain 'grandfathering' provisions which preserved old rules in relation to funds raised, and monies derived from them, after the rules were changed. The measure inserts a date from which the provisions will no longer apply, of 6 April 2018, in the following legislation, with the following effects:

- Paragraph 69 of Schedule 2 to ITA 2007 (which will apply the 'no guaranteed loans requirement')
- Paragraph 81 of Part 8 of Schedule 2 to ITA 2007 (which will cease to allow certain activities such as property development)
- Paragraph 3(6)(b) of Part 1 of Schedule 16 to the Finance Act 2007 (which will apply a limit to the number of employees in a qualifying company)
- Paragraph 12(b) of Schedule 11 to the Finance Act 2008 (which will cease to allow certain activities such as shipbuilding)

In addition, Paragraph 70 of Schedule 2 to ITA 2007 will be amended to apply the "proportion of eligible shares requirement" to investments made on or after 6 April 2018.

Paragraph 6(2)(b) of Schedule 2 to Finance (No. 3) Act 2010 will be amended to ensure investments made on or after 6 April 2018, from protected monies raised before 6 April 2011, will count towards the 70% eligible shares condition as set out in section 274 ITA 2007.

Section 274 ITA 2007 will be amended to include a new qualifying condition for VCTs to invest at least 30% of the money raised in qualifying holdings within no more than 12 months after the end of the accounting period in which those funds were raised.

Sections 274, 275, 278, 280 and 280A ITA 2007 will be amended to increase the qualifying holding limit from 70% to 80%, to take effect for accounting periods starting on or after 6 April 2019.

Section 280A ITA 2007 will be amended to increase the time to reinvest the proceeds of disposals of qualifying holdings from six months to 12 months. This will take effect for disposals of qualifying holdings made on or after 6 April 2019.

Part 6 will be amended to specify that a qualifying loan must be unsecured and provide no more than a commercial rate of return on the principal, to include any loan interest, costs or charges payable to the VCT. Returns on loan capital of under 10% of the principal a year, averaged over five years, will be considered commercial.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	nil	nil	nil	nil	nil

The measure is not expected to have an impact on the Exchequer.

Economic impact

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

Impact on individuals, households and families

There may be a limited impact on individuals who invest in VCTs, as changes to the types of investments that VCTs make as a result of this measure may result in some changes to VCT investment strategy over the longer term.

There is no impact on households.

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

Equalities impacts

Investors in VCTs tend to be affluent older people although younger people who invest in VCTs may also be affected.

After careful consideration, the government has concluded that there are no significant impacts on other groups of people sharing protected characteristics, and hasn't identified any equalities impacts.

Impact on business including civil society organisations

This measure affects VCTs, VCT fund managers and companies that VCTs invest in. The changes are intended to ensure VCTs invest more funds in higher risk companies, more quickly. There are currently around 70 VCTs, and it is likely that most of these will have to make changes to their investment models to meet the new rules. Some investee companies may also find that loan conditions offered by VCTs change.

This measure is expected to have a negligible impact on VCTs' administrative burdens. VCTs will incur one-off costs of familiarisation with the new rules and ensuring that their investments meet the new conditions. It is not expected that there will be any on-going costs. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

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

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The effect of the changes will be monitored. An evaluation of the EIS and VCT schemes will be carried out in accordance with the State aid evaluation requirements.

Further advice

If you have any questions about this change, please contact Cathy Wilson on 03000 536678 or Martin Trott on 03000 585619, or email: venturecapitalschemes.policy@hmrc.gsi.gov.uk.

Income Tax: the Enterprise Investment Scheme and Venture Capital Trusts: encouraging investments in knowledge-intensive companies

Who is likely to be affected

Companies and individuals using the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs), fund managers and other promoters and advisers associated with the EIS and VCTs.

General description of the measure

This measure increases investment limits and provides more flexibility for knowledge-intensive companies (KICs) receiving investments under the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) rules. The annual limit for individuals investing in KICs under the EIS will be increased to £2 million, provided that anything above £1 million is invested in KICs. The annual EIS and VCT limit on the amount of tax-advantaged investments a KIC may receive will be increased to £10 million. Greater flexibility will be provided with respect to the rules for determining whether a KIC meets the permitted maximum age requirement.

Policy objective

These changes are intended to provide significant additional support to KICs, which evidence suggests face the greatest difficulties in accessing growth investment. The tax-advantaged venture capital schemes are intended to encourage individuals to invest directly or indirectly in small, high growth-potential trading companies that would otherwise struggle to access the funding they need to grow and develop.

Background to the measure

This measure forms part of the government response to the Patient Capital Review consultation.

The government published a consultation, 'Financing growth in innovative firms' on 1 August 2017 which considered the effectiveness of EIS, VCTs and the other tax-advantaged venture capital schemes. The government's response document was published on 22 November 2017.

Detailed proposal

Operative date

For EIS the changes will apply to shares issued on or after 6 April 2018.

For VCTs the changes will apply to new qualifying investments made on or after 6 April 2018.

Current law

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

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

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18:

- section 157 ITA of 2007 will be amended to increase the EIS investment limit for individuals to £2 million provided that that any amount over £1 million is invested in one or more knowledge-intensive companies (KICs)
- sections 173A and 292A of ITA 2007 will be amended to increase the annual investment limit for a KIC to £10 million
- the changes described above will include amendments to the operating costs conditions in sections 252A and 331A of ITA 2007 (definition of a KIC) for companies that have existed for less than three years
- the permitted maximum age rules contained in sections 175A, 280C and 294A of ITA 2007 will be amended to allow a KIC to use the date from which its annual turnover exceeded £200,000, instead of the date of its first commercial sale, when determining the date from which the end of the initial investing period is calculated

These changes are all subject to state aid rules.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	nil	+45	+35	-15	-20

These figures are set out in Table 2.1 of Autumn Budget 2017 as 'Patient Capital Review: reforms to tax reliefs to support productive investment' and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Budget 2017.

Economic impact

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

The costing accounts for behavioural responses to the changes, whereby a proportion of capital preservation investment excluded is reinvested elsewhere through these schemes and the new incentives to invest in knowledge intensive companies result in increased investment in those.

Impact on individuals, households and families

Increasing the annual investment limit to £2 million means that some individuals will be able to claim higher amounts of tax relief if they invest in one or more KICs. It is estimated that approximately 4,000 individual investors are likely to benefit from this measure annually.

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

Equalities impacts

The measure may influence individuals to invest more in knowledge-intensive companies. They may benefit from the measure.

Impact on business including civil society organisations

The measure is expected to attract more investment in smaller innovative companies carrying out research and development and other activities to develop intellectual property that the company will use for its future trading activities. The measure is expected to have a negligible impact on businesses administration burdens. One-off costs include familiarisation with the application of the extended definition of a KIC. Approximately 80 Venture Capital Trusts which are currently active will also bear small one-off familiarisation costs with the new investment limit and the rules for determining a KIC. It is not expected there will be any on-going costs.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

Implementing these changes will incur operational costs for HMRC in the region of £700,000 for updating the self-assessment form SA101 for individuals who claim for EIS investments higher than £1 million.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through applications from companies to HMRC under the schemes, and by the amount of funds raised by companies using the EIS and VCTs.

Further advice

If you have any questions about this change, please contact Cathy Wilson on Telephone: 03000 536 678 or email: cathy.wilson@hmrc.gsi.gov.uk or venturecapitalschemes.policy@hmrc.gsi.gov.uk

Income Tax: Venture Capital Schemes: relevant investments

Who is likely to be affected

This measure will affect companies, social enterprises, fund managers and individuals using the Enterprise Investment Scheme (EIS), Venture Capital Trusts (VCTs) and Social Investment Tax Relief (SITR).

General description of the measure

This measure amends the definition of a 'relevant investment' to ensure all investments, including all risk finance investments made before 2012, are counted towards the lifetime funding limit for companies receiving investment under tax advantaged venture capital schemes. The limit is £12 million for most companies and £20 million for knowledge-intensive companies.

Policy objective

This measure is intended to ensure that all risk finance investments that a company may receive are treated as relevant investments regardless of when they were made.

The definition of a relevant investment will apply for all purposes in the EIS and VCT rules and will also extend to the new lifetime limit for the Social Investment Tax Relief scheme.

Background to the measure

The definition of a relevant investment was introduced in the Finance Act 2007 as part of a new annual limit on the amount of EIS and VCT investments a company may receive. The definition excluded certain EIS and VCT investments to ensure there was no retrospective effect when the annual limit first applied. Finance Act 2012 amended the definition of a relevant investment to include "other risk finance investments"; but excluded investments where the change would otherwise have retrospective effect.

Finance Act (2) 2015 introduced new EIS and VCT rules to better target the schemes to support high-growth companies with little or no track record that would otherwise struggle to access finance to grow and develop. The changes included the introduction of a new lifetime investment limit, which depends upon the definition of a relevant investment. However the changes did not take into account the effect of the transitional provisions included in the Finance Act 2007 and the Finance Act 2012. As a consequence, certain investments received before 2012 do not count towards the lifetime funding limit.

Detailed proposal

Operative date

The changes will apply to qualifying investments made on or after 1 December 2017.

Current law

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

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

The current of SITR legislation is contained in Part 5B Income Tax Act 2007.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to amend Parts 5 and 6 of ITA 2007 to define all EIS, VCT and other risk finance investments, regardless of when they were made, as 'relevant investments'.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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

We estimate that a maximum of 100 individual investors will be affected by this measure.

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

Equalities impacts

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

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. Fewer than five companies have been affected by the provisions since November 2015. There will be an impact on:

- some companies may not be eligible to receive future investments under the schemes because the historic investments would result in the company breaching the lifetime limit on relevant investments
- some companies may become eligible for follow-on funding under the EIS and VCT schemes provided they can show that the follow on funding was anticipated at the time of the initial investment.

There may be an impact on a small number of civil society organisations that are social enterprises and that received EIS or VCT investments before mid-2007. However most social enterprises using the EIS scheme were carrying out activities that are now excluded; others may still be able to use the EIS scheme.

Negligible one-off costs include familiarisation with the new rules. Negligible on-going costs may include making arrangements to obtain follow-on funding.

Operational impact (£m) (HMRC or other)

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

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through the amount of funds raised by EIS and VCTs.

Further advice

If you have any questions about this change, please contact Cathy Wilson on Telephone: 03000 536 678 or email: cathy.wilson@hmrc.gsi.gov.uk or venturecapitalschemes.policy@hmrc.gsi.gov.uk

Income Tax: armed forces accommodation allowance exemption

Who is likely to be affected

Members of the armed forces who, in the future, receive an allowance to rent or maintain accommodation in the UK.

General description of the measure

This measure creates an Income Tax exemption for payments made to members of the armed forces to help meet the cost of accommodation.

Policy objective

Currently, most members of the armed forces live in accommodation provided by the Ministry of Defence.

Under existing rules, living accommodation provided to members of the armed forces is free from a benefit-in-kind tax charge.

The Ministry of Defence intends to provide members of the armed forces with an accommodation allowance to help them rent or maintain accommodation in the private housing market in the United Kingdom. This does not affect members of the armed forces serving overseas.

This measure strengthens the government's commitment to the Armed Forces Covenant and ensures that the accommodation allowance will be exempt from income tax, continuing the existing treatment where accommodation is provided by the Ministry of Defence.

The accommodation allowance will not be subject to National Insurance contributions (NICs). A Class 1 NICs disregard will be introduced through regulations after Royal Assent to Finance Bill 2017-18.

Background to the measure

This measure was announced at Autumn Budget 2017.

Detailed proposal

Operative date

The measure will have effect after the date of Royal Assent to Finance Bill 2017-18, once regulations have been laid to impose conditions on the types of allowance that qualify for the exemption.

Current law

Employees are subject to income tax on the full amount of cash received as earnings from an employment under Part 2 of ITEPA 2003.

Proposed revisions

Legislation in Finance Bill 2017-18 will introduce a new section in Chapter 8 of Part 4 of ITEPA 2003 which will provide that accommodation allowance payments to members of the armed forces are not liable to Income Tax.

The new legislation defines the accommodation allowance as an allowance paid for or towards to the cost of accommodation for a member of the armed forces.

Regulations will be laid at a further date after Royal Assent to Finance Bill 2017-18 that will set out the conditions on the types of allowances that will qualify for the exemption. These conditions will be confirmed once the Ministry of Defence has taken its final decision on the types of accommodation allowance it will provide.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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

This measure will affect members of the armed forces who are entitled to be provided with living accommodation by the Ministry of Defence, and who will be entitled to an accommodation allowance as an alternative if they move into private accommodation.

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

Equalities impacts

This measure benefits members of the armed forces. It will impact those protected characteristics shared by members of the armed forces.

Impact on business including civil society organisations

This measure has no impact on businesses or civil society organisations.

Operational impact (£m) (HMRC or other)

It is anticipated that there will be negligible operational impacts for HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through information collected from the Ministry of Defence and kept under review through regular communication with affected taxpayer groups.

Further advice

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

Income Tax: extending Seafarers' Earnings Deduction to the Royal Fleet Auxiliary

Who is likely to be affected

Employees of the Royal Fleet Auxiliary.

General description of the measure

This measure brings employees of the Royal Fleet Auxiliary within the scope of the definition of a seafarer contained in Chapter 6 of the Income Tax Earnings and Pensions Act 2003 (ITEPA 2003).

This measure will allow eligible employees of the Royal Fleet Auxiliary to claim Seafarers' Earnings Deduction.

Policy objective

Employment in the Royal Fleet Auxiliary is treated as Crown employment for tax purposes, and those in Crown employment are unable to claim Seafarers' Earnings Deduction.

The Royal Fleet Auxiliary is a seafaring organisation and employees of the Royal Fleet Auxiliary who have claimed Seafarers' Earnings Deduction and met the other conditions, have been given the deduction on a concessionary basis.

This measure provides certainty to the Royal Fleet Auxiliary that this treatment can continue, for those employees who are eligible to claim.

Background to the measure

This measure was announced at Autumn Budget 2017.

Detailed proposal

Operative date

The measure will have effect on and after the date of Royal Assent to Finance Bill 2017-18.

Current law

The current legislation is contained in section 384 of Chapter 6 of ITEPA 2003. It sets out the meaning of employment as a seafarer, and restricts this meaning to 'other than crown employment'.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to amend section 384 of ITEPA 2003 and clarify that 'other than crown employment' does not mean employment in the Royal Fleet Auxiliary.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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

This measure will affect around 900 employees of the Royal Fleet Auxiliary, and will make it clear that these employees can claim Seafarers' Earnings Deduction.

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

Equalities impacts

This measure benefits members of the Royal Fleet Auxiliary. It will impact those protected characteristics shared by members of the Royal Fleet Auxiliary.

Impact on business including civil society organisations

This does not have an impact on businesses and civil society organisations.

Operational impact (£m) (HMRC or other)

It is anticipated that there will be negligible operational impacts for HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Income Tax and National Insurance contributions: termination payments: removal of foreign service relief for UK residents

Who is likely to be affected

Employers who make termination payments to employees and employees who receive termination payments, where the employee has spent part or all of their service with their employer overseas.

General description of the measure

This measure ensures employees who are UK resident in the tax year their employment is terminated will not be eligible for foreign service relief on their termination payment. Foreign service relief currently allows qualifying individuals to be either completely exempted from income tax on their termination payment or have the taxable amount reduced.

Policy Objective

The government believes income tax relief for foreign service is outdated and unnecessary. This will help achieve the government's aims of a fairer tax system. Those who have worked abroad but are resident in the UK in the year their employment is terminated will be taxed in the same way as others who have not worked abroad. They will continue to benefit from the existing £30,000 income tax exemption and an unlimited employee National Insurance contributions (NICs) exemption for payments associated with the termination of employment. The rules on income tax and employer NICs for termination payments are aligned so that employer NICs will be payable on payments above £30,000 (which are currently only subject to income tax).

Background to the measure

In August 2016, HMRC published draft legislation for technical consultation on changes to the taxation of termination payments as a whole, including the removal of foreign service relief. The consultation highlighted territorial issues with the legislation relating to foreign service. The government therefore announced at Budget 2017 that it would withdraw the original proposal in order to reconsider and bring forward new legislation ready for implementation from April 2018.

Detailed proposal

Operative date

The measure will have effect from 6 April 2018. It will apply to those who have their employment contract terminated on or after 6 April 2018.

Current law

The termination payments legislation is contained within Chapter 3 of Part 6 of the Income Tax (Earnings and Pensions) Act (ITEPA) 2003, sections 413 to s 414.

Proposed revisions

Legislation will be introduced in Finance Bill 2017/18 to amend sections 413 and 414 of ITEPA 2003. This will ensure only those who are UK resident in the tax year their employment is terminated will be liable to tax on termination.

Sections 413 and 414 ITEPA are being amended to ensure that an employee whose employment is terminated in a tax year when they are UK resident will not be able to claim foreign service relief. The existing Statutory Residency Test will be used to determine which employees are UK resident in the tax year they receive their termination award.

Reductions in the case of foreign service (sometimes referred to as 'foreign service exemption') is retained for seafarers.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022
+40	+365	+400	+415	+430

These figures are set out in Table 2.2 of Spring Budget 2017 as 'Aligning the tax and employer NICs treatment of termination payments and preventing manipulation of the rules'. They include the yield from removing foreign service relief for UK residents and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2016.

Economic impact

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

Impact on individuals, households and families

There is not expected to be any significant impact on individuals or households. Around 1,000 individuals claim foreign service relief each year. This measure means those who are UK resident will no longer be able to claim foreign service relief on termination payments.

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

Equalities impacts

The government has had due regard to equality to comply with section 149 of Equality Act 2010 and relevant Northern Ireland legislation. The proposed measure will impact on people who are employed.

Impact on business including civil society organisations

This measure is expected to have no impact on businesses or civil society organisations as foreign service relief had to be claimed by an individual when submitting their Self-Assessment tax return.

Operational impact (£m) (HMRC or other)

There will be negligible HMRC operational impact for this change.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

This measure will be monitored through information collected from tax receipts and communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact the Income Tax Structure and Earnings by email: incometax.structure@hmrc.gsi.gov.uk.

Disguised remuneration: further update

Who is likely to be affected

Employers, companies and individuals using tax avoidance schemes that fall within the disguised remuneration legislation in respect of employment or self-employment income.

Employers, companies and individuals that have used a disguised remuneration scheme and have yet to settle with HMRC.

General description of the measure

This measure is the final part of the legislation necessary to implement the package of changes announced at Budget 2016 to tackle existing and prevent future use of disguised remuneration avoidance schemes.

The majority of the changes needed have already been legislated in Finance Act 2016, Finance Act 2017 and Finance (No. 2) Act 2017. This tax information and impact note (TIIN) details the package that the government will introduce in Finance Bill 2017-18.

The legislation covered by this measure will build on what has already been enacted to:

- prevent the future use of disguised remuneration schemes by strengthening the existing rules in Part 7A of Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003). The changes relate to how Part 7A of ITEPA 2003 applies to the remuneration of employees, and directors, who have a material interest in their close company employer by adding the close companies’ gateway. The measure will also put beyond doubt that Part 7A of ITEPA 2003 applies regardless of whether contributions to disguised remuneration avoidance schemes should previously have been taxed as employment income
- tackle the existing use of disguised remuneration schemes with the new charges on disguised remuneration loans outstanding on 5 April 2019 (the 'loan charge'). The changes introduce a requirement for employees and self-employed individuals to provide information to HMRC by 1 October 2019 about their disguised remuneration loans to ensure the loan charge is complied with. The changes will also ensure the liabilities arising from the loan charge are collected from the appropriate person where the employer is located offshore

More information on all the changes can be found in the technical note published on 1 December 2017.

Policy objective

This measure supports the government's commitment to tackling tax avoidance and ensures users of disguised remuneration schemes pay their fair share of Income Tax and National Insurance (NICs).

Background to the measure

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

Detailed proposal

Operative date

The close companies' gateway will have effect from 6 April 2018.

The clause which puts beyond doubt that Part 7A of ITEPA 2003 applies regardless of whether the amount contributed to the scheme should previously have been taxed as employment income will have effect from 22 November 2017.

The requirement for additional information to be provided to ensure the loan charge is complied with will take effect from Royal Assent to Finance Bill 2017-18.

The change to ensure the loan charge liability is collected from the appropriate person where the employer is offshore will have effect from Royal Assent of Finance Bill 2017-18.

Current law

Finance Act 2011 introduced Part 7A of ITEPA 2003, commonly referred to as the 'disguised remuneration rules'.

Schedule 11 of Finance (No.2) Act 2017 introduced the loan charge.

Schedule 12 of Finance (No.2) Act 2017 introduced the self-employed loan charge.

Section 689 of ITEPA 2003, often referred to as the 'host employer' rules, ensures PAYE is operated by an entity with a UK presence on work carried out in the UK.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to:

- make clear when Part 7A of ITEPA 2003 applies to disguised remuneration schemes used by the owners of close companies
- amend Chapter 1 of Part 7A of ITEPA 2003 to clarify the scope of the interaction between the disguised remuneration rules and other tax charges
- introduce a duty to provide information of outstanding disguised remuneration loans to HMRC for users of disguised remuneration schemes
- make a change to section 689 of ITEPA 2003 to ensure that the employee who benefitted from the disguised remuneration avoidance scheme is liable for the tax arising on the loan charge where their employer is based offshore

Further information on these changes can be found in the technical note published on 1 December 2017.

Summary of impacts

Exchequer impact (£m): Disguised Remuneration: Tackling historic and new schemes

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

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

The figures reflect a full package of changes to tackle disguised remuneration avoidance schemes announced at Budget 2016, some of which have been legislated in earlier Finance Acts and so are not reflected in this note. This measure helps to ensure that the yields estimated at Budget 2016 will be achieved. More details can be found in the policy costings document published alongside Budget 2016.

Exchequer impact (£m): Disguised Remuneration: Extend to self-employed and remove company deduction

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
+25	+180	+310	+40	+65

These figures were set out in Table 2.1 of Autumn Statement 2016 as 'Disguised Remuneration: extend to self-employed and remove company deduction' and have been certified by the Office for Budget Responsibility.

The figures reflect a full package of changes to tackle self-employed disguised remuneration avoidance schemes and company deductions for disguised remuneration schemes which were announced at Autumn Statement 2016, some of which have been legislated in earlier Finance Acts and so are not reflected in this note. This measure helps to ensure that the yields estimated at Autumn Statement 2016 will be achieved. More details can be found in the policy costings document published alongside Autumn Statement 2016.

