HM Revenue & Customs

HM Treasury

Overview of Tax Legislation and Rates

29 October 2018

Contents

Introduction

This document sets out the detail of each tax policy measure announced at Budget 2018. 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.

Finance Bill 2018-19 will be published on 7 November 2018

References to 'Finance Bill 2018-19' refer to the Finance Bill which will be introduced to Parliament following Budget 2018. References to Finance Bill 2019-20 which will be introduced to Parliament following Budget 2019.

The information in the document is set out as follows:

Chapter 1 contains details of measures that are included in Finance Bill 2018-19

Chapter 2 contains details of measures which are part of Budget 2018 but are not in Finance Bill 2018-19

Table 1 lists measures which were announced on 6 July 2018 and which have not changed.

Table 2 lists measures in this document without a corresponding announcement in the Budget report, which are part of Budget 2018.

Annex A provides tables of tax rates and allowances for tax year 2019 to 2020 and tax year 2020 to 2021.

Annex B lists upcoming consultations, calls for evidence and other consultative documents announced at Budget 2018.

Annex C provides guidance on impact assessments in TIINs.

1. Finance Bill 2018-19

Income Tax

1.1. Income tax: Rates and thresholds: tax year 2019 to 2020

As announced at Budget 2018, the government will legislate in Finance Bill 2018-19 to set the charge for income tax, and the corresponding rates, as it does every year. Finance Bill 2018-19 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
- 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. From April 2019 the Welsh Government will set a Welsh rate of income tax for non-savings, non-dividend income for Welsh taxpayers.

1.2. Personal allowance and basic rate limit

As announced at Budget 2018, the government will legislate in Finance Bill 2018-19 to increase the personal allowance to £12,500 for 2019-20. The basic rate limit will be increased to £37,500 for 2019-20. The government also sets the personal allowance at £12,500 and basic rate limit at £37,500 for 2020-21. For future years, increases to the personal allowance and basic rate limit will be indexed with the CPI. Changes to the basic rate limit, and higher rate threshold, will apply to England, Wales and Northern Ireland, and to savings and dividends income in the UK. Income tax rates and thresholds on non-savings, non-dividend income for Scottish taxpayers are set by the Scottish Parliament. Changes to the personal allowance will apply to the whole of the UK.

1.3. Tax treatment of social security income

As announced at Budget 2018, the government will legislate in Finance Bill 2018-19 to confirm the income tax treatment of nine new and existing social security benefits. The legislation will confirm that the following eight benefits are exempt from income tax: Young Carer Grant, Best Start Grant, Funeral Expense Assistance and Discretionary Housing Payment (introduced by the Scottish government); Discretionary Support Scheme (overseen by the Northern Ireland Executive); and, Council Tax Reduction Scheme, Discretionary Housing Payment and the Flexible Support Fund (overseen by the UK government).

The legislation will confirm the Carer's Allowance Supplement in Scotland is subject to income tax in accordance with the 2016 agreement between the Scottish government and the UK government on the Scottish Government's Fiscal Framework.

The changes will have effect on and after Royal Assent of Finance Bill 2018-19.

[TIIN]

1.4. Charity small trading tax exemption increase

As announced at Budget 2018, the government will legislate in Finance Bill 2018-19 to increase the charities' small trading exemption limits. These limits apply to trading that does not relate to the charities' primary purpose. The exemption recognises that in practice charities may engage in some small scale non-primary purpose trading without incurring a tax liability on the profits of that trade.

Currently the limits are set at £5,000 where turnover is under £20,000 and £50,000 where turnover exceeds £200,000. This measure will increase these small trading exemption limits for charities to £8,000 and £80,000 respectively.

The changes will have effect on and after 6 April 2019 for unincorporated charities and from 1 April 2019 for incorporated charities.

[TIIN]

1.5. Setting the starting rate for savings

As announced at Budget 2018, the 0% band for the starting rate for savings income will remain at its current value of £5,000 for 2019-20.

This measure will apply to the whole of the United Kingdom.

Capital Allowances

1.6. Structures and Buildings Allowance

As announced at Budget 2018, the government will introduce a new Structures and Buildings Allowance (SBA). This measure will provide relief for qualifying capital expenditure on new non-residential structures and buildings. Relief will be available for eligible expenditure incurred where all the contracts for the physical construction works are entered into on or after 29 October 2018. Relief will not be available for the costs of land or dwellings. A Technical Note is being published alongside Budget which provides further detail about this measure. The government will include a power to introduce the SBA in Finance Bill 2018-19, with detailed secondary legislation to follow.

1.7. Environmental Enhanced Capital Allowances

As announced at Budget 2018, the government will legislate by statutory instrument to update the Energy Technology List (ETL) and Water Technology List (WTL) that qualify for First Year Allowance (FYA). The government will also legislate in Finance Bill 2019-20 to end both schemes including the associated First Year Tax Credit (FYTC).

The changes to the technology lists update the qualifying criteria to reflect technological advances and changes in standards. The updates to the lists will take effect in 2019.

The schemes will end on 31 March 2020 for companies and 5 April 2020 for unincorporated businesses. The FYTC, which is associated to the schemes, will end on 31 March 2020.

[TIIN]

1.8. Tax Relief for Electric Charge-points

As announced at Budget 2018, the government will legislate in Finance Bill 2018-19 to extend the first-year allowance for electric charge-points for four years. This will extend such allowances until 31 March 2023 for corporation tax and 5 April 2023 for income tax purposes.

[TIIN]

1.9. Special Writing Down Allowance rate reduction (8% to 6%)

As announced at Budget 2018, the government will legislate in Finance Bill 2018-19 to change the special rate of writing down allowances for qualifying plant and machinery from 8% to 6% for businesses claiming capital allowances.

The changes will have effect from April 2019.

[TIIN]

1.10. Costs of altering land for installing plant

The government will legislate in Finance Bill 2018-19 to clarify the exclusions from plant and machinery allowances for buildings, structures and alterations to land. The change is to sections 21 and 22 of Capital Allowances Act 2001. The measure amends sections 21 and 22 to make it clear that any reference to "plant" in section 23, List C does not apply to assets listed in sections 21 or 22.

1.11. Annual Investment Allowance temporary increase

As announced at Budget 2018, legislation will be introduced in Finance Bill 2018-19 to increase temporarily the Annual Investment Allowance from £200,000 to £1,000,000. These changes will have effect from 1 January 2019 to 31 December 2020.

[TIIN]

Corporation Tax

1.12. Corporate Interest Restriction: Amendments

As announced at Autumn Budget 2017, and following consultation on draft legislation, the government will legislate in Finance Bill 2018-19 to make technical amendments to the corporate interest restriction rules to ensure the regime works as intended. The draft legislation and TIIN were published on 6 July 2018. Following consultation, the legislation and the TIIN have been revised.

1.13. Corporate Interest Restriction: Tax responses to accounting standards for leasing

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to ensure that tax legislation, including the long funding lease and corporate interest restriction rules, continues to operate as intended after the introduction of the new accounting standard for leases, IFRS 16.

Draft legislation and a TIIN: *Income Tax and Corporation Tax: response to accounting changes for leasing* were published on 6 July 2018.

Following consultation, the draft legislation has been revised to include minor changes to the rules for structured finance arrangements, writing down allowances for finance lessors and the treatment of long funding leases on adoption of IFRS 16. A change has also been made to the computational rules for the spreading of the transitional adjustment upon adoption of IFRS 16.

This measure will have effect for periods of account beginning on or after 1 January 2019. Certain amendments to the long funding lease rules only have effect for leases entered into on or after 1 January 2019.

[TIIN]

1.14. Corporation tax (UK property income of non-UK residents)

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 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.

Draft legislation and a TIIN: *UK property income of non-UK resident companies* were published on 6 July 2018.

Following consultation, the legislation has been revised to provide further clarity on how the loan relationship and derivative contract rules will apply. In addition, a targeted anti-avoidance rule is introduced from 29 October 2018.

The draft legislation, explanatory note and an updated TIIN were published on 29 October 2018. The changes will have effect on and after 6 April 2020.

Guidance on the transitional rules as well as general guidance on corporation tax aimed at non-UK resident companies will be published during 2019 and before the change takes effect.

[TIIN]

1.15. Transferable tax history mechanism and Petroleum Revenue Tax simplification

As announced at Autumn Budget 2017, the government will introduce in Finance Bill 2018-19 a transferable tax history mechanism for oil and gas companies that will remove tax barriers to new investment in the North Sea.

The government will also amend the petroleum revenue tax rules on retained decommissioning costs to simplify the way older fields can be sold to new investors. Both of these measures will apply for transactions that receive Oil and Gas Authority (OGA) approval on or after 1 November 2018. Draft legislation was consulted on over the summer and the legislation to be laid as part of the Finance Bill includes a number of small technical changes, introduced after consideration of the responses to the consultation.

1.16. Corporation Tax: amendments to reform of loss relief

As announced on 6 July 2018, the government will legislate amendments to the loss relief legislation in Finance Bill 2018-19 to ensure that the legislation works as intended and prevents relief for carried-forward losses being claimed in excess of that intended. Changes will be made to the legislation covering:

- the definition of “relevant profits”
- the computation of Basic Life Assurance and General Annuity Business (BLAGAB) profits
- the deductions allowance where a company is a member of more than one group
- the calculation of terminal relief
- shock losses of insurance companies being surrendered as group relief
- the cap on profits against which group relief for carried-forward losses may be allowed in certain circumstances
- other consequential provisions that are minor in nature

The draft legislation published on 6 July 2018 has been amended to include changes to the group relief cap on profits. The changes to the group relief cap apply from 1 April 2017, relevant profits and Basic Life Assurance and General Annuity Business changes apply from 6 July 2018, and other changes from 1 April 2019.

1.17. Anti-tax Avoidance Directive - Controlled Foreign Companies

As announced on 6 July 2018, the government will legislate in Finance Bill 2018-9 to make two changes to the Controlled Foreign Company (CFC) rules. These changes relate to the definition of control and the treatment of certain profits generated by UK activity, and will ensure that the UK CFC rules comply with Council Directive (EU) 2016/1164, also referred to as the EU Anti-Tax Avoidance Directive (ATAD). The changes will take effect from 1 January 2019.

1.18. Anti-tax Avoidance Directive- Hybrids

As announced on 6 July 2018, legislation will be introduced in Finance Bill 2018-19 to make two changes to the hybrid mismatch rules. These changes relate to the treatment of certain permanent establishments and the treatment of regulatory capital, and will ensure that the UK hybrid mismatch rules comply with Council Directive (EU) 2016/1164, also commonly referred to as the EU Anti-Tax Avoidance Directive. These changes will take effect from 1 January 2020.

1.19. Permanent establishment: anti- fragmentation rule

The government will legislate in Finance Bill 2018-19 to give full effect to changes being made to its tax treaties. The legislation tackles the erosion of the tax base by multinationals by changing the definition of permanent establishment. It removes access to the exemption from having a UK permanent establishment when non-resident companies artificially fragment their business operations to avoid coming within the charge to corporation tax.

[TIIN]

1.20. Reform of the corporate intangible fixed assets regime

As announced at Budget 2018, and following a policy consultation carried out during spring 2018, the government intends to reform the corporate intangibles regime. The government will:

- publish detailed proposals on how the government intends to partially reinstate relief for acquired goodwill in the acquisition of businesses with eligible intellectual property; and,
- alter the regime's de-grouping charge rules so that a charge will not arise where de-grouping is the result of a share disposal that qualifies for the Substantial Shareholding Exemption.

The government intends to legislate both in Finance Bill 2018-19. The changes to the de-grouping rules will have effect in relation to de-groupings occurring on or after 7 November 2018.

[TIIN]

1.21. Offshore Receipts in respect of Intangible Property (previously Royalties Withholding Tax)

As announced at Autumn Budget 2017, legislation will be introduced in Finance Bill 2018-19 to tax income from intangible property held in low-tax jurisdictions to the extent that it is referable to UK sales. Following consultation, which ran from 1 December 2017 to 23 February 2018, the government is making changes to ensure that the policy is effective, applies as intended, and is not open to abuse. These include:

Collecting the tax by directly taxing offshore entities that realise intangible property income in low-tax jurisdictions, rather than through applying a withholding tax.

Broadening the income in scope of the measure to include embedded royalties and income from the indirect exploitation of intangible property in the UK market through unrelated parties.

Introducing a *de minimis* UK sales threshold of £10 million, an exemption for income that is taxed at appropriate levels, and an exemption for income relating to intangible property that is supported by sufficient local substance.

The measure will take effect from 6 April 2019, with an anti-avoidance rule that applies from 29 October 2018. The response to the consultation and draft legislation will be published on 29 October 2018

[TIIN]

1.22. Hybrid Capital Instruments

As announced at Budget 2018, the government will legislate in Finance Bill 2018-19 to introduce new rules for the taxation of hybrid capital instruments to ensure that they are taxed in line with their economic substance, taking into account new Bank of England requirements for loss absorbency (known as “MREL”). The new rules will also eliminate mismatches between the tax treatment of instruments used to raise funds externally and those used to lend funds internally within a group. The rules cover issues by companies in any sector and replace current rules covering regulatory capital instruments issued by banks and insurers. **1.23. Diverted Profits Tax: amendments**

The government will legislate in Finance Bill 2018-19 to amend the Diverted Profits Tax rules. The legislation closes tax planning opportunities, makes clear that diverted profits that are subject to DPT will not also be subject to corporation tax and introduces modifications to the mechanics of the DPT legislation. This includes extending the DPT review period and to permit taxpayers to amend their CT return during the first twelve months of the review period. These amendments will generally apply from Budget or Royal Assent of Finance Bill 2018-19, but will be deemed to have always had effect where they are wholly relieving.

Capital Gains Tax

1.24. Capital gains tax: tackling misuse of Entrepreneurs’ Relief As announced at Budget 2018, the government will legislate in Finance Bill 2018-19 to add two new tests to the definition of a personal company for Entrepreneurs’ Relief. These tests will require the claimant to have a 5% interest in both the distributable profits and the net assets of the company. The new tests must be met, in addition to the existing tests, throughout the specified period in order for relief to be due.

The measure will have effect for disposals on or after 29 October 2018. [TIIN]

1.25. Entrepreneurs' Relief: minimum qualifying period

As announced at Budget 2018, the government will legislate in Finance Bill 2018-19 to increase the minimum period throughout which certain conditions must be met to qualify for Entrepreneurs’ Relief, from one year to two years.

The measure will have effect for disposals on or after 6 April 2019, except where a business ceased before 29 October 2018. Where the claimant's business ceased, or their personal company ceased to be a trading company (or the holding company of a trading group), before 29 October 2018, the existing one year qualifying period will continue to apply.

[TIIN]

Entrepreneurs’ Relief: where shareholding ‘diluted’ below the 5% threshold

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to allow individuals whose shareholding is ‘diluted’ below the 5% qualifying threshold for Entrepreneurs’ Relief as a result of a new share issue to obtain relief for gains up to that time.

Draft legislation and a TIIN: *Entrepreneurs' Relief where shareholding 'diluted' below the 5% threshold* were published on 6 July 2018. Following consultation, changes have been made to clarify and improve the computational and qualifying rules in the legislation.

The measure will have effect for shares held at the time of fundraising events which take place on or after 6 April 2019.

[TIIN]

1.27. Taxing gains made by non-residents on UK immovable property

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to broaden the UK's tax base to include disposals of all forms of UK land made by non-residents. This will include both direct disposals of UK land, and indirect disposals of entities that predominantly derive their value from UK land. Nonresident companies will be chargeable to corporation tax on their gains.

This measure extends the rules introduced in April 2015 applying to non-residents' disposals of residential UK land. As part of the measure, the rules relating to Anti-tax Avoidance Directive-related gains will be abolished.

Following a consultation released at Autumn Budget 2017, a response document was published on 6 July 2018 alongside draft legislation on the core provisions. Following a further technical consultation, the full legislation will be introduced at Finance Bill 2018-19. The updated legislation includes a Schedule covering the rules as they will apply to collective investment vehicles. An updated TIIN published alongside the legislation.

The changes will take effect for disposals made on or after 6 April 2019.

1.28. Capital gains tax payment window

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to introduce a requirement for UK residents to make a payment on account of capital gains tax following the completion of a residential property disposal. The new legislation will also replace and extend the existing reporting and payment on account rules for non-UK residents.

Draft legislation and a TIIN: *Capital Gains Tax payment window for residential property gains* were published on 6 July 2018.

Following consultation, the legislation has been changed to:

- Allow reasonable estimates of valuations and apportionments needed to compute the gain, where this information is not available before the payment deadline.
- Remove disposals by UK residents of non-UK properties from the rules.
- Remove non-UK resident companies from the reporting requirement.

The above changes to the legislation will apply to disposals by non-UK residents on or after 6 April 2019. For UK residents the changes will have effect for disposals on or after 6 April 2020.

[TIIN]

Inheritance Tax

1.29. Inheritance Tax: changes to residence nil rate band

As announced at Budget 2018, the government will introduce legislation in Finance Bill 2018-19 for amendments to the residence nil-rate band (RNRB) relating to downsizing provisions and the definition of 'inherited' for RNRB purposes. These amendments clarify the downsizing rules, and provide certainty over when a person is treated as 'inheriting' property. This will ensure the policy is working as originally intended. The government has not consulted on the changes. The changes will have effect from 29 October 2018.

Value Added Tax

1.30. VAT reverse charge: building and construction services and amendments to related anti-avoidance provisions

As announced at Budget 2018, legislation will be published alongside Finance Bill 2018-19 to provide for a VAT reverse change due to come into effect on 1 October 2019. This follows the conclusion of the technical consultation in June 2018, which resulted in improvements to legislation by aligning it to payments reported through the Construction Industry Scheme.

The government will legislate in Finance Bill 2018-19 to amend the avoidance provisions contained in primary legislation for a VAT reverse charge measure to specify that purchases of certain supplies will not count as turnover for VAT registration purposes.

[TIIN]

Indirect Tax

1.31. Carbon Emissions Tax

As announced at Budget 2018, the government will legislate in Finance Bill 2018-19 to introduce a new Carbon Emissions Tax to meet its carbon pricing commitments in the event of the UK leaving the EU without a deal in 2019. It will would apply to all stationary installations currently participating in the EU ETS. For 2019, a rate of £16 would apply to each tonne of carbon dioxide (or other greenhouse gas on a carbon equivalent basis) emitted over and above an installation's emissions allowance.

The Carbon Emissions Tax rate is set out in Annex A.

[TIIN]

1.32. Landfill Tax rates 2019-20

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 RPI, 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 2018 are set out in Annex A.

1.33. Movement of soft drinks between the UK and the Isle of Man

As announced at Budget 2018, legislation will be introduced in Finance Bill 2018-19 amending section 1 of the Isle of Man Act 1979 to include the Soft Drinks Industry Levy (SDIL) in the list of common duties.

This measure also implements a change to the SDIL legislation, meaning that the movement of liable soft drinks between the UK and Isle of Man will not be seen as either an import or an export, as long as the levy rates of the UK and Isle of Man remain aligned.

This measure will have effect from 1 April 2019.

[TIIN]

1.34. Soft Drinks Industry Levy (SDIL): Penalties

As announced at Budget 2018 the government will allow penalties to be raised where businesses registered for the SDIL do not submit a timely quarterly return. The government will also ensure that a penalty can still be raised for non-payment of the SDIL in the event that certain provisions within the Finance (No.3) Act 2010 are enacted, by eliminating an inconsistency with those in Schedule 11 to the Finance Act 2017 (which makes supplementary amendments regarding the SDIL).

These changes will be legislated in Finance Bill 2018-19 and will have effect from April 2019.

[TIIN]

Excise

1.35. HGV road user levy

As previously announced, from 1 February 2019, HGVs that meet the latest Euro VI emissions standards will be eligible for a 10% reduction in the cost of the HGV Levy.

Those HGVs that do not meet the latest emissions standards will see their liability increase by 20%, except where the rate is already set at its maximum rate allowable under European legislation.

1.36. Uprating of the fuel and van benefit charges 2019-20

As announced at Budget 2018, the government will increase the car and van fuel benefit charges by the September 2018 RPI. The van benefit charge will increase by the September 2018 CPI. These changes will have effect on and after 6 April 2019. The government will legislate by statutory instrument shortly after the publication of Finance Bill 2018-19 to ensure the changes are reflected in tax codes for 2019-2020.

1.37. Heated tobacco

As announced at Budget 2018 a new duty category 'Tobacco for Heating' will be introduced in Finance Bill 2018-19. The duty rate for 'Tobacco for Heating' will be 234.65 per kg.

The change will have effect on and after 1 July 2019.

[TIIN]

1.38. Gambling Taxes-Remote Gaming Duty Increase

The government will legislate in Finance Bill 2018-19 to increase the rate of Remote Gaming Duty to 21% with effect from 1 October 2019.

[TIIN]

1.39. Tobacco duty rates As announced at Budget 2018:

- the duty rates for all tobacco products will be increased by 2% above RPI inflation from 6pm on 29 October 2018;
- Hand-rolling tobacco will also rise by an additional 1% above this to 3% above retail price inflation from 6pm on 29 October 2018.
- The Minimum Excise Tax will be set at £293.95 per 1000 cigarettes. It will take effect from 6pm on 29 October 2018;
- Legislation for these changes will be introduced in Finance Bill 2018-19 and the rates and updated Minimum Excise Tax level set out in Annex A.

[TIIN]

1.40. Vehicle Excise Duty (VED) - rates for cars, vans and motorcycles As announced at Budget 2018, the government will legislate in Finance Bill 2018-19 to increase VED rates for cars, vans, motorcycles and motorcycle trade licences by the Retail Prices Index with effect from 1 April 2019.

1.41. Alcohol Duty - uprating

As announced at Budget 2018, legislation will be introduced in Finance Bill 2018-19

to increase the following alcohol duty rates in line with inflation (based on RPI):

All wine and made-wine rates at or below 22% alcohol by volume (abv); and

- Sparkling cider and perry exceeding 5.5% abv but less than 8.5% abv.

These changes will take effect from 1 February 2019.

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

Rates and allowances are set out in Annex A.

[TIIN]

1.42. Alcohol Duty- mid-strength cider

As announced at Budget 2018, the government will legislate in Finance Bill 2018-19 to introduce a new duty band 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 rate of duty for the new band will be £50.71. The change will take effect from 1 February 2019.

[TIIN]

1.43. Air Passenger Duty (APD) Rates for 2020-21

As announced at Budget 2018, the government will legislate in Finance Bill 2018-19 to increase long-haul APD rates in line with RPI. Short-haul rates will not rise. The new rates will apply from 1 April 2020.

[TIIN]

Stamp Taxes

1.44. Stamp Duty, Stamp Duty Reserve Tax (SDRT) and Stamp Duty Land Tax (SDLT): resolution of financial institutions

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to ensure that Stamp Duty, SDRT and 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.

Following publication of draft legislation on 6 July 2018, changes have been made which will extend the exemption to other types of financial institutions in resolution and certain transfers covered by the resolution regime.

The change will have effect for transfers made on and after Royal Assent of Finance Bill 2018-19

1.45. Stamp Duty Land Tax: first-time buyers relief - extension of relief to all purchasers of qualifying shared ownership property

As announced at Budget 2018, the government will extend first-time buyers relief to include qualifying shared ownership property purchases, whether or not the purchaser elects to pay SDLT on the market value of the property. The first £300,000 of an initial share purchased will not be liable to SDLT. The remainder of the initial share will be chargeable at 5% on amounts over £300,000. No SDLT will be chargeable on the lease. Relief is not available on any further shares purchased. The relief will not apply to purchases of properties valued over £500,000. This change will apply to relevant transactions with an effective date on or after 29 October 2018, and will also be backdated to 22 November 2017.Further information can be found in Tax Information and Impact Note

[TIIN]

1.46. Stamp duty relief for Share Incentive Plans

The government will legislate in Finance Bill 2018-19 to amend section 95 Finance Act 2001. This will remove any reference to approved Share Incentive Plans or approved SIPs and replace with Schedule 2 SIPs. This amendment will ensure consistency across all legislation for share incentive plans and confirms that the existing stamp duty relief continues to apply. The amendment will have effect from 6 April 2014, when similar changes were introduced to income tax (Earnings and Pensions) Act 2003.

1.47. Stamp Taxes on shares consideration rules

As announced at Budget 2018, a targeted market value rule for Stamp Duty and Stamp Duty Reserve Tax (SDRT) will be introduced for listed securities transferred to connected companies. Where the rule applies, the transfer will be chargeable based on the higher of the amount or value of the consideration (if any) for the transfer or the market value of the securities. Legislation will be published on Budget Day. The rule will come into force on Budget Day.

The government will also consult on aligning the Stamp Duty and SDRT consideration rules and introducing a general connected party market value rule. Reforming the consideration rules will simplify Stamp Taxes on shares and prevent contrived arrangements being used to avoid tax. The consultation will be published on 7 November 2018.

[TIIN]

1.48. SDLT Higher Rates - minor amendments

The government will legislate in Finance Bill 2018-19 to extend from 3 months to 12 months the time allowed to amend a tax return relating to Higher Rates for Additional Dwellings (HRAD) for those who sell their old home more than 12 months after they buy a new home. It will also clarify the meaning of `major interest` in land for the general purpose of HRAD. These changes apply from 29 October 2018.

Avoidance and Evasion

1.49. Profit fragmentation

As announced at Autumn Budget 2017, the government will legislate in Finance Bill 2018-19 to introduce targeted legislation that aims to prevent UK businesses from avoiding UK tax by arranging for their UK-taxable business profits to accrue to entities resident in territories where significantly lower tax is paid than in the UK. The taxable UK profits will be increased to the actual, commercial level.

Draft legislation and a TIIN – *Profit Fragmentation* were published on 6 July 2018.

Following consultation, changes have been made to the draft legislation to remove the duty to notify HMRC of relevant arrangements meeting certain criteria, to clarify the adjustments required to be made under this legislation, and to make a number of small technical changes.

The measure will have effect from 1 April 2019 onwards for Corporation Tax and 6 April 2019 for income tax and class 4 National Insurance contributions, and will apply to all profits diverted on or after those date.

[TIIN]

Tax Administration

1.50. Extension of security deposit legislation

As announced at 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 government consulted on the implementation of this change between 13 March and 8 June 2018. A summary of responses and draft Finance Bill Legislation was published on 6 July. Since then minor changes have been made to the draft legislation, including to remove provision for new information powers that are now considered unnecessary, and to include a technical amendment to the existing PAYE provisions. Detailed provisions will be set out in regulations, which will be published for comment.

1.51. Power to make consequential amendments

As announced at Budget 2018, the government will legislate in Finance Bill 2018-19 to introduce a power which permits the government to make minor amendments to ensure that tax law continues to operate as it does now if the UK leaves the EU without a deal.

This measure allows the government to make minor technical amendments, including: replacing references to the ‘EU’ with references to the ‘EU and UK’ in legislation, amendments consequential to other changes to the law in preparation for EU Exit; and amendments to change values in euros into values in sterling. It also provides for technical changes to an existing power which permits the government to bring international tax agreements into effect in UK law, mirroring a provision currently contained in legislation that gives effect to EU law; and removes references to EU legislation when HMRC are considering whether, and to the extent which, a taxpayer may be unjustly enriched by repayment of Insurance Premium Tax, Landfill Tax, or Excise Duty.

1.52. Amendment to interest provisions for late payment, repayments and penalties

As announced on 19 July 2018 the government will amend legislation on the interest charged on unpaid corporation tax and Diverted Profits Tax to confirm existing policy. The Budget also announces similar changes to clarify legislation for the interest charged on PAYE penalties. Both these changes apply retrospectively and will be included in the 2018-19 Finance Bill. **1.53. Voluntary tax returns**

As announced at Budget 2018, legislation will be introduced in Finance Bill 2018-19 to confirm HMRC's existing policy of treating tax returns sent in voluntarily as legally valid returns. The legislation will apply retrospectively from April 1996.

[TIIN]

1.54. Statutory remedy re advanced corporation tax

The government will legislate in Finance Bill 2018-19 to introduce a new statutory remedy in relation to advance corporation tax. The measure will apply from Royal Assent.

[TIIN]

1.55. Extension of Offshore Time Limits

As announced at Autumn Budget 2017 the government will legislate in Finance Bill 2018-19 to increase the assessment time limit for offshore tax non-compliance to 12 years for Income Tax, Capital Gains Tax and Inheritance Tax. Where there is deliberate behaviour the time limit remains at 20 years. Public consultation opened on 19 February 2018 and closed on 14 May 2018. The response document, draft legislation and a TIIN were published on 6 July 2018. Following consultation in summer 2018, the legislation clarifies that the extended time limits will apply unless international agreements mean HMRC already has the information needed to assess the tax due.

[TIIN]

2. Measures Not in the Finance Bill 2018-19

Income Tax

2.1. Social Investment Tax Relief review

As announced at Autumn Statement 2016, the government will publish a call for evidence on the Social Investment Tax Relief early in 2019. The review will consider why take up of the scheme is lower than anticipated, and the design and targeting of the relief.

2.2. Enterprise Investment Scheme (EIS) knowledge-intensive fund structure

Following a policy consultation carried out during spring 2018, the government will legislate in Finance Bill to reform the Enterprise Investment Scheme (EIS) rules for approved funds. The rules will be amended to:

- require approved funds to focus on investments in knowledge-intensive companies;
- give funds a longer period over which to invest fund capital; and,
- allow investors in approved funds to set their income tax relief against liabilities in the year before the fund closes.

The government plans to publish draft legislation for consultation in summer 2019.

The changes will have effect from 6 April 2020. **2.3. Consultation on the taxation of trusts**

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

2.4. Gift Aid Small Donations Scheme - Small Donations Scheme As announced at Budget 2018, the government will, by secondary legislation, increase the Gift Aid Small Donations Scheme individual donation limit to £30.

The change will have effect from 6 April 2019 subject to parliamentary timetable.

2.5. Legislating the existing tax treatment of expenses for unpaid officeholders

As announced at Budget 2018, the government will legislate in Finance Bill 2019-20 so that expenses paid or reimbursed to unpaid office-holders are exempt from income tax when incurred because of their voluntary duties. Tax relief would not otherwise be available on these expenses under the general deductions rules. Corresponding legislation will also be introduced to mirror the income tax exemption for National Insurance contributions. The change will have effect on and after Royal Assent of Finance Bill 2019-20.

2.6. Retail Gift Aid reducing the frequency of letters to donors

As announced at Budget 2018, the government will introduce a change to the Retail Gift Aid scheme from April 2019, relaxing the requirement to issue letters annually to donors. Charities will be able to choose to issue letters once every three years rather than every year, where a donor's total donations in a tax year are worth less than £20.

2.7. Shared occupancy test for rent-a-room relief

Following consultation on draft legislation, to maintain the simplicity of the system, the government will not include legislation for the 'shared occupancy test' in Finance Bill 2018-19.

2.8. Address non-compliance with the off-payroll working rules

As announced at Budget 2018, the government will legislate in Finance Bill 2019-20 to reform the off-payroll rules in the private sector. Responsibility for operating the existing off-payroll working rules, and deducting any tax and NICs due, will move from individuals to the organisation, agency or other third party paying an individual's personal service company. Small organisations will be exempt and this change will bring private sector organisations in line with public sector bodies and agencies. The change will come into effect from 6 April 2020.

2.9. Individual Savings Accounts and Child Trust Funds

As announced at Budget 2018, the Individual Savings Account adult subscription limit for 2019-2020 will remain unchanged at £20,000. The annual subscription limit for Junior ISAs and Child Trust Funds for 2019-2020 will be uprated in line with CPI to £4,368.

2.10. Child Trust Fund: announcing consultation on maturity As announced at Budget 2018, the government will consult in 2019 on draft regulations to ensure that Child Trust Fund accounts retain their tax-free status after maturity.

2.11. Lifetime allowance: ongoing CPI increase

As announced at Spring Budget 2015, the lifetime allowance for pension savings will increase by CPI. It will rise to £1,055,000 for the tax year 2019-20.

Employment Taxes and Benefits

2.12. Response to the consultation on taxation of self-funded workrelated training costs

Following consultation responses indicating that tax relief is unlikely to be effective in addressing the barriers to learning or incentivising training, the government is maintaining the scope of tax relief currently available to employees and the selfemployed for work-related training costs.

The consultation response document has been published alongside Budget 2018.

2.13. Employment Allowance Reform

As announced at Budget 2018, the government will legislate to restrict access to the National Insurance contributions (NICs) Employment Allowance to employers with an employer NICs liability below £100,000 in their previous tax year. Where employers are connected under the Employment Allowance rules the threshold will apply to their aggregated liability. This change will take effect from 2020.

2.14. Delay to National Insurance Contributions Reforms of Termination Payments and income from sporting testimonials

As announced at Budget 2018, the government will not abolish Class 2 NICs during this Parliament. There are two remaining measures in the draft NICs Bill published on 5 December 2016: reforms to the NICs treatment of termination payments and income from sporting testimonials. The government still intends to legislate for these reforms, which will take effect from April 2020

2.15. Tax and administrative treatment of short term business visitors As announced at Budget 2018, the government will introduce secondary legislation to amend the Income Tax (Pay As You Earn) Regulations 2003, extending the Pay PAYE reporting and payment deadlines to 31 May for companies using the PAYE special arrangement for Short Term Business Visitors. The PAYE special arrangement limit for UK workdays in the tax year will be extended from 30 days or less to 60 days or less. These changes follow the consultation which closed 6 August 2018. The changes will have effect from 6 April 2020.

Corporation Tax

2.16. Corporate capital loss restriction

As announced at Budget 2018, the government will legislate in Finance Bill 2019-20 to restrict companies' use of carried-forward capital losses to 50% of capital gains from 1 April 2020. The measure will include an allowance that allows companies unrestricted use of up to £5m capital or income losses each year, meaning that 99% of companies will be financially unaffected. A consultation paper was published on 29 October 2018 and draft legislation will be published in summer 2019. An antiforestalling measure to support this change will have effect on and after 29 October 2018.

[Consultation paper]

2.17. Preventing abuse of the Research and Development (R&D) tax relief for small and medium- sized enterprises (SME)

As announced at Budget 2018, Finance Bill 2019-20 will introduce a limit on the amount of payable tax credit that can be claimed by a company under the R&D SME tax relief. The limit will be set at three times the company's total PAYE and National Insurance contribution (NICs) payment for the period. The change will have effect for accounting periods beginning on or after 1 April 2020. Any loss that a company cannot surrender for a payable credit can be carried forward and used against future profits. We will consult on this change.

2.18. Insurance contracts: response to new accounting standards

A new international accounting standard for insurance contracts, IFRS 17, which will be effective from 1 January 2021, introduces significant changes to how contracts are recognised, measured, presented and disclosed. For a number of insurance companies that are affected (mainly quoted companies) there may be changes to timings of revenue recognition and large transitional adjustments. This may impact the timing of tax receipts.

The practical implications of the new standard are not yet clear, and evidence is not yet available to assess the tax impact. The government will run an informal consultation to consider if changes are required in Finance Bill 2019-20 to the taxation treatment of insurance contracts in the light of the accounting changes.

2.19. Digital Services Tax

As announced at Budget 2018, from April 2020, the government will introduce a new 2% tax on the revenues of certain digital businesses which derive value from their UK users. The tax will:

- apply to revenues generated from the provision of the following business activities: search engines, social media platforms and online marketplaces;
- apply to revenues from those activities that are linked to the participation of UK users, subject to a £25m per annum allowance; only apply to groups that generate global revenues from inscope business activities in excess of £500m per annum; and
- include a safe harbour provision that exempts loss-makers and reduces the effective rate of tax on businesses with very low profit margins.

The government will consult on the detailed design of the Digital Services Tax and legislate in Finance Bill 2019-20.

Capital Gains Tax

2.20. Capital Gains Tax private residence relief: reform of ancillary reliefs

As announced at Autumn Budget 2018, from April 2020 the government will make two changes to private residence relief:

- The final period exemption will be reduced from 18 months to 9 months. There will be no changes to the 36 months that are available to disabled persons or those in a care home.
- Lettings relief will be reformed so that it only applies in circumstances where the owner of the property is in “shared-occupancy” with a tenant.

The government will consult on the detail of both of these changes and other technical aspects.

Inheritance Tax

2.21. Inheritance tax - trusts settlement definition

As announced at Budget 2018, the government will introduce legislation in Finance Bill 2019-20 to reflect HMRC’s established legal position in relation to the Inheritance Tax (IHT) treatment of additions to existing trusts. The legislation will confirm that additions of assets by UK-domiciled (or deemed domiciled) individuals to trusts made when they were non-domiciled are not excluded property. The legislation will apply to IHT charges arising on or after the date on which Finance Bill 2019-20 receives Royal Assent, whether or not the additions were made prior to this date.

Legislative amendments will also be made to ensure that transfers between trusts made after the date on which Finance Bill 2019- 20 receives Royal Assent will be subject to additional excluded property tests.

Value Added Tax

2.22. The VAT (Input Tax) (Specified Supplies)

As announced in a Written Ministerial Statement on 19 July 2018, the government will legislate to restrict the application of the Specified Supplies Order in certain circumstances to prevent a version of VAT avoidance (offshore looping) that involves UK insurers gaining a competitive advantage by setting up associates in non-VAT territories and using these associates to supply their UK customers.

The change will have effect on and after 1 March 2019.

[TIIN]

2.23. VAT - Higher Education amendments

As announced at Budget 2018, the government will amend VAT legislation to ensure continuity of VAT treatment for English higher education providers under the Higher Education and Research Act by enabling bodies registered with the Office for Students in the Approved (fee cap) category to exempt supplies of education.

HMRC will provide further guidance for providers ahead of the 2019 to 2020 academic year.

2.24. VAT, Air Passenger Duty (APD) & Tourism in Northern Ireland As announced at Autumn Budget 2017, the government is publishing the response to the call for evidence on the impact of VAT and APD on tourism in Northern Ireland, launched at Spring Statement 2018. There will be no changes to the VAT or APD regimes in Northern Ireland at this time. The government will continue to explore ways to support a successful and growing tourism industry. In particular, establishing a technical working group to consider the practical and legal challenges to changing short-haul APD in Northern Ireland.

The response document can be found here.

2.25. VAT- registration threshold

As announced at Budget 2018, the VAT registration and deregistration thresholds will not change for a further period of two years from 1 April 2020. 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 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 further two year period ends on 31 March 2022.

[TIIN]

2.26. Alternative method of VAT collection - split payment

Following the consultation launched at Spring Statement 2018, the government will publish a government response document on 7 November 2018.

The government believes that a split payment model, developed in close cooperation with stakeholders in the banking and payments sectors, could radically improve the way VAT is collected and reduce fraud.

The government has therefore announced an industry working group to explore next steps, more detail can be found in the response document

2.27. VAT: Unfulfilled Supplies

As announced at Budget 2018, the government will amend rules from 1 March 2019 to bring consistency to the VAT treatment of prepayments. This change will bring all prepayments for goods and services into the scope of VAT where customers have failed to collect what they have paid for and have not received a refund.

A Revenue & Customs Brief giving full details of the change will be published before the end of the year.

2.28. VAT: Adjustments to Regulation 38

As announced at Budget 2018, the government will introduce new rules for the adjustments to VAT following retrospective reductions in the price of goods or services.

Businesses will have to adjust their VAT returns within set time limits and send a credit note to their customers. This will ensure that such adjustments are only made in respect of genuine price reductions. The changes will be made by secondary legislation, and will come into force in September 2019.

Draft legislation will be published in 2019 and a TIIN for this measure will be published alongside the draft legislation.

2.29. Amendment to guidance for VAT groups on bought in services As announced at Budget 2018, HMRC will revise existing guidance for VAT groups to clarify which overseas services can be classified as bought-in services to ensure that such services are subject to UK VAT. HMRC will share the draft guidance with businesses and provide a lead in time for implementation.

The changes will have effect on and after 1 April 2019. The draft guidance will be made available to business groups in November.

Indirect Tax

2.30. Plastics tax

As announced at Budget 2018, the government will introduce a tax on the production and import of plastic packaging from April 2022. This follows the government's response to the call for evidence on tackling the plastic problem, which was published on 18 August 2018. Subject to consultation, this tax will apply to plastic packaging which does not contain at least 30% recycled plastic. The consultation will launch in the coming months. Any resulting legislation will be introduced in a future Finance Bill.

2.31. Aggregates Levy rates 2019 to 2020

As announced at Budget 2018, the government will freeze the Aggregates Levy rate for 2019 to 2020, but intends to return the Levy to index-linking in future.

The Aggregates Levy rate on and after 1 April 2018 is set out in Annex A.

2.32. Landfill Tax rates-2020 to 2021

As announced at Budget 2018, the government will legislate in Finance Bill 2019-20 to increase the standard and lower rates of Landfill Tax in line with Retail Prices Index, rounded to the nearest 5p. The change will have effect on and after 1 April 2020.

[TIIN]

2.33. Landfill Communities Fund-2019 to 2020

As announced at Budget 2018, the government will set the value of the Landfill Communities Fund for 2019 to 2020 at £32.9 million, with the cap on contributions by landfill operators remaining at 5.3% of their Landfill Tax liability.

2.34. Climate Change Levy (CCL) main rates

As announced at Budget 2018, the government will legislate in Finance Bill 2019-20 to continue to re-balance the electricity and gas main rates of CCL. The electricity rate will be lowered in 2020-21 and 2021-22, and the gas rate will increase in these years so that it reaches 60% of the electricity main rate by 2021-22. Other fuels such as coal will continue to align with the gas rate. The discount for sectors with Climate Change Agreements will change to reflect the changes to CCL main rates, such that businesses in the scheme will only be subject to an increase to their CCL liability in line with the Retail Prices Index.

As announced at Autumn Budget 2017, the rate of CCL for liquefied petroleum gas will remain frozen at the 2019-20 level in both 2020-21 and 2021-22.

The main and reduced rates of CCL from 1 April 2018 are set out in Annex A.

2.35. Carbon Price Support (CPS) rates

As announced at Budget 2018, the government will freeze the CPS rate at £18 per tonne of carbon dioxide emitted for 2020-21.

The CPS rates between 1 April 2016 and 31 March 2021 are set out in Annex A.

Excise

2.36. Vehicle Excise Duty-rates for vans

Following a consultation on reforming VED to incentivise van drivers to make the cleanest choices when purchasing a new van, the government will shortly publish a government response to the consultation.

2.37. Fuel Duty-main rates and alternative fuels rates

As previously announced, fuel duty rates will remain frozen for the tax year 2019-20. Following an internal review announced at Autumn Budget 2017, the government will extend the current differential between alternative and main road fuel duty rates until 2032 to support the decarbonisation of the UK transport sector, subject to review in 2024.

The fuel duty rates are set out in Annex A.

2.38. Vehicle Excise Duty - HGV rates for 2019-20

As announced at Budget 2018, the government will freeze rates of VED for heavy goods vehicles (HGVs) for the tax year 2019-20, which includes all rates linked to the basic goods rate.

2.39. Vehicle Excise Duty - exemption for blood bikes

As announced at Budget 2018, the government will legislate in Finance Bill 2019-20 to exempt from VED motorcycles and cars owned by the Nationwide Association of Blood Bikes, used for the transportation of medical products.

2.40. Alcohol Duty: Simplification

As announced at Budget 2018, the government will not be undertaking further consultation in 2018-19 to simplify the administration of alcohol duty. In the longer term, the government remains committed to consulting on and implementing reforms to alcohol duty, as previously announced in the consultation response to "Simplifying the administration of Alcohol Duty", published on 7 November 2017, and reducing the administrative burden on businesses.

2.41. Small Brewers Relief

As announced at Budget 2018, the government will review how small brewery beer relief is currently structured.

2.42. Post duty point dilution

The government will legislate in Finance Bill 2019-20 to prevent the practice of diluting certain alcohol products after excise duty has been calculated. This follows a review of the practice as announced at Autumn Budget 2017.

The government plans to publish draft primary legislation and regulations in summer 2019. The change will have effect after regulations have been laid, following Royal Assent of Finance Bill 2019-20

2.43. Company car tax and Vehicle Excise Duty-carbon dioxide emission regime

As announced at Budget 2018, the government will review the impact of the Worldwide harmonised Light-vehicles Test Procedure (WLTP) on the Vehicle Excise Duty (VED) and company car tax systems.

