HM Treasury

HM Revenue & Customs

Tackling tax avoidance, evasion, and other forms of non-compliance

March 2019

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Introduction

The vast majority of taxpayers, from individuals and the smallest businesses to the largest companies, already pay their fair share toward our vital public services. This government recognises its duty to that compliant majority to build a fair tax system, and through that system to make sure that those who try to cheat the Exchequer, through whatever means, are caught and forced to pay what they owe.

As new technology changes business models, lifestyles and working practices, it is important that the tax system also adapts. The government is committed to ensuring that businesses and individuals pay the taxes that they owe, and that we have the tools needed to collect the revenues that fund our vital public services.

The tax gap – the difference between the tax that should be paid and what the Exchequer collects – is at a near-record low, and the joint lowest level it has been in five years thanks to HM Revenue and Customs' (HMRC) sustained efforts to tackle non-compliance, and to help customers get things right from the start.[1] HMRC tailors its approach to different taxpayers, subjecting the largest businesses and the wealthiest individuals to the greatest level of scrutiny; whilst using data and digital tools to help smaller and mid-sized businesses to get it right, and with close attention on those where avoidance or evasion is suspected.

The tax system must keep pace with modern ways of working. This government will continue to act, through reforms such as Making Tax Digital, to make it as easy and simple as possible for taxpayers to get their tax right first time. The tax administration framework is under constant review to make sure it effectively supports a modern, trusted tax system, which brings in revenue for our public services, while making sure there are appropriate safeguards for the taxpayer.

But the government must also stop those who try to hide from their obligations. There remains a minority who try to break the rules, or enter into avoidance schemes or aggressive tax planning arrangements which go far beyond what Parliament intended. This government has shown it will act against this. At Budget 2018, the government announced a further 21 measures to tackle tax avoidance, evasion, and other forms of non-compliance. Together, these are forecast to raise an additional £2.1 billion by 2023-24 for our vital public services.

This government has introduced over 100 measures to tackle tax avoidance, evasion and other forms of non-compliance since 2010 which, alongside HMRC's compliance work, have secured and protected an additional £200 billion in tax revenue which would otherwise have gone unpaid.[2] This success demonstrates the

[1] 'Measuring Tax Gaps 2018', HMRC, June 2018

[2] 'HMRC Annual report', HMRC, July 2018

government's continued efforts to address tax avoidance, evasion and non-compliance in all its forms.

At the same time, the government recognises that these efforts have to be designed and targeted carefully. All HMRC powers have to be accompanied by the necessary safeguards to ensure that they are used correctly. The government will keep the tax administration framework under review, in consultation with interested external stakeholders, to ensure that it continues to strike the right balance between robustly challenging tax avoidance, evasion and other forms of deliberate non-compliance, and treating all taxpayers fairly.

This document is split into three chapters and outlines HMRC's strategy and approach to compliance for different customer types, details the government's record in addressing areas where risks of non-compliance have been identified and provides a summary of the government's record of investment in HMRC and our commitment to further action. In addition, Annex A lists details of over 100 measures the government has introduced since 2010 to crack down on avoidance, evasion and non-compliance, and Annex B consists of two reports, one reviewing the effectiveness of provisions of Finance Act 2019 relating to tax avoidance, the other providing impact analyses of the same provisions. These reports fulfil the obligations of the Chancellor of the Exchequer under sections 93 and 92 of that Act.

Chapter 1

HM Revenue and Customs' strategic approach

1.1 The successful operation and management of the tax system relies on taxpayers providing HMRC with accurate information (such as tax returns), and meeting their obligations (such as making tax payments on time). HMRC's strategic approach is to use the most appropriate, cost-effective, and highest-impact way to encourage and support all taxpayers in complying with their obligations, and to impose sanctions for those who don't, so that the compliant majority are not disadvantaged.

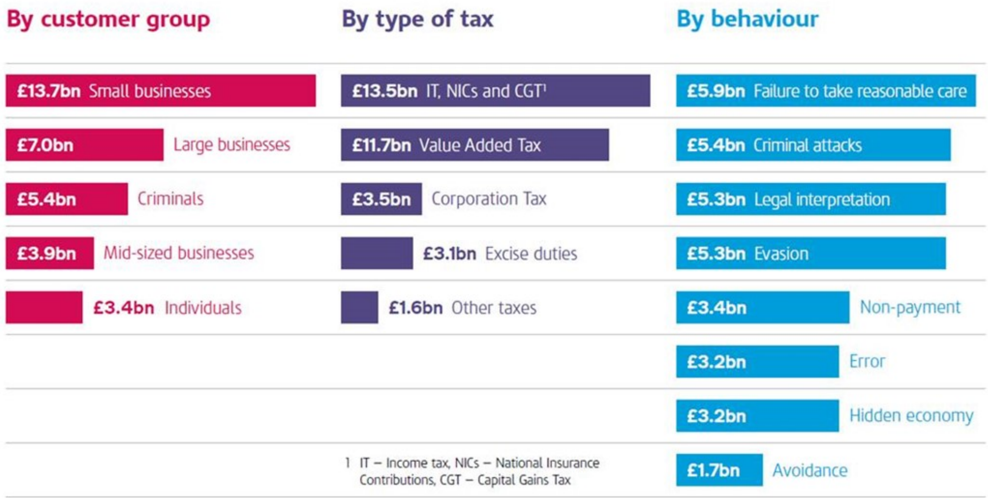
1.2 In order to respond to different risks and circumstances appropriately, HMRC use a number of tools which help to provide HMRC with the information it needs. The Strategic Picture of Risk (SPR) is the department's top-level assessment of the compliance risks that HMRC faces, driven by data, analytics and business insight. It is an important tool which, along with the analysis of the tax gap, is used to understand what drives non-compliance and how the government can address the causes.

1.3 The SPR includes visual and analytic products across HMRC's customer types, tax regimes and customer behaviours. The SPR lies at the heart of data and risk led compliance, supporting HMRC's strategic shift to compliance focused on customer segments by providing richer and deeper insight into customers and the tax compliance risks they pose. It informs development of policies to address growing or persistent risks such as criminal behaviour, and risks arising from changing business models and wider economic changes, such as online market places.

1.4 The government publishes estimates of the tax gap every year – the difference between the amount of tax that should, in theory, be paid to HMRC and what is actually paid. This is broken down by type of customer, by type of tax and by behaviour, and provides a foundation for HMRC's compliance strategy.[1] HMRC uses this to understand what drives non-compliance and how the government can address the causes. HMRC is the only revenue authority in the world that measures and publishes a comprehensive tax gap every year. Officials work with international experts to share best practice in new and emerging statistical methodologies to constantly improve the accuracy of the tax gap estimates.

[1] 'HMRC Strategy', HMRC, July 2017

Value of the Tax Gap 2016-17



Source: Measuring Tax Gaps 2018, HMRC, June 2018

Making Tax Digital

1.5 The breakdown by behaviour shows carelessness ("failure to take reasonable care") is the largest single element of the tax gap. Alongside errors, on a case by case basis these discrepancies may appear relatively small, but the numbers of taxpayers involved means the overall impact on tax revenue becomes significant: £9.2 billion of the UK tax gap in 2016-17. The vast majority of businesses want to get their tax right – and the government's "Making Tax Digital" reforms will help them to do that.

1.6 Making Tax Digital will make it easier for businesses to get their tax right by cutting down on the errors that can result from keeping records on paper and manually entering VAT return data into HMRC's online portal – in a recent YouGov poll, 61% of businesses said they have previously lost receipts – as well as manual transposition of data and manual calculations. The reduction in these errors is expected to be significant, with Making Tax Digital forecast to deliver additional tax revenue to the Exchequer of around £1.2 billion to 2023-24.

1.7 Under the Making Tax Digital changes for VAT, businesses who are registered for VAT and whose taxable turnover exceeds the VAT registration threshold of £85,000 will be required to use digital tools to keep their business records and to generate and file their returns for VAT periods starting on or after 1 April 2019.

1.8 98% of VAT returns are already submitted online. The 2018 Lloyds Bank UK Business and Charity Digital Index shows that 87% of SMEs already manage their invoices and accounts digitally.[2] When businesses use digital software to manage their affairs they have more control over their finances and they save time, allowing them to focus on what they do best. The Enterprise Research Centre (2018) found that for micro-businesses, Web-Based Accounting Software delivered productivity increases of 11.8%.[3] That is why the government is committed to Making Tax

2 Lloyds Bank Business and Charity Digital Index, Lloyds Bank, 2018

3 Building better business health, Enterprise Research Centre, 6 July 2018

Digital, which will provide the modern digital service that businesses have come to expect and will help them get their tax right.

The tax administration framework and HMRC's powers

1.9 The government continually considers options for reviewing and updating the tax administration framework (the legislation setting out the rules and features of the tax system), to ensure that it is effective in supporting modern tax administration and keeps pace with the changing economy. The legal powers HMRC has at its disposal to ensure compliance with the tax system are also kept under review.

1.10 HMRC's powers are balanced by a comprehensive suite of safeguards for taxpayers built into the tax administration and criminal justice framework, helping to ensure HMRC act proportionately and sympathetically in reaction to different taxpayer circumstances. HMRC always work to the principles of even-handedness and proportionality as set out in the HMRC strategy, to help taxpayers to get their tax right and to apply the law fairly. HMRC aims to strike the right balance between robustly challenging tax avoidance, evasion and other forms of deliberate non-compliance, and treating all taxpayers fairly.[4]

1.11 HMRC charges penalties and imposes other sanctions (such as seeking securities or publishing some taxpayer details) where HMRC has uncovered non-compliance. Where there are grounds to believe that a taxpayer has been involved in fraud, HMRC will consider whether a criminal investigation is appropriate. Criminal investigation will be reserved for cases where HMRC needs to send a strong deterrent message or where the conduct involved is such that only a criminal sanction is appropriate. HMRC reserves complete discretion to conduct a criminal investigation in any case.

1.12 For all taxpayers, from individuals to the largest corporates, HMRC will always follow the Litigation and Settlement Strategy[5] – a framework to resolve tax disputes in a way that is fair, open, and clear, as well as their published Criminal Investigation Policy[6].

Tax avoidance, evasion, and other forms of non-compliance

Terminology

1.13 Tax avoidance, evasion, and other forms of non-compliance exist across all types of taxpayers and taxes. Throughout this document the government will refer to these terms with the following meaning:

- Tax evasion is always illegal. It is when people or businesses deliberately do not declare or account for what they owe. It includes the hidden economy, which is when someone hides taxable activity from HMRC completely

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4 'HMRC Strategy', HMRC, July 2017

5 'HMRC Litigation and Settlement Strategy (LSS)', HMRC, October 2017

6 ' HMRC's criminal investigation policy', HMRC, September 2018

- **Tax avoidance** involves bending the rules of the tax system to gain a tax advantage that Parliament never intended. It often involves contrived, artificial transactions that serve little or no purpose other than to produce this advantage. It involves operating within the letter, but not the spirit, of the law. Most tax avoidance schemes simply do not work, and those who use them may end up having to pay much more than the tax they tried to avoid, including penalties

- **Tax non-compliance** is not getting your tax right the first time, for any reason. It includes evasion, avoidance and other behaviours, such as making careless errors or mistakes on your tax return

- **Tax planning** involves using tax reliefs for the purpose for which they were intended – it is not tax avoidance. For example, claiming relief on capital investment, saving in a tax-exempt ISA or saving for retirement by contributing to a pension scheme are all legitimate forms of tax planning

HMRC's tailored approach to customers

1.14 HMRC segments its customers by type and size, and tailors its approach to ensuring compliance based on taxpayer behaviours, capabilities and the level of risk. This enables HMRC to use systems, processes and services that are closely tailored to the requirements of each group, while maintaining fairness and consistency across the board and addressing cross-cutting behaviours.

1.15 HMRC helps ensure that the right taxes are paid at the right time, in line with tax rules, based on the following approach:

- **promote** compliance by designing it into systems and processes, helping customers get things right from the very start

- **prevent** non-compliance by using available data to spot mistakes, personalise services and support, block fraudulent claims, and automate calculations

- **respond** by identifying and targeting the areas where there may be tax risk – and using tough measures to tackle those who deliberately try to cheat the system

1.16 HMRC uses data and other sources of intelligence to drive its compliance approach, ensuring that resource is targeted in the most efficient and effective way towards the greatest risk, and using data analytics to identify discrepancies in what it is told. HMRC uses appropriate enforcement tools to identify and quantify the scale of any non-compliance and, where they are warranted, a mix of civil and criminal sanctions to ensure there are consequences for those who deliberately fail to meet their obligations.

Small and mid-sized businesses, and individuals

1.17 Small businesses represent more than 95% of businesses in the UK, and mid-sized businesses employ nearly a fifth of the workforce. Not least because of the scale of their contribution, these businesses are the vital lifeblood of the UK economy.