Economic impact

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

Impact on individuals, households and families

This package is not expected to have a material impact on family formation, stability or breakdown.

The disguised remuneration package is expected to affect up to 40,000 individuals who have entered into disguised remuneration avoidance schemes. This measure will also affect individuals who are self-employed and trading on their own account or through a partnership and have entered into disguised remuneration avoidance schemes. The measure is expected to affect up to 10,000 self-employed individuals who have entered into disguised remuneration avoidance schemes.

Some of these individuals will be unable to repay the loans, agree a settlement with HMRC before 5 April 2019, or pay the loan charge arising on 5 April 2019. The government anticipates that some of these individuals will become insolvent as a result.

Equalities impacts

This measure will affect those of a working age or older who have used disguised remuneration avoidance schemes.

It is not anticipated that this measure will have a significant, or disproportionate, impact on groups with protected characteristics as recognised in the Equality Act 2010.

Impact on business including civil society organisations

This measure is only intended to impact on businesses that are engaging in avoidance schemes.

It is expected to have no impact on the administrative burdens of compliant businesses and civil society organisations who are undertaking normal commercial transactions.

Operational impact (£m) (HMRC or other)

HMRC received additional financial resources at Budget 2016 to resource the disguised remuneration package.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through disclosures of new avoidance schemes and through communication with affected customers and practitioners.

Further advice

If you have any questions about this change, please contact the Income Tax Structure & Earnings Team by email: incometax.structure@hmrc.gsi.gov.uk.

Income Tax: cars appropriate percentage: increasing the diesel supplement

Who is likely to be affected

Employers and employees where the employer provides the employee with a diesel company car which is made available for private use.

General description of the measure

This measure increases the appropriate percentage used for calculating the cash equivalent of a taxable benefit when a diesel car is made available for private use to an employee.

The diesel supplement is increased from 3% to 4% for all diesel cars that are not certified to the Real Driving Emissions 2 (RDE2) standard. The supplement will apply to those cars propelled solely by diesel (not diesel hybrids) and registered on or after 1 January 1998, which do not have a registered NOx emissions value. It will also apply to models registered on or after 1 January 1998, which have a registered NOx emissions value which exceeds the RDE2 standard.

This measure removes the diesel supplement altogether for diesel cars which are certified to the RDE2 standard.

Policy objective

Increasing the diesel supplement supports the UK's transition to less polluting zero and ultra-low-emission cars. This measure will also help reduce NOx emissions and improve local air pollution in support of the 'UK plan for tackling roadside nitrogen dioxide concentrations'.

Background to the measure

At Spring Budget 2017 the Chancellor announced the government would continue to explore the appropriate tax treatment of diesel vehicles, to support the UK plan for tackling roadside nitrogen dioxide concentrations. At Autumn Budget 2017 it was announced that from 6 April 2018 the diesel supplement rate will be increased to 4% and applied to cars which are not certified to the RDE2 standard.

Detailed proposal

Operative date

The measure will have effect on and after 6 April 2018.

Current law

Sections 121 to 148 of the Income Tax (Earnings & Pensions) Act 2003 (ITEPA) provide for calculating the cash equivalent of the benefit of a car which is made available for private use. This is normally based on the list price of the car plus taxable accessories, multiplied by the level of carbon dioxide (CO_2) emissions the car produces, which is expressed as the appropriate percentage.

Section 141 ITEPA 2003 sets out the basis for calculating the appropriate percentage for diesel cars registered on or after 1 January 1998 by adding a further 3 percentage point supplement to the appropriate percentage.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to amend Section 141 of ITEPA, increasing the diesel supplement rate from 3 percentage points to 4. This will apply to all diesel cars registered on or after 1 January 1998.

Cars which are certified as meeting the Real Driving Emissions 2 (RDE2) standard under Annex IIIA of Commission Regulation (EU) 2017/1151 will be exempt from the diesel supplement. This will be set in legislation at a value of NOx no greater than 80mg/km.

The RDE2 standard sets a maximum permitted level of car NOx emissions in real world driving situations, and it is measured through portable emissions-measuring equipment in a variety of real driving trips. Cars must pass the certified level of NOx emissions irrespective of the driving behaviour during the test - for example, the level of emissions produced when an engine is under stress, say, by driving uphill.

Manufacturers will certify NOx emissions. The certificate of conformity manufacturers produce will record which Euro-standard the vehicle is certified to. Diesel cars certified with a real-world NOx emissions figure greater than the RDE2 standard or those registered on or after 1 January 1998 without a certified NOx emissions figure will be subject to the 4% supplement from 6 April 2018.

The maximum level of the appropriate percentage for cars including any diesel supplement will remain at 37%. The legislation will also make consequential amendments to sections 139(7)(a) and 140(5)(a) of ITEPA to reflect the diesel supplement applies only to certain diesel cars.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	+70	+35	-30	+130	+90

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

Economic impact

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

Behavioural responses are included to take into account the change in the total taxable benefit from company cars in response to a change in tax rates.

Impact on individuals, households and families

This measure will affect individuals who drive a diesel car provided by their employer and made available for private use where the car either has no registered NOx emissions value or does not meet the standard set out by RDE2. At present, there are approximately 800,000 individuals in this category who drive diesel cars, and they will now pay more tax as a result of the diesel supplement increase. However, 350,000 company car drivers per year replace their company cars, so within a few years, most affected drivers will have an opportunity to choose new cars which are not subject to the supplement.

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

Equalities impacts

The measure will impact those sharing protected characteristics which are representative of company car drivers, and these are more likely to be male than female and in working age groups.

Impact on business including civil society organisations

This measure is expected to have a negligible one-off cost on the approximately 100,000 employers who provide diesel cars to employees that are made available for private use. One-off costs include updating systems to reflect the new rate and checking whether diesel cars fall within the RDE2 standard.

It is likely that few, if any, cars will meet RDE2 standards in 2018 to 2019. To prevent employers from having to contact HMRC in respect of any that do, HMRC will issue guidance on how they should be treated so that the diesel supplement is disapplied. It is estimated that this may affect the low hundreds of employees therefore negligible further administrative burden cost for 2018 to 2019.

For 2019 to 2020 onwards employers will have to note reported NOx emissions for new diesel cars and check whether or not these meet the RDE2 standard. Given the churn of company cars over a 3 to 4 year period, it is expected that this will involve additional reporting for approximately 230,000 individuals each year. This is expected to have a negligible impact on administrative burdens as it is expected to be a minimal addition to the time that employers now take to note the CO2 emissions figure to establish the appropriate percentage. The information will be available on the same documentation (the certificate of conformity) which lists the CO2 emissions figure.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC currently expects the IT changes required to deliver this measure will cost in the region of £1.1 million. This figure could change if the IT systems needed to deliver this change and which are currently under development are not in place at the appropriate time.

Other impacts

Carbon assessment and wider environment impact: by strengthening the incentive to purchase cars with a lower number of harmful particulates (i.e. ULEVs or zero-emission) this measure is expected to contribute to the reduction of air pollution and supports the National Air Quality Plan.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from both P11D forms and through RTI for voluntary payrolling for the tax year 2019 to 2020 onwards.

Further advice

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

Taxable benefits and vehicle excise duty: regime for measuring carbon dioxide emissions

Who is likely to be affected

This measure affects all motorists and employers who provide company cars, although this will not result in any changes to any individual's vehicle excise duty (VED) or taxes related to the company car tax regime (CCT). This measure also doesn't apply to any vehicles other than cars.

General description of the measure

This measure confirms that for VED and CCT purposes, the applicable carbon dioxide emissions figure for cars will continue to be based on the current New European Driving Cycle (NEDC) test procedure.

Policy objective

This measure provides assurance and certainty for motorists, employers, car manufacturers, HMRC and DVLA that the correct emissions data is being used for the purpose of collection of VED and CCT related taxes.

Background to the measure

The VED and CCT systems are based on carbon dioxide emissions figures from the current New European Driving Cycle (NEDC) test procedure.

From 1 September 2017 a new test procedure was introduced (Worldwide harmonised Light-vehicles Test Procedures - 'WLTP'). Existing EU legislation requires car manufacturers to report their results under this new test cycle from autumn 2017, as well as providing figures that relate to the current NEDC test cycle.

The current UK legislation does not clarify which figure should be used for VED and CCT purposes where there is more than one emissions figure recorded. This measure ensures that the DVLA and HMRC can continue to use NEDC data as the basis of setting and collecting VED and CCT related taxes.

At Autumn Budget 2017, the government announced that it would legislate, in a future Finance Bill, for the WLTP system to be introduced from April 2020. Following engagement with the car industry, the government considers that this timeline for introducing the new system will give car manufacturers time to reflect the new values in all of their products, and to explain to their customers what the change would mean for them.

Detailed proposal

Operative date

For the VED system this measure will have effect for cars first registered from 1 September 2017. For the CCT systems, this measure will take effect from the beginning of the tax year 2017 to 2018.

Current law

References to specifying a carbon dioxide emissions figure are included in Schedules 1 and 2 of the Vehicle Excise and Registration Act 1994 (VERA) and in sections 136, 137 and 171 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA). The legislation does not specify which emissions figure should be used where more than one emissions figure is recorded.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to confirm that VED and the CCT bands will continue to be based on the carbon dioxide emissions figures that are compatible with the current NEDC test. WLTP test procedure values should be ignored.

The changes introduced by this measure also ensure that UK Primary Legislation refers to the correct version of the 'EU certificate of conformity'.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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

There is no anticipated cost to individuals or households.

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

Equalities impacts

There is no equalities impact from this measure.

Impact on business including civil society organisations

This measure will provide assurance to automotive manufacturers that they are providing the correct emissions data. As this measure only clarifies that the existing system for carbon dioxide emissions will continue to be used, there is no impact on businesses or civil society organisations.

Operational impact (£m) (HMRC or other)

This measure will not have any operational impact to DVLA or HMRC who collect VED and CCT respectively. DVLA and HMRC will continue to use carbon dioxide figures compatible with the current NEDC test in the collection of VED and CCT related taxes.

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 email: employmentincome.policy@hmrc.gsi.gov.uk.

Pensions tax registration

Who is likely to be affected

Pension scheme administrators and trustees of existing registered pension schemes and pension schemes.

General description of the measure

This measure extends HMRC's powers to refuse to register, and to de-register pension schemes to those which are Master Trusts and do not have authorisation from the Pensions Regulator under their new authorisation and supervision regime, and to those pension schemes with a dormant company as a sponsoring employer.

Policy objective

The purpose of the measure is to make the HMRC tax registration regime even more effective at preventing fraudulent pension schemes, by aligning with the Pensions Regulator's new authorisation and supervision regime for Master Trust pension schemes and restricting the registration of pension schemes with a dormant company as a sponsoring employer. The measure supports the government's objective of fairness in the tax system by maintaining the integrity of pensions tax relief. The changes will help HMRC to restrict tax registration to those pension schemes providing legitimate pension benefits.

Background to the measure

The Master Trust tax registration measure was announced at Spring Budget 2017. The changes to the registration of pension schemes with a dormant company as a sponsoring employer was set out in the response to the consultation on Pension Scams published on 20 August 2017.

Detailed proposal

Operative date

The measure will have effect from 6 April 2018.

Current law

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

Registrations and de-registrations

In order for a pension scheme to be registered with HMRC, it must provide any information which HMRC reasonably requires. This information is requested in the application for registration. HMRC can also issue an information notice (Section 153A of FA 2004) to request further information. HMRC must register the scheme unless the application contains incorrect information, a false declaration or the scheme administrator is not a fit and proper person (Section 153 of FA 2004).

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

Proposed revisions

Registrations and de-registrations

Legislation will be introduced in Winter Finance Bill 2017 amending FA 2004 to widen the circumstances in which HMRC may refuse to register a pension scheme to include where the scheme is a Master Trust pension scheme and has not been authorised by the Pensions Regulator, or where a sponsoring employer of an occupational pension scheme is a dormant company.

Changes will also be made to the circumstances when HMRC can de-register a pension scheme, similar to those changes being made to the circumstances when HMRC can refuse to register a pension scheme.

Summary of impacts

Exchequer impact (£m)

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

This measure is not expected to have an Exchequer impact.

Economic impact

This measure is not expected to have any economic impacts.

Impact on individuals, households and families

This change will bring about added protection for individuals by reducing the number of fraudulent pension schemes being registered with HMRC.

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

Equalities impacts

The proposed change will bring about added protection for individuals who will be represented in groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on pension scheme administrators' administrative burdens. One off costs will include familiarisation with the new registration questions.

In addition, there are new requirements imposed by the Pensions Regulator's new authorisation and supervision regime that are expected to result in additional cost/burdens for pension scheme administrators.

Operational impact (£m) (HMRC or other)

HMRC will incur additional costs in implementing this change. Strategic changes to IT systems are likely to follow and will be detailed elsewhere.

Other Impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Corporation Tax: amendments to the corporate interest restriction rules

Who is likely to be affected

Large businesses within the charge to Corporation Tax (CT) which incur net interest expense and other financing costs (within the scope of CT) above £2 million per annum.

General description of the measure

This measure makes technical amendments to the Corporate Interest Restriction (CIR) rules to ensure the regime works as intended.

Policy objective

The CIR rules restrict the ability of large businesses to reduce their taxable profits through excessive UK interest expense. They are part of the government's wider changes to encourage alignment of the location of taxable profits with the location of economic activity, and are consistent with the UK's more territorial approach to corporate taxation.

Background to the measure

The CIR rules were enacted in Schedule 5 of Finance (No.2) Act 2017. A tax information and impact note for the CIR rules was published on 5 December 2016 which provides further details of the background to the regime.

As a result of further engagement with affected businesses, certain technical amendments to the legislation have been identified that are necessary for the regime to work as intended.

Detailed proposal

Operative date

Some of these amendments are treated as having effect from 1 April 2017 when the CIR rules commenced. The remainder of the amendments have effect from 1 January 2018.

Current law

The CIR rules are at Part 10 of Taxation (International and Other Provisions) Act 2010.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 and Finance Bill 2018-19 to make technical amendments to ensure the rules operate as intended. Amendments will be made to:

- the rules about relevant derivative contract debits and credits to ensure that derivatives hedging a financial trade that is not a banking business are not inappropriately excluded from the rules (sections 384, 387, 411 and 412)
- the calculation of group-EBITDA, to align the treatment of R&D Expenditure Credits with the approach taken in the calculation of tax-EBITDA (section 416);
- the infrastructure rules, to ensure that insignificant amounts of non-taxable income do not affect their operation (sections 433 and 436)
- the infrastructure rules, so that the time limit for making an election to be a qualifying infrastructure company is changed to the last day of the accounting period where the

election first applies (section 434)

- the infrastructure rules, so that a third party which acquires an asset from a qualifying infrastructure company (QIC) is not automatically treated as making an election to be a QIC (section 434)
- the infrastructure rules, so that the limitation on relief for related party interest cannot be avoided by using a conduit company to provide the finance (section 443)
- the definition of a group, to align it with accounting standards and to ensure that asset managers do not cause otherwise unrelated businesses to be grouped together (section 475)
- the administrative rules, so that when an interest restriction return is submitted, companies will be required to amend their company tax returns if their tax position is changed (paragraph 70 of schedule 7A)

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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 has no impact on individuals or households as it only affects businesses.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on the 3,800 affected large businesses, who may incur a one-off cost to familiarise themselves with the amendments to the CIR rules. On-going costs are expected to be negligible. Some businesses may find that the limitation on using the de minimis and the infrastructure rules may mean additional work to comply with the rules. However, some businesses may find that aligning the definition of group with their organisational structure will make applying the rules easier for them.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

The additional costs / savings for HMRC in implementing the proposed revisions set out in this measure are anticipated to be negligible. There are additional costs for HMRC to deliver the original administrative aspects of the CIR rules as announced following Autumn Statement 2016 and these are anticipated to be approximately £900,000.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored to ensure the legislation is operating as intended and kept under review through regular communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact the HMRC CIR team via email: interest-restriction.mailbox@hmrc.gsi.gov.uk.

Corporation Tax: double taxation relief and permanent establishment losses

Who is likely to be affected

Companies with an overseas permanent establishment (PE) where losses of the PE have been relieved against non-PE profits in the foreign jurisdiction.

General description of the measure

The measure restricts the amount of credit allowed or deduction given in the UK for foreign tax suffered by a company with an overseas PE where losses of the PE have been set off against profits other than of the PE in the foreign jurisdiction.

Policy objective

The measure reinforces the UK's double taxation relief (DTR) policy that relief for foreign tax should only be given where profits have been doubly taxed, once in the UK and once in a foreign jurisdiction.

Background to the measure

The measure was announced at Autumn Budget 2017.

Detailed proposal

Operative date

These changes will have effect for accounting periods ended on or after 22 November 2017 with a transitional rule applying where the accounting period straddles 22 November 2017.

Current law

Part 2 of Taxation (International and Other Provisions Act) 2010 (TIOPA 2010) sets out rules allowing foreign tax to be credited against UK tax in certain circumstances.

The overarching principle of the DTR rules is that relief is allowed against UK tax on the same income or gain on which foreign tax has been suffered.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to include a new section 71A in Part 2 of TIOPA 2010 to restrict the amount of credit allowed or deduction given for foreign tax where the company has received relief for losses against non-PE profits in the foreign jurisdiction.

The amount of double taxation relief available will instead be determined by reference to the amount of foreign tax suffered by the overseas PE, less the amount of the reduction in foreign tax which results from the PE's losses being relieved against non-PE profits in a foreign jurisdiction in the same or earlier periods.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
nil	nil	nil	nil	nil	nil

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

Economic impact

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

Impact on individuals, households and families

This measure has no impact on individuals or households as it only affects businesses.

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

Equalities impacts

It is not anticipated that there will be any impact on groups sharing protected characteristics.

Impact on business including civil society organisations

This measure affects companies with foreign branches that are part of certain foreign structures where the branch has losses. For some companies, the amount of credit allowed or deduction given in the UK for foreign tax suffered will be restricted. The measure is expected to have a negligible impact on businesses admin burdens. One-off costs include familiarisation with the new rules including, for companies with an accounting period straddling 22 November 2017, the transitional rule. It is not expected that there will be any on-going costs. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will incur negligible costs implementing this change.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through regular communication with taxpayers and practitioners affected by the measure.

Further advice

If you have any questions about this change, please contact Daniel Berry on Telephone: 03000 585972 or email: daniel.berry@hmrc.gsi.gov.uk or Forida Haque on Telephone: 03000 594914 or email: forida.haque@hmrc.gsi.gov.uk

Corporation Tax: amendments to the hybrid and other mismatches regime

Who is likely to be affected

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

General description of the measure

This measure introduces a small number of changes to the hybrid and other mismatches regime. These changes are designed to ensure that the regime operates as intended.

The changes are not intended to alter the overall scope of the hybrid and other mismatches regime, which is designed to tackle mismatches in tax treatment in relation to entities, permanent establishments and financial instruments.

Policy objective

The measure will ensure that the hybrid and other mismatch regime operates as intended.

Background to the measure

The hybrid and other mismatches regime is set out in Part 6A of Taxation (International and Other Provisions) Act 2010 (TIOPA 2010), introduced by Schedule 10 Finance Act 2016, and deals with mismatches involving entities, permanent establishments and financial instruments.

The regime addresses arrangements that give rise to hybrid mismatch outcomes and generate a tax mismatch, and in doing so fully implements, and, as a matter of policy, in some areas goes further than, the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Action 2 recommendations. Mismatches can involve either double deductions for the same expense, or deductions for an expense without any corresponding receipt being taxable.

The UK regime neutralises the tax mismatches created by these arrangements by changing the tax treatment of either the payment or the receipt, depending on the circumstances. The rules are designed to work whether both the countries affected by a cross-border arrangement have introduced domestic hybrid mismatch rules based on the OECD recommendations, or just one.

This measure introduces a number of technical changes to the hybrid and other mismatches regime, which have been identified following extensive informal consultation with stakeholders. That consultation process involved detailed discussions of the practical impact of the regime, and the extent to which specific rules and conditions within the legislation might give rise to results which were out of line with the original policy intentions.

Detailed proposal

Operative date

The changes in relation to taxes charged at a nil rate, and the change in relation to multinational companies, will have effect from 1 January 2018. The remaining changes will have effect from 1 January 2017, which was the original commencement date of the regime.

Current law

The hybrid and other mismatch regime is contained in Part 6A of TIOPA 2010, and came into force on 1 January 2017.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to introduce the following changes to the hybrid and other mismatches regime:

- amend the definition of tax in Chapter 2 of Part 6A of TIOPA 2010 to make it clear that withholding taxes are to be ignored for the purposes of the regime
- amend Chapters 2, 6, 7 and 11 to disregard taxes charged at a nil rate
- ensure that capital taxes can be taken into account in relation to hybrid instruments, hybrid transfers and CFCs by amending Chapters 2,3 and 4 of Part 6A.
- amend Chapter 7 of Part 6A to clarify the treatment of entities which are seen as hybrids by some investors, but as transparent by others. This change makes it clear that in such cases, any counteraction applied by the regime will be proportional
- amend Chapter 8 to clarify the scope of the legislation in relation to multinational companies
- amend Chapter 9 of Part 6A to take account of certain transactions which do not generate a tax deduction for the payer, but give rise to a taxable receipt for the payee. This amendment ensures that such transactions can be taken into account when quantifying certain mismatches
- confirm that in certain circumstances, income taxable in two jurisdictions (dual inclusion income) can be taken into account when applying the imported mismatch rules in Chapter 11 of Part 6A. This ensures that the imported mismatch rules are aligned with the other chapters of Part 6A
- amend Chapter 12 of Part 6A to take into account certain accounting adjustments which effectively reverse, or partially reverse, hybrid mismatches in earlier periods which have been counteracted by the application of Part 6A

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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 has no impact on individuals or households as it only affects corporate businesses.

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

Equalities impacts

This measure does not impact on individuals. As such, no equality issues arise in relation to Section 149 of Equality Act 2010 (and relevant Northern Ireland legislation).

Impact on business including civil society organisations

This measure introduces a number of minor changes to the hybrid and other mismatches regime to ensure that the regime operates as intended. This measure is not expected to have any impacts on businesses or civil society organisations who are undertaking normal commercial transactions. It will only affect businesses with hybrid mismatch arrangements that arise from mismatches in international tax systems.

Operational impact (£m) (HMRC or other)

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

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about these changes, please contact Mark Bryan on Telephone: 03000 585607 or email: hybrids.mailbox@hmrc.gsi.gov.uk.