As announced at Autumn Budget 2017, the government will legislate in 'Finance Bill 2019-20' to confirm that, for the purposes of VED and company car tax - the applicable carbon dioxide figure for cars will be based upon WLTP.

For cars registered prior to 6 April 2020, HMRC will continue to use the current New European Driving Cycle (NEDC) test procedure for the purposes of collecting company car tax. Similarly, cars first registered prior to 1 April 2020 will maintain their current VED treatment.

Stamp Tax

2.44. ATED Increases in Annual Chargeable Amounts for the 2019-20 chargeable period

The ATED charges will rise by 2.4% from 1 April 2019 in line with the September 2018 Consumer Prices Index. This will be delivered by Statutory Instrument. A TIIN has not been published for this measure as it is a routine legislative change. Annex A shows the property bands and what the revised charges will be for the 2019 to 2020 chargeable period.

2.45. Stamp Duty Land Tax for non-residents

The government will publish a consultation in January 2019 on a Stamp Duty Land Tax surcharge of 1% for non-residents buying residential property in England and Northern Ireland.

Avoidance and Evasion

2.46. Online platforms role in ensuring tax compliance

The government will publish its response to the call for evidence '*The Role of Online Platforms in Ensuring Tax Compliance by Their Users*', which was launched at Spring Statement 2018. This will set out the government's intention to improve guidance for people and businesses earning money through online platforms, and to explore how greater use of data can further support sustainable compliance with the tax rules.

2.47. Electronic Sales Suppression (ESS)

As announced at Budget 2018, the government will publish a call for evidence later in the year on electronic sales suppression. ESS refers to the misuse of electronic point of sale functions (i.e. till systems) in order to hide or reduce the value of individual transactions and the corresponding tax liabilities.

2.48. Conditionality: Hidden economy

Following the consultation, 'Tackling the hidden economy: public sector licensing', published in December 2017, the government will consider legislating at Finance Bill 2019-20 to introduce a tax registration check linked to licence renewal processes for some public sector licences. Applicants would need to provide proof they are correctly registered for tax in order to be granted licences. This would make it more difficult to operate in the hidden economy, helping to level the playing field for compliant businesses.

2.49. Tax Abuse and Insolvency

The government will introduce legislation in Finance Bill 2019-20 to allow HMRC to make directors and other persons involved in tax avoidance, evasion or phoenixism jointly and severally liable for company tax liabilities, where there is a risk that the company may deliberately enter insolvency. This will have effect from Royal Assent of Finance Bill 2019-20.

2.50. Offshore Tax Compliance Strategy

The government will publish an updated offshore tax compliance strategy. This will build on the substantial progress the UK has made in tackling offshore tax evasion and non-compliance since the government's previous strategy was published in 2014.

Tax Administration

2.51. Protecting Your Taxes in Insolvency

As announced at Budget 2018, from 6 April 2020, the government will change the rules so that when a business enters insolvency, more of the taxes paid in good faith by its employees and customers and temporarily held in trust by the business go to fund public services, rather than being distributed to other creditors. This reform will only apply to taxes collected and held by businesses on behalf of other taxpayers (VAT, PAYE income tax, employee National Insurance contributions and Construction Industry Scheme deductions). The rules will remain unchanged for taxes owed by businesses themselves, such as corporation tax and employer National Insurance contributions. This will be legislated for in Finance Bill 2019-20.

2.52. Amendments Harmonisation

The government is publishing a call for evidence into how tax returns are amended. The current process can be complex, and the government is keen to modernise and simplify it.

2.53. Amendments to the General Anti-Abuse Rule (GAAR)

Legislation will be introduced in Finance Bill 2019-20 to make minor procedural and technical changes to the General Anti Abuse Rule (GAAR). The changes will come into effect following Royal Assent.

2.54. Penalties Reform

As announced at Autumn Budget 2017, the government consulted in summer 2018 on draft legislation for new late payment and late submission sanctions. The government remains committed to the reform and intends to legislate in a future Finance Bill, to allow for more time to consider further the communications needed for successful implementation. The government will provide notice before these measures are implemented.

2.55. Amending HMRC's Civil Information Powers

The government's consultation on proposed technical changes to Schedule 36 to Finance Act 2008 closed on 2 October 2018. The proposed changes aim to improve HMRC's processes for accessing third party information. A response to this consultation, including next steps for implementation, will be published in due course.

Table 1: Unchanged Measures

This table lists measures which are part of Finance Bill 2018-19 where draft legislation was published for consultation on 6 July 2018, and where the draft legislation is unchanged.

Income Tax

Simplification of donor benefits rules for charities

Employment Tax and Benefits

Amendment to OpRA provisions for taxable cars

Relief for benefits in kind on electric cars at work

Relief for emergency vehicles

Reform to employers' contributions into life assurance and certain pension schemes

Corporation Tax

Anti-tax Avoidance Directive - Exit taxes

Employment Tax and Benefits

Abolition of receipt checking for subsistence benchmark scale rates

Legislate existing overseas scale rates for accommodation and subsistence

Capital Gains Tax

CGT: deferral of payment for certain capital gains tax charges that arise when certain individuals and trustees of settlements cease to be UK tax resident

VAT

VAT grouping

VAT on Vouchers

Indirect Tax

Climate Change Levy: exemptions for mineralogical and metallurgical processes

Excise

Zero emission taxis

Gaming Duty return periods

Stamp Tax

Stamp duty land tax: changes to the filing and payment process

Tax Administration

Legislating the Double Taxation Dispute Resolution Directive

International Tax Enforcement: Disclosable Arrangements

Table 2: Measures in this document without a corresponding announcement in the Budget report

Title	Paragraph number
Abolition of receipt checking for subsistence benchmark scale rates	Unchanged
Alcohol Duty: Simplification	2.40
Amending HMRC's Civil Information Powers	2.55
Amendment to interest provisions for late payment , repayments and penalties	1.52
Amendment to OpRA provisions for taxable cars	Unchanged
Amendments Harmonisation	2.52
Anti-tax Avoidance Directive - Controlled Foreign Companies	1.17
Anti-tax Avoidance Directive- Exit taxes	Unchanged
ATED Increases in Annual Chargeable Amounts for the 2019-2020 chargeable period	2.44
Capital Gains Tax payment window	1.28
Climate Change Levy: exemptions for mineralogical and metallurgical processes	Unchanged
Corporate Interest Restriction: Amendments	1.12
Corporate Interest Restriction: Tax responses to accounting standards for leasing	1.13
Corporation tax (UK property income of non-UK residents)	1.14
Corporation Tax: amendments to reform of loss relief	1.16
Costs of altering land for installing plant	1.10
Diverted Profits Tax: amendments	1.23
Enterprise Investment Scheme (EIS) knowledge-intensive fund structure	2.2
Extension of Offshore Time Limits	1.55
Extension of security deposit legislation	1.50
HGV road user levy	1.35
IHT - trusts settlement definition	2.21
IHT: Changes to Residence Nil Rate Band	1.29

Insurance contracts: response to new accounting standards	2.18
Landfill Communities Fund- 2019-2021	2.33
Landfill Tax rates 2019-21	1.32
Landfill Tax rates- 2020 to 2021	2.32
Legislate existing overseas scale rates for accommodation and subsistence	Unchanged
Legislating the existing tax treatment of expenses for unpaid officeholders	2.5
Penalties Reform	2.54
Permanent establishment: anti- fragmentation rule	1.49
Relief for benefits in kind on electric cars at work	Unchanged
Relief for emergency vehicles	Unchanged
Simplification of donor benefits rules for charities	Unchanged
Social Investment Tax Relief review	2.1
Soft Drinks Industry Levy (SDIL): Penalties	1.34
Stamp duty land tax: changes to the filing and payment process	Unchanged
Stamp duty relief for Share Incentive Plans	1.46
Statutory remedy re Advanced Corporation Tax	1.54
VED Zero Emission Taxis	Unchanged
Voluntary tax returns	1.53

Annex A

Rates and Allowances

This annex includes Autumn Budget 2018 announcements of the main rates and allowances. It also covers all announcements made at Autumn Budget 2017 and subsequently.

PERSONAL TAX AND BENEFITS

Income tax bands of taxable income (£ per year)

	Tax year 2018-19	Tax year 2019-20
Basic rate	£1 - £34,500	£1 – £37,500
Higher rate	£34,501 - £150,000	£37,501 - £150,000
Additional rate	Over £150,000	Over £150,000

Income tax rates - 2018-19	
	Tax year 2018-19
Main rates[1]	
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%

Income tax rates - 2019-20

[1] Apply to non-dividend income, including income from savings, employment, property or pensions. From 201718, the main rates will be separated into the main rates, the savings rates and the default rates.
[2] Apply to savings income.
[3] Apply to dividend income received above the £2,000 tax-free Dividend Allowance, introduced in April 2016 to replace the Dividend Tax Credit.

Main rates[4]	Tax year 2019-20
Basic rate	20%
Higher rate	40%
Additional rate	45%
Savings rates[5]	
Starting rate for savings	0%
Savings basic rate	20%
Savings higher rate	40%
Savings additional rate	45%
Dividend rates[6]	
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[7]	
Default basic rate	20%
Default higher rate	40%
Default additional rate	45%

Starting rates for savings income

[4] Apply to non-savings, non-dividend income, including income from employment, property or pensions not subject to the Scottish Rate of income tax.

[5] Apply to savings income.

[6] Apply to dividend income received above the £2,000 tax-free Dividend Allowance, introduced in April 2016 to replace the previous Dividend Tax Credit.

[7] Apply to non-savings and non-dividend income of any taxpayer that is not subject to either the Main rates or the Scottish Rates of income tax.

	Tax year 2018-19	Tax year 2019-20
Starting rate for savings	0%	0%
Starting rate limit for savings	5,000	5,000

Special rates for trustees' income		
	Tax year 2018-19	**Tax year 2019-20**
Standard rate on first £1,000 of income which would otherwise be taxable at the special rates for trustees	Dividend-type income 7.5% All other income 20%	Dividend-type income 7.5% All other income 20%
Trust rate	45%	45%
Dividend trust rate	38.1%	38.1%

Income tax allowances		
	Tax year 2018-19	**Tax year 2019-20**
Personal allowance		
Personal allowance[8]	£11,850	£12,500
Income limit for personal allowance	£100,000	£100,000
Income limit for Married couple's allowance[9]	£28,900	£29,600
Marriage allowance		
Marriage allowance[10]	£1,190	£1,250
Married couple's allowance for those born before 6 April 1935		
Maximum amount of married couple's allowance[11]	£8,695	£8,915

[8] 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.
[9] This age-related allowance is reduced by £1 for every £2 of income over this limit.
[10] 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.
[11] The relief for this allowance is given at 10%.

Minimum amount of married couple's allowance**Error! Bookmark not defined.**	£3,360	£3,450
Blind person's allowance		
Blind person's allowance	£2,390	£2,450
Dividend allowance		
Dividend allowance[12]	£2000	£2000
Personal savings allowance		
Personal savings allowance for basic rate taxpayers	£1,000	£1,000
Personal savings allowance for higher rate taxpayers	£500	£500

<u>Company car tax</u>

2019-20		**2020-21**		
CO_2 emissions, g/km	***Appropriate percentage* of car list price taxed**	**CO_2 emissions, g/km**		***Appropriate percentage* of car list price taxed**
0-50	16	0		2
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	22	51-54		15
95-99	23	55-59		16
100-104	24	60-64		17
105-109	25	65-69		18

[12] The Dividend Allowance means that individuals will not have to pay tax on the first £2,000 of dividend income they receive.

110-114	26	70-74	19
115-119	27	75-79	20
120-124	28	80-84	21
125-129	29	85-89	22
130-134	30	90-94	23
135-139	31	95-99	24
140-144	32	100-104	25
145-149	33	105-109	26
159-154	34	110-114	27
155-159	35	115-119	28
160-164	36	120-124	29
165+	37	125-129	30
		130-134	31
		135-139	32
		140-144	33
		145-149	34
		150-154	35
		155-159	36
		160+	37

Drivers must add 4% 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 and thresholds (£ per week – except where stated)		
	Tax year 2018-19	**Tax year 201920**
Weekly Lower Earnings Limit (LEL)[13]	£116	£118
Weekly Primary Threshold (PT)[13]	£162	£166
Weekly Secondary Threshold (ST) [13]	£162	£166
Upper Earnings Limit (UEL)[14]	£892	£962
Upper Secondary Threshold for under 21s[14]	£892	£962
Apprentice Upper Secondary Threshold (AUST) for under 25s[14]	£892	£962
Employment Allowance (per employer)[15]	£3,000 per year	£3,000 per year

Employee's (primary) Class 1 contribution rates	**Tax year 2018-19**	**Tax year 201920**
Earnings band	*NIC rate (per cent)*	*NIC rate (per cent)*
Below LEL	0%	0%
LEL - PT[16]	0%	0%
PT- UEL	12%	12%
Above UEL	2%	2%
Married woman's reduced rate for (primary) Class 1 contribution rates	**Tax year 2018-19**	**Tax year 201920**

[13] Uprated by CPI.

[14] These thresholds are uprated in line with the Higher Rate Threshold to maintain alignment.

[15] From April 2020, this will be limited to employers with an employer NICs bill below £100,000 in the previous tax year.

[16] No 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.

Earnings band[17]		
Weekly earnings from between the PT and UEL	5.85%	5.85%
Weekly earnings above the UEL	2%	2%

Employer's (secondary) Class 1 contribution rates	**Tax year 2018-19**	**Tax year 201920**
Earnings band[18]		
Below ST	0	0
Above ST	13.8%	13.8%

Employer's (secondary) Class 1 contribution rates for employees under 21	**Tax year 2018-19**	**Tax year 2019-20**
Earnings band[19]		
Below UST	0%	0%
Above UST	13.8%	13.8%

Employer's (secondary) Class 1 contribution rates for Apprentices under 25	**Tax year 2018-19**	**Tax year 2019-20**
Earnings band[20]		
Below AUST	0%	0%
Above AUST	13.8%	13.8%

17 The limit is defined as PT – Primary Threshold – where employees start paying NI.

18 The limit is defined as ST – Secondary Threshold – where employers start paying NI.

19 The limit is defined as UST – Upper Secondary Threshold.

20 The limit is defined as AUST – Apprentice Upper Secondary Threshold.

Class 2 NICs: Self-employed rates and thresholds (£ per week)		
	Tax year 2018-19	**Tax year 2019-20**
Small Profits Threshold (SPT)[13]	£6,205	£6,365
Class 2 contribution rates[13]	**Tax year 2018-19**	**Tax year 2019-20**
Annual Profits (£ a year)[17]	*£ per week*	*£ per week*
Below SPT	£2.95 (voluntary)	£3.00 (voluntary)
Above SPT[18]	£2.95	£3.00
Special Class 2 rate for share fishermen	£3.60	£3.65
Special Class 2 rate for volunteer development workers	£5.80	£5.90

Class 3 NICs: Other rates and thresholds (£ per week)		
	Tax year 2018-19	**Tax year 2019-20**
Voluntary contributions[19]	£14.65	£15.00

Class 4 NICs: Self-employed rates and thresholds (£ per year)		
	Tax year 2018-19	**Tax year 2019-20**
Lower Profits Limit (LPL)[13]	£8,424	£8,632
Upper Profits Limit (UPL)[14]	£46,350	£50,000
Class 4 contribution rates	**Tax year 2018-19**	**Tax year 2019-20**

[17] The limit is defined as SPT – Small Profits Threshold.

[18] Class 2 NICs are liable to be paid by all self-employed persons with profits above the 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 contributors to make the year a qualifying year for the State Pension.

Annual profits band	*NIC rate (per cent)*	*NIC rate (per cent)*
Below LPL	0%	0%
LPL to UPL[20]	9%	9%
Above UPL	2%	2%

Apprenticeship Levy: rates and allowances		
	Tax year 2018 to 2019	**Tax year 2019 to 2020**
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 2018-19**	**Tax year 2019-20**
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	3,090	3,165
Severe disability element	1,330	1,365
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

[20] The limit is defined as LPL – Lower Profits Limit – where self-employed people start paying Class 4 NICs.

Percentage of eligible costs covered	70%	70%
Child tax credit		
Family element	545	545
Child element	2,780	2,780
Disabled child element	3,275	3,355
Severely disabled child element	4,600	4,715
Income thresholds and withdrawal rates		
Income threshold	6,420	6,420
Withdrawal rate (per cent)	41	41
First threshold for those entitled to child tax credit only	16,105	16,105
Income rise disregard	2,500	2,500
Income fall disregard	2,500	2,500

Child benefit (£ per week)		
	Tax year 2018-19	**Tax year 2019-20**
Eldest/only child	20.70	20.70
Other children	13.70	13.70
Guardians allowance (£ per week)		
Guardians allowance	17.20	17.60

CAPITAL, ASSETS AND PROPERTY

Pensions tax relief		
	Tax year 2018-19	**Tax year 2019-20**

Lifetime Allowance limit	£1,030,000	£1,055,000
Annual Allowance limit	£40,000	£40,000
Money Purchase Annual Allowance	£4,000	£4,000
Tapered Annual Allowance (applies when an individual has ‘adjusted income’ over this amount provided the ‘threshold income’ test is met)	£150,000	£150,000

Tax free savings accounts		
	Tax year 2018-19	**Tax year 2019-20**
Individual Savings Account (ISA) subscription limit	20,000	20,000
Junior ISA subscription limit	4,260	4,368
Child Trust Fund (CTF) subscription limit	4,260	4,368

Capital gains tax		
	Tax year 2018-19	**Tax year 2019-20**
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	£11,700	£12,000
AEA for most trustees	£5,850	£6,000
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 2018-19	**Tax year 2019-20**	**Tax year 2020-21**
Rate (for estates)	40%	40%	40%
Reduced rate (for estates leaving 10% or more to charity)	36%	36%	36%
Rate (for chargeable lifetime transfers)	20%	20%	20%

Nil rate band limit	£325,000	£325,000	£325,000
Residence nil rate band limit	£125,000	£150,000	£175,000

Stamp Duty Land Tax – residential property		
Property value	**Rate (on portion of value above threshold)**	**Rate (on portion of value above threshold) on or after 1 April 2016 if purchase is of an additional residential property[21]**
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%

Stamp Duty Land Tax – non-residential property	
Purchase and Premium Transactions	
Property Value	**Rate on or after 17 March 2016 (on portion of value above threshold)**
0 to £150k	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)**

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

0 to £150k	Zero
£150K to £5m	1%
£5m+	2%

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 2018-19**	**Charge for tax year 2019-20**
More than £500,000 but not more than £1m	£3,600	£3,650
More than £1m but not more than £2m	£7,250	£7,400
More than £2m but not more than £5m	£24,250	£24,800
More than £5m but not more than £10m	£56,550	£57,900
More than £10m but not more than £20m	£113,400	£116,100
More than £20m +	£226,950	£232,350

BUSINESS AND FINANCIAL SERVICES

Corporation tax rates			
Level of profits	**Financial year 2018-19**[22]	**Financial year 2019-20**	**Financial year 2020-21**

[22] 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 2018 to 2019 the rate is 19%.

Main rate	19%	19%	17%
North Sea oil and gas ring fence profits[23]	See footnote	See footnote	See footnote

Corporation tax allowances and reliefs			
	Financial year 2018-19	**Financial year 2019-20**	**Financial year 2020-21**
Plant and machinery: main rate expenditure	18%	18%	18%
Plant and machinery: special rate expenditure	8%	6%[24]	6%
Structures and Buildings allowance (SBA)	2%[25]	2%	2%
Annual investment allowance (AIA)	£200,000/£1m[26]	£1m	£1m / £200,000
First year allowances (e.g. for certain energysaving/water efficient products)	100%	100%	N/A[27]
Research and Development (R&D) tax credits small and medium sized business (SME) scheme	230%	230%	230%
R&D SME payable credit	14.5%	14.5%	14.5%
R&D Expenditure Credit	12%	12%	12%
Patent Box [32]	10%	10%	10%
Film tax relief	25%	25%	25%
High-end TV tax relief	25%	25%	25%
Videogames tax relief	25%	25%	25%

[23] 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.

[24] The writing down allowance rate for the special rate pool of capital allowances will be reduced from 8% to 6% from April 2019.

[25] From 29 October 2018, capital allowance at a rate of 2% will be available for new qualifying non-residential structures and buildings on a straight-line basis.

[26] An Annual Investment Allowance of £1m will apply to investments made from 1 January 2019 until 31 December 2020. The AIA for investments before and after those dates will be £200,000.

[27] From 1 April 2020 for incorporated businesses and from 6 April 2020 for unincorporated businesses, environmental enhanced capital allowances will be abolished. 32 The Patent Box has been phased in from April 2013, with companies being able to claim 60% of the benefit in 2013 to 2014, 70% in 2014 to 2015, 80% in 2015 to 2016, 90% in 2016 to 2017 and 100% in 2017 to 2018.

Open ended investment companies and authorised unit trusts[28]	20%	20%	20%

<u>Bank levy</u>		
	Chargeable equity and long-term chargeable liabilities	**Short-term chargeable liabilities**
1 January 2011 – 28 February 2011	0.025%	0.05%
1 March 2011 – 30 April 2011	0.05%	0.1%
1 May 2011 – 31 December 2011	0.0375%	0.075%
1 January 2012 – 31 December 2012	0.044%	0.088%
1 January 2013 – 31 December 2013	0.065%	0.130%
1 January 2014 – 31 March 2015	0.078%	0.156%
1 April 2015 – 31 December 2015	0.105%	0.21%
1 January 2016 – 31 December 2016	0.09%	0.18%
1 January 2017 – 31 December 2017	0.085%	0.17%
1 January 2018 – 31 December 2018	0.08%	0.16%
1 January 2019 – 31 December 2019	0.075%	0.15%

[28] For open ended investment companies and authorised unit trusts the applicable corporation tax rate is 20 per cent. This is set equal to the basic rate of Income Tax.

1 January 2020 – 31 December 2020	0.07%	0.14%
1 January 2021 onwards	0.05%	0.1%

Bank Surcharge	
1 January 2016 onwards	8% on profits

UK oil and gas taxes			
	Financial year 2018 - 2019	**Financial year 2019 - 2020**	**Financial year 2020 - 2021**
Petroleum revenue tax	0%	0%	0%
Ring fence corporation tax[34]	30%	30%	30%
Supplementary charge	10%	10%	10%

Business rates		
	Financial year 2018-19	**Financial year 2019-20**
England standard multiplier	49.3p	50.4p
England small business multiplier[35]	48.0p	49.1p

INDIRECT TAX

Budget 2018 confirmed that alcohol duty rates will change as shown in the table below.

Alcohol duty		
	Duty rate from 1 February 2018.	**Duty rate from 1 February 2019.**
Rate per litre of pure alcohol		

Spirits	£28.74	£28.74
Spirits-based RTDs	£28.74	£28.74
Wine and made-wine: exceeding 22% alcohol by volume (abv)	£28.74	£28.74
Rate per hectolitre per cent of alcohol in the beer		
Beer - lower strength: exceeding 1.2% - not exceeding 2.8% abv.	£8.42	£8.42

[34] For North Sea oil and gas ring fence profits the main rate is 30 per cent and the small profits rate is 19 per cent. The marginal relief ring fence fraction is 11/400ths.
[35] Small business multiplier applies to properties with a rateable value of less than £51'000.

Beer – General Beer Duty: exceeding 2.8% - not exceeding 7.5% abv.	£19.08	£19.08
Beer - High strength: exceeding 7.5% - in addition to the General Beer Duty	£19.08 + £5.69	£19.08 + £5.69
Rate per hectolitre of product		
Still cider and perry: exceeding 1.2% - not exceeding 6.9% abv.	£40.38	£40.38
Still cider and perry: exceeding 6.9% - not exceeding 7.5% abv.	£40.38[29]	£50.71
Still cider and perry: exceeding 7.5% - less than 8.5% abv.	£61.04	£61.04
Sparkling cider and perry: exceeding 1.2% - not exceeding 5.5% abv.	£40.38	£40.38
Sparkling cider and perry: exceeding 5.5% - less than 8.5% abv.	£279.46	£288.10
Wine and made-wine: exceeding 1.2% - not exceeding 4% abv.	£88.93	£91.68
Wine and made-wine: exceeding 4% - not exceeding 5.5% abv.	£122.30	£126.08
Still wine and made-wine: exceeding 5.5% - not exceeding 15% abv.	£288.65	£297.57
Wine and made-wine: exceeding 15% - not exceeding 22% abv.	£384.82	£396.72
Sparkling wine and made-wine: exceeding 5.5% - less than 8.5% abv.	£279.46	£288.10
Sparkling wine and made-wine: at least 8.5% - not exceeding 15% abv.	£369.72	£381.15

[29] Cider products in this band were previously taxed as part of the wider 1.2-7.5% band.

Budget 2018 announced that the duty rates for all tobacco products will be increased by 2% above inflation, from 6pm on 29 October. This is in accordance with the Autumn Budget 2017 announcement that all tobacco duty rates will increase by this amount each year until the end of this Parliament. Budget 2018 also announced that hand-rolling tobacco duty would rise by an additional 1% above this to 3% above retail price inflation.

Tobacco Products				
	From 6pm 22 November 2017		From 6pm 29 October 2018 *unless otherwise stated	
	Duty Rate plus Ad valorem Element	Minimum Excise Tax	Duty Rate plus Ad valorem Element	Minimum Excise Tax
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 £217.23 per 1000 cigarettes.	or 280.15 per 1000 cigarettes	An amount equal to 16.5% of the retail price plus £228.29 per 1000 cigarettes.	or £293.95 per 1000 cigarettes
Cigars	£270.96 per kilogram	N/A	£284.76 per kilogram	N/A
Hand-rolling tobacco	£221.18 per kilogram	N/A	£234.65 per kilogram	N/A
Other smoking tobacco and chewing tobacco	£119.13 per kilogram	N/A	£125.20 per kilogram	N/A

Tobacco for Heating *with effect from 1 July 2019	N/A	N/A	£234.65 per kilogram	N/A

Gambling duties

	Tax year 201819	Tax year 201920
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%	21% from 1 October 2019
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 2018-19

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 2019.					
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 2018-19	**Tax year 2019-20**
Standard rate	12%	12%
Higher rate	20%	20%

Soft Drinks Industry Levy

For drinks within scope:	**Tax year 2018-19**	**Tax year 2019-20**
Levy due on drinks that have a total sugar content of more than 5g and less than 8g per 100ml	18p per litre	18p per litre
Levy due on drinks that have a total sugar content of 8g or more per 100ml	24p per litre	24p per litre

Climate change levy (CCL) main rates

Taxable commodity	Rate from 1 April 2018	Rate from 1 April 2019	Rate from 1 April 2020	Rate from 1 April 2021
Electricity (£ per kilowatt hour)	0.00583	0.00847	0.00811	0.00775
Natural gas (£ per kilowatt hour)	0.00203	0.00339	0.00406	0.00465
Liquefied petroleum gas (£ per kilogram)	0.01304	0.02175	0.02175	0.02175
Any other taxable commodity (£ per kilogram)	0.01591	0.02653	0.03174	0.03640

Climate change levy reduced rates (percentage of main rate)				
Taxable commodity	**Rate from 1 April 2018**	**Rate from 1 April 2019**	**Rate from 1 April 2020**	**Rate from 1 April 2021**
Electricity	10%	7%	8%	8%
Natural gas	35%	22%	19%	17%
Liquefied petroleum gas	35%	22%	23%	23%
Any other taxable commodity	35%	22%	19%	17%

Carbon Price Support rates of CCL and fuel duty	
	Rate from 1 April 2016 to 31 March 2021
Carbon price equivalent (£ per tonne of carbon dioxide)	18.00
Supplies of commodity used in electricity generation	
Natural gas (£ per kilowatt hour)	0.00331
LPG (£ per kilogram)	0.05280

Coal and other taxable solid fossil fuels (£ per gross gigajoule)	1.54790
Gas oil; rebated bio blend; and kerosene (£ per litre)	0.04916
Fuel oil; other heavy oil and rebated light oil (£ per litre)	0.05711

Carbon Emissions Tax - rate[30]
Rate from 1 April 2019 to 31 December 2019
£16 per tonne

Aggregates levy		
	Rate from 1 April 2018	**Rate from 1 April 2019**
Commercially exploited taxable aggregate	£2 per tonne	£2 per tonne

Landfill tax			
Waste sent to landfill	**Rate from 1 April 2018**	**Rate from 1 April 2019**	**Rate from 1 April 2020**
Standard rated (per tonne)	£88.95	£91.35	£94.15
Lower rated (per tonne)	£2.80	£2.90	£3.00

[30] This tax would take effect only if the UK leaves the EU without an agreement.

Air passenger duty rates [31, 32]									
Bands (approximate distance in miles from London)	**Reduced rate (lowest class of travel)**			**Standard rate** [33] **(other than the lowest class of travel)**			**Higher rate** [34]		
	From 01 April 2018	From 01 April 2019	From 01 April 2020	From 01 April 2018	From 01 April 2019	From 01 April 2020	From 01 April 2018	From 01 April 2019	From 01 April 2020
Band A (0 – 2,000 miles)	£13	£13	£13	£26	£26	£26	£78	£78	£78
Band B (over 2,000 miles)	£78	£78	£80	£156	£172	£176	£468	£515	£528

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

[31] APD applies to all flights aboard aircraft 5.7 tonnes and above.

[32] 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.

[33] 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.

[34] The higher rate applies to flights on aircraft of 20 tonnes and above, with fewer than 19 seats.

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

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

The changes to VED rates to take effect from 1 April 2019 are set out in the tables below: [42]

VED bands and rates for cars first registered on or after 1 April 2017				
CO_2 emissions (g/km)	**Tax year 2018-19**		**Tax year 2019-20**	
	First Year Rate	**Standard Rate[43]**	**First Year Rate**	**Standard Rate[44]**
0	£0	£0	£0	£0
1-50	£10	£140	£10	£145
51-75	£25	£140	£25	£145
76-90	£105	£140	£110	£145
91-100	£125	£140	£130	£145
101-110	£145	£140	£150	£145
111-130	£165	£140	£170	£145
131-150	£205	£140	£210	£145
151-170	£515	£140	£530	£145
171-190	£830	£140	£855	£145
191-225	£1,240	£140	£1,280	£145
226-255	£1,760	£140	£1,815	£145
Over 255	£2,070	£140	£2,135	£145

42 Includes cars emitting over 225g/km registered before 23 March 2006.

43 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.

44 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.

New diesel vehicles registered on or 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.

Cars with a list price of over £40,000 when new pay an additional rate of £320 per year on top of the Standard Rate, for five years.

VED bands and rates for cars registered on or after 1 March 2001			
VED band	**CO_2 emissions (g/km)**	**Tax year 2018-19**	**Tax year 2019-20**
		Standard rate	**Standard rate**
A	Up to 100	£0	£0
B	101-110	£20	£20
C	111-120	£30	£30
D	121-130	£120	£125
E	131-140	£140	£145
F	141-150	£155	£160
G	151-165	£195	£200
H	166-175	£230	£235
I	176-185	£250	£260
J	186-200	£290	£300
K[35]	201-225	£315	£325
L	226-255	£540	£555
M	Over 255	£555	£570

VED bands and rates for vans registered on or after 1 March 2001		
Vehicle registration date	**Tax year 2018-2019**	**Tax year 2019-2020**
Early Euro 4 and Euro 5 compliant vans	£140	£140
All other vans	£250	£260

[35] Includes cars emitting over 225g/km registered before 23 March 2006.

VED bands and rates for motorcycles		
Engine size	**Tax year 2018-2019**	**Tax year 2019-2020**
Not over 150cc	£19	£20
151cc and 400cc	£42	£43
401cc to 600c	£64	£66
Over 600cc	£88	£91

VED bands and rates for motor tricycles		
Engine size	**Tax year 2018-2019**	**Tax year 2019-2020**
Not over 150cc	£19	£20
All other tricycles	£88	£91

VED bands and rates for trade licences		
Vehicle type	**Tax year 2018-19**	**Tax year 2019-20**
Available for all vehicles	£165	£165
Available only for bicycles and tricycles (weighing no more than 450kg without a sidecar)	£88	£91

The following VED rates will apply to HGVs of 12 tonnes or more, from 1 April 2019. The following HGV road user levy rates are applicable from 1 February 2019. 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	**Total VED and levy (Euro VI vehicles)**	**Total VED and levy (Euro 0-V vehicles)**	**VED rates**		**Levy bands**	**Levy rates (Euro VI vehicles)**	**Levy rates (Euro 0-V vehicles)**

(letter and rate number)	12 months	6 months	12 months	6 months	12 months	6 months
A0	£165	£90.75	£165	£90.75	£165	£90.75
B0	£200	£110	£200	£110	£200	£110
A1	£156.50	£85.90	£182	£101.20	£80	£40
A2	£160.50	£87.90	£186	£103.20	£84	£42
A3	£176.50	£95.90	£202	£111.20	£100	£50
A4	£222.50	£118.90	£248	£134.20	£146	£73
A5	£227.50	£121.40	£253	£136.70	£151	£75.50
B1	£189.50	£104.20	£221	£123.10	£95	£47.50
B2	£199.50	£109.20	£231	£128.10	£105	£52.50
B3	£219.50	£119.20	£251	£138.10	£125	£62.50
C1	£426	£234.60	£498	£277.80	£210	£105
C2	£481	£262.10	£553	£305.30	£265	£132.50
C3	£505	£274.10	£577	£317.30	£289	£144.50
D1	£615	£339	£720	£402.00	£300	£150

	12 months	6 months	12 months	6 months
n/a	n/a	n/a	n/a	n/a
A	£76.50	£45.90	£102	£61.20
B	£94.50	£56.70	£126	£75.60
C	£216	£129.60	£288	£172.80
D	£315	£189	£420	£252

E1	£1,136	£625.60	£1,328	£740.80	£560	£280
E2	£1,185	£650.10	£1,377	£765.30	£609	£304.50
F	£1,419	£782.40	£1,662	£928.20	£690	£345
G	£1,750	£965	£2,050	£1,145	£850	£425

E	£576	£345.60	£768	£460.80
F	£729	£437.40	£972	£583.20
G	£900	£540	£1,200	£720

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 (Euro VI vehicles)**		**Levy rates (Euro 0-V vehicles)**	
					12 months	**6 months**	**12 months**	**6 months**	**12 months**	**6 months**
Two	B(T)	4,001-12,000kg	27,000kg	B(T)1	£230	£115	£121.50	£72.90	£162	£97.20
		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	£405	£243	£540	£324
		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	£121.50	£72.90	£162	£97.20
		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	£279	£167.40	£372	£223.20
		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	£405	£243	£540	£324
			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	£121.50	£72.90	£162	£97.20
		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	£279	£167.40	£372	£223.20
		Over 12,000kg	44,000kg	C(T)2	£370	£185				
	D(T)	4,001-12,000kg	39,000kg	D(T)1	£365	£182.50	£405	£243	£540	£324
		Over	44,000kg	D(T)4	£430	£215				

		12,000kg								
	E(T)	4,001-12,000kg	44,000kg	E(T)1	£535	£267.50	£747	£448.20	£996	£597.60

		Over 12,000kg	44,000kg	E(T)2	£600	£300				

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 roadfriendly suspension. There are separate tables for with and without RFS.

Rigid goods vehicle - WITHOUT trailer)

Revenue weight of vehicle, kg		2 axles	3 axles	4 or more axles
Over	Not over			
3,500	7,500	A0	A0	A0
7,500	11,999	B0	B0	B0
11,999	14,000	B1	B1	B1
14,000	15,000	B2	B1	B1
15,000	19,000	D1	B1	B1
19,000	21,000	D1	B3	B1
21,000	23,000	D1	C1	B1
23,000	25,000	D1	D1	C1
25,000	27,000	D1	D1	D1
27,000	44,000	D1	D1	E1

Rigid vehicles - WITH trailer

Revenue weight of vehicle (not trailer), kg		Two-axled rigid	Threeaxled rigid	Fouraxled rigid
Over	Not over			
11,999	15,000	B(T)	B(T)	B(T)
15,000	21,000	D(T)	B(T)	B(T)
21,000	23,000	E(T)	C(T)	B(T)
23,000	25,000	E(T)	D(T)	C(T)
25,000	27,000	E(T)	D(T)	D(T)
27,000	44,000	E(T)	E(T)	E(T)

Articulated vehicles – Tractive unit with three or more axles)

Articulated vehicles – Tractive unit with two axles)

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

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

VAT		
	April 2018-19	**April 2019-20**
Standard rate	20%	20%
Reduced rate	5%	5%
Zero rate	0%	0%
Exempt	N/A	N/A

VAT registration and deregistration thresholds		
	From April 2018	**From April 2019**

VAT registration thresholds	£85,000	£85,000
VAT deregistration threshold	£83,000	£83,000

Annex B: Consultations

Tax consultations, calls for evidence and other consultative documents announced at Budget 2018

This table lists the tax consultations announced at Budget 2018.

For an update on the consultations announced at Autumn Budget 2017, see the tax policy consultations tracker

Title	Paragraph number	Start date
Consultation on the taxation of trusts	2.3	
Child Trust Fund: announcing consultation on maturity	2.10	2019
Corporate capital loss restriction	2.16	29 October 2018
Insurance contracts: response to new accounting standards	2.18	
Plastics tax	2.30	
Stamp Duty Land Tax for non-residents	2.45	January 2019

Annex C: 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 £3 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 £5 million one off.

Three different levels will be shown:

no impact; negligible impact, where the impact is below the £100,000 annual and £5 million 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.

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.

Mel Stride

Financial Secretary to the Treasury

List of Tax Information and Impact Notes

Gift Aid: simplification of donor benefit rules

Who is likely to be affected Charities

and their donors.

General description of the measure

This measure simplifies the donor benefits rules that apply to charities who claim Gift Aid tax relief on donations. It will replace the current mix of monetary and percentage thresholds that charities have to consider when determining the value of benefit they can give to their donors without losing the entitlement to claim Gift Aid tax relief on the donations given to them. From April 2019 the benefit threshold for the first £100 of the donation will remain at 25% of that amount. Charities can offer an additional benefit of 5% to donors on the amount of the donation that exceeds £100. The total value of the benefit that a donor can receive remains at £2,500.

Policy objective

The government recognises the value of Gift Aid to the charity sector and is looking at ways to simplify and improve the current Gift Aid rules. Recent improvements include the introduction of online filing of Gift Aid claims and a shorter, simpler Gift Aid declaration form.

The conditions that govern the benefits that donors to charities can receive for making a Gift Aid-eligible donation (the Gift Aid donor benefit rules) are an important element of the Gift Aid scheme. It is important for donors, charities and the government that robust, clear rules are in place. The changes in this measure will introduce a simpler and a more generous two threshold benefit valuation rule for charities, making it easier to claim Gift Aid on eligible donations and so increase the overall number and value of claims.

Background to the measure

At Autumn Statement 2014 the government announced that it would review the Gift Aid donor benefit rules with the intention of simplifying them. Following a call for evidence, the government launched a consultation on 18 February 2016 setting out a range of options for simplifying the current rules. The responses to that consultation were helpful in developing specific proposals for reform which were set out in a second consultation that ended on 3 February 2017. Summary of the responses to the last consultation was published on 1 December 2017.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

The measure will have effect in relation to gifts and payments made on or after 6 April 2019.

Current law

Gift Aid income tax relief provisions are in Part 8, Chapter 2, of Income Tax Act 2007 and section 197 of Corporation Tax Act 2010.

Proposed revisions

Legislation in Finance Bill 2018-19 will introduce amendments to section 418 of Part 8, Chapter 2, of Income Tax Act 2007 (ITA) and section 197 of Corporation Tax Act 2010 (CTA). The current restrictions on benefits will change to new two tier cumulative benefits thresholds.

Where the amount of the gift by an individual or a payment by a company does not exceed £100 the benefit restriction is 25% of that amount. For gifts and payments exceeding £100, the benefit restriction will be the sum of £25 and 5% of the amount of the excess subject to the overall benefit restriction of £2,500.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	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 allows charities to give larger benefits to individual donors to encourage more donations. However, it is not possible to quantify the number of individuals that may be affected because HMRC does not collect information on benefits given to donors.

Equalities impacts

The equality implications of this measure have been considered, and it is not expected that it will have any adverse impacts on groups with protected characteristics.

Impact on business including civil society organisations

Around 160,000 charities are registered with HMRC and of these 72,000 claimed Gift Aid in 2016-2017. The changes to the gift aid rules are expected to make it easier for these charities who offer benefits to donors to claim Gift Aid on eligible donations and this could increase the overall number and value of claims. This measure is expected to have a positive impact on business and civil society organisations' administrative burdens. Negligible one-off costs will include familiarisation with the new rules and adjustment of their benefit calculations to reflect the new thresholds. Negligible on-going savings are expected to result from the simpler process for calculating donor benefits and claiming Gift Aid.

Operational impact (£m) (HMRC or other)

Overall this change will have negligible impact for HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be kept under review using information provided in correspondence and regular feedback at forums with the charity sector.

Further advice

If you have any questions about this change, please contact Hasmukh Dodia by email: charitypolicy.taxteam@hmrc.gsi.gov.uk.

Income Tax: personal allowance and basic rate limit from 2019-20

Who is likely to be affected

Income tax payers, employers and pension providers.

General description of the measure

This measure increases the personal allowance to £12,500 for 2019 to 2020. The basic rate limit will be increased to £37,500 for 2019 to 2020. As a result, the higher rate threshold will be £50,000 in 2019 to 2020.

This measure will set the personal allowance at £12,500, and the basic rate limit at £37,500 for 2020 to 2021. The higher rate threshold will be £50,000 in 2020 to 2021.

From 2021 to 2022 onwards, the personal allowance and basic rate limit will be indexed with the Consumer Price Index (CPI).

Changes to the basic rate limit, and higher rate threshold, will apply to non-savings, nondividend income in England, Wales and Northern Ireland, and to savings and dividend income in the UK.

Policy objective

This policy ensures the government's commitment to raise the personal allowance to £12,500, and the higher rate threshold to £50,000 is fulfilled a year early.

Background to the measure

The government has an objective to raise the personal allowance to £12,500, and the higher rate threshold to £50,000 by 2020 to 2021.

This measure will increase the personal allowance for 2019 to 2020 to £12,500, and the basic rate limit will be increased to £37,500 for 2019 to 2020. As a result, the higher rate threshold will be £50,000 in 2019 to 2020. This meets the government's objective one year early.

Changes to the basic rate limit will apply to non-savings and non-dividend income in England, Wales and Northern Ireland and to savings and dividend income in the UK. Since April 2017, the Scottish Parliament sets the basic rate limit and higher rate threshold for nonsavings, non-dividend income for Scotland.

Detailed proposal

Operative date

The measure will have effect on and after 6 April 2019.

Current law

Increases to the personal allowance and basic rate limit are indexed with CPI.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to set the personal allowance for 2019 to 2020 at £12,500, and the basic rate limit for 2019 to 2020 at £37,500.

These thresholds will remain set at £12,500 and £37,500 for 2020 to 2021 and will be increased in line with CPI thereafter.

The table below sets out the thresholds to include the changes from this measure. Thresholds from 2021 to 2022 onwards have been forecast in line with the Office for Budget Responsibility's Budget 2018 forecasts of CPI inflation and will be subject to change.

	2018 to 2019	2019 to 2020	2020 to 2021	*2021 to 2022*	*2022 to 2023*	*2023 to 2024*
Personal allowance (PA)	£11,850	£12,500	£12,500	*£12,760*	*£13,030*	*£13,310*
Basic Rate Limit (BRL)	£34,500	£37,500	£37,500	*£38,300*	*£39,200*	*£40,100*

The National Insurance contributions (NICs) Upper Earnings/Profit Limits is aligned to the higher rate threshold and will therefore also increase in 2019 to 2020.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	- 2,790	- 1,935	- 1,445	- 1,605	- 1,780

The figures for these measures are set out in Table 2.1 of Budget 2018 as 'Personal Allowance and Higher Rate Threshold: increase to £12,500 and £50,000 in 2019-20 and 2020-21' and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

This measure will reduce Income Tax for 30.6 million Income Tax payers in 2019 to 2020 (30.7 million in 2020 to 2021), including low and middle income individuals, improving incentives to enter employment and increasing real household disposable incomes. This might feed through to higher consumption or savings in the household sector. Overall employment outcomes will also depend upon other measures announced as well as aggregate labour demand and the performance of the wider economy.