1.18 Over 11.5 million people file self-assessment tax returns each year. Many more individuals' tax affairs are dealt with through the Pay As You Earn (PAYE) system. Individuals represent the smallest percentage of the tax gap by customer segment, but rates of non-compliance within this population are higher for customers who self-report elements of their income to HMRC.

1.19 In most cases, these individuals and businesses, the government, and HMRC are all trying to achieve the same goal: to get their tax right. Because the most common problems HMRC finds with these taxpayers are errors and carelessness, HMRC's focus is to help make and keep tax compliance as straightforward as possible. The digital transformation of the tax system, including the changes to Making Tax Digital described earlier, helps achieve this.

1.20 Making it easy for this segment of taxpayers to get their tax right first time, and harder to get it wrong, allows HMRC to better target the significant minority who deliberately evade tax or operate in the hidden economy in order to gain a competitive advantage over the compliant majority. Section 2 of this document sets out how HMRC seeks to address this, including by securing the best data and intelligence to identify hidden businesses.

Wealthy individuals

1.21 The government recognises the significant contribution that wealthy individuals make to the UK economy, but also the importance of ensuring the wealthiest individuals pay the tax that they owe. The government has already taken steps to ensure those with the broadest shoulders bear an appropriate burden, including:

- reforming dividend taxation so those with very large shareholdings pay more
- reducing the amount of tax-relieved pension savings an individual can accumulate over their lifetime from £1.8 million in 2011-12 to £1.055 million in 2019-20 (with future increases limited to the rate of the Consumer Prices Index)
- ending permanent non-domicile status

1.22 HMRC uses a range of approaches to ensure wealthy taxpayers understand their obligations and pay the right tax, with dedicated teams looking at the financial affairs, behaviours, and compliance risks of wealthy taxpayers. This is supported by strong data and intelligence-led activity to identify risks in the wider wealthy population. HMRC will take direct action against those who deliberately get it wrong, collecting tax up-front from avoidance schemes, and litigating disputes over the tax due. In 2017-18, across all HMRC activities, investigations into the wealthy secured additional tax revenues of over £1 billion.

1.23 HMRC's Fraud Investigation Service was formed in 2016 and provided with additional government investment. Over the last three years the number of criminal investigations that the Fraud Investigation Service has undertaken into the wealthiest tax evaders has increased six-fold.

Case study – Jailed for nine years for VAT Fraud

HMRC caught and prosecuted a high-flying businessman, who masterminded a sophisticated £9.8 million international VAT fraud, which he attempted to hide in a complex trading chain involving companies in the UK, Gibraltar, Spain and the US, to fund his lavish lifestyle of flash cars, a luxury Spanish home, and substantial property portfolio in the UK. HMRC investigators successfully pieced together the convoluted transactions and identified the false invoices used by this businessman to disguise the fraud. He was sentenced to 9 years imprisonment and proceedings have started to recover his illicit proceeds.

Large businesses

1.24 Large businesses provide a significant contribution to the UK economy. They offer employment and security to their workforces and provide stability to the towns and cities where they are based. This government welcomes their contribution and will continue to provide a tax regime which makes the UK an attractive destination to locate and invest in a business. However, the government will not tolerate businesses seeking to pay less than their fair share, whether through tax avoidance, evasion or non-compliance, irrespective of their size.

1.25 HMRC subjects large businesses to a significant level of scrutiny. At any one time, HMRC has around half of the UK's largest businesses under investigation. HMRC assigns a senior tax specialist, or Customer Compliance Manager (CCM), to every one of these businesses. The CCM's primary role is to make sure the business pays the right tax at the right time. The amount of money at stake, and the complexity of the tax affairs of the largest businesses, justifies this resource intensive approach.

1.26 Although most large businesses are compliant with their tax obligations, this enhanced scrutiny means potential avoidance, aggressive tax planning, or other disputes can be discovered and addressed as early as possible. HMRC uses measures legislated by this government, such as the Diverted Profits Tax (DPT), corporate interest restriction, and other rules addressing Base Erosion and Profit Shifting (BEPS), to encourage compliance in the system itself and to ensure that, whatever actions and arrangements multinational businesses put in place, they do not see the fruits of any unacceptable behaviour. These measures are explained in more detail in Section 2.

1.27 Through these measures, and the actions of HMRC, the government has made strides in changing behaviours and attitudes towards avoidance. Since 2013, the proportion of large businesses agreeing that tax avoidance is acceptable has more than halved – falling from 45%[7] to 21%.[8]

1.28 In 2017-18, HMRC investigations into large businesses secured over £9 billion in additional tax revenue (and more than £62 billion since 2010). Disputes are

[7] Large Business Panel Survey 2014, IFF Research, July 2015

[8] Large Business Survey 2015, IFF Research, July 2016

resolved through litigation where appropriate and between 2014 and 2018, HMRC's Tribunal success rate for large business avoidance cases has been 86%.

Chapter 2

The government's approach to addressing tax avoidance, evasion and other forms of non-compliance

2.1 The government will continue to build on the steps it has already taken to address tax avoidance, evasion and other forms of non-compliance across all parts of the economy. This includes monitoring and developing new measures to tackle emerging threats and challenges.

2.2 While technological developments have brought significant benefits to the economy, in some circumstances they have also created new opportunities for tax avoidance and evasion. For example, the digital communications revolution means marketed avoidance schemes can reach greater audiences, the significant growth of online platforms and marketplaces has facilitated VAT fraud by overseas sellers, and while globalisation has supported growth it has also created opportunities for more opaque offshore tax arrangements.

2.3 The government is alive to these risks and committed to ensuring that the tax system keeps pace with change. At Spring Statement 2018, the government published a position paper on corporate tax and the digital economy, looking at the impact on the tax system of the digital economy sector. At Budget 2018 the government also announced a call for evidence on the use of modern technology and software in enabling sales suppression, and thus evasion, of tax due.

Marketed tax avoidance

2.4 The government has taken successive actions since 2010 to deter the marketing and use of tax avoidance schemes. This has included increasing the penalties and consequences for those who devise, enable or use these schemes, removing the economic benefit from avoidance and introducing a penalty which ensures those charged cannot profit from helping others to avoid tax.

2.5 The government has:

- introduced the UK's first General Anti-Abuse Rule (GAAR) (Finance Act 2013) – all 10 opinions provided by the independent GAAR Advisory Panel in 2018-19 supported HMRC's view that the tax avoidance arrangements were not a reasonable course of action and were at the egregious end of the avoidance market, affecting over 2,300 taxpayers
- introduced Accelerated Payment and Follower Notices and powers to act against Promoters of Tax Avoidance Schemes (POTAS) (Finance Act 2014)

– HMRC has issued over 81,000 Accelerated Payment Notices, and has brought in over £8.7 billion from Accelerated Payments and from settling marketed avoidance cases since 2014, with a 100% record in defending judicial review challenges to the regime

- successively strengthened and expanded the Disclosure of Tax Avoidance Schemes (DOTAS) regime (Finance Act 2014, 2015)
- introduced the Disclosure of Avoidance Schemes for VAT and Other Indirect Taxes, broadening the scope of disclosure beyond VAT to all other indirect taxes (Finance (No. 2) Act 2017)
- introduced new penalties for serial avoiders who persistently enter into tax avoidance schemes that are defeated (STAR) (Finance Act 2016)
- introduced a tough new financial penalty to deter enablers of tax avoidance (Finance (No. 2) Act 2017)
- tackled contrived arrangements that pay loans in place of ordinary remuneration with a package of measures that ensure users pay their fair share of tax – this includes legislation to ensure income tax applies to these third party arrangements (Finance Act 2011) and a new charge on disguised remuneration loan balances outstanding at 05 April 2019 (Finance (No.2) Act 2017)

2.6 Since the formation of HMRC's Fraud Investigation Service in 2016, more individuals have been convicted for criminal offences relating to arrangements which have been promoted and marketed as tax avoidance schemes, resulting in over 100 years custodial sentences and more than 7 years suspended sentences being ordered. HMRC has a success rate of around 90%, since 2015-16, for avoidance cases taken to litigation by taxpayers on the substantive issues, with many more choosing to settle before their cases get that far.

Online marketplaces

2.7 Online shopping is commonplace, and online marketplaces make it easier than ever for people to buy and sell goods across international borders. The VAT rules require that all retailers who are based outside the European Union but sell goods online to customers in the UK should charge VAT if their goods are already in the UK at the point of sale. Many overseas sellers are not doing this, receiving an unfair advantage in relation to other businesses, and the government has introduced new legislation to address this problem.

2.8 Tackling online sales VAT fraud by overseas sellers on online marketplaces is an important area of focus and the government has taken steps to address the problem:

- legislating to deal with VAT fraud on online sales by overseas traders by enabling HMRC to hold an online marketplace jointly and severally liable for the future unpaid VAT of any overseas business, where HMRC identifies the overseas business not complying with UK VAT laws on sales of goods made in the UK via that online marketplace's platform (Finance Act 2016)

- introducing a due diligence scheme for UK fulfilment houses (Finance (No.2) Act 2017) which comes into force on 1 April 2019
- extending the joint and several liability for unpaid VAT to UK based sellers and to include situations where an online marketplace either knew or should have known where an overseas seller should have been registered for VAT but wasn't (Finance Act 2018)

2.9 The UK has led the way on combatting online VAT fraud. This has been both through taking ground-breaking action domestically, as well as through substantial contributions to multilateral discussions at the Organisation for Economic Co-operation and Development (OECD). As Chair of the OECD Working Party on Consumption Taxes (Working Party No.9), through extensive engagement with the OECD's private sector-led Business and Industry Advisory Committee, and through bilateral contacts, the UK has steered the agenda and driven forward work to combat online VAT fraud. Building on the results of these efforts and in cooperation with several other jurisdictions, the OECD Secretariat is expected to deliver its final report on the role of online platforms in VAT / General Sales Tax collection at its Global Forum on VAT in Australia in March 2019.

HMRC successes in tackling online VAT Fraud

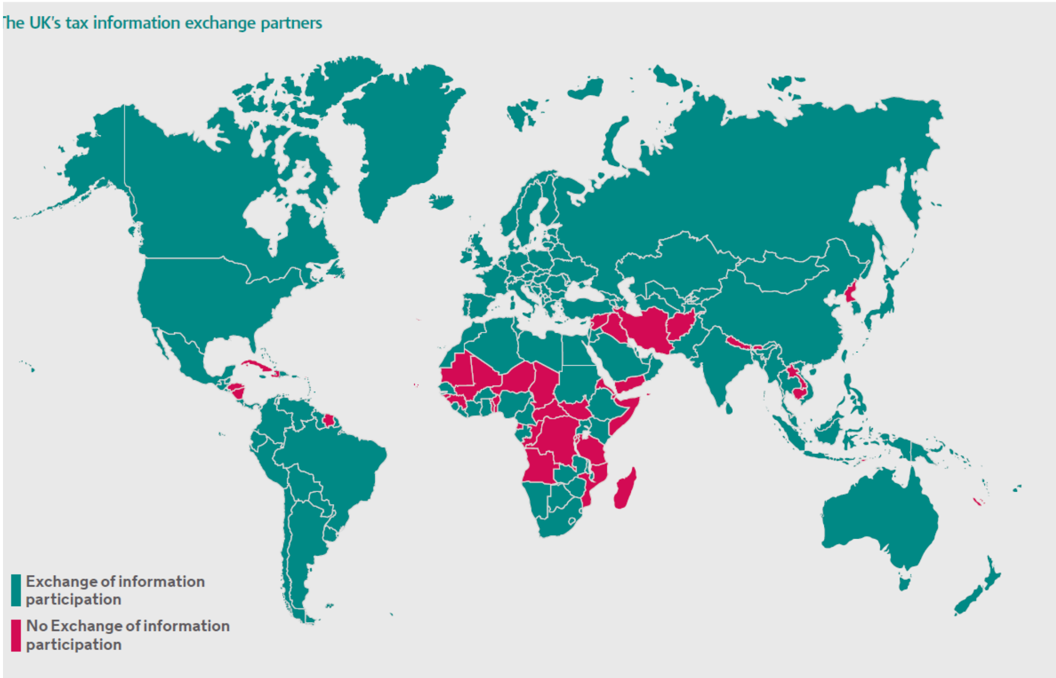
- almost 60,000 overseas online sellers applied for VAT registration between March 2016 and December 2018 – unprompted VAT declared on returns by overseas online sellers in the same period was about £200 million
- 4,800 joint-and-several liability notices were issued regarding non-compliant overseas online sellers since September 2016
- 7,600 investigations were opened into these sellers up to the end of 2018
- VAT assessments of £186 million were issued to non-compliant sellers
- 7 online marketplaces have signed up to an agreement with HMRC to provide data about sellers on their sites to help combat the fraud

Offshore tax and the use of offshore structures

2.10 The UK's analytical capability is world-leading when it comes to data leaks such as the Panama Papers and Paradise Papers, and we will always exploit these events when they happen. However, collaboration with UK agencies and other countries means HMRC does not have to wait for these occasional leaks to get rich data and intelligence.