Corporation Tax: intangible fixed assets: related party step-up schemes

Who is likely to be affected

Companies liable to Corporation Tax disposing of intangible fixed assets for consideration other than cash, and companies entering into licensing arrangements with related parties in relation to intangible fixed assets.

General description of the measure

This measure clarifies the tax treatment of a disposal of a company's intangible fixed assets involving non-cash consideration.

The measure also amends the rules in relation to licences in respect of intangible fixed assets granted by or to a company where the other party to the licence is a related party.

Policy objective

The measure will address avoidance involving net book value accounting, including licensing arrangements between related parties.

Net book value accounting occurs where consideration for a disposal is accounted for at 'cost' (the book value of the asset disposed of) rather than the actual value of what has been received and/or disposed of. This type of accounting is used by related parties in 'step-up' avoidance schemes to achieve an asymmetrical tax treatment in the transaction price. In the case of licensing arrangements, there is a 'step-up' in the transaction value between the amount recognised by the licensor and the amount recognised by the licencee. The licensor accounts for the disposal at the lower net book value whilst the licencee recognises the higher commercial value, or 'step-up' value, of the asset acquired.

This measure counters step-up avoidance by ensuring all non-cash disposals and related party licensing arrangements are taxed fairly and consistently and in line with cash transactions.

Background to the measure

This measure was announced at Autumn Budget 2017.

Detailed proposal

Operative date

The measure will have effect for all transactions made on or after 22 November 2017.

Current law

Current law in relation to transfers of intangible fixed assets between related parties is contained in Chapter 13 of Part 8 Corporation Tax Act 2009 (CTA 2009).

Current law in relation to realisations of intangible fixed assets is contained in Chapter 4 of Part 8 of CTA 2009.

These two Chapters broadly expect the profit or loss on the disposal of an intangible fixed asset to be computed by reference to the proceeds of realisation for accounting purposes.

In a cash transaction this would generally be the amount actually received, subject to any arms-length or market value adjustment.

The market value rule requires that where an intangible fixed asset is transferred between related parties the amount recognised is equivalent to the amount of cash that would be received if the transaction was at market value. The transfer pricing legislation in Chapter 1 of Part 4 of Taxation (International and Other Provisions) Act 2010 (TIOPA) will generally take priority over the market value but is similar in effect in applying the arms-length principle to a transaction.

Legislation was introduced by section 42 Finance (No. 2) Act 2015 (amending section 846 of CTA 2009) to counter step-up scheme avoidance in relation to transfers of intangible fixed assets.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to ensure that the market value rule can apply to an intangible fixed asset licence granted between related parties. This extends the provisions introduced by section 42 of Finance (No.2) Act 2015 that countered step-up scheme avoidance involving net book value accounting transfers.

A licence does not involve a transfer of the underlying asset. The asset that is subject to the licence will be retained by the licensor. The proposed revision ensures that a licence granted between related parties will also be subject to the market value rule as it applies to transfers. A company making a disposal by way of a grant of a licence to a related party will be prevented from recognising less than the market value of the licence. This will ensure the correct tax is paid on the grant of a licence to a related party. And for licensees who are granted a licence by a related party the market value rule will also prevent the company recognising a tax cost higher than the market value of the licence. Amendments to the market value rule will therefore prevent manipulation of the transaction price in relation to related party licences to avoid unfair tax advantages.

The proposed revisions will also confirm that the proceeds of realisation for accounting purposes within Chapter 4 of Part 8 of CTA 2009 should recognise the market value of any non-cash consideration (non-cash consideration includes anything received other than cash, typically such arrangements include consideration paid in other assets such as shares). This clarification applies to all disposals, not just licensing arrangements, and ensures transactions other than cash are treated similarly to a cash transaction.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
+15	+45	+45	+45	+45	+45

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

Economic impact

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

The costing reflects a behavioural response by the population impacted by this measure.

Impact on individuals, households and families

The measure is not expected to impact on individuals or households as it affects only the taxation of companies.

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

Equalities impacts

The measure is expected to have no impact on equalities.

Impact on business including civil society organisations

This measure clarifies or amends the law on transactions involving intangible fixed assets where payment is made not wholly in cash or in relation to a licence granted between related parties. This measure is expected to have a negligible one-off cost to businesses. They will need to familiarise themselves with changes to the law on transactions involving intangible fixed assets where payment is made not wholly in cash, or in relation to a license granted between related parties. There are no expected on-going costs.

The measure is expected to have no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

It is not expected that implementing this change will incur any additional costs for HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Ring Fence Corporation Tax: tariff receipts

Who is likely to be affected

Oil and gas companies that operate in the UK or on the UK Continental Shelf (UKCS).

General description of the measure

This measure clarifies that activities by petroleum licence holders in the UK and on the UK Continental Shelf which give rise to tariff income, in relation to UK oil and gas assets, are oil extraction activities. This means profits from these activities are subject to Ring Fence Corporation Tax (RFCT) at 30% and Supplementary Charge (SC) at 10%.

This measure amends the definition of tariff receipts in the legislation to make it clear that there is no distinction for RFCT and SC purposes between the treatment of third party income arising from old (PRT) and new (non-PRT) oil fields.

Policy objective

The UK oil and gas industry has made important contributions and continues to make them to the UK economy. The sector supports over 300,000 jobs, contributes to the UK's energy security providing around half of our primary energy needs and has paid around £330 billon in production taxes to date.

Therefore, to continue to support the industry, this measure intends to provide certainty by putting beyond doubt that all tariff income received by licence holders is within the scope of the ring fence regime. Being within the ring fence regime provides companies with generous allowances for capital expenditure, including decommissioning.

This clarification will provide certainty to the oil and gas industry, whilst building on the Budget 2016 announcement of the expansion of the Investment and Cluster Area Allowances to include tariff receipts. This is to encourage investment in UKCS infrastructure, improving the incentive for owners to maintain investment and reducing early decommissioning of key infrastructure. This is in line with the government's commitment to maximising economic recovery, and the principles set out in 'Driving Investment: a plan to reform the oil and gas fiscal regime'.

Background to the measure

In 2015, the Investment and Cluster Area Allowances for SC were introduced. These enabled oil and gas companies investing in the UKCS to generate an allowance which could subsequently be used to reduce the profits subject to the SC.

Budget 2016 announced the expansion of these allowances to include tariff receipts. However, following an informal consultation with industry and analysis of the legislation, a degree of ambiguity was found in the current legislation making it difficult to deliver the expansion as intended. This distinction in legislation is likely to have arisen due to the various changes to the legislation and previous consolidation of Taxes Acts.

After engaging with industry on current practice and looking at the original policy intention, the government is now amending the legislation to confirm the treatment that all tariff income arising to licence holders should be within the ring fence and subject to RFCT and SC.

Further background and information on this measure is provided in the published technical note.

Detailed proposal

Operative date

The measure will have effect for accounting periods beginning on or after 1 January 2018.

Current law

Section 291 of Corporation Tax Act 2010 (CTA 2010) brings the activity of earning 'tariff receipts' into the scope of the oil and gas ring fence trade as an oil extraction activity. This means profits from this activity are subject to RFCT and SC.

Tariff receipts are specifically defined at section 291(9) of CTA 2010 by reference to the definitions in Oil Taxation Act 1983 (OTA 1983) sections 6 and 6A.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18, amending the definition of tariff receipts in Section 291 of CTA 2010 to ensure that there is no distinction between the treatment of tariff income arising from PRT and non-PRT assets for RFCT and SC purposes.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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 has no impact on individuals or households as it only affects businesses.

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

Equalities impacts

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

Impact on business including civil society organisations

Of the approximately 200 oil and gas companies that operate in the UK or on the UK Continental Shelf, only those earning tariff income will be affected. This measure will have a positive impact on the oil and gas industry by clarifying that all tariff income is in the scope of the ring fence. This will allow the new SI to be laid meaning companies will subsequently be eligible to activate Investment and Cluster Area Allowances, giving the industry reassurance. This measure is expected to have a negligible impact on businesses admin burdens. One-off costs could include familiarisation of this clarification of existing rules. It is not expected that there will be any on-going costs.

This measure will have no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be no operational impact on HMRC.

Other impacts

Wider environment impact: on air quality and climate change, the oil and gas industry is heavily regulated to ensure its production methods do not lead to pollution. Investment in oil and gas production is needed even as the economy decarbonises.

Justice impact test: this measure will introduce new legislation which may have an impact on the number of appeals, although the impact is expected to be minimal.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through regular communication with affected taxpayer groups and the monitoring of tax receipts from and activity in the North Sea oil and gas sector.

Further advice

If you have any questions about this change, please contact Nicola Garrod on Telephone: 03000 589251 or email: nicola.garrod@hmrc.gsi.gov.uk.

Income Tax: debt traded on a multilateral trading facility

Who is likely to be affected

UK companies issuing debt admitted to trading on a multilateral trading facility (MTF) operated by a recognised stock exchange (RSE) regulated in the European Economic Area (EEA).

General description of the measure

The measure removes the requirement to withhold tax on interest for debt issued on an MTF operated by an EEA-regulated RSE by extending an existing exemption.

The measure also widens the definition of alternative finance investment bonds (AFIB) - these are Shari'a-compliant financial instruments also known as 'sukuk' - to include securities admitted to trading on such an MTF. Under tax rules, such issues are treated as debt, and the return on them as interest for certain tax purposes.

Policy objective

There has been a decline in the use of the UK as a trading venue for corporate debt since 2009. Against that background, the UK Debt Market Forum, set up by the Financial Conduct Authority in 2015, identified a need to improve the competitiveness of UK MTFs as alternatives to traditional debt markets.

It has become clear that current requirements to withhold tax on interest are a barrier to the establishment of MTFs in the UK. This is because debt traded on a UK MTF cannot currently benefit from an existing exemption from withholding requirements - the Quoted Eurobond Exemption (QEE) - while similar debt traded on some overseas MTFs can do so. This means that UK MTFs suffer a competitive disadvantage, making them commercially unattractive.

This measure ensures that UK debt markets can compete internationally on an equal footing by ending the anomaly which leads UK companies to issue debt on overseas venues in order to benefit from an existing UK exemption from withholding tax on interest.

Background to the measure

At Spring Budget 2017, the government announced its intention to exempt interest on debt traded on MTFs from withholding, in order to make UK wholesale debt markets (that is, those focused on institutional investors) more competitive.

The government also announced a consultation on the detailed implementation of the change. The consultation started on 20 March 2017 and ended on 12 June 2017.

In addition, following the consultation the government intends to widen the definition of AFIBs in tax legislation to include securities admitted to trading on an MTF regulated in the EEA. This means that such instruments will now qualify for the QEE and removes a potential obstacle to the use of UK venues for the issue and trading of AFIBs.

Detailed proposal

Operative date

In relation to the amendments to the meaning of 'quoted Eurobond' the measure will have effect for payments of interest made on or after 1 April 2018.

Amendments in relation to AFIBs will have effect for corporation tax purposes for accounting periods beginning on or after 1 April 2018, and for income tax purposes for the tax year 2018 to 2019 and subsequent tax years.

Current law

Current law providing the definition of 'quoted Eurobonds' is at section 987 of Income Tax Act 2007 (ITA 2007).

Current law providing the definition of 'investment bond arrangements' (that is, AFIBs) is at section 151N of TCGA 1992, section 564G of ITA 2007 and section 507 of Corporation Tax Act 2009 (CTA 2009).

Current law providing the definition of 'recognised stock exchanges' is at section 1005 ITA 2007.

Proposed revisions

Legislation will be introduced in Winter Finance Bill 2017 to amend section 987 of ITA 2007 (meaning of "quoted Eurobond") so that the definition of a quoted Eurobond is extended to include securities admitted to trading on a MTF operated by an EEA-regulated RSE.

The legislation similarly amends the definition of 'investment bond arrangements' in section 151N of Taxation of Capital Gains Act 1992, section 564G of ITA and section 507 of CTA 2009.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

This measure is not expected to have any significant macroeconomic impacts. However there will be a behavioural impact as debt is moved from overseas MTFs to UK MTFs.

Impact on individuals, households and families

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

Equalities impacts

This measure is expected to have negligible equalities impacts.

Impact on business including civil society organisations

This measure will impact on all UK companies who trade debt on an MTF operated by an EEA-regulated recognised stock exchange. These companies will now benefit from an existing UK exemption from withholding tax on interest if debt is listed on a UK-based MTF. This measure ensures that UK debt markets can compete internationally on an equal footing by ending the anomaly which leads UK companies to issue debt on overseas venues in order to obtain this exemption. This measure is expected to have a negligible impact on businesses administrative burdens. One-off costs may include familiarisation with the new rules. It is not expected there will be any on-going costs. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

This measure is expected to have negligible operational impacts.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Mark Lafone on Telephone: 03000 585 613 or email: mark.lafone@hmrc.gsi.gov.uk.

Declaration

Mel Stride MP, Financial Secretary to the Treasury, has read this tax information and impact note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.

Corporation Tax: increasing the rate of Research and Development Expenditure Credit

Who is likely to be affected

This change will affect companies that carry out Research & Development (R&D) and claim Research and Development Expenditure Credit (RDEC).

General description of the measure

This measure increases the tax relief for large companies (and SMEs in some cases) that carry out qualifying R&D and claim the Research and Development Expenditure Credit (RDEC).

The RDEC (also known as the 'Above the Line' credit) is a standalone credit that is brought into account as a receipt in calculating profits. The current general rate is set as 11% of qualifying R&D expenditure. This measure increases the rate of the RDEC from 11% to 12%.

Policy objective

Increasing the amount of R&D carried out by companies is a key part of the government's aim to increase productivity and promote growth.

R&D tax credits support business investment by allowing companies to claim an enhanced corporation tax deduction or payable credit on their R&D costs.

A rate increase of the R&D Expenditure Credit (RDEC) from 11% to 12%, means that large companies can claim more support for their R&D, increasing the incentive to undertake R&D.

Background to the measure

This measure was announced at Autumn Budget 2017.

Detailed proposal

Operative date

The increase in the RDEC rate will have effect for expenditure incurred on or after 1 January 2018.

Current law

Current law on the RDEC is contained in chapter 6A of part 3 of Corporation Tax Act 2009 (CTA 2009).

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 amending section 104M of CTA 2009.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023

-5	-60	-170	-175	-170	-175

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

Economic impact

The costing accounts for a behavioural response of businesses increasing investment in R&D, however, the measure is not expected to have any significant macroeconomic impacts.

Impact on individuals, households and families

This measure has no impact on individuals or households as it only affects businesses.

There is no impact on family formation, stability or breakdown.

Equalities impacts

This measure increases the tax relief to qualifying companies. After careful consideration, the government has concluded that there are no significant impacts on groups of people sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a positive impact on 4000 businesses claiming the Research and Development Expenditure Credit (RDEC). Increasing the rate will support business investment as companies can now claim more support for their R&D. This measure is expected to have a negligible impact on businesses administrative burdens. Negligible one-off costs include updating their systems to reflect the increased rate. There will also be a negligible cost where some companies make claims for R&D activity where they have not previously done so or where companies begin R&D work where they have not done previously. It is not expected there will be any ongoing costs. There are no impacts on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be no significant operational impact.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through communication with affected taxpayer groups. We will monitor this measure through information collected from tax returns.

Further advice

If you have any questions about this change, please contact Ruth Froggatt on Telephone: 03000 544942 or email: ruth.froggatt@hmrc.gsi.gov.uk.

Bank Levy: changes to the scope and administration

Who is likely to be affected

Banks and building societies liable to pay the Bank Levy.

General description of the measure

From 2021, the Bank Levy will be chargeable only on the UK balance sheet equity and liabilities of banks and building societies. Broadly, this means that overseas activities of UK headquartered banking groups will no longer be subject to the Bank Levy. The measure also provides for the amount of UK equity and liabilities subject to the Bank Levy to be reduced in various circumstances, for example where a UK bank holds certain types of 'loss absorbing' investments in an overseas subsidiary. In addition, various other changes and administrative simplifications to the Bank Levy will apply from 2018, including to the process under which groups nominate a member to meet their Bank Levy obligations and to rules governing the shared liability of group members for Bank Levy amounts.

Policy objective

These changes are part of a wider package of measures that will provide a sustainable basis for raising revenue from the banking sector in the long-term, while recognising developments in the regulatory and resolution regimes that apply to banks. The measure also includes changes to simplify the administration of the Bank Levy.

Background to the measure

The Bank Levy was introduced in 2011. Its purpose is to ensure that banks and building societies make a fair contribution, reflecting the risks they pose to the financial system and the wider UK economy. The Bank Levy was also designed to create appropriate incentives to encourage banks to move away from riskier funding models.

Summer Budget 2015 set out a long-term plan for taxation of the UK's financial services industry. This balanced the need to ensure that the financial sector remains robust, highly competitive and open for business against the ongoing need for banks and building societies to make an appropriate tax contribution that reflects their unique risks to the UK financial system and wider economy. The plan included the introduction of a new 8% Corporation Tax surcharge on banking sector profits from 1 January 2016 and a phased reduction of the Bank Levy rate between 2015 and 2021. In addition, to reflect significant changes in international regulation and resolution planning that are reducing the risk of overseas banking operations to the UK, a change in the scope of the Bank Levy was announced. The Bank Levy will therefore only be chargeable on UK balance sheet equity and liabilities from 2021.

In December 2015, the government published a consultation setting out objectives for the change to the scope of the Bank Levy from 2021, as well as proposals for delivering these objectives in legislation.

In December 2016, the government responded to this consultation and set out detailed proposals for changes to the Bank Levy, as well as areas in which it believed further work and discussion with interested parties was necessary.

Detailed proposal

Operative date

New rules on joint and several liability of group members will have effect for periods of account ending on or after 1 January 2018.

Changes in relation to the nomination of a group's responsible member will have effect on and after the date of Royal Assent to Finance Bill 2018.

Other changes will have effect for periods of account ending on and after 1 January 2021.

Current law

Current law on the Bank Levy is at Schedule 19 to Finance Act (FA) 2011 (Schedule 19). This sets out the scope of the Bank Levy for UK and overseas banks - including (at Part 4 of Schedule 19) the equity and liabilities on which Bank Levy is chargeable. Part 4 includes detailed provisions concerning the calculation of amounts on which the Bank Levy is chargeable. This includes rules that allow liabilities to be removed from the chargeable scope of the tax when they are 'netted' against assets recognised on a Bank Levy payer's balance sheet, under a netting agreement.

The current law provides separate calculation methods for UK banking groups, overseas banking groups, relevant non-banking groups and banks or building societies that are not members of groups. Bank Levy is chargeable on the worldwide balance sheets of UK banking groups. By contrast, overseas banking groups and relevant non-banking groups calculate Bank Levy amounts due with reference to the activities of only certain group members (for example, relevant UK sub-groups and UK resident entities or branches).

Elsewhere, Part 6 of Schedule 19 concerns the collection and management of the Bank Levy and provides joint and several liability of certain group members for Bank Levy amounts due. Part 6 also requires the annual nomination by a group of a 'responsible member' who will be responsible for meeting the group's Bank Levy obligations.

Proposed revisions

Winter Finance Bill 2017 will include a rewrite of Part 4 of Schedule 19. This will provide a single set of Bank Levy rules that will apply from 2021 for all Bank Levy payers.

Revisions to Part 4 will provide that, broadly, the Bank Levy will only apply to the UK-based equity and liabilities of:

- members of banking groups that are (i) UK sub-groups, (ii) UK resident entities or (iii) relevant foreign banks with permanent establishments in the UK;
- members of relevant non-banking groups that are (i) UK sub-groups with a UK resident bank as its parent entity, (ii) UK resident banks, (iii) subsidiaries of UK resident banks or (iv) relevant foreign banks with permanent establishments in the UK; and
- non-group entities that are (i) UK resident banks or building societies or (ii) relevant foreign banks with permanent establishments in the UK.

Equity and liabilities attributable to non-UK resident entities will usually be outside the Bank Levy charge.

As part of these changes, groups will also be able to disregard from their Bank Levy calculation any equity and liabilities attributable to overseas branches of UK entities.

Legislation will set out a method for calculating the equity and liabilities that can be disregarded in this way.

The revisions also introduce new features designed to simplify the calculation of the Bank Levy. For example, groups will be permitted to choose whether to calculate the equity and liabilities of a sub-group member as part of a wider calculation for the whole sub-group, or on a stand-alone basis.

A new deduction from a group's equity and liabilities that are chargeable to the Bank Levy will be available for certain loss-absorbing instruments issued by an overseas subsidiary of a UK resident group member. Full details of the deduction, and the instruments that will be eligible, will be set out in secondary legislation, once the appropriate regulatory standards are in place.

The 'netting' rules for UK and overseas groups will also be modified, so that amounts owed to any member of the group (whether within or outside the scope of the Bank Levy) can form part of a netting agreement. This will establish a single set of netting rules for both UK and overseas groups.

Revisions to Part 6 of Schedule 19 will replace the current requirement that groups annually nominate a 'responsible member' to meet their Bank Levy obligations with an option to automatically renew an entity's responsible member status. The joint and several liability rules in Part 6 will also be updated, consistent with ring-fencing, which requires large UK banks to separate retail banking activity from the rest of their business. This change will limit the extent to which certain members of a bank's ring-fenced group will be liable for the Bank Levy debts that are attributable to non-ring-fenced entities.

Elsewhere, redundant provisions relating to joint ventures will be removed from Part 5 of Schedule 19.

Summary of impacts

Exchequer impact (£m)

2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
+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'. The specific component covered in this note has an associated cost to the Exchequer which is incorporated into these figures. 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.

Impact on individuals, households and families

The measure concerns changes to the Bank Levy, which is paid only by banks and building societies. No impact is expected for individuals.

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

Equalities impacts

The measure concerns changes to the Bank Levy, which is paid only by banks and building societies. No impact is expected for individuals.

Impact on business including civil society organisations

The Bank Levy applies to a small number of banks with chargeable equity and liabilities of £20 billion or more. The changes will reduce the Bank Levy payable by certain banks, by focusing the charge on UK (rather than worldwide) balance sheets. The greatest positive impact is expected to be for UK banking groups that have overseas business activities. The measure is expected to level the playing field between UK and foreign banking groups and reduce the impact of the Bank Levy on these overseas activities.

The joint and several liability rules will also be updated to limit the extent to which members of a bank's ring-fenced group will be liable for the Bank Levy debts of non-ring-fenced entities.