Impact on individuals, households and families

The impact analysis that follows relates specifically to the impact of the legislative provisions outlined above. Gains/losses are presented compared to the income tax and national insurance individuals would have faced if these thresholds were indexed with inflation from 2019 to 2020 onwards.

<u>2019 to 2020 impacts</u>

In 2019 to 2020, this measure will benefit 30.6 million individuals of whom 26.2 million will be basic rate taxpayers and 4.0 million are higher rate taxpayers. A basic rate taxpayer will have an average real gain of £66. A higher rate taxpayer will have an average real gain of £387. An additional rate taxpayer will have an average real gain of £236.

The above inflation increase will take 499,000 individuals out of Income Tax, and 479,000 individuals out of Higher Rate Income Tax in 2019 to 2020 compared to previously announced policy.

625,000 individuals will have an average real loss of £107 in 2019 to 2020. These losses are mostly the result of increases in the Upper Profits and Upper Earnings Limits for National Insurance.

Cumulative changes to the personal allowance and higher rate threshold between 2015 to 2016 and 2019 to 2020 mean a typical basic rate taxpayer will have an overall cash gain of £380 and a real terms gain of £236. A typical higher rate taxpayer will have an overall cash gain of £1,142 and a real terms gain of £694.

Cumulative changes to the personal allowance and higher rate threshold since 2010 to 2011 mean a typical basic rate taxpayer will have an overall cash gain of £1,205 in 2019 to 2020. A typical higher rate taxpayer will have an overall cash gain £1,818 in 2019 to 2020.

<u>2020 to 2021 impacts</u>

In 2020 to 2021, this measure will benefit 30.7 million individuals of whom 26.1 million will be basic rate taxpayers and 4.1 million are higher rate taxpayers. A basic rate taxpayer will have an average gain of £20. A higher rate taxpayer will have an average real gain of £228. An additional rate taxpayer will have an average real gain of £169.

148,000 fewer individuals are expected to pay Income Tax, and 314,000 fewer are expected to pay Higher Rate Income Tax, in 2020 to 2021 compared to previously announced policy.

901,000 individuals will have an average real loss of £64 in 2020 to 2021. These losses are mostly the result of increases in the Upper Profits and Upper Earnings Limits for National Insurance.

Cumulative changes to the personal allowance and higher rate threshold between 2015 to 2016 and 2020 to 2021 mean a typical basic rate taxpayer will have an overall cash gain of £380 and a real terms gain of £190. A typical higher rate taxpayer will have an overall cash gain of £1,142 and a real terms gain of £555.

Cumulative changes to the personal allowance and higher rate threshold since 2010 to 2011 mean a typical basic rate taxpayer will have an overall cash gain of £1,205 in 2020 to 2021. A typical higher rate taxpayer will have an overall cash gain £1,818 in 2020 to 2021.

All taxpayers with income of £125,000 or above in both years have their personal allowance tapered to zero. Therefore they derive no benefit from the personal allowance increase.

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

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

Equalities impacts

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

From this measure, 2019 to 2020 estimated impacts by gender are:

- 30.6 million individuals will benefit. Of these, 17.8 million (58%) are male and 12.8 million (42%) are female.
- 499,000 individuals will be taken out of tax. Of these, 219,000 (44%) are male and 280,000 (56%) are female
- 479,000 individuals will be taken out of the higher rate of tax. Of these, 333,000 (70%) are male and 145,000 (30%) are female
- 625,000 individuals lose, of which 393,000 (63%) are male and 233,000 (37%) are female

From this measure, 2019 to 2020 estimated impacts by age are:

- 30.6 million individuals will benefit. Of these, 24.5 million (80%) are below state pension age (SPA) and 6.0 million (20%) are above SPA
- 499,000 individuals will be taken out of tax. Of these, 331,000 (66%) are below SPA and 168,000 (34%) are above SPA
- 479,000 individuals will be taken out of the higher rate of tax. Of these, 420,000 (88%) are below SPA and 58,900 (12%) are above SPA
- 625,000 individuals lose, of which the majority are below SPA From this measure,

2020 to 2021 estimated impacts by gender are:

- 30.7 million individuals will benefit. Of these, 17.9 million (58%) are male and 12.8 million (42%) are female
- 148,000 individuals will be taken out of tax. Of these, 65,100 (44%) are male and 82,600 (56%) are female
- 314,000 individuals will be taken out of the higher rate of tax. Of these, 221,000 (70%) are male and 93,800 (30%) are female
- 901,000 individuals lose, of which 562,000 (62%) are male and 339,000 (38%) are female

From this measure, 2020 to 2021 estimated impacts by age are:

- 30.7 million individuals will benefit. Of these, 24.6 million (80%) are below SPA and 6.1 million (20%) are above SPA
- 148,000 individuals will be taken out of tax. Of these, 105,000 (71%) are below SPA and 43,200 (29%) are above SPA
- 314,000 individuals will be taken out of the higher rate of tax. Of these, 277,000 (88%) are below SPA and 37,900 (12%) are above SPA
- 901,000 individuals lose, of which the majority are below SPA

Impact on business including civil society organisations

Impacts on administrative and compliance cost for businesses, employers, pension providers or civil society organisations will be negligible. An individual’s personal allowance is reflected in their PAYE tax code. Any changes to individuals’ tax codes are a routine annual event for employers and pension providers. Non-routine changes are handled by HM Revenue and Customs (HMRC).

Operational impact (£m) (HMRC or other)

There will be no significant operational impacts on HMRC. This change will be administered as part of the regular uprating process and will cost around £50,000.

Other impacts

None have been identified.

Monitoring and evaluation

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

Further advice

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

Income Tax: clarifying effect of the Optional Remuneration Arrangements legislation in respect of taxable cars and vans

Who is likely to be affected

Connected costs – employees provided with taxable cars and vans (i.e. subject to the car or van benefit charge respectively) and their employers.

Capital contributions – employees making a capital contribution towards a taxable car and their employers.

General description of the measure

This measure addresses two anomalies in the Optional Remuneration Arrangements (OpRA) rules, by introducing legislation to:

- ensure that when a taxable car or van is provided through OpRA, the amount foregone, which is taken into account in working out the amount reportable for tax and NICs purposes, includes costs connected with the car or van (such as insurance) which are regarded as part of the benefit in kind under normal rules
- adjust the value of any capital contribution towards a taxable car when the car is made available for only part of the tax year.

Policy objective

The proposed legislation will ensure that the OpRA rules work as intended.

It ensures that the value of the amount foregone includes any amounts given up in respect of connected costs. Under the provisions of the current OpRA legislation, the value of any connected costs is not included when calculating the value of the amount foregone for a taxable car or van.

It also aligns the approach with the car benefit charge which makes provision to adjust the level of a capital contribution if the car is made available for only part of the tax year.

Background to the measure

Where the provision of a car or van available for private use is made through OpRA, the amount foregone is compared to the modified cash equivalent of the car or van benefit charge. The greater value is reportable for tax purposes.

When the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) was originally introduced, the explanatory note was explicit that connected costs were regarded as part of the car benefit charge (and also applies to the van benefit charge). During the introduction of section 7 and schedule 2 to the Finance Act 2017, an oversight meant that no provision was made to ensure the calculation of the amount foregone for a taxable car or van should also include any connected costs. This meant the value of connected costs were not included in the calculation of the amount foregone, whereas they were deemed to be included within the modified cash equivalent rules, so that the comparison was not on a like for like basis.

Under the normal rules for calculating the car benefit charge, capital contributions are automatically subject to pro-rata if the car is made available for only part of a tax year. Similar provisions were not included in section 7 and Schedule 2 to the Finance Act 2017 for calculating the relevant amount. This means that currently, the amount deductible for capital contributions where the car is available only for a part year is overstated.

Extensive consultation on the policy proposals followed the announcement at Budget 2016 that the government was considering the range of benefits attracting income tax and NICs advantages when offered through salary sacrifice. Introduction of the OpRA legislation was announced at Autumn Statement 2016 and Finance Bill legislation was published in December 2016 for technical consultation.

Neither of the issues subject to amendment in Finance Bill 2018-19 was identified in response to the technical consultation.

Following introduction of the new rules in Finance Act 2017, HMT and HMRC were made aware of these anomalies and the decision was made to restore the intended legislative position. This is the first opportunity that the government has had to make the amendments required.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

The measure will have effect from 6 April 2019.

Current law

The current provisions for calculating the amount foregone and the treatment of capital contributions where an employee is provided with a taxable car or van are contained in Chapters 2 and 6 of Part 3 ITEPA.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to make changes to Chapter 6 of Part 3 of ITEPA (sections 120A, 121A, 132A and 154A) and Chapter 3 of Part 4 of ITEPA (section 239), to amend the method for calculating the amount foregone and the treatment of capital contributions.

The amount foregone will include both the amounts foregone in respect of the provision of the taxable car or van and any costs connected to that car or van.

The deduction for capital contributions will be reduced when a car is made available for only part of a tax year.

No changes are required to NICs legislation.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
negligible	negligible	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

This change is expected to affect a small number of the one million or so individuals who are provided with a company car or van. This is because marketing of separate arrangements for connected costs is at an early stage and few employees make large capital contributions. These individuals will now pay the amount of tax and NICs which Parliament intended would be due under OpRA (i.e. based on the greater of the modified cash equivalent of the BiK and the amount foregone).

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

Equalities impacts

This change will impact those sharing protected characteristics which are representative of company car and van drivers. They 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 impact on businesses and civil society organisations.

This measure has no impact on most businesses, it will only affect those businesses who are not paying the correct amount of employer NICs because they are using separate arrangements for connected costs or who have not adjusted the treatment of capital contributions to reflect part years.

Operational impact (£m) (HMRC or other)

Negligible – changes to guidance will be required. HMRC expects to publish draft guidance for consultation at Budget 2018.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Income Tax: workplace charging for all-electric and plug-in hybrid vehicles

Who is likely to be affected

Employers providing facilities for charging vehicles and electricity to employees recharging all-electric or plug-in hybrid vehicles at the workplace, and employees receiving the benefit.

General description of the measure

This measure introduces legislation to exempt from Income Tax and National Insurance contributions (NICs) any liability arising from the provision of charging facilities (including electricity) to employees recharging all-electric or plug-in hybrid vehicles at or near the workplace, where facilities are made available generally to the employer's employees. It does not cover reimbursements for charging elsewhere paid for by the employee.

This measure does not apply to taxable cars and vans (chargeable under the car or van benefit charge respectively). These are taxable as benefits in kind, and the provision of charging facilities and electricity are treated as connected costs already subject to a separate exemption.

Policy objective

The measure will incentivise the take-up of cleaner, less polluting vehicles to support Air Quality initiatives. The government announced this measure to encourage employers to provide charging facilities for all-electric and plug-in hybrid vehicles at the workplace.

Background to the measure

Where an employer provides facilities for charging their employees' all-electric or plug-in hybrid vehicles at the workplace, this is currently treated as a taxable benefit in kind subject to income tax for employees and employer Class 1A NICs.

The government announced in Autumn Budget 2017 that it would introduce an exemption to remove any income tax or NICs liability for charging electric vehicles at work with effect from 6 April 2018. Draft guidance for employers was published on 12 April 2018 – this does not fully reflect the legislation being published and will be updated in the summer. This will support Air Quality initiatives by incentivising the purchase of all-electric and plug-in hybrid vehicles by individuals. There is already an exemption for the provision of charging facilities which applies to taxable cars and vans.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

The measure will have effect from 6 April 2018.

Current law

Liability for treatment as a taxable benefit in kind currently falls within Chapter 10 of Part 3 of the Income Tax (Earnings & Pensions) Act 2003 (ITEPA).

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to exempt the benefit in kind arising from the provision of charging facilities at or near the workplace. This will introduce new section 237A into Chapter 3 Part 4 ITEPA. No changes to NICs legislation are required.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
negligible	negligible	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

This change is expected to affect a small number of those individuals who use an electric/plug-in hybrid vehicle which are not subject to the car or van benefit charge. This is because not all workplace locations are able to provide parking spaces or charging facilities The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This change will impact those sharing protected characteristics which are representative of employees who commute to their workplace using an electric or plug-in hybrid vehicle. They will be in working age groups.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. Businesses that provide charging facilities for the employees will see a one-off cost associated with familiarisation with the changes. They will also see a small on-going saving through the simplification of not having to report the value of the benefit to HMRC.

This measure is designed to support Air Quality initiatives by encouraging employers to provide charging facilities so that more employers choose cleaner, less polluting cars. Therefore there may be some costs associated with this provision. HMRC does not have enough data to assess how much air quality will improve as it will depend on the number of employers who offer charging facilities to their employees.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

Negligible – further guidance will be required to replace the temporary guidance provided to employers on 12 April 2018. HMRC is aiming to publish draft guidance for consultation for Budget 2018.

Other impacts

Wider environment impact and carbon assessment: this measure supports air quality initiatives which in turn affect wider environmental and carbon assessment impacts. HMRC does not currently have enough data to quantify the effect of this measure on these. Allelectric and plug-in hybrid vehicles currently represent a relatively small but growing proportion of market share.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Income Tax: Tax Treatment of Social Security Benefits

Who is likely to be affected

Individuals who are entitled to the specified social security benefits covered by this measure.

General description of the measure

This measure confirms the tax treatment of four existing and five new social security benefits.

Policy objective

The objective of this measure is to confirm the tax treatment of these nine social security benefits.

Background to the measure

Social security benefits are administered by a number of different UK government departments and the devolved administrations. The tax treatment of social security benefits is legislated for within income tax legislation. The tax treatment of new benefits should be confirmed when each one is introduced.

The Scottish government's fiscal framework underpins the powers over tax and welfare that are devolved to Scotland through the Scotland Act. This states that "any new benefits or discretionary payments introduced by the Scottish Government will not be deemed to be income for tax purposes, unless topping up a benefit which is deemed taxable such as Carer's Allowance".

The Scottish government is introducing five social security payments: Young Carer Grant; Best Start Grant; Funeral Expense Assistance; Discretionary Housing Payments; and Carer's Allowance Supplement.

The government is also confirming the tax treatment of another four social security benefits. These are:

- the Council Tax Reduction Scheme, Discretionary Housing Payments and the Flexible Support Fund, overseen by the UK Government
- the Discretionary Support Scheme, overseen by the Northern Ireland Executive

Operative date

This measure will have effect on and after the date of Royal Assent to Finance Bill 2018-19.

Current law

The income tax treatment of social security benefits is legislated for in Part 10 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA).

Section 660 of ITEPA 2003 details the taxable UK benefits in Table A.

Section 677 of ITEPA 2003 details the UK social security benefits wholly exempt from income tax in Table B.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to amend ITEPA 2003 to clarify the income tax treatment of nine social security benefits. The tax treatment of these benefits will be legislated for as follows:

- Young Carer Grant; Best Start Grant; Funeral Expense Assistance; and Discretionary Housing Payments, payable under the Social Security (Scotland) Act 2018, will be legislated for as tax exempt.
- Carer's Allowance Supplement payable under the Social Security (Scotland) Act 2018 will be legislated to confirm the payments are taxable.
- Discretionary Support Scheme payable under the Discretionary Support Regulations (Northern Ireland) 2016, will be legislated for as tax exempt.
- Council Tax Reduction Scheme payable under the Local Government Finance Act 1992 will be legislated for as tax exempt.
- Discretionary Housing Payments payable under the Child Support, Pensions and Social Security Act 2000 will be legislated for as tax exempt.
- Flexible Support Fund payable under the Employment and Training Act 1973 will be legislated for as tax exempt.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
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 affects individuals entitled to the nine social security benefits outlined by confirming their tax treatment as being taxable or tax exempt. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure affects those individuals receiving the specified social security benefits. It does not discriminate on those with protected characteristics. The policy applies equally to those affected by its provisions and in receipt of the relevant benefits.

Carer's Allowance Supplement will be confirmed as taxable; this is a supplementary payment to Carers Allowance, which is a taxable benefit paid by the UK government. The majority of recipients of Carer's Allowance are women and so more women than men will receive the Carer's Allowance Supplement in Scotland. However, the vast majority of those who will receive Carer's Allowance Supplement are expected to have low incomes and will not pay income tax on the payments.

Impact on business including civil society organisations

This measure has no impact on businesses as it only affects individuals who are entitled to the nine social security benefits outlined. 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 have been identified.

Monitoring and evaluation

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

Further advice

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

Increases to charities' small trading exemption limits

Who is likely to be affected

This measure will affect charities.

General description of the measure

This measure will increase the small trading tax exemption limits for charities that apply to trading that does not relate to a charity's primary purpose. The table below shows how the current small trading tax exemption limits are applied across the three limits:

Annual charity income	Maximum non-primary purpose trading
Under £20,000	£5,000
£20,001 to £200,000	25% of your charity's total annual turnover
Over £200,000	£50,000.

This measure will increase the rates to:

Annual charity income	Maximum non-primary purpose trading
Under £32,000	£8,000
£32,000-£320,000	25% of income
Over £320,000	£80,000

Policy objective

This measure will increase the limits to ensure that charities are able to maintain effective delivery of their charitable aims.

Background to the measure

This measure was announced at Budget 2018.

While charities may trade more or less freely in pursuit of their charitable objectives, there are restrictions on engaging in trades solely to generate funds for the charity.

A charity does not pay tax on profits that it makes from charitable trading that is part of its primary purpose, for example, sale of tickets for a theatrical production staged by a theatre. Where a charity's trading does not relate to its primary purpose, for example, a charity sells Christmas cards to raise additional funds, its profits are also exempt from tax if its turnover is below the small trading tax exemption limits

Depending on the particular circumstances of a case, the level of non-charitable trading is one consideration that the Charity Commission for England and Wales (CCEW) uses in determining whether an organisation was established for exclusively charitable purposes. Some charities' governing documents may contain additional restrictions on non-charitable trading. The change in the threshold for tax purposes does not override these provisions and charities will need to ensure that they comply with them even if they satisfy the new threshold for tax purposes.

Detailed proposal

Operative date

The changes to the charities non-primary purpose trading exemption limit come into effect from 6 April 2019 for changes to Income Tax Act 2007 and from 1 April 2019 for changes to Corporation Tax Act 2010.

Current law

The charity tax exemptions that will be affected are in Part 10 of Income Tax Act 2007 and Chapter 3, Part 11 of Corporation Tax Act 2010.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to amend section 528(6) Income Tax Act 2007 and section 482(6) and (7) of Corporation Tax Act 2010. The current exemption threshold of £50,000 will be changed to £80,000 and lower band changed from £5,000 to £8,000.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	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 charities. There is no impact on family formation, stability or breakdown.

Equalities impacts

The equality implications of this measure have been considered, and it is not expected that it will have any adverse impacts on groups with protected characteristics.

Impact on business including civil society organisations

This measure will impact on around 50 charities whose non-primary trading turnover is from £5,000 to £8,000 or from £50,000 to £80,000. One-off costs include familiarisation with this change. It is not anticipated that there will be any ongoing costs. It is anticipated that this measure will have a positive impact on charities who engage in non-primary purpose trading marginally above the current threshold as they will no longer need to set up a trading subsidiary.

Operational impact (£m) (HMRC or other)

There will be no operational impacts for this measure.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be kept under review through regular communication with the charity sector.

Further advice

If you have any questions about this change, please contact J Vambe by email: charitypolicy.taxteam@hmrc.gsi.gov.uk.

Changes to the Income Tax and National Insurance contributions treatment of emergency vehicles

Who is likely to be affected

Emergency Services staff who are provided with emergency vehicles for private use and their employers.

General description of the measure

This measure introduces legislation to:

- extend the scope of the current exemption for emergency vehicles to cover all commuting journeys
- introduce transitional arrangements for the taxation of emergency vehicles under the 'use of assets' legislation to provide more beneficial arrangements for the period 6 April 2017 to 5 April 2020
- allow the cost of fuel to be excluded from the calculation of additional expenses when the employer has not provided any fuel for private use; the cost of fuel for any private mileage has been made good in full; or any reimbursement by the employer is only for fuel used for business mileage

Policy objective

This measure ensures that a small number of employees in the emergency services will not face an immediate, significantly-increased taxable benefit charge for the private use of their emergency vehicle following changes to the 'use of assets' legislation in Finance Act 2017. It will allow further time for them to unwind existing contractual arrangements before they are affected by the rule changes.

Extending the scope of the existing emergency vehicles exemption may mean that fewer users of emergency vehicles are subject to charge under the use of assets rules. Although ordinary commuting is typically considered a private expense, extending the 'on-call' exemption to allow for ordinary commuting in an emergency vehicle is designed to aid the provision of vital public services. This recognises that the emergency services require flexibility to maintain fast response times, and ensures that a tax charge will not discourage employees from taking vehicles home.

Background to the measure

Case law has determined that unmarked emergency vehicles fitted with flashing blue lights, which are made available for private use, are not chargeable to tax under the car benefit legislation in Chapter 6 of Part 3 Income Tax (Earnings and Pensions) Act 2003 (ITEPA), but instead under the use of assets provisions in Chapter 10 of Part 3.

There is an existing exemption in Part 4 of ITEPA for emergency vehicles if the only private use is for on-call commuting or for private journeys made while on-call.

The 'use of assets' legislation was amended in Finance Act 2017 with the intention of broadly reflecting in statute long-standing practice. The changes set out rules for calculating the value of the benefit. Draft legislation was published in December 2016 for technical consultation. During consultation there was no indication that a number of emergency service staff were using emergency vehicles for private use in a way that meant the relevant exemption did not apply. As a result of the changes to the legislation, some individuals faced a significant increase in the taxable value of the benefit.

Following a number of representations made after the introduction of the changes to 'use of assets' legislation, the government decided to amend the law to support the work of the emergency services. There have been no previous announcements of these changes.

Further draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

The legislative changes introduced by the measure will apply retrospectively from 6 April 2017. The transitional arrangements for emergency vehicles will expire after 5 April 2020.

Current law

The current provisions for calculating the cash equivalent of an asset made available for an employee's private use are set out in Chapter 10 of Part 3 of ITEPA. The exemption regarding the use of an emergency vehicle is set out in Chapter 3 of Part 4 of ITEPA.

Proposed revisions

Legislation for Income Tax will be introduced in Finance Bill 2018-19 which:

- introduces transitional arrangements for calculating the income tax payable on the benefit of an emergency vehicle made available for private use for the period 6 April 2017 to 5 April 2020. These will allow the cash equivalent of the benefit to be calculated on the proportion of the ratio of total to non-business miles travelled in the relevant tax year
- amends section 205 of ITEPA 2003 to ensure that fuel provided for the emergency vehicle is not treated as an additional expense, under certain circumstances where - ○ the employer has provided fuel for business use only; ○ the employer has provided fuel for private use and the employee has made good the cost of any private fuel expense in full before 6 July following the end of the relevant tax year
    - the employee has paid for the fuel themselves and only had the business expense reimbursed
- will be applied retrospectively to the beginning of the tax year 2017 to 2018.
- amends section 248A of ITEPA 2003 to extend the exemption so that it can apply where the vehicle is used for ordinary commuting as well as on-call commuting and for private journeys made while on-call. This will also apply retrospectively from the beginning of the 2017 to 2018 tax year

The benefit is subject to Class 1A National Insurance contributions (NICs) and no changes to NICs legislation are required.

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 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 working for the emergency services, as it extends the exemption for those individuals who have modest private usage of emergency vehicles.

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

Equalities impacts

These changes will impact those sharing protected characteristics which are representative of employees who are provided with an emergency vehicle made available for private use. There are more likely to be in working age groups.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on employers. Negligible 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) Negligible

- guidance changes will be required.

As the legislation is being made retrospective, by virtue of its powers of collection and management, HMRC will not be collecting tax that would otherwise be due under the Finance Act 2017 changes.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Corporation Tax: changes to exit charges

Who is likely to be affected

Companies that become or cease to be resident in the UK for tax purposes, or that transfer assets into or out of a Permanent Establishment (PE).

General description of the measure

This measure makes changes to the UK rules concerning exit charges on certain unrealised profits or gains. There are changes to the mechanisms for deferring payment of exit charges when companies or assets move within the European Union (EU) or European Economic Area (EEA). There is a new market value rule for assets coming within the charge to UK Corporation Tax (CT) from a State that applies the European Anti-Tax Avoidance Directive (ATAD).

Policy objective

The changes included here implement the provisions of the ATAD. It applies to all taxpayers that are subject to corporate tax in one or more Member States of the European Union and deals with exit taxes on unrealised capital gains on assets transferred out of the tax jurisdiction. The Directive counters the erosion of tax bases and the cross-border shifting of profits, providing a simple framework for exit charge rules that will be common across the EU.

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

Background to the measure

The ATAD was adopted on 12 July 2016 and in so far as it relates to exit taxation must be implemented by 1 January 2020.

The changes included in this measure have not been subject to prior consultation.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

The changes included in this measure will have effect from 1 January 2020.

Current law

Relevant current law is as follows:

- Chapter II, Part II and Chapter I Part VI of the Taxation of Chargeable Gains Act 1992 (TCGA 1992)
- Chapter 2 Part 3, Chapter 3 Part 5, Chapter 3 Part 7 and Chapter 14 Part 8 of the Corporation Tax Act 2009 (CTA 2009)
- Section 59FA and Schedule 3ZB of the Taxes Management Act 1970 (TMA 1970)

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19. The principal changes made by this measure will: In TMA 1970:

- Amend the provisions of Schedule 3ZB setting out how tax due under an exit charge payment plan (ECPP) will be payable to replace the current 'simple instalment method' and the 'realisation method' with a single system of deferral as set out in Article 5 of Council Directive (EU) 1164/2016. The revised provision allows for ECPP tax to be payable in instalments over a maximum of five years.
- That 5 year period may be ended earlier in the following circumstances:
  a) The deferral period ends in respect of the whole of the ECPP tax on the occurrence of any of the 'relevant events' set out in current paragraph 13(4)(a) to (d) of Schedule 3ZB.
  b) The deferral period ends in respect of a proportionate part of the ECPP tax if:
     i. there is a disposal of an exit charge asset after the company ceases to be UK resident, or in the case of a non-resident company within Part 2 of the Schedule, a PE qualifying event occurs; or ii. an exit charge asset ceases to be used for the purposes of a business carried on by the company in a relevant EEA territory, which would, for example, include the transfer of the asset to a PE situated in a third country.
- There are consequential changes to the information required to be supplied in a company's notification that it wishes to enter into an ECPP
- An ECPP will only be available if the EEA State to which an asset is moved is party to the provisions of the agreement for the Mutual Assistance on Recovery of Debts, or in the case of an EEA Member State, an equivalent agreement with the EU.
- Provision is also made to set the amount of a tax-geared penalty that a company can be liable to pay if there is a continuing failure to make the payments due under an ECPP.

In TCGA 1992 and CTA 2009:

The alternative reliefs for postponement of exit taxes charged on capital gains or intangible fixed assets under section 187 TCGA 1992 or sections 860-862 CTA 2009 are repealed.

Provision is made to ensure that where assets come within the charge to corporation tax (including corporation tax on chargeable gains) and the company is liable to pay an exit charge on those assets in an EU or EEA state based on the market value, then that value is used as the starting cost for computing any gain or loss on a subsequent realisation of the assets.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	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 or households as it only affects companies.

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

Equalities impacts

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

Impact on business including civil society organisations

There is no administrative impact on businesses or on civil society organisations. Only those small number of companies considering entering into an exit charge payment plan on transfer to an EEA territory need to familiarise themselves with the rules, and this would be required under the old rules as well because this legislation does not affect companies in the normal course of their business.

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 Philip Donlan on 03000 585504 or email: philip.donlan@hmrc.gsi.gov.uk.

Capital Allowances: Structures and Buildings Allowance

Who is likely to be affected?

Businesses incurring qualifying expenditure on new structures and buildings on or after 29 October 2018.

General description of the measure

This measure will introduce a new Structures and Buildings Allowance (SBA), available from 29 October 2018 on qualifying costs for new non-residential structures and buildings. The rate of SBA will be at 2% on a straight-line basis.

The SBA will be introduced in Finance Bill 2018-19. A technical note will be published at Budget 2018. Detailed provision will be made in Regulations, expected to be laid [in early 2019].

Policy objective

The SBA aims to relieve the construction costs for new structures and buildings used for qualifying purposes over their lifetime. This will support business investment in constructing new structures and buildings including necessary preparatory costs, and the improvement of existing ones, as well as improving the international competitiveness of the UK's capital allowances system.

Background to the measure

The Government announced at Budget 2018 that it will introduce a new Structures and Buildings Allowance, available on expenditure from Budget Day (29 October 2018). HM Revenue and Customs (HMRC) published a technical note alongside the announcement.

Detailed proposal

Operative date

The measure will have effect for qualifying expenditure where the contract for construction of the relevant structure or building was entered into on or after 29 October 2018.

Current law

The Capital Allowances Act 2001 (CAA01) sets out the capital allowances available on business assets. None are currently available for expenditure on most structures and buildings.

Proposed revisions

Legislation will be introduced in the Finance Bill 2018-19 to provide for the SBA, including powers to give effect to provisions through statutory instrument. The technical note outlines key aspects of the relief.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-55	-165	-260	-365	-475	-585

These figures are set out in Table 2.1 of Budget 2018 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

This measure will have a positive impact on business investment.

Impact on individuals, households and families

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

Equalities impacts

It is not anticipated that this measure will have any impacts for those in groups with protected characteristics.

Impact on business including civil society organisations

This measure will help to stimulate business investment in the UK economy by providing an incentive for businesses to invest in non-residential structures and buildings. Businesses will need to assess their capital allowance entitlement for non-residential structures and buildings, and to claim it as a deduction in computing their taxable profits. A new TIIN with more detailed impacts will published in early 2019.

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

Operational impact (£m) (HMRC or other)

Changes to HMRC systems will be needed for this measure to accommodate the change for businesses, with costs estimated at £2.5 million. There will also be further operational costs including for the Valuation Office Agency, which will be set out in a subsequent TIIN.

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 Behroz Rustumji on Telephone: 03000 585921 or email: contact.capitalallowances@hmrc.gsi.gov.uk.

Income Tax: abolishing receipt checking for benchmark scale rates and legislating overseas scale rates

---

Who is likely to be affected

Employers who use benchmark scale rates (BSR) or overseas scale rates (OSR) when paying or reimbursing employees' qualifying expenses incurred when travelling for work.

General description of the measure

This measure removes the requirement for employers to check evidence, such as receipts, of the amounts spent when using BSR to pay or reimburse their employees' qualifying subsistence expenses when travelling for work. The measure also places the concessionary accommodation and subsistence OSR onto a statutory basis and, similarly, there will be no requirement for employers to check evidence of amounts spent. Employers will only be asked to ensure that employees are undertaking qualifying business travel for both BSR and OSR.

Policy objective

Removing the requirement to operate a receipt checking regime for small set amounts under BSR will reduce burdens on employers who use BSR. Placing the OSR on a statutory basis will provide greater certainty for employers.

Background to the measure

This measure was announced at Autumn Budget 2017 following a call for evidence on the taxation of employee expenses in summer 2017.

BSR are the maximum amounts an employer can pay or reimburse in respect of deductible subsistence expenses, free of tax and National Insurance contributions (NICs), without reporting the payments to HMRC under this system. An employer may choose to pay less. If a higher amount is paid, the excess is subject to tax and NICs. Alternatively, employers may pay or reimburse employees' actual expenses or use bespoke scale rates, agreed separately with HMRC.

BSR cover modest meal allowances with which employers can reimburse their employees for food and drink costs, as follows:

Travel time	Description of meal allowance	Maximum total	Maximum total if travel is still ongoing at 8pm
5 hours or more	Up to £5	£5	£15
10 hours or more	Up to £10	£10	£20
15 hours or more and ongoing at 8pm	Up to £25	£25	£25

OSR are amounts published in HMRC guidance that employers can pay or reimburse their employees who travel abroad on business without deducting tax or NICs or reporting the payment to HMRC.

The amounts cover accommodation and subsistence costs. They are dependent on the country and city the employee visits along with the length of time of the visit. Many employers find the OSR a useful and simple way to reimburse employees for the costs that they incur when travelling abroad for work.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

This measure will have effect on and after 6 April 2019.

Current law

For BSR, the current legislation is contained in section 289A of the Income Tax (Earnings & Pensions) Act 2003 (ITEPA) and the amounts are listed in regulations made under the power in section 289A(6)(a): SI 2015/1948 Income Tax (Approved Expenses) Regulations 2015. For NICs the current legislation is contained at paragraph 8A of Part 8 to Schedule 3 of the Social Security (Contributions) Regulations 2001).

Section 289A ITEPA allows employers to pay or reimburse expenses, under BSR, free from tax providing that employers have a system in place to check that employees are incurring amounts in respect of deductible expenses. This means that if the employee had paid the amount themselves with no reimbursement they would have been able to claim a tax deduction under sections 336 to 338 ITEPA for all of the amount.

Paragraph 8A of Part 8 to Schedule 3 of the Social Security (Contributions) Regulations

2001) which allows for any amount which is exempted from income tax under section 289A ITEPA to be disregarded when calculating earnings for Class 1 NICs liability purposes.

OSR are not currently in legislation. The rules and rates are set out in HMRC guidance and published on gov.uk.

Under these existing rules, employers do not need to report payments under BSR or OSR to HMRC. This will not change.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to amend section 289A ITEPA by inserting a number of new subsections. This will provide that expenses paid or reimbursed using BSR will not require employers to operate a system for checking employees' expenditure in order to make the payments free from tax. Instead, legislation will only require employers to ensure that employees are undertaking qualifying travel.

This will also bring OSR into legislation. Similar to BSR, there will be no requirement for employers to operate a system for checking employees' expenditure but they will need to ensure the employees are undertaking qualifying travel.

This measure does not change the monetary rates for BSR or OSR.

Regulations will be laid at a further date after Royal Assent to Finance Bill 2018-19 to set the monetary rates for OSR. This will be the same as the existing rates.

Summary of impacts

Exchequer impact (£m). Abolishing receipt checking for benchmark scale rates

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	negligible	negligible	negligible	negligible	negligible

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

Exchequer impact (£m). Legislating overseas scale rates

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	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 is not expected to have any impact on individuals or households as it only affects employers. Employers may continue to ask their employees to provide receipts.

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

Equalities impacts

It is not anticipated that there will be any equalities impacts for those in groups with protected characteristics.

Impact on business including civil society organisations

This measure will affect all employers who use BSR to pay or reimburse employees subsistence expenses. This measure is expected to create an ongoing administrative saving for businesses. One-off costs include familiarisation with the changes. Ongoing savings include the removal of the need for employers to check evidence of the amounts of expenses incurred by employees (for example, receipts) when paying or reimbursing their employees under BSR. Bringing the OSR into legislation is expected to have a negligible impact on employers as it will formalise existing concessionary processes used by employers.

Operational impact (£m) (HMRC or other)

It is anticipated that there will be negligible operational impacts for HMRC apart from changes to HMRC guidance.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Capital Allowances: Ending enhanced allowances for energy and water efficient plant and machinery

Who is likely to be affected

Businesses purchasing qualifying plant and machinery, as listed on the Energy Technology List (ETL) and Water Technology List (WTL), which use energy efficiently or are environmentally beneficial.

General description of the measure

The measure will update the lists of energy-efficient and environmentally-beneficial technologies and products which are eligible for first-year allowances (FYA) also known as enhanced capital allowances (ECA). The measure will also end the First Year Allowance (FYA) for products on the Energy Technology List (ETL) and Water Technology List (WTL), including the associated first-year tax credit (FYTC), from April 2020 onwards.

The FYA schemes currently 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. The FYTC provides a tax credit for loss-making businesses who invest on qualifying items listed on the technology lists.

Policy objective

Update the Energy Technology List and Water Technology List for 2019 to 20 to reflect developments in eligible technologies.

End the FYA and FYTC for products on the Energy Technology List and Water Technology List from April 2020. The revenue saved by this will be used to fund the Industrial Energy Transformation Fund.

Background to the measure

This measure was announced at Budget 2018.

The ECA for products on the Energy Technology List was introduced in 2001. The ECA for products on the Water Technology List was introduced in 2003. The lists have generally been updated annually.

The ECAs and FYTCs for the Energy Technology List and Water Technology List will be ended in April 2020 to give businesses time to prepare for the changes.

Detailed proposal

Operative date

The updates to the Energy Technology List and Water Technology List will come into effect on the date set by the statutory instrument. The schemes will both end with effect from 1 April 2020 for companies and 6 April 2020 for unincorporated businesses.

Current law

Capital expenditure by businesses 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.

These schemes provide an alternative 100% first year allowance for expenditure on certain energy-saving or environmentally-beneficial technologies (Capital Allowances Act 2001, sections 45A and 45H), which have only been beneficial to a small number of businesses that have fully utilised their AIA.

The government decides on the availability of the FYA, with the qualifying technologies published in the Energy Technology List and the Water Technology List.

Proposed revisions

A statutory instrument will be made to amend the lists of technologies that qualify for the energy-efficient and environmentally-beneficial schemes. Legislation will be introduced in the Finance Bill 2018-19 to:

- remove the FYA scheme for energy-efficient or environmentally-beneficial plant or machinery within sections 45A, 45B, 45C, 45H, 45I and 45J of Capital Allowances Act 2001 (CAA 2001). These sections will be repealed entirely with references to energysaving plant or machinery and environmentally-beneficial plant or machinery being removed within sections 39 and 52(3) CAA 2001.
- amend Schedule A1 to CAA 2001. This will be required to remove the ability for companies and unincorporated businesses to claim first-year tax credits for losses attributable to the environmentally-beneficial scheme. This will come into force from 1 April 2020 for companies and 6 April 2020 for unincorporated businesses.

Summary of impacts

Exchequer impact (£m)

	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
Abolishing the ECAs and FYTC for ETL and WTL	-	+10	+50	+100	+80	+75

These figures are set out in Table 2.1 of Budget 2018 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

The Office for Budget Responsibility has included the impact of the update of the eligibility list separately in its forecast at Budget 2018.

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 is not anticipated that there will be impacts for those in groups sharing protected characteristics.t there will be impacts for those in groups sharing protected characteristics.

Impact on business including civil society organisations

This measure will affect businesses who incur expenditure on plant and machinery that qualify for the schemes.

The FYA for the schemes allow qualifying expenditure to be written off in the accounting period in which the investment is made, thereby improving businesses cash flow. For the vast majority of businesses the majority of the expenditure they incur on plant and machinery will still be eligible for full relief under the separate Annual Investment Allowance (AIA), at up to £200,000 per year since 1 January 2016 which will leave their cash flow unchanged.

Other businesses will need to identify the products that qualify and make a claim before the FYA ends in 2020 and claim for their expenditure under the relevant writing down allowance. This means that there will be one-off administrative costs to businesses of changing the allowances they claim, but we do not expect that there will be any ongoing administrative costs.

There will also be one-off costs to businesses from the updates to the ETL and WTL as they familiarise themselves with the new lists.

Small and micro business assessment: This measure applies to all sizes of business, but in practice 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.

These measures will have no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

It is anticipated that there will be minor operational impact on HMRC arising from this measure as changes will be made to tax forms to remove the relevant boxes for claiming the relief.

Other impacts

Carbon assessment and wider environment impact, it is not anticipated that this will result in negative environmental impacts.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from BEIS and Defra until it comes to an end in 2020. The lists of technologies and products that qualify for the schemes have been reviewed by BEIS and Defra to ensure that the lists remain updated 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 03000 585916 or email tunde.ojetola@hmrc.gsi.gov.uk

Capital Gains Tax: payment window for residential property gains

Who is likely to be affected

Individuals, trustees and personal representatives of deceased persons who sell or otherwise dispose of residential property.

General description of the measure

The measure introduces a requirement for UK residents to make a payment on account of Capital Gains Tax (CGT) following the completion of a residential property disposal. It also expands an existing similar requirement for non-residents (including UK residents that make disposals in the overseas part of a split tax year).

Policy objective

Capital gains that arise when a second home or a rental property is sold or otherwise disposed of can be significant. The government thinks it is right that tax is paid sooner in respect of gains from residential property to reduce error and increase compliance.

Background to the measure

The measure was announced at Autumn Statement 2015 and Budget 2017 announced deferral of its introduction until April 2020. A technical consultation was conducted between 11 April and 6 June 2018.

A summary of responses was published alongside draft legislation for consultation on 6 July 2018.

Detailed proposal

Operative date

For UK residents, the measure will have effect for disposals made on or after 6 April 2020. For non-UK residents changes have effect for disposals on or after 6 April 2019 and 6 April 2020.

Current law

The current law for declaring and making payments of CGT is contained in the Taxes Management Act (TMA) 1970. Sections 7 to 9C contain the main provisions for the making of self-assessment returns of income and gains. Section 59B sets out when any CGT due for a year of assessment is payable. In most cases it is 31 January following the end of the year.

For non-residents, sections 12ZA to 12ZN set out when a return reporting a disposal of a UK residential property must be made to HMRC (whether or not a gain is realised) and section 59AA makes provision on an associated requirement to make a payment on account of CGT liabilities. Where required, the return and payment is due within 30 days of the disposal being completed.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to replace sections 12ZA to 12ZN and section 59AA of TMA 1970 with a new Schedule that will form a part of the subsequent Finance Act.

The Schedule, which will apply to both residents and non-residents, sets out the circumstances when a return of a residential property disposal is required to be delivered to HMRC and how to calculate the amount payable on account of the person's liability to CGT for the tax year in which the disposal takes place.

The general rule will be that a return in respect of the disposal must be delivered to HMRC within a 'payment window' of 30 days following the completion of the disposal, and a payment on account made at the same time. The self-assessed calculation of the amount payable on account takes into consideration unused losses and the person's annual exempt amount. The rate of tax for individuals is determined after making a reasonable estimate of the amount of taxable income for the year.

Gains on disposals reported on the new return can be ignored when determining whether to register for self-assessment. Enquiries into the return will be able to be made separately from any self-assessment return that may be due.

For disposals by UK residents, the new reporting and payment requirements will not apply where the gain on the disposal (or the total gain where more than one residential property disposal is made in the year of assessment) is not chargeable to CGT (for example where the gains are covered by private residence relief, unused losses or the annual exempt amount), arise from the disposal of a foreign residential property in a country covered by a CGT double taxation agreement, or arise to a person taxed on the remittance basis.

For non-residents, the reporting requirement is expanded from 6 April 2019 to include all companies. However, an exception from making a payment on account for those that make self-assessment returns will cease for disposals on or after 6 April 2020 in line with the introduction of payment on account for UK residents.

The Schedule also contains provisions relating to disposals by non-residents of UK nonresidential property and indirect disposals, which have effect from 6 April 2019. Further information on this is given in the Tax Information and Impact Note 'Capital Gains Tax and Corporation Tax: Taxing gains made by non-residents on UK immovable property'.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
nil	nil	-1,200	+950	+235	+10

These figures are set out in Table 2.1 of Autumn Budget 2017 as 'Capital Gains Tax payment window reduction: delay to April 2020' 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.

2017 to 2018	2018to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
nil	nil	+1,200	+310	+100	+100

These figures are set out in Table 2.2 of Autumn Budget 2017 as ‘Capital Gains Tax: reduce payment window for residential property’ and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2015.

The overall Exchequer impact is a summation of the two sets of figures presented above.

Economic impact

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

The measure includes a behavioural effect to account for those who continue to pay on the premeasure timescales due to error or lack of awareness. It also includes a small compliance benefit.

Impact on individuals, households and families

Individuals and households will be impacted if they dispose of residential property on which chargeable gains arise, for example a second home. Costs include determining whether a payment on account is due and, where applicable, preparing and submitting a return of the disposal and the amount payable. It is expected that these costs will be negligible.

Where losses arise after the gain has been accounted for, this may reduce the amount of tax due. Losses may claimable immediately when a residential property is disposed of for a loss or as part of the self-assessment reconciliation process after the end of the tax year. Repayment interest will be payable on any amount of tax overpaid and is set at the Bank of England base rate minus 1% with a ‘floor’ of 0.5%.

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

Equalities impacts

Older persons are expected to be impacted more than young persons as they are more likely to dispose of second homes or residential rental property.

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

Impact on business including civil society organisations

This measure will impact on landlords chargeable to CGT on the sale of residential property.