2.11 The UK was at the forefront of the OECD's work to develop new international standards for tax transparency, including the Common Reporting Standard. The UK is one of over 100 jurisdictions (including all UK Crown Dependencies and Overseas Territories with financial centres) that have committed to exchange information automatically on financial accounts. In 2017, HMRC received information about the offshore financial interests of around 1.3 million UK taxpayers and around 100,000 business or other non-individual account holders, and last year around 5.67 million accounts were reported to HMRC.

The UK's tax information exchange partners



Source: No Safe Havens, 2019

Case study – HMRC tackles major tax evasion schemes

Mr H, and several friends, fraudulently induced investors to claim over £100 million in tax repayments, generating £58 million of cash for the fraudsters, which they attempted to hide offshore.

They created an elaborate structure of trusts and companies across several continents and numerous jurisdictions in an attempt to throw HMRC's investigators off the scent. The complexity of the investigation was increased by the use of nominee directors, bearer shares and corrupt trustees, and a paper trail of fraudulent documents were provided to HMRC to cover their tracks. However, HMRC's criminal investigation, delivered in partnership with the Crown Prosecution Service, proved Mr H and his friends had attempted to cheat the public of revenue resulting in prison sentences for over 45 years being handed down.

2.12 The UK's global leadership on tax transparency – and the data HMRC is receiving through the Common Reporting Standard – remains at the heart of the government's approach in taking action to ensure a level playing field. HMRC is at the forefront of international efforts to crack down on those who set up and use complex offshore structures in an attempt to avoid or evade tax. In addition, the government has introduced substantial new penalties to sanction and deter those that seek to evade tax offshore. These include:

- new simpler criminal offences and increased penalties for offshore non-compliance (Finance Acts 2015 and 2016) – involving over £25,000 of unpaid tax and arrangements not reportable under the Common Reporting Standard

- penalties for those who deliberately help others evade tax offshore (Finance Act 2016)
- a Corporate Criminal Offence for corporate bodies and partnerships that fail to prevent their representatives from facilitating tax evasion (Criminal Finances Act 2017)
- a Requirement To Correct any past offshore tax non-compliance or face greatly increased penalties (Finance (No. 2) Act 2017). These penalties start at 200% of the tax owed and can be reduced through co-operation and disclosure, but will not fall below 100%

2.13 Since September 2016 HMRC has received more than 18,000 notifications from customers who want to correct past offshore tax non-compliance. Parliament has also extended the limit for HMRC to assess offshore tax affairs to 12 years, to address the need to unpick complex offshore cases. This means HMRC will be able to raise assessments going back up to 12 years to recover income tax, capital gains tax and inheritance tax arising from offshore matters or transfers.

2.14 These actions and HMRC's ongoing compliance work demonstrate the government's determination to bear down on those who use offshore arrangements to avoid or evade paying what they owe.

2.15 The government's updated offshore tax compliance strategy – No Safe Havens 2019 – sets out how HMRC will improve offshore tax compliance and tailor its approach by helping those who try and get their tax right, while intervening appropriately and proportionately with those who pay less than they should.

How the world has changed

	2010	2019
Global exchange of financial account information	✖	✓
Comprehensive penalties for UK tax evaders and enablers	✖	✓
Corporates criminally liable for failing to prevent the facilitation of tax evasion	✖	✓
Internationally agreed rules to tackle multinational profit shifting	✖	✓

Source: No Safe Havens 2019

Cross border tax arrangements

2.16 The government supports a competitive corporate tax system but is clear that companies must pay their fair share. That is why the government has taken significant steps, domestically and internationally, to ensure companies pay the right amount of tax on their UK activities.

2.17 In April 2015 the government introduced the DPT, which counters the contrived arrangements used by some multinational companies to divert profits from the UK and minimise their UK tax liability. It helps to ensure that the tax paid by multinational companies in the UK is commensurate with the activities that they undertake in the UK.

Diverted Profits Tax

By the end of April 2018, the DPT measure had delivered £700 million since its introduction. In the year ending April 2018 alone, the DPT measure collected £388 million that would otherwise have gone unpaid. In addition, HMRC investigations of profit diversion have delivered substantial amounts of additional Corporation Tax and VAT arising from businesses changing their arrangements and paying Corporation Tax on their profits in line with their economic activity and unwinding aggressive structures.

2.18 At Autumn Budget 2017, the government went further and announced that it would bring in new rules to target multinational businesses that hold intangible property, such as copyrights and patents, in low-tax jurisdictions to artificially lower their tax bill and gain an unfair competitive advantage.

2.19 At Budget 2018, the government announced the introduction of targeted profit fragmentation legislation that prevents 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.

2.20 The UK is at the forefront of multilateral action through the G20 and OECD to address Base Erosion and Profit Shifting (BEPS) by multinational companies, by reforming international tax standards to realign taxation of profits with the underlying economic activities and value creation. This is a global problem that requires global solutions. The UK is continuing to play a leading role in the continuing OECD work to reform the taxation of the digital economy. Action taken in the UK as a result of this international effort includes introducing:

- country-by-country reporting, which requires large multinationals to provide a country-by-country breakdown of their profits, tax and assets to HMRC (Finance Act 2015)
- hybrid mismatch rules, which prevent multinationals from exploiting differences in how countries tax financial instruments, entities and branches (Finance Act 2016)
- interest restriction rules, which prevent large multinationals using excessive interest expense from cross-border financing arrangements to shelter profits earned in the UK (Finance Act (No. 2) 2017)
- ratification of the Multilateral Convention to Implement Tax Treaty Related Measures to prevent BEPS, which prevents tax treaties being used for abusive purposes (2018)

The Hidden Economy

2.21 The majority of UK taxpayers pay what they owe, but a small minority operate in the 'hidden economy' and try to hide their business activities from HMRC. This deprives our vital public services of billions of pounds of funding, distorts fair competition between businesses and places unfair burdens on the compliant majority who pay their fair share of taxes.

2.22 In recent years, the government has invested in HMRC to ensure it has the right tools and resources to tackle the hidden economy. For example, the government has invested in:

- 250 extra hidden economy caseworkers to tackle unregistered businesses (2015)
- new geographic risking technology, analysts and caseworkers to rollout a new integrated approach (2017)
- compliance officers to deal with online traders trying to hide their VAT liabilities (2017)

2.23 To support these investments, in recent years the government has extended HMRC's access to third-party data which helps identify those seeking to hide how much they owe. This includes data from merchant acquirers and aggregators who process credit and debit card payments on behalf of retailers (since 2013), online intermediaries, providers of electronic stored-value payment services (since 2016) and Money Service Businesses (since 2017). Access to this data means HMRC is uncovering hidden businesses, and HMRC caseworkers can collect more in unpaid tax. These changes have led to HMRC bringing in an additional £187 million in tax since 2013; and HMRC's action in tackling the hidden economy helps to show honest businesses that the government is on their side.

2.24 Since they were enacted in Finance Act 2016, HMRC has used its new powers 11 times to acquire data from intermediaries that facilitate the trade of businesses online, across different sectors of the digital economy. HMRC is using this new data to make it harder than ever to hide tax liabilities in the digital economy, and to prevent traders from gaining an unfair advantage by evading tax obligations.

Hidden economy case study

An HMRC investigation used Merchant Acquirers data, enabled by a legislative change in 2013, to uncover that an owner of two restaurants was failing to declare cash payments, hiding what he owed and fraudulently pocketing over £1 million in tax that should have been paid to the Exchequer. Both restaurants used a similar scam: they were registered as arts and crafts companies, and declared an annual turnover of £10,000. In reality, one had an annual turnover of £5.1 million, and the other turned over £5.3million from 2013 to 2016. The owner declared just £2,100 in Self-Assessment income from these businesses from 2014 to 2016 – in 2018 he was sentenced to three years in jail.

Organised crime

2.25 The government constantly works against organised tax crime in all its forms. HMRC uses the full range of criminal and civil powers to investigate fraudsters and to tackle organised crime groups, disrupting their activity, dismantling their organisations and taking the profit out of their fraud. HMRC generated or protected £3.3 billion in compliance yield in 2017-18 as a result of investigations into, and enforcement action against, organised crime. Since 2010, over 880 serious organised criminals have been brought to justice.

2.26 At Budget 2018 the government announced its support for the creation of a UK-wide Anti-Illicit Trade Group as recommended by an All Party Parliamentary Group report.[1] This will bring together senior officials, representing each of the four countries of the UK, to share best practice and develop a national strategy for tackling this criminal activity and the societal ills that it fuels.

2.27 Trade in illicit tobacco and alcohol has strong links to organised crime, and this government has demonstrated repeatedly that it will not tolerate this threat to our society. To address the threat of illegal tobacco production in the UK, the government introduced the following measures to regulate the manufacture of tobacco:

- a Raw Tobacco Approval Scheme, which came into force on 1 April 2017 (Finance Act 2016)
- a Tobacco Products Manufacturing Machinery Licensing Scheme which took effect on 1 August 2018 (Finance (No. 2) Act 2017)

2.28 As part of international efforts to counter global illicit tobacco supply chains, in June 2018 the UK also ratified the World Health Organisation Framework Convention on Tobacco Control Illicit Trade Protocol to Eliminate Illicit Trade in Tobacco Products. Alongside the UK, 47 nations plus the EU are now obliged by international law to comply with its tobacco control requirements within 5 years.

2.29 In addition, this year the government is due to implement a track and trace system for tobacco products. This will greatly enhance the ability of HMRC, Border Force, and other law enforcement agencies to identify illicit tobacco products and take action against those who trade in them.

2.30 The government has introduced a registration scheme for alcohol wholesalers to combat alcohol excise fraud (Finance Act 2015) and launched the Alcohol Strategy in 2016, modernising the approach to tackling alcohol fraud. This means working with the largest suppliers of alcohol to improve tax compliance within supply chains, and significantly disrupting the evasion of excise duties. A new joint HMRC and Border Force Alcohol Taskforce has also carried out intensive exercises on the border, making a real impact on deterring illicit alcohol traffic through our ports. The strategy has secured over £1 billion in tax revenue over the past year that would otherwise have been lost to the UK.

2.31 Waste crime has become an increasing problem with criminals evading Landfill Tax and wider regulatory requirements. To help address this issue, the government introduced legislation in Finance Act 2018 to ensure that those disposing of waste at unauthorised sites now fall within the scope of Landfill Tax and those flouting the rules face tough sanctions.

2.32 The government announced at Autumn Budget 2017 that from 1 October 2019 a new VAT domestic reverse charge will apply in the construction sector. This will prevent so-called 'Missing Trader' fraud, in which traders collect VAT on their sales but go missing before passing that VAT on to the Exchequer. A VAT reverse charge will shift responsibility for paying VAT along the supply chain to remove the

[1] Illicit Trade in the UK, All Party Parliamentary Group, July 2018

opportunity for it to be stolen by those traders. The measure is expected to raise £405 million in additional tax revenue by 2023.

Chapter 3

Investment in HM Revenue and Customs and a commitment to further action

3.1 This document sets out the government's strong record and ongoing commitment to addressing tax avoidance, evasion, and other forms of non-compliance.

3.2 The government has invested around £2 billion additional funding in HMRC since 2010, and will continue to invest in staff and new technology, to ensure HMRC has the resources to further tackle tax avoidance, evasion and other forms of non-compliance. This includes:

- £900 million at Spending Review 2010 to bring in an additional £7 billion per year in tax revenues
- £800 million at Summer Budget 2015 to tackle non-compliance by large businesses and the wealthy as well as new teams to investigate organised crime
- £155 million at Autumn Budget 2017 to address a range of avoidance and evasion activity, including tackling enablers and facilitators of tax fraud

3.3 This investment has helped change the way that HMRC deals with wealthy individuals and large businesses, and has resulted in increasing criminal charges for tax fraud to over 1,000 a year, a total of 4,900 years of custodial sentences, and associated revenue losses prevented of more than £13.5 billion since 2010.

3.4 It will also enable HMRC to make the best use of new legislation such as the Corporate Criminal Offence for companies and partnerships that fail to prevent the facilitation of tax evasion by those providing services for them, or on their behalf, introduced in 2017.

A commitment to further action

3.5 The government has consistently acted to tackle tax avoidance, evasion and other forms of non-compliance in the tax system. As a result of the government's action and HMRC's tailored approach to maximising compliance, more tax is being paid at the right time, benefitting our vital public services.

3.6 The government's updated offshore tax compliance strategy sets out how HMRC will help those that try and get their tax right, whilst intervening appropriately with those that pay less than they should.