One-off costs are expected to include initial set-up and familiarisation with the measure in the run-up to the changes taking effect. Ongoing savings are expected from simplification of the administration of the Bank Levy, due to the removal of the obligation on Bank Levy paying groups to nominate a responsible member each year. HMRC will continue to work with banks and their representatives to identify any further impacts in the run-up to these changes taking effect.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be negligible operational impact for these changes.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The impacts of these changes will be monitored and evaluated on an ongoing basis through analysis of Bank Levy receipts and information submitted by Bank Levy payers.

Further advice

If you have any questions about this change, please contact John Mcloughlin: e-mail: john.mcloughlin@hmrc.gsi.gov.uk; Telephone 03000 585217 or Steven Tovey: e-mail: steven.tovey@hmrc.gsi.gov.uk; Telephone 03000 542532

Corporation Tax: exemption for Northern Ireland Education Authority

Who is likely to be affected

The measure affects only the Northern Ireland Education Authority.

General description of the measure

The measure provides an exemption from corporation tax for The Education Authority, the Northern Ireland body set up under the Education Act (Northern Ireland) 2014 which provides state funded education from 1 April 2015.

Policy objective

The measure is intended to ensure consistency of tax treatment for the provision of state funded education across the whole of the UK. Currently, the equivalent bodies in England, Wales and Scotland are exempt from corporation tax. The Education Authority is not exempt, though its predecessors were.

Background to the measure

As a result of a restructuring of Northern Ireland local government bodies in 2014, five Education and Library Boards were abolished and a new body, The Education Authority, was established.

Detailed proposal

Operative date

The measure will have retrospective effect from 1 April 2015 when the Education Authority was established.

Current law

Corporation Tax Act 2009, Part 2 Chapter 1, Section 2 requires corporation tax to be charged on the profits of 'companies'. Corporation Tax Act 2010 (CTA 2010), Part 24, Chapter 1, defines a 'company' as 'any body corporate'. The Education Authority was established as a separate body corporate. It is therefore, without a specific exemption, chargeable to corporation tax. It does not meet the definition of a Northern Ireland local authority within CTA 2010, Part 24, Chapter 1, section 1130.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to amend CTA 2010 to include a new section 987B to provide for the new exemption from corporation tax for The Education Authority.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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 has no impact on individuals or households as it only affects NI public bodies.

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

Equalities impacts

As the measure does not impact on people, there are no equalities impacts.

Impact on business including civil society organisations

This measure is expected to have no impact on businesses or civil society organisations, as it only affects the Northern Ireland Education Authority.

Operational impact (£m) (HMRC or other)

HMRC does not anticipate any IT or operational impacts for this change.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Capital Gains Tax: carried interest

Who is likely to be affected

Individuals involved in investment management for private equity or other investment funds who receive amounts of carried interest after 22 November 2017.

General description of the measure

The measure will remove certain transitional rules that are no longer required for the effective taxation of amounts of carried interest that are charged to Capital Gains Tax (CGT) under the carried interest rules which took effect from 8 July 2015.

The transitional rules affected relate to:

- an exclusion from the new rules for amounts of carried interest arising to an investment manager on or after 8 July 2015 in connection with a disposal of partnership assets before that date
- application of provisions in the disguised investment management fee rules which determine the time at which amounts of carried interest arise to a manager including where the right to carried interest has been assigned to someone else

As a result of the measure, these transitional rules will not apply to carried interest arising on or after 22 November 2017.

Policy objective

This measure will make the tax system fairer by preventing the limited transitional exceptions provided in the commencement provisions for the carried interest rules from being manipulated to unfairly reduce the tax payable in circumstances not intended by the original legislation.

Background to the measure

This measure was announced at Autumn Budget 2017.

Detailed proposal

Operative date

This measure will apply to all carried interest arising on or after 22 November 2017.

Current law

Current law on the taxation of carried interest within sections 103KA to 103KH Taxation of Chargeable Gains Act (TCGA) 1992 was introduced by section 43 of Finance (No.2) Act 2015 with effect for carried interest arising on or after 8 July 2015. Sections 43 and 45 of the latter Act provide for certain amounts of carried interest to be excluded from section 103KA etc. (and from some sections of the Income Tax Act 2007) by reference to their arising in connection with disposals of assets before specified dates. Chapter 5E of Part 13, Income Tax Act 2007 contains definitions that are relevant for the purposes of the taxation of amounts of carried interest.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to confirm that the carried interest provisions in sections 103KA to 103KH TCGA 1992 will apply to all carried interest arising after 22 November 2017. This legislation will remove the transitional provision which excluded sums of carried interest arising after 8 July 2015 and in connection with the disposal of a partnership asset before that date.

The definitions of 'arise' in ITA 2007 and the provisions in section 103KG(2) to (15) will apply uniformly to amounts of carried interest arising after 22 November 2017, irrespective of any connection with disposals prior to 22 October 2015.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
nil	+20	+170	+165	+150	+145

These figures are set out in Table 2.1 of Autumn Budget 2017 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Budget 2017. This measure also supports the Exchequer in its commitment to protect revenue.

Economic impact

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.

Impact on individuals, households and families

This measure will have an impact on individuals working in private equity firms or elsewhere in the investment manager sector and will ensure that the correct amount of CGT is accounted for on carried interest. Individuals may benefit from the simpler calculation of the CGT liability that will now be required.

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

Equalities impacts

This measure will affect individuals receiving carried interest from investments funds. It will affect those with protected characteristics within the investment management sector. Lower income groups are unlikely to be affected.

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 affect all businesses that receive carried interest and will ensure that the correct amount of CGT is accounted for. One off costs include familiarisation with the new rules. Businesses are expected to see negligible on-going savings from the simpler calculation of CGT. Civil society organisations will not be affected.

Operational impact (£m) (HMRC or other)

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

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information provided on tax returns and through communication with taxpayers and practitioners affected by the measure.

Further advice

If you have any questions about this change, please contact Hayley Moran on Telephone: 03000 514795 or email: hayley.moran@hmrc.gsi.gov.uk.

Corporation Tax: capital gains depreciatory transactions within a group

Who is likely to be affected?

Any company that disposes of shares in a subsidiary company more than 6 years after a transaction that has materially reduced the value of those shares

General description of the measure

This measure removes the time limit of 6 years for which a company must look back and adjust the capital loss claimed on sale of shares in a subsidiary company to account for earlier depreciatory transactions that have materially reduced the value of those shares.

A depreciatory transaction is one that takes value out of shares, which might be by transferring the assets of a company to another company within a group for no or little cost. This reduces the value of the shares but without any economic loss to the group. When the shares are disposed of (by liquidating the company or making a negligible value claim), the legislation requires that previous depreciatory transactions are adjusted for in computing any loss on disposal. Currently there is a time limit of 6 years, so that depreciatory transactions before that are not taken into account. Removal of the 6 year rule means that companies will need to consider the history of the shares and will be required to adjust for any prior depreciatory transactions when calculating a loss.

This measure will ensure companies cannot prevent the depreciatory transaction rules applying by simply holding onto a company that no longer has any value for 6 years before claiming an inflated amount of loss relief.

Policy objective

The government wants to prevent companies waiting until after the 6 year time limit has passed so that they can claim the loss that arose as a result of the earlier depreciatory transaction. Implementing this measure now will protect future revenue where the 6 years after a depreciatory transaction is yet to expire.

Background to the measure

The measure was announced at Autumn Budget 2017.

Detailed proposal

Operative date

The measure will have effect for disposals of shares in, or securities of a company made on and after 22 November 2017.

For assets that are of negligible value, the commencement rule will apply to the date that the claim is made and not any earlier date that might be specified.

Current law

Current law is in section 176 TCGA 1992 and Schedule 9 to Finance Act 2011.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to remove the 6 year rule in section 176(1) of TCGA 1992, returning the statute to how it operated prior to the changes made by section 44 and Schedule 9 of FA 2011.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
+5	+10	+10	+10	+10	+10

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

Economic impact

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

The costing reflects a behavioural response whereby there might be an increase in tax planning activity by affected groups.

Impact on individuals, households and families

This measure has no impact on individuals or households as it only affects companies.

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

Equalities impacts

This measure does not have an equalities impact as it only affects those groups of companies that have made an earlier depreciatory transaction.

Impact on business including civil society organisations

This measure is expected to impact on those businesses who have disposed of shares in a subsidiary company. Businesses will incur a negligible one-off cost of familiarisation with the removal of the 6-year cap and negligible on-going costs associated with the need to look back further than 6 years. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be negligible impact on HMRC for this change.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Corey Herbertson on 03000 542955 or email: corey.herbertson@hmrc.gsi.gov.uk

Corporation Tax: removal of capital gains indexation allowance from 1 January 2018

Who is likely to be affected

Any company that disposes of a capital asset which gives rise to a chargeable gain, and any company that holds shares in a share pool.

General description of the measure

This measure means that when a company makes a capital gain on or after 1 January 2018, the indexation allowance that is applied in order to determine the amount of the chargeable gain will be calculated up to December 2017.

Without this measure, indexation allowance would be calculated up to the month in which the disposal of the asset occurs.

Policy objective

The measure aligns the treatment of capital gains by companies with that for individuals and non-incorporated businesses for whom indexation allowance was abolished in 2008. It will also align the treatment of capital disposals with disposals of similar assets as part of a company's trading activities.

In addition it will simplify tax computations and remove a source of potential errors.

Background to the measure

The measure was announced at Autumn Budget 2017.

Detailed proposal

Operative date

This measure will have effect for disposals on and after 1 January 2018.

Current law

Current law is included in Chapter IV of Part II for the majority of assets, and there are special rules for the calculation of indexation allowance on disposals of shares and securities in Chapter I of Part IV TCGA 1992.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18.

This measure changes the calculation of indexation allowance so that for disposals of assets on or after 1 January 2018, indexation allowance will be calculated using the Retail Price Index or factor for December 2017, irrespective of the date of disposal of the asset.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
+30	+165	+265	+345	+440	+525

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

Economic impact

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

The costing includes a behavioural effect to account for the affected population finding ways to mitigate the impact of the changes.

Impact on individuals, households and families

This measure has no impact on individuals or households as it only affects companies.

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

Equalities impacts

This measure does not have an equalities impact as it only affects companies.

Impact on business including civil society organisations

This measure will impact on companies that dispose of a capital asset which gives rise to a chargeable gain, or which hold shares in a share pool. The measure is expected to have a negligible impact on business administrative burdens. One-off costs include familiarisation with the new rules. Negligible on-going savings could result from the simpler tax computations and removal of a source of potential errors.

Operational impact (£m) (HMRC or other)

There will be costs for HMRC to implement this change and they are anticipated to be approximately £380,000.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Corey Herbertson on 03000 542955 or email: corey.herbertson@hmrc.gsi.gov.uk

Corporation Tax: capital gains assets transferred to non-resident company: reorganisations of share capital

Who is likely to be affected

UK companies that have previously transferred the assets and trade of a foreign branch to an overseas company in exchange for the issue of shares in that company, where taxation of any capital gains on the transfer has been postponed, and the overseas trading company is involved in a subsequent corporate reconstruction.

General description of the measure

This measure removes an unintended tax charge that can arise in certain circumstances.

Where the trade and assets of a UK company's foreign branch are transferred to an overseas company in exchange for shares in that company, existing legislation allows tax on any capital gains on this disposal of assets to be postponed. The postponement is temporary, until the overseas company sells the assets, or the UK company disposes of the shares in the overseas company, other than in exchange for further shares during a corporate reconstruction. Under the current rules, an unintended consequence is that if the shares exchanged during the reconstruction fall within conditions for the Substantial Shareholding Exemption (SSE) to apply, the postponed tax charge may become payable, even though the group still owns the shares of the overseas company.

This measure seeks to correct that anomaly.

Policy objective

The measure removes an unintended tax barrier to commercial restructuring of corporate groups. That tax barrier can particularly impact financial sector businesses that have traditionally operated through a network of foreign branches, and which need to restructure, for example to meet changing regulatory requirements in the territories where they conduct their business. The measure corrects an anomaly in the way that three pieces of legislation interact so that postponed tax charges do not become payable earlier than the government intended.

Background to the measure

The measure was announced at Autumn Budget 2017 and follows representations from affected business sectors.

Detailed proposal

Operative date

The measure will have effect for disposals of shares in, or securities of a company made on or after 22 November 2017.

Current law

Current law is in Chapter II of Part IV, and Schedule 7AC to the Taxation of Chargeable Gains Act 1992 (TCGA).

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to ensure that a corporate reconstruction involving an exchange of shares in an overseas company that previously received the trade and assets of a branch of a UK company does not end the postponement of a tax liability under section 140 of TCGA because of the priority of the substantial shareholdings exemption (SSE) over the usual treatment of share exchanges.

The measure inserts a new rule in section 140 to ensure that the 'no disposal' treatment for share exchanges applies for the purposes of determining whether there has been a disposal which would end the postponement of tax. This will apply notwithstanding the provisions in the SSE rules that otherwise take priority.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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 has no impact on individuals or households as it only affects businesses.

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

Equalities impacts

This measure affects companies and is not expected to impact on any of the groups with protected characteristic.

Impact on business including civil society organisations

This measure will only impact on companies that have previously transferred the trade and assets of a foreign branch to an overseas company in return for shares in that company, and now need to restructure the group, for example by inserting a local holding company. The measure is expected to have a negligible impact on business administrative burdens. One off costs include familiarisation with the new rules. It is not expected that there will be any on-going costs.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be negligible impact on HMRC for this change.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Corey Herbertson on 03000 542955 or email: corey.herbertson@hmrc.gsi.gov.uk

VAT: extending joint and several liability for online marketplaces and displaying VAT numbers online

Who is likely to be affected

- businesses selling goods to UK consumers via online marketplaces where those goods are in the UK at the point of sale
- online marketplaces that control and support the sale of such goods by any business through their marketplace

General description of the measure

The measure extends existing joint and several liability legislation:

- it will enable HMRC to hold online marketplaces jointly and severally liable for any future unpaid VAT of a UK business arising from sales of goods in the UK via that online marketplace
- it will enable HMRC to hold online marketplaces jointly and severally liable for any unpaid VAT of a non-UK business arising from sales of goods in the UK via that online marketplace where that marketplace knew or should have known that the non-UK business should be registered for VAT in the UK
- it will require online marketplaces to display a valid VAT number for all their sellers using their platform, when they are provided with one. They will also be required to ensure that VAT numbers displayed on their website are valid. This ensures that fictitious and hijacked VAT numbers are not displayed. These requirements will be supported by a penalty

The legislation only applies to those businesses who are not compliant with their VAT obligations and HMRC will only issue notices to online marketplaces where it is satisfied that a business is non-compliant.

Policy objective

The government is building on its package of measures announced at Budget 2016 to tackle online VAT evasion and non-compliance in the tax system and reduce the tax gap.

The objective of the measure is to:

- give HMRC strengthened operational powers to tackle the evasion and non-compliance by some UK businesses that fail to pay VAT on sales of goods made to UK consumers via online marketplaces. It is directed at getting UK businesses that are or should be VAT registered paying the VAT due on their UK sales
- encourage online marketplaces to ensure that non-UK businesses using their website are complying with the VAT registration rules. It is directed at getting non-UK businesses that should be VAT registered paying the VAT due on their sales
- ensure that the VAT numbers of all businesses selling goods in the UK via online marketplaces are displayed on that online marketplace and are accurate. This helps consumers to make more informed choices when purchasing online, enabling those consumers wishing to buy from a VAT-registered business to do so with confidence. It also assists HMRC, consumers and the online marketplaces identify non-compliant traders, as they will be able to verify the online seller's VAT number, which will need to be displayed in a clearly visible way

This measure will help level the playing field for businesses.

Background to the measure

The measure was announced at Autumn Budget 2017. There has been no prior consultation.

Detailed proposal

Operative date

The measure will have effect from Royal Assent to Finance Bill 2017-18.

Current law

Current law for joint and several liability is in Section 77B of the VAT Act 1994 (VATA94). These changes were effective from 15 September 2016 by Section 124 of the Finance Act 2016.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to:

- amend Section 77B of VATA94 by removing references to 'UK-established' in subsections (1) and (12) and omitting subsection (10)
- enable HMRC to hold an online marketplace jointly and severally liable for the unpaid VAT of a non-UK business that sells goods in the UK via that online marketplace's website where that marketplace knew or should have known that the non-UK business should be registered for VAT in the UK
- require online marketplaces to display a seller's valid VAT number when they are provided with one or the online marketplace offers a facility to display one
- amend Section 69 of VATA94 to enable a penalty to be applied where the online marketplace is in breach of the requirement relating to displaying sellers' valid VAT numbers

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	+10	+20	+40	+50	+45

These figures are set out in Table 2.1 of Autumn Budget 2017 as 'Online VAT fraud: extend powers to combat' and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Budget 2017.

Economic impact

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

The costing accounts for the potential coverage of the measure and a behavioural response, whereby some online sellers may find ways to mitigate its impact.

Impact on individuals, households and families

The measure has no impact on individuals or households as it only affects businesses. However, the requirement to display valid VAT numbers should increase online consumers' ability to see whether a seller operating on an online marketplace is VAT registered. It will help consumers to make more informed choices when purchasing online and enable those consumers wishing to buy from a VAT registered business to do so.

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

Equalities impacts

It is not anticipated that this measure will impact on groups sharing protected characteristics.

Impact on business including civil society organisations

This measure will help to level the playing field for businesses by ensuring that VAT is paid on all sales of goods made in the UK, and by ensuring consumers are not misled by fictitious and hijacked VAT numbers being displayed on online marketplaces. This measure will impact on a small number of online marketplaces and overall the impact on their administrative burdens is expected to be negligible.

One-off costs: Online marketplaces are expected to familiarise themselves with the extension of the joint and several liability legislation and build functionality to enable the display of VAT numbers for sellers on their websites. They are also expected to develop new or enhance existing processes to check the validity of VAT numbers and review non-UK seller information to identify those that are not VAT-registered but potentially should be. These one-off costs are expected to be negligible as the marketplaces are already reasonably familiar with joint and several liability regime although the government acknowledges that more time may need to be spent on familiarisation with the 'knew or should have known' aspect of the measure. Additionally, some marketplaces already have the functionality to collect and display VAT numbers and have processes in place to check their validity.

On-going costs are expected to include the handling of joint and several liability notices for UK sellers and reviewing information on identified UK and non-UK sellers that should potentially be VAT-registered. These costs are estimated to be negligible as the marketplaces are already familiar with the joint and several liability regime and the time spent dealing with any additional notices is expected to be negligible. Additionally, some marketplaces already carry out checks to determine whether sellers should be registered for VAT and the validity of provided VAT numbers. HMRC will also assist the marketplaces by providing details of VAT numbers that are no longer valid, to enable to marketplace to take the required action to remove the seller where appropriate.

This measure will have no impact on compliant sellers who are VAT registered and correctly accounting for VAT in full on all sales of goods made in the UK. Compliant sellers may also incur a negligible one-off cost of familiarisation with the fact that their numbers will be displayed online. This measure will impact on non-compliant sellers who are required to be registered for VAT and who are not, and those who are VAT registered and do not provide a valid VAT number.

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

Operational impact (£m) (HMRC or other)

HMRC will incur operational costs estimated at £16.16 million over 5 years to implement and operate changes to extend joint and several liability for online marketplaces.

HMRC costs in respect of online marketplaces displaying sellers' VAT numbers are expected to be negligible.

Other impacts

This measure may have some impact on the justice system because it could increase the number of disputes with HMRC.

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 James Smallbone on Telephone: 03000 536986 or email: james.smallbone@hmrc.gsi.gov.uk.

VAT: refunds to combined authorities, fire and rescue authorities, the Scottish Fire and Rescue Service and the Scottish Police Authority

Who is likely to be affected

Combined authorities established under section 103 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDC). Fire and rescue authorities established under the Fire and Rescue Services Act 2004 as amended, the Scottish Fire and Rescue Service and the Scottish Police Authority.

General description of the measure

This measure will entitle combined authorities, fire and rescue authorities which are a function of police and crime commissioners, the London Fire Commissioner, the Scottish Fire and Rescue Service, and the Scottish Police Authority to recover the VAT incurred on purchases made to support their non-business activities.

Policy objective

The broad policy objective of the legislation being amended (section 33 of the Value Added Tax Act 1994 (VATA)) is to ensure that VAT does not become a cost borne by local taxation when incurred by public bodies in relation to their statutory activities.

Background to the measure

Since 1973, local authorities and other specified bodies have been able to recover VAT they incur undertaking their statutory duties under what is now section 33 of VATA.

Section 103 of LDEDC enables the Secretary of State to establish combined authorities in an area consisting of two or more local government areas in England, allowing that authority to assume responsibility for economic development, regeneration and transport across the combined area.

Presently the definition of local authority in section 33 of VATA does not include a 'combined authority', with the result that it has been necessary to include these bodies by enacting individual Treasury Orders once they have been established. This measure removes the need for such individual Treasury Orders.

Fire and rescue authorities can recover VAT under section 33 of VATA if they have been constituted under a combination scheme, with specific provision for the London Fire and Emergency Planning Authority. Some of these bodies will be replaced by fire authorities which have become a function of police and crime commissioners, and there is also provision in London for a London Fire Commissioner to be appointed by the Mayor. This measure ensures that such authorities can recover VAT in the same way as their predecessor bodies. The measure extends the same benefit to the Scottish Fire and Rescue Service and the Scottish Police Authority.

Detailed proposal

Operative date

The measure will have effect on and after the date of Royal Assent to Finance Bill 2017-18.

Current law

Section 33 (1) VATA provides for refunds of VAT to eligible bodies on purchases, acquisitions and importations made in support of their statutory duties. These bodies are listed in section 33(3).

Bodies not listed in section 33(3), but entitled to VAT refunds were added by Treasury Order using its powers in section 33(3)(k).

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to amend section 33(3) of VATA to include combines authorities (as specified above), fire authorities which are a function of police and crime commissioners, the London Fire Commissioner, the Scottish Fire and Rescue Service and the Scottish Police Authority. The measure also makes some consequential amendments for the purposes of clarity.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	-40	-40	-40	-45	-45

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

Economic impact

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

Impact on individuals, households and families

This measure has no impact on individuals or households as it only affects combined authorities, fire and rescue authorities, and the Scottish Police Authority.

This measure will have no impact on family formation, stability or breakdown

Equalities impacts

It is not anticipated that this measure will have any equalities impacts.

Impact on business including civil society organisations

This measure will ensure that current and future combined authorities can continue to recover VAT, and removes the need for individual Statutory Instruments each time one is established. This measure is not expected to have any impact on combined authorities' administrative burdens, as the measure ensures that the combined authorities are able to recover VAT to the same extent that the local authorities would have claimed as separate entities.