There may be a cash flow impact on landlords who now have to account for any gains within the new time limit as opposed to at the end of the tax year. The impact on administrative burdens is expected to be negligible. One-off costs include familiarisation with the new requirements and may also include setting up new systems and / or processes. On-going costs include preparing and submitting the return and paying the tax within the new time limit. Estate agents, conveyancers and accountants may also incur a one-off cost of familiarisation with the new rules, in order to be able to advise their clients.

Companies chargeable to corporation tax on gains are not affected (as explained in the tax information and impact note ‘Capital gains tax and corporation tax: taxing gains made by non-residents on UK immovable property’).

Operational impact (£m) (HMRC or other)

Initial indications show there will be HMRC IT costs for these changes, which are currently estimated at approximately £3 million plus any associated resource implications. These costs may change depending on the final solution chosen for delivery.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected by tax returns and feedback from stakeholder groups.

Further advice

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

First-year allowance for electric charge-points

Who is likely to be affected

Any business incurring qualifying expenditure on the acquisition of new and unused electric charge-points.

General description of the measure

The measure extends the current 100% first-year allowance (FYA) for expenditure incurred on electric charge-point equipment.

The allowance will expire on 31 March 2023 for Corporation Tax purposes and 5 April 2023 for Income Tax purposes.

Policy objective

The measure is designed to encourage the use of electric vehicles by supporting the development and installation of electric charging equipment of such vehicles. It will promote the use of cleaner vehicles by making electric charge-points a more common feature.

The measure complements the 100% FYA for expenditure on cars with low carbon dioxide emissions and 100% FYA for expenditure on zero-emission goods vehicles.

Background to the measure

This measure was first introduced on 23 November 2016 to support the transition in the UK to cleaner vehicles with zero or ultra-low emissions, which will improve air quality and make the UK a more environmentally friendly place.

Detailed proposal

Operative date

The measure will have effect for expenditure incurred on or after 1 April 2019 for Corporation Tax and 6 April 2019 for Income Tax purposes. It will expire on 31 March 2023 for Corporation Tax and 5 April 2023 for Income Tax purposes.

Current law

Current law is contained in Section 45EA Capital Allowances Act 2001.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to extend the FYA for a further four years.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024

negligible	negligible	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

The measure is not expected to impact on individuals or households as capital allowances can only be claimed in the course of business.

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 have a negligible impact on businesses who incur expenditure on plant and machinery that qualifies for the scheme. Businesses will incur a negligible oneoff cost for familiarisation with the new rules. It is not expected there will be any additional on-going costs.

It has not been possible to determine how many businesses use electric vehicles. However, the latest available information suggests that there were around 6,000 separate locations for electric charge-points in existence in September 2018.

Small and micro business assessment - this measure applies to all sizes of business, but in practice it impacts only on those businesses with qualifying plant and machinery expenditure above the level of the annual investment allowance of £200,000.

As a result there is expected to be an extremely limited impact on small firms, the vast majority of which incur less than £200,000 per annum on capital expenditure and who are unlikely to invest in this technology due to the costs of the equipment. Additionally there are separate workplace grants available for businesses who install electric charge points for use of their employees.

This measure will have no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There are no costs to HMRC for this measure.

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 groups.

Further advice

<u>If you have any questions about this change, please contact Tunde Ojetola on Telephone: 03000 585916 or email: tunde.ojetola@hmrc.gsi.gov.uk.</u>

VAT: grouping eligibility criteria amendments

Who is likely to be affected

Prospective users of VAT grouping, such as partnerships and individuals, who control body corporate subsidiaries.

General description of the measure

This measure will allow non-corporate entities to join VAT groups, subject to certain conditions.

Policy objective

This change will help reduce VAT accounting for specific businesses.

Background to the measure

The government announced that it would consult on VAT grouping at Autumn Statement 2016. A consultation document (Scope of VAT Grouping) was published on 5 December 2016.

The government's response to this consultation was published on 5 December 2017.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

This measure will have effect after the date of Royal Assent to Finance Bill 2018-19, on a day to be appointed by Treasury regulations.

Current law

Current law is contained in section 43A-43D of VAT Act 1994. Regulations can be found in VAT (Groups: eligibility) Order 2004.

EU law is contained in Article 11 of the Principal VAT Directive 2006/112.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 amending Section 43A of VAT Act 1994 to allow a non-corporate entity (e.g. partnership or individual) to join a VAT group with its body corporate subsidiaries if it controls all of the members in a VAT group.

Under the new amendment, the non-corporate entity must demonstrate that it controls all of its body corporate subsidiaries. The test at section 43AZA will apply assuming the noncorporate entity would pass the test if it was a corporate body.

Secondary legislation in the VAT (Groups: eligibility) Order 2004, will be amended to prevent a misuse of the new VAT grouping eligibility criteria.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
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 or households as it only affects businesses. There is no impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that there will be an impact on any specific group with protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses and civil society organisations who will now be able to benefit from the VAT grouping provisions. One-off costs include familiarisation with the VAT grouping rules and eligibility criteria. On-going savings will be available to any businesses that join a VAT group as they will no longer need to account for VAT on goods or services supplied between group members and are therefore no longer required to submit individual VAT returns, as a single VAT return is submitted for the whole group.

Operational impact (£m) (HMRC or other)

This measure is expected to have a negligible operational impact.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

There will be ongoing monitoring through receipts of new VAT grouping applications and information collected on tax returns.

Further advice

If you have any questions about this change, please contact John Quayle by email: cit.vatregistration&accountingpolicy@hmrc.gsi.gov.uk

Capital Allowances: Reduction of rate of special writing down allowance:

Who is likely to be affected

Businesses investing in plant and machinery which qualifies for the special rate writing down allowance.

General description of the measure

This measure reduces the rate of writing-down allowance (WDA) on the special rate pool of plant and machinery from 8% to 6%.

No other part of the Capital Allowances Act 2001 (CAA 2001) is affected by this measure.

Policy objective

Reducing this rate will mean that businesses continue to receive full tax relief to reflect the depreciation of plant and machinery assets, but over an extended timeframe.

Background to the measure

This measure was announced at Budget 2018.

Capital allowances allow businesses to write off the costs of capital assets, such as plant or machinery, against their taxable income. They take the place of commercial depreciation, which is not allowed for tax.

Special rate expenditure includes expenditure on long-life assets, thermal insulation, integral features and expenditure incurred on or after 1 April 2018 on cars with CO_2 emissions of more than 110 grams per kilometre driven.

This measure does not change the WDA on the main pool which is currently 18%, nor does it change the WDA on the special rate pool for ring fence trades which is currently 10%.

This measure is introduced in conjunction with a new permanent Structures & Buildings Allowance which will support business investment and improve the international competitiveness of the UK capital allowances regime.

Detailed proposal

Operative date

The new rate will be effective from:

- 1 April 2019 for businesses within the charge to corporation tax and
- 6 April 2019 for businesses within the charge to income tax

For businesses whose chargeable period spans 1 April (corporation tax) or 6 April (income tax), a hybrid rate will have effect for unrelieved expenditure in the special rate pool. The hybrid rate will be based on the proportion of a chargeable period falling before the change date and the corresponding proportion falling after the change date.

Current law

The current law is in found within Part 2 of CAA 2001.

The special rate of plant or machinery WDA is currently 8% per annum on a reducing balance basis.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to The special rate of WDA will be changed from 8% to 6%.

The legislation will be changed by substituting 8% with 6% in the following sections of CAA 2001:

- section 104D(1)
- section 56(2)(a)
- the heading of section 104D, and
- section 104E(1)(a)

The law remains unchanged for ring fence trades, which will retain the 10% WDA rate for the special rate pool.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
+75	+250	+360	+325	+315	+305

These figures are set out in Table 2.1 of Budget 2018 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

This measure will have a small, negative impact on business investment.

Impact on individuals, households and families

This measure has no impact on individuals as claiming capital allowances and reducing the rate of WDA are business measures. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

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

Impact on business including civil society organisations

This measure will impact **240,000** businesses qualifying for capital allowances not covered by a valid claim for Annual Investment Allowance (AIA). It is anticipated that many businesses will not be affected by the decrease in the capital allowance rate and will be able to claim for all expenditure in the year which it is incurred using their AIA entitlement. However, businesses still claiming capital allowances for expenditure incurred in earlier years or who claim capital allowances for any expenditure not covered by the AIA may be adversely affected by the decrease in the capital allowance rate.

The impact on admin burdens is expected to be negligible as businesses will be making capital allowances calculations in the same way as before. One-off costs may include familiarisation with the new rules and updating software to reflect the new rate. It is not expected that there will be any on-going costs. There is no impact on civil society organisations. There is no impact on ring fence trades.

Operational impact (£m) (HMRC or other)

The additional costs for HMRC implementing this change are estimated to be in the region of £68,000.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Behroz Rustumji on 03000 585921 or email: behroz.rustumji@hmrc.gsi.gov.uk

Gaming duty: accounting periods and administration of the tax

Who is likely to be affected UK

casino operators.

General description of the measure

This measure makes changes to the way gaming duty is calculated and accounted for. Businesses liable to gaming duty will be required to complete returns on a 6 monthly basis and will no longer be required to make payments on account part way through their accounting periods. This measure also allows businesses to carry forward losses from one accounting period to be offset against future gaming duty liabilities.

Policy objective

This measure brings gaming duty more into line with the administration of other gambling duties. It simplifies the accounting process for casino operators, and the ability to carryforward losses makes the tax system fairer.

Background to the measure

The government announced at Autumn Budget 2017 that it would consult on options to bring the administration of gaming duty more into line with other gambling duties. On 9 April 2018, HMRC published a consultation 'Gaming Duty: review of accounting periods' to gather views on options for change. This consultation closed on 4 June 2018.

A summary of responses and draft legislation were published on 6 July 2018.

Detailed proposal

Operative date

The changes made by this measure will have effect on 1 October 2019.

Current law

Current law is found in Part I of the Finance Act 1997 and the Gaming Duty Regulations 1997 (S.I. 1997/2196). The Finance Act 1997 defines gaming duty accounting periods and sets out the current bands of gross gaming yield and duty rates. Part II of the Regulations sets out the requirement for payments on account.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 which will amend Finance Act 1997 and the Gaming Duty Regulations 1997. The amendments will:

- amend paragraph 9 of Schedule 1 to Finance Act 1997 to provide for HMRC to be able to direct, or agree, 'alternative accounting periods' that may be longer or shorter than the standard six calendar month accounting period or start other than in April or October, and inserts new sections 11(4A) and (4B) to apportion the duty as appropriate
- allow for losses in one accounting period to be carried forward and used to reduce duty liability in future accounting periods

- remove the current obligation to make payments on account
- provide for transitional arrangements to bring all accounting periods under the current system to a close on 30 September 2019, and begin all accounting periods under the new system from 1 October 2019.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024

The Office for Budget Responsibility has included the impact of this measure in its forecast at Budget 2018.

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 businesses that are required to account for gaming duty.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure will impact on approximately 50 casino operators.

These businesses are expected to benefit from the simplified accounting process, removing the requirement to make payments on account, and the ability to now carry-forward their losses, which makes the tax system fairer for them. The impact on admin burdens is expected to be negligible. One off costs include familiarisation with the new rules, and could include an initial updating of systems to reflect the new accounting periods and the ability to carry forward losses.

On-going savings may result from the need to submit returns less frequently.

There is no impact on civil society organisations

Operational impact (£m) (HMRC or other)

HMRC will incur costs adapting existing IT systems to deliver this change at an estimated cost of £200,000.

Customers will move from 4 to 2 returns each year and will see changes to the return format to accommodate the carry-forward of losses.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact John Waller on Telephone: 03000 588063 or email: john.c.waller@hmrc.gsi.gov.uk.

Capital allowances: clarification of allowances for costs of altering land

Who is likely to be affected

Businesses who claim Capital Allowances on the cost of altering land for the purpose only of installing plant or machinery.

General description of the measure

The measure amends legislation in sections 21 and 22 Capital Allowances Act 2001 to clarify which expenditure on altering land may qualify for capital allowances for the purposes of installing plant or machinery.

Allowances are intended to relieve the cost of altering land necessary to install only plant or machinery eligible for capital allowances. They are not intended to relieve the cost of altering land to install assets (most buildings and structures) that are ineligible for capital allowances.

Policy objective

The measure will put beyond doubt Parliament's intention that land alteration expenditure may qualify for plant or machinery capital allowances only where the plant or machinery itself qualifies for capital allowances.

Background to the measure

This measure was announced at Budget 2018.

Capital Allowances provide tax relief for expenditure on the provision of qualifying plant or machinery. Capital expenditure on altering land only for the purposes of installing qualifying plant or machinery may qualify for capital allowances where the plant or machinery being installed also qualifies.

Budget 2018 also announces a new relief for structures and buildings which will provide relief for land alteration connected to the construction of structures and buildings.

Detailed proposal

Operative date

The measure will have effect for claims on or after 29 October 2018.

Current law

The current law is contained in Capital Allowances Act 2001 (CAA01) section 21, section 22 and section 23.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to clarify the scope of the relief given by CAA2001 for altering land in connection with qualifying expenditure on plant and machinery.

CAA2001 provides for relief for expenditure on the provision of plant or machinery. Sections

21 and 22 provide that expenditure on the provision of plant or machinery does not include expenditure on certain buildings, structures, assets and works. This is subject to exceptions detailed in section 23.

This measure amends sections 21 or 22 to make it clear that any reference to “plant” in section 23, List C does not apply to assets listed in sections 21 or 22.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
nil	nil	nil	nil	nil	nil

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 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 this measure will have impacts on groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to impact on a small number of businesses that install plant and machinery via land alteration. Whilst high in capital expenditure value terms, the number of these businesses are low in volume. One-off costs could include familiarisation with this measure and updating software. 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 are no operational impacts.

Other impacts

There are no impacts on climate and fuel poverty target or Air Quality Targets.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through tax return forms.

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: Treatment of vouchers from 1 January 2019

Who is likely to be affected

Businesses such as retailers and distributors that are engaged in the buying, selling or redemption of vouchers.

General description of the measure

The government will implement an EU Directive on the VAT treatment of vouchers in time for the required date of 1 January 2019. This will simplify the rules for the tax treatment of vouchers, especially where they can be used either in the UK or more widely in the EU. This will prevent either non-taxation or double taxation of goods or services which relate to vouchers.

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

This measure introduces legislation providing for the VAT treatment of vouchers issued on or after 1 January 2019. It affects only vouchers for which a payment has been made and which will be used to buy something. The measure does not apply to vouchers issued before 1 January 2019, for which existing rules will continue to apply.

Vouchers, in this context, are gift cards and gift tokens, with examples including simple book tokens, gift vouchers, and electronic vouchers purchased from specialist businesses. The changes do not apply to discount vouchers or money-off tokens.

Under current UK VAT legislation, the customer is deemed to be receiving two supplies: (1) a voucher; and (2) an underlying supply of goods or services. The measure makes it clear that for VAT purposes there will no longer be a separate supply of a voucher. Instead the rules will be simplified so that there is only the supply of the underlying goods or services, which will be provided in exchange for the voucher at a later date.

There are already rules in UK VAT legislation governing the taxation of vouchers, and these will continue for vouchers issued before 1 January 2019. The new rules will introduce some new concepts and changes in the chain of buying and selling certain types of voucher but, from the consumer's perspective, there should not be any noticeable change. A £50 voucher will still buy £50 worth of identifiable goods or services from one or more identifiable supplier. HMRC will assist businesses in applying the new rules.

Policy objective

The government's objective is to ensure the amounts customers pay when using vouchers is better reflected in the tax base. We also wants to make improvements for business by modernising and harmonising the VAT treatment of vouchers. It aims to do this by providing new, clear rules which separate vouchers with a single purpose (e.g. a traditional book token) from the more complex gift vouchers. We also sets out how and when VAT should be accounted for in each case. The new legislation is not concerned with the scope of VAT and whether VAT is due, but only the question of when VAT is due.

Background to the measure

The EU Vouchers Directive (Council Directive (EU) 2016/1065) was agreed on 27 June 2016. This Directive amends the Principal VAT Directive (2006/112) and legislates for a common VAT treatment of vouchers across the EU.

The measure bringing the Directive into effect was announced at Autumn Budget 2017. A 'VAT and Vouchers' consultation ran from 1 December 2017 to 23 February 2018 to seek views on the measure. Both before and during this time, HMRC engaged with representative groups of affected businesses.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

The measure will have effect for vouchers issued on or after 1 January 2019.

Current law

Current law is included in Schedule 10A of the VAT Act 1994. This will remain in force for vouchers issued prior to 1 January 2019.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to transpose Council Directive (EU) 2016/1065 into the VAT Act 1994. Section 51B and Schedule 10A of the Act will be amended. Sections 51C, 51D and Schedule 10B of the Act will be inserted. There is a consequential amendment to VAT Regulations 1995/2518, Regulation 38ZA(2), which relates to manufacturer refunds.

Existing legislation refers to face value vouchers and deems the supply of such a voucher to be a supply of services. The new rules will refer to a voucher issued for consideration in physical or electronic form in relation to which a number of conditions must be met.

- one or more persons are under an obligation to accept it as consideration or partconsideration for the supply of goods or services;
- the identities of those goods or services and of their potential suppliers are limited and expressly indicated; and is transferable by gift.

The rules will exclude discount vouchers, transport tickets, admission tickets and postage stamps.

Existing legislation identifies vouchers for goods or services where only one VAT rate applies (single purpose) and vouchers where several VAT rates could apply because the voucher can be used to buy different products. The latter are then subdivided into (i) credit vouchers, where the issuer is not generally the redeemer and (ii) retailer vouchers where the retailer does both issue and redeem. With single purpose vouchers, any VAT due is paid when the voucher is issued or subsequently transferred (but not when it is redeemed). With credit vouchers, any VAT due is paid when the voucher is redeemed, whereas with retailer vouchers, any VAT due is paid when the voucher is transferred after issue and when it is redeemed.

The new rules will simply refer to single purpose vouchers and multi-purpose vouchers. A single purpose voucher will be one where, at the time of issue, both the liability to VAT and the place of supply of the underlying goods or services are known. Any VAT due on those underlying goods or services is paid at the point of issue of the voucher and at the point of each transfer of it, where these are done for consideration. VAT is not payable when the voucher is redeemed, but if the business redeeming the voucher in exchange for taxable goods or services is different from the business which issued it, there is also a supply of those goods or services from the former business to the latter.

A multi-purpose voucher will be one which is not a single purpose voucher (i.e. a multipurpose voucher will be akin to credit and retailer vouchers currently provided for under Schedule 10A). Any VAT due is only payable when the voucher is redeemed for goods or services. The consideration for that supply will be amount last paid for the voucher or, in the absence of this information, its face value.

There will be a new section in the VAT Act 1994 to deal with postage stamps to maintain the current treatment.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024

The Office for Budget Responsibility has included the impact of this measure in its forecast at Budget 2018.

Economic impact

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

Impact on individuals, households and families

This measure will have no impact on individuals or households as it only affects businesses. There is no 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 impact mainly large retailers who redeem vouchers, businesses who supply vouchers and businesses that use vouchers as part of their business promotion schemes. There is no impact on civil society organisations.

Businesses may see an increase in business admin burdens initially, but overall the admin burden is expected to be negligible.

One-off costs include familiarisation with the new rules and may also include:

- setting up new systems and processes in order to identify and separate vouchers issued before and after 1 January 2019;

- changing accounting systems or processes to ensure correct VAT accounting from 1 January 2019.

On-going costs are expected to include separating vouchers between single purpose vouchers and multi-purpose vouchers to ensure correct VAT accounting and issuing VAT invoices.

Single purpose vouchers
Businesses who issue single purpose vouchers which were previously treated as credit or retailer vouchers, may have a cash flow impact as the tax will be due on these vouchers at the point of issue and not redemption.

Multi-purpose vouchers
Businesses primarily engaged in buying and selling multi-purpose vouchers will no longer be able to deduct input tax on the costs of operating that activity. Some intermediaries may choose to alter their business model to avoid incurring this VAT burden.

Businesses that are unable to establish if a multi-purpose voucher was last sold for less than the face value so have to account for the VAT on that face value rather than the sale price.

This will result in a small revenue gain to the Exchequer.

Operational impact (£m) (HMRC or other)

HMRC will not incur any costs implementing 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 representatives of affected businesses.

Further advice

If you have any questions about this change, please contact Peter Bennet on telephone: 03000 585559 or email: peter.bennet@hmrc.gsi.gov.uk

Capital allowances: Temporary increase in annual investment allowance for plant and machinery

Who is likely to be affected

Businesses investing more than £200,000 in plant and machinery from January 2019.

General description of the measure

This measure will provide significantly faster tax relief for plant and machinery investments between £200,000 and £1 million, helping businesses to invest and grow.

Policy objective

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

Background to the measure

The maximum amount of the AIA was temporarily increased to £500,000 at Budget 2014. Summer Budget 2015 set the rate of AIA permanently to £200,000 from 1 January 2016. This measure increases the amount of the AIA to £1,000,000 from January 2019.

Detailed proposal

Operative date

The measure will have effect in relation to qualifying expenditure incurred from 1 January 2019.

Current law

Since 1 April 2008 (CT) and 6 April 2008 (IT) most businesses, regardless of size, have been able to claim the AIA on their expenditure on plant or machinery, up to a specified annual amount each year (subject to certain conditions mentioned below). Summer Budget 2015 set the permanent limit of AIA to £200,000 from 1 January 2016.

Businesses are able to claim the AIA in respect of their expenditure on both main rate and ‘special rate’ plant and machinery. There are however certain exceptions, set out in section 38B of the Capital Allowances Act 2001 (CAA), the main exception being expenditure on cars.

The AIA is a 100 per cent upfront allowance that applies to qualifying expenditure up to a specified annual limit or cap. Where businesses spend more than the annual limit, any additional qualifying expenditure will attract relief under the normal capital allowances regime, entering either the main rate or the special rate pool, where it will attract writingdown allowances at the main rate or special rate respectively.

Proposed revisions

Legislation will be introduced in Finance Bill 2018 to temporarily increase the AIA limit to £1,000,000 from 1 January 2019 for two years.

Where a business has a chargeable period that spans either of:

i. the operative date of the increase to £1,000,000 on 1 January 2019, or
ii. the operative date of the reversion to £200,000 on 1 January 2021, transitional rules will apply.

(i) Chargeable periods spanning date of increase to £1,000,000

Where a business has a chargeable period that spans 1 January 2019, the maximum allowance for that business’s transitional chargeable period comprises two parts:

a) the AIA entitlement, based on the £200,000 cap for the portion of the period falling before 1 January 2019.
b) the AIA entitlement, based on the temporary £1,000,000 annual cap for the portion of the period falling on or after 1 January 2019.

The business's maximum AIA for this transitional chargeable period would therefore be the total of (a) + (b).

Example

Where a business has a chargeable period from 1 July 2018 to 30 June 2019 the maximum AIA for this period would be £600,000 calculated as follows:

a) the proportion of the period from 1 July 2018 to 31 December 2018, that is, 6/12 x £200,000 = £100,000; and

b) the proportion of the period from 1 January 2019 to 30 June 2019, that is 6/12 x £1,000,000 = £500,000.

£100,000 + £500,000 = £600,000.

However, in relation to (a) (the part period falling before 1 January 2019, no more than a maximum of £200,000 of the company's actual expenditure in that particular part period would be covered by its transitional AIA entitlement (the maximum claimable before the increase to £500,000).

(ii) Chargeable periods spanning date of reversion to £200,000

Where a business has a chargeable period that spans the date of the end of the temporary increase on 31 December 2020, the maximum allowance for that business's transitional chargeable period comprises two parts:

a) the AIA entitlement, based on the temporary £1,000,000 annual cap for the portion of the period falling before 1 January 2021; and

b) the AIA entitlement, based on the £200,000 cap for the portion of the period falling on or after 1 January 2021.

Example

A company with a 12 month chargeable period from 1 April 2020 to 31 March 2021 would calculate its maximum AIA entitlement based on:

a) the proportion of the period from 1 April 2020 to 31 December 2020, that is, 9/12 x £1,000,000 = £750,000; and

b) the proportion of the period from 1 January 2021 to 31 March 2021, that is 3/12 x £200,000 = £50,000.

The company's maximum AIA for this transitional chargeable period would therefore be the total of (a) + (b) = £750,000 + £50,000 = £800,000,
However, in relation to (b) (the part period falling on or after 1 January 2021) no more than £50,000 of the business's actual expenditure in that part period would be covered by its transitional AIA entitlement.

There are more detailed transitional rules for businesses subject to IT and with a chargeable period spanning the date of the increase of the AIA limit.

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

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-215	-600	-425	+140	+185	+155

These figures are set out in Table 2.1 of Budget 2018 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

By accelerating the relief on qualifying expenditure up to £1,000,000 limit, this measure will provide an incentive for those businesses already spending up to the £200,000 threshold to increase or bring forward their capital expenditure on plant and machinery.

Impact on individuals, households and families

Capital allowances can only be claimed in the course of a business.

Equalities impacts

This measure does not impact on equality of groups sharing protected characteristics.

Impact on business including civil society organisations

Businesses, investing in qualifying plant and machinery, will benefit from the temporary increase. It increases the net present value of capital allowances to investors in plant or machinery and provides a cash flow benefit, likely to be of most help to large and mediumsized businesses spending up to the current £200,000 threshold.

The temporary increase in the allowance to £1,000,000 is not expected to result in any material compliance costs for businesses.

The impacts on businesses' on-going administrative burdens are also expected to be negligible as most of the businesses affected are likely to still need to calculate some capital allowances on a year-by-year basis for previously pooled expenditure and/or new expenditure not qualifying for the temporary £1,000,000 AIA.

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

Small and micro business (SMEs) assessment: the temporary increase in the AIA is expected to be of benefit to the largest SMEs and smallest large businesses who regularly exceed their first year allowances claims but have significant capital expenditure which would otherwise be relieved at 18 percent.

Operational impact (£m) (HMRC or other)

Changes will be needed to HMRC IT systems for this measure and the costs are estimated to be £440,000.

Other impacts

Environmental Impacts: the temporary increase in the AIA will be of benefit to businesses who previously purchased items from the energy-saving and environmentally-beneficial lists which were eligible for first-year allowances which is due to end in 2020.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Tunde Ojetola on telephone: 03000 585916 or email: contact.capitalallowances@hmrc.gsi.gov.uk.

Climate Change Levy: exemption for energy used in mineralogical and metallurgical processes

Who is likely to be affected

Businesses entitled to claim the exemption from the Climate Change Levy (CCL) on the energy they use in mineralogical and metallurgical processes.

General description of the measure

This measure amends the definition of mineralogical processes so that the exemption, for energy used in those processes, remains operable following the UK's departure from the EU; and clarifies that a landlord can claim the exemption for both mineralogical and metallurgical processes on behalf of a tenant.

Policy objective

The measure maintains the current scope of the exemption on mineralogical processes following the UK's departure from the EU; and, in response to representations from stakeholders, to ensure that businesses entitled to the exemption for energy used in mineralogical and metallurgical processes are not precluded from benefitting because they are tenants.

Background to the measure

The exemption from CCL for energy used in mineralogical and metallurgical processes was introduced on 1 April 2014 to help reduce costs of businesses in these sectors, which are some of the most energy intensive as well as being subject to high levels of international competition.

Mineralogical processes are defined in legislation by reference to the Energy Taxation Directive whereas metallurgical processes are defined by reference to NACE codes (an internationally recognised system for classifying economic activity).

The exemption for both processes refers to energy (in practice mainly gas and electricity) being supplied 'to a person' and used 'by a person'. This has the unintended consequence of excluding from the exemption tenanted businesses that carry out mineralogical and metallurgical processes, because they receive their energy via a landlord rather than directly from an energy utility.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

This measure will come into effect following Royal Assent to Finance Bill 2018-19.

Current law

The exemption is set out in paragraph 12(A) of Schedule 6 to the Finance Act 2000.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to amend paragraph 12(A) to redefine mineralogical processes by reference to NACE codes and delete the words “to a person” and ‘by a person’ to make clear that the landlord is entitled to claim the exemption on behalf of a tenant.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	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 does not affect individuals or households.

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

Equalities impacts

This measure is not expected to have any equalities impact.

Impact on business including civil society organisations

The measure is expected to have a negligible impact on businesses. There will be a negligible one-off cost to businesses who will need to familiarise themselves with the changes.

There will be an ongoing savings to affected businesses who are tenants since the measure clarifies that they are entitled to benefit from the exemption. There will also be an ongoing savings for affected landlords, who will no longer have to become directed utilities in order to claim the exemption on behalf of any tenants.

There will be no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC does not expect this will have any measurable impact on HMRC’s operational costs.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Andy Jameson on Telephone: 03000 586082 or email: andy.jameson@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) that 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.

Draft legislation was published for consultation on 6 July 2018.

This tax information and impact note updates the note originally published alongside the draft legislation on 6 July 2018.

Other amendments are being made to the CIR rules in finance bill 2018-19 in response to changes in lease accounting.

Detailed proposal

Operative date

The proposed revisions below are to have effect for periods commencing on or after 1 January 2019, unless otherwise stated.

Current law

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

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to make technical amendments to ensure the rules operate as intended:

- the definition of tax-interest is clarified to ensure that where interest is capitalised in an intangible fixed asset for accounting purposes, and that asset is amortised or written off, the proportion that relates to the capitalised interest should be included in taxinterest (new section 393A)

- the provisions governing the carry forward of unused interest allowance and excess debt cap will be amended to permit these amounts to continue to be carried forward where a new worldwide group comes into existence as a result of the insertion of a new parent company between the old group's ultimate parent company and its shareholders in cases where the shareholders' interests in the new ultimate parent company effectively replicate those in the ultimate parent of the old group (such that the requirements in section 724A Corporation Tax Act 2010 are satisfied) (new sections 395A and 400A) – this will have effect in relation to any change of ownership from 29 October 2018
- the calculation of adjusted net group-interest expense will be amended to ensure that it deals correctly with capitalised interest and that debt releases with a connected company outside of the group do not distort the calculation (sections 413 and 423)
- the calculation of group-EBITDA will be amended to ensure that, when an alternative calculation election has been made, the calculation is aligned with the normal UK tax rules on unpaid employee remuneration (new section 424A)
- the 'change of accounting policy' rule which applies where an alternative calculation election has been made will be amended to ensure that this only applies where there has been an actual change of accounting policy, and to ensure that it includes the property income change of basis rules (section 426)
- the interest allowance (non-consolidated investment) election will be amended to ensure that any additional amounts of adjusted net group-interest expense and qualifying net group-interest expense as a result of this election are included as part of a single calculation in section 413(1) or section 414(1), with section 413(2) or section 414(2) then applying to the resulting amount (section 427)
- the public infrastructure rules will be amended to ensure that a company can still have access to these rules if it holds a pension fund asset and/or deferred tax asset (section 433) – this will be treated as always having had effect
- the public infrastructure rules will also be amended to ensure that, where a company is reimbursed for certain variable operating costs incurred under a contract with a public body, this does not affect the highly predictable nature of the company's income and the company can still access the grandfathering rules (section 439) – this will be treated as always having had effect
- the rules which deal with the CIR treatment for Real Estate Investment Trusts (REITs) will be amended to ensure that REITs are within the scope of the rules as intended and that they do not effectively suffer a double restriction where the financing-cost ratio test at section 543 of Corporation Tax Act 2010 results in 'the excess' being charged to CT (section 452) – the second element of this will be treated as always having had effect
- the administrative rules will be amended to extend the time limit groups have to appoint a reporting company or to revoke such an appointment (paragraphs 1, 2 and 7 of Schedule 7A) - this will have effect from Royal Assent
- the time limits for submitting an interest restriction return will be extended where a worldwide group's period of account comes to an end less than 12 months after it starts because the ultimate parent becomes a member of a successor group, for instance on a takeover (new paragraph 7A of Schedule 7A) – this will have effect where the affected period ends on or after 29 October 2018

- the administrative rules will also be amended to ensure that HMRC can specify other information, as may be reasonably required, to be included in returns (paragraph 20 of Schedule 7A) - this will have effect for returns submitted on or after 1 April 2019

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
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

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on the 3,800 businesses affected by CIR. There may be one-off costs to familiarise themselves with the amendments to the CIR rules. On-going costs are expected to be negligible.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

This measure is not expected to have any operational impacts.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

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.

Exempting zero-emission capable taxis from the Vehicle Excise Duty expensive car supplement

Who is likely to be affected

Taxi drivers and businesses who have purchased a new purpose-built zero-emission capable taxi on or after 1 April 2017.

General description of the measure

This measure will exempt purpose-built zero-emission capable taxis from the VED supplement for cars with a list price of over £40,000.

Policy objective

Given the technical requirements of purpose-built taxis, drivers have limited options when they make a purchasing decision. Most new purpose-built capable taxis are currently liable to pay the VED supplement as they have a list price of over £40,000. Drivers of other vehicles used as taxis or private hire vehicles/private hire cars have many choices of vehicle that cost less than £40,000. Therefore, as announced at Autumn Budget 2017, the government is legislating to exempt purpose-built zero-emission capable taxis from the VED supplement.

Background to the measure

A consultation on how to define a purpose-built zero-emission capable taxi in legislation closed on Tuesday 29 May 2018. A summary of responses and draft legislation were published on 6 July 2018.

Detailed proposal

Operative date

The change in the law will apply from 1 April 2019.

As the VED supplement is only payable from the second year of registration, this will mean that most new purpose-built zero-emission capable taxis, first registered on or after 1 April 2018, will be exempt. The exceptions to this are those vehicles first registered on or after 1 April 2018, that have been sold, transferred or are subject to a Statutory Off Road Notification (SORN) within the first twelve months after purchase. In these cases, the eligible taxis would be liable to pay the VED supplement until their VED is renewed on or after 1 April 2019.

Purpose-built zero-emission capable taxis registered on or after 1 April 2017 will pay the VED supplement until their VED is renewed on or after 1 April 2019.

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 2018-19 to amend section 1GE(1) and section 1GE(3) of Schedule 1 of VERA so that purpose-built zero-emission capable taxis, as defined in regulations, are not liable to pay the VED supplement.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	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 is expected to have a positive impact on individuals who purchase purpose-built zero-emission taxis who will now benefit from the VED exemption. There is no impact on family formation, stability or breakdown

Equalities impacts

This measure will impact those sharing protected characteristics which are representative of purpose-built taxi buyers. Whilst the government does not have access to data on purposebuilt taxi buyers, the Department for Transport has published data on the gender of registered keepers of cars and vans which show that those affected are more likely to be male than female.

Impact on business including civil society organisations

This measure is expected to have a positive impact on businesses who manufacture, purchase and operate purpose-built zero-emission capable taxis. The impact on administrative burdens is expected to be negligible. One-off costs include familiarisation with the new exemption. 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)

Noting the small number of vehicles in scope, this measure is expected to have a negligible operational impact.

Other impacts

Wider environment impact and carbon assessment: by strengthening the incentive to purchase zero-emission capable taxis over conventionally fuelled taxis, this measure is expected to contribute to the UK's carbon emissions and air quality targets.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the Energy and Transport Taxes Team at the following email address: ETTAnswers@HMTreasury.gov.uk.

Income Tax and Corporation Tax: tax response to accounting changes for leasing

Who is likely to be affected

These changes are relevant to any business that is either a lessee or lessor of business assets, and in particular for those businesses adopting the new lease accounting standard, IFRS 16.

General description of the measure

This measure makes technical amendments to a number of parts of the tax legislation following the introduction of IFRS 16. In brief, the measure makes technical changes to the following rules:

- Long Funding Lease rules
- Corporate Interest Restriction (CIR) rules
- other rules which make reference to finance leases, included the tax rules for hire purchase contracts, oil activities, Real Estate Investment Trusts (REITs), and the sale of lessors rules

The measure also repeals section 53 of Finance Act (FA) 2011 which required businesses to prepare their tax calculations on the basis of the old accounting treatment. Where this results in a change in the basis of taxation, new rules are introduced to spread the transitional adjustment.

Policy objective

This measure provides certainty and stability for businesses.

A number of the tax rules depend on the classification of leases into operating leases and finance leases. Under IFRS 16, a business will not need to make this distinction in respect of leases where it is the lessee.

These amendments largely maintain the status quo notwithstanding the introduction of IFRS 16 and the repeal of section 53 of FA 2011, by ensuring that leases with the same terms are taxed in the same way regardless of the accounting framework the lessee has adopted.

The repeal of section 53 of FA 2011 means that businesses that apply IFRS 16 will not need to recalculate their accounting profits based on the old accounting treatment. This will benefit business by reducing administrative costs.

Spreading the tax effect of the transitional adjustment upon adoption of IFRS 16 protects Exchequer receipts whilst ensuring fairness for lessees regardless of which of the accounting options they choose.

Background to the measure

The International Accounting Standards Board issued IFRS 16 on 13 January 2016.

The government published a discussion document on 9 August 2016 seeking views on the options for tax responses to the introduction of IFRS 16. The discussion ran until 30 October 2016.

A summary of the responses to the discussion document was published on 1 December

2017. This set out the government decision that the rules relating to the leasing of plant and machinery would be amended to maintain the same tax outcomes, regardless of any changes in accounting treatment.

A further consultation was launched on 1 December 2017 in conjunction with the response document. The consultation asked various questions about how the legislation could be amended to retain the status quo and what the tax treatment of any transitional adjustments upon adoption of IFRS 16 should be.

On 1 December 2017 the government also published a consultation seeking views on how the CIR rules should be amended.

Both consultations closed on 28 February 2018. Summaries of the responses to both consultations, along with draft legislation, were published on 6 July 2018.

Further amendments which do not relate to leasing are being made to the CIR rules.

Detailed proposal

Operative date

These amendments have effect for periods of account beginning on or after 1 January 2019.

Transitional adjustments recognised upon adoption of IFRS 16 will be spread with effect for periods of account beginning on or after 1 January 2019, including where the lessee adopted the standard for an earlier period.

Certain amendments to the Long Funding Lease rules only have effect for leases entered into on or after 1 January 2019.

Current law

The rules for plant and machinery allowances, including the Long Funding Lease rules, are included in Part 2 of Capital Allowances Act 2001 (CAA 2001).

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

The Income Tax rules for trading income are in Part 2 of Income Tax (Trading and Other Income) Act 2005 (ITTOIA 2005).

The Income Tax rules for property income are in Part 3 of ITTOIA 2005.

The Corporation Tax rules for trading income are in Part 3 of Corporation Tax Act 2009 (CTA 2009).

The rules for oil activities are in Part 8 of Corporation Tax Act 2010 (CTA 2010).

The rules for the leasing of plant or machinery are in Part 9 of CTA 2010.

The rules for Real Estate Investment Trusts are in Part 12 of CTA 2010.

The rule for the taxation of leases and changes to accounting standards is at section 53 of FA 2011.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19. The main elements of the legislative changes are as follows:

- amendments will be made to the Long Funding Lease rules so that an IFRS 16 lessee with a Long Funding Lease can calculate its capital allowance additions and rental restriction, and deal with any revaluation of the lease liability
  (amending sections 70E of CAA 2001, 70YI of CAA 2001, 148G of ITTOIA 2005, 377 of CTA 2010 and 381 of CTA 2010, introducing sections 148GA of ITTOIA 2005 and 377A of CTA 2010)
- any Long Funding Lease held at the time that the new rules take effect will be grandfathered, meaning that it will continue to be taxed on the same basis as before (amending section 70YA of CAA 2001)
- the Long Funding Lease rules will be amended to simplify the definition of a short lease and clarify the interest rate to use when applying the lease payments test
  (amending sections 70I of CAA 2001, 70O of CAA 2001, and 70YF of CAA 2001)
- the definition of a finance lease will be amended in the CIR rules, which will require an IFRS 16 lessee to classify their leases between operating and finance leases for CIR purposes
  (amending section 494 of TIOPA 2010)
- amendments will be made to the rules for oil activities and Real Estate Investment Trusts that will require, in certain circumstances, an IFRS 16 lessee to identify finance leases
  (amending sections 288 of CTA 2010, 331 of CTA 2010, and 544 of CTA 2010)
- the rules for identifying a hire purchase contract for capital allowances claims will be amended to require an IFRS 16 lessee to identify whether the contract would be accounted for as a finance lease
  (amending section 67 of CAA 2001)
- capital allowances anti-avoidance legislation and sale of lessor rules will be amended so that where those rules are relevant for a lessee they will require an IFRS 16 lessee to identify finance leases
  (amending sections 288J of CAA 2001 and 437 of CTA 2010)

In addition, legislation will be introduced in Finance Bill 2018-19 that will repeal the legislation at section 53 of FA 2011 concerning leases and changes to accounting standards. This will allow the amendments introduced for the introduction of IFRS 16 to take effect.

Legislation will be introduced in Finance Bill 2018-19 requiring a lessee to spread any transitional adjustment recognised upon adoption of IFRS 16 over the average remaining length of leases which have given rise to the transitional adjustment.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	negligible	negligible	negligible	negligible	negligible

The measures are expected to have a combined 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 and households because it only affects businesses.

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

Equalities impacts

It is not anticipated that there will be any impact on those with protected characteristics.

Impact on business including civil society organisations

By ensuring that tax rules align with IFRS16, this measure helps business implement IFRS16.

This measure is expected to have a negligible impact on all businesses who are lessees or lessors of business assets. One-off costs may be incurred due to familiarisation with the new rules and changes to reporting systems and processes to comply with the CIR changes. Specifically, businesses will need to classify their leases and some IFRS 16 adopters will need to compute a tax transitional adjustment using the information they obtained when they calculated their accounting transitional adjustment. Ongoing costs are expected to relate to classifying leases between operating and finance leases.

Repealing section 53 of FA 2011 means that companies using IFRS 16 will not be required to also maintain accounts prepared under earlier accounting standards for their leases.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

It is anticipated that changes to HMRC Information Technology systems will be required. These changes have an estimated cost of approximately £400,000.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about the CIR change, please contact Jackie Phillips on Telephone: 03000 564340 or email: interest-restriction.mailbox@hmrc.gsi.gov.uk

For all other questions please contact Ian Woodrow on Telephone: 03000 589538 or email: ian.woodrow@hmrc.gsi.gov.uk

Corporation Tax: UK property income of non-UK resident companies

Who is likely to be affected

Non-UK resident companies that carry on a UK property business either directly, or indirectly for example through a partnership or a transparent collective investment vehicle.

General description of the measure

From 6 April 2020, 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. This change will align with the end of the tax year 2019 to 2020 which ends on 5 April 2020.

Policy objective

This measure will deliver more equal tax treatment for UK and non-UK resident companies in receipt of similar income, and take steps to prevent those that use this difference to reduce their tax bill on UK property through offshore ownership.

Background to the measure

Following announcement at Autumn Statement 2016, the government consulted in March 2017 on the case and options for bringing non-resident companies' UK property income and gains (previously chargeable to Income Tax and Non-Resident Capital Gains Tax respectively) into Corporation Tax.

At Autumn Budget 2017, the government published a response document to the consultation and announced that it would make this change in April 2020. This measure focuses solely on UK property income. Changes to the taxation of non-resident Capital Gains Tax gains are now included within the ambit of the measure 'Capital Gains Tax and Corporation Tax: taxing gains made by non-residents on UK immovable property' with commencement from April 2019.

The draft legislation was published on 6 July 2018. The technical consultation concluded on 31 August 2018. The issue of filing of tax returns by non-UK resident companies that invest in UK property only through large transparent collective investment funds and the reporting obligations of those funds remain under discussion.

This tax information and impact note updates the note published on 6 July 2018.

Detailed proposal

Operative date

The measure will apply to the UK property business income of a non-UK resident company that arises on and after 6 April 2020.

Current law

The current law that applies to the UK property business income of a non-UK resident company is set out at Part 3 of Income Tax (Trading and Other Income) Act 2005 (ITTOIA 2005).

Proposed revisions

Legislation is introduced in Finance Bill 2018-19.

The main change is to amend section 5 of Corporation Tax Act 2009 (CTA 2009) so that, from 6 April 2020, a non-UK resident company that carries on a UK property business will be brought within the scope of Corporation Tax. Section 7 of Income Tax Act 2007 (ITA 2007) will likewise be amended to exclude income chargeable to Corporation Tax from the provisions of Income Tax.