3.7 The measures announced at Budget 2018 continue that commitment to ensure everyone, from individuals to the largest companies, pay their fair share towards our vital public services. The government and HMRC will continue its mission to ensure everyone pays what they owe, and will bring forward further reforms at future fiscal events as necessary.

Annex A

List of measures to tackle tax avoidance, evasion and non-compliance announced since 2010

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Jun-10	Summer Budget – June 2010	Accounting Derecognition	**2.110** Legislation will be in the Finance Bill introduced after the Budget, with effect from Budget day, to prevent avoidance of corporation tax using accounting 'derecognition' rules in relation to loans and derivatives.
Jun-10	Summer Budget – June 2010	Alternative Investment Funds	**2.111** Legislation will be introduced, with effect from Budget day, to prevent tax avoidance involving the creation for corporate investors of a credit for UK tax where no UK tax has been paid.
Jun-10	Summer Budget – June 2010	Financial Securities	**Summer Budget – June 2010:** **2.112** The Government will now consult on introducing a power for HMRC to require financial security where PAYE & NICs are at serious risk of non payment, rather than legislate in the upcoming Finance Bill as announced at the March 2010 Budget. **Budget 2011:** **2.205 Financial securities for PAYE and NICs** – Following consultation, HMRC will be able from April 2012 to require a security from employers where there is a serious risk that tax due under PAYE or Class 1 NICs will go unpaid. (Finance Bill 2011)
Jun-10	Summer Budget – June 2010	Life insurance	**2.113** An anti-avoidance rule that applies when a transfer of business sidesteps the rules for non-profit funds with unrecognised profits will be legislated for in the Finance Bill introduced after the Budget. Additionally, legislation will be in the Finance Bill introduced in the autumn to modify the tax rules that apply to Overseas Life Insurance Companies and the application of the transfer of business rules when non-profit business is transferred to a non-EEA country.

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Jun-10	Summer Budget – June 2010	General Anti-Abuse Rule (GAAR)	Summer Budget – June 2010: 2.114 The Government will engage informally with interested parties to explore whether there is a case for developing a General Anti-Avoidance Rule (GAAR). This will be part of wider work on improvements to the tax policy making process. Budget – March 2012: 1.194 Budget 2012 announces that the Government accepts the recommendation of the Aaronson Report that a General Anti-Abuse Rule (GAAR) targeted at artificial and abusive tax avoidance schemes would improve the UK's ability to tackle tax avoidance while maintaining the attractiveness of the UK as a location for genuine business investment. The Government will consult with a view to bringing forward legislation in Finance Bill 2013. Budget – March 2013: 2.217 General Anti-Abuse Rule (GAAR) – As announced at Budget 2012, the Government will introduce a GAAR in this year's Finance Bill to tackle abusive tax avoidance schemes. (Finance Bill 2013)
Jun-10	Summer Budget – June 2010	Inheritance Tax	Summer Budget – June 2010 2.115 The Government will consult on bringing Inheritance tax (IHT) on trusts within the Disclosure of Tax Avoidance Schemes regime. Budget - March 2011 2.182 Regulations have now been laid to bring inheritance tax, as it applies to transfers of property into trust, within DOTAS. They come into effect on 6 April 2011 and will require disclosure of new and innovative IHT avoidance schemes involving transfers into trust.
Mar-11	Budget – March 2011	VAT: fraud on imported road vehicles	Budget – March 2011 2.163 Tackling VAT fraud on imported road vehicles – The Government will introduce a new online notification system for road vehicles brought into the UK from 2013 in order to combat fraud in this area. This will be a joint HMRC and Driver and Vehicle Licensing Agency (DVLA) initiative. (Finance Bill 2012) Budget – March 2012 2.190 VAT: tackling fraud on imported road vehicles - As announced at Budget 2011, the new system to tackle VAT evasion on road vehicles brought into the UK will be introduced from 15 April 2013. Vehicles will have to be notified to HMRC before registration with the Driver and Vehicle Licensing Agency and a new online system will be available to facilitate this. (Finance Bill 2012)
Mar-11	Budget – March 2011	Sale of lessor companies: avoidance	2.175 Sale of lessor companies – The Government will introduce legislation with effect from 23 March 2011 amends the sale of lessors anti-avoidance legislation to ensure it remains effective and withdraws the option to elect for alternative treatment. (Finance Bill 2011)

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Mar-11	Budget – March 2011	Stamp Duty Land Tax: avoidance	**2.177 SDLT** – The Government will introduce legislation, with effect from 24 March 2011, to address three SDLT avoidance risks. The changes cover avoidance techniques that use the subsales rules, the Alternative Finance reliefs and the rules for exchanges of land. These techniques have been used to attempt to avoid tax on both residential and non-residential property transactions, including on high value property transactions. (Finance Bill 2011)
Mar-11	Budget – March 2011	Leasing double allowances: avoidance	**Budget – March 2011:** **2.187 Leasing double allowances** – As announced on 9 March 2011, the Government will introduce legislation to counter avoidance involving the leasing of plant or machinery where taxpayers claim capital allowances twice on one amount of expenditure. (Finance Bill 2011) **Budget – March 2012:** **2.208 Capital allowances: anti-avoidance rules** – As announced at Budget 2011, from April 2012, the capital allowance anti-avoidance legislation will be widened to protect the Exchequer from a loss of tax revenue as a result of transactions to acquire plant or machinery which are part of a scheme or arrangement involving avoidance. (Finance Bill 2012)
Mar-11	Budget – March 2011	Disguised remuneration: avoidance	**2.188 Disguised remuneration** – As announced in December 2010, the Government will introduce legislation to target arrangements intended to disguise remuneration or avoid restrictions on pensions tax relief. The measure ensures that where a reward or a loan is provided, via a third party, in connection with the employee's employment, an income tax charge arises and the employer is required to account for PAYE. (Finance Bill 2011)
Mar-11	Budget – March 2011	Currency for tax calculations: avoidance	**2.189 UK resident investment companies: currency for tax calculations** – As announced on 6 December 2010, the Government will introduce legislation to counter avoidance involving investment companies retrospectively changing the functional currency they prepare their accounts in for tax purposes. It will also allow investment companies to elect, prospectively, for a different functional currency. (Finance Bill 2011)
Mar-11	Budget – March 2011	Group mismatches	**2.190 Group mismatches** - As announced on 6 December 2010, the Government will introduce legislation to prevent tax avoidance involving groups of companies using intra-group loans or derivatives to reduce the group's tax bill. (Finance Bill 2011)
Mar-11	Budget – March 2011	VAT: supply splitting using printed matter	**2.191 VAT: prevention of supply-splitting using printed matter** – As announced on 6 December 2010 the Government will introduce legislation to withdraw zero-rating for ancillary printed matter where it is connected to the supply of a differently rated service. (Finance Bill 2011)
Mar-11	Budget – March 2011	Dishonest tax agents	**Budget – March 2011:** **2.197 Dishonest tax agents** - Further consultation and draft legislation will be published in July 2011 on HMRC's approach to tackling dishonest tax agents. (Finance Bill 2012) Budget – March 2012: 2.225 Following consultation, from 1 April 2013 HMRC's powers will be updated to more effectively target dishonest tax agents. (Finance Bill 2012)

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Mar-11	Budget – March 2011	HMRC's data gathering powers	**2.198 Data gathering** - Following consultation, from 1 April 2012 HMRC data-gathering powers will be updated so that they can more effectively target non-compliant taxpayers. (Finance Bill 2011)
Nov-11	Autumn Statement – November 2011	Asset-backed pensions contributions	**2.20 Asset-backed pensions contributions** – Following consultation, to prevent employers gaining excessive tax relief for asset-backed pension contributions to their pension schemes, the Government will introduce Finance Bill 2012 legislation that takes effect on 29 November 2011 to ensure no excessive relief can arise for new arrangements. Transitional rules will apply to existing asset-backed arrangements that have already received tax relief to ensure the correct amount is given by the end of an arrangement.
Nov-11	Autumn Statement – November 2011	Manufactured overseas dividends	**Autumn Statement – November 2011** **2.36 Manufactured overseas dividends** – The Government will put beyond doubt that manufactured overseas dividends cannot be used to obtain repayment or set off of income tax that the Exchequer does not receive. This was announced in a Written Ministerial Statement on 15 September 2011 and will take effect from that date. **Budget – March 2012:** **2.206 Manufactured overseas dividends** – As announced in a Written Ministerial Statement on 15 September 2011, and with effect from the same date, the Government will put beyond doubt that manufactured overseas dividends cannot be used to obtain repayment or set off of income tax that the Exchequer does not receive. (Finance Bill 2012) **Budget – March 2013:** **2.109 Manufactured payments** – As announced on 15 September 2011 and consulted on during 2012, legislation will be introduced to simplify the rules for manufactured payments and make them less vulnerable to avoidance. The new rules will have effect from 1 January 2014. (Finance Bill 2013)

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Mar-12	Budget – March 2012	Alcohol fraud	Budget – March 2012: **2.137 Alcohol fraud** - The Government will consult on alcohol anti-fraud measures, including the introduction of fiscal marks for beer, supply chain legislation, and a licensing scheme for wholesale alcohol dealers. (future Finance Bills) Autumn Statement – December 2013: 2.136 Alcohol fraud – Following consultation, the government will introduce new measures to reduce the illicit trade in alcohol products, including a registration scheme for alcohol wholesalers that will start to take effect in 2016, and also a requirement that from early 2014 alcohol traders take reasonable steps to ensure that their suppliers and customers are legitimate. (Finance Bill 2015) Budget – March 2014: 2.140 Alcohol fraud – As announced at Autumn Statement 2013, the government will introduce new measures to reduce the illicit trade in alcohol products, including a registration scheme for alcohol wholesalers that will start to take effect in 2016 and a requirement for traders to take reasonable steps to ensure their customers are legitimate to take effect later in 2014. Budget – March 2015: 2.146 Alcohol fraud – As announced at Autumn Statement 2013, the government will introduce a registration scheme for alcohol wholesalers that will take effect from October 2015. (Finance Bill 2015)
Mar-12	Budget – March 2012	SDLT: avoidance on residential property and associated CGT changes	**1.195** To ensure that individuals and companies pay a fair share of tax on residential property transactions and to tackle avoidance, the Government will: … · tackle the 'enveloping' of high value properties into companies to avoid paying a fair share of tax. The Government will introduce a 15 per cent rate of SDLT to be applied to residential properties over £2 million purchased by non-natural persons, such as companies. This new rate will take effect on 21 March 2012. In addition, the Government will consult on the introduction of an annual charge on residential properties valued at over £2 million owned by these persons, with the intention of legislating in Finance Bill 2013 for commencement in April 2013; and · to support this measure, the Government will extend the capital gains tax regime to gains on the disposal of UK residential property and shares or interests in such property by non-resident, non-natural persons. This will commence from April 2013, following consultation on the details of the measure. … 2.174 Enveloping of high value residential properties – The Government will apply a 15 per cent rate of SDLT to residential properties over £2 million purchased by certain non-natural persons. The 15 per cent rate will take effect

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
			from 21 March 2012. In addition the Government will consult on the introduction of an annual charge on residential properties valued over £2 million owned by certain non-natural persons with the intention of introducing legislation next year and the measure coming into effect in April 2013. (Finance Bill 2012 for rate; Finance Bill 2013 for annual charge)
Mar-12	Budget – March 2012	Debt buybacks	**2.201 Debt buybacks** – As announced in a Written Ministerial Statement on 27 February 2012, and with effect from the same date, the Government will amend the corporation tax rules on loan relationships held between connected companies. The calculation of deemed releases of debts becoming held by connected companies will be amended and a targeted anti-avoidance rule to counter arrangements that aim to circumvent the deemed release rules will be inserted. The legislation will include limited retrospective provision for certain arrangements entered into between 1 December 2011 and 27 February 2012. (Finance Bill 2012)
Mar-12	Budget – March 2012	Corporate investors in Authorised Investment Funds (AIFs)	**2.202 Corporate investors in Authorised Investment Funds (AIFs)** - As announced on 27 February 2012, and with effect from the same date, the Government has introduced legislation to address a tax avoidance scheme which seeks to obtain tax benefits for a corporate investor in relation to a distribution made by an AIF where no underlying tax has been suffered.
Mar-12	Budget – March 2012	Property losses	**2.210 Property losses** - As announced on 13 March 2012, and with effect from the same date, the Government will introduce legislation to counter avoidance involving losses from a property business set against general income. (Finance Bill 2012)
Mar-12	Budget – March 2012	Site restoration payments	**2.211 Site restoration payments** - The Government will introduce legislation, with effect from 21 March 2012, to prevent the exploitation of relief given for site restoration payments. (Finance Bill 2012)
Mar-12	Budget – March 2012	Plant and Machinery leasing	**2.212 Plant and machinery leasing** – With effect from 21 March 2012, changes will be made to capital allowances rules to counteract disclosed avoidance schemes which seek to bring in an artificially low disposal value for capital allowances purposes at the end of a long funding lease. (Finance Bill 2012)