The impact on the new fire and rescue services will be analogous to the combined authorities.

The measure is expected to have a negligible impact on the admin burdens of Scottish Authorities. One-off costs include familiarisation with VAT that can be reclaimed under Section 33 of VATA. On-going costs include keeping records of VAT that can now be claimed under section 33 of VATA, and including those amounts on their VAT returns. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

The additional costs / savings for HMRC in implementing this change are anticipated to be negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Marie Campbell on Telephone: 03000 593383 or email: marie.campbell@hmrc.gsi.gov.uk.

Landfill Tax: disposals not made at landfill sites

Who is likely to be affected

Individuals or companies involved in the disposal of waste in England and Northern Ireland.

General description of the measure

This measure extends the scope of Landfill Tax to disposals made at sites without an environmental disposal permit, and brings clarity to what material is taxable at sites that do have a permit.

At sites without a permit, the person disposing of the waste and anyone who knowingly facilitates the disposal may be liable for the tax. All parties involved could also be liable to penalties for non-compliance or face criminal prosecution. Safeguards will be put in place to ensure that landowners and people in the waste supply chain who, in spite of carrying out all reasonable due diligence, were unknowingly involved in the illegal dumping will not be assessed for any tax or penalties.

At sites with a permit, all material disposed of will be taxable unless expressly exempt. New exemptions will be introduced so that Landfill Tax is not charged at permitted sites on material currently outside the scope of the tax. Notification requirements have also been removed for certain activities undertaken on permitted landfill sites.

This measure incorporates the changes to the definition of a taxable disposal for Landfill Tax for which a TIIN was published in December 2016 and which was intended for inclusion in the summer Finance Bill. Our spring consultation on whether to extend the scope of the tax to illegal sites was met with support from respondents and so to ensure the simplest transition for the industry to the new rules, the government has decided to combine the legislation on the revised scope with the previously announced changes to clarify what material is taxable. As a result, the legislation planned for the summer Finance Bill will be incorporated into the winter Finance Bill. There will a common implementation date of 1 April 2018.

Policy objective

The measure will deter non-compliance by making the illegal disposal of waste less profitable, and reinforce the principle of 'the polluter pays'.

These changes will support and complement the activity undertaken by the environmental protection agencies who work closely with HMRC to tackle non-compliance in the waste sector. The changes will provide HMRC with an effective means of pursuing and penalising those involved in the evasion of Landfill Tax, and supporting the legitimate waste management industry.

For legitimate operators, the measure will also simplify the tax system, providing greater clarity and certainty to landfill operators and put beyond doubt when there is a charge to Landfill Tax on material deposited at their sites.

Background to the measure

Landfill Tax was introduced on 1 October 1996 as a disincentive to landfilling material and to encourage the switch to more environmentally friendly alternatives. Since the introduction of the tax, the amount of waste sent to landfill in the UK is down by more than 60%.

In response to ongoing challenges by a number of landfill operators, Budget 2016 announced a consultation on changes to the criteria for determining when Landfill Tax is due. A consultation paper was published in May 2016 setting out proposals to amend the criteria, acknowledging that a number of new exemptions would be required to avoid inadvertently extending the scope of the tax. HMRC shared a list of proposed exemptions with key stakeholders during the consultation period and subsequently shared a simplified list reflecting feedback from the consultation.

The summary of responses to the consultation was published on gov.uk on 5 December 2016.

At Budget 2017, the government announced it would consult on whether to extend the scope of Landfill Tax to disposals of material at sites operating without the appropriate environmental licence or permit. These illegal waste sites operate outside the scope of Landfill Tax which makes the activity attractive to those who wish to exploit the disparity of tax treatment to undercut legitimate operators.

The government published a consultation paper in May 2017, which set out the reasons for extending the scope of Landfill Tax to these non-permitted sites, and asked for responses on a number of areas including how to define an illegal waste site and who should be liable for the tax.

Following support from the industry to the proposed changes, the government confirmed its intention to legislate to extend the scope of Landfill Tax to illegal waste sites from 1 April 2018. The government will publish a summary of the responses to the consultation on gov.uk on 13 September.

Unifying the above changes into one Finance Bill and aligning the commencement dates will create the simplest legislation and help operators pay the right tax at the right time.

HMRC will work with industry to publicise the changes and publish revised guidance, including a clear statement about the responsibilities of innocent parties before they come into effect. As long as the current Defra Duty of Care requirements are complied with, innocent parties will not be penalised.

This measure applies to sites in England and Northern Ireland. Landfill Tax was devolved to the Scottish Parliament in April 2015 and will be devolved to the Welsh Assembly from April 2018. Both devolved authorities provide for material at sites without a permit to be caught within the scope of their landfill taxes.

Operative date

This measure will have effect from 1 April 2018.

Current law

Landfill Tax primary legislation is contained in Part III of Finance Act 1996, with the following areas of interest for this measure:

- Section 40 defines a taxable disposal on which a charge to Landfill Tax can be made
- Section 41 defines the taxable person who is liable for the tax
- Section 42 provides for 2 rates of the tax, with Sections 43 to 45 providing for exemptions to the tax
- Section 47 defines the conditions for notification and registration

- Section 65A allows the Treasury to prescribe in an order activities at a landfill site that are within the scope of the tax
- Section 66 defines a landfill site for the purposes of the tax

Further primary legislation is found in Schedule 5 of Finance Act 1996.

The Landfill Tax (Prescribed Landfill Site Activities) Order 2009 (SI 2009/1929) prescribes a number of activities at a landfill site that are within the scope of the tax.

The Landfill Tax Regulations 1996 (SI 1996/1527) deal with various administrative aspects for the tax, including provisions relating to information areas in paragraph 16A.

Proposed revisions

Legislation will be introduced in winter Finance Bill 2017 to amend Part III of Finance Act 1996 as follows:

- Section 40 will be amended to remove the waste criteria and the requirement for a disposal to be made by way of landfill. It will also be amended so that all disposals that require an environmental permit are taxable, regardless of where they take place. The definition of a landfill site is moved to this section from Section 66
- Section 40 will also provide exemptions to be set out in secondary legislation so that Landfill Tax is not charged at permitted sites on material currently outside the scope of the tax
- For taxable disposals that do not take place at a landfill site, the measure will insert a range of taxable persons who will be jointly and severally liable for the tax into Section 41
- Section 47 will be amended to extend the registration provisions to those taxable persons who make disposals at places other than permitted landfill sites. Amendments will also give the Commissioners the power to specify the conditions under which HMRC will accept or reject a person's registration
- Further amendments will be made to Sections 42 to 45 so that the lower rate and the various exemptions can only apply to disposals made by registered persons
- Section 50A has been inserted to provide the power for HMRC to manually assess unregistered persons, and sets out the information HMRC must supply alongside the assessment
- The legislation will provide for exemptions from the tax to be set out in secondary legislation
- Schedule 5 of Finance Act 1996 and The Landfill Tax Regulations 1996 (SI 1996/1527) will be amended to remove various notifications that permitted landfill operators are required to make to HMRC, including activities taking place in site information areas and the carrying out of site restoration
- There will also be further consequential amendments to Schedule 5 of Finance Act 1996 and Landfill Tax Regulations 1996
- Consequential amendments will be made to Schedule 36 and 41 of Finance Act 2008 and Schedule 23 of Finance Act 2011 to ensure a range of penalties and powers are available to HMRC. The current appeal and review provisions will apply to assessments made under this part
- The Landfill Tax (Prescribed Landfill Site Activities) Order 2009 will be repealed

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	+30	+45	+45	+50	+45

These figures are set out in Table 2.1 of Autumn Budget 2017 as part of a package of measures called "Waste Sites" and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Budget 2017.Economic impact

This measure is not expected to have any significant macroeconomic impacts. Behavioural impacts of the measure and potential associated penalty structures are being considered.

Impact on individuals, households and families

This measure may impose a tax charge on individuals who knowingly cause or permit the illegal disposal of waste.

There will be no impact on individuals or households who are not knowingly involved in the illegal disposal of waste. HMRC will publish clear guidance about the responsibilities of innocent persons ahead of the implementation of the measure.

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

Equalities impacts

No equalities impacts in relation to any protected characteristic have been identified in relation to this measure.

Impact on business including civil society organisations

The majority of businesses affected by this measure will be unpermitted small and medium enterprises and sole traders who operate illegal waste sites and evade paying Landfill Tax. These entities will face greater scrutiny as a result of these changes.

This measure is expected to benefit compliant small and medium enterprises who operate waste disposal sites, as it will remove the financial advantage from those seeking to evade Landfill Tax through the illegal disposal of waste.

This measure is expected to have a negligible one-off impact on compliant businesses as they familiarise themselves with the new rules. It is not expected there will be any on-going costs, as due diligence requirements are already in place across the waste sector.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will need to fund additional staff to enforce this change and monitor compliance at an estimated cost of approximately £600,000 per annum. Guidance will also need to be updated, at negligible cost to HMRC.

The Environment Agency will work closely with HMRC, continuing to share information about sites without a permit and ensuring a joined up operational approach to waste crime.

Other impacts

Wider environment impact: this measure will increase the cost of the illegal disposal of waste at sites without an appropriate environmental permit or licence, and incentivise the diversion of waste back into more environmentally friendly waste management operations.

Justice impact test: this measure may have a justice impact. This will be considered ahead of the implementation of the measure.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will form part of HMRC's compliance risk review processes. The implementation and impact will be measured within the internal governance and risk management processes.

Further advice

If you have any questions about this change, please contact James Wilson on Telephone: 03000 575 578 or email: james.wilson3@hmrc.gsi.gov.uk.

Vehicle Excise Duty: rates for cars, vans, motorcycles and motorcycle trade licences from April 2018

Who is likely to be affected

Owners of vans, motorcycles and holders of motorcycle trade licences and pre-2017 cars, as well as those purchasing cars under the post-April 2017 Vehicle Excise Duty (VED) system.

General description

This measure will uprate, by Retail Price Index (RPI), the VED rates for vans, motorbikes and pre-2017 cars, as well as First Year Rates for cars under the post-April 2017 VED system. This is a standard uprating to come into effect from April 2018.

Policy objective

Increasing VED rates by RPI in 2018 to 2019 will ensure that VED receipts are maintained in real terms and that motorists continue to make a fair contribution to the public finances.

Background to the measure

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

Detailed proposal

Operative date

The measure will have effect on and after 1 April 2018 for all vans, motorcycles and motorcycle trade licences, cars registered before 1 April 2017, and the First-Year Rate of any new cars under the post-April 2017 VED system.

Current law

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

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to amend the applicable rates for cars, vans, motorcycles and motorcycle trade licences specified in Schedule 1 of VERA. Full details of the new rates are given in Annex B to the Overview of Tax Legislation and Rates.

Summary of impacts

Exchequer impact (£m)

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

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

This measure would impact on motorists owning a car, van or motorcycle or using a motorcycle trade licence. Approximately 98% of motorists owning a car first registered after March 2001 (post-2001 car), but before 1 April 2017, would pay no more than £5 extra VED. Owners of post-2001 vans and pre-2001 cars and vans would pay no more than £10 extra in VED. Above 90% of purchasers buying a new car from 1 April 2018 would pay no more than £5 extra in VED.

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

Equalities impacts

Vehicle owners will be affected and the impacts will therefore be greater on those protected characteristics more greatly represented in that population. Data is not collected on protected characteristics of VED payers.

Impact on business including civil society organisations

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

Operational impact (£m) (HMRC or other)

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

Monitoring and evaluation

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

Further advice

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

Vehicle Excise Duty: introduction of the diesel supplement

Who is likely to be affected

Purchasers of diesel cars registered after 1 April 2018 that do not meet the real driving emissions standard.

General description

This measure will apply a supplement to new diesel vehicles from 1 April 2018 to the effect that these cars will go up by one Vehicle Excise Duty (VED) band in their First-Year Rate. This will apply to any diesel car that is not certified to the Real Driving Emissions 2 (RDE2) standard.

Policy objective

The 'UK plan for tackling roadside nitrogen dioxide concentrations', published in July, set out that measures to improve air quality will be funded through changes to the tax treatment for new diesel vehicles. The revenue raised from this measure will fund the implementation of local plans to improve air quality in areas with high levels of air quality pollutants and also to facilitate a Clean Air Fund. This measure also supports the UK's transition to less polluting zero and ultra-low emission cars.

Background to the measure

This measure was announced at Autumn Budget 2017. The revenue raised will fund the measures set out in the 'UK plan for tackling roadside nitrogen dioxide concentrations' and facilitate a Clean Air Fund.

Detailed proposal

Operative date

The measure will have effect on and after 1 April 2018.

Current law

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

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to amend Schedule 1 of VERA, applying a supplement to new diesel cars registered after 1 April 2018. This will apply to new diesel cars which do not meet the standard set out under Annex IIA of Commission Regulation (EU) 2017/1151 for the second stage of Real Driving Emissions.

Cars which are certified as meeting the Real Driving Emissions 2 (RDE2) standard under Annex IIIA of Commission Regulation (EU) 2017/1151 will be exempt from the diesel supplement. This will be set in legislation at a value of NOx no greater than 80mg/km.

The RDE2 standard sets a maximum permitted level of car NOx emissions in real world driving situations, and it is measured through portable emissions-measuring equipment in a variety of real driving trips. Cars must pass the certified level of NOx emissions irrespective of the driving behaviour during the test - for example, the level of emissions produced when an engine is under stress, say, by driving uphill.

Manufacturers will certify NOx emissions. The certificate of conformity manufacturers produce will record which Euro-standard the vehicle is certified to. Diesel cars registered after 1 April 2018 and certified with a real-world NOx emissions figure greater than the RDE2 standard or without a certified NOx emissions figure will be subject to a supplement to the effect that these cars will go up by one VED band in their First-Year Rate.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
nil	+125	+50	+10	negligible	negligible

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

Economic impact

This measure is expected to have a very small positive effect on inflation in 2018 to 2019, with a very small negative effect in subsequent years. It is not expected to have any significant macroeconomic impacts.

Behavioural responses to this policy change are estimated to be negligible due to the low level of the tax increase in relation to car purchase price.

Impact on individuals, households and families

This measure would impact on purchasers of new diesel cars after 1 April 2018. These individuals will pay more in First Year Rates depending on vehicle choices e.g. someone purchasing a typical Ford Focus diesel will pay an additional £20 in the First Year, a VW Golf will pay £40, a Vauxhall Mokka £300 and a Landrover Discovery £400.

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

Equalities impacts

This measure will impact those sharing protected characteristics which are representative of car buyers, and these are more likely to be male than female.

Impact on business including civil society organisations

The measure is expected to have a negligible impact on businesses and civil society organisations. One-off costs include familiarising themselves with the rate change and implementing it in their systems. No ongoing costs are expected. It is expected that the cost of some vehicle licenses will rise as a result of this measure.

Operational impact (£m) (HMRC or other)

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

Monitoring and evaluation

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

Further advice

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

Air passenger duty: rates from 1 April 2019 to 31 March 2020

Who is likely to be affected

Airlines and other aircraft operators, and their passengers.

General description of the measure

The short-haul rates of air passenger duty (APD) for the tax year 2019 to 2020 will remain at their present levels.

The long-haul reduced rate for the tax year 2019 to 2020 will be frozen at the 2018 to 2019 level, the standard rate will increase by £16 and the higher rate will increase by £47.

Policy objective

This measure freezes short-haul and reduced long-haul APD rates for the tax year 2019 to 2020 and therefore keeps costs down for the vast majority of passengers. Overall revenues from APD continue to rise in line with RPI helping to contribute towards general taxation.

Background to the measure

The rates for the tax year 2019 to 2020 are being announced at Autumn Budget 2017 to give the industry sufficient advance notice of changes in APD rates.

Detailed proposal

Operative date

The rates for the tax year 2019 to 2020 will have effect in relation to the carriage of chargeable passengers on or after 1 April 2019.

Current law

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

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to amend section 30 of Finance Act (FA) 1994. The rates will be as follows:

From 1 April 2019			
Bands (distance in miles from London)	Reduced rate (lowest class of travel)	Standard rate (1) (other than the lowest class of travel)	Higher rate (2)
Band A (0 – 2000 miles)	£ 13	£ 26	£ 78
Band B (over 2000 miles)	£ 78	£ 172	£ 515

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

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

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	-	+ 25	+ 25	+25	+ 30

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

Economic impact

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

Behavioural responses were included to take into account the change in the number of passengers in response to changing airfares.

Impact on individuals, households and families

This measure will impact on some individuals, households and families who travel by air. Freezing the short-haul and reduced long-haul APD rates for the tax year 2019 to 2020 will keep costs down for the vast majority of passengers. However, increasing the standard and higher long haul rates will mean some passengers will pay more for their flights.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on approximately 800 airlines and aircraft operators. One-off costs include familiarisation with the new rates and updating systems to include the new rates. It is not expected that there will be any on-going costs. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

Costs to HMRC of implementing this change are expected to be negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Tobacco products duty rates

Who is likely to be affected

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

General description of the measure

This measure sets out how tobacco duties will increase this year and each year until the end of the Parliament.

Policy objective

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

Background to the measure

Autumn Budget 2017 announced that the duty rate on all tobacco products will continue to increase by 2% above Retail Price Index (RPI) inflation each year until the end of the Parliament. It was also announced that hand-rolling tobacco will rise by an additional 1% to 3% above RPI inflation this year.

Detailed proposal

Operative date

The new tobacco duty rates will have effect from 6pm on 22 November 2017.

Current law

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

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to increase the rates of duty on tobacco products. The legislation will amend Schedule 1 to the Tobacco Products Duty Act 1979.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
+45	+35	+40	+45	+40	+35

These figures are set out in Table 2.1 of Autumn Budget 2017 as 'Tobacco Duty: continue escalator and index Minimum Excise Duty' and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Budget 2017.

Economic impact

This measure is not expected to have any significant economic impacts. If passed on to consumers, the increases in tobacco duty rates will lead to a very small positive impact on inflation.

The costing includes a behavioural effect to account for the reduction in consumption of UK duty paid products resulting from higher prices.

Impact on individuals, households and families

Assuming duty increases are passed on to consumers, this measure will impact on individuals who smoke by increasing the price of tobacco products. Heavy smokers will face the highest burden from this measure.

In response to higher prices, some could choose to consume less, some could down-trade from more expensive to cheaper tobacco products, and others could engage in cross border shopping or purchase from the illicit tobacco market. Any potential shift in consumption to the illicit market will be closely monitored by HMRC.

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

Equalities impacts

Due to differences in tobacco consumption, any change to tobacco duties will have an equalities impact. Men are slightly more likely to smoke than women.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on tobacco manufacturers and importers. They will face an increase in tobacco duty rates that they are likely to pass onto consumers. There will be a negligible one-off cost to these businesses of familiarisation and amending systems to reflect the new rate. It is not expected there will be any on-going costs. There is no impact on civil society organisations.

Small and micro business assessment: higher annual increases in tobacco duty will affect all sizes of businesses, including small and micro business.

Operational impact (£m) (HMRC or other)

HMRC will incur a negligible cost for changing tobacco duties each year.

Other impacts

Health impact assessment: any reduction in smoking prevalence will have a positive impact on health and reduce the cost to the NHS of smoking-related illness. There may be reductions in other costs that arise from tobacco use. These costs include losses in productivity from smoking breaks and ill-health absences, the cost of cleaning up cigarette butts, the cost of smoking-related house fires and the loss in economic output from people who die from diseases related to smoking or exposure to second-hand smoke.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Minimum Excise Tax

Who is likely to be affected

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

General description of the measure

This measure sets the new Minimum Excise Tax (MET) rate that will apply to cigarettes. A MET sets a minimum level of excise duty due on any packet of cigarettes. This means that the total excise duty on a packet of cigarettes is the higher of either the MET, or the usual application of duties.

Policy objective

The measure supports public health objectives, tackles the very cheapest cigarettes and promotes fiscal sustainability.

Background to the measure

The government announced at Budget 2016 that a Minimum Excise Tax (MET) would be introduced in Finance Bill 2017. This followed a formal consultation with stakeholders. Spring Budget 2017 set the minimum duty at £268.63 per 1000 cigarettes, and came into effect on 20 May 2017.

Autumn Budget 2017 announced that the MET rate will increase (whilst wider duty rates also increase) in line with wider cigarette duty, 2% above RPI inflation. It will take effect at the same time as other tobacco duty rate changes.

Detailed proposal

Operative date

This measure will have effect from 6pm on 22 November 2017.

Current law

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

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to increase the rates of duty on tobacco products including the MET. The legislation will amend Schedule 1 to the Tobacco Products Duty Act 1979.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
+45	+35	+40	+45	+40	+35

These figures are set out in Table 2.1 of Autumn Budget 2017 as 'Tobacco Duty: continue escalator and index Minimum Excise Duty' and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Budget 2017.

Economic impact

This measure is not expected to have any significant macroeconomic impacts. If passed on to consumers, the increase in excise duty will lead to a very small positive impact on inflation.

Impact on individuals, households and families

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

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

Equalities impacts

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

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

Impact on business including civil society organisations

This measure will affect a small number of manufacturers and importers of cheap cigarettes. These businesses will face an increase in tax which they are likely to pass onto consumers. The measure is expected to have a negligible impact on businesses administrative burdens. One-off costs include familiarisation with the increase in the MET. It is not expected there will be any on-going costs.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There is a negligible cost of uprating the MET to HMRC.

Other impacts

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

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Stamp Duty Land Tax: relief for first time buyers 2017

Who is likely to be affected

Individuals purchasing a residential property for the first time within England, Wales and Northern Ireland.

General description of the measure

From 22 November 2017 first time buyers paying £300,000 or less for a residential property will pay no Stamp Duty Land Tax (SDLT).

First time buyers paying between £300,000 and £500,000 will pay SDLT at 5% on the amount of the purchase price in excess of £300,000, a reduction of £5,000 compared to the amount of SDLT they would have previously paid.

A first time buyer is defined as an individual or individuals who have never owned an interest in a residential property in the United Kingdom or anywhere else in the world and who intends to occupy the property as their main residence.

First time buyers purchasing property for more than £500,000 will not be entitled to any relief and will pay SDLT at the normal rates.

The relief must be claimed in an SDLT return.

Policy objective

This measure is part of the government's commitment to support home ownership and first-time buyers. Introducing this relief will reduce the upfront costs for first time buyers.

Background to the measure

This measure was announced at Autumn Budget 2017.