As a result of extending the scope of Corporation Tax to a non-UK resident company that carries on a UK property business, a number of supplementary and consequential amendments are made to the Tax Acts, including new section 55A in Finance Act 2004 and new section 793A in CTA 2009. As part of these changes, a non-UK resident company:

- will not have a disposal event for capital allowances purposes (which could, for example, apply on transition to the new regime) and its income is neither taxed twice nor falls out of account; its expenses are relieved only once
- will not need to notify its chargeability to Corporation Tax in cases where its only UK income source is its UK property business provided that UK tax deducted at source from its rental income fully satisfies its liability to Corporation Tax on the profits of that business

There are also a number of transitional provisions so that a non-UK resident company:

- can carry forward any existing Income Tax losses to be offset only against future UK property business profits chargeable to Corporation Tax
- cannot deduct amounts on derivative contracts that are referable to the period before commencement, and which would not have been relievable under the Income Tax rules (for example, because they are capital in nature)
- can apply the Disregard Regulations (S.I 2004/3256) to hedging derivatives with certain modifications to ensure the rules apply appropriately.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
nil	nil	+700	-300	-15	-20

These figures are set out in Table 2.2 of Budget 2018 as Corporation Tax: UK property income of non-UK resident companies 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.
A behavioural adjustment is made to account for affected companies restructuring their operations and financing in order to minimise any additional tax liabilities arising under the Corporation Tax rules.

Impact on individuals, households and families

This measure has no direct impact on individuals as it only affects companies. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to affect approximately 22,000 non-resident company landlords who will now need to complete and file online a Corporation Tax return CT600 instead of manually completing Form SA700.

HMRC will be writing to these customers during summer 2019 to tell them about the change of tax regime and to let them know their new reference number for Corporation Tax. These customers will be regarded as having notified HMRC of their chargeability to Corporation Tax.

Customers will still need to complete their SA700 for the tax year ending on 5 April 2020 for which a notice to file will be sent to them in April 2020. They will be sent a notice to file a Corporation Tax return after the end of their first Corporation Tax accounting period.

One-off costs will include familiarisation with the Corporation Tax regime and could also include introducing new processes, systems and software in order to correctly account for Corporation Tax.

On-going costs include preparing and filing Corporation Tax returns online. Corporation Tax returns are to be submitted online using the Inline eXtensible Business Reporting Language (known as iXBRL). Companies will be required to add iXBRL tags to their Corporation Tax return, which can be achieved in a number of ways through commercial software, and to file online a copy of their accounts and computations (tagged as appropriate) with the return for that accounting period.

Overall, the on-going costs of compliance are expected to reduce through the facility to file online, although this will vary for different businesses, and some may incur a cost, depending on their size and complexity. Businesses already completing the SA700 will benefit from being able to use online filing instead of manually completing and filing a return under the Income Tax self-assessment regime.

Guidance on the transition from Income Tax to Corporation Tax will be published during 2019 and before the change takes effect.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be a cost to HMRC in transferring customer records from the existing database to the Corporation Tax database and writing to affected customers. This will be incurred during the financial year 2019 to 2020.

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 and monitored through information collected from tax returns.

Further advice

If you have any questions about this change, please contact Susan Gardner by:

- telephone: 03000 563815
- email: susan.m.gardner@hmrc.gsi.gov.uk

Stamp Duty Land Tax: changes to the filing and payment time limits

Who is likely to be affected

Purchasers of land in England and Northern Ireland, and conveyancers and other agents who submit Stamp Duty Land Tax (SDLT) returns and make payments on behalf of purchasers.

General description of the measure

The measure reduces the time limit that purchasers have to file a SDLT return and pay the tax due from 30 days to 14 days. The new time limit will apply to transactions with an effective date on or after 1 March 2019.

Improvements will also be made to the SDLT return and these will be in place when the new time limit begins.

Policy objective

Shortening the time limit to file the SDLT return and pay the tax due will not change liabilities for the purchaser, but it will improve the efficiency of the SDLT system. The majority of returns are already filed within 14 days of the transaction.

Background to the measure

At Autumn Statement 2015, the government announced that the time limit for filing a SDLT return and paying any tax due would be reduced from 30 days to 14 days during 2017 to 2018. A consultation document, 'Stamp duty land tax: changes to the filing and payment process', was published on 10 August 2016 and the government's response document was published on 20 March 2017. At Spring Budget 2017 it was announced that the changes would be delayed to give HMRC time to address the issues raised in the consultation. Autumn Budget 2017 announced that the changes would be implemented with effect from 1 March 2019.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

The 14 day time limit for filing a SDLT return and paying the tax due will apply to land transactions with an effective date on or after 1 March 2019.

Current law

Part 4 Finance Act 2003 contains the main SDLT filing and payment provisions.

Section 76(1) requires a SDLT return for every notifiable land transaction, before the end of 30 days after the effective date of the transaction.

Section 86(1) requires the SDLT to be paid no later than the filing date for the return.

Section 87 contains provisions for charging interest on unpaid tax.

Other provisions require a return to be filed and any tax due, to be paid, where a land transaction was not initially notifiable, but becomes so, as a result of a later event. These are:

- section 80(2) which requires a return in cases where the consideration for a purchase was uncertain or contingent on a future event and the contingency ceases or consideration is ascertained
- section 81A(1) which, in consequence of later linked transaction, requires a return for an earlier transaction
- Schedule 17A paragraphs 3(3), 4(3) and 8(3), which requires returns in relation to certain types of leases

There are also provisions that require a further return to be filed, where as a result of a later event, further tax becomes due. These are:

- section 80(2) in relation to a contingency that ceases or consideration that is ascertained
- sections 81(1), 81(A) and 81ZA , where certain reliefs are withdrawn
- section 81A(1) in relation to linked transactions
- Schedule 6B paragraph 6 (3)(a) which concerns an event that occurs after a claim to multiple dwellings relief
- Schedule 17A paragraphs 3(3), 4(3) and 8(3) which concern cases involving certain types of leases

These further returns are submitted in the form of a letter.

Provisions relating to filing and payment where an application to defer tax has been made are in Part 4 of the Stamp Duty Land Tax (Administration) Regulations (SI 2003/2837). Details relating to the SDLT return forms are in Schedule 2 of those Regulations.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to amend Finance Act 2003. These amendments will reduce the time limit for fling a SDLT return to 14 days, in relation to transactions that are or become notifiable. Therefore revisions will be made to:

- section 76(1): return for a notifiable land transaction
- section 80(2): return in cases where contingency ceases or consideration is ascertained
- section 81A(1): where in consequence of later linked transaction, a return is required for an earlier transaction
- Schedule 17A paragraphs 3(3), 4(3) and 8(3): returns in relation to certain types of leases

The current 30 day filing and payment time limit will continue to apply where a further return is required.

The provisions on time limits to pay SDLT are linked to the filing time limit provisions, and therefore will not need to be amended.

The provision at section 87 regarding interest on unpaid tax will be amended, to ensure that interest will run from the end of 14 days or 30 days, whichever time limit applies.

Amendments to SI 2003/2837 in relation to the filing and payment provisions where an application has been made to defer the payment of tax and the changes to the SDLT returns will be made by Regulations later this year.

Summary of impacts

Exchequer impact (£m)

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-105	+100	negligible	negligible	negligible	negligible

These figures are set out in Table 2.2 of Autumn Budget 2017 documents and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Spring Budget 2017.

Economic impact

The measure is not expected to have any significant macroeconomic impacts. Taxpayer behaviour adjustments have been made to account for the new payment deadlines.

Impact on individuals, households and families

This measure is likely to directly affect fewer than 500 individuals (and households) per year, who file their own SDLT returns without using an agent. The impact is expected to be negligible. One off costs include familiarisation with the new time limit. It is not expected that there will be any on-going costs as the obligation to file a SDLT return is unchanged.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure will affect approximately 20,000 businesses, including small and micro businesses who are mainly licenced conveyancers and solicitors. These businesses act for individuals and companies in filing SDLT returns and making payments on their behalf. The impact on admin burdens is expected to be negligible. One-off costs include familiarisation with the new time limits. On-going costs may include amending systems and/or processes to ensure returns are filed and payments are made within the 14 day deadline. However, many businesses already file and pay within 14 days. Furthermore, the improvements to the SDLT return will help these businesses comply, particularly as, where complex purchases involving leases, less information will be required.   There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will incur costs of approximately £600,000 in making changes to IT systems to implement this measure. The changes include reducing the filing and payment time limit to 14 days and improving the SDLT return to make compliance easier.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

HMRC will continue to review how the policy on filing and payment time limits operate in practice, through review of correspondence with taxpayers and their agents, and liaison with stamp taxes practitioners.

Further advice

If you have any questions about this change, please contact Anne Berriman on Telephone: 03000 585901 or email: anne.berriman@hmrc.gsi.gov.uk or Jane Ewart on Telephone: 03000 585790 or email: jane.ewart1@hmrc.gsi.gov.uk.

Legislating the directive on tax dispute resolution mechanisms in the European Union

Who is likely to be affected

This measure introduces legislation which provides statutory powers to implement the directive on tax dispute resolution mechanisms in the EU (the 'Directive'). It will have no direct impact on taxpayers or business without further detailed implementing legislation.

General description of the measure

The EU convention on the elimination of double taxation in connection with the adjustment of profits of associated enterprises (the 'Arbitration Convention') established a procedure to resolve disputes where double taxation occurs between enterprises of different Member States as a result of an upward adjustment of profits of an enterprise of one Member State. Whilst most bilateral tax treaties included a provision for a corresponding downward adjustment of profits of the associated enterprise concerned, they did not generally impose a binding obligation on the Contracting States to eliminate the double taxation.

The Arbitration Convention provided for the elimination of double taxation by agreement between the states including, if necessary, by reference to the opinion of an independent advisory body.

Following a review, it was concluded that the mechanisms currently provided for in bilateral tax treaties and in the Arbitration Convention might not achieve the effective resolution of double taxation disputes in all cases in a timely manner.

Consequently the Directive was adopted, to build on existing systems in the EU, including the Arbitration Convention.

This measure introduces the primary legislation needed to allow implementation of the Directive in the UK.

Policy objective

Double taxation can create serious obstacles for businesses operating across borders by creating excessive tax burdens leading to inefficiencies and an economic disincentive to trade. A tax dispute resolution system can help to alleviate the issue of double taxation.

The aim of the Directive is to introduce an effective and efficient framework for the resolution of tax disputes which ensures legal certainty and a business-friendly environment for investments.

This measure will allow implementation of the Directive.

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

Background to the measure

The European Council issued Council Directive (EU) 2017/1852 on 10 October 2017 on tax dispute resolution mechanisms in the European Union. Article 22 of the Directive requires Member States to bring into force the laws, regulations and administrative provisions necessary to comply with the Directive by 30 June 2019 at the latest.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

The measure will have effect on the date of Royal Assent to Finance Bill 2018-19.

Current law

The enabling powers for HMRC to operate the Arbitration Convention are contained in sections 126 to 128 Taxation (International and Other Provisions) Act 2010 (TIOPA). The detailed text of the Arbitration Convention can be found in the Official Journal of the European Communities and through the EU website.

Proposed revisions

As the Arbitration Convention is a standalone international convention, this measure will not replace it.

Instead, legislation will be introduced in Finance Bill 2018-19 to insert provisions to TIOPA in order to make provision for, and to allow the Treasury to make regulations for or in connection with the implementation of the Directive.

Summary of impacts

Additional details of the measure will be published in tax information and impact notes for the Regulations.

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
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 introduce powers to implement a directive, it has no impact on taxpayers.

The measure does not impact on family formation, stability or breakdown.

Equalities impacts

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

Impact on business including civil society organisations

As a technical measure to introduce powers to implement a directive, it has no impact on businesses or civil society organisations.

Operational impact (£m) (HMRC or other)

No significant operational impacts have been identified.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The EU Directive requires evaluation by 30 June 2025, 5 years after the deadline for Member States to bring the measure into force.

Further advice

If you have any questions about this change, please contact Martin O'Rourke on Telephone: 03000 515912 or email: martin.o'rourke@hmrc.gsi.gov.uk

Oil and gas taxation: transferable tax history and retention of decommissioning expenditure

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 provides a transferable tax history (TTH) mechanism for oil and gas companies operating on the UK Continental Shelf (UKCS) and amends the Petroleum Revenue Tax (PRT) rules on retained decommissioning costs.

TTH will allow a seller of an interest in a UKCS oil licence to transfer some of its tax history to the buyer of the field. The buyer will then be able to set the decommissioning cost of the field against the TTH. TTH will be available for licence transfers that receive Oil & Gas Authority (OGA) approval on or after 1 November 2018.

The measure will also give Petroleum Revenue Tax (PRT) relief when a seller retains a decommissioning liability. Relief will be available to the buyer where the seller subsequently incurs decommissioning expenditure or where the seller provides the funds for the buyer to decommission. The fact that no relief is currently available in certain circumstances has led to unnecessary complexity in sale and purchase agreements. This will also apply to licence transfers that receive OGA approval on or after 1 November 2018.

Policy objective

The UK oil and gas industry continues to make important contributions to the UK economy. The sector supports over 300,000 jobs, contributes to the UK's energy security by providing around half of our primary energy needs, and has paid around £330 billion in production taxes to date. While the UKCS is a mature basin compared to other prospects, there is still an estimated 20 billion barrels of recoverable oil remaining.

In recent years, the government has taken significant steps to create the right environment for oil and gas producers to maximise economic recovery of the remaining hydrocarbons in the basin. Extending the productive lives of late-life oil and gas fields is an important aspect of this objective, as it leads to new investment, delaying decommissioning and supporting activity in the UKCS for longer. The ability of oil and gas operators to access tax relief on their decommissioning costs depends on the extent of their tax payment history. TTH will level the playing field between existing operators and new entrants to the UKCS, providing certainty on the tax relief available for decommissioning costs. The changes to the PRT legislation will ensure that relief is available without the necessity of structuring complex sale and purchase agreements which will simplify the transfer of late-life assets.

This measure should encourage new investment in the North Sea, and help meet the objective of maximising economic recovery from the UKCS.

This measure is in line with the government's commitment to develop fiscal policy in line with the principles set out in 'Driving Investment: a plan to reform the oil and gas fiscal regime'.

Background to the measure

In March 2017, the government published a discussion paper: 'Tax issues for late-life oil and gas assets'. This invited views on whether changes to the tax system could encourage new investment in older ('late-life') oil and gas fields and infrastructure. One issue identified in the discussion paper was the fact that new companies might not have a history of paying tax, to enable them to get tax relief when they came to decommission. This put new entrants at a disadvantage compared to existing operators, and was a potential barrier to new investment in the UKCS. The paper outlined the concept of a transferable tax history to address this issue, to ensure a level playing field between buyers and sellers of assets. The paper also considered whether changes to PRT could help overcome obstacles to transactions. At the same time, the government established an expert panel to consider the issues in detail.

At Autumn Budget 2017, the government responded by committing to introduce a new TTH mechanism for oil and gas producers. A commitment was also given to consulting on changes to the PRT rules around retained decommissioning obligations.

In order to bring forward the benefit to the UKCS, the legislation allows for the TTH mechanism to be available for deals where the transfer of the licence has been approved by the OGA on or after 1 November 2018.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

The measure allows for the TTH mechanism to be available for deals where the transfer of the licence has been approved by the OGA on or after 1 November 2018. The measure also allows for PRT relief for retained decommissioning expenditure to be available for licence transfers approved by the OGA on after 1 November 2018.

Current law

There is no existing legislation to allow for the transfer of tax history from one company to another.

Current law for the PRT legislation is contained in Paragraph 8 of Schedule 3 to the Oil Taxation Act 1975.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to provide for the mechanism to transfer tax history. On the sale of an interest in a UK oil licence, a seller and buyer will be able to make a joint election to transfer some of the seller's historic ring fence profits, together with the tax charged on those profits (the 'tax history'), to the buyer.

Following the election, the buyer will be able to carry back decommissioning losses against this transferred tax history to generate tax repayments under certain circumstances. The transferred tax history will immediately cease to be available to the seller.

To prevent the commodification of tax history, and to ensure TTH will place buyers in an equivalent position to sellers, the TTH will only become part of the buyer's history, and be capable of providing tax relief for the buyer's decommissioning losses, once it is 'activated'. Activation is dependent on: i) the acquired field having permanently ceased production; ii) total decommissioning costs for the buyer's acquired interest in the field being greater than the profits accrued on the buyer's interest in the field since acquisition. The difference between the post-acquisition profits and the total decommissioning cost of the relevant field interest gives the amount of TTH that is activated.

This will mean that buyers must track the profit or loss of their acquired field interest. This 'tracked profit' will not affect the company's tax liability while the field is producing; it is merely a shadow calculation for the purposes of activating TTH.

Once activated, the TTH becomes part of the buyer's tax history and so if the buyer makes a claim to carry back a decommissioning loss, the loss can be set against the TTH subject to the normal loss carry back rules. This enables the buyer to get tax relief for the decommissioning.

The changes to the PRT legislation will also be introduced in Finance Bill 2018 to 2019. The anti-subsidy rules will be amended so that where the previous participator provides the current participator with funds for decommissioning, the current participator will be entitled to relief. In addition where the previous participator carries out decommissioning directly their costs will be deemed to have been incurred by the current participator and will also be eligible for relief.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
10	25	-5	15	10	10

These figures are set out in Table 2.2 of Budget 2018 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.

However, within the sector, the measure should encourage new investment into late assets in the UK and UKCS which should lead to additional production of oil and gas, helping to increase the UK's energy security, and supporting jobs and supply chain opportunities.

Impact on individuals, households and families

This measure has no impact on individuals or households as it only affects companies. There is no 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 will only impact on current owners of UKCS oil licences, and prospective buyers of such licences. There are around 200 businesses currently extracting oil and gas in the UK and on the UKCS.TTH will be optional, so only those businesses which choose to transfer tax history will be affected by this measure.

For those businesses which do choose to transfer tax history, the measure is expected to have a negligible impact on businesses admin burdens. One-off costs include familiarisation with the new legislation, and the buyer and seller making a joint election in order to transfer tax history. Once the tax history is transferred, the buyer will have certain ongoing obligations to track the profits and decommissioning costs of the field.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be IT costs for HMRC to implement this change, these are estimated to be up to £1.9 million, dependant on the final design.

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.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact tax.oilgas@hmrc.gsi.gov.uk

International Tax Enforcement: disclosable arrangements

Who is likely to be affected

This measure provides powers in legislation for HM Treasury to make regulations to require certain information to be notified to HMRC by individuals and businesses. Those regulations will have an impact on individuals and businesses.

General description of the measure

This measure provides legislation to allow regulations to be made to give effect to international rules on the disclosure of cross border tax arrangements.

Powers are provided to:

- implement a new European Union (EU) directive (Directive 2018/822 which amends Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements)
- implement the new Organisation for Economic Co-operation and Development (OECD) model mandatory disclosure rules, which the EU Directive largely mirrors, should the government decide to implement those

The Directive requires information about certain cross border tax planning arrangements to be notified to EU Member States' tax administrations. The information collected will be automatically shared between all EU Member States.

The government will consult in 2019 on the regulations. In the interim, informal consultation is ongoing and HMRC will set up a working group for affected businesses and representative bodies to discuss issues with HMRC.

This legislation permits modification of other legislation. No decisions have been taken on how any new legislation would interact with existing legislation, and this will be consulted on. Some parts of the Directive are already subject to DOTAS (the Disclosure of Tax Avoidance Scheme rules at Part 7 Finance Act 2004 and in the relevant regulations) so this legislation enables consequential amendments to be made, should it be considered appropriate to do so, to ensure that all the legislation operates seamlessly together.

Policy objective

This measure will enable the government to better tackle tax evasion and avoidance by requiring the disclosure of aggressive tax planning arrangements.

The measure will support the government's consistent action to tackle aggressive tax planning, avoidance and evasion. The UK government has spearheaded international efforts to improve tax transparency, and has been at the forefront of the development of these new rules, working closely with other countries to ensure that they are well targeted and will be effective. The rules will make it harder for people to hide their money from HMRC to avoid or evade paying the tax that they owe, and will help HMRC to enforce existing law.

The rules, when implemented, will give HMRC and other tax administrations access to early, useful information about taxpayers, intermediaries who provided services in connection with these arrangements, their activities in other countries, and the types of cross border arrangements that are entered into. The rules will help control and disrupt cross border tax avoidance and evasion which relies on secrecy.

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

Background to the measure

The response to HMRC's 2017 consultation 'Tackling offshore tax evasion: A requirement to notify HMRC of offshore structures' was clear that HMRC should not undertake this work alone, but should work cooperatively with other countries to apply rules in a consistent and fair way internationally. The UK government proceeded to work closely with international partners.

The EU proposed the Draft Directive on 21 June 2017. The new Directive 2018/822 amends Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements. The Directive came into force on 25 June 2018. The OECD published its report: Model Mandatory Disclosure Rules for CRS Avoidance Arrangements and Opaque Offshore Structures on 9 March 2018.

The UK will bring forward legislation to implement the Directive by 31 December 2019.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

This enabling legislation will have effect on and after the Royal Assent to Finance Bill 201819.

Current law

This is a completely new provision.

Proposed revisions

Legislation in Finance Bill 2018-19 will introduce a power to enable the Treasury to enact regulations to require persons to notify certain cross border arrangements to HMRC. This will be a stand-alone provision in FA 2019.

The power permits the regulations to require persons to notify information in a form and manner and at such intervals as are specified by the regulations, about arrangements entered into before the coming into force of the legislation, to modify existing legislation, to provide for penalties, and to make different provision for different purposes.

Until secondary legislation is implemented there will be no change to the law for individuals and businesses.

Summary of impacts

A tax information and impact note will be published for the subsequent regulations which will set out their impact.

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
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

No individuals are affected by this measure.

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

Equalities impacts

This measure has no equality impact.

Impact on business including civil society organisations

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

Operational impact (£m) (HMRC or other)

This measure has no operational impact.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Helen Baird-Parker on Telephone: 03000 586141 or email: helen.baird-parker@hmrc.gsi.gov.uk.

Corporation Tax: amendments to reform of loss relief rules

Who is likely to be affected

Companies and unincorporated associations that pay Corporation Tax (CT) and have carried-forward losses.

General description of the measure

This measure makes amendments to the reform of loss relief rules for Exchequer protection purposes and to ensure the legislation works as intended.

Policy objective

Loss reform modernised the UK's loss relief regime by increasing the flexibility over the profits that carried-forward losses can be relieved against whilst ensuring that businesses pay tax in each accounting period that they make substantial profits.

This measure includes amendments to ensure that the legislation works as intended and will protect revenue by preventing relief for carried-forward losses being claimed in excess of that intended. The same amendments also have the effect of bringing the treatment of Basic Life Assurance and General Annuity Business (BLAGAB) profits in line with the original policy intent.

These and other amendments made by this measure will ensure the policy objective is met.

Background to the measure

The Loss Reform rules were enacted in sections 18 and 19 and Schedule 4 of Finance (No 2) Act 2017 and apply from 1 April 2017. A tax information and impact note was published on 5 December 2016 and gives further information on the background to the rules.

The inclusion of the special BLAGAB rules in the loss reform legislation created an unintended consequence that may result in relief for carried-forward losses being claimed in excess of that intended. Furthermore, these 'BLAGAB rules' do not fully meet the policy objective as they restrict losses using a measure of profit that is in part not subject to CT; this can lead to excessive relief.

Additionally, other aspects of the legislation require changes to ensure that they work as intended. These relate to:

- the deductions allowance
- terminal relief
- group relief for carried-forward losses

- transfer of a trade without a change of ownership
- oil and gas losses

Detailed proposal

Operative date

The amendments to group relief for carried-forward losses (other than shock losses of insurance companies) are effective from 1 April 2017.

The amendments that ensure the amount of relief claimed and the treatment of BLAGAB profits are in line with the policy intention are effective from 6 July 2018.

All other changes will be effective from 1 April 2019.

Current law

The current law is in Part 7ZA (restrictions on certain deductions), Part 4 (terminal relief), Part 5A (group relief for carried-forward losses), Part 22 (transfers of trade without a change of ownership) and Part 8 (oil activities) of Corporation Tax Act 2010 (CTA 2010). The BLAGAB rules are in Part 7ZA CTA 2010 and Part 2 of the Finance Act 2012.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to ensure the BLAGAB rules work as intended and in doing so prevent excessive claims to relief. Amendments will be made to:

- the computation of ‘relevant profits’ so that the amount of the deductions allowance used is the full amount to which the company is entitled for the accounting period. This will simplify the computation for many and prevent the amount of the relief for carriedforward losses from being inflated (section 269ZD and section 269ZFA of CTA 2010)
- the BLAGAB rules will be changed so that the computation of “relevant profits” is based on the shareholders’ share of the total profits. This will ensure that the amount of restricted carried-forward losses used is consistent with the policy objective (section 269ZD and section 269ZFA of CTA 2010)

Other amendments introduced in Finance Bill 2018-19 will be made to:

- the deductions allowance that may be used by a group member. This will be restricted so that where a company is a member of one group and an “ultimate parent” of another, it can only use a share of the allowance from the group of which it is a member. This will prevent groups from acquiring new members to boost the amount of the deductions allowance available (section 269ZV(5A) of CTA 2010)
- the terminal relief rules to ensure that where the three-year period for which relief is due begins part way through an accounting period, the total relief due for that accounting period is restricted to the proportion of the total profits for the accounting period that falls within the three-year period (section 45G of CTA 2010)
- increase the cap on the amount of profits that can be offset with group relief for carriedforward losses in certain circumstances
- various legislation as a consequence of the extension of the rules for the transfer of a trade under common ownership to include new types of loss introduced by Part 7ZA of CTA 2010

- the description of a particular type of loss carried forward by oil and gas companies (section 304(7) of CTA 2010)

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024

This measure supports the Exchequer in its commitment to protect revenue. The Office for Budget Responsibility has included the impact of this measure in its forecast at Budget 2018.

Economic impact

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

Impact on individuals, households and families

This measure is not expected to impact on individuals, households or family formation, stability or breakdown because it applies only to companies.

Equalities impacts

This measure is not anticipated to have an equality impact on groups sharing protected characteristics.

Impact on business including civil society organisations

This measure will impact on companies that pay CT and have carried-forward losses. Companies in the scope of the BLAGAB rules are also affected by changing the way the loss restriction is calculated. The impact on businesses' admin burdens is expected to be negligible. One-off costs include familiarisation with the new rules and may also include introduction of new processes and/or systems in order to be able to calculate loss relief under the new rules. There is no impact on civil society organisations.

Small companies are within the scope of this measure if they have carried-forward losses although they are unlikely to be affected financially. It is expected that these businesses will benefit from the simplified computation of 'relevant profits'.

Operational impact (£m) (HMRC or other)

The additional costs or savings for HMRC in implementing the proposed revisions set out in this measure are anticipated to be negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through communication with affected taxpayer groups and disclosure of new anti-avoidance schemes to circumvent the measure.

Further advice

If you have any questions about this change, please contact Lisa Walker on telephone: 03000 516080 or email; lisa.walker@hmrc.gsi.gov.uk for BLAGAB queries and Clare Dunne on Telephone: 03000 585961 or email: clare.e.dunne@hmrc.gsi.gov.uk for all other queries.

Controlled Foreign Companies and the EU Anti Avoidance Directive (ATAD)

Who is likely to be affected

Large multinational groups with one or more UK tax resident companies.

General description of the measure

This measure introduces two changes to the UK Controlled Foreign Company (CFC) regime.

The first change expands the scope of the control rules, which determine whether or not a non-UK resident entity falls within the UK CFC regime.

The second change restricts the scope of the full and partial exemption rules for finance profits, so that these exemptions are not available to the extent that key activities which generate such profits have been carried out in the UK.

Policy objective

The policy objective of this measure is to ensure the UK CFC rules continue to discourage potential tax planning by large multinational groups. The changes will comply with Council Directive (EU) 2016/1164, also known as the EU Anti-Tax Avoidance Directive (ATAD).

Background to the measure

This measure was announced at Budget 2018.

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

The UK has comprehensive CFC rules which are set out in Part 9A TIOPA (Taxation (International and Other Provisions) Act) 2010.

Two specific changes are being made to the UK CFC rules which will improve the protection they provide. These changes relate to the definition of control, and the treatment of certain profits generated by UK activity. These changes will ensure that the UK CFC rules comply with Council Directive (EU) 2016/1164, commonly referred to as the EU Anti-Tax Avoidance Directive (ATAD).

The Directive comes into force with effect from 1 January 2019 and sets out minimum standards across a range of anti-avoidance measures which apply to corporates within Member States.

Articles 7 and 8 of ATAD set out detailed rules in relation to CFCs. Article 7 covers the definition of a CFC (by reference to control and an effective rate of tax test) and the types of income which can be subject to a CFC charge. Article 8 covers the computation and attribution of CFC profits.

Detailed proposal

Operative date

The measure will have effect from 1 January 2019.

Current law

The UK CFC regime is contained in Part 9A TIOPA 2010.

The detailed rules which determine control for the purposes of the CFC regime are set out in Chapter 18 of Part 9A.

The detailed rules which deal with non-trade finance profits are set out in Chapters 5 and 9 of Part 9A.

Proposed revisions

Definition of Control

The current UK CFC measure of control takes into account interests held by UK resident associates or related parties of a chargeable company. The UK CFC control rules, which are set out in Chapter 18, Part 9A TIOPA2010, will be amended so that any interests held by associated enterprises, wherever they are resident, are taken into account when assessing control.

New Section 371RG will be inserted into Chapter 18. This section will provide that a non-resident company will be a CFC where a UK company, either alone or together with its associated enterprises, holds more than a 50% investment in a non-resident company. This section will also provide a definition of an associated enterprise (by reference to a 25% investment test) and the relevant definitions of 50% investment and 25% investment.

This change will have effect for CFC accounting periods beginning on or after 1 January 2019, with suitable transitional provisions to deal with accounting periods which begin before but end after that date.

This change will ensure all associated enterprises are taken into account when assessing control. This is in line with Article 7(1)(b) of ATAD which defines control by reference to whether a taxpayer, either alone or together with its associated enterprises, controls an entity by reference to capital interests, voting rights or entitlement to profits.

UK Significant People Functions

Article 7(2)(b) of ATAD sets out specific rules for identifying CFC profits that have been generated by key activities – significant people functions (SPFs) – carried out by a controlling company in a member state.

The current UK CFC rules use SPFs to determine whether there has been diversion of UK profits. However, a change is required to ensure that the UK CFC rules are fully compliant with the SPF approach set out in ATAD.

This change relate to the treatment of non-trade finance profits and the extent to which they have been generated by UK SPFs.

The UK CFC rules in Chapter 5, Part 9A TIOPA 2010 bring non-trade finance profits into scope if any of the SPFs are carried on in the UK by virtue of Section 371EB.

Profits which fall within Chapter 5 can also be considered under Chapter 9, Part 9A TIOPA 2010, which deals with non-trade finance profits arising from certain related party transactions. Subject to meeting the detailed conditions set out in Chapter 9, some or all of those non-trade finance profits may be exempted from a CFC charge.

The Chapter 9 rules in section s371IA will be amended to ensure that to the extent that profits fall within Chapter 5 by virtue of UK SPFs under section 371EB, the proportionate part of the profits cannot be considered for exemption under Chapter 9. So the profits eligible to be considered by the rest of Chapter 9 will now be limited to those which fall only within section 371EC (UK connected capital).

This change will have effect for CFC accounting periods beginning on or after 1 January 2019, with suitable transitional provisions to deal with accounting periods which begin before but end after that date.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
Neg	Neg	Neg	Neg	Neg	Neg

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to impact on large multinational groups, with one or more UK tax resident companies, through introducing two changes to the UK Controlled Foreign Company (CFC) regime. One-off costs included familiarisation with these changes. It is not expected that there will be any on-going costs. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

This measure is expected to have negligible 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 regular communication with affected groups.

Further advice

If you have any questions about this change, please contact Mark Bryan (mark.bryan@hmrc.gsi.gov.uk) or Michael Paterson (michael.paterson@hmrc.gsi.gov.uk)

Corporation Tax: Hybrid and other mismatches regime, two minor changes

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

Council Directive (EU) 2017/952 amended EU Directive 2016/1164 (Anti-Tax Avoidance Directive- ATAD) by introducing detailed rules for the treatment of hybrid mismatches. The changes detailed below ensure that the UK hybrid and other mismatch rules are fully compliant with ATAD.

Policy objective

The proposed changes amend the UK's hybrid and other mismatch legislation in respect of certain mismatches involving permanent establishments and the treatment of regulatory capital. These changes will comply with ATAD, as amended by Council Directive (EU) 2017/952. Articles 2, 9, 9a and 9b of ATAD contain detailed provisions in relation to hybrid mismatches.

Background to the measure

Council Directive (EU) 2016/1164 (ATAD) was adopted on 12 July 2016. Council Directive (EU) 2017/952 was adopted on 27 May 2017, and amended ATAD. The implementation date for the majority of the ATAD minimum standards in relation to hybrid mismatches is 1 Jan 2020.

The UK already has comprehensive hybrid mismatch rules which were introduced by Finance Act 2016 and came into effect from 1 January 2017. These rules meet virtually all the minimum standards set by ATAD. However, two changes are required to ensure that the UK rules are fully aligned with the ATAD requirements with an implementation date of 1 Jan 2020. These changes relate to the minimum standards set out in Article 9 of ATAD,

Article 9(5) of ATAD contains specific requirements in relation to the treatment of certain mismatches involving permanent establishments.

Article 9(4) of ATAD contains specific requirements in relation to the exemption of regulatory capital.

For completeness, ATAD also contains requirements in relation to the treatment of certain "reverse hybrids" in Article 9a. As the implementation date for those requirements is 1 January 2022, the UK will consider any further changes to legislation that need to be made in respect of Article 9a in due course.

These minor changes were published in draft for consultation on 6 July 2018. This tax Information and Impact Note supersedes the Tax Information and Impact Note issued on 6 July 2018 under the title "Hybrid and Other mismatches Anti-Tax Avoidance Directive".

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

Detailed proposal

Operative date

The change in relation to disregarded permanent establishments included in this measure have effect from 1 January 2020. The regulatory power in relation to the treatment of regulatory capital included in this measure will have effect from 1 January 2019.

Current law

The UK hybrid and other mismatches regime is contained in Part 6A of Taxation (International and Other Provisions) Act 2010.

Chapter 8 of Part 6A contains rules in relation to certain mismatches involving permanent establishments.

Chapter 14 of Part 6A contains definitions for the purposes of the Hybrid and other mismatches regime, including a definition of financial instrument in Section 259N(3)(b) that specifically excludes regulatory capital as defined by Statutory Instrument 2013/3209 from the definition of financial instrument. Statutory Instrument 2013/3209 is due to be repealed with effect from 1 January 2019.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19.

The first change relates to the treatment of certain mismatches involving permanent establishments. Section 259HA and Section 259HC in Chapter 8 will be amended to include specific provisions in relation to cases where a permanent establishment of a company is recognised by the jurisdiction where a company is resident, but not recognised by the jurisdiction where the permanent establishment is located. Such disregarded permanent establishments will be brought within the scope of the rules.

The second change relates to the treatment of regulatory capital. The exemption for certain regulatory capital provided by Section 259N(3)(b) will be amended to enable regulations to be made which can provide a revised definition of regulatory capital that falls outside the scope of the rules. This regulatory power will enable the hybrid mismatch rules in relation to regulatory capital to take into account the specific requirements set out by Article 9(4) of ATAD and provide a revised definition of exempt regulatory capital following the repeal of Statutory Instrument 2013/3209. The measure also provides that the current exemption for certain regulatory capital will remain in place until such time as the new regulations come into force.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	negligible	negligible	negligible	negligible	negligible

This measure is expected to have 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, and 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 impact on groups sharing protected characteristics.

Impact on business including civil society organisations

There will be a limited impact on business insofar as these minor changes to the Hybrid and other mismatch rules in Part 6A of TIOPA will require businesses to assess whether certain mismatches are within scope of the legislation.

This measure will impact particularly on businesses who have disregarded permanent establishments or who are required to hold regulatory capital. The impact on administrative burdens is expected to be negligible. One-off costs include familiarisation with the new rules. On-going costs are expected to include specific additional accounting and reporting adjustments to ensure compliance with the new rules. 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 these changes, please contact Mark Bryan on telephone: 03000 585607 or email: mark.bryan@hmrc.gsi.gov.uk.

Corporation Tax: Change to the Definition of Permanent Establishment

Who is likely to be affected

This change could impact overseas companies that have business operations in the UK. It is most likely to affect non-resident manufacturing and distribution businesses that structure their UK operations to minimise their UK tax footprint.

General description of the measure

A non-resident company is liable to UK corporation tax only if it has a permanent establishment (PE) here. Certain preparatory or auxiliary activities, which are normally low value, such as storing the company's own products, purchasing goods, or collecting information for the non-resident company, are classed as exempt activities and do not create a PE. The measure ensures that foreign businesses operating in the UK cannot take advantage of those exemptions by splitting up their activities between different locations and/or between related companies.

Policy objective

The UK is committed to tackling tax avoidance by multinational groups. This measure denies exemption from PE when non-resident businesses artificially fragment their operations to take advantage of those exemptions and avoid creating a PE. As well as helping to preserve the corporate tax base this measure helps to ensure a level playing field between foreign and UK businesses and tackles unfair tax competition.

Background to the measure

This measure was announced at Budget 2018.

The OECD and G20 programme to tackle the erosion of the tax base (Base Erosion and Profit Shifting, or BEPS) resulted in the publication in 2015 of a number of Action Points.

One of the changes recommended was to deny access to the exempt activities provision in tax treaties when the business activity has been artificially fragmented to avoid creating a PE. As a result, in those situations the PE conditions would be met and the jurisdiction would have taxing rights over the profits of that PE.

The UK decided to adopt this change in its tax treaties-. It has given effect to that change through the BEPS multilateral instrument which was signed in June 2017, and which entered into force for the UK on 1 October 2018.

We now need to replicate this change in UK domestic law to make the change to tax treaties effective.

Detailed proposal

Operative date

The measure will have effect for companies from 1 January 2019. Where an accounting period straddles that date the provision applies to that part of the company's accounting period that falls after that date.

Current law

The current definition of permanent establishment is included in chapter 2 of part 24 CTA 2010. The specific activities that are exempt from PE are listed in section 1143.

Proposed revisions

Legislation has been introduced in Finance Bill 2018-2019 to amend section 1143 CTA 2010, and so deny exemption from PE to a non-UK resident company for these activities if they are part of a fragmented business operation, i.e. if:

- that company, either alone or with related entities, whether foreign or UK, carries on a cohesive business operation, either at the same place, or at different places in the UK; and
- at least one of them has a PE where complementary functions are carried on, or
  - the activities together would create a PE if they were in a single company.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
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 non-resident companies.

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

Equalities impacts

It is not anticipated that there will be any impacts as the measure only affects non-resident companies.

Impact on business including civil society organisations

Large multinational companies will be impacted where they have entered into arrangements to erode their UK Corporation Tax (CT) base. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

The change in the PE definition will be an additional aspect to consider in the annual risk review for HMRC's Large Business division, but is not expected to have a significant impact on resource. The additional tax at risk is expected to be small, because the "non-exempt" activities will be low valueadding in most cases.

HMRC's published guidance on permanent establishment will need to be updated.

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 Mike Hogan on telephone: 03000 585 645 or email: mike.hogan@hmrc.gsi.gov.uk

Corporation tax: reform of de-grouping charge rules in the corporate intangibles regime

Who is likely to be affected

Companies that own or acquire intangible fixed assets, including goodwill.

General description of the measure

This measure amends the corporate intangible fixed assets regime (the "IFA regime") to more closely align the de-grouping charge rules with the equivalent rules in the chargeable gains code.

Policy objective

The measure is intended to reduce frictions that inhibit commercial mergers and acquisitions. It achieves this by reforming the de-grouping charge rules so that a charge will not arise as a result of a commercial share disposal that qualifies for the Substantial Shareholding Exemption.

Background to the measure

The government announced a consultation on reform of the corporate intangibles regime at Autumn Budget 2017. The consultation was carried out between February and May 2018. A summary responses will be published alongside the Finance Bill 2018.

Detailed proposal

Operative date

The changes will have effect in relation to de-groupings that occur on or after 7 November 2018.

Current law

The corporation tax rules that deal with intangible fixed assets are contained in Part 8 Corporation Tax Act 2009 (CTA09). The rules apply to intangible fixed assets and purchased goodwill that are recognised in a company's accounts in accordance with generally accepted accounting practice. Generally, Part 8 taxes gains and losses on such assets as income and gives relief for the cost of acquiring such assets as and when the expenditure is written off in the company's accounts.

The Part 8 rules allow groups of companies to transfer assets between subsidiary companies in the group without incurring a tax charge or realising a tax benefit (known as "tax neutral" treatment). The rules contain an anti-avoidance provision known as a degrouping charge, which crystallises a tax charge or benefit if a company that has received an asset on a tax neutral basis leaves the group within six years of the transfer.

Proposed revisions

Legislation will be introduced in the Finance Bill 2018 to amend Chapter 9 of Part 8 CTA09 so that a de-grouping charge will no longer arise in situations in which a company leaves a group as a result of a share disposal that qualifies for the Substantial Shareholding Exemption under paragraph 1 of Schedule 7AC of the Taxation of Capital Gains Act 1992. In such circumstances the assets that would have been subject to a de-grouping charge will remain at their tax written-down value and continue to attract relief under Chapter 3 as they did prior to de-grouping. This treatment will not apply if the share disposal is part of a wider arrangement under which the acquirer is to dispose of the shares to another person.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	negligible	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

There will be no impact on individuals and households. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on a small number of businesses that own intangible fixed assets and which are part of a group of companies. It will affect the amounts they are required to bring into account for corporation tax purposes in respect of de-grouping transactions, which are infrequent. One-off costs include familiarisation with this new measure. Ongoing savings will include reduced calculations when de-grouping transactions occur.

The measure is not expected to have an impact on civil society organisations.

Operational impact (£m) (HMRC or other)

The measure is likely to require changes to the iXBRL tagging taxonomy for corporation tax computations and associated IT systems that will cost approximately £355,000.

The compliance impact of the changes is 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 this change, please contact the HMRC corporate intangibles team on telephone: 03000 575 610 or email: ifa.consultation@hmrc.gsi.gov.uk

Income Tax: Offshore Receipts in respect of Intangible Property

---

Who is likely to be affected

Large multinational groups that hold intangible property in low tax jurisdictions, where the income which arises in relation to that intangible property is referable to the sale of goods or services in the UK. The measure will apply regardless of whether there is a UK taxable presence.

General description of the measure

This measure will apply a UK income tax charge to amounts received in a low tax jurisdiction in respect of intangible property, to the extent that those amounts are referable to the sale of goods or services in the UK. The measure will apply to income receivable from both related and unrelated parties and will be effective from 6 April 2019.

For example, where a non-UK entity receives income from the sale of goods or services in the UK, and that entity makes a payment to the holder of intangible property in a low tax jurisdiction, a charge will arise under this measure to the extent that the income receivable in the low tax jurisdiction is referable to the sale of goods or services in the UK.

On introduction, the measure will generally apply to entities that are located in jurisdictions with whom the UK does not have a full tax treaty (meaning a Double Tax Agreement which contains a non-discrimination provision).

The income tax charge will be on the gross income that is referable to the sale of goods or services in the UK and realised by the non-UK resident entity from the ownership, or rights over, relevant intangible property.

The charge will apply to the proportion of the foreign resident entity's intangible property income that is referable to the sale of goods or services in the UK and made via both related and unrelated parties.

In the event of non-payment by the non-UK resident entity, joint and several provisions will enable collection of the debt from connected parties.

The measure will include a tax exemption which will exclude from charge, income where the tax payable by the foreign entity in relation to income that is referable to the sale of goods or services in the UK is at least 50% of the UK income tax charge that would otherwise arise under this measure.

There will also be a £10 million *de minimis* UK sales threshold.

The measure will include an exemption for income arising in entities that have not acquired their intangible property from related parties and where all, or substantially all, of the trading activities have always been undertaken in the low tax jurisdiction.