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Mar-12	Budget – March 2012	Inheritance tax: avoidance using offshore trusts	**2.216 Inheritance tax: avoidance using offshore trusts** - The Government will introduce legislation, with effect from 21 March 2012, to amend the excluded property and settled property provisions in order to close an avoidance scheme involving the acquisition of interests in offshore excluded property trusts. (Finance Bill 2012)
Mar-12	Budget – March 2012	Settlor-interested trusts: avoidance	**2.217 Income tax: avoidance using settlor-interested trusts** – The Government will introduce legislation, with effect from 21 March 2012, to amend the settlements legislation in order to close an avoidance scheme involving corporate settlors. (Finance Bill 2012)
Mar-12	Budget - March 2012	Criminal investigations powers	**Budget – March 2012** **2.226 Criminal investigations powers** - The Government will make a minor legislative change to align HMRC's powers under the Proceeds of Crime Act 2002 across all taxes. (Finance Bill 2013) **Budget – March 2013** **2.211 Criminal investigation powers** – As announced at Budget 2012, the Government will make a minor legislative change allowing HMRC to exercise certain criminal asset recovery powers in-house instead of indirectly via police action. (Finance Bill 2013)
Mar-12	Budget - March 2012	Modernising customs legislation	**Budget – March 2012:** **2.228 Modernising customs legislation** - Following consultation, the Government will update legislation in relation to detention and definition of goods and the size of penalties for smuggling on ships. (Finance Bill 2013) **Budget – March 2013:** **2.208 Customs and Excise modernisation: fines on ships** – As announced at Budget 2012, the Government will re-value fines on ships to ensure they remain appropriate disincentives. (Finance Bill 2013) **2.209 Customs and Excise modernisation: definition of goods** – As announced at Budget 2012, the Government is clarifying the definition of goods under customs legislation. (Finance Bill 2013) **2.210 Customs and Excise modernisation: power to detain excise goods** – As announced at Budget 2012, the Government will clarify HMRC's power to detain goods during customs and excise investigations. (Finance Bill 2013)

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Dec-12	Autumn Statement – December 2012	Offshore employment intermediaries	**Autumn Statement – December 2012:** **1.178** Autumn Statement 2012 confirms significant new developments to help prevent, detect and tackle tax avoidance and evasion in the future through: … · building on existing work, HMRC is conducting a review of offshore employment intermediaries being used to avoid tax and NICs and will provide an update on this work at Budget 2013. **Budget – March 2013:** **2.198 Offshore employment intermediaries** – The Government will consult on strengthening obligations to ensure the correct income tax and NICs are paid by offshore employment intermediaries. This is a result of the review announced at Autumn Statement 2012. (Finance Bill 2014)
Dec-12	Autumn Statement – December 2012	Avoidance schemes: enhanced information powers (DOTAS and POTAS)	**Autumn Statement – December 2012:** **1.178** Autumn Statement 2012 confirms significant new developments to help prevent, detect and tackle tax avoidance and evasion in the future through: … · consulting on the introduction of significant new information disclosure and penalty powers to target the promoters of aggressive tax avoidance schemes **Budget – March 2013** **2.226 Enhanced information powers for tax avoidance schemes** – Following on from the announcement made at Autumn Statement 2012, the Government will consult, after Budget 2013, on new powers to take tougher action against high risk promoters of tax avoidance schemes, including new information and penalty powers, and the possible use of 'naming and shaming'. **Budget – March 2014** **2.187 High risk promoters** – The government will provide HMRC with new powers to tackle non-cooperative promoters of tax avoidance schemes. These powers will include the ability to issue conduct notices, breaches of which will trigger enhanced information powers with large financial penalties for non-compliance. (Finance Bill 2014)
Dec-12	Autumn Statement – December 2012	UK-Switzerland Agreement	**2.97 Agreement between the UK and Switzerland** – The Government is today reflecting the benefit of the UK-Switzerland agreement in the public finances following the passing of the agreement by both the Swiss and UK Parliaments. The additional revenues reflect reclaimed tax on money hidden in Switzerland.

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Dec-12	Autumn Statement – December 2012	HMRC data-gathering powers	Autumn Statement – December 2012 2.101 HMRC powers - The Government will amend HMRC's bulk data-gathering powers to allow it to issue notices to merchant acquirers, who process payment card transactions, to identify businesses who are not declaring their full tax liability. Budget – March 2013: 2.200 Data-gathering from merchant acquirers – As announced in Autumn Statement 2012, the Government will legislate in Finance Bill 2013 to amend HMRC's data-gathering powers. (Finance Bill 2013)
Dec-12	Autumn Statement – December 2012	Avoidance schemes involving loan relationships and derivatives	Autumn Statement – December 2012: 2.111 Avoidance schemes involving loan relationships and derivatives - With effect from 5 December 2012, the Government will close down three corporation tax avoidance schemes involving financial products. Budget – March 2013: 2.215 Avoidance schemes involving loan relationships and derivatives – As announced at Autumn Statement 2012, the Government will legislate to close down three corporation tax avoidance schemes involving financial products, with effect from 5 December 2012. (Finance Bill 2013)
Mar-13	Budget – March 2013	Stamp Duty Land Tax: Avoidance	2.188 SDLT: avoidance – The Government will introduce legislation in Finance Bill 2013 to put beyond doubt that certain SDLT avoidance schemes that abuse the transfer of rights rules do not work. These changes will have retrospective effect to 21 March 2012. (Finance Bill 2013)
Mar-13	Budget – March 2013	Inheritance Tax: limiting the deduction of liabilities	2.193 IHT: limiting the deduction of liabilities – The Government will legislate to close an IHT loophole that allows a deduction from the value of an estate for an outstanding debt regardless of whether or not the debts are paid after death, or how the borrowed funds have been used. (Finance Bill 2013)
Mar-13	Budget – March 2013	Loans from close companies to participators	2.194 Close company loans to participators – The Government will close three loopholes used to attempt to avoid the tax charge on loans from close companies to individuals with a share or interest in the company. This measure will have effect from 20 March 2013. (Finance Bill 2013)
Mar-13	Budget – March 2013	Transfer of assets abroad and gains on assets held by foreign companies	2.195 Transfer of assets abroad and gains on assets held by foreign companies – As announced on 5 December 2011, the Government will amend anti-avoidance legislation designed to protect the UK tax base. New exemptions from the regimes will have retrospective effect from 6 April 2012 but, exceptionally, in respect of the chargeable gains changes, a taxpayer may elect for the new rules to apply from 6 April 2013. Other changes to the transfer of assets abroad regime will take effect from 6 April 2013. (Finance Bill 2013)

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Mar-13	Budget – March 2013	International agreements to improve tax compliance	**2.196 International agreements to improve tax compliance** – The Government will include legislation in Finance Bill 2013 to implement the UK-US Agreement to Improve International Tax Compliance and to Implement FATCA. (Finance Bill 2013) Final Regulations will be issued shortly. The Isle of Man, Guernsey and Jersey have agreed to enter into similar automatic exchange agreements with the UK. HMRC has set up disclosure facilities with the Isle of Man, Guernsey and Jersey to allow investors to come forward and regularise their past tax affairs in advance of information being automatically exchanged.
Mar-13	Budget – March 2013	Trade and property business deductions	**2.216 Trade and property business deductions** – As announced on 21 December 2012, the Government will introduce targeted anti-avoidance rules to the income tax and corporation tax provisions governing the relationship between rules prohibiting and allowing deductions, with effect from 21 December 2012. (Finance Bill 2013)
Mar-13	Budget – March 2013	Corporation 'loss buying'	**2.220 Corporate 'loss buying'** – The Government will introduce targeted anti-abuse rules, with immediate effect, to prevent companies entering into arrangements with unconnected third parties where the potential to create corporate losses are bought and then relieved against profits unconnected from the activity from which they arose. (Finance Bill 2013)
Mar-13	Budget – March 2013	Lifting the Lid on Tax Avoidance: next steps	**2.221 Lifting the Lid on Tax Avoidance: next steps** – As announced on 11 December 2012 legislation is being introduced in Finance Bill 2013 to improve the information collected under the Disclosure of Tax Avoidance Schemes regime. Regulations will be made later on in 2013. (Finance Bill 2013)
Mar-13	Budget – March 2013	Review of two areas of partnership tax rules	**2.222 Review of two areas of partnership tax rules where tax is being lost** – Following on from the announcement made at Autumn Statement 2012 to review partnerships as a high risk area of the tax code, this measure confirms consultation on legislation to counter the use of limited liability partnerships to disguise employment relationships and the artificial allocation of profit/loss to secure tax advantages. (Finance Bill 2014)
Mar-13	Budget – March 2013	Loopholes involving corporation tax loss relief rules	**2.223 Loopholes involving corporation tax loss relief rules** – The Government will close down three loopholes, with immediate effect, within the corporation tax loss relief rules, which have enabled companies to access relief for losses either more quickly or in ways contrary to the underlying principles of the legislation. (Finance Bill 2013)
Mar-13	Budget – March 2013	Penalties in avoidance cases	**2.224 Penalties in avoidance cases** – This measure announces a consultation on a penalties-based approach to taxpayers who fail to settle with HMRC in circumstances where an avoidance scheme has been defeated in another party's litigation through the courts. (Finance Bill 2014)

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Dec-13	Autumn Statement – December 2013	Avoidance schemes: using derivatives (total return swaps)	Autumn Statement – December 2013: **2.116 Avoidance scheme using Total Return Swaps** – The government will close down a tax avoidance scheme, with immediate effect, which has enabled companies to pay their profits to a company in the same group located overseas, thus escaping a corporation tax liability. (Finance Bill 2014) Budget – March 2014: **2.198 Avoidance scheme using total return swaps** – As announced at Autumn Statement 2013, the government will legislate to close down a tax avoidance scheme using derivative contracts which has enabled companies to pay their profits to a company in the same group located overseas, thus escaping a corporation tax liability. This will have effect from 5 December 2013. (Finance Bill 2014)
Dec-13	Autumn Statement – December 2013	Double Taxation Relief: closing loopholes	**2.119 Double taxation relief: closing loopholes** – The government will, with immediate effect from 5 December 2013, close 2 loopholes to reinforce the UK's double taxation relief policy that relief for foreign tax should only be given where income has been doubly taxed, once in the UK and once in the foreign territory. (Finance Bill 2014)
Dec-13	Autumn Statement – December 2013	Controlled foreign companies: profit shifting	**2.121 Controlled foreign companies (CFCs): profit shifting** – The government will, with immediate effect from 5 December 2013, make changes to the CFCs rules to address the transfer offshore of profits from existing UK intra-group lending, and also make a simple legislative fix to ensure the rules work as intended (Finance Bill 2014)
Dec-13	Autumn Statement - December 2013	UK oil and gas: bareboat chartering	Autumn Statement - December 2013 **2.122 Oil and gas bareboat chartering –** The government will cap the amount deductible for intra-group leasing payments for large offshore oil and gas assets, known as bareboat charters, and introduce a new ring fence to protect the resulting revenue. The government will consult with industry in early 2014. (Finance Bill 2014) Budget - March 2014 **2.138 Oil and gas bareboat chartering** – As announced at Autumn Statement 2013, the government is concerned about the use of specialised lease payments, known as bareboat charters, to move significant taxable profit outside the UK tax net, and has been holding informal discussions with industry. The government will cap the amount deductible for these intra-group lease payments by companies that provide drilling services or accommodation vessels on the UK Continental Shelf. The cap will be 7.5% of the historical cost of the asset subject to the lease, increased from the 6.5% cap previously announced at Autumn Statement. The government will also introduce a new ring fence to protect the resulting revenue. The changes will apply from 1 April 2014. The government will review the impact of the measure following its first year of operation.