Detailed proposal

Operative date

This measure will have effect for transactions with an effective date (usually the date of completion) on or after 22 November 2017.

This measure does not apply in Scotland. SDLT was devolved to Scotland on 1st April 2015. This measure will apply in Wales until 1 April 2018, when SDLT will be devolved to Wales.

Current law

The main SDLT legislation is at Part 4 of the Finance Act (FA) 2003.

The current standard rates of SDLT for residential property are set out in table A of section 55 of the Act.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to provide relief for first time buyers. For first time buyers a new set of rates will be substituted at Table A of section 55(1B).

The revised rates and thresholds for residential property purchases worth £500,000 or less by first time buyers will be as follows:

Portion of consideration	Current standard rates	Rate for first time buyers
Up to £125,000	0%	0%
Over £125,000 and up to £250,000	2%	0%
Over £250,000 and up to £300,000	5%	0%
Over £300,000 and up to £500,000	5%	5%

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-125	-560	-585	-610	-640	-670

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

Economic impact

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

The costing accounts for a behavioural response whereby the volume of affected transactions is increased due to a change in prices.

Impact on individuals, households and families

The measure will benefit first time buyers of residential properties where the purchase price does not exceed £500,000 saving purchasers up to £5000. Paying no SDLT reduces the upfront cost of buying a home for first time buyers. This measure is expected to lead to a small increase in house prices in the first year after implementation.

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

Equalities impacts

This measure is likely to benefit younger people. This is due to the fact that first time buyers are likely to be younger.

This measure is not expected to have an impact on any of the other legally protected equality groups.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. Around 40,000 lawyers and conveyancers, who complete SDLT returns on behalf of purchasers, are expected to incur negligible one-off costs to familiarise themselves with the SDLT rules for first time buyers. The process of automatically calculating the amount of SDLT due will not initially be fully integrated into HMRC online systems. Where the first time buyer is being granted a new lease users will need to overwrite the tax due figure on the return. Users can use the calculator on gov.uk to calculate how much SDLT is due. This is expected to involve negligible additional work. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will need to make changes to IT systems and the online calculator on GOV.UK to support this change, at an estimated cost of £210,000.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the HMRC SDLT Helpline on 0300 200 3510 (from abroad +44 1726 209 042).

Stamp Duty Land Tax higher rates: minor amendments

Who is likely to be affected

- people who sell only part of their former main residence
- people who own residential property then buy another following a divorce
- people who own residential property then buy an additional interest in their main residence, or extend their lease
- spouses transferring property between each other
- trustees who buy residential property for children whose affairs are subject to the Court of Protection, and the children

General description of the measure

The measure grants relief from tax due under the higher rates of Stamp Duty Land Tax (SDLT) in certain cases, including where a divorce related court order prevents someone from disposing of their interest in a main residence, and where a spouse or civil partner buys property from another spouse or civil partner, and where a deputy buys property for a child subject to the Court of Protection, and where a purchaser adds to their interest in their current main residence. It also closes down an avoidance route.

The measure also counteracts abuse of relief when someone who changes main residence retains an interest in their former main residence.

Policy objective

The measure improves the operation of the higher rates of SDLT.

Background to the measure

The higher rates of SDLT have applied since April 2016 to all those who purchase residential property when they already own at least one property, and are not replacing their main residence. The higher rates are 3% above the standard rates of SDLT.

The measure was announced at Autumn Budget 2017.

Detailed proposal

Operative date

The measure will have effect for transactions on or after 22 November 2017.

Current law

Schedule 4ZA to the Finance Act 2003 makes provisions to charge the higher rates of SDLT (HRAD).

Proposed revisions

Legislation in Finance Bill 2017-18 will introduce changes to Schedule 4ZA to FA 2003.

Amendments will:

- prevent abuse of relief for replacement of a purchaser's only or main residence by requiring the purchaser to dispose of the whole of their former main residence and to do so to someone who is not their spouse
- disapply HRAD where an individual buys a property from their spouse or civil partner
- disregard certain interests retained by a former spouse or former civil partner upon dissolution of a marriage or partnership. It disregards an interest if it is held under certain `property adjustment orders`, for example in the case of a divorce
- make changes so that a property held by a child's parents is disregarded when a property is purchased by a child's trustee pursuant to power conferred on the trustee by a `relevant court appointment, for example such an appointment made by the Court of Protection

Full details of the legislation as set out in the Explanatory Note published on 22 November 2017.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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

This measure will clarify the rules where HRAD applies. The changes are expected to benefit families in cases of separation, divorce and where properties are held in trust for children.

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

Equalities impact

The changes are expected to benefit those getting a divorce and children where properties are held in trust. There are no other equalities impacts.

Impact on business including civil society organisations

These proposals are expected to have a positive impact on some 4,000 conveyancers and property professionals by clarifying the rules when the HRAD applies. The impact on admin burdens is expected to be negligible. One-off costs include familiarisation with the new rules. It is not expected there will be any on-going costs.

There is no impact on civil society organisations.

Operational Impacts

HMRC will not incur any additional costs to implement these changes.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

HMRC will continue to review how the policy on SDLT higher rates operates in practice through review of correspondence with taxpayers and liaison with stamp taxes practitioners.

Further advice

If you have any questions about this change, please contact David McDowell by email: david.mcdowell@hmrc.gsi.gov.uk

Double taxation relief: changes to targeted anti-avoidance rule

Who is likely to be affected

Taxpayers who enter into certain types of schemes or arrangements for artificially creating or increasing double taxation relief (DTR) claims.

General description of the measure

The measure will make two changes to the DTR targeted anti-avoidance rule (TAAR). The first change removes the requirement for HMRC to issue a counteraction notice before the TAAR applies, and the second change slightly widens the scope of schemes or arrangements to which the DTR TAAR can apply.

Policy objective

The measure will modernise the DTR TAAR as well as making the DTR TAAR consistent with the Government's general policy on TAARs. It also supports the Government's objective of promoting fairness in the tax system by deterring taxpayers from entering into abusive DTR arrangements.

Background to the measure

The measure will be announced in the Autumn Budget 2017.

Detailed proposal

Operative date

The first change (counteraction notices) will have effect for returns with a filing date on or after 1 April 2018.

The second change (total tax payable) will have effect for payments of foreign tax made on or after 22 November 2017.

Current law

Current law is contained in sections 81 to 95 Taxation (International and Other Provisions) Act 2010 (TIOPA 2010).

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to remove the requirement in section 81 TIOPA 2010 for HMRC to issue a counteraction notice and instead requires the taxpayer to consider whether the DTR TAAR applies as part of the taxpayer's self-assessment.

Legislation will also be introduced in Finance Bill 2017-18 to extend the reference in section 87 TIOPA 2010 to the total tax payable to include the tax payable by any connected persons for one of the categories of prescribed schemes or arrangements to which the TAAR can apply.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
nil	nil	nil	nil	nil	nil

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

Economic impact

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

Impact on individuals, households and families

This measure has no impact on compliant individuals. It will only affect those individuals who are artificially creating or increasing DTR claims by requiring them to consider whether the DTR TAAR applies as part of the self-assessment process.

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

Equalities impacts

It is not anticipated that there will be any impact on groups sharing protected characteristics.

Impact on business including civil society organisations

This measure has no impact on compliant businesses. It will only affect those businesses who are artificially creating or increasing DTR claims by requiring the business to consider whether the DTR TAAR applies as part of the self-assessment process. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will incur negligible costs implementing this change.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through monitoring the number of DTR avoidance schemes and through regular communication with taxpayers and practitioners affected by the measure.

Further advice

If you have any questions about this change, please contact Forida Haque on Telephone: 03000 594914 or email: forida.haque@hmrc.gsi.gov.uk or Daniel Berry on Telephone: 03000 585972 or email: daniel.berry@hmrc.gsi.gov.uk

Double taxation: Powers to implement Multilateral Instrument

Who is likely to be affected

This measure amends the UK's statutory powers to give effect to international arrangements relating to the relief of double taxation. It will have no direct impact on taxpayers or business.

General description of the measure

The amendments to the existing powers will confirm that they extend to giving effect to arrangements that operate primarily to restrict relief provided for in existing arrangements and delegate specific functions to competent authorities.

Policy objective

This measure ensures that the UK can give full effect to the provisions of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting which it signed on 7 June 2017.

Background to the measure

The reports on the 15 actions that made up the OECD/G20 Base Erosion and Profit Shifting (BEPS) project included a number of recommendations for changes to double taxation agreements (DTAs). These included minimum standards agreed by countries participating in the BEPS project in relation to preventing treaty abuse and improving dispute resolution.

To ensure that these changes are made to DTAs as soon as possible, a group of over 100 jurisdictions together drew up the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the Multilateral Instrument or MLI). The text of the MLI was adopted in November 2016 and has now been signed by over 70 countries, including the UK.

The MLI modifies DTAs both in order to prevent tax avoidance and improve dispute resolution. In order for the MLI to modify UK DTAs, it must be given effect in UK law. This measure ensures that the existing powers for giving effect to DTAs in UK law, which have previously only been used to give effect to bilateral arrangements, can also be used to give full effect to the MLI.

The measure was announced at Autumn Budget 2017.

Detailed proposal

Operative date

The measure will take effect on the date of Royal Assent to Finance Bill 2017-18.

Current law

Current law on double taxation arrangements is in Chapter 1 of Part 2 of the Taxation (International and Other Provisions) Act 2010 (TIOPA) and Chapter V of Part V of the Inheritance Tax Act 1984 (IHTA).

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to make changes to section 2 of TIOPA and section 158 of IHTA.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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

As a technical measure to amend the UK's powers to give effect to international arrangements relating to the relief of double taxation it has no impact on taxpayers.

The measure does not impact on family formation, stability or breakdown.

Equalities impacts

This measure has no equalities impact.

Impact on business including civil society organisations

As a technical measure to amend the UK's powers to give effect to international arrangements relating to the relief of double taxation it has no impact on businesses or civil society organisations.

Operational impact (£m) (HMRC or other)

There will be no significant impact on HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please email the Tax Treaty Team at taxtreaty.team@hmrc.gsi.gov.uk.

Income Tax: scope of Qualifying Care Relief for self-funded Shared Lives payments

Who is likely to be affected

This will affect Shared Lives carers who receive payments from Shared Lives schemes where individuals self-fund their care.

General description of the measure

Qualifying Care Relief is an optional tax simplification scheme available to those providing care under shared lives schemes which provides a standard relief instead of deductions for their actual expenses, allowing them to keep simpler records. Shared Lives care can be paid for in many ways and one method is self-funded payments. This is where the person receiving Shared Lives care uses their own finances to meet their support costs. This measure expands the scope of Qualifying Care Relief to cover payments made from individuals that self-fund care they receive through a shared lives scheme.

Policy objective

This measure will ensure that carers who are currently excluded from Qualifying Care Relief because the person they look after happens to self-fund their care, are able to use this simplification scheme, in the same way as carers who look after people whose care is funded by, for example a local authority. Self-funded payments are a new way of funding Shared Lives care that did not exist when the legislation was created and the number of these types of payments is increasing. This measure supports Shared Lives care, which is in line with government objectives. To prevent abuse, the person funding the care does not pay the carer directly but pays them through an approved Shared Lives scheme. As the payment is always made through a Shared Lives scheme it ensures fairness as to who can claim the relief.

Background to the measure

This measure was announced at Autumn Budget 2017.

Detailed proposal

Operative date

The measure will have effect from the tax year 2017 to 2018.

Current law

Current law on Qualifying Care Relief is included in the Income Tax (Trading and Other Income) Act 2005 Sections 803 to 828. Shared Lives care is one of the care arrangements covered by this relief and its definition and the conditions for a Shared Lives payment to qualify are listed in section 806A. Qualifying Care Relief (Specified Social Care Schemes) Order 2011 (SI 2011/712) further specifies the conditions a Shared Lives scheme must meet for it to be eligible for Qualifying Care Relief. This includes the condition that the carer must receive the payment from the local authority.

Proposed revisions

Legislation will be introduced by statutory instrument to amend Qualifying Care Relief (Specified Social Care Schemes) Order 2011 (SI 2011/712) to allow payments made by the care recipient through the Shared Lives scheme to qualify for the relief.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
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

This measure will make the simplification scheme available to up to 170 Shared Lives carers initially. The measure will ensure that Qualifying Care Relief is updated to reflect current developments in the care sector, including self-funded payments.

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

Equalities impacts

This measure will make the simplification scheme available to Shared Lives carers of people who receive care through a Shared Lives scheme and who self-fund their care.

Impact on business including civil society organisations

This measure will have no impact on businesses or civil society organisations. It will make the simplification scheme available to Shared Lives carers of people who receive care through a Shared Lives scheme and who self-fund their care.

Operational impact (£m) (HMRC or other)

No operational impact expected. Only a small update to guidance will be required.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

HMRC will continue to keep this policy under review.

Further advice

If you have any questions about this change, please contact Sean Rath on Telephone: 03000 591 076 or email: sean.rath@hmrc.gsi.gov.uk.

Income Tax: van benefit charge and fuel benefit charges for cars and vans from 6 April 2018

Who is likely to be affected

Employers and employees where employers provide employees with company vans available for private use, or fuel for private mileage in company cars and vans.

General description of the measure

This measure increases the van benefit charge and the car and van fuel benefit charges from 6 April 2018 by the increase in the September 2017 Retail Price Index (RPI). The flat-rate van benefit charge will increase to £3,350; the multiplier for the car fuel benefit charge will increase to £23,400; and the flat-rate van fuel benefit charge will increase to £633.

Policy objective

The measure ensures the tax system continues to support the sustainability of the public finances. Employers will be able to make the necessary changes to payroll systems and tax codes will be updated where appropriate, in advance of the 2018 to 2019 tax year. It also allows tax codes to be updated in advance of the relevant year where appropriate.

Background to the measure

The measure was announced at Autumn Budget 2017.

Detailed proposal

Operative date

The changes will have effect on and after 6 April 2018.

Current law

The Van Benefit and Car and Van Fuel Benefit Order 2016 (SI 2016/1174) set the van benefit charge at £3,230 for 2017 to 2018, the car fuel benefit multiplier at £22,600 and the van fuel benefit at £610.

Proposed revisions

Legislation will be introduced by statutory instrument to increase the cash equivalent of the van benefit charge and the fuel benefit charges.

The cash equivalent where a van is made available to an employee for private use will increase to £3,350 for 2018 to 2019. The value of the multiplier for calculating the cash equivalent of the fuel benefit for a car will increase to £23,400 for 2018 to 2019. The flat rate charge for the van fuel benefit will be increased to £633 for 2018 to 2019.

Summary of impacts

Exchequer impact (£m)

Van benefit Charge

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023

-	negligible	+5	+5	+5	+5

This costing has been certified by the Office for Budget Responsibility and will be included in their forecast at the next fiscal event.

Van fuel benefit Charge

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	negligible	negligible	negligible	negligible	negligible

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

Car fuel benefit charge

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

This measure will impact individuals who use a company van which is available for their private use and / or who are provided with fuel for their private use by their employer. As in previous years, these charges are being uprated by RPI and, in line with expectations, these individuals will pay more tax as a result of the increases.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses and civil society organisations. Businesses will need to update their systems to reflect the new figures for calculating the van benefit charge and the car and van fuel benefit charges. There are not expected to be any on-going costs.

Operational impact (£m) (HMRC or other)

The operational impact is negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

Regulations relating to the van benefit charge and the car and van fuel benefit charges are normally reviewed on an annual basis.

Further advice

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

Annual update to the Energy Technology List for first year capital allowances

Who is likely to be affected

Businesses purchasing designated plant and machinery which uses energy efficiently.

General description of the measure

This measure updates the lists of technologies and products covered by the energy-saving first year allowances (FYA) scheme. It adds three new products, modifies nine and removes two items from the list.

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

Policy objective

The scheme aims to reduce the consumption of energy by business, by encouraging their investment in the most efficient plant and machinery. This can help reduce overall energy costs and carbon emissions, aiding the UK's carbon reduction obligations.

Background to the measure

Since its introduction, in 2001, the scheme has been updated annually to ensure that only the most efficient products are supported.

Detailed proposal

Operative date

The changes to the scheme will have effect on and after a date to be appointed by Treasury Order, to be made immediately after Autumn Budget 2017.

Current law

Capital expenditure by business on plant and machinery normally qualifies for tax relief by way of capital allowances. Once businesses have fully used their annual investment allowance (AIA), which has been £200,000 since 1 January 2016, plant and machinery allowances are available at 18% main rate and 8% special rate.

This scheme provides an alternative 100% first-year allowance for expenditure on certain energy-saving technologies (Capital Allowances Act 2001, section 45A), which is particularly beneficial for those businesses that have fully used their AIA.

Recommendations for updates to the list of qualifying technologies and products for the scheme, and reviews of the relevant criteria are made annually by the Department for Business Energy and Industrial Strategy (BEIS).

Treasury ministers decide on the availability of the FYA, with the qualifying technologies published in the Energy Technology Criteria List.

Proposed revisions

A statutory instrument will amend the list of technologies that qualify for the energy-saving scheme.

It introduces evaporative air coolers, saturated steam to electricity conversions and white LED lighting modules to the list.

It removes two categories: localised rapid steam generators and biomass fired warm air heaters from the list, and it modifies the qualifying criteria for nine current technologies.

The secondary legislation will also combine all the previous Treasury Orders to combine the information into a single Order.

Details on when the new lists take effect will be published in the ETL section of GOV.UK.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023

The Office for Budget Responsibility has included the impact of this measure in its forecast at Autumn Budget 2017.

Economic impact

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

Impact on individuals, households and families

This measure has no impact on individuals or households as it only affects businesses.

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

Equalities impacts

The FYA scheme is aimed at businesses. Following discussions with BEIS on this year's amendments, HMRC has not identified any impact on any specified groups.

This measure does not impact on the equality of groups with protected characteristics.

Impact on business including civil society organisations

This measure will affect all businesses who incur expenditure on plant and machinery that qualifies for the scheme.

The scheme allows qualifying expenditure to be written off in the period in which the investment is made, thereby improving businesses cash flow.

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

For 99% of businesses there will be no impact because the majority of the expenditure they incur on plant and machinery will be eligible for full relief under the separate AIA, at up to £200,000 per year since 1 January 2016.

For those businesses that have fully used their AIA, the updates will come into effect soon after Autumn Budget 2017. One-off costs include familiarisation with the updated list. On-going costs may include submitting additional claims that can now be made as a result of the updated list.

The scheme and qualifying products will be published on GOV.UK. Where contracts have been finalised for the delivery of qualifying plant and machinery that are to be removed from the scheme as a result of the changes, those items will still qualify for the allowance even if delivered after the updates take effect. There is no impact on civil society organisations.

Small and micro business assessment: This measure applies to all sizes of business, but in practice it will only affect those with qualifying plant and machinery expenditure above the level of the AIA. As a result there is expected to be very limited impact on small firms, the large majority of which incur less than the AIA limit annually on capital expenditure.

However, should a small business decide to write off the cost of qualifying plant and machinery under the schemes, rather than AIA, they will need to identify the products that qualify and make a claim.

These measures will have no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

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

Other impacts

Carbon assessment and wider environment impact: by incentivising investment in energy and water efficient technologies, this measure should reduce carbon emissions and encourage sustainable use of water resources.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

The lists of technologies and products that qualify for the schemes are also reviewed every year by BEIS. This ensures that the list remains relevant and that qualifying criteria are discussed with suppliers to ensure they remain accurate and effective.

Further advice

If you have any questions about this change, please contact Tunde Ojetola on Telephone: 03000 585916 or email: tunde.ojetola@hmrc.gsi.gov.uk.

Extend First Year Tax Credits for 5 years and reduce the rate of claim

Who is likely to be affected

Loss-making businesses purchasing designated plant and machinery which uses water or energy efficient equipment.

General description of the measure

This measure extends First Year Tax Credits (FYTC) until 31 March 2023 and sets the rate of eligible claims to two-thirds of the Corporation Tax (CT) rate. It applies to the products and technologies covered by the energy-saving (energy) and environmentally-beneficial (water) first year allowances (FYA) schemes.

Policy objective

FYTC provide relief for loss-making businesses which purchase efficient technology supported by the energy and water schemes.

The schemes mitigate the barrier of high purchase-costs where the efficiency of a product can provide savings to businesses and wider environmental benefits.

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

Background to the measure

FYA allow profit-making businesses to deduct the full cost of investments in energy and water technology from their taxable profits.

Loss-making businesses do not make profits, so they cannot claim these tax breaks. Instead, loss-making UK businesses can claim tax credits – FYTC – when they invest in products that feature on the Energy Technology and Water Technology lists.

FYTC was introduced in 2008 for five years. It was extended in 2013 to ensure that loss making businesses are encouraged to purchase the most efficient water and energy products. When the scheme started, the claim percentage was set at 19% which was two-thirds of the 28% CT rate.

Detailed proposal

Operative date

The changes to the scheme will come into effect on 1 April 2018.

Current law

Capital expenditure by business on plant and machinery normally qualifies for tax relief by way of capital allowances. The energy-saving and environmentally-beneficial schemes provide 100% first-year allowance for expenditure on certain energy-saving technologies.

Loss-making businesses are able to surrender the losses attributable to FYA in exchange for a cash payment known as FYTC. The current rate of claim is 19%.

The FYTC is due to expire on 31 March 2018.

Proposed revisions

Legislation will be introduced in Finance Bill 2017-18 to amend Schedule A1 to CAA 2001. It will extend the scheme for five years and the rate of claim will be set at two-thirds of the CT rate in line with the original policy intention. The scheme will expire on 31 March 2023.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	negligible	negligible	negligible	negligible	negligible

The 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 measure will not impact on households. Although it is possible for individual employees to claim capital allowances, it is unlikely that any would claim FYTC.

The measure is not expected to impact on family formation, stability or breakdown as it is aimed at plant and machinery used by business.

Equalities impacts

The FYTC scheme is aimed at loss-making businesses. Following discussions with the Department for Businesses Energy and Industrial Strategy (BEIS) and the Department for Environment, Food and Rural and Affairs (Defra) on these changes, HMRC has not identified any impact on any specified groups.

This measure does not impact on the equality of groups with protected characteristics.

Impact on business including civil society organisations

The measure will impact those loss-making businesses, including small and micro businesses, incurring business expenditure that qualify for the schemes. As loss-making businesses do not make profits, they will be able to surrender the losses attributable to these schemes in exchange for a cash payment.

The measure is expected to have a negligible impact on business administrative burdens.

There will be one-off costs for businesses who consider buying products affected by the changes to comply with the link to the CT rate.