The measure will include a Targeted Anti-Abuse Rule, effective from 29 October 2018, which will protect against arrangements designed to avoid the charge, including arrangements which involve transferring the ownership of intangible property to another group entity resident in a full treaty jurisdiction.

Policy objective

The policy targets multinational groups that generate significant income from intangible property through UK sales, and have made arrangements such that the income is received in offshore jurisdictions where it is taxed at no or low effective rates.

By taxing the proportion of that income which is referable to the sale of goods or services in the UK, this measure will reduce the opportunities for large multinationals to gain an unfair competitive advantage by holding their intangible property in low tax offshore jurisdictions, levelling the playing field for businesses operating in UK markets.

Background to the measure

This measure was announced at Autumn Budget 2017 and a consultation ran from 1 December 2017 to 23 February 2018. A consultation response document is being issued alongside the draft legislation.

Detailed proposal

Operative date

The measure will have effect from 6 April 2019.

Targeted anti-avoidance rules will have effect for arrangements entered into on or after 29 October 2018.

Current law

The current law is contained in Chapter 2 of Part 5 of the Income Tax (Trading and Other Income) Act 2005 (ITTOIA) which governs the deduction of income tax at source from payments of royalties.

Proposed revisions

Legislation will be introduced in Finance Bill 2018 to insert a new Chapter 2A into ITTOIA.

The main elements of the new rules will:

- Impose a UK income tax charge on the owners of intangible property or those that are entitled to income that is referable to the sale of goods or services in the UK in relation to that intangible property and who are not resident in a full treaty territory.
- Provide exemptions:
  - for partnerships which are regarded as separate entities for tax purposes and resident in full treaty territories;
  - where the value of UK sales is less than £10m in a given tax year; ○ where all, or substantially all, of the business activity in relation to the intangible property has always taken place in the territory of residence; and
  - which apply where the tax paid in relation to the relevant income is at least 50% of the UK income tax that would otherwise arise under this measure;

- Provide for joint and several liability in relation to an income tax charge under this measure, so that any person within the same control group during the relevant tax year will be jointly and severally liable for the tax due.
- Provide a specific anti-avoidance/anti-forestalling rule which will apply to any arrangements entered into on or after 29 October 2018, where one of the main purposes of the arrangement is to either avoid a charge under this measure, or to seek the benefit of a double taxation arrangement (tax treaty) where the benefit is contrary to the purpose of that tax treaty.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	nil	+475	+275	+220	+165

These figures are set out in Table 2.2 of Budget 2018 and have been certified by the Office for Budgetary 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 allows for the possibility that affected corporations may seek to implement a number of behavioural responses in order to mitigate the impact of the changes.

Impact on individuals, households and families

This measure has no impact on individuals 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 this measure will have any impacts for groups sharing protected characteristics.

Impact on business including civil society organisations

The measure is expected to have an impact on large multinational groups by bringing into scope of UK income tax the proportion of their income that is realised in a low tax jurisdiction where the relevant intangible property is held and has a UK nexus by virtue of being referable to the sale of goods or services in the UK. The measure will apply to income received from both related and unrelated parties. The policy will be delivered through an income tax charge reported and collected under the existing income tax self-assessment provisions.

One-off costs include familiarisation with the new rules. Ongoing costs will include keeping records of income referable to UK sales and calculating and paying the amount of tax due. Businesses in scope will use the SA700 “Tax return for a non-resident company liable to Income Tax” to make their annual return of the tax due. Guidance will be published by April 2019 to support these changes.

Operational impact (£m) (HMRC or other)

This measure will require small alterations to existing IT processes to collect the income tax as well as further staff to monitor the compliance. These costs are estimated to be in the region of £4 million over the scorecard period.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through communication with affected taxpayers.

Further advice

If you have any questions about this change, please contact Base Protection Policy Team on Telephone: 03000 599915 or email: withholding-tax.mailbox@hmrc.gsi.gov.uk

Taxation of hybrid capital instruments

Who is likely to be affected

Corporate issuers and holders of certain types of debt (known as hybrid capital) that have some equity-like features are likely to be affected

Companies that raise loan capital from third parties and distribute that capital within a group in such a way that the internal and external loan relationships would be taxed on different bases, are also likely to be affected.

General description of the measure

This measure provides certainty of tax treatment for hybrid capital instruments which allow deferral or cancellation of interest payments. If these instruments meet certain specified conditions then any interest payable will be deductible for the issuer and taxable for the holder and no Stamp Duty or Stamp Duty Reserve Tax will be payable on transfers of those instruments.

This measure also eliminates differences in the way that two linked loan relationships are taxed. Such differences are often caused by one of them having hybrid features.

Policy objective

This measure ensures that interest payments arising from certain debt instruments (known as hybrid capital, with some limited equity-like features) are deductible from the issuer's profits. It also ensures that the tax treatment of linked loan relationships is aligned. This provides tax certainty for issuers and holders and reduces tax volatility.

Background to the measure

The measure was announced at Budget 2018.

The changes included in this measure have not been subject to prior consultation.

Hybrid capital often includes a right for the issuer to cancel or defer interest payments. It is often long-dated or perpetual. Whilst it has a fixed capital value at the outset, the instrument may contain terms that allow this to be released or converted into shares in certain circumstances. These features can lead to uncertainty as to whether the payments under the hybrid instrument should be taxed as interest (which is typically deductible) or as distributions (which are not).

Previously this uncertainty has only been addressed for companies in the financial sector, where banking companies (under Basel III) and insurance companies (under Solvency II) are required to hold a certain amount of capital. The instruments issued to raise this capital must contain certain features to allow for loss-absorbency in the event of the bank or insurer coming under financial strain and having depleted levels of capital. The Taxation of Regulatory Capital Securities Regulations 2013 ("RCS Regulations") currently provide certainty of tax treatment for these instruments.

In June 2018 the Bank of England finalised its approach to setting a minimum requirement for own funds and eligible liabilities (MREL) that banks, building societies and investment firms need to maintain, ensuring that these institutions' own financial resources can be used to absorb any losses and recapitalise the business. To meet these requirements banks are permitted to issue types of hybrid capital instruments that are not covered by the RCS Regulations. HMRC has taken this opportunity to review the treatment of hybrid capital instruments across all sectors to ensure that, subject to certain conditions, interest payments on all debt-like instruments are deductible, thus removing tax uncertainty. The RCS Regulations are to be revoked and replaced with new tax rules for:

- Hybrid capital instruments, which are debt-like instruments that can be issued by any sector, and
- Tax mismatches, which align the tax treatment of linked loan relationships.

Detailed proposal

Operative date

The changes included in this measure will have effect for accounting periods beginning on or after 1 January 2019.

Accounting periods beginning before and ending after 1 January 2019 are treated as two separate accounting periods with the latter accounting period beginning on that date.

Current law

Taxation of Regulatory Capital Securities Regulations 2013 (S.I. 2013/3209) apply to certain hybrid capital instruments issued by the banking and insurance sectors.

Part 5 Corporation Tax Act 2009 contains the loan relationships rules.

The Disregard Regulations (S.I. 2004/3256) contain particular rules to align the tax treatment in certain cases involving hedging relationships.

Part 10 Taxation (International and Other Provisions) Act (TIOPA) 2010 contains the corporate interest restriction provisions.

Part 23 Corporation Tax Act 2010 contains rules on company distributions.

Sections 78 and 79 Finance Act 1986 contain the rules on loan capital and Stamp Duty and Stamp Duty Reserve Tax.

Proposed revisions

The principal changes made to ensure the tax rules provide the necessary tax certainty to all relevant issuances of hybrid capital instruments are as follows.

The following new sections are introduced into Part 5 Corporation Tax Act 2009:

- Section 475C which defines a hybrid capital instrument;
- Section 320B which directs how debits and credits are brought into account if a hybrid capital instrument is recognised in equity or shareholders' funds, providing tax deductions for interest payments on equity-accounted hybrid capital instruments, subject to the rules on company distributions;
- Section 420A which confirms that certain amounts payable in respect of hybrid capital instruments are not distributions and that such an instrument is not an equity note for the purposes of section 1015 CTA 2010.

Section 162 of the Corporation Tax Act 2010 is amended to confirm that, for the purposes of that section, a hybrid capital security is a “normal commercial loan”.

The Disregard Regulations 2004 (S.I. 2004/3256) are amended to ensure that exchange gains or losses arising on loan assets or derivative contracts intended to hedge exchange rate risks on a hybrid capital instrument that is equity accounted are disregarded. This mirrors the treatment that previously applied to regulatory capital securities.

Transfers of hybrid capital instruments are exempted from Stamp Duty and Stamp Duty Reserve Tax.

The corporate interest restriction rules are amended. In the calculation of adjusted net group-interest expense the reference to “regulatory capital security” is replaced with a reference to a “hybrid capital instrument”. In the calculation of qualifying net group-interest expense the reference to “regulatory capital security” is removed.

The Taxation of Regulatory Capital Securities Regulations 2013 (S.I. 2013/3209) are revoked.

Commencement and transitional provisions have effect from 1 January 2019 except for Stamp Duty and Stamp Duty Reserve Tax and the duty to deduct income tax interest payments, for which the Taxation of Regulatory Capital Securities 2013 will be revoked from the date of Royal Assent. The transitional provisions include an exception from the duty to deduct income tax under sections 874 and 889 of the Income Tax Act 2007 for instruments that were regulatory capital securities as at 31 December 2018. Transitional provisions also allow such instruments to continue to be taxed as a single loan relationship on an amortised cost basis, even if they are accounted for at fair value or bifurcated. Both transitional provisions expire on 1 January 2024.

Transitional provisions also allow insurers and reinsurers to not bring into account for tax any credits and debits arising from the conversion or write down of a regulatory capital security. This transitional provision expires on 30 June 2019.

The principal change made to ensure the tax treatment of linked loan relationships is aligned is the introduction of Section 352B of the Corporation Tax Act 2009 which eliminates tax mismatches for loan relationships that have a qualifying link.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
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’s impact on individuals is to provide certainty on the tax treatment of receipts arising from the instrument and on disposal. Otherwise it only affects businesses.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure will have a negligible impact on the small amount of businesses that issue hybrid capital instruments. One-off costs include familiarisation with the new rules. Ongoing costs will include the requirement for an election into the hybrid capital regime for each instrument issued.

There is no impact on civil society organisations. There is no impact on small and micro business who have no need to issue hybrid capital instruments.

Operational impact (£m) (HMRC or other)

The operational costs for HMRC in implementing this change are anticipated to be negligible.

IT costs for this measure are expected to be in the region of £400,000 for compliance purposes.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Darryl Wall or Ursula Crosbie on

- Telephone:03000 585977 or 03000 589086
- Email: darryl.wall@hmrc.gsi.gov.uk ursula.crosbie@hmrc.gsi.gov.uk

Diverted Profits Tax amendments

Who is likely to be affected

This change will impact companies that are potentially subject to Diverted Profits Tax.

General description of the measure

The Diverted Profits Tax (DPT) was introduced in Finance Act 2015. This measure makes a number of amendments to the DPT legislation to close tax planning opportunities, to make clear diverted profits will only be taxed under either Corporation Tax (CT) or DPT, and to make minor modifications to the mechanics of the DPT legislation.

Policy objective

The main objective of the DPT is to counteract contrived arrangements used by large groups (typically multinational enterprises) that result in the erosion of the UK tax base. This measure supports that aim and protects revenue.

Background to the measure

This measure was announced at Budget 2018.

The DPT rules counter two types of arrangements used by large groups to artificially divert profits from the UK. Firstly, situations where a company with a UK taxable presence uses arrangements lacking economic substance to artificially divert profits from the UK to low tax jurisdictions. Secondly, situations where a person carries on activities in the UK for a foreign company that are designed to artificially avoid creating a UK permanent establishment, and thereby a UK taxable presence, of that foreign company.

This measure introduces a number of amendments to the DPT legislation.

Detailed proposal

Operative date

The measure has effect on and after 29 October 2018.

Current law

The current rules for the DPT are contained within Part 3 Finance Act 2015.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to amend Part 3 Finance Act 2015 to:

- close a tax planning opportunity, whereby CT amendments can be made to a company's return after the review period has ended and the DPT time limits have expired; (sections 82-85, 88 and 93)
- make clear, in line with the stated policy intention, that diverted profits will only be taxed under either the DPT or CT rules, but not both; (Section 100A)
- extend the 'review period', the time during which HMRC and the company are encouraged to work collaboratively to determine the extent of diverted profits, from 12 to 15 months; (section 101)
- extend a company's right to amend their CT return during the first 12 months of the extended 15 month review period, but only for the purposes of including the diverted profits into a CT charge,
- make clear that diverted profits liable to DPT can be reduced by amendment to the company's CT return during the first 12 months of the review period.

The amending legislation will be published in the Finance Bill.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024

nil	nil	nil	nil	nil	nil

This measures 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 and households as it only affects companies.

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

Equalities impacts

It is not anticipated that this measure will have impacts for those in groups sharing protected characteristics.

Impact on business including civil society organisations

This measure has no impact on normally compliant businesses who are engaged in genuine commercial transactions. It will only impact on businesses who enter into arrangements to erode their UK Corporation Tax base. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will not incur any costs implementing 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 regular communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Bob Beattie on Telephone: +44 3000 516 165 or email: Robert.Beattie@hmrc.gsi.gov.uk.

Capital Gains Tax: Entrepreneurs' relief: definition of a 'personal company'

Who is likely to be affected

Individuals who, on or after 29 October 2018, realise gains on disposals of shares in a company by which they are employed or in which they hold an office.

General description of the measure

The measure adds two new tests to the definition of a 'personal company', requiring the claimant to have a 5% interest in both the distributable profits and the net assets of the company. The new tests must be met, in addition to the existing tests, throughout the specified period in order for relief to be due.

Policy objective

This measure ensures that the claimant has a true material stake in business in order to claim entrepreneurs' relief. Having such an interest is characteristic of true entrepreneurial activity (as distinct from simple investment or employment), so the measure ensures that allowable claims are limited to those which are within the spirit of the relief. This is part of the government's policy of supporting enterprise.

Background to the measure

The measure was announced at Budget 2018.

Entrepreneurs' relief reduces the amount of capital gains tax paid on disposals of businesses, or shares in a personal company, by offering a reduced 10% tax rate on up to £10m worth of lifetime gains. Guidance on entrepreneurs' relief is at https://www.gov.uk/entrepreneurs-relief

Detailed proposal

Operative date

The measure will have effect for disposals on or after 29 October 2018.

Current law

Current law for entrepreneurs' relief is included in Chapter 3 of Part 5 Taxation of Chargeable Gains Act 1992, in particular at section 169S.

Proposed revisions

Legislation will be introduced in Finance Bill 2018 to 2019 to add two new conditions to the definition of an individual's personal company in section 169S(3). Both conditions, as well as the existing 'share capital' and 'voting rights' conditions must be met. The new conditions require the individual to be beneficially entitled to at least

- 5% of the company's distributable profits and
- 5% of its assets available for distribution to equity holders in a winding up

References to the company include any other company which is a member of the same group.

The same two new conditions are added to

- the conditions for relief on associated disposals in section 169K(1B), so that they must both be met in relation to a material disposal consisting of shares before an associated disposal of an asset can qualify for relief, and
- the conditions for the withholding of relief on goodwill at section 169LA(1), so in addition to the existing two conditions, if either of the new conditions is met following a disposal of goodwill to a close company, then relief will not be due.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
nil	+5	+10	+10	+10	+15

These figures are set out in Table 2.1 of Budget 2018 as 'Capital Gains Tax: definition of a personal company within Entrepreneurs' Relief' and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

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

Impact on individuals, households and families

This measure will impact fewer than 1,000 individuals who sell shares in a company in which they hold an office or employment. Where individuals do not hold the necessary 5% economic interests in their company for the specified time, they will lose their entitlement to relief and will have to pay more capital gains tax on their gain.

The measure is expected to have a negligible indirect negative impact on family formation, stability and breakdown as a result of a higher rate of tax being payable in some circumstances.

Equalities impacts

This measure will affect those with protected characteristics represented in higher income groups.

Impact on business including civil society organisations

This measure will impact on personal companies. In order to claim relief on share disposals, individuals who are employed by the company whose shares they have disposed of must have a 5% interest in both distributable profits and net assets of that company. The measure is not expected to have any impact on businesses' administrative burdens. There is no impact on civil society organisations.

There is no specific impact on small and micro businesses.

Operational impact (£m) (HMRC or other)

There will be no significant operational impact on HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Leah White on telephone: 03000 530279 or email: leah.white@hmrc.gsi.gov.uk.

Capital Gains Tax: Entrepreneurs' Relief: minimum qualifying period

Who is likely to be affected

Individuals who dispose of all or part of their business; individuals who dispose of shares in their personal company on or after 6 April 2019. Trustees who dispose of trust business assets.

General description of the measure

The measure increases this minimum period throughout which certain conditions must be met from one year to two years. There are special provisions for cases where the business ceased before 29 October 2018.

Policy objective

The measure improves the effectiveness and value-for-money of Entrepreneurs' Relief by requiring claimants to have an interest in their business for a longer period of time. Longerterm involvement is more characteristic of true entrepreneurial activity as distinct from simple investment or speculation. This is part of the government's policy of supporting enterprise.

Background to the measure

The measure was announced at Budget 2018.

Detailed proposal

Operative date

The measure will have effect for disposals on or after 6 April 2019, except where a business ceased before 29 October 2018. Where the claimant's business ceased, or their personal company ceased to be a trading company (or the holding company of a trading group), before 29 October 2018 the existing one year qualifying period will continue to apply.

Current law

Current law is included in Chapter 3 of Part 5 Taxation of Chargeable Gains Act 1992. Specifically sections 169I, 169J, 169K and 169O.

Proposed revisions

Legislation will be introduced in Finance Bill 2018 to 2019 to amend sections 169I, 169J, 169K and 169O and the Taxation of Chargeable Gains Act 1992, which specify periods throughout which conditions must be met in order for relief to be due. The periods will increase from one year to two years.

- Section 169I(3) will be amended so that where a claimant has disposed of a business or part of a business, he must have carried on that business for two years ending at the time of the disposal.

- Section 169I(4) will be amended so that where a claimant has disposed of an asset used at the time the business ceased, the business must have been carried on by the claimant for two years.
- Subsections (6), (7), (7B) and (7C) of section 169I will be amended so that where a claimant has disposed of shares in a company, the qualifying conditions in relation to companies must have been met for two years ending at the time of the disposal.
- Section 169K will be amended so that where a claimant has disposed of an asset used in a business after disposing of the business (a 'disposal associated with a relevant material disposal'), that asset must have been used in the business for two years.
- Sections 169J and 169O will be amended so that the qualifying conditions in relation to trust business assets must have been met for two years.

Transitional rules will be in the commencement provision at paragraph 4 of the Schedule, so that where the claimant's business ceased before 29 October 2018 the old one year period will continue to apply to claims on disposals of assets within three years of cessation. So the business will need to have been carried on for only one year prior to cessation.

Also where the claimant's personal company ceased to be a trading company (or the holding company of a trading group) before 29 October 2018 the old one-year period will continue to apply to disposals of shares within three years of cessation. So the company will need to have been a trading company (etc.) for only one year prior to cessation.

New subsections (7ZA) and (7ZB) of section 169I will provide that where the claimant disposes of shares in their personal company which they received as consideration for transferring their business to the company, the measure will provide for the pre-transfer period to be taken into account in deciding whether the new two year qualifying period condition is met.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
nil	+5	+10	+75	+80	+90

These figures are set out in Table 2.1 of Budget 2018 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.
An behavioural adjustment is made for taxpayers holding onto their assets for longer in order to meet the new criteria.

Impact on individuals, households and families

This measure will impact on an estimated 3,000 individuals who sell either all or part of their business, or shares in a company in which they hold an office or employment. These individuals will lose their entitlement to relief and will have to pay more Capital Gains Tax on their gain if they have not carried on the business or held the necessary interests in their company for two years. One-off costs include familiarisation with these new rules. It is not expected that there will be any on-going costs.

The measure is expected to have a negligible indirect negative impact on family formation, stability and breakdown as a result of a higher rate of tax being payable in some circumstances.

Equalities impacts

Entrepreneurs' relief claimants tend to be male and of above average means, and include individuals who are selling their business or their company's shares on retirement. People withdrawing from business activities which they have carried on for a short time are likely to be most affected by this measure.

It is not anticipated that there will be impacts on any other group with protected characteristics.

Impact on business including civil society organisations

This measure will impact on sole traders, partnerships and some limited companies. Individuals carrying on businesses, or holding shares in their personal companies, will have to have done so for two years (rather than one year) before being eligible for relief on disposals. One-off costs include familiarisation with these new rules. The measure is not expected to have any impact on businesses' ongoing administrative burdens. There is no impact on civil society organisations.

There is no specific impact on small and micro businesses.

Operational impact (£m) (HMRC or other)

There will be no significant operational impact on HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Leah White on Telephone: 03000 530279 or email: leah.white@hmrc.gsi.gov.uk.

Capital Gains Tax: allowing entrepreneurs' relief where shareholding 'diluted' below the 5% threshold

Who is likely to be affected

Individuals who hold shares in a trading company that qualify for entrepreneurs' relief (ER).

General description of the measure

This measure allows individuals whose shareholding is ‘diluted’ below the 5% qualifying threshold for entrepreneurs’ relief as a result of a new share issue to obtain relief for gains up to that time.

Policy objective

The measure ensures that entrepreneurs are not discouraged from seeking external investment to finance business growth in circumstances where their own shareholding becomes diluted.

This is part of the government’s response to the patient capital review, and is in line with the government’s policy of supporting enterprise and entrepreneurship.

Background to the measure

At Autumn Budget 2017 the government announced that changes would be made to entrepreneurs’ relief to remove the disincentive to accept external investment, and announced a consultation on the detailed implementation of that change.

A consultation entitled ‘Financing growth in innovative firms: allowing entrepreneurs’ relief on gains before dilution’ ran from 13 March 2018 to 15 May 2018, and the government’s response, along with draft legislation, was published on 6 July 2018.

Detailed proposal

Operative date

The measure will have effect for shares held at the time of fundraising events which take place on or after 6 April 2019.

Current law

Current law is included in chapter 3 of part 5 of the Taxation of Chargeable Gains Act 1992 (TCGA).

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to introduce a new Chapter 3A into Part 5 of TCGA, which will allow individuals to make two elections providing the relevant conditions are met.

The new section 169SC will allow an election where a company has issued shares for cash consideration for genuine commercial purposes, which has caused the individual’s shareholding to fall below the 5% threshold required to meet the ‘personal company’ definition in section 169S, in the circumstances where a disposal of the shareholding prior to the issue would result in a gain which would qualify for ER. The election will treat the individual’s holding of (or interests in) shares or securities in a company as having been disposed of and immediately reacquired at market value prior to dilution, giving rise to a chargeable gain on which they can claim ER.

The second election in new section 169SD will be to defer the gain until an actual disposal of (or if interests in) the shares or securities. The legislation will then specify how deferred gains are treated as accruing on part disposals and in other specific circumstances.

In addition the legislation will specify rules in relation to making the above elections and claiming entrepreneurs’ relief on the deferred gain.

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	-10	-10	-10

These figures relate to the ‘Entrepreneurs’ Relief: anti-dilution’ element of the ‘Patient Capital Review: reforms to tax reliefs to support productive investment’ package set out on page 17 of the policy costings document published alongside Autumn Budget 2017 and were certified by the Office for Budget Responsibility.

2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023
-	-	+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 were certified by the Office for Budget Responsibility. They represent the combined Exchequer impact of ‘Reforms to the Venture Capital Schemes’ and ‘Entrepreneurs’ Relief: anti-dilution provision’. More details can be found in the policy costings document published alongside Autumn Budget 2017.

Economic impact

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

This measure also accounts for two behavioural responses. The lower ER rate provides an incentive for taxpayers who newly qualify for ER to dispose of their assets sooner and, conversely, taxpayers who currently dispose of their assets in anticipation of dilution in order to qualify for ER no longer need to do so, and may hold their assets for longer.

Impact on individuals, households and families

One-off costs include familiarisation with new rules, potential share valuation costs (which may be significant), and making an election and deferral claim at the time their shareholding is diluted. Customers wishing to take advantage of this measure will need to record and track any deferred gains until they accrue, so ongoing costs include recording deferred gains, and maintaining records to ensure those gains are notified to HMRC when they are treated as accruing.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a positive impact on a small number of (mostly small and medium-sized) companies raising money by issuing new shares. The impact on administrative burdens is expected to be negligible.

One-off costs include familiarisation with new rules when a company considers issuing new shares (the individual shareholder will make the election). It is not expected there will be any on-going costs on the basis that it is the shareholder who will need to report accrual of the gain and claim relief. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be no significant operational impact on HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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 Leah White on telephone: 03000 530279 or email: leah.white@hmrc.gsi.gov.uk.

Capital Gains Tax and Corporation Tax: taxing gains made by non-residents on UK immovable property

Who is likely to be affected

Non-UK residents disposing of UK land, or of interests in entities holding UK land.

General description of the measure

This measure extends the scope of the UK's taxation of gains accruing to non-UK residents to include gains on disposals of interests in non-residential UK property. It also extends the charge on gains on disposals of interests in residential property to diversely held companies, those widely held funds not previously included, and to life assurance companies. The measure also taxes non-UK residents' gains on interests in UK property rich entities (for example, selling shares in a company that derives 75% or more of its value from UK land).

Policy objective

This measure levels the playing field between UK residents and non-UK residents on disposals of UK immovable property.

Background to the measure

This measure was announced at Autumn Budget 2017 and a consultation ran from 22 November 2017 to 16 February 2018 under the title, 'Taxing gains made by non-residents on UK immovable property'.

The draft legislation on the core provisions and a response document were published on 6 July 2018. This was followed by a period of technical consultation before the legislation was finalised for Budget 2018. During the consultation period HMRC and HM Treasury worked with industry on provisions applying specifically to collective investment vehicles investing in UK land, which were then published at Budget 2018.

This tax information and impact note supersedes the note published in on 6 July 2018 alongside the draft of the core provisions.

Detailed proposal

Operative date

The measure will have effect for disposals made on or after 6 April 2019.

An anti-forestalling rule detailed in a Technical Note published at Autumn Budget 2017 has effect for arrangements entered into on or after 22 November 2017. The targeted antiavoidance rule in Chapter 4 of the new Schedule 1A relating to indirect disposals will have effect for arrangements entered into on or after 6 July 2018.

Current law

Part 1 of the Taxation of Chargeable Gains Act 1992 (TCGA) contains the main charging provisions for the taxation of capital gains. Persons other than companies are normally chargeable to Capital Gains Tax. Companies are chargeable to Corporation Tax on gains under section 2 of the Corporation Tax Act 2009 (CTA 2009). Section 5 of CTA 2009 deals with the territorial scope of Corporation Tax.

Sections 1 and 2B of TCGA, and section 2(2A)(a) of CTA 2009, provide that gains accruing on the disposal of UK residential property that has been subject to the Annual Tax on Enveloped Dwellings (ATED) are chargeable to CGT (ATED-related CGT). The amount of chargeable gain is determined by Schedule 4ZZA to TCGA.

Sections 1 and 14B to 14H of TCGA provide that non-UK resident individuals, trustees, personal representatives of deceased persons and closely-held companies are chargeable to CGT (non-resident Capital Gains Tax) on disposals of UK residential property interests. The amount of chargeable gain is determined by Schedule 4ZZB. Diversely held companies, certain widely marketed funds, and life assurance companies may elect out of the charge.

The Taxes Management Act 1970 (TMA 1970) contains provisions for reporting and payment of tax. Section 59B sets out when any Capital Gains Tax due for a year of assessment is payable. Sections 12ZA to 12ZN set out when a non-resident is required to make a return reporting a disposal of a UK residential property interest. Section 59AA of TMA 1970 makes provision for payments on account of non-resident Capital Gains Tax liabilities.

Companies meeting the conditions to be a UK Real Estate Investment Trust in Chapter 2 of Part 12 of Corporation Tax Act 2010 are exempt under section 535 of that Act on gains on their disposals of property used within the property rental business.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19.

Part 1, and Chapters 5, 6, and 7 of Part 2, of TCGA are-written to accommodate the taxation of non-UK resident persons making disposals of interest in UK land, and simplify the alignment of the new and existing rules. Apart from the changes to implement this measure the provisions are a re-statement of the existing law and make no change to the way the existing provisions work. Appropriate changes are made to CTA 2009 in parallel to include non- UK resident companies.

All non- UK resident persons, whether liable to Capital Gains Tax or Corporation Tax, will be taxable on gains on disposals of interests in any type of UK land. The elections for the nonresident Capital Gains Tax rules not to apply for certain persons have been removed. UK land is defined for this measure using existing definitions. The definition of an interest in UK land is in a new section 1C, and follows existing definitions under the Taxes Acts. Residential property gains are defined in a new Schedule 1B.

All non- UK resident persons will also be taxable on indirect disposals of UK. The indirect disposal rules will apply where a person makes a disposal of an entity that derives 75% or more of its gross asset value from UK land. There will be an exemption for investors in such entities who hold a less than 25% interest. The gains on indirect disposals will be calculated using the value of the asset being disposed of, rather than the value of the underlying UK land. The indirect disposal rules are incorporated in a new Schedule 1A to TCGA.

The 75% property richness test will look at the gross assets of the entity being disposed of. Where a number of entities are disposed of in one arrangement, their assets will be aggregated to establish whether the 75% test is met. Any assets other than land that are the counterpart to a liability in another entity in the arrangement will not be included –for example an intra-group loan credit balance in an entity would not be considered where the debtor is disposed of in the same arrangement. As an example, a holding company is sold with no other assets apart from one 100% subsidiary with £1m of UK land, and another with £1m of plant and machinery. The proportion of UK land in the holding company's gross asset value is 50%, based on aggregating its assets and those of the subsidiaries.

The 25% ownership test will look for situations where the person holds at the date of disposal, or has held within two years prior to disposal, a 25% or more interest in the property rich company. This holding may be directly, or through a series of other entities. Interests in the entity held by certain persons connected with the person making the disposal will be aggregated in establishing whether the 25% threshold is met. This will use a modified version of the tests in section 286 of TCGA, but subsections (2) and (8) would be limited to direct lineal ancestors and descendants of the person or their spouse or civil partner, and subsection (4) relating to partners will not apply. The 25% ownership exemption on an indirect disposal under Schedule 1A will not be available for those non-residents investing in UK property rich collective investment vehicles.

Interests in entities will be established through shareholdings, partnership interests, or interests in settled property, modelled on the tracing provisions in section 356OR of CTA 2010.

There will be a trading exemption so that disposals of interests in property rich entities that are trading before and after the disposal will not be chargeable disposals where the land is used in the trade. This is likely to apply where, for example, a non- UK resident disposes of shares in a retailer which owns a significant value of shops.

The normal anti-avoidance rules for capital gains will apply, and in addition there will be antiavoidance rules to target the provisions for indirect disposals. The anti-forestalling rule, which commenced at 22 November 2017 and targets arrangements that use provisions of Double Tax Treaties to escape the charge on non-UK residents, will be incorporated into the ongoing anti-avoidance provisions. There will be provisions to charge UK resident companies in the same group as a non- UK resident making the disposal who fails to pay the tax due.

All non- UK resident companies, including close companies, will be charged to Corporation Tax rather than Capital Gains Tax on their gains.

Existing reliefs and exemptions available for capital gains will be available to non-UK resident, with modifications where necessary. Those who are exempt from capital gains for reasons other than being non- UK resident will continue to be exempt.

Losses arising to non- UK resident companies under the new rules will be available in the same way as capital losses for UK resident companies. Capital Gains Tax losses will follow the existing rules for non-resident Capital Gains Tax losses.

There will be options to calculate the gain or loss on a disposal using the original acquisition cost of the asset or using the value of the asset at commencement of the rules in April 2019. Both options will be available for both direct and indirect disposals. Where the original cost basis is used to calculate an indirect disposal and this results in a loss it will not be an allowable loss. These will be incorporated in a new Schedule 4AA to TCGA.

Reporting requirements for non-UK residents in TMA 1970 will be replaced by a new Schedule to the Finance Act (as explained in the Tax Information and Impact Note Capital Gains Tax: Payment window for property gains) and expanded to include the further types of disposal under the new rules.

The new Schedule 5AAA will provide for how the rules apply to Collective Investment Schemes, under the meaning in section 235 of the Financial Services and Markets Act 2000, and Alternative Investment Funds, as in regulation 3 of the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773).

These funds, other than partnerships, will be treated for the purposes of TCGA as if they were companies and so chargeable to Corporation Tax. An investment in such a fund will be treated as if the interests of the investors were shares in a company, so that where the fund is UK property rich, a disposal of an interest in it by a non-UK resident investor will be chargeable to UK tax under the provisions in the new Schedule 1A.

Other rules specific to funds are detailed in a Technical Note that will be published on 7 November 2018, including the transparency and exemption elections.

Where a UK Real Estate Investment Trust within Chapter 12 of the Corporation Tax Act 2012 is UK property rich, its gains on disposals of UK property rich entities will be exempted under the same mechanism as disposals of property under the existing section 535 of that Act.

The provisions relating to ATED-related Capital Gains Tax will be abolished.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024

+5	+10	+20	+55	+75	+105

These figures are set out in Table 2.2 of Budget 2018. The costing changes since the original August 2017 announcement, which were certified by the Office for Budget Responsibility at Autumn Budget 2017, are primarily driven by revisions to the OBR's property price forecast and also reflect changes that were made post-consultation. 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 adjustments have been made to take account of changes in disposals of affected properties, as well as tax planning activity by affected tax payers.

Impact on individuals, households and families

This proposal is expected to affect:

- non-resident individuals and trusts, who will pay Capital Gains Tax for direct disposals of UK non-residential property for the first time; and
- non-resident individuals and trusts, who will pay Capital Gains Tax on gains for indirect disposals (via an envelope, e.g. at share level) for the first time

These individuals and trusts are expected to incur one-off costs of familiarisation with the new rules, valuation of property, registering for Capital Gains Tax and setting up all the systems and processes needed in order to calculate and pay Capital Gains Tax. On-going costs include keeping records of disposals, calculating the amount of tax due, filing and paying the tax, and notifying HMRC of transactions. It is expected that these impacts on individuals affected will be significant. Guidance will be published by the end of 2018 to support these changes.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to affect:

- non-resident businesses who will pay Corporation Tax or Capital Gains Tax on gains for direct disposals of UK immovable property
- non-resident businesses who will pay Corporation Tax or Capital Gains Tax on gains for indirect disposals (via an envelope, e.g. at share level)

These businesses are expected to incur one-off costs of familiarisation with the new rules, valuation of property, registering for UK tax and setting up all the systems and processes needed in order to calculate and pay the tax. On-going costs include keeping records of disposals, calculating the amount of tax due, online filing, and reporting and paying the tax to HMRC. Those in the advisory profession will also incur costs familiarising themselves with the new rules. It is expected that the impact on businesses will be significant and the overall impact will depend on how many businesses are brought within the scope of Corporation Tax and Capital Gains Tax for the first time following introduction of this measure. Guidance will be published by the end of 2018 to support these changes.

The consultation has identified a significant impact on offshore funds investing in the UK real estate sector. The policy seeks to mitigate this impact by allowing options to simplify the tax treatment and ensure there are no unintended consequences. Otherwise the impacts on this sector is as above.

Operational impact (£m) (HMRC or other)

There are anticipated to be both IT and operational impacts from this proposal for HMRC, and these have been estimated to be in the region of £2.5 million per annum.

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 James Konya on Telephone: 03000 544525; or email: nrcg.consultation@hmrc.gsi.gov.uk.

Capital Gains Tax: annual exempt amount for tax year 2019-20

Who is likely to be affected

Individuals, trustees of settlements and the personal representatives of deceased persons who have capital gains.

General description of the measure

This measure increases the Capital Gains Tax (CGT) annual exempt amount to £12,000 for individuals and personal representatives and £6,000 for trustees of settlements for the period 2019 to 2020.

Policy objective

The annual exempt amount is increased annually to keep pace with inflation in-line with rises in the Consumer Prices Index (CPI).

Background to the measure

This measure was announced at Autumn Budget 2018.

Detailed proposal

Operative date

This measure will have effect in relation to gains accruing on or after 6 April 2019

Current law.

The rules for the annual exempt amount are Part 1, section 3 of the Taxation of Chargeable Gains Act (TCGA) 1992. Section 3 provides that the annual exempt amount which is presently set at £11,700, is increased annually in line with increases in CPI, rounded up to the nearest multiple of £100. It also provides that the annual exempt amount available to most trustees of settlements is one half that due to individuals, effectively £5,850.

Proposed revisions

Legislation will be introduced in Finance Bill 2018 increasing the annual exempt amount to £12,000. This will also have the effect of increasing the annual exempt amount for trustees of settlements to £6,000.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
nil	nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

This measure is expected to have minimal impact on individuals as it simply increases the existing annual exempt amount in-line with CPI.

This measure is not expected to have an 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 is expected to have no impact on businesses or civil society organisations as it only affects individuals and trustees who pay CGT in their personal capacity, and personal representatives who pay CGT in their professional capacity on behalf of an individual.

Operational impact (£m) (HMRC or other)

HMRC processing systems are designed to accommodate tax changes. The change will not increase HMRC processing or compliance resource.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

IHT: Minor Changes to Residence Nil Rate Band

Who is likely to be affected?

Individuals with direct descendants who have an estate (including a residence) with total assets above the Inheritance Tax (IHT) threshold (or nil-rate band) of £325,000 may be affected, as well as personal representatives of deceased persons.

General description of the measure

This measure introduces minor technical amendments to the residence nil rate band (RNRB) relating to downsizing provisions and the definition of 'inherited' for RNRB purposes. These amendments clarify the working of the downsizing rules, and provide certainty over when a person is treated as 'inheriting' property.

Policy objective

The RNRB reduces the burden of Inheritance Tax for most families by making it easier to pass on the family home to direct descendants without an Inheritance Tax charge. This measure will ensure that the RNRB is working in line with the original policy intent, meaning that it cannot be claimed outside of the intended scope and removing any uncertainty for taxpayers.

Background to the measure

This measure was announced at Budget 2018.

The RNRB was announced at Summer Budget 2015 and commenced on 6 April 2017. The RNRB is an additional Inheritance Tax nil-rate band, conditional on a residence being passed on death to a direct descendant. This is currently £125,000, and will rise to £150,000 in 2019 to 2020, and £175,000 in 2020 to 2021. There is a tapered withdrawal of the additional nil-rate band for estates with a net value of more than £2m. This is at a withdrawal rate of £1 for every £2 over this threshold. Any unused RNRB can be transferred to a surviving spouse or civil partner. It is also available when a person downsizes or ceases to own a home on or after 8 July 2015 and assets of an equivalent value, up to the value of the additional nil-rate band, are passed on death to direct descendants.

Detailed proposal

Operative date

The measure will have effect for deaths applying on or after 29 October 2018.

Current law

The current legislation for RNRB can be found in Sections 8D-M of the Inheritance Tax 1984 (IHTA). The downsizing provisions were inserted by section 93 of, and Schedule 15 to, the Finance Act 2016.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to:

- amend Section 8FE IHTA to ensure that the value of any part of a residence that is inherited by an exempt beneficiary is taken into account in determining a person's lost relievable amount.

- amend Section 8J IHTA to ensure that where a residence forms part of a person's estate immediately before their death as a gift with reservation of benefit, in accordance with Section 102(3) FA 1986, it will only be treated as being inherited by a direct descendant if the property became immediately comprised in the direct descendant's estate as a result of the original gift.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
nil	nil	nil	nil	nil	nil

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 will ensure that the policy is working as originally intended and will continue to benefit individuals by making it easier to pass on the family home to direct descendants without a tax charge. This may have a positive impact on family formation, stability and breakdown as it will help to ensure families are able to keep their family home.

Equalities impacts

This measure will ensure that the policy is working as originally intended and will continue to benefit individuals with protected characteristics who are part of family group.

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 individuals and trustees who pay IHT in their personal capacity. Advisers and personal representatives of individuals may incur one-off costs of familiarisation with the change.

Operational impact (£m) (HMRC or other)

No IT or other changes are needed as a result of this measure. It is therefore not anticipated that implementing this change will incur any additional costs or savings for HMRC.

Other impacts

This measure will have no impacts on: the environment, air quality targets, or climate and fuel poverty targets. Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from Inheritance Tax returns.

Further advice

If you have any questions about this change, please contact Natalie Corbett on Telephone: 03000 599885 or email: natalie.corbett1@hmrc.gsi.gov.uk.

VAT Reverse charge anti-avoidance amendment

Who is likely to be affected

This measure does not directly affect any businesses or customers but provides a power to make regulations to amend certain anti-avoidance provisions.

General description of the measure

This measure allows for the disapplication of the existing anti-avoidance provision in section 55A(3) by Statutory Instrument in relation to any specified VAT reverse charge.

Policy objective

A VAT reverse charge works by changing who accounts for the VAT on specified supplies from the supplier to the customer. This only works where the customer is also VAT registered.

The anti-avoidance provisions were introduced to discourage attempts by fraudsters to escape a reverse charge measure by making supplies to non-VAT registered businesses instead and charging VAT. This measure will allow regulations to be made to prevent unintended consequences for small businesses trading below the VAT threshold.

Background to the measure

This measure was announced at Budget 2018.

The need for this measure was identified from the consultation exercise for the proposed VAT reverse charge for construction services, which was the subject of a policy consultation in 2017, followed by a further consultation on the draft statutory instrument, which closed in July 2018.

Detailed proposal

Operative date

The measure will have effect on and after the date of Royal Assent to the Finance Bill 2018-19. However, it will have no practical effect unless a Statutory Instrument is made.

Current law

Section 55A(3) of the VAT Act specifies that a recipient of any supplies within the scope of a VAT reverse charge must aggregate those supplies with the value of their own supplies for the purpose of establishing whether they are liable to be registered for VAT.

Proposed revisions

The proposed measure will allow the provisions of section 55A(3) to be set aside in appropriate cases by Statutory Instrument.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
nil	nil	nil	nil	nil	nil

These figures are set out in Table 2.2 of Budget 2018 as 'Construction supply chain VAT fraud: introduce reverse charge' 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.

Impact on individuals, households and families

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

Equalities impacts

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

Impact on business including civil society organisations

The measure will provide the government with the power to to relieve burdens on small businesses by removing the requirement to include the value of reverse charge supplies received in the value of their taxable turnover. Where that option is exercised it will ensure that small businesses receiving supplies within the scope of the specified reverse charge are not forced into registering for VAT where they would otherwise not be required to.

Operational impact (£m) (HMRC or other)

There are no operational impacts for HMRC associated with this measure.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be kept under review, as part of the wider monitoring of the VAT reverse charge for construction services, through communication with affected taxpayer groups.

Further advice

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

Carbon Emissions Tax

Who is likely to be affected

Permit holders of stationary installations currently covered by the EU Emissions Trading System (EU ETS). This includes: power generators; certain large industrial premises and manufacturers, including food processing plants; certain public sector facilities; and those small emitters and hospitals that are subject to simplified reporting arrangements.

General description of the measure

This measure will take effect only if the UK leaves the EU without an agreement. In a 'no deal' scenario, the UK would cease to participate in the EU ETS from exit day. This measure would introduce a tax on carbon dioxide emissions (and other greenhouse gas emissions on a carbon equivalent basis) produced by UK stationary installations currently in the EU ETS. The new tax would be introduced from 1 April 2019, with the first tax period ending on 31 December 2019. The tax would be known as Carbon Emissions Tax and collected by HM Revenue and Customs (HMRC) annually, with the first payment due in 2020.

All current participants in the EU ETS who are UK permit holders operating stationary installations would be set an annual emissions allowance for the purposes of the tax. For permit holders outside the simplified reporting scheme this would be based on the allocation of free EU Allowances (EUAs) that would have been allocated to installations under Phase 3 of the EU ETS. For those in the simplified reporting scheme the allowance would be based on their current emissions target. Installations would continue to report their activities annually under the existing Monitoring, Reporting and Verification (MRV) scheme and, as at present, this information would establish how many tonnes of greenhouse gases they emit during the reporting period. All emissions that exceed the annual allowance would be taxed on a carbon equivalent basis at a rate for 2019 of £16 per tonne.