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Dec-13	Autumn Statement – December 2013	Dual Contracts	Autumn Statement – December 2013: **2.126 Artificial use of dual contracts by non-domiciles** – The government will legislate to prevent a small number of high-earning, non-domiciled individuals from avoiding tax through the artificial division of the duties of employment between the UK and overseas. From April 2014, UK tax will be levied on the full employment income where a comparable level of tax is not payable overseas on the overseas contract. (Finance Bill 2014) Budget – March 2014: **2.196 Dual contracts** – As announced at Autumn Statement 2013, the government will legislate to prevent a small number of high earning non-domiciled individuals from avoiding tax by artificially dividing the duties of one employment between the UK and overseas. (Finance Bill 2014)
Dec-13	Autumn Statement – December 2013	Compensating Adjustments	**2.127 Compensating adjustments** – As announced on 25 October 2013, the government will introduce legislation, with effect from 25 October 2013, to prevent abuse of the rules relating to compensating adjustments in the transfer pricing code. (Finance Bill 2014)
Dec-13	Autumn Statement – December 2013	Onshore employment intermediaries: false self-employment	Autumn Statement – December 2013: **2.129 Employment intermediaries facilitating false self-employment** – The government will amend existing legislation to prevent employment intermediaries being used to avoid employment taxes by disguising employment as self employment. The government will consult on strengthening existing legislation to ensure the correct amount of tax and NICs are paid where the worker is, in effect, employed, with effect from April 2014. (Finance Bill 2014) Budget – March 2014: **2.194 Employment intermediaries facilitating false self-employment** – As announced at Autumn Statement 2013, the government will amend existing legislation to prevent employment intermediaries being used to avoid employment taxes by disguising employment as self-employment, with effect from April 2014. (Finance Bill 2014)
Dec-13	Autumn Statement – December 2013	Automatic exchange of information agreements	**2.132 Automatic information exchange agreements** – Since Budget 2013 the government has signed automatic tax information exchange agreements with the Isle of Man, Guernsey, Jersey, the Cayman Islands, Gibraltar, Bermuda, Montserrat, the Turks and Caicos Islands and the British Virgin Islands.
Dec-13	Autumn Statement – December 2013	Accelerated payments in follower cases	**2.139 Accelerated tax payment in avoidance cases** – In addition to introducing a new regime of follower penalties, the government will remove the cash advantage from sitting and waiting during a tax avoidance dispute by issuing new 'pay now' notices to taxpayers. These will initially be issued to taxpayers who are using tax avoidance schemes which have already been defeated in the courts. The government will also consult on the scope for widening the criteria for 'pay now' notices. (Finance Bill 2014)

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Mar-14	Budget – March 2014	Business Premises Renovation Allowance	**2.111 Business premises renovation allowance (BPRA) –** Following a review of the BPRA, the government will make changes to simplify the scheme, make it more certain in its application and to reduce the risk of exploitation, with effect from April 2014.
Mar-14	Budget – March 2014	VAT: reverse charge for gas and power	**2.177 VAT: reverse charge for gas and power** – The government will introduce a reverse charge for gas and power to prevent missing trader intra-community fraud in relation to those commodities. The change will be introduced through secondary legislation and the government will discuss the timing of introduction with the relevant industry bodies.
Mar-14	Budget – March 2014	Marketed tax avoidance schemes	**2.188 Marketed tax avoidance schemes –** Following a consultation that closed in February 2014, the government will legislate to provide that HMRC may issue a notice to the user of a tax avoidance scheme that they should settle their dispute with HMRC when the claimed tax effect has been defeated in other litigation. If the taxpayer does not settle they risk a penalty and must make upfront payment of the tax in dispute. Budget 2014 announces that the requirement to pay upfront will also apply to the disputed tax associated with any scheme that falls within the disclosure of tax avoidance scheme rules (DOTAS) and with schemes that HMRC counteracts under the general anti-abuse rule (GAAR). (Finance Bill 2014)
Mar-14	Budget – March 2014	Avoidance schemes using the transfer of corporate profits	**2.199 Avoidance schemes involving the transfer of corporate profits –** The government will close down tax avoidance schemes, with immediate effect, involving other arrangements to transfer profits to a related company where the arrangements have a main purpose of securing a tax advantage. (Finance Bill 2014)
Dec-14	Autumn Statement – December 2014	Diverted profits tax (DPT)	**2.142 Diverted Profits Tax** – The government will introduce a new tax to counter the use of aggressive tax planning techniques used by multinational enterprises to divert profits from the UK. The Diverted Profits Tax will be applied using a rate of 25% from 1 April 2015. (Finance Bill 2015)
Dec-14	Autumn Statement – December 2014	Corporation tax: country-by-country reporting	**2.143 Country-by-country reporting** – The government will introduce legislation that gives the UK the power to implement the Organisation for Economic Co-operation and Development (OECD) model for country-by-country reporting. The new rules will require multinational enterprises to provide high level information to HMRC on their global allocation of profits and taxes paid, as well as indicators of economic activity in a country. (Finance Bill 2015)

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Dec-14	Autumn Statement – December 2014	Tackling hybrid mismatches	Autumn Statement – December 2014: **2.144 Consultation on addressing hybrid mismatch arrangements** – The government will consult on the UK's plans for implementing agreed OECD rules for addressing hybrid mismatch arrangements. The new rules will prevent multinational enterprises avoiding tax through the use of certain cross-border business structures or finance transactions. Budget – March 2016: **2.98 Addressing hybrid mismatches** – Following consultation, the government will introduce rules for addressing hybrid mismatch arrangements from 1 January 2017. The new rules will prevent multinational enterprises avoiding tax through the use of certain cross-border business structures or finance transactions. (Finance Bill 2016)
Dec-14	Autumn Statement – December 2014	Corporation Tax: restricting relief for goodwill	Autumn Statement – December 2014: **2.146 Corporation Tax: restricting unfair tax advantages on incorporation** – The government will restrict the Corporation Tax relief a company may obtain for the acquisition of the reputation and customer relationships associated with a business ('goodwill') when the business is acquired from a related individual or partnership. This will affect acquisitions on or after 3 December 2014. (Finance Bill 2015) Budget – March 2015: **2.125 Corporation Tax: restricting relief for goodwill** – As announced at Autumn Statement 2014, the government will restrict the Corporation Tax relief a company may obtain for the acquisition of the reputation and customer relationships associated with a business ('goodwill'), including customer information, when the business is acquired from a related individual or partnership. This will affect acquisitions on or after 3 December 2014. (Finance Bill 2015)
Dec-14	Autumn Statement – December 2014	Accelerated payments and group relief	Autumn Statement – December 2014: **2.149 Accelerated payments and group relief** – The government will introduce legislation to ensure that the accelerated payments legislation works effectively where avoidance arrangements give rise to losses surrendered as group relief. (Finance Bill 2015) Budget – March 2015: **2.208 Accelerated Payments group relief** – As announced at Autumn Statement 2014, the government will introduce legislation to ensure that the Accelerated Payments legislation works effectively where avoidance arrangements give rise to losses surrendered as group relief. (Finance Bill 2015)
Dec-14	Autumn Statement – December 2014	Income tax: miscellaneous losses	**2.151 Miscellaneous loss relief** – The government will legislate to counter the avoidance of Income Tax through miscellaneous loss relief by introducing anti-avoidance rules from 3 December 2014. From 6 April 2015 it will also limit the miscellaneous income against which a miscellaneous loss can be claimed. (Finance Bill 2015)

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Dec-14	Autumn Statement – December 2014	Special purpose share schemes	**Autumn Statement – December 2014:** **2.152 Special purpose share schemes** – The government will legislate to remove the unfair tax advantage provided by special purpose share schemes, commonly known as 'B share schemes'. From 6 April 2015 all returns made to shareholders through such a scheme will be taxed in the same way as dividends. (Finance Bill 2015) **Budget – March 2015:** **2.213 Special purpose share schemes** – As announced at Autumn Statement 2014, the government will legislate to remove the unfair tax advantage provided by special purpose share schemes, commonly known as 'B share schemes'. From 6 April 2015 all returns made to shareholders through such a scheme will be taxed in the same way as dividends. (Finance Bill 2015)
Dec-14	Autumn Statement – December 2014	Investment managers: disguised fee income	**2.153 Investment managers: disguised fee income** – The government will introduce legislation, effective from 6 April 2015, to ensure that sums which arise to investment fund managers for their services are charged to Income Tax. It will affect sums which arise to managers who have entered into arrangements involving partnerships or other transparent vehicles, but not sums linked to performance, often described as 'carried interest', nor returns which are exclusively from investments by partners. (Finance Bill 2015)
Dec-14	Autumn Statement – December 2014	Strengthening civil deterrents for offshore tax evasion	**2.155 Strengthening civil deterrents for offshore tax evasion** – Following consultation, the government will introduce legislation on enhanced civil penalties for offshore tax evasion. This will amend the existing offshore penalties regime to: · include IHT · apply to domestic offences where the proceeds of non-compliance are hidden offshore · update the territory classification system to reflect the jurisdictions that adopt the new global standard of automatic tax information exchange · include a new aggravated penalty of up to a further 50% for moving hidden funds to circumvent international tax transparency agreements The changes will come into effect from April 2016, except for the aggravated penalty which will come into effect following Royal Assent. (Finance Bill 2015)
Dec-14	Autumn Statement – December 2014	DOTAS regime changes	**2.161 Disclosure of Tax Avoidance Schemes regime changes** – Following consultation the government will legislate to strengthen the DOTAS regime, including through updating existing scheme hallmarks, adding new hallmarks, and removing 'grandfathering' provisions for the future use of schemes that were excluded by those provisions. (Finance Bill 2015)

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Mar-15	Budget – March 2015	Employment intermediaries: travel and subsistence (umbrella companies)	**2.79 Employment Intermediaries: travel and subsistence (umbrella companies)** – The government will consult on detailed proposals to restrict tax relief for travel and subsistence for workers engaged through an employment intermediary, such as an umbrella company or a personal service company, and under the supervision, direction and control of the end user. This follows a discussion paper published shortly after Autumn Statement 2014 on employment intermediaries and travel and subsistence relief. The changes will take effect from 6 April 2016 and will be legislated for in a future Finance Bill.
Mar-15	Budget – March 2015	Capital Gains Tax entrepreneurs' relief: contrived ownership arrangements	**2.96 Capital Gains Tax entrepreneurs' relief: contrived structures** – The government will deny entrepreneurs' relief (ER) on the disposal of shares in a company that is not a trading company in its own right. The government will also prevent individuals from claiming ER on the disposal of personal assets used in a business carried on by a company or a partnership, unless they are disposed of in connection with a disposal of at least a 5% shareholding in the company, or a 5% share in the partnership assets. This affects disposals on or after 18 March 2015. (Finance Bill 2015)
Mar-15	Budget – March 2015	Capital Gains Tax: wasting assets	**2.103 Capital Gains Tax: wasting assets** – The government will clarify that the CGT exemption for wasting assets only applies if the person selling the asset has used it in their own business. These changes have effect from 1 April 2015 for Corporation Tax on chargeable gains, and 6 April 2015 for CGT.
Mar-15	Budget – March 2015	Anti-illicit tobacco package	**2.149 Anti-illicit tobacco package** – The government will introduce a package of measures to tackle the illicit tobacco trade, including: · establishing a cross-government ministerial group to oversee future evolution of the anti-illicit tobacco strategy · introducing a registration scheme for users and dealers in raw tobacco with a technical consultation on the design and scope of the scheme (Future Finance Bill) · an informal targeted consultation with other departments, law enforcement agencies, legitimate business and health groups on sanctions · HMRC will commission academic research to provide evidence to galvanise action on the international stage
Mar-15	Budget – March 2015	Tobacco anti-forestalling restrictions	**2.150 Tobacco anti-forestalling restrictions** – The government will be introducing measures to tighten tobacco anti-forestalling rules and apply penalties for non-compliance, in order to prevent tax avoidance. The measures will apply to forestalling behaviour ahead of Budget 2016 and beyond. (Finance Bill 2015)
Mar-15	Budget – March 2015	Implementation of the Common Reporting Standard	**2.196 Laying of regulations to implement the Automatic Exchange of Information Agreements** – The government will lay the regulations to implement the UK's Automatic Exchange of Information Agreements and adopt the updated EU Directive on Administrative Co-operation shortly after Budget 2015.
Mar-15	Budget – March 2015	Worldwide disclosure facility	**2.197 Common Reporting Standard: new disclosure facility** – In advance of the receipt of data under the Common Reporting Standard in 2017, the government will offer a new time limited disclosure facility from 2016 to mid-2017 on less generous terms than existing facilities.