Any time there is a change to the CT rate, eligible businesses will incur the costs of changing the percentage they claim to ensure that the rate of their claim is reduced from 19% to two-thirds of the CT rate.

For 99% of eligible businesses there will be only a minor impact because the CT rate has been set at 19% till 2020, and then 17% from 2020. On-going costs include making a claim for the cash payment through their tax return.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

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

Other impacts

Carbon assessment and wider environment impact: by incentivising investment in energy and water efficient technologies, this measure should reduce carbon emissions and encourage sustainable use of water resources.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

The lists of technologies and products that qualify for the schemes (eligible for this payable credit) are also reviewed every year by BEIS and Defra. This ensures that the list remains relevant and that qualifying criteria are discussed with suppliers to ensure they remain accurate and effective.

Further advice

If you have any questions about this change, please contact Tunde Ojetola on Telephone: 03000 585916 or email: tunde.ojetola@hmrc.gsi.gov.uk.

Extension of First Year Allowances for zero-emission goods vehicles and gas refuelling equipment

Who is likely to be affected

Businesses incurring expenditure from April 2018 on the acquisition of zero-emission goods vehicles or gas refuelling equipment for use in their business.

General description of the measure

The measure extends the 100% First Year Allowance (FYA) for businesses purchasing zero-emission goods vehicles or gas refuelling equipment for a further 3 years.

Policy objective

This measure is designed to support transition in the UK to cleaner zero and ultra-low emission vehicles which will help improve air quality in the UK's towns and cities and protect the environment for the next generation.

Background to the measure

At Budget 2015, the government announced an extension to both schemes to end on 31 March 2018.

Although there has been no formal consultation, this policy was designed in discussion with business to keep the overall compliance costs for businesses as low as possible.

Detailed proposal

Operative date

For zero-emission goods vehicles the three year extension will apply to qualifying expenditure incurred on or after 1 April 2018 for Corporation Tax (CT) and 6 April 2018 for Income Tax. The scheme will end on 31 March 2021 for CT and 5 April 2021 for Income Tax.

For gas refuelling equipment the three year extension will apply to expenditure incurred on or after 1 April 2018 for CT and Income Tax. The scheme will end on 31 March 2021 for both CT and Income Tax.

Both schemes will be extended by secondary legislation.

Current law

Business capital expenditure on plant and machinery normally qualifies for tax relief as Capital Allowances (CAs). CAs are normally given at the rate of 18% a year on a reducing balance basis.

Under current law, 100% FYAs are available to businesses that purchase:

- zero-emission goods vehicles – sections 45DA and 45DB Capital Allowances Act 2001 (CAA). These allowances are due to end on 31 March 2018 for CT and 5 April 2018 for Income Tax
- gas refuelling equipment required to refuel natural gas, biogas and hydrogen powered vehicles – section 45E CAA

These allowances are due to end on 31 March 2018 for both CT and Income Tax.

Proposed revisions

A statutory instrument will be laid to extend the availability of FYAs for zero-emission goods vehicles to 31 March 2021 for persons within the charge to CT and 5 April 2021 for Income Tax.

A statutory instrument will be laid to extend the availability of FYAs for gas refuelling equipment to 31 March 2021 for persons within the charge to CT and Income Tax.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	-5	-5	-5	-	-

This costing has been certified by the Office for Budget Responsibility and will be included in their forecast at the next fiscal event.

Economic impact

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

Impact on individuals, households and families

Any extension to the FYA regime should have no impact on individuals or households as capital allowances can only be claimed on qualifying expenditure incurred by businesses.

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

Equalities impacts

This measure does not impact on the equality of groups with protected characteristics.

Impact on business including civil society organisations

This measure is expected to benefit approximately 100 businesses each year who will be able to claim first year allowances for zero-emission goods vehicles or gas refuelling equipment up until 31 March 2021 or the 5 April for Income Tax. Businesses may already submit claims for this investment under the Annual Investment Allowance if the threshold is not exceeded. The allowance for zero-emission goods vehicles is only available to businesses that have not already received any plug-in grants due to state aid rules.

The impact on businesses administrative burdens is expected to be negligible as this measure only extends the end date of the existing policy. One-off costs include familiarisation with the new rules. It is not expected that there will be any on-going costs.

There is no impact on civil society organisations

Operational impact (£m)

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

Other impacts

This measure has a behavioural effect to encourage businesses to purchase zero-emission vehicles. This will support the objective of reducing emissions from vehicles.

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

VAT: maintain thresholds for 2 years from 1 April 2018

Who is likely to be affected

Businesses whose turnover, or total EU acquisitions, are close to the existing VAT registration threshold of £85,000.

General description of the measure

The VAT registration and deregistration thresholds will not change for 2 years from 1 April 2018.

The taxable turnover threshold which determines whether a person must be registered for VAT, will remain at £85,000.

The taxable turnover threshold which determines whether a person may apply for deregistration will remain at £83,000.

The registration and deregistration threshold for relevant acquisitions from other EU Member States will also remain at £85,000 whilst the UK is a member of the EU.

Policy objective

The UK's VAT registration threshold (above which persons making taxable supplies are required to register and account for VAT) is currently set at £85,000, although businesses can opt to register voluntarily if they wish to do so.

The deregistration threshold for taxable supplies, currently £83,000, is set lower than the registration threshold to avoid businesses trading around the threshold level having constantly to register and deregister.

It is the highest threshold in the EU. It keeps over 3 million small businesses out of VAT, but evidence suggests that it also distorts competition between businesses which have to charge VAT and those who don't.

Customer views on the optimum threshold differ. The Office of Tax Simplification report published on 7 November 2017 recognises the distortions it causes and recommends the government 'should examine the current approach to the level and design of the VAT registration threshold, with a view to seeking out a future direction of travel.' The government intends to act on this recommendation by consulting on the design of the threshold. In the meantime, the government will maintain the VAT registration and deregistration thresholds at £85,000 and £83,000 for 2 years while we consult.

Background to the measure

The measure was announced at Autumn Budget 2017. The government will consult on the design of the VAT threshold during the 2 year period ending 31 March 2020.

Detailed proposal

Operative date

The thresholds will be maintained at their current level for 2 years from 1 April 2018.

Current law

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

Proposed revisions

There will be no revisions to existing legislation, and no new legal provisions will be introduced.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	+ 15	+55	+ 105	+ 145	+ 170

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

Economic impact

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

Impact on individuals, households and families

The measure has no impact on individuals or households as it only impacts on businesses. There is no impact on family formation, stability or breakdown.

Equalities impacts

HMRC has not identified that any specific groups with protected characteristics that would be affected by this measure.

Impact on business including civil society organisations

This measure is expected to have a significant impact on businesses with turnover just below the VAT threshold. Maintaining the current threshold levels is expected to result in approximately 6,000 additional small businesses (or 0.2% of unregistered businesses) having to register for VAT by the end of the 2018 to 2019 financial year and 33,000 businesses (1.0% of unregistered businesses) in total by the end of the five year scorecard period. This is out of a total business population of 5.5 million in 2016 as estimated by the Department for Business Energy and Industrial Strategy.

The one-off implementation cost to businesses entering the VAT system over five years is estimated to be negligible. The total ongoing administrative burden for the small business population of accounting for VAT will increase by an average of £13 million per year.

Businesses crossing the VAT threshold will also be required to comply with 'Making Tax Digital' for their VAT affairs from April 2019. They may incur additional one-off and ongoing administrative burdens and costs in order to operate digitally. These costs are set out in the related tax information and impact note.

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

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

Estimated ongoing impact on administrative burden (£m)

Ongoing average annual impact	£(m)
Costs	13
Savings	-
Net impact on annual administrative burden	+13

Operational impact (£m) (HMRC or other)

HMRC will incur extra staff costs to implement this change estimated at £680,000 over 5 years.

Other impacts

Competition assessment: the VAT registration threshold can distort competition between businesses which have to charge VAT and those which don't. Under this measure, the additional businesses which will be required to charge VAT may have difficulty in competing with businesses below the registration threshold. The Government is considering the distortions created by the threshold through consultation.

Justice impact test: judicial impacts are expected to be negligible.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Steven Williams on Telephone: 03000 572469 or email: VAT Registration & Accounting Policy, ITPT@hmrc.gsi.gov.uk.

Annual tax on enveloped dwellings: annual chargeable amounts

Who is likely to be affected

Companies, partnerships with any company members, and collective investment schemes (collectively referred to as non-natural persons (NNPs)), which own an interest in UK residential property valued at more than £500,000 and which are not eligible for relief.

General description of the measure

The annual chargeable amounts for the Annual Tax on Enveloped Dwellings (ATED) will be increased by inflation.

Policy objective

The ATED annual chargeable amounts are fixed charges as opposed to percentage charges. The annual charges are therefore increased annually to keep pace with inflation in line with rises in the Consumer Prices Index (CPI).

Background to the measure

ATED was introduced from 1 April 2013.

It is an annual charge on NNPs which own an interest in UK residential property valued at more than £500,000. The ATED chargeable period runs from 1 April to 31 March and the amount of tax charged is by reference to a banding system based on the value of the property. There are a number of reliefs where a property is used for commercial purposes.

Autumn Budget 2017 announced that the annual charges for the 2018 to 2019 chargeable period will be increased by CPI. This is to provide taxpayers with advance notice to plan their tax affairs.

Detailed proposal

Operative date

The new charges will apply to the 2018 to 2019 chargeable period, which begins on 1 April 2018.

Current law

Section 94 of Finance Act (FA) 2013 gives rise to an ATED charge in respect of a chargeable interest (UK residential property) held by a NNP.

Section 99 of FA 2013 details the amount chargeable by reference to various bands into which a property falls according to its value on a particular date.

Section 101 requires the charge to be increased annually by reference to the previous September CPI, and rounded down to the nearest £50. Section 101(5) requires a Treasury Order to be published stating the annual chargeable amounts before each 1 April.

Proposed revisions

Publication of a Treasury Order stating the ATED charges for the 2018 to 2019 chargeable period which are increased in line with the September 2017 CPI, which was 3%.

The Table below shows the annual chargeable amounts for the 2017 to 2018 chargeable period and the revised chargeable amounts for 2018 to 2019 chargeable period which begins on 1 April 2018.

Property Value	Annual chargeable amounts for the 2017 to 2018 chargeable period	Annual chargeable amounts for the 2018 to 2019 chargeable period
£500,001 to £1,000,000	£3,500	£3,600
£1,000,001 to £2,000,000	£7,050	£7,250
£2,000,001 to £5,000,000	£23,550	£24,250
£5,000,001 to £10,000,000	£54,950	£56,550
£10,000,001 to £20,000,000	£110,100	£113,400
£20,000,0001 and over	£220,350	£226,950

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	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

Individuals are not directly affected by this measure, except to the extent that those individuals own residential property via a company (a NNP).

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

Equalities impacts

This measure concerns the taxation of companies, corporate partnerships, and collective investments schemes falling within ATED. It is not expected to impact on any of the legally protected equality groups.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. NNPs that will be affected by the increased charges will pay a higher annual charge and may incur a negligible one-off cost to update their systems. Those businesses holding UK residential property for genuine commercial reasons and who are eligible to claim full relief from the charge will be unaffected by these increases.

There are not expected to be any additional on-going costs. This measure is not expected to have any impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC's processing and IT systems are designed to accommodate this tax change. The change will not increase HMRC costs.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored and assessed through existing data-gathering systems and information collected from tax returns. It will be published as Official Statistics.

Further advice

If you have any questions about this change, please contact HMRC Helpline on 03000 200 3510 or email: ated.technicalqueries@hmrc.gsi.gov.uk

Annex C: Rates and Allowances
This annex includes Autumn Budget 2017 announcements of the main rates and allowances. It also covers all announcements made at Autumn Statement 2016 and subsequently.

PERSONAL TAX AND BENEFITS

Powers to vary the tax rates and thresholds of Non-Savings, Non-Dividend income for Scottish taxpayers were devolved to the Scottish Parliament in April 2017. The income tax personal allowance and all other elements of the income tax system remain reserved.

Income tax bands of taxable income (£ per year)		
	Tax year 2017-18	**Tax year 2018-19**
Basic rate	£1 – £33,500	£1 – £34,500
Higher rate	£33,501 - £150,000	£34,501 – £150,000
Additional rate	Over £150,000	Over £150,000

Income tax rates 2017-18	
Main rates[1]	**Tax year 2017-18**
Basic rate	20%
Higher rate	40%
Additional rate	45%
Savings rates[2]	
Starting rate for savings	0%
Savings basic rate	20%
Savings higher rate	40%
Savings additional rate	45%
Dividend rates[3]	
Dividend ordinary rate - for dividends otherwise taxable at the basic rate	7.5%
Dividend upper rate - for dividends otherwise taxable at the higher rate	32.5%
Dividend additional rate - for dividends otherwise taxable at the additional rate	38.1%
Default rates[4]	
Default basic rate	20%
Default higher rate	40%
Default additional rate	45%

[1] Apply to non-savings, non-dividend income, including earnings from employment, self-employment, pension income, foreign income, taxable benefits and income from property.
[2] Apply to savings income.
[3] Apply to dividend income above the £5,000 tax-free Dividend Allowance.
[4] Apply to non-savings, non-dividend income.

Income tax rates – 2018-19	
Main rates[5]	**Tax year 2018-19**
Basic rate	20%
Higher rate	40%
Additional rate	45%
Savings rates[6]	
Starting rate for savings	0%
Savings basic rate	20%
Savings higher rate	40%
Savings additional rate	45%
Dividend rates[7]	
Dividend ordinary rate - for dividends otherwise taxable at the basic rate	7.5%
Dividend upper rate - for dividends otherwise taxable at the higher rate	32.5%
Dividend additional rate - for dividends otherwise taxable at the additional rate	38.1%
Default rates[8]	
Default basic rate	20%
Default higher rate	40%
Default additional rate	45%

[5] Apply to non-savings, non-dividend income
[6] Apply to savings income.
[7] Apply to dividend income above the £2,000 tax-free Dividend Allowance.
[8] Apply to non-savings, non-dividend income.

Starting rates for savings income		
	Tax year 2017-18	**Tax year 2018-19**
Starting rate for savings	0%	0%
Starting rate limit for savings	£5,000	£5,000

Special rates for trustees' income		
	Tax year 2017-18	**Tax year 2018-19**
Standard rate on first £1,000 of income which would otherwise be taxable at the special rates for trustees	Up to 20%, depends on the type of income	Up to 20%, depends on the type of income
Trust rate	45%	45%
Dividend trust rate	38.1%	38.1%

Income tax allowances		
	Tax year 2017-18	**Tax year 2018-19**
Personal allowance		
Personal allowance[9]	£11,500	£11,850
Income limit for personal allowance	£100,000	£100,000
Income limit for Married couple's allowance[10]	£28,000	£28,900
Marriage allowance		
Marriage allowance[11]	£1,150	£1,190
Married couple's allowance for those born before 6 April 1935		
Maximum amount of married couple's allowance[12]	£8,445	£8,695
Minimum amount of married couple's allowance12	£3,260	£3,360
Blind person's allowance		
Blind person's allowance	£2,320	£2,390
Dividend allowance		
Dividend allowance	£5,000	£2,000
Personal savings allowance		
Personal savings allowance for basic rate taxpayers	£1,000	£1,000
Personal savings allowance for higher rate taxpayers	£500	£500

[9] The Personal Allowance reduces where the income is above £100,000 – by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of date of birth.
[10] This age-related allowance is reduced by £1 for every £2 of income over this limit.
[11] This transferable allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax; or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates.
[12] The relief for this allowance is given at 10%.

Company car tax						
Tax year 2018-19		**Tax year 2019-20**		**Tax year 2020-2021**		
CO2 emissions, g/km	**Appropriate percentage of car list price taxed**	**CO2 emissions, g/km**	**Appropriate percentage of car list price taxed**	**CO2 emissions, g/km**		**Appropriate percentage of car list price taxed**
0-50	13	0-50	16	0		2
51-75	16	51-75	19	1-50 (split by zero emission miles)	>130 70-129 40-69 30-39 <30	2 5 8 12 14
76-94	19	76-94	22	51-54		15
95-99	20	95-99	23	55-59		16
100-104	21	100-104	24	60-64		17
105-109	22	105-109	25	65-69		18
110-114	23	110-114	26	70-74		19
115-119	24	115-119	27	75-79		20
120-124	25	120-124	28	80-84		21
125-129	26	125-129	29	85-89		22
130-134	27	130-134	30	90-94		23
135-139	28	135-139	31	95-99		24
140-144	29	140-144	32	100-104		25
145-149	30	145-149	33	105-109		26
150-154	31	150-154	34	110-114		27
155-159	32	155-159	35	115-119		28
160-164	33	160-164	36	120-124		29
165-169	34	165+	37	125-129		30
170-174	35			130-134		31

175-179	36			135-139	32
180+	37			140-144	33
				145-149	34
				150-154	35
				155-159	36
				160+	37

From 6 April 2018 drivers must add 4% (increased from 3% at Autumn Budget 2017) to their appropriate percentage if the car is propelled solely by diesel (up to a maximum of 37%). Cars that meet the Real Driving Emissions Step 2 (RDE2) standard are exempt from the diesel supplement.

NATIONAL INSURANCE CONTRIBUTIONS (NICs)

Class 1 NICs: Employee and employer rates, thresholds and allowances (£ per week – except where stated)		
	Tax year 2017-18	**Tax year 2018-19**
Weekly Lower Earnings Limit (LEL)	113	116
Weekly Primary Threshold (PT)	157	162
Weekly Secondary Threshold (ST)	157	162
Upper Earnings Limit (UEL)[13]	866	892
Upper Secondary Threshold (UST) for under 21s	866	892
Apprentice Upper Secondary Threshold (AUST) for under 25s	866	892
Employment Allowance (per employer)	3,000 per year	3,000 per year

Employee's (primary) Class 1 contribution rates	**Tax year 2017-18**	**Tax year 2018-19**
Earnings band	*NIC rate (per cent)*	*NIC rate (per cent)*
Below LEL	0	0
LEL - PT[14]	0	0
PT- UEL	12	12
Above UEL	2	2

[13] This threshold is uprated in line with the Income Tax Higher Rate Threshold to maintain alignment.
[14] No National Insurance contributions (NICs) are actually payable but a notional Class 1 NIC is deemed to have been paid in respect of earnings between the LEL and PT to protect contributory benefit entitlement.

Married woman's reduced rate for (primary) Class 1 contribution rates	**Tax year 2017-18**	**Tax year 2018-19**
Weekly earnings from between the PT and UEL	5.85	5.85
Weekly earnings above the UEL	2	2

Employer's (secondary) Class 1 contribution rates	**Tax year 2017-18**	**Tax year 2018-19**
Earnings band[15]		
Below ST	0	0
Above ST	13.8	13.8

Employer's (secondary) Class 1 contribution rates for employees under 21	**Tax year 2017-18**	**Tax year 2018-19**
Earnings band[16]		
Below UST	0	0
Above UST	13.8	13.8

Employer's (secondary) Class 1 contribution rates for Apprentices under 25	**Tax year 2017-18**	**Tax year 2018-19**
Earnings band[17]		
Below AUST	0	0
Above AUST	13.8	13.8

[15] Employers begin paying Employer's National Insurance Contributions above the Secondary Threshold. They pay a zero rate up to this point.

[16] Employers begin paying Employer's National Insurance Contributions above the Upper Secondary Threshold for U21s. They pay a zero rate up to this point.

[17] Employers begin paying Employer's National Insurance Contributions with respect to certain apprentices who are under 25 above the Apprentice Secondary Threshold. They pay a zero rate up to this point.

Class 2 NICs: Self-employed rates and thresholds (£ per week)		
	Tax year 2017-18	**Tax year 2018-19**
Small Profits Threshold (SPT)	6,025 per year	6,205 per year
Class 2 contribution rates	**Tax year 2017-18**	**Tax year 2018-19**
	£ per week	*£ per week*
Below SPT[18]	0	0
Above SPT	2.85	2.95
Special Class 2 rate for share fishermen	3.50	3.60
Special Class 2 rate for volunteer development workers	5.65	5.80

Class 3 NICs: Other rates and thresholds (£ per week)		
	Tax year 2017-18	**Tax year 2018-19**
Voluntary contributions[19]	14.25	14.65

[18] Class 2 NICs are liable to be paid by all self-employed persons with profits above the Small Profits Threshold (SPT). The self-employed may choose to pay Class 2 if their profits are below the SPT.
[19] Class 3 NICs can be paid by any contributor (employed or non-employed) to make the year a qualifying year for the basic State Pension (new State Pension from 6 April 2016) and Bereavement Benefit purposes.