A technical document is being published alongside Budget 2018 setting out more details on how the tax would operate. Consultation would take place during 2019 on the detailed provisions to inform a statutory instrument or instruments that would be laid in early 2020.

Policy objective

The new tax would maintain a stable carbon price for those stationary emitters currently covered by the EU ETS, providing stability for businesses and supporting the UK to meet its legally binding carbon reduction targets, which would be unaffected by leaving the EU. It would also aim to replace the revenue lost from the auctioning of EUAs which would result from the UK leaving the EU ETS.

Background to the measure

This measure was announced at Budget 2018.

The government currently sets a total carbon price, created by the price of allowances from the EU ETS and the Carbon Price Support rate per tonne of carbon dioxide which tops up the EU ETS price for electricity generators. The total carbon price is designed to provide an incentive to invest in low-carbon power generation.

The EU ETS, which was introduced in 2005, is a 'cap and trade' scheme designed to set a price for carbon emissions to encourage their reduction. It applies to large emitters of greenhouse gases in the EU and includes rules determining how many free EUAs participants are allocated each year. Currently the EU ETS is in phase 3 which ends in 2020.

The EU ETS requires participants to obtain permits to emit and then to submit a report annually providing details of their activities across the previous calendar year, from which their emissions across the period are calculated. All greenhouse gas emissions are calculated on a carbon equivalent basis. The data will continue to be collected following the UK's departure from the EU.

The EU ETS also provides for a simplified reporting scheme for small emitters and certain hospitals, who are set annual emissions targets rather than allocated EUAs.

If the UK leaves the EU without a deal in March 2019, it would cease to participate in the EU ETS from exit day. This measure has been prepared to cover that contingency. Both the UK and the EU continue to work hard to seek a positive deal. It is in the interests of both to strike a deal and the government remains confident that a mutually advantageous deal with the EU will be agreed.

If the UK secures an implementation period, it would remain a member of the EU ETS during that period. The government is continuing to develop options for long-term carbon pricing, including remaining in the EU ETS; establishing a UK ETS (linked to the EU ETS or standalone) or a carbon tax. However, it is the duty of a responsible government to prepare for all eventualities, including 'no deal', until the outcome of those negotiations are certain.

In a 'no deal' exit from the EU the Carbon Price Support rates would remain in place. As well as the announcement about the Carbon Emissions Tax, Budget 2018 also contains announcements about Carbon Price Support rates.

Detailed proposal

Operative date

The tax will apply to emissions in excess of an installation's allowance from 1 April 2019 should the UK leave the EU ETS in March 2019.

Current law

The Greenhouse Gas Emissions Trading Scheme Regulations 2012 set out the domestic law relating to free allocation of EUAs and permitting requirements, as well as the simplified reporting arrangements for small emitters and certain hospitals. These regulations implement Directive 2003/87/EC which established a system for greenhouse gas emission allowance trading within the EU and set out the framework for the important features of the system, including requirements to obtain a permit to carry out activities within the scope of the Directive and then to monitor, report and verify emissions in each calendar year.

EU subordinate legislation made under Directive 2003/87/EC includes: Commission Regulation 601/2012, which sets out detailed rules relating to the monitoring and reporting aspects of MRV; and Commission Regulation 600/2012, which sets out the detailed rules for the verification aspects of MRV.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to create a new Carbon Emissions Tax, setting the scope, rate and basic structure of the tax and establishing that it would be payable only on emissions above an emissions allowance set for each installation.

The Finance Bill will also provide for a statutory instrument or instruments which would include:

- provision for the level of the emissions allowance

- amending existing emissions reporting requirements to adapt them for the tax
- the payment and tax collection arrangements
- decisions on which the taxpayer would be able to seek a review and against which they would be able to appeal, and record-keeping requirements.

The Finance Bill legislation for this measure would be brought into effect by statutory instrument and take effect only if the UK leaves the EU without an agreement.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	-	-	-	-	-

In the event of a no deal scenario, the final costing would be subject to scrutiny by the Office for Budget Responsibility and would be set out at a later date.

Economic impact

It is expected that this measure would not have any significant macroeconomic effects.

Impact on individuals, households and families

It is expected that this measure would have no impact on individuals as Carbon Emissions Tax would be a business tax.

It is expected that the measure would have no impact on family formation, stability or breakdown.

Equalities impacts

It is expected that this measure would have no impacts for groups sharing protected characteristics.

Impact on business including civil society organisations

This measure would impact around 1,000 installations that currently participate in the EU ETS (generally electricity generators or manufacturing plants, mostly operated by large businesses).

The tax design would mirror, in broad terms, the acquisition and surrender of EUAs under the EU ETS.

Installations' administrative costs would be expected to mirror what they do at present to monitor, verify and report their activities. For those businesses whose emissions exceeded the allowance there would be an additional requirement to familiarise themselves with this measure and pay a tax bill once a year.

There would be no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC would incur costs estimated at £2m to provide an IT system to obtain information from the Environment Agency's ETSWAP system. Other costs to HMRC are estimated at

£620,000. There would also be costs to the Environment Agency in adding IT functionality to the ETSWAP system to ensure it could provide the relevant information to HMRC. These costs are still being quantified.

A Justice Impact Test would be considered with the Ministry of Justice in due course to establish whether additional costs would fall on tribunals and so on.

Other impacts

Carbon assessment – it is expected that this measure would maintain carbon emissions at around the same level that would occur if the UK remained in the EU ETS, and maintain carbon pricing at an appropriate level in the UK.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

The Department for Business, Energy and Industrial Strategy will continue to monitor carbon emissions post EU exit including via MRV.

Further advice

If you have any questions about this measure, please contact Andy Jameson on Telephone: 03000 586082 or email: carbon.taxation@hmrc.gsi.gov.uk

Landfill Tax: increase in rates

Who is likely to be affected

Operators of landfill sites in England and Northern Ireland. Businesses registered with HM Revenue and Customs (HMRC) for Landfill Tax.

General description of the measure

Both the standard and lower rates of Landfill Tax will increase in 2019 in line with the Retail Prices Index (RPI), rounded to the nearest 5 pence.

Policy objective

Landfill Tax is charged on material disposed of at a landfill site or an unauthorised waste site. As such, it encourages efforts to minimise the amount of material produced and the use of non-landfill waste management options, which may include recycling, composting and recovery. Increasing Landfill Tax rates in line with RPI means that the Landfill Tax can continue to help the government meet its environmental objectives.

Background to the measure

This measure was announced at Autumn Budget 2017.

Landfill Tax was introduced on 1 October 1996 to encourage waste producers and the waste management industry to switch to more sustainable alternatives for disposing of material.

There is a lower rate of tax, which applies to less polluting qualifying materials covered by two Treasury Orders, and a standard rate which applies to all other taxable material disposed of at authorised landfill sites. Previously, the tax applied across the UK but from 1 April 2015 it was devolved in Scotland and from 1 April 2018 in Wales.

Detailed proposal

Operative date

The increases in the standard and lower rates of Landfill Tax in line with RPI will apply to taxable disposals made, or treated as made, at relevant landfill sites and unauthorised waste sites, on or after 1 April 2019. The rate changes will apply in England and Northern Ireland only. Sites operating without the necessary environmental disposal permit or licence will be liable for Landfill Tax at the standard rate on all material.

Current law

Section 42 of the Finance Act 1996 specifies the rates of Landfill Tax.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to amend section 42(1)(a) and 42(2) to provide for the new rates of Landfill Tax. The rates being amended and the new rates will be:

Material sent to landfill	Rates from 1 April 2018	Rates from 1 April 2019
Standard rated	£88.95/tonne	£91.35/tonne
Lower rated	£2.80/tonne	£2.90/tonne

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	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 impact.

Impact on individuals, households and families

Businesses and local authorities bear the cost of Landfill Tax passed on to them by landfill site operators on the material they send to landfill. This measure will not have a direct impact on individuals or households and is not expected to impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that there are any equalities impacts in relation to any protected characteristics.

Impact on business including civil society organisations

The measure is expected to have a negligible impact on businesses. Those businesses registered with HMRC for the Landfill Tax which will be affected by the rate changes will incur a negligible one-off cost to update their systems. There are not expected to be any additional on-going costs. The measure is not expected to have any impact on civil society organisations or any significant impact on competition.

Operational impact (£m) (HMRC or other)

HMRC processing systems are designed to accommodate tax rate changes. The change will not increase HMRC processing or compliance resource.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through receipts and tonnage information collected from tax returns or other data about volumes of material sent to landfill.

Further advice

If you have any questions about this change, please contact Helen Horton on telephone: 03000 514475 or email: helen.horton@hmrc.gsi.gov.uk.

Soft Drinks Industry Levy: Movement between the Isle of Man and UK

Who is likely to be affected

Businesses currently liable to register in the UK for the Soft Drinks Industry Levy as a result of moving liable soft drinks from the Isle of Man to the UK.

Businesses that have paid the levy on liable soft drinks in the UK that are currently exported to the Isle of Man.

General description of the measure

This measure will mean that the movement of liable soft drinks between the UK and Isle of Man will not be seen as either an import or an export under the levy, as long as the levy rates of the UK and Isle of Man remain aligned.

It also adds the levy to the list of common duties of the UK and Isle of Man.

Policy objective

This measure will help reduce the administrative burden on businesses moving liable soft drinks from the Isle of Man to the UK by removing the requirement to register for the levy as importers.

Adding the Soft Drinks Industry Levy to the list of common duties of the UK and Isle of Man brings the levy in line with VAT and other Indirect Taxes. It facilitates the sharing of revenue and administrative co-operation and enforcement for the levy between the UK and Isle of Man.

Background to the measure

This measure was announced at Budget 2018.

The Soft Drinks Industry Levy was announced at Budget 2016 and commenced on 6 April 2018.

A consultation document (Soft Drinks Industry Levy) was published on 18 August 2016. The government's response to this consultation was published on 5 December 2016.

Detailed proposal

Operative date

This measure will have effect from 1 April 2019.

Current law

Current law relating to the Soft Drinks Industry Levy is contained in Part 2 of the Finance Act 2017 and the Soft Drinks Industry Levy Regulations 2018.

Current law relating to revenue sharing, administrative co-operation and treatment of goods traded with the Isle of Man is contained in the Isle of Man Act 1979.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 amending section 1 of the Isle of Man Act 1979 to include the Soft Drinks Industry Levy in the list of common duties. A new section 58A will be inserted into Finance Act 2017 to provide that movement of liable soft drinks between the UK and Isle of Man will not be treated as an import or export under the Soft Drinks Industry Levy, unless UK and Isle of Man have adopted different levy rates.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	negligible	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

There is no impact on individuals because it only affects liable soft drinks packagers and importers registered for the levy in the UK.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure will ensure that any movement of liable soft drinks between the UK and the Isle of Man is treated as being a movement within the UK for the purposes of the levy. This means that businesses will not be classed as "importers of soft drinks" and would not therefore be liable to register for the levy, decreasing the administrative burden on those businesses. Business in the UK that are liable to pay the levy on liable soft drinks will no longer be able to claim an export credit when those liable soft drinks are moved to the Isle of Man. One-off costs include familiarisation with this new measure.

Operational impact (£m) (HMRC or other)

Operationally, this measure would decrease the burden 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 contact Ben Martin by email: benjamin.martin@hmrc.gov.uk

Soft Drinks Industry Levy: Penalty for late submission and failure to submit a return

Who is likely to be affected

Businesses registered for the Soft Drinks Industry Levy that either do not submit a quarterly return or fail to submit a quarterly return on time.

General description of the measure

This measure allows penalties to be raised against registered businesses that either do not submit a quarterly return or fail to submit a quarterly return on time.

Policy objective

This measure will help to provide a proportionate and fair penalty regime and drive compliance.

Background to the measure

This measure was announced at Budget 2018.

The Soft Drinks Industry Levy was announced at Budget 2016.

A consultation document (Soft Drinks Industry Levy) was published on 18 August 2016. The government's response to this consultation was published on 5 December 2016. The levy commenced on 6 April 2018.

Detailed proposal

Operative date

This measure will have effect from 1 April 2019. Quarterly returns covering the period April to June 2019, and which are received late or not at all after the due date of 30 July 2019, will be subject to the penalty.

Current law

Current law relating to penalties for a failure to file a return on time is contained in Schedule 55 to the Finance Act 2009. This measure ensures that the levy is covered by sections 13A to 13E of the Finance Act 2009.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 amending Schedule 55 of the Finance Act 2009 to allow penalties to be raised for failure to make a return or for late receipt of a return. The amendment will insert item 13A in the Table, engaging section 13A to 13E of Schedule 55 to the Finance Act 2009.

The first late return will lead to a penalty for a fixed amount of £100. For the second late return within a 12 month period, the fixed amount is £200. A third late return within 12 months of the second means a fixed penalty of £300, and the penalty for a fourth or subsequent late return within 12 months of the most recent late return is a fixed amount of £400.

Where a return for a particular return period is still not filed within 6 months, a further penalty is issued in the amount of 5% of the SDIL liability for that return period, or £300, whichever is greater.

Where a return for a particular return period is still not filed within 12 months, a further penalty is issued in the amount of either 5%, 70% or 100% (depending on the behaviour of the customer) of the SDIL liability for that return period, or £300, whichever is greater.

Legislation will also be introduced to eliminate an inconsistency between the uncommenced provisions of Schedule 11 to the Finance (No.3) Act 2010 and the amendments made by Schedule 11 to the Finance Act 2017 that will ensure that the ability to raise a late payment penalty under Schedule 56 FA2009 will not be affected if amendments contained in Schedule 11 to the Finance (No.3) Act 2010 are commenced.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	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 impact.

Impact on individuals, households and families

There is no impact on individuals because it only affects non-compliant liable soft drinks packagers and importers registered for the levy.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure will have no impact on civil society organisations.

It will also have no impact on businesses registered for the levy who are making a return by the due date, although businesses will incur one-off costs of familiarisation with this new measure.

The measure will only impact on the businesses that are failing to submit a return on time. These businesses will receive a penalty and may also incur costs in dealing with HMRC in connection with any penalty received.

A business that incurs a penalty for late filing of a quarterly return may request a review or appeal to the First-tier Tribunal.

Operational impact (£m) (HMRC or other)

There are negligible financial consequences.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

There will be monitored through information collected from receipts.

Further advice

If you have any questions about this change, please contact Steve Morgan by email: indirecttax.projectteam@hmrc.gsi.gov.uk.

Income Tax: van benefit charge and fuel benefit charges for cars and vans from 6 April 2019

Who is likely to be affected

Employers and employees where employers provide employees with company vans available for private use, or provide fuel for private mileage in company cars and vans.

General description of the measure

This measure increases the van benefit charge by the Consumer Price Index (CPI) and the car and van fuel benefit charges by the Retail Price Index (RPI) from 6 April 2019. The flatrate van benefit charge will increase to £3,430; the multiplier for the car fuel benefit charge will increase to £24,100; and the flat-rate van fuel benefit charge will increase to £655.

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 2019 to 2020 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 Budget 2018.

Detailed proposal

Operative date

The changes will have effect on and after 6 April 2019.

Current law

The Van Benefit and Car and Van Fuel Benefit Order 2017 (SI 2017/1176) set the van benefit charge at £3,350 for 2018 to 2019, the car fuel benefit multiplier at £23,400 and the van fuel benefit at £633.

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 £3,430 for 2019 to 2020. The value of the multiplier for calculating the cash equivalent of the fuel benefit for a car will increase to £24,100 for 2019 to 2020. The flat rate charge for the van fuel benefit will be increased to £655 for 2019 to 2020.

Summary of impacts

Exchequer impact (£m)

Van benefit Charge

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	negligible	negligible	negligible	negligible	negligible

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

Van fuel benefit Charge

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	negligible	negligible	negligible	negligible	negligible

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

Car fuel benefit charge

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	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. These charges are uprated each year and are in line with expectations, it is anticipated that 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 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.

Gambling Taxes - Remote Gaming Duty Increase

Who is likely to be affected

Any remote gambling operators who are liable to account for Remote Gaming Duty (RGD).

RGD applies to gaming over the internet, telephone, by television, radio or other electronic communications.

General description of the measure

The rate of RGD will be increased to 21%.

Policy objective

This RGD rate increase will contribute towards the public finances.

Background to the measure

This measure was announced at Budget 2018.

In May 2018, following a consultation on proposals for changes to gaming machines and social responsibility measures around gambling, the government announced that the maximum stakes on Fixed Odds Betting Terminals (FOBTs) were to be reduced. In order to cover any negative impact of this on the public finances, the change would be linked to an increase in Remote Gaming Duty at the relevant Budget.

The intention to raise the rate of RGD from 1 October 2019 is being announced at Budget 2018 to give remote gaming operators sufficient advance notice of the increase.

Detailed proposal

Operative date

The new duty rate will apply for accounting periods that begin on or after 1 October 2019 and will be chargeable on profits from remote gaming from that date onwards. Where this date falls part-way through an accounting period, the increased rate will be charged only on the profits that arise between 1 October and the end of that accounting period.

Current law

The RGD rate is in section 155(3) of Finance Act 2014. Currently, RGD is chargeable at the rate of 15% of the gaming provider's profits on remote gaming for an accounting period. Remote gaming duty providers file returns on a quarterly basis.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to amend section 155(3) of Finance Act 2014. The rate will be amended to reflect the increase from 15% to 21%.

Summary of impacts

Exchequer impact (£m)

This measure is being introduced to cover any negative impact on the public finances as a result of the reduction in the FOBT maximum stake to £2.

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	+130	+255	+265	+280	+295

These figures are set out in Table 2.1 of Budget 2018 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

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

A behavioural adjustment has been made to take into account changes in spending on remote gaming in response to this policy, and to account for changes in operator behaviour.

Impact on individuals, households and families

If the tax rate increase is passed on to consumers, this measure will impact on individuals or households through a change in odds.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on a small number of medium-sized and large businesses who provide online gambling services to UK customers. The impact on business admin burdens is expected to be negligible. One-off costs include familiarisation with the changes and an initial updating of systems to reflect the new tax rate. The one-off costs are estimated to be negligible. It is not expected that there will be any on-going costs. There is no impact on small and micro businesses. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

This is a straightforward change to the duty rate and will have no operational impact. There is no requirement to update IT systems or tax return forms, and there is no impact on operational resources.

Customers will not see any change to the online system when filing their returns.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact John Waller on Telephone: 03000 588063 or email: john.c.waller@hmrc.gsi.gov.uk.

Tobacco products duty rates 2018

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, tobacco for heating and herbal smoking products.

General description of the measure

This measure sets out how tobacco duties will increase this year.

It also sets the rate for the new category of tobacco product, tobacco for heating, at the same rate applicable to hand rolling tobacco.

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

This measure was announced at Budget 2018.

The duty rate on all tobacco products will continue to increase by 2% above Retail Price Index (RPI) inflation. It was also announced that hand-rolling tobacco will rise by an additional 1%, to 3% above RPI inflation this year.

The government published its consultation response to heated tobacco at Spring Statement 2018 and published draft legislation for the new category of tobacco for heating in July 2018.

Detailed proposal

Operative date

The new tobacco duty rates will have effect from 6pm on 29 October 2018 with the exception of tobacco for heating, which will take effect on 1 July 2019 after relevant amendments are made to secondary legislation.

Current law

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

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to increase the rates of duty on tobacco products and set the rate of duty for tobacco for heating. The legislation will amend Schedule 1 to the TPDA.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	+5	+5	+5	+5	+5

These figures are set out in Table 2.1 of Budget 2018 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

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

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 HM Revenue and Customs (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 equalities impacts. Men are slightly more likely to smoke than women. Younger people are also more likely to smoke than older people.

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 and new category. 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.

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 Telephone: 0300 200 3700.

Tobacco duty on heated tobacco

Who is likely to be affected

Manufacturers and importers of heated tobacco will be directly affected.

General description of the measure

The measure maintains the effectiveness of the tobacco regime, the government is introducing a new category of tobacco product called 'heated tobacco' in the Tobacco Products Duty Act 1979 (TPDA).

The duty rate for heated tobacco will be set at Budget 2018.

Heated tobacco products (also known as heat-not-burn) are a recent development in the tobacco market. These products contain processed tobacco that is heated but not burned as it is in conventional tobacco products. There are different ways that this can be achieved but they all use tobacco to produce or flavour vapour.

Under current rules, there are four categories of tobacco product, which attract different levels of tobacco duty:

- cigarettes
- cigars
- hand-rolling tobacco (HRT)
- other smoking tobacco and chewing tobacco

While these classifications capture tobacco designed for smoking, apart from chewing tobacco which is clearly distinct, they do not specifically capture smokeless tobacco products. At present, there are only a very small number of heated tobacco products on the market and HMRC assess these on a case-by-case basis to determine the liability to tobacco products duty. This is not efficient in the long term, particularly if the number of products on the market increases.

Policy objective

This measure will provide clarity and certainty, and ensure that heated tobacco is captured within the tobacco regime efficiently. Having a clear definition that captures the full range of heated tobacco will also mean that there is less scope for manufacturers to attempt to reduce their duty liability by producing products which do not clearly fall within an existing category.

Background to the measure

At Budget 2016, the government announced a consultation on the tax treatment of heated tobacco. The focus of the consultation was a new duty category that could sufficiently differentiate heated tobacco from existing tobacco products. The consultation set out the case for change, the current rules, and the rationale for potential changes to the tobacco duty regime in response to the development of heated tobacco. The consultation ran from 20 March 2017 to 12 June 2017.

On 13 March 2018, at Spring Statement, the government published a consultation response document which announced an intention to legislate for a new duty category in Finance Bill 2018-19.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

The new heated tobacco category will exist from the date of Royal Assent to Finance Bill 2018-19.

The commencement date will be announced at Budget 2018.

Current law

The liability to tobacco products duty is determined in the UK by section 1 of the TPDA. The power to charge excise duty on tobacco products is contained in section 2 of the TPDA.

Tobacco products are further described by the Tobacco Products (Description of Products) Order 2003 (the Order).

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to amend sections 1(1) and 1(3) of and Schedule 1 to the TPDA to include heated tobacco.

A power in the Finance Bill 2018-19 will also allow for the making of regulations to provide a description of heated tobacco within the Order. The power will also allow for consequential amendments to relevant secondary legislation, including that which deals with the holding and movement of excise goods.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024

These figures are set out in Table 2.1 of Budget 2018 as part of the measure 'Tobacco Duty: RPI plus 2ppt on all duties and additional 1ppt for hand rolling tobacco' and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

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

Impact on individuals, households and families

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

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

Equalities impacts

Due to differences in tobacco consumption, any changes 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 impact a small number of tobacco manufacturers who are large companies and SME tobacco importers. These businesses will benefit from the measure as it aims to provide clarity and certainty on the future tax treatment of heated tobacco products. The administrative burden is expected to be negligible. Businesses will incur one off costs, including 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 a negligible impact on staff resourcing for HMRC. There will be an initial cost estimated at £830,000 to amend HMRC's IT systems and additional IT maintenance costs of approximately £38,000 over 5 years.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored and evaluated through communication with the taxpayer groups affected, revenue receipts and information collected by HMRC on the appropriate duty returns.

Further advice

If you have any questions about this change, please contact Excise: Enquiries on 0300 200 3700 or alternatively write to HMRC at:

HM Revenue and Customs - CITEX Written Enquiry Team

Local Compliance S0000

Newcastle

NE98 1ZZ United

Kingdom

tobacco.policy@hmrc.gsi.gov.uk

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

Who is likely to be affected?

Owners of cars, vans, motorcycles and holders of motorcycle trade licences

General description

This measure will uprate, by RPI, the Vehicle Excise Duty (VED) rates for cars, vans, motorcycles and motorcycle trade licences. This is a standard uprating to come into effect from April 2019.

Policy objective

Increasing VED rates by RPI in 2019 to 2020 will ensure that VED receipts are maintained in real terms and that motorists make a fair contribution to the public finances.

Background to the measure

This measure was announced at Budget 2018.

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 2019 for all cars, vans, motorcycles and motorcycle trade licences.

Current law

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

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 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 A to the Overview of Tax Legislation and Rates.

Summary of impacts

Exchequer impact (£m)

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

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

Impact on individuals, households and families

This measure will impact on motorists owning a car, van or motorcycle or using a motorcycle trade licence. The increase in VED rates is in line with RPI meaning rates will remain unchanged in real terms.

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 all registered keepers of cars. In 2017, the Department for Transport published data which showed that women account for 39% of registered keepers.

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.

Operational impact (£m) (HMRC or other)

There will be negligible financial 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 by telephone on 0300 790 6802 or online at: https://www.gov.uk/contact-the-dvla.

Alcohol Duty Uprating

Who is likely to be affected

This measure will affect businesses and individuals responsible for accounting for alcohol duty prior to consumption – such as producers, importers, warehouse keepers and traders – as well as retailers and consumers of alcohol more generally.

General description of the measure

The public finances assume that all alcohol duty rates increase by Retail Price Index (RPI) year-on-year. This measure changes the expected duty rates on some alcohol manufactured in, or imported into, the UK.

The duty rate for the new mid-strength cider band was also announced at Budget 2018.

Policy objective

The government is committed to helping pubs, which are important community assets that encourage responsible alcohol consumption.

Background to the measure

At Budget 2018, the Chancellor of the Exchequer announced that the following duty rates will be frozen:

- Duty rates on beer
- Duty rates on spirits and other drinks above 22% alcohol by volume (abv)
- Duty rates on still cider and perry, and lower strength sparkling cider and perry

The duty rates on wine and made-wine at or below 22% abv, and high strength sparkling cider above 5.5% abv will rise by RPI inflation from 1 February 2019.

Detailed proposal

Operative date

The new alcohol duty rates will have effect from 1 February 2019.

Current law

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

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

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to revise the alcohol duty rates and to introduce the new mid-strength cider duty band.

Sections 62(1A) and Schedule 1 of the Alcohol Liquor Duties Act 1979 will be amended to provide for the relevant alcohol duty rates. The revised duty rates are:

sparkling cider and perry exceeding 5.5% but less than 8.5% abv	£288.10
wine and made-wine exceeding 1.2% but not exceeding 4% abv	£91.68
wine and made-wine exceeding 4% but not exceeding 5.5% abv:	£126.08
still wine and made-wine exceeding 5.5% but not exceeding 15% abv:	£297.57
sparkling wine and made-wine exceeding 5.5% but less than 8.5% abv	£288.10
sparkling wine and made-wine of at least 8.5% but not exceeding 15% abv:	£381.15
wine and made-wine exceeding 15% but not exceeding 22% abv:	£396.72

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024

-35	-165	-175	-175	-180	-185

These figures are set out in Table 2.1 of Budget 2018 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

This measure is expected to have a small, negative impact on CPI and RPI inflation in 2019- 20. A behavioural adjustment has been made to take into account changes in the consumption of alcohol in response to a price change.

Impact on individuals, households and families

At the current VAT rate, and assuming 100% pass through wherever alcohol is purchased, the average tax (duty+VAT) in 2019 on a typical:

- pint of beer will be unchanged and 14 pence lower than it otherwise would have been since ending the beer duty escalator in 2013
- pint of cider will be unchanged and 4 pence lower than it otherwise would have been since ending the cider duty escalator in 2014
- bottle of Scotch whisky will be unchanged and £1.54 lower than it otherwise would have been since ending the spirits duty escalator in 2014
- bottle of wine will be 8 pence higher but 16 pence lower than it otherwise would have been since ending the wine duty escalator in 2014

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

Equalities impacts

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

Impact on business including civil society organisations

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

Small and micro business assessment: This measure will impact on some small and micro businesses. Small cider makers – those producing less than 70 hectolitres - do not pay any cider duty.

Operational impact (£m) (HMRC or other)

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

Other impacts

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

Other impacts have been considered and no significant impacts have been identified.

Monitoring and evaluation

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

Further advice

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

Alcohol duty: new still cider and perry band from 6.9% to 7.5% abv

---

Who is likely to be affected

Businesses and individuals responsible for accounting for cider duty prior to consumption - for example manufacturers, importers and warehouse keepers - as well as retailers and consumers of some ciders and perries.

General description of the measure

The measure provides for a new duty band on still cider and perry at least 6.9% but not exceeding 7.5% abv that are manufactured in, or imported into, the UK.

Exemption from cider duty will still be available on all ciders where annual production is less than 70 hectolitres.

The rate of duty will be confirmed at Budget 2018.

Policy objective

The government is committed to reducing the health and social harms associated with problem consumption of alcohol. The purpose of this measure is to tackle problem drinking by encouraging industry to produce, and drinkers to consume, lower strength ciders.

The new duty on still cider and perry of at least 6.9% but not exceeding 7.5% abv is intended to encourage reformulation to lower abv levels of cheap, high strength 'white ciders' associated with problem drinking. The new band should also reduce the availability and affordability of 'white ciders'. Additionally this measure may increase choice for consumers.

Background to the measure

The government announced at Spring Budget 2017 the Alcohol Structures Consultation, consulting on the introduction of a new band to target cheap, high strength ‘white’ ciders, below 7.5% abv.

At Autumn Budget 2017 the government's summary of responses was published and the Chancellor announced he would bring forward legislation to introduce a new duty band for still ciders at least 6.9% but not exceeding 7.5% abv from February 2019.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

The new duty band will have effect from 1st February 2019. The rate of duty will be confirmed at Budget 2018.

Current law

Alcohol duty rates are set out in the Alcoholic Liquor Duties Act 1979. The duty rates for:

- cider are set out in section 62(1A)

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 providing for a new duty charge on still cider and perries at least 6.9% abv but not exceeding 7.5% abv. It will amend Section 62(1A) of the Alcoholic Liquor Duties Act 1979.

Sparkling cider and perries are unaffected. Sparkling ciders and perries generally do not include 'white ciders'.

Summary of impacts

These impacts will be revised at Budget 2018 when the rate of duty is announced.

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024

These figures are set out in Table 2.1 of Budget 2018 as part of the measure 'Alcohol Duties: freeze spirits, beer and cider in 2019 and set rate for high strength cider' and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

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

Impact on individuals, households and families

The government expects the increased duty for ciders between 6.9% and 7.5% abv to be passed on to individuals through higher prices for these products, with a corresponding decrease in consumption of these drinks.

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

Equalities impacts

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

As the measure is targeted at problem drinking, there is a potential for any price increases resulting from the new rate to fall disproportionately on persons who display harmful drinking patterns. However, the purpose of this measure is to encourage industry to produce, and drinkers to consume, less harmful products, so the overall impact on these consumers is expected to be positive.

Impact on business including civil society organisations

The changes in alcohol duty rates will impact on alcohol manufacturers, importers and retailers. This measure is expected to have a negligible administrative impact on businesses. One-off costs include familiarisation with, and updating systems to include, the new duty rate. On-going costs could include an additional box to complete on the duty return. There is no impact on civil society organisations.

Small and micro business assessment: Exemption from cider duty will still be available for those businesses producing less than 70 hectolitres per annum.

Operational impact (£m) (HMRC or other)

HMRC will incur costs for this measure of approximately £500,000 to pay for necessary system changes to account for the new tax.

Other impacts

Health impacts: the reduction in consumption of higher strength ciders resulting from this measure is likely to have a health benefit.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Air Passenger Duty: rates from 1 April 2020 to 31 March 2021

Who is likely to be affected

Airlines and other aircraft operators, and their passengers.

General description of the measure

The long haul rates of Air Passenger Duty (APD) for the tax year 2020 to 2021 will increase in line with the retail price index (RPI) as forecast at Autumn Budget 2018. Short haul rates will not rise.

Policy objective

This measure increases APD rates in line with RPI, constituting a real terms freeze. This contributes towards the government's public finances.

Background to the measure

This measure was announced at Budget 2018.

The rates for the tax year 2020 to 2021 are being announced at Autumn Budget 2018 to give industry sufficient advance notice of changes in APD rates.

Detailed proposal

Operative date

The rates for the tax year 2020 to 2021 will have effect in relation to the carriage of chargeable passengers on or after 1 April 2020.

Current law

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

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to amend section 30 of FA1994. The rates will be as follows:

From 1 April 2020			
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)	£ 80	£ 176	£ 528

(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)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	-	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 on some individuals, households and families who travel by air. There is no impact on the majority of passengers who travel to short haul destinations. Those who travel to long haul destinations may see an increase in price. The increase is in line with RPI, constituting a real terms freeze.

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 people with 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

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

Stamp Duty, Stamp Duty Reserve Tax and Stamp Duty Land Tax: exemption for financial institutions in resolution

---

Who is likely to be affected

Businesses and individuals who are bondholders of a failing financial institution. Also businesses who temporarily hold issued share capital of, and property held by, a failing financial institution.

General description of the measure

Under the Banking Act 2009, the Bank of England has various resolution stabilisation powers to manage a failing financial institution in an orderly way. These ensure that an institution's operations can be maintained to protect financial stability, depositors and the taxpayer. Upon exercise of a resolution stabilisation power, the Bank of England may arrange a transfer of the failed institution's issued share capital in exchange for temporary certificates issued to bondholders of the failed institution, or a transfer of securities and/or property held by the failed institution to a temporary holding entity appointed by the Bank of England or to a temporary public body. Both transfer situations are within scope of a charge to Stamp Duty, Stamp Duty Reserve Tax (SDRT) or Stamp Duty Land Tax (SDLT).

When an institution is placed into resolution and a stabilisation power exercised, this legislation will provide an exemption from a charge to Stamp Duty, SDRT and SDLT on certain transfers of securities and property from the failed institution to the appointed temporary holding entity, and on transfers of securities to bondholders following exercise of the bail-in stabilisation power. This reduces the need for specific regulations to be made under section 74 of the Banking Act 2009 to provide an exemption from a Stamp Duty, SDRT and/or SDLT charge.

Policy objective

Section 74 of the Banking Act 2009 currently allows HM Treasury to make regulations following exercise of a resolution stabilisation power to provide a tax exemption which includes Stamp Duty, SDRT and SDLT on transfers of securities and property. By reducing the need for making specific regulations, this measure will strengthen and simplify the process of resolving a failed financial institution and uphold the 'no creditor worse off' principle, by ensuring an exemption from Stamp Duty, SDRT and SDLT is available at the time of resolution announcement

Background to the measure

The measure was announced at Autumn Budget 2017. No consultation is considered necessary as the measure strengthens and simplifies the resolution process by which an exemption from Stamp Duty, SDRT and SDRT is made available.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

The measure will have effect on and after the date of Royal Assent to Finance Bill 2018-19.

Current law

Following exercise of a stabilisation power, Section 74 of the Banking Act 2009 allows HM Treasury to make regulations in connection with a resolution share or property transfer instrument, or share or property transfer order to provide an exemption from Stamp Duty, SDRT and SDLT.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 providing an exemption from Stamp Duty, SDRT and SDLT. This will insert new sections 85A in FA1986 and 66A Finance Act 2003, which will apply where, following exercise of certain resolution stabilisation powers in the Banking Act 2009, UK securities and/or property (including land) are transferred by a share and/or property instrument/order to a temporary holding entity appointed by the Bank of England or to a temporary public body. The exemption will extend to transfers of securities in exchange for temporary certificates issued to bondholders that identify their entitlement to the securities.

The exemption will not apply:

- to an instrument or order transferring the failed institution's issued share capital or a transfer of its assets to a third party purchaser following exercise of a private sector purchaser resolution stabilisation power,
- where, under the terms of the resolution, the institution's issued share capital and/or its assets are onward transferred from a temporary resolution holding entity or public body to a third party purchaser

These transfers will be subject to a charge to Stamp Duty, SDRT or SDLT in the usual way.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
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

The measure is expected to have no financial impact on individuals who are bondholders of the failed institution and who receive securities in exchange for temporary certificates issued to them that identify their entitlement to the securities following exercise of a stabilisation power. However, this will provide clarity to bondholders, ahead of the exercise of stabilisation powers.

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

Equalities impacts

It is not expected that this measure has any impacts on groups sharing protected characteristics.

Impact on business including civil society organisations

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

Operational impact (£m) (HMRC or other)

There will be no significant operational impacts as a result of this measure.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from settlement services and tax returns reported to HMRC.

Further advice

If you have any questions about this change, please contact Simon English on Telephone: 03000 585446 or Stephen Roberts on Telephone: 03000 585455 or email: stamptaxes.budget&financebill@hmrc.gsi.gov.uk.

Stamp Duty Land Tax: First time buyers' relief - extension of relief to all purchasers of qualifying shared ownership property 2018

Who is likely to be affected?

Individuals purchasing a residential property for the first time in England and Northern Ireland through a qualifying shared ownership scheme

General description of the measure

The relief for first time buyers will be extended to purchasers of qualifying shared ownership properties who do not elect to pay SDLT on the market value of the whole property when they purchase their first share.

The relief will apply retrospectively from 22 November 2017, meaning that a refund of tax will be payable for those who have paid SDLT after the 22 November 2017 in circumstances which now qualify for first time buyers relief.

Relief will be applied to the first share purchased, where the market value of the shared ownership property is £500,000 or less.

First time buyers will pay no SDLT where they are paying £300,000 or less for the first share. Those paying between £300,000 and £500,000 for their first share will pay SDLT at 5% on the amount in excess of £300,000, a reduction of up to £5,000 compared to the amount of SDLT they would have previously paid. The relief will also apply to any SDLT due on the rental payments. The relief will not apply to the purchase of any further shares in the property.

First time buyers purchasing a shared ownership property whose market value is more than £500,000 will not be entitled to any relief and will pay SDLT at the normal rates, in line with the treatment for other first time buyers.

The relief must be claimed in an SDLT return, or by amendment where a SDLT return has already been filed.

The amendment window for those who completed their transaction before 29 October 2018 will be extended by a further 12 months until 28 October 2019.

Policy objective

This measure is part of the government's commitment to support home ownership and first- time buyers.

Background to the measure

This measure was announced at Budget 2018.

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 as SDLT was devolved to Scotland on 1st April 2015, or to transactions in Wales on or after 1st April 2018 when was SDLT was devolved to Wales.

Current law

The main SDLT legislation is at Part 4 of the Finance Act (FA) 2003.

The rules for first time buyers are set out in Schedule 6ZA and those for shared ownership are in Schedule 9 of the Act. The current rules for first time buyers of qualifying shared ownership properties are at paragraph 16 of Schedule 9.

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.

Qualifying shared ownership schemes are provided by approved bodies such as local authorities and housing associations which help people buy a home by allowing them to buy a share of their home and pay rent on the remainder.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to amend Schedule 9 to extend the relief at Schedule 6ZA to first time buyers purchasing a qualifying shared ownership property who when first granted a lease do not elect to pay SDLT on the market value of the property.

The SDLT rates for first time buyers, which are set out in the table at paragraph 4 of Schedule 6ZA, will apply to the premium paid for the first share purchased.

Where relief for first time buyers is claimed on that first share purchase, relief will also apply so that no SDLT will be payable on the rental payments.

These revisions will also apply to shared ownership property purchased by first time buyers through shared ownership trusts.

First time buyers who purchased their property on or after 22 November 2017 but before 29 October 2018 will be given a further 12 months from 29 October 2018 to amend their return and claim the relief.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
negligible	-5	negligible	negligible	negligible	-5

These figures are set out in Table 2.1 of Budget 2018 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

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

Impact on individuals, households and families

The measure will each year benefit around 1,700 first time buyers of residential properties purchasing through a qualifying shared ownership scheme where the market value of the property does not exceed £500,000 saving purchasers up to £5,000. Paying no or less SDLT reduces the upfront cost of buying a home for first time buyers.

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 because first time buyers are likely to be younger.

This measure is not expected to have an impact on any of the other 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 changes for first time buyers and shared ownership. Where the first time buyer is being granted a new shared ownership 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 £300,000.

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).

Income Tax: Stamp Duty Relief for Share Incentive Plans

Who is likely to be affected

Employers and employees who use or advise on Share Incentive Plans (SIPs).

General description of the measure

This measure will make a minor correcting amendment to section 95 of the Finance Act 2001 (exemptions in relation to approved share incentive plans) ("section 95 FA 2001") concerning stamp duty and stamp duty reserve tax relief for SIPs. This puts the legislation onto the basis already as operated by HM Revenue and Customs (HMRC) and will not change the basis on which relief is available.

Policy objective

This change clarifies the availability of stamp duty and stamp duty reserve tax relief for SIPs.

Background to the measure

This measure was announced at Budget 2018.

Stamp duty and stamp duty reserve tax relief for approved employee share ownership plans was introduced by section 95 FA 2001. That section was substituted by section 723 of, and paragraph 257 of Schedule 6 to, the Income Tax (Earnings and Pensions) Act 2003 ("ITEPA") so that it applied in relation to SIPs. At the time, tax advantaged share schemes such as SIPs had to be approved by HMRC before an employer could begin to operate them. This was reflected in section 95 FA 2001 (as so substituted) which made reference to "approved share incentive plans".

In 2014, the Government introduced self-certification for the tax advantaged share schemes that had required approval by HMRC. Changes were made in Finance Act 2014 (s51 and Schedule 8) to replace HMRC approval of SIPs with a self-certification process. The legislation concerning SIPs is contained in chapter 6 part 7 of and Schedule 2 to ITEPA. Among the changes made to the SIP legislation by FA 2014, were that references to 'approved share incentive plans' were amended to 'Schedule 2 SIPs'. In error such references in section 95 FA 2001 were not amended.

Detailed proposal

Operative date

This measure will be effective from 6 April 2014.

Current law

Chapter 6 of Part 7 of, and Schedule 2 to, ITEPA and the provisions mentioned in section 515 of ITEPA 2003 (including section 95 FA 2001) together constitute the SIP code.

Parts 2 to 9 of Schedule 2 ITEPA set out the requirements for a SIP to be a Schedule 2 SIP. Part 10 of that Schedule provides that for a SIP to be a Schedule 2 SIP notice of the SIP must be given to HMRC in accordance with that Part.

Section 95 FA 2001 provides (subsection (3)) that where, under an approved share incentive plan, partnership shares or dividend shares are transferred by the trustees to an employee—

(a) no ad valorem stamp duty is chargeable on any instrument by which the transfer is made, and

(b) no stamp duty reserve tax is chargeable on any agreement by the trustees to make the transfer.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to amend section 95 FA 2001. This will remove references to “approved” in subsections (1) and (2) and in the heading and in subsection (3) “an approved share incentive plan” will be substituted by “a Schedule 2 SIP”. This will align the section with the other provisions of the SIP code.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
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 impact on employees who use SIPs as this measure only corrects legislation so that it is on the basis already operated by HMRC. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that any of the proposed changes will impact on any individuals with protected characteristics.

Impact on business including civil society organisations

It is not anticipated there will be any impacts on business administrative burdens as this measure is correcting an error in legislation and makes no change to the overall policy. 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 have been identified.

Monitoring and evaluation

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

Further advice

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

Stamp Duty, SDRT: transfers of listed securities and connected persons

Who is likely to be affected

Companies that acquire listed securities from connected persons.

General description of the measure

The measure will introduce a new targeted market value rule where listed securities are transferred to a connected company where stamp taxes on shares group relief is not available. The measure will apply where money is paid or there is nil consideration or where the consideration is other than money.

Policy objective

HMRC are aware of contrived arrangements involving the transfer of listed shares to connected companies to minimise stamp taxes on shares liability on the acquisition of highvalue share portfolios. This measure makes the tax system fairer by removing this unfair advantage.

Background to the measure

This measure was announced at Budget 2018.

Detailed proposal

Operative date

For the charge to Stamp Duty under Paragraph 1 of Schedule 13 FA 1999 the measure will have effect in relation to instruments executed on or after 29 October 2018.

For the charge to SDRT under section 87 FA 1986 the measure will have effect for agreements to transfer made on or after 29 October 2018. Where the agreement to transfer is conditional, the measure will have effect where the condition is satisfied on or after 29 October 2018.

Where the Stamp Duty or SDRT charge is under section 67, 70, 93 or 96 of FA 1986 in relation to transfers to depositary receipt issuers or clearance services the measure will have effect for transfers on or after 29 October 2018 (whenever the arrangement was made).

Current law

The current law in respect of consideration for Stamp Duty is included at section 6 of Stamp Act 1891; schedule 13 of Finance Act 1999; section 90 of Finance Act 1965 and sections 67 and 70 of Finance Act 1986.

The current law in respect of consideration for SDRT is included at sections 87, 93 and 96 of Finance Act 1986.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to provide for a new market value rule where listed securities are transferred to a company (whether or not for consideration), and the person transferring the securities is connected with the company.

In these circumstances, the transfer will be chargeable to stamp taxes on shares based on the higher of the amount or value of the consideration (if any) for the transfer or the market value of the securities.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
negligible	negligible	negligible	negligible	negligible	negligible

This measure is expected to have an negligible impact on the Exchequer impact and 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

The measure is not expected to impact on individuals.

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

The measure will only impact on a small number of businesses which undertake transactions where listed shares are transferred to connected companies. The impact on business costs and administrative burdens is expected to be negligible.

One off costs include familiarisation with the new rules.

On-going costs will consist of calculating market value.

Operational impact (£m) (HMRC or other)

HMRC will not incur any costs implementing 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 regular communication.

Further advice

If you have any questions about this change, please contact Stephen Roberts on: 03000 585 455 or Simon English: 03000 585 446 or email: stamptaxes.budgetfinancebill@hmrc.gsi.gov.uk

SDLT – Higher Rates for Additional Dwellings - minor amendments

Who is likely to be affected

Individuals liable to Higher Rates of Stamp Duty for Additional Dwellings (HRAD) by virtue of buying a new home before selling their old home.

Persons liable to HRAD by virtue of owning, disposing of or purchasing residential property owned by more than one person.

This measure will apply solely to purchasers of property in England and Northern Ireland.

General description of the measure

The measure will extend the time allowed to claim back HRAD where an individual sells their old home within 3 years of buying their new one.

The measure also clarifies the meaning of `major interest` in land for the general purpose of HRAD.

Policy objective

The measure will ensure that the HRAD rules are easier to understand and more transparent.

The measure will give purchasers of residential property more time within which to obtain a refund of HRAD paid.

The measure will also provide more certainty for purchasers of residential property by making it clear, that for HRAD, a `major interest` includes an `undivided share in land`.

Background to the measure

HRAD was introduced in April 2016 as Schedule 4ZA to the Finance Act 2003.

As a rule, HRAD requires individuals who buy residential property while already owning such property to pay SDLT at rates 3 percentage points above the standard rates.

An exception to this rule arises when someone sells an old home and buys a new home. HRAD won't be chargeable if the old home is sold before the new home is bought or if the old home is sold within three years of buying the new home. In the latter case, HRAD must be paid upfront and can be claimed back so long as certain conditions are met.

Detailed proposal

Operative date

Both changes will take effect from 29 October 2018. The time limit changes will apply where the effective date of sale of the old home is on or after that date.

Current law

HRAD – time limit for an amended return

Someone selling their old home after they buy their new home must pay HRAD upfront.

By virtue of paragraph 8 of Schedule 4ZA a purchaser can reclaim the HRAD provided they sell their old home within 3 years of buying their new home.

By virtue of paragraph 8(3) (a) of Schedule 4ZA a successful reclaim must be made by the later of –

- three months from selling the old home, or
- a year from the filing date for the SDLT return for the new home.

In practice this means that anyone who fails to sell their old home within 12 months of the filing date of the SDLT return for their new home must rely on paragraph 8(3) (a) of Schedule 4ZA and reclaim their HRAD within three months of the sale of their old home.

Major interest

The design of HRAD broadly means that tax is charged when someone buys and already owns a `major interest` in a dwelling.

The term `major interest` is used to ensure that HRAD applies to only meaningful purchases of residential property and does not apply to `minor interests`, for example a right of way or a right to light.

Some external stakeholders have suggested that it is unclear whether the legal definition of `major interest` includes an `undivided share in land` and, consequently, whether transfers involving an `undivided share in land` are within the scope of HRAD.

Proposed revisions

HRAD – time limit for an amended return

Paragraph 8(3) (a) of Schedule 4ZA will be amended so that a successful reclaim must be made by the later of –

- 12 months from selling the old home, or
- a year from the filing date for the SDLT return for the new home.

Major interest

While HMRC's view is that the HRAD legislation as it stands enables us to tax all purchases of undivided shares in land, paragraph 2 of the main Schedule will be amended to put the position beyond doubt, and make clearer that a major interest in a dwelling includes an undivided share in a dwelling for the purpose of HRAD.

Summary of impacts

Exchequer impact (£m)

2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total

negligible	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 is expected to have a positive impact on individuals as it extends the period from 3 months to 1 year to reclaim HRAD from the day individuals sell their old home. This proposal also clarifies HRAD's rules to make it clear that a 'major interest' includes an undivided share in land.

One–off costs include familiarisation with the new rules. It is not expected that there will be any ongoing costs. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

The time limit extension aspect of this measure is likely to have a positive impact on groups with protected characteristics, particularly the elderly and vulnerable customers who for good reasons, such as serious illness, have been unable to reclaim HRAD within the previous time frame.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on approximately 4,000 conveyancers and property professionals. One-off costs include familiarisation with the new rules. There are no expected on-going costs. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will not incur any costs in implementing these changes.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact neil.zammit@hmrc.gsi.gov.uk

Income Tax and Corporation Tax: tax avoidance involving profit fragmentation

Who is likely to be affected

Individuals who carry on a trade or profession within the charge to UK taxation, as a sole trader, in partnership, or through a company (in the last case it is likely that the company will an owner managed business), but only where arrangements are in place such that value is transferred from a UK trader to an offshore entity.

General description of the measure

From April 2019, this targeted legislation aims to prevent UK traders and professionals from avoiding UK tax by arranging for their UK-taxable business profits to accrue to entities resident in territories where significantly lower tax is paid than in the UK. The counteraction will be effected by adding those profits to the profits of the UK trade.

Policy objective

The aim of the measure will be to ensure that the amount of profit that should be taxable in the UK is fully taxed in the UK.

Background to the measure

This measure was announced at Autumn Budget 2017. A consultation document was published on 10 April 2018. The consultation closed on 8 June 2018.

The first draft of legislation and a response document were published on 5 July 2018. This was followed by a period of technical consultation which ended on 31 August 2018.

Following consultation on draft legislation government has decided to remove the duty to notify HMRC of relevant arrangements meeting certain criteria.

This TIIN replaces the TIIN published alongside the draft legislation on 5 July 2018.

Detailed proposal

Operative date

The measure will have effect from 1 April 2019 onwards for corporation tax and 6 April 2019 for income tax and Class 4 NIC, and will apply to all profits diverted on or after that date.

Current law

Current law is contained in Part 2 of the Income Tax (Trading and Other Income) Act 2005 (ITTOIA) and Part 3 of the Corporation Tax Act 2009 (CTA 2009). These contain the main charging provisions for the taxation of profits of a trade.

Section 6 of ITTOIA deals with the territorial scope of income tax. Profits of a trade arising to a UK resident are chargeable to UK tax wherever the trade is carried on. Profits of a trade of dealing in or developing UK land arising to a non-UK resident are chargeable to UK tax wherever the trade is carried on. Profits of a trade arising to a non-UK resident are chargeable to UK tax only if they arise:

- from a trade carried on wholly in the United Kingdom
- in the case of a trade carried on partly in the United Kingdom and partly elsewhere, from the part of the trade carried on in the United Kingdom

Section 5 of CTA 2009 deals with the territorial scope of corporation tax. A UK resident company is chargeable to corporation tax on all its profits wherever arising. A non-UK resident company is within the charge to corporation tax only if:

- it carries on a trade of dealing in or developing UK land
- it carries on a trade in the United Kingdom through a permanent establishment in the United Kingdom

A non-UK resident company which carries on a trade in the United Kingdom through a permanent establishment in the United Kingdom is chargeable to corporation tax on its profits that are chargeable profits as defined in section 19 of CTA 2009 (profits attributable to its permanent establishment in the United Kingdom).

Legislation in Part 13 of the Income Tax Act 2007 (Transfer of assets abroad) charges income tax on a person who makes a relevant transfer where certain further conditions apply. This legislation may apply to some of the arrangements or to some parts of the arrangements that will be affected by this measure.

Proposed revisions

Targeted Legislation

Legislation will be introduced in Finance Bill 2018-19 which will consider whether certain characteristics are present as follows:

- there must be a transfer of value from the UK trader to an offshore entity - this could be a diversion of income to the offshore entity, or payment of expenses to the offshore entity
- the effect of the arrangement must be that a significantly lower level of tax is paid on the profits than would be the case if they were correctly taxed in the UK in accordance with the current law
- the proprietor of the business, whether a sole trader or partner in an unincorporated business, or as director and/or shareholder of a company must be able to enjoy the profits that have been diverted
- the UK person must have arranged for the profits to be diverted to the offshore entity
- the diversion or payments mentioned in the first condition are not commensurate with the work undertaken by the offshore entity

Where these conditions are present the arrangement is to be counteracted by bringing the profits back into UK tax by attributing the correct amount of profits to the UK-taxable source.

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	+65	+65	+75	+95	+100

These figures are set out in Table 2.1 of Budget 2018 as part of a package of measures called 'Offshore: prevent profit fragmentation, extend VAT grouping rules, and prevent looping avoidance schemes' and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

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

Impact on individuals, households and families

This measure is likely to affect approximately 1,000 individuals many of whom may need to make adjustments under these new rules.

This measure has no impact on individuals and households as it only affects sole traders, partnerships and companies who are in business.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is likely to affect approximately 1,000 individuals carrying on business in the UK as sole traders, in partnership or carrying on a trade or profession through a company, many of whom may need to make adjustments under these new rules.

All businesses with cross border transactions will incur a one-off cost of familiarisation with the new rules. It is expected that this cost will be negligible. There is no impact on civil society organisations

Operational impact (£m) (HMRC or other)

The IT and operational impacts on HMRC for this measure are negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax returns and HMRC compliance work.

Further advice

If you have any questions about this change, please contact Chris Stewart by telephone: 03000 519 402 or email: profitfragmentation.mailbox@hmrc.gsi.gov.uk

Extension of security deposit legislation

Who is likely to be affected

Businesses that are contractors under the Construction Industry Scheme (CIS) and companies chargeable to UK Corporation Tax (CT), where there is a history of not complying with tax obligations.

General description of the measure

This measure extends the scope of the existing security deposits regime to include CT and CIS deductions.

HMRC currently has the power to require high-risk businesses to provide an upfront security deposit where this is considered to be necessary for the protection of the revenue. At present this power applies only to Value Added Tax, Pay As You Earn (PAYE) and National Insurance contributions (NICs), Insurance Premium Tax (IPT) and some environmental and gambling taxes. This measure will give HMRC the power to also require securities in relation to CT and CIS deductions where there is a risk to the revenue.

Policy objective

The vast majority of businesses meet their tax obligations and pay the right amount of tax at the right time. However there is a small minority that choose not to pay the tax they owe - HMRC has a duty to take action to prevent loss to the Exchequer and ensure that these businesses don't gain an unfair advantage over the compliant majority.

Experience from the existing securities regime has shown that, when used in a carefully targeted manner, securities can be very effective in changing the behaviour of non-compliant businesses and protecting future revenues against the risk of non-payment. Currently these powers apply only to certain taxes and duties.

This change addresses gaps in the coverage of the existing securities provisions to strengthen HMRC's ability to deal effectively with the small minority of rule breakers that won't pay, rather than can't pay tax that is due. Businesses that are experiencing genuine difficulties are not the target of this measure.

Background to the measure

The government announced at Autumn Budget 2017 that it would extend the scope of securities to CT and CIS deductions.

A consultation on the implementation of this change was held between 13 March and 8 June 2018.

A summary of responses along with draft legislation for consultation was published on 6 July 2018.

Detailed proposal

Operative date

The measure will have effect from 6 April 2019.

Current law

There are separate legislative provisions for each of the taxes and duties that currently fall within the scope of securities. Current powers to require security are contained in:

VAT: Value Added Tax Act 1994, Schedule 11, paragraphs 4(1A) and 4(2)

PAYE and NICs: Income Tax (Earnings and Pensions) Act 2003 section 684, and Part 4A of Income Tax (Pay As You Earn) Regulations 2003 and Part 3B of Schedule 4 of Social Security (Contributions) Regulations 2001

Landfill Tax: Finance Act 1996, Schedule 5, paragraph 31

Aggregates Levy: Finance Act 2001, section 26(1)

Climate Change Levy: Finance Act 2000, Schedule 6, paragraph 139(1)

Insurance Premium Tax: Finance Act 1994, Schedule 7, paragraph 24

Betting Duty, Pool Betting Duty and Remote Gaming Duty: Finance Act 2014, section 170.

Proposed revisions

It is proposed that the legislation for CT and CIS securities will broadly follow the approach used for PAYE securities, and that the detail of HMRC's powers to require a security will be set out in regulations.

Legislation will be introduced in Finance Bill 2018-19 to insert a new section 70A into Chapter 3 of Part 3 of Finance Act 2004. This will give HMRC the power to make provision, in regulations, requiring a person to give a security in respect of CIS deductions due to HMRC, where HMRC considers it necessary for the protection of revenue. It will also make failure to provide a security when required to do so an offence, which may be penalised by a fine. A new paragraph 88A will be inserted into Schedule 18 to Finance Act 1998 to give similar powers in respect of a company's CT liabilities.

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	+70	+135	+150	+150

These figures are set out in Table 2.1 of Autumn Budget 2017 as 'Insolvency use to escape tax debt' 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 adjustments have been made to take account of the future compliant behaviour of those targeted with a securities intervention.

Impact on individuals, households and families

There is no impact on individuals or households as the measure only affects businesses. There is no impact on family formation, stability or breakdown.

Equalities impacts

Securities are targeted exclusively at high risk businesses, where there is clear evidence of non-compliance with tax obligations or personnel actively involved in a current business were actively involved in another business that failed to pay tax due. We do not hold data relevant to equalities impacts in relation to any protected characteristic.

Impact on business including civil society organisations

This measure will have no impact on compliant businesses who are meeting their tax obligations and paying the right amount of tax. It will only impact on those businesses who are not complying with their tax obligations. There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will need to make changes to its IT systems to process the new security cases and the cost of these changes is estimated in the region of £840,000. It will also incur operational costs currently estimated in the region of £5 million.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Alison Gardiner on Telephone: 03000 586054 or email: Alison.gardiner@hmrc.gsi.gov.uk.

Consequential minor amendments to tax legislation to reflect EU exit

Who is likely to be affected

This measure does not affect individuals or businesses.

General description of the measure

This measure is not a policy change. It will allow the government to make minor amendments to tax law to keep it working in the same way as it does now if the UK leaves the EU without a deal. This measure provides for three changes:

- It allows the government to make minor amendments for the purpose of maintaining the effect of any tax legislation. For example, replacing references to “EU” with references to “EU and UK”, making minor amendments consequential on other changes to the law under section 8 of the European Union (Withdrawal) Act 2018 and changing values in “euros” to values in “sterling”.
- Amending an existing power which permits the government to bring international tax agreements into effect in UK law. The measure mirrors a provision currently contained

in legislation which gives effect to EU law, but which will no longer have effect after the ceases to be bound by EU law. This measure ensures that public authorities are able to share information with HMRC for the purpose of enabling compliance with international tax agreements, and for HMRC to disclose that information to other countries for that purpose.

- The introduction of a measure which removes reference to EU legislation when HMRC are considering whether, and the extent to which, a taxpayer is unjustly enriched by repayment of Insurance Premium Tax, Landfill Tax or Excise Duty.

Policy objective

This measure provides for minor consequential amendments to the Taxes Acts which will be needed if the UK leaves the EU without a deal. It ensures that tax law can continue to have the effect intended by Parliament in the case of a no deal exit. It does not introduce changes in tax policy.

This measure will therefore ensure that tax legislation continues to keep it working in the same way as it does now in preparation for the possibility of a no deal exit from the EU.

It will also ensure that HMRC can continue to cooperate with other tax administrations to the widest possible extent, whilst ensuring that UK information is only used for specified legitimate purposes and that it remains confidential, in the same way as it would be in the UK, in the hands of the overseas recipient.

Furthermore, it will also ensure that the consideration of whether, and by how much, a taxpayer is unjustly enriched only refers to sums of tax wrongly paid as a result of a mistake of UK legislation (and not of EU legislation). Unjust enrichment is used as a defence to a claim for repayment of wrongly paid Insurance Premium Tax, (IPT) Landfill Tax (LFT) or Excise Duty (ED).

Background to the measure

This measure is not a policy change. It will allow the government to make minor amendments to tax law to keep it working in the same way as it does now if the UK leaves the EU without a deal.

This measure provides a power under which the government can make minor consequential amendments to tax legislation including changes to EU terminology. This would be done to keep the tax system running as it does now and align with legislative changes being made in other areas of government. Given the minor and technical nature of the amendments proposed, no consultation is required.

Detailed proposal

Operative date

The legislation will have effect on and after the Royal Assent to Finance Bill 2018-19.

Current law

There is no current provision, this power is new.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to provide for a power to make minor consequential amendments pursuant to leaving the EU. The government proposes to use the power to amend various parts of tax legislation in a way that maintains the same effect in the event of a no deal exit from the EU.

In particular, the power will allow amendment of section 173 Finance Act 2006, paragraph 2A of Schedule 5 Finance Act 1997.

Summary of impacts

This measure will not in itself have impact on individuals or businesses.

A TIIN will be published for the subsequent Regulations which will set out their impact.

Exchequer impact (£m)

This measure is not expected to have an Exchequer impact.

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
nil	nil	nil	nil	nil	nil

Economic impact

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

Impact on individuals, households and families

No individuals are affected by this measure.

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

Equalities impacts

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

Impact on business including civil society organisations

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

Operational impact (£m) (HMRC or other)

This measure has no operational impact.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Joanna Hastie at the EU Transition Unit at joanna.hastie@hmrc.gsi.gov.uk.

Amendment to interest provisions for late payment, repayment and penalties

Who is likely to be affected?

This measure clarifies existing interest provisions to ensure they apply as intended and it affects persons paying interest late or receiving repayments where the taxes are Corporation Tax (CT), Diverted Profit Tax (DPT), Stamp Duty (SD) ,Stamp Duty Land Tax (SDLT) , Inheritance Tax (IHT) and interest on penalties under Pay as you earn (PAYE).

General description of the measure

This measure clarifies the detail of how interest is applied to late payments for CT, SD and SDLT and to penalties imposed for failure to comply with obligations under PAYE. It also clarifies and confirms the basis for interest calculations in respect of DPT and repayment interest by HMRC, and ensures that the 2009 interest provisions apply in relation to penalties charged under the Promoters of Tax Avoidance Schemes (POTAS) legislation..

Policy objective

To clarify existing interest provisions to ensure they apply as intended across several tax regimes.

Background to the measure

This measure was announced by Written Ministerial Statement on 19 July 2018 and the subsequent extension to include PAYE penalties was announced at Budget 2018. No consultation was conducted. It clarifies existing legislation, restoring the law to the position currently used and understood.

Detailed proposal

Operative date

From Royal Assent of the Finance Bill 2018-19 this measure will have retrospective and prospective effect from the date the relevant interest was first applied. **Current law**

There are separate legislative provisions covering the charging of interest on the taxes and penalties involved.

Current powers are contained in the following:

- section 178 Finance Act 1989 (FA89) in relation to interest on CT, DPT, SD, SDLT and IHT and POTAS.
- section 101 Finance Act 2009 (FA09) in relation to interest charged on penalties in relation to PAYE.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to regularise historical arrangements for charging interest in relation to payments and repayments of certain taxes (including Corporation Tax and Diverted Profits Tax) and the charging of interest on unpaid and late paid penalties for PAYE.

The legislation will have immediate retrospective and prospective effect with retrospection dating back to 18 August 1989 in respect of s178 FA89 and 6 May 2014 for s101 FA09.

The legislation will also ensure that in future the interest provisions in FA09 apply in relation to penalties charged under POTAS.

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 and 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

There is no impact on individuals or households as the measure primarily affects businesses.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure introduces a number of minor changes to confirm existing law and ensures interest regimes operate as intended. The measure is not expected to have any impact on businesses or civil society organisations undertaking normal commercial transactions.

Operational impact (£m) (HMRC or other)

There are no operational impacts for HMRC as a result of this measure.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be subject to ongoing monitoring.

Further advice

If you have any questions about this change, please contact Gary Cummins/CS&TD Tax Administration Policy & Strategy on Telephone: 03000 586798 or email: gary.cummins@hmrc.gsi.gov.uk.

Income, Capital Gains and Corporation Tax: Voluntary Tax Returns

Who is likely to be affected

Individuals, partnerships, trusts, and companies who have submitted tax returns voluntarily will have those returns put on a statutory basis.

General description of the measure

Historically HMRC Commissioners have exercised their discretionary collection and management powers to accept and treat Income and Corporation tax Self-Assessment returns received from customers voluntarily, on the same basis as tax returns received under a statutory notice to file. This has been the case since the start of Self-Assessment in 1996 to 1997 and is well accepted and adopted practice by both HMRC and its customers. In the light of recent legal challenges to the practice and the validity of returns received voluntarily, legislation will be introduced with retrospective effect to put the practice onto a statutory basis. This removes any doubt for HMRC taxpayers that voluntary tax returns have and will continue to be accepted as valid returns.

Policy objective

This measure will assure taxpayers who send in tax returns on a voluntary basis that they will be treated in the same way as if the tax return was requested under a statutory notice to file. This will provide certainty and finality for all returns received to date and going forward.

Background to the measure

The measure was announced at Budget 2018.

As the measure preserves the status quo, the vast majority of customers will not experience any change at all. A very small minority of tax avoiders will be affected.

Detailed proposal

Operative date

The measure has retrospective and prospective effect from the date of Royal Assent to Finance Bill 2018-19.

Current law

Current law relating to the making and delivery of tax returns for individuals, trusts and partnerships is contained within sections 8, 8A, 12AA Taxes Management Act 1970 and paragraph 3, Schedule 18, Finance Act 1998 for companies.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 with retrospective and prospective effect to put HMRCs longstanding practice of accepting voluntary tax returns onto a statutory basis. These voluntary returns will be put on an equal footing with returns delivered under a formal notice to file. Customers who have submitted voluntary returns will notice no difference in the treatment of their returns and there will be no doubt over their validity.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
nil	nil	nil	nil	nil	nil

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 will benefit individuals who voluntarily send in a tax return where HMRC has not issued a statutory notice to file a return. These returns will now be treated as legally valid returns on an equal statutory footing with all other tax returns. There is no impact on family formation, stability or breakdown.

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have no impact on businesses or civil society organisations as it ensures that previously submitted voluntary returns are legally valid.

This measure will benefit all businesses and civil society organisations who voluntarily send in a tax return where HMRC has not issued a statutory notice to file a return and removes any doubt about their validity. There is not expected to be any impact on administrative burdens or any on-going costs.

Operational impact (£m) (HMRC or other)

There is no operational impact on HMRC.

Other impacts

No other impacts 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 Jim Fedigan, Tax Administration Policy & Strategy by telephone: 03000 547075 or email: jim.fedigan@hmrc.gsi.gov.uk

Corporation Tax: new statutory remedy in relation to Advance Corporation Tax

Who is likely to be affected

Companies that have made common law claims against HMRC in relation to the operation of the former Advance Corporation Tax (ACT) regime.

General description of the measure

This measure provides a non-exclusive interest return for claimants that made common law claims against HMRC in respect of ACT which was paid and subsequently set-off or repaid.

Policy objective

This measure introduces a new statutory remedy in order to address the uncertainty that has arisen for both taxpayers and HMRC following a recent Supreme Court judgment.

Background to the measure

This measure was announced at Budget 2018.

On 25 July 2018, the UK Supreme Court gave its judgment in the case of *Prudential Assurance Company Ltd v Commissioners for Her Majesty's Revenue and Customs* [2018] UKSC 39. The case related to the old ACT regime, which ceased to apply in April 1999, from when the Shadow Advance Corporation Tax regime came into effect.

As part of the decision in the *Prudential* case, the Supreme Court overruled the House of Lords in the previous case of *Sempra Metals Ltd v Inland Revenue Commissioners* [2007] UKHL 34.

The claims for restitution of the time value in respect of the period from payment of ACT to set-off or repayment were based on the decision in *Sempra Metals*, which also stated that this satisfied the requirement that an effective remedy be available. The Supreme Court in *Prudential* held that there was no such restitutionary common law remedy. This creates uncertainty which the proposed statutory remedy addresses.

This measure has not been subject to consultation since the Supreme Court only gave its decision on 25 July 2018.

Detailed proposal

Operative date

The measure will have effect on and after the date of Royal Assent to Finance Bill 2018-19.

Current law

There currently does not appear to be an appropriate statutory remedy.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to introduce a new non-exclusive statutory remedy. The remedy effectively provides an interest return on ACT that was paid and set-off or repaid, together with interest on that sum.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
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 as it only affects companies. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

We do not anticipate that there will be impacts on groups sharing protected characteristics.

Impact on business including civil society organisations

This measure should only impact those companies that have made common law claims against HMRC in relation to the ACT regime. There will be negligible impact from one-off familiarisation and no ongoing impacts. This measure will not affect civil society organisations.

Operational impact (£m) (HMRC or other)

Operational impacts for HMRC in implementing the proposed statutory remedy in this measure 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 claimants.

Further advice

If you have any questions about this change, please contact Martyn Rounding on Telephone: 03000 589303 or email: martyn.rounding@hmrc.gsi.gov.uk

Extension of offshore time limits for Income Tax, Capital Gains Tax and Inheritance Tax

Who is likely to be affected

This measure will only have an impact on individuals, trustees or others liable to Income Tax, Capital Gains Tax (CGT) or Inheritance Tax (IHT) on offshore income, gains or chargeable transfers who have made errors that are not deliberate or otherwise covered by the longer 20 year assessment time limit.

General description of the measure

This measure increases the tax assessment time limit for non-deliberate offshore noncompliance. The time limit will be increased to 12 years for Income Tax, CGT and IHT. This increases the existing time limits of 4 years, or 6 where the loss of tax is due to carelessness, after the end of the year of assessment (or date of the chargeable transfer) to which it relates.

Where the taxpayer has sought to deliberately evade tax, the time limit will remain 20 years.

Policy objective

The government is determined to ensure that all UK taxpayers pay the tax they owe, and that offshore non-compliance is identified and investigated before assessment time limits expire. The extended time limits will provide HMRC with more time to access the information needed to understand offshore transactions, calculate the tax due, detect any errors and ensure the correct Income Tax, CGT or IHT is paid.

This measure will help HMRC ensure everyone pays all the tax they owe, and addresses the risk that some taxpayers avoid a full investigation or assessment because of the time taken to gather facts on offshore structures and investments, which may not have been declared for many years, and can be very complex.

Background to the measure

The government announced that the assessment time limit for non-deliberate offshore tax non-compliance will be increased to at least 12 years at Autumn Budget 2017.

HMRC issued a public consultation on the details of this reform on 19 February 2018 (available at https://www.gov.uk/government/consultations/extension-of-offshore-time-limits). This consultation closed on 14 May 2018. The response to the consultation and the draft legislation were published on 6 July 2018.

Detailed proposal

Operative date

These amendments will have effect in relation to Income Tax and CGT assessments from 2013 to 2014 in cases where the loss of tax is brought about carelessly, and from 2015 to 2016, and subsequent years, for other cases (where not already subject to the 20 year time limit). They will apply for IHT to chargeable transfers taking place on or after 1 April 2013 where the loss of tax is brought about carelessly, and 1 April 2015 for other cases not subject to a longer time limit.

The amendments will have effect when Finance Bill 2018-19 receives Royal Assent.

Current law

The existing time limits are set out in Part IV of the Taxes Management Act 1970 for Income Tax and CGT, and in Part VIII of the Inheritance Tax Act 1984 for IHT.

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to amend the Taxes Management Act 1970 through the insertion of a new section 36A, and the Inheritance Tax Act 1984 will be amended through the insertion of a new section 240B.

These amendments will provide for extended time limits where offshore IT, CGT or IHT is lost. Taxpayers' appeal rights are unaffected.

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	+5	+10

These figures are set out in Table 2.1 of Autumn Budget 2017 as 'Offshore Time Limits: extend to prevent non-compliance' 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.

Impact on individuals, households and families

This measure will only have an impact on individuals with offshore income, gains or assets who have made non-deliberate errors. These individuals may receive an assessment of tax as a result of the increase of the time limit to 12 years. There will be a negligible impact on individuals and households.

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

Equalities impacts

It is expected that any groups affected by the extended time limits are likely to have above average wealth. The government does not anticipate there will be adverse impacts on any group sharing protected characteristics.

Impact on business including civil society organisations

This measure will impact on businesses with offshore income, gains or chargeable transfers who have made non-deliberate errors. Businesses and individuals may receive an assessment of tax as a result of the increase of the assessing time limit to 12 years. This measure is expected to have a negligible impact on business admin burdens as statutory record-keeping requirements remain unchanged.

Organisations will need to determine how long they should hold on to information in light of the new time limits and will need to have robust data protection policies whether they hold information for 4 years, 20 years or any period in between.

One-off costs may include familiarisation with the new rules. On-going costs may include additional interaction with HMRC as a result of the increased time limit.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

This measure is expected to have negligible operational costs to HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be kept under review through communication with affected taxpayers and practitioners.

Further advice

If you have any questions about this change, please contact Sarah Weston on telephone: 03000 589165 or email: consult.nosafehavens@hmrc.gsi.gov.uk.

Income Tax: reform of the tax exemption for employer contributions into life assurance and certain overseas pension schemes

Who is likely to be affected

Employers who provide retirement or death benefits for their employees, or who contribute to their employees' overseas pension schemes.

Employees, and their beneficiaries, who receive death benefits from their employers or employer contributions into certain types of overseas pension schemes.

General description of the measure

This measure concerns premiums paid by employers into life assurance products or contributions to certain overseas pension schemes. These contributions are currently only tax exempted if the beneficiary of the policy or pension is the employee or a member of the employee's family or household. This measure will allow the beneficiary to be any individual or registered charity nominated by the employee, without the premiums being treated as a taxable benefit in kind.

Policy objective

When an employer provides for death benefits through a life assurance policy or provides retirement benefits through certain overseas pension schemes, the employee will usually name a beneficiary to receive any payment due upon their death, and may be able to name a beneficiary to receive their retirement benefit. Premiums paid into these schemes by the employer are currently only tax exempt if the beneficiary of the employee's death or retirement benefit is the employee, a member of the employee's family or a member of their household. The current tax definitions of family and household only cover: spouse, civil partners, parents, children and dependents, domestic staff and the employee's guests. If the beneficiary is not a member of the employee's family, or member of their household, the premiums paid by the employer are treated as a taxable benefit in kind.

This exemption will be updated to ensure the tax system remains relevant and fair. Extending the exemption to include any individual as beneficiary, will provide equal tax treatment regardless of the beneficiary's relationship to the employee. Extending the exemption to allow employees to nominate a registered charity is consistent with the government's policy of providing tax relief on charitable donations.

Background to the measure

The government announced at Autumn Budget 2017 that this relief would be amended and legislation would be introduced in Finance Bill 2018-19.

There are no changes to the draft legislation published on 6 July 2018.

Detailed proposal

Operative date

The legislative changes introduced will have effect from 6 April 2019.

Current law

The current law is included in Chapter 9 of Part 4 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003).

Proposed revisions

Legislation will be introduced in Finance Bill 2018-19 to amend section 307(2) of ITEPA 2003, Chapter 9 of Part 4. The amendments will ensure that the provision of death or retirement benefits in respect of an employee will not be liable to income tax as a benefit in kind where those benefits will be paid to an individual or registered charity. This includes life assurance premiums or payments into certain overseas pension schemes.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	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 and charities. The definitions of family and household in ITEPA 2003 limit those who the employee can nominate to receive the benefits without incurring a benefit in kind tax charge. This measure removes the references to families and households and provides equal tax treatment regardless of the beneficiary's relationship to the employee.

The extension of this exemption to individuals is not expected to have significant impacts for spouses, civil partners, dependents, or any others currently covered by the exemption.

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

Equalities impacts

It is not anticipated that this will have impacts for groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on a small number of businesses. One-off costs include familiarisation with the changes to the rules. It is not expected there will be any on-going costs.

There will be no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There is a negligible impact on HMRC, as only minor changes to guidance will be required.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Capital gains tax: deferral of payment of exit charges

Who is likely to be affected

Trusts that cease to be UK resident and certain non-residents that trade through a branch or agency in the UK.

General description of the measure

This measure changes the rules governing when capital gains tax payments must be made to HMRC in respect of exit charges. Exit charges can arise on unrealised gains when a:

- trust ceases to be resident in the UK
- assets cease to be used in a trade carried on through a branch or agency in the UK.

This measure provides that in certain circumstances payment of these charges can be deferred.

Policy objective

This measure is designed to benefit UK resident trusts with trading activities; or non-UK residents who trade through a branch or agency in the UK who have decided to move to another European Union (EU) or European Economic Area (EEA) member state and have incurred an exit charge as a result. It does this by allowing them to defer payment of that charge. This minimises the relative cash flow disadvantage when compared to a similar entity remaining in the UK.

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

Background to the measure

In 2017 the Court of Justice of the European Union (CJEU) ruled on the application of exit charges that arise where a UK resident trust ceases to be resident in the UK and moves its place of residence to another EU or EEA member state. In its decision the CJEU found that whilst exit charges are compatible with rules on the right of freedom of establishment the UK should, in the case of those trusts with economically significant activities, have offered them a choice between immediate payment or deferral of the tax that may become due, subject to certain conditions. Subsequently the UK is updating its legislation in line with this ruling.

Draft legislation was published for consultation on 6 July 2018.

Detailed proposal

Operative date

This measure will have effect from 6 April 2019.

Current law

Current law is contained in sections 25 and 80 Taxation of Chargeable Gains Act (TCGA) 1992. Broadly these sections provide that where:

- a non-UK resident individual with a branch in the UK moves assets outside the UK or ceases to trade in the UK or
- a UK resident trust moves its residence out of the UK
- a charge arises on any unrealised gains on assets held by those persons.

Under the Taxes Management Act (TMA) 1970 the charge is payable by the 31 January following the tax year in which the charge arose.

Proposed revisions

The existing exit charge rules will be retained. However, legislation will be introduced in Finance Bill 2018-19 offering certain trusts or non-UK resident individuals who satisfy certain tests the option of deferring the payment and paying it over six years in equal instalments. The amounts deferred will be subject to interest. That legislation will be found in a new Schedule 3ZAA TMA.

The exit charge will be deferred where at the time the charge arose:

- a non-resident individual has a right to freedom of establishment in another EU or EEA member state and has transferred assets subject to the charge that are used in or for the purposes of a trade, or used or held for the purposes of a branch or agency
- a trust became resident of, and established in, another member state of the EU or EEA, and the assets subject to the charge were used immediately before and after the change of residence/establishment for an economically significant activity

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
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

The measure is not expected to impact on individuals or households and only impacts on certain businesses. These are UK resident trusts who trade or non-UK resident individuals who trade through a UK branch. In both cases because these entities are leaving the UK they have become liable to a capital gains tax exit charge.

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

Equalities impacts

This measure is not anticipated to have an equality impact on people with any protected characteristics.

Impact on business including civil society organisations

This measure will impact a very small number of trusts and non-UK resident individuals who trade through a UK branch, both of whom have decided to leave the UK and as a consequence have become liable to a capital gains tax “exit” charge. Evidence suggests that the number of these entities who decide to leave the UK every year is very small.

The measure will offer these entities the option to elect to defer the payment of the exit charge, without prejudice to any of their existing rights. The impact is expected to be negligible. One off costs include familiarisation with the tax changes and making a decision on whether to defer the tax. On-going costs include making the six annual instalments to HMRC. There is no impact on trusts and non-resident individuals that do not opt to defer payment, and there will be no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

The operational impact of this measure is 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 regular communication with affected taxpayer groups.

Further advice

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

Gift Aid Small Donations Scheme

Who is likely to be affected

Charities and individuals who donate to charities.

General description of the measure

Currently GASDS only applies to donations of £20 or less made by individuals in cash or by contactless payment. This measure will increase the limit to £30.

Policy objective

Contactless donations were included in GASDS from April 2017. The limit for contactless payments in the UK is £30 and raising the small donations limit for GASDS to £30 will be in line with this.

Background to the measure

This measure was announced at Budget 2018.

GASDS was introduced in April 2013 and reviewed in 2016. One of the changes made as a result of that review was to allow small donations under the scheme to be made by contactless payments from April 2017. The limit on donations by contactless payment was the same as the limit on small cash donations made under this scheme.

Following stakeholder feedback the government has decided to increase the individual donations limit for GASDS to £30. A consultation is not needed to make this small change.

Detailed proposal

Operative date

The measure will have effect for small donations made under the GASDS scheme on or after the relevant secondary legislation has been approved by a resolution of the House of Commons. Parliamentary timetable permitting, the increase would become effective from 6 April 2019.

Current law

Current law is in Paragraph 1 of the Schedule to the Small Charitable Donations Act 2012 (meaning of small donations) as amended by the Small Charitable Donations and Childcare Payments Act 2017.

Proposed revisions

The small donations limit in Paragraph 1(1) of the Schedule to the Small Charitable Donations Act 2012 (meaning of small donations) will be changed from £20 to £30. The change will be made by statutory instrument (SI) under the powers contained in section 17 of the above Act.

The SI will be published when laid before the House of Commons.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
-	-5	-5	-5	-5	-5

These figures are set out in Table 2.1 of Budget 2018 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impacts

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, family formation, stability or breakdown.

Equalities impacts

The equality implications of this measure have been considered, and it is not expected that it will have any adverse impacts on groups with protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on around 20,000 charities and CASCs. Charities and CASCs that claim top-up payments under the GASDS scheme will be able to accept donations of up to £30 as a result of this measure. One-off costs include familiarisation with these changes. It is not expected that there will be any on-going costs as, other than the individual donation limit, the GASDS is not changing.

Operational impact (£m) (HMRC or other)

There will be no operational impacts for this measure.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through information provided in correspondence and regular feedback from the charity sector.

Further advice

If you have any questions about this change, please contact Hasmukh Dodia by email: charitypolicy.taxteam@hmrc.gsi.gov.uk.

VAT: Specified Supplies anti-avoidance amendment

Who is likely to be affected

This measure will affect those providers of intermediary services to the insurance sector who export their services outside of the EU.

General description of the measure

This measure amends article 3 of the Value Added Tax (Input Tax) (Specified Supplies) Order 1999 (SSO) to restrict its application in certain circumstances in order to prevent avoidance. The SSO allows companies who export certain financial services from the European Union to reclaim the VAT they incur while providing those services; when these services are supplied inside the EU, this VAT cannot be reclaimed.

The SSO is currently being exploited by companies that form arrangements with organisations outside of the EU to re-supply or ‘loop’ those services back to United Kingdom consumers, allowing themselves to reclaim the VAT and thereby gaining a competitive advantage over purely UK based companies. This Order seeks to prevent a particular form of this ‘looping’ involving insurance intermediaries by restricting the application of the SSO to cases where the final consumer is not in the UK, as was intended.

Policy objective

This measure is intended to prevent off-shore looping avoidance in the insurance sector by modifying the Specified Supplies Order. This will help prevent an unfair competitive advantage for those who make use of these schemes and ensure that the VAT system functions fairly.

Background to the measure

This measure was announced via a Written Ministerial Statement on the 19th July 2018. The draft SI and EM were published for consultation from the 19th July until 28th September 2018. In response to comments received from industry representatives on the draft legislation, the measure has been further refined to target it more tightly on the known avoidance. It will now apply to insurance intermediary supplies only and VAT recovery will only be restricted when the principal supply is made to consumers located within the UK, rather than within the UK and the EU as originally drafted. This Budget 2018 measure announces the outcome of the consultation on the draft legislation and the date of implementation of the changes.

Detailed proposal

Operative date

These changes are being made by negative Statutory Instrument. The laying date is December 2018. The implementation date will be 1 March 2019.

Current law

The current law is contained within the Value Added Tax (Input Tax) (Specified Supplies) Order 1999, which implements the right of deduction of input tax required by Article 17(3)(c) of Council Directive 77/388/EEC and the limited right of deduction required by Council Directive 98/80/EC, 12th October 1998.

Proposed revisions

This Statutory Instrument will restrict the right of recovery of input VAT for insurance intermediaries to circumstances where the final consumer of the insurance service they are arranging does not belong in the UK.

This is achieved by amending the description of Specified Supplies in the Value Added Tax (Input Tax) (Specified Supplies) Order 1999. At present, intermediary services, as described in Schedule 9 Group 2 Item 4 of the Value Added Tax Act 1994, supplied to a person outside of the EU are specified, allowing recovery of input VAT, whomever the final consumer of those supplies is.

Intermediary services, made in respect of a principal supply which is made to a customer belonging in the UK will no longer be specified, and therefore no longer have a right to recover input tax.

The implementation date of this measure will be 1 March 2019.

Summary of impacts

Exchequer impact (£m)

2018 to 2019	2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024
negligible	+65	+65	+75	+95	+100

These figures are set out in Table 2.1 of Budget 2018 as part of a package of measures called 'Offshore: prevent profit fragmentation, extend VAT grouping rules, and prevent looping avoidance schemes' and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

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

Impact on individuals, households and families

There is no impact on individuals and households as this measure only affects businesses. There is no 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 impact on a small number of providers of intermediary services who export their services outside the EU. These businesses, currently using the off-shore looping avoidance arrangement, will no longer be able to reduce their VAT liabilities by routing supplies to UK customers via an offshore entity. This will remove an advantage these businesses have over wholly UK based insurers and level the playing field. The impact on businesses administrative burdens is expected to be negligible. 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 no operational impacts as a consequence of this measure.

Other impacts

Other impacts have been considered and none have been identified.

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the government will continue to negotiate, implement and apply EU legislation. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

Monitoring and evaluation

The measure will be monitored through information collected from tax returns, receipts and routine compliance checks.

Further advice

If you have any questions about this change, please contact Barbara Farndell on Telephone: 03000 585917 or email: barbara.farndell@hmrc.gsi.gov.uk.

VAT: Maintain thresholds for 2 years from 1 April 2020

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 2020.

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.

Policy objective

The Office of Tax Simplification (OTS) report published on 7 November 2017 recognised the distortions the threshold causes and recommended the government should review this.

A lead option to address the distortionary effect is to lower the threshold, however the government is resisting such a move because a high threshold keeps the majority of UK businesses out of VAT altogether.

The government published a call for evidence on 13 March 2018 inviting views on the effect of the current threshold and what policy options could better incentivise growth.

Responses to the call for evidence have not provided a clear option for reform.

Concerns raised by the OTS around the threshold still stand, therefore, it is being maintained at that level for a further 2 years.

The government will look again at the possibility of introducing a smoothing mechanism once the terms of EU exit are clear.

Background to the measure

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 their taxable turnover is below this.

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 and OECD. It keeps an estimated 3.5 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.

A previous measure to maintain the current registration and deregistration thresholds until March 2020 was announced at Autumn Budget 2017.

The OTS report published on 7 November 2017 recognised the distortions the threshold causes and recommended the government should review this.

The government published a call for evidence on 13 March 2018 inviting views on the effect of the current threshold and what policy options could better incentivise growth.

A summary of responses has now been published. The responses provided do not present a clear option for reform. While concerns about the effect of the threshold remain, the registration and deregistration thresholds will be maintained for a further two years until 31 March 2022.

Detailed proposal

Operative date

The thresholds will be maintained at their current level for 2 years from 1 April 2020.

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)

2018/2019	2019/2020	2020/ 2021	2021/2022	2022/2023	2023/2024
-	-	+ 60	+130	+ 145	+ 150

These figures are set out in Table 2.1 of Autumn Budget 2018 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Budget 2018.

Economic impact

This measure is not expected to have any significant macroeconomic 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

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

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 11,000 additional small businesses (or 0.4% of unregistered businesses) having to register for VAT by the end of the 2020 to 2021 financial year and 22,000 businesses (0.7% of unregistered businesses) in total by the end of the five year scorecard period. This is out of a total business population of 5.7 million at the start of 2018 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 £8 million per year.

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	8
Savings	-
Net impact on annual administrative burden	+8

Operational impact (£m) (HMRC or other)

HMRC will incur extra staff costs to implement this change estimated at £890,000 over 5 years.

Other impacts

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 note, please contact Steven Williams on telephone: 03000 572469 or email: cit.vatregistrationandaccountingpolicy@hmrc.gsi.gov.uk.