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Mar-15	Budget – March 2015	Corporation Tax loss refresh prevention	**2.210 Corporation Tax loss refresh prevention** – The government will introduce anti-avoidance legislation, effective from 18 March 2015, to prevent companies from obtaining a tax advantage by entering contrived arrangements to turn historic tax losses of restricted use into more versatile in-year deductions. (Finance Bill 2015)
Mar-15	Budget – March 2015	Capital Allowances: connected parties, or sale and leaseback transactions	**2.211 Capital Allowances** – As announced on 26 February 2015, the government will introduce legislation, with effect from 26 February 2015, to clarify the effect of capital allowances anti-avoidance rules where there are transactions between connected parties or sale and leaseback transactions. (Finance Bill 2015)
Jul-15	Summer Budget – July 2015	Carried interest	**1.177 The government will stop investment fund managers from using tax loopholes to avoid paying the correct amount of capital gains tax (CGT) on the profits of the fund payable to them (known as carried interest).** This measure will have immediate effect by requiring taxpayers who receive carried interest to pay the full 28% CGT charge on their award. Asset managers will no longer be able to use tax planning to reduce the value of the gain. The government continues to support the asset management industry in the UK, and considers that carried interest should be subject to CGT, as it reflects the underlying long term performance of a fund's investments.
Jul-15	Summer Budget – July 2015	VAT on services used and enjoyed in the UK	**2.136 VAT on services used and enjoyed in the UK** – The government will apply VAT 'use and enjoyment' provisions so that from next year, it will be clear that all UK repairs made under UK insurance contracts will be subject to VAT in the UK. In addition, the government will consider a wider review of off-shore based avoidance in VAT exempt sectors, with a view to introducing additional use and enjoyment measures for services such as advertising in the following year.
Jul-15	Summer Budget – July 2015	Hidden economy: extending HMRC data powers	**2.172 Tackling the hidden economy** – The government will extend HMRC's powers to acquire data from online intermediaries and electronic payment providers to find those operating in the hidden economy. We will legislate at Finance Bill 2016 to achieve this, following a consultation on the detail. We will invest in new HMRC investigators from 2016 to exploit this data. The government will also create a digital disclosure channel which makes it simple for taxpayers to disclose unpaid tax liabilities. (Finance Bill 2016)
Jul-15	Summer Budget – July 2015	Promoters of Tax Avoidance Schemes (POTAS) thresholds	**Summer Budget – July 2015:** **2.174 Serial avoiders** – The government will publish a consultation, ahead of introducing legislation in Finance Bill 2016, for serial avoiders who persistently enter into tax avoidance schemes which are defeated. These include a special reporting requirement and a surcharge on those whose latest tax return is inaccurate as a result of a further defeated avoidance scheme, restricting access to reliefs for the minority who have a record of trying to abuse them, and developing further measures to name serial avoiders. The scope of the Promoters of Tax Avoidance Schemes regime would be widened by bringing in promoters whose schemes are regularly defeated. (Finance Bill 2016) **Autumn Statement – November 2015:** **3.83 Serial Avoiders** – The government will introduce tough new measures for those who persistently enter into tax avoidance schemes that are defeated by HMRC. These include a special reporting requirement and a surcharge on

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			those whose latest return is inaccurate due to use of a defeated scheme, the names of such avoiders being published and, for those who persistently abuse reliefs, restrictions on them accessing certain tax reliefs for a period. The government is also widening the Promoters of Tax Avoidance Schemes (POTAS) regime, by bringing in promoters whose schemes are regularly defeated by HMRC. (Finance Bill 2016)
Jul-15	Summer Budget – July 2015	New requirement that large businesses publish their tax strategies and special measures powers to tackle a minority of large businesses that persistently engage in aggressive tax planning	**Summer Budget – July 2015:** **2.176 Large business tax compliance** – The government will invest additional resources in large business compliance work to further extend our efforts to tackle evasion, avoidance and aggressive tax planning by large businesses. The government will also consult on new measures to increase compliance and tax transparency in relation to large business tax strategies. These will include the introduction of a 'special measures' regime to tackle businesses that persistently adopt highly aggressive behaviours including around tax planning, and a voluntary Code of Practice defining the standards HMRC expects large businesses to meet in their relationship with HMRC. **Budget – March 2016:** **2.93 Large Business: Requirement to publish tax strategies** – At Summer Budget 2015, the government announced new measures to improve large business tax compliance, with a consultation over the summer to refine the detail of the measures. Following consultation, the government will introduce new measures to improve large business tax compliance, including a new requirement that large businesses publish their tax strategies and special measures powers to tackle a minority of large businesses that persistently engage in aggressive tax planning. (Finance Bill 2016)
Jul-15	Summer Budget – July 2015	Controlled Foreign Companies – loss relief restriction	**2.177 Controlled Foreign Companies (CFC) loss relief restriction** – The government will remove the ability for companies to use UK losses and reliefs against a CFC charge from 8 July 2015. This will improve the effectiveness of the CFC regime in both deterring the diversion of profits and in taxing any profits that are diverted. (Summer Finance Bill 2015)
Jul-15	Summer Budget – July 2015	Corporation Tax - intergroup transfers	**2.178 Disposal of stock other than in trade** – The government will amend legislation relating to trading stock and intangible assets, to ensure that disposals made other than in the normal course of business are brought into account for tax purposes at full open market value. This amendment will stop corporate groups from using a transfer pricing override to manipulate the value of assets in intergroup transfers. (Summer Finance Bill 2015)
Jul-15	Summer Budget – July 2015	Taxation of carried interest	**2.179 Taxation of carried interest: Base cost shifting and cherry picking** – The government will introduce legislation, effective from 8 July 2015, to ensure that sums which arise to investment fund managers by way of carried interest will be charged to the full rate of capital gains tax, with only limited deductions being permitted. The government will also launch a consultation to better understand the activities of collective investment schemes, to determine under what circumstances performance returns should be taxed as a capital gain. It is not anticipated this will alter the tax treatment of carried interest. (Summer Finance Bill 2015)

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Nov-15	Spending Review and Autumn Statement – November 2015	Stamp Duty and Stamp Duty Reserve Tax - Deep in the money options	**3.59 Stamp Duty and Stamp Duty Reserve Tax Deep In The Money Options (DITMOs)** – Shares transferred to a clearance service or depositary receipt issuer as a result of the exercise of an option will now be charged the 1.5% higher rate of stamp duty based on either their market value or the option strike price, whichever is higher. This will prevent avoidance using DITMOs, which are options with a strike price significantly below (for call options) or above (for put options) market value. Share transfers made other than to a clearance service or depositary receipt system as a result of exercising an option will be unaffected. The change will apply to options which are entered into on or after 25 November 2015 and exercised on or after Budget 2016. (Finance Bill 2016)
Nov-15	Spending Review and Autumn Statement – November 2015	A new criminal offence for tax evasion	**3.77 A new criminal offence for tax evasion** – The government will introduce a new criminal offence that removes the need to prove intent for the most serious cases of failing to declare offshore income and gains. (Finance Bill 2016)
Nov-15	Spending Review and Autumn Statement – November 2015	New civil penalties for offshore tax evaders	**3.78 New civil penalties for offshore tax evaders** – The government will increase civil penalties for deliberate offshore tax evasion, including the introduction of a new penalty linked to the value of the asset on which tax was evaded and increased public naming of tax evaders. (Finance Bill 2016)
Nov-15	Spending Review and Autumn Statement – November 2015	New civil penalties for the enablers of offshore tax evasion	**3.79 New civil penalties for those who enable offshore evasion** – The government will introduce civil penalties for those who enable offshore tax evasion, including public naming of those who have enabled the evasion. (Finance Bill 2016)
Nov-15	Spending Review and Autumn	A new criminal offence for corporates failing to	**3.80 A new criminal offence for corporates failing to prevent tax evasion** – The government will introduce a new criminal offence for corporates which fail to prevent their agents from criminally facilitating tax evasion by an individual or entity.

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	Statement – November 2015	prevent tax evasion	
Nov-15	Spending Review and Autumn Statement – November 2015	Offshore evasion: Requirement to correct past offshore tax non-compliance	Spending Review and Autumn Statement – November 2015: 3.81 An additional requirement to correct past offshore tax non-compliance – The government will consult on an additional requirement for individuals to correct any past offshore non-compliance with new penalties for failure to do so. Autumn Statement – November 2016: 4.53 Requirement to correct – The government will introduce a new legal requirement to correct a past failure to pay UK tax on offshore interests within a defined period of time, with new sanctions for those who fail to do so.
Nov-15	Spending Review and Autumn Statement – November 2015	GAAR penalties	3.84 General Anti-Abuse Rule (GAAR) – The government will introduce a new penalty of 60% of tax due to be charged in all cases successfully tackled by the GAAR. The government will also make small changes to the way the GAAR works to improve its ability to tackle marketed avoidance schemes. (Finance Bill 2016)
Nov-15	Spending Review and Autumn Statement – November 2015	Company distributions	3.85 Company distributions – The government will publish a consultation on the rules concerning company distributions later in the year. The government will also amend the Transactions in Securities rules and introduce a Targeted Anti-Avoidance Rule in order to prevent opportunities for income to be converted to capital in order to gain a tax advantage. (Finance Bill 2016)
Nov-15	Spending Review and Autumn Statement – November 2015	Capital allowances and leasing - reducing avoidance	3.86 Capital allowances and leasing – With effect from 25 November 2015, the government will amend legislation to counter 2 types of avoidance involving capital allowances and leasing. These changes will prevent companies from artificially lowering the disposal value of plant and machinery for capital allowances purposes, and make any payment received for agreeing to take responsibility for tax deductible lease related payments subject to tax as income. (Finance Bill 2016)

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Nov-15	Spending Review and Autumn Statement – November 2015	Corporation tax - intangible assets to related parties	**Spending review and Autumn Statement – November 2015** **3.89 Related Party Rules: partnerships and transfers of intangible assets** – The government will amend the intangible fixed asset rules to clarify the tax treatment on transfers of assets to partnerships. This change has immediate effect. It will ensure that partnerships cannot be used in arrangements that seek to obtain a tax relief for their corporate members in a way that is contrary to the intention of the regime. The government will also consider a review of the intangible assets regime as part of the Business Tax Roadmap. (Finance Bill 2016) **Budget – March 2016** **2.118 Related party rules** – partnerships and transfers of intangible assets – The government will amend the intangible fixed asset rules to clarify the tax treatment on transfers of assets to partnerships. It will ensure that partnerships cannot be used in arrangements that seek to obtain a tax relief for their corporate members in a way that is contrary to the intention of the regime. (Finance Bill 2016)
Mar-16	Budget – March 2016	Disguised remuneration: avoidance	**2.49 Disguised remuneration schemes** – The government will introduce a package of measures to tackle the current and historic use of disguised remuneration schemes, which are used to avoid income tax and NICs. Legislation will be included in Finance Bill 2016 which will prevent a relief in the existing legislation from applying where it is used as part of a tax avoidance scheme from Budget day (16 March 2016). The government will hold a technical consultation on further changes to the legislation which will be included in a future Finance Bill. This will include a new charge on loans paid through disguised remuneration schemes which have not been taxed and are still outstanding on 5 April 2019. HMRC have published a technical note explaining these changes alongside Budget. (Finance Bill 2016 and Finance Bill 2017)
Mar-16	Budget – March 2016	Offshore property developers	**2.94 Offshore property developers** – This measure ensures that profits from trading in UK land are always subject to UK tax by introducing specific rules to tax the full amount of such profits whether or not the person to whom they arise is UK resident. Legislation for this measure will be introduced at a later stage of Finance Bill 2016, following a brief consultation. (Finance Bill 2016)
Mar-16	Budget – March 2016	Withholding Tax on royalties	**2.96 Royalty withholding tax** – The government will change the deduction of tax at source regime to bring all international royalty payments arising in the UK within the charge to income tax, unless those taxing rights have been given up under a double taxation agreement or the EU Interest and Royalties Directive. This brings the UK more into line with international practice. The reform has three parts: · UK withholding tax will apply to a wider definition of royalty payments · the UK will create a domestic anti-treaty abuse provision which will prevent, for instance, royalty payments being paid to tax havens without deduction of tax via the use of conduit companies · the UK will ensure that withholding tax will apply to payments that are attributable to a UK permanent establishment, even if the payment of the royalty is not made from the UK (Finance Bill 2016)

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Mar-16	Budget – March 2016	BEPS - interest restriction - structural rule	**2.97 Tax deductibility of corporate interest expenses** – Following initial consultation, the government will introduce rules for addressing base erosion and profit shifting through interest expenses from 1 April 2017 in line with the OECD recommendations. The new rules will limit the tax relief that large multinational enterprises can claim for their interest expenses. More information is included in the government's Business Tax Roadmap published at Budget. (Finance Bill 2017)
Mar-16	Budget – March 2016	Trading income received in non-monetary form	**2.106 Trading income received in non-monetary form** – The government will introduce legislation to ensure that trading receipts in non-monetary form are brought into account for tax purposes at their full value. (Finance Bill 2016)
Mar-16	Budget – March 2016	Penalty for transactions connected with VAT fraud etc	**2.145 VAT: consultation on penalty for participating in VAT fraud** – The government will consult on a new penalty for participating in VAT fraud in spring 2016. Subject to the consultation, the intention is to legislate in Finance Bill 2017.
Mar-16	Budget – March 2016	Tackling Online Fraud in Goods (VAT) - VAT Reps and e-Platform Liability	**2.146 VAT: tackling online fraud in goods – VAT representatives and online marketplace liability** – The government will legislate to provide HMRC with strengthened powers for directing the appointment of a VAT representative and greater flexibility in respect of seeking a security, and enable HMRC to hold an online marketplace jointly and severally liable for the unpaid VAT of an overseas business that sells goods in the UK via the online marketplace's website. (Finance Bill 2016)
Mar-16	Budget – March 2016	Tackling Online Fraud in Goods (VAT) - Fulfilment Houses Registration Scheme	**2.147 VAT: Fulfilment House Due Diligence Scheme** – The government has published a consultation on the 'fit and proper' standards that fulfilment houses will need to meet in order to operate. Fulfilment houses will have an obligation to register and maintain accurate records once online registration opens in 2018. They will also have to provide evidence of the due diligence they have undertaken to ensure overseas clients are following VAT rules. The consultation will be used to minimise as far as possible any costs for legitimate businesses.
Mar-16	Budget – March 2016	VAT: reverse charge on 'airtime' services	**2.150 VAT: reverse charge on 'airtime' services** – With effect from 1 February 2016, the government introduced an anti-fraud measure to prevent Missing Trader Intra-Community fraud on wholesale supplies of electronic communications services. This was done by Treasury Order which was laid before the House on 11 January 2016.

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Mar-16	Budget – March 2016	Disclosure of tax avoidance schemes: VAT and other indirect taxes (DASVOIT)	**Budget – March 2016:** **2.204 Tackling marketed tax avoidance** – The government will: · consult during the summer on updating the VAT Disclosure of Schemes Regime (VADR), including by extending coverage to other indirect taxes and by alignment with the Disclosure of Tax Avoidance Schemes regime **Autumn Statement – November 2016: Tax updates and technical changes:** **6.1 Updating the VAT Avoidance Disclosure Regime** As announced at Budget 2016 and following consultation, legislation will be introduced in Finance Bill 2017 to strengthen the regime for disclosure of avoidance of indirect tax. Provision will be made to make scheme promoters primarily responsible for disclosing schemes to HMRC and the scope of the regime will be extended to include all indirect taxes. This will have effect from 1 September 2017.
Nov-16	Autumn Statement – November 2016	Disguised remuneration	**4.46 Disguised remuneration schemes** – Budget 2016 announced changes to tackle use of disguised remuneration schemes by employers and employees. The government will now extend the scope of these changes to tackle the use of disguised remuneration avoidance schemes by the self-employed. This will ensure that self-employed users of these schemes pay their fair share of tax and National Insurance.
Nov-16	Autumn Statement – November 2016	Disguised remuneration	**4.47 Disguised remuneration schemes** Further, the government will take steps to make it less attractive for employers to use disguised remuneration avoidance schemes, by denying tax relief for an employer's contributions to disguised remuneration schemes unless tax and National Insurance are paid within a specified period.
Nov-16	Autumn Statement – November 2016	New penalty for enablers of tax avoidance	**4.48 Strengthening tax avoidance sanctions and deterrents** – As signalled at Budget 2016, to provide a strong deterrent to those enabling tax avoidance, **the government will introduce a new penalty for any person who has enabled another person or business to use a tax avoidance arrangement that is later defeated by HMRC.** This new regime will reflect an extensive consultation and input from stakeholders and details will be published in draft legislation shortly. The government will also remove the defence of having relied on non-independent advice as taking 'reasonable care' when considering penalties for any person or business that uses such arrangements.
Nov-16	Autumn Statement – November 2016	Penalties for "reasonable care"	**4.48 Strengthening tax avoidance sanctions and deterrents** – As signalled at Budget 2016, to provide a strong deterrent to those enabling tax avoidance, the government will introduce a new penalty for any person who has enabled another person or business to use a tax avoidance arrangement that is later defeated by HMRC. This new regime will reflect an extensive consultation and input from stakeholders and details will be published in draft legislation shortly. **The government will also remove the defence of having relied on non-independent advice as taking 'reasonable care' when considering penalties for any person or business that uses such arrangements.**
Nov-16	Autumn Statement –	VAT relief on substantially and	**4.50 Tackling exploitation of the VAT relief on adapted cars for wheelchair users** – The government will clarify the application of the VAT zero-rating for adapted motor vehicles to stop the abuse of this legislation, while continuing to provide help for disabled wheelchair users.

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
	November 2016	permanently adapted motor vehicles	
Nov-16	Autumn Statement – November 2016	VAT Flat Rate Scheme	**4.51 VAT Flat Rate Scheme** – The government will introduce a new 16.5% rate from 1 April 2017 for businesses with limited costs, such as many labour-only businesses. This will help level the playing field, while maintaining the accounting simplification for the small businesses that use the scheme as intended. Guidance which has the force of law, published today, will introduce anti-forestalling provisions.
Nov-16	Autumn Statement – November 2016	HMRC's data-gathering powers	**4.55 Hidden economy and money service businesses** – The government will legislate to extend HMRC's data-gathering powers to money service businesses in order to identify those operating in the hidden economy.
Mar-17	Spring Budget – March 2017	Elections in relation to assets appropriated to trading stock	**3.45 Tax treatment of appropriations to trading stock** – The government will remove the ability for businesses to convert capital losses into trading losses from 8 March 2017. This will eliminate an unfairness in the tax code which is being exploited by certain businesses.
Mar-17	Spring Budget – March 2017	Qualified Recognised Overseas Pension Schemes (QROPS)	**3.46 Qualifying recognised overseas pension schemes (QROPS): introduction of transfer charge** – The government will introduce a 25% charge on transfers to QROPS. This charge is targeted at those seeking to reduce the tax payable by moving their pension wealth to another jurisdiction. Exceptions will apply to the charge allowing transfers to be made tax-free where people have a genuine need to transfer their pension, including when the individual and the pension are both located within the European Economic Area.
Mar-17	Spring Budget – March 2017	VAT: Use and enjoyment provisions for business to consumer mobile phone services	**3.47 VAT: Use and enjoyment provisions for business to consumer mobile phone services** – The government will remove the VAT use and enjoyment provisions for business to consumer mobile phone services to individuals. This will resolve the inconsistency where UK VAT is applied to mobile phone use by UK residents when in the EU, but not when outside the EU. It will also ensure mobile phone companies cannot use the inconsistency to avoid UK VAT. This will bring UK VAT rules into line with the internationally agreed approach.

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Nov-17	Autumn Budget – November 2017	Withholding tax: royalties	**Autumn Budget – November 2017:** **3.34 Withholding tax: royalties** – With effect from April 2019, withholding tax obligations will be extended to royalty payments, and payments for certain other rights, made to some low or no tax jurisdictions in connection with sales to UK customers. The rules will apply regardless of where the payer is located. **Budget – October 2018:** **3.32 Offshore receipts in respect of intangible property (previously Royalties Withholding Tax)** – As announced at Autumn Budget 2017, the government is introducing legislation 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. This measure will come into effect from April 2019. Following consultation, the government is making changes to ensure that the measure is effective, appropriately targeted and robust against 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 • anti-avoidance provisions will apply from 29 October 2018 to counteract arrangements entered into with a main purpose of avoiding a charge under this measure
Nov-17	Autumn Budget – November 2017	Tackling waste crime	**3.51 Tackling waste crime** – From the 1 April 2018, operators of illegal waste sites will become liable for Landfill Tax, and those who continue to flout the rules will face tough civil and criminal sanctions. This follows a positive response to the consultation announced at Spring Budget 2017.
Nov-17	Autumn Budget – November 2017	Requirement to notify HMRC of offshore structures	**3.66 Requirement to notify HMRC of offshore structures** – The government will publish a consultation response on the proposed requirement for designers of certain offshore structures, that could be misused to evade taxes, to notify HMRC of these structures and the clients using them. This work will be taken forward in conjunction with the OECD and EU.
Nov-17	Autumn Budget – November 2017	Extending offshore time limits	**3.67 Extending offshore time limits** – Assessment time limits for non-deliberate offshore tax non-compliance will be extended so that HMRC can always assess at least 12 years of back taxes without needing to establish deliberate non-compliance, following a consultation in spring 2018.

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Nov-17	Autumn Budget – November 2017	VAT fraud in labour provision in the construction sector	**Autumn Budget – November 2017:** **3.68 VAT fraud in labour provision in the construction sector** – Following a consultation into options for tackling fraud in construction labour supply chains, the government will introduce a VAT domestic reverse charge to prevent VAT losses. This will shift responsibility for paying VAT along the supply chain to remove the opportunity for it to be stolen. Changes will have effect on and after 1 October 2019. The long lead-time reflects responses to the consultation and the government's commitment to give businesses adequate time to prepare for the change. **Budget – October 2018:** **3.72 VAT fraud in labour provision in the construction sector** – As announced at Autumn Budget 2017, and following consultation, the government will introduce a VAT domestic reverse charge to prevent VAT losses through so-called 'Missing Trader' fraud. This occurs when traders collect VAT on their sales but go missing before passing that VAT on to HMRC. This will shift responsibility for paying VAT along the supply chain to remove the opportunity for it to be stolen by those traders. The new rules will have effect on and after 1 October 2019 and the government is publishing secondary legislation alongside the Budget to implement this change.
Nov-17	Autumn Budget – November 2017	Hidden economy – conditionality	**3.69 Hidden economy – conditionality** – The government will consult further on how to make the provision of some public sector licences conditional on being properly registered for tax. This would make it more difficult to trade in the hidden economy, helping to level the playing field for compliant businesses.
Nov-17	Autumn Budget – November 2017	Profit fragmentation	**3.72 Profit fragmentation** – The government will consult in 2018 on the best way to prevent UK traders or professionals from avoiding UK tax by fragmenting their UK income between unrelated entities.
Nov-17	Autumn Budget – November 2017	Intangible fixed assets: related party step-up schemes	**3.73 Intangible fixed assets: related party step-up schemes** – The Intangible Fixed Asset rules will be updated with immediate effect, so that a licence between a company and a related party in respect of intellectual property is subject to the market value rule, and to ensure that the tax value of any disposal of a company's intangible assets is correct, even if the consideration is in something other than cash.
Nov-17	Autumn Budget – November 2017	Depreciatory Transactions	**3.74 Depreciatory Transactions** – The government will remove the 6-year time limit within which companies must adjust for transactions that have reduced the value of shares being disposed of in a group company. This will ensure that any losses claimed are in line with the actual economic loss to the group. This change will take effect for disposals of shares or securities in a company made on or after 22 November 2017.
Nov-17	Autumn Budget – November 2017	Double Taxation Relief	**3.76 Double Taxation Relief** – From 22 November 2017 a restriction will be introduced to the relief for foreign tax incurred by an overseas branch of a company, where the company has already received relief overseas for the losses of the branch against profits other than those of the branch. This ensures the company does not get tax relief twice for the same loss. The Double Taxation Relief targeted anti-avoidance rule will also be amended to remove the requirement for HMRC to issue a counteraction notice, and extend the scope to ensure it is effective.

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Nov-17	Autumn Budget – November 2017	Online VAT fraud: extending powers to UK businesses	**3.78 Online VAT fraud: extending powers to UK businesses** – The government will legislate in Finance Bill 2017-18 to extend HMRC's powers to hold online marketplaces jointly and severally liable (JSL) for the unpaid VAT of overseas traders on their platforms to include all (including UK) traders. This extension will help tackle the UK hidden economy and eliminate the risk of overseas traders establishing a UK shell company simply to escape the existing JSL regime. This will come into force on Royal Assent in the spring.
Nov-17	Autumn Budget – November 2017	Online VAT fraud: extending powers on overseas businesses	**3.79 Online VAT fraud: extending powers on overseas businesses** – The government will legislate in Finance Bill 2017-18 to extend HMRC's powers to hold online marketplaces JSL for any VAT that a non-UK business selling goods on their platforms fails to account for, where the business was not registered for VAT in the UK and that online marketplace knew or should have known that the business should be registered for VAT in the UK. This will come into force on Royal Assent in the spring
Nov-17	Autumn Budget – November 2017	Online VAT fraud: VAT number display	**3.80 Online VAT fraud: VAT number display** – The government will legislate in Finance Bill 2017-18 to require online marketplaces to ensure that VAT numbers displayed for businesses operating on their website are valid. They will also be required to display a valid VAT number when they are provided with one by a business operating on their platform. This will come into force on Royal Assent in the spring.
Nov-17	Autumn Budget – November 2017	Online VAT fraud: split payments	**3.81 Online VAT fraud: split payments** – To reduce online VAT fraud and improve how VAT is collected, the government is looking at a split payment model. Following the call for evidence launched at Spring Budget 2017, the government will publish a response in December.
Nov-17	Autumn Budget – November 2017	Encouraging compliance by users of digital platforms	Autumn Budget – November 2017: **3.82 Encouraging compliance by users of digital platforms** – The government expects digital platforms to play a wider role in ensuring their users are compliant with the tax rules. The government will publish a call for evidence in spring 2018 to explore what more digital platforms can do to prevent non-compliance among their users. Spring Statement 2018 – Chancellor