Class 4 NICs: Self-employed rates and thresholds (£ per year)		
	Tax year 2017-18	**Tax year 2018-19**
Lower Profits Limit (LPL)	8,164	8,424
Upper Profits Limit (UPL)	45,000	46,350
Class 4 contribution rates	**Tax year 2017-18**	**Tax year 2018-19**
Annual profits band	*NIC rate (per cent)*	*NIC rate (per cent)*
Below LPL	0	0
LPL to UPL	9	9
Above UPL	2	2

APPRENTICESHIP LEVY

Apprenticeship levy: rates and allowances		
	Tax year 2017-18	**Tax year 2018-19**
Apprenticeship Levy allowance (per employer)	£15,000	£15,000
Apprenticeship Levy rate	0.5%	0.5%

WORKING AND CHILD TAX CREDITS, CHILD BENEFIT AND GUARDIANS ALLOWANCE

Working and child tax credits		
£ per year (unless stated)	**Tax year 2017-18**	**Tax year 2018-19**
Working tax credit		
Basic element	£1,960	£1,960
Couple and lone parent element	£2,010	£2,010
30 hour element	£810	£810
Disabled worker element	£3,000	£3,090
Severe disability element	£1,290	£1,330
Childcare element of the working tax credit		
Maximum eligible cost for one child	£175 per week	£175 per week
Maximum eligible cost for two or more children	£300 per week	£300 per week
Percentage of eligible costs covered	70%	70%
Child tax credit		
Family element	£545	£545
Child element	£2,780	£2,780
Disabled child element	£3,175	£3,275
Severely disabled child element	£4,465	£4,600

Income thresholds and withdrawal rates		
Income threshold	£6,420	£6,420
Withdrawal rate (%)	41%	41%
First threshold for those entitled to child tax credit only	£16,105	£16,105
Income rise disregard	£2,500	£2,500
Income fall disregard	£2,500	£2,500

Child benefit (£ per week)		
	Tax year 2017-19	**Tax year 2018-19**
Eldest/only child	£20.70	£20.70
Other children	£13.70	£13.70
Guardians allowance (£ per week)		
Guardians allowance	£16.70	£17.20

CAPITAL, ASSETS AND PROPERTY

Pensions tax relief		
	Tax year 2017-18	**Tax year 2018-19**
Lifetime Allowance limit	£1 million	£1,030,000
Annual Allowance limit	£40,000	£40,000
Tapered Annual Allowance (applies to income over this amount)	£150,000 (including pension contributions)	£150,000 (including pension contributions)
Money Purchase Annual Allowance	£4,000	£4,000

Tax free savings accounts		
	Tax year 2017-18	**Tax year 2018-19**
Individual Savings Account (ISA) subscription limit	£20,000, of which £4,000 can be saved into a Lifetime ISA	£20,000, of which £4,000 can be saved into a Lifetime ISA
Junior ISA subscription limit	£4,128	£4,260
Child Trust Fund (CTF) subscription limit	£4,128	£4,260

Capital gains tax		
	Tax year 2017-19	**Tax year 2018-19**
Main rates for individuals	10% / 20%	10% / 20%
Rates for individuals (for gains on residential property not eligible for Private Residence Relief, and carried interest)	18% / 28%	18% / 28%
Main rate for trustees and personal representatives	20%	20%

Rate for trustees and personal representatives (for gains on residential property not eligible for Private Residence Relief)	28%	28%
Annual exempt amount (AEA) for individuals and personal representatives	£11,300	£11,700
AEA for most trustees	£5,650	£5,850
Rate on gains subject to entrepreneurs' relief	10%	10%
Rate on gains subject to investors' relief	10%	10%
Entrepreneurs' relief: lifetime limit on gains for entrepreneurs	£10,000,000	£10,000,000
Investors' relief: lifetime limit on gains for external investors	£10,000,000	£10,000,000

Inheritance tax

	Tax year 2017-18	**Tax year 2018-19**
Rate (for estates)	40%	40%
Reduced rate (for estates leaving 10% or more to charity)	36%	36%
Rate (for chargeable lifetime transfers)	20%	20%
Nil rate band limit	£325,000	£325,000
Residence nil rate band limit	£100,000	£125,000

<u>Stamp Duty Land Tax – residential property</u>		
Property value	**Rate (on portion of value above threshold)**	**Rate (on portion of value above threshold) on or after 1 April 2016 if purchase is of an additional residential property[20]**
0 to £125k	0%	3%
£125k to £250k	2%	5%
£250k to £925k	5%	8%
£925k to £1.5m	10%	13%
£1.5m+	12%	15%

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

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

Stamp Duty Land Tax— rates for first-time buyers purchasing properties worth £500,000 or less	
Property value	**Rate (on portion of value above threshold) on or after 22 November 17 if purchase qualifies for first-time buyer relief**
0 to £300k	0%
£300k to £500k	5%
£500k+	Standard rates above apply

Annual Tax on Enveloped Dwellings		
Property value	**Charge for tax year 2017-18**	**Charge for tax year 2018-19**
More than £500,000 but not more than £1m	£3,500	£3,600
More than £1m but not more than £2m	£7,050	£7,250
More than £2m but not more than £5m	£23,550	£24,250
More than £5m but not more than £10m	£54,950	£56,550
More than £10m but not more than £20m	£110,100	£113,400
More than £20m	£220,350	£226,950

BUSINESS AND FINANCIAL SERVICES

Corporation tax rates			
Level of profits	**Financial year 2017-18**[21]	**Financial year 2018-19**	**Financial year 2019-20**
Main rate	19%	19%	19%
North Sea oil and gas ring fence profits[22]	See footnote	See footnote	See footnote

Corporation tax allowances and reliefs			
	Financial year 2017-18	**Financial year 2018-19**	**Financial year 2019-20**
Plant and machinery: main rate expenditure	18%	18%	18%
Plant and machinery: special rate expenditure	8%	8%	8%
Annual investment allowance (AIA)	£200,000	£200,000	£200,000
First year allowances (e.g. for certain energy-saving/water efficient products)	100%	100%	100%
R&D tax credits SME scheme	230%	230%	230%
R&D SME payable credit	14.5%	14.5%	14.5%
R&D Expenditure Credit	11%[23]	12%	12%

[21] From 1 April 2015, for all profits except North Sea oil and gas ring fence profits, corporation tax is paid at a single rate. For 2017 2018 the rate is 19%.
[22] For North Sea oil and gas ring fence profits the main rate is 30% and the small profits rate is 19%. The marginal relief ring fence fraction is 11/400ths.
[23] From 1st January 2018, the rate of the R&D Expenditure Credit (RDEC) will increase from 11% to 12%.

Patent Box [24]	10%	10%	10%
Film tax relief	25%	25%	25%
High-end TV tax relief	25%	25%	25%
Videogames tax relief	25%	25%	25%
Open ended investment companies and authorised unit trusts[25]	20%	20%	20%

Bank levy		
	Chargeable equity and long-term chargeable liabilities	**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%
1 January 2021 onwards	0.05%	0.10%

Bank Surcharge	
1 January 2016 onwards	8% on profits

[24] The Patent Box has been phased in from April 2013, with companies being able to claim 60% of the benefit in 2013-14, 70% in 2014-15, 80% in 2015-16, 90% in 2016-17and 100% in 2017-18.
[25] For open ended investment companies and authorised unit trusts the applicable corporation tax rate is 20%.

UK oil and gas taxes			
	Financial year 2017-18	**Financial year 2018-19**	**Financial year 2019-20**
Petroleum revenue tax	0%	0%	0%
Ring fence corporation tax[26]	30%	30%	30%
Supplementary charge	10%	10%	10%

Business rates		
	Financial year 2017-18	**Financial year 2018-19**
England standard multiplier	47.9p	49.3p
England small business multiplier[27]	46.6p	48.0p

[26] For North Sea oil and gas ring fence profits the main rate is 30% and the small profits rate is 19%. The marginal relief ring fence fraction is 11/400ths.

[27] Small business multiplier applies to properties with a rateable value of less than £51,000.

INDIRECT TAX

Autumn Budget 2017 confirmed that alcohol duty rates are frozen at the previous rates. These are shown in the table below:

Alcohol duty	
	Duty rate from 13 March 2017
Rate per litre of pure alcohol	
Spirits	£28.74
Spirits-based ready-to-drinks	£28.74
Wine and made-wine: exceeding 22% alcohol by volume (abv)	£28.74
Rate per hectolitre %of alcohol in the beer	
Beer - lower strength: exceeding 1.2% - not exceeding 2.8% abv.	£8.42
Beer – General Beer Duty: exceeding 2.8% - not exceeding 7.5% abv.	£19.08
Beer - High strength: exceeding 7.5% - in addition to the General Beer Duty	£19.08 + £5.69
Rate per hectolitre of product	
Still cider and perry: exceeding 1.2% - not exceeding 7.5% abv.	£40.38
Still cider and perry: exceeding 7.5% - less than 8.5% abv.	£61.04
Sparkling cider and perry: exceeding 1.2% - not exceeding 5.5% abv.	£40.38
Sparkling cider and perry: exceeding 5.5% - less than 8.5% abv.	£279.46
Wine and made-wine: exceeding 1.2% - not exceeding 4% abv.	£88.93
Wine and made-wine: exceeding 4% - not exceeding 5.5% abv.	£122.30
Still wine and made-wine: exceeding 5.5% - not exceeding 15% abv.	£288.65
Wine and made-wine: exceeding 15% - not exceeding 22% abv.	£384.82
Sparkling wine and made-wine: exceeding 5.5% - less than 8.5% abv.	£279.46
Sparkling wine and made-wine: at least 8.5% - not exceeding 15% abv.	£369.72

Tobacco duty

Autumn Budget 2017 announced that duty rates for all tobacco products will be increased by 2% above retail price index (RPI) inflation until the end of the Parliament. It was also announced that hand-rolling tobacco would rise by an additional 1% above this to 3% above RPI inflation this year, from 6.00 pm on 22 November 2017.

Tobacco Products

	From 8 March 2017	**From 00:01am 20 May 2017**		**From 6pm 22 November 2017**	
	Duty Rate plus Ad valorem Element	Duty Rate plus Ad valorem Element	Minimum Excise Tax	Duty Rate plus Ad valorem Element	Minimum Excise Tax
Cigarettes	An amount equal to 16.5% of the retail price plus £207.99 per thousand cigarettes.	An amount equal to the higher of the following alternatives:		An amount equal to the higher of the following alternatives:	
		An amount equal to 16.5% of the retail price plus £207.99 per thousand cigarettes	**or** £268.63 per 1000 cigarettes	An amount equal to 16.5% of the retail price plus £217.23 per thousand cigarettes.	**or** £280.15 per 1000 cigarettes.
Cigars	£259.44 per kilogram	£259.44 per kilogram	N/A	£270.96 per kilogram	N/A
Hand-rolling tobacco	£209.77 per kilogram	£209.77 per kilogram	N/A	£221.18 per kilogram	N/A
Other smoking tobacco and chewing tobacco	£114.06 per kilogram	£114.06 per kilogram	N/A	£119.13 per kilogram	N/A

Gambling duties		
	Tax year 2017-18	**Tax year 2018-19**
Bingo duty		
Percentage of bingo promotion profits	10%	10%
General betting duty		
Percentage of ‘net stake receipts’ for fixed odds bets and totalisator bets on horse or dog races	15%	15%
Percentage of ‘net stake receipts’ for financial spread bets	3%	3%
Percentage of ‘net stake receipts’ for all other spread bets	10%	10%
Pool betting duty		
Percentage of net pool betting receipts	15%	15%
Lottery duty		
Percentage of the price paid or payable on taking a ticket or chance in a lottery	12%	12%
Remote gaming duty		
Percentage of remote gaming profits	15%	15%
Machine games duty		
Percentage of the net takings from dutiable machine games with a maximum cost to play not more than 20p and a maximum cash prize not more than £10 (Type 1 machines)	5%	5%
Percentage of net takings from machines which are not Type 1 machines but where the cost to play cannot exceed £5	20%	20%
Percentage of net takings from dutiable machine games where the maximum cost to play can exceed £5	25%	25%

Gaming duty 2017-18					
Tax rate	15%	20%	30%	40%	50%
Gross gaming yield	£2,423,500	£1,670,500	£2,925,500	£6,175,500	Remainder
Figures for accounting periods beginning on or after 1 April 2018					
Tax rate	15%	20%	30%	40%	50%
Gross gaming yield	£2,423,500	£1,670,500	£2,925,500	£6,175,500	Remainder

Insurance Premium Tax		
	Tax year 2017-18	**Tax year 2018-19**
Standard rate	10% 12% (from 1 June 2017)	12%
Higher rate	20%	20%

Climate Change Levy

Budget 2016 announced that the main rates of Climate Change Levy (CCL) would increase in line with RPI in tax year 2017-18 and tax year 2018-19. It also announced above-RPI increases in tax year 2019-20, with rebalancing of the rates and changes to the reduced rates payable by businesses in the Climate Change Agreement scheme.

Autumn Budget 2017 has announced that the government will set CCL main rates for the tax years 2020-21 and 2021-22 at Budget 2018, with the exception of the rate for liquefied petroleum gas. To ensure better consistency between portable fuels in the off-gas grid market, this rate will be frozen at the tax year 2019-20 level in both tax years 2020-21 and 2021-22. The main and reduced rates of CCL across the period will be as follows.

Climate Change Levy main rates

Taxable commodity	Rate from 1 April 2017	Rate from 1 April 2018	Rate from 1 April 2019	Rate from 1 April 2020
Electricity (£ per kilowatt hour)	0.00568	0.00583	0.00847	To be announced at Budget 2018
Natural gas (£ per kilowatt hour)	0.00198	0.00203	0.00339	To be announced at Budget 2018
Liquefied petroleum gas (£ per kilogram)	0.01272	0.01304	0.02175	0.02175
Any other taxable commodity (£ per kilogram)	0.01551	0.01591	0.02653	To be announced at Budget 2018

Climate Change Levy reduced rates

Taxable commodity	Rate from 1 April 2017	Rate from 1 April 2018	Rate from 1 April 2019
Electricity	10%	10%	7%
Natural gas	35%	35%	22%
Liquefied petroleum gas	35%	35%	22%
Any other taxable commodity	35%	35%	22%

Carbon Price Support

Budgets 2014, 2015 and 2016 announced that the Carbon Price Support (CPS) rate per tonne of carbon dioxide would be capped at a maximum of £18 from tax year 2016-17 until tax year 2019-20, setting maximum rates at around tax year 2015-16 levels for each of the individual taxable commodities across this period.

Budget 2016 also announced that the £18 per tonne of carbon dioxide cap would be uprated in line with RPI from tax year 2020-21, and set out indicative CPS rates for tax year 2020-21.

Spring Budget 2017 announced that, starting in tax year 2021-22, the government intended to target a total carbon price and set the specific CPS rates at a later date, giving businesses greater clarity on the total price they pay. It also announced that further details on carbon prices for the 2020s would be set out at Autumn Budget 2017.

Autumn Budget 2017 has announced revised indicative Carbon Price Support rates for the tax year 2020-21.

CPS rates of CCL and fuel duty		
	Indicative capped rate from 1 April 2019 to 31 March 2020	**Indicative rate from 1 April 2020 to 31 March 2021**
Carbon price equivalent (£ per tonne of carbon dioxide)	18.00	18.52
Supplies of commodity used in electricity generation		
Natural gas (£ per kilowatt hour)	0.00331	0.00341
LPG (£ per kilogram)	0.05280	0.05432
Coal and other taxable solid fossil fuels (£ per gross gigajoule)	1.54790	1.59259
Gas oil; rebated bio blend; and kerosene (£ per litre)	0.04916	0.05058
Fuel oil; other heavy oil and rebated light oil (£ per litre)	0.05711	0.05876

Aggregates Levy

Budget 2016 announced that the rate of Aggregates Levy would remain at £2 per tonne in 2017-18. Autumn Budget 2017 has announced that the rate of Aggregates Levy will be frozen in 2018-19. The levy rate has been frozen since 2009 and the government intends to return to index linking the levy in the longer term.

Aggregates Levy		
	Rate from 1 April 2017	**Rate from 1 April 2018**
Commercially exploited taxable aggregate	£2 per tonne	£2 per tonne

Landfill Tax

Budget 2016 announced that both the standard and lower rates of Landfill Tax will increase in line with RPI, rounded to the nearest 5 pence, in 2017-18 and 2018-19.

Autumn Budget 2017 has announced that both rates will increase in line with RPI in 2019-20, rounded to the nearest 5 pence.

Landfill Tax was devolved to the Scottish Parliament in April 2015 and will be devolved to the Welsh Assembly from 1 April 2018.

Landfill Tax			
Waste sent to landfill	**Rate from 1 April 2017**	**Rate from 1 April 2018**	**Rate from 1 April 2019**
Coverage	England, Wales and Northern Ireland	England and Northern Ireland	England and Northern Ireland
Standard rated (per tonne)	£86.10	£88.95	£91.35
Lower rated (per tonne)	£2.70	£2.80	£2.90

Air Passenger Duty

Air Passenger Duty rates (APD) for 2018-19 were set out at Spring Budget 2017. The APD rates for 2019-20 are set out below:

Air Passenger Duty rates [28, 29]

Bands (approximate distance in miles from London)	Reduced rate (lowest class of travel)			Standard rate [30] (other than the lowest class of travel)			Higher rate [31]		
	From 01 April 2017	From 01 April 2018	From 01 April 2019	From 01 April 2017	From 01 April 2018	From 01 April 2019	From 01 April 2017	From 01 April 2018	From 01 April 2019
Band A (0 – 2,000 miles)	£13	£13	£13	£26	£26	£26	£78	£78	£78
Band B (over 2,000 miles)	£75	£78	£78	£150	£156	£172	£450	£468	£515

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

Fuel duty – pound per litre unless stated

	Rates on and after 6pm on 23 March 2011
Light oils	
Unleaded petrol	0.5795
Light oil (other than unleaded petrol or aviation gasoline)	0.6767
Aviation gasoline (Avgas)	0.3770
Light oil delivered to an approved person for use as furnace fuel	0.1070
Heavy oils	
Heavy oil (diesel)	0.5795
Marked gas oil	0.1114
Fuel oil	0.1070
Heavy oil other than fuel oil, gas oil or kerosene used as fuel	0.1070
Kerosene to be used as motor fuel off road or in an excepted vehicle	0.1114
Biofuels	
Bio-ethanol	0.5795
Bio-diesel	0.5795
Bio-diesel for non-road use	0.1114
Bio-diesel blended with gas oil not for road fuel use	0.1114
Road fuel gases	
Liquefied petroleum gas (£ per kilogram)	0.3161
Road fuel natural gas including biogas (£ per kilogram)	0.2470

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

Vehicle Excise Duty

The changes to VED rates to take effect from 1 April 2018 are set out in the tables below:

VED bands and rates for cars first registered on or after 1 April 2017				
CO_2 emissions (g/km)	**Tax year 2017-18**	**Tax year 2018-19**		
	First Year Rate	**Standard rate[32]**	**First Year Rate**	**First Year Rate Diesel vehicles[33]**
0	£0	£0	£0	£0
1-50	£10	£140	£10	£25
51-75	£25	£140	£25	£105
76-90	£100	£140	£105	£125
91-100	£120	£140	£125	£145
101-110	£140	£140	£145	£165
111-130	£160	£140	£165	£205
131-150	£200	£140	£205	£515
151-170	£500	£140	£515	£830
171-190	£800	£140	£830	£1240
191-225	£1200	£140	£1240	£1760
226-255	£1700	£140	£1760	£2070
Over 255	£2000	£140	£2070	£2070

[32] Cars with a list price of over £40,000 when new pay an additional rate of £310 per year on top of the standard rate, for five years.
[33] This rate applies to diesel vehicles that do not meet the real driving emissions step 2 (RDE2) standard.

Autumn Budget 2017 announced that new diesel vehicles registered after 1 April 2018 that do not meet the real driving emission step 2 (RDE2) standard will be charged a supplement on their First Year Rate to the effect of moving up by one VED band.

VED bands and rates for cars registered on or after 1 March 2001 but before 1 April 2017

CO_2 emissions (g/km)	Tax year 2017-18	Tax year 2018-19
	Standard rate	Standard rate
Up to 100	£0	£0
101-110	£20	£20
111-120	£30	£30
121-130	£115	£120
131-140	£135	£140
141-150	£150	£155
151-165	£190	£195
166-175	£220	£230
176-185	£240	£250
186-200	£280	£290
201-225	£305	£315
226-255	£520	£540
Over 255	£535	£555

VED bands and rates for cars and vans registered before 1 March 2001

Engine size	Tax year 2017-18	Tax year 2018-19
1549cc and below	£150	£155
Above 1549cc	£245	£255

VED bands and rates for vans registered on or after 1 March 2001		
Vehicle registration date	**Tax year 2017-18**	**Tax year 2018-19**
Early Euro 4 and Euro 5 compliant vans	£140	£140
All other vans	£240	£250

VED bands and rates for motorcycles		
Engine size	**Tax year 2017-18**	**Tax year 2018-19**
Not over 150cc	£18	£19
151cc and 400cc	£41	£42
401cc to 600c	£62	£64
Over 600cc	£85	£88

VED bands and rates for motor tricycles		
Engine size	**Tax year 2017-18**	**Tax year 2018-19**
Not over 150cc	£18	£19
All other tricycles	£85	£88

VED bands and rates for trade licences		
Vehicle type	**Tax year 2017-18**	**Tax year 2018-19**
Available for all vehicles	£165	£165
Available only for bicycles and tricycles (weighing no more than 450kg without a sidecar)	£85	£88

The following VED and HGV road user levy rates will apply to HGVs of 12 tonnes or more, from 1 April 2018. The band and rate payable can be calculated by using the look-up tables that follow the rates tables:

VED and levy bands and rates for articulated vehicles and rigid vehicles WITHOUT trailers								
VED band (letter and rate number)	**Total VED and levy**		**VED rates**			**Levy bands**	**Levy rates**	
	12 months	**6 months**	**12 months**	**6 months**			**12 months**	**6 months**
A0	£165	£90.75	£165	£90.75		**n/a**	£0	£0
B0	£200	£110	£200	£110				
A1	£165	£91	£80	£40		**A**	£85	£51
A2	£169	£93	£84	£42				
A3	£185	£101	£100	£50				
A4	£231	£124	£146	£73				
A5	£236	£126.50	£151	£75.50				
B1	£200	£110.50	£95	£47.50		**B**	£105	£63
B2	£210	£115.50	£105	£52.50				
B3	£230	£125.50	£125	£62.50				
C1	£450	£249	£210	£105		**C**	£240	£144
C2	£505	£276.50	£265	£132.50				
C3	£529	£288.50	£289	£144.50				
D1	£650	£360	£300	£150		**D**	£350	£210
E1	£1,200	£664	£560	£280		**E**	£640	£384
E2	£1,249	£688.50	£609	£304.50				
F	£1,500	£831	£690	£345		**F**	£810	£486
G	£1,850	£1,025	£850	£425		**G**	£1,000	£600

VED and levy amounts payable for rigid vehicles with trailers (vehicles WITH Road Friendly Suspension)

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

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

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

Four	B(T)	4,001-12,000kg	35,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	40,000kg	B(T)3	£295	£147.50		
	C(T)	4,001-12,000kg	37,000kg	C(T)1	£305	£152.50	£310	£186
		Over 12,000kg	40,000kg	C(T)2	£370	£185		
	D(T)	4,001-10,000kg	36,000kg	D(T)1	£365	£182.50	£450	£270
			37,000kg	D(T)5	£444	£222		
		10,001-12,000kg	39,000kg	D(T)1	£365	£182.50		
		Over 12,000kg	40,000kg	D(T)4	£430	£215		
	E(T)	4,001-10,000kg	38,000kg	E(T)1	£535	£267.50	£830	£498
			40,000kg	E(T)3	£604	£302		
		10,000-12,000kg	40,000kg	E(T)1	£535	£267.50		

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

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

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

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

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

VAT		
	April 2017-18	**April 2018-19**
Standard rate	20%	20%
Reduced rate	5%	5%
Zero rate	0%	0%
Exempt	N/A	N/A

VAT registration and deregistration thresholds		
	From April 2017	**From April 2018**
VAT registration thresholds	£85,000	£85,000
VAT deregistration threshold	£83,000	£83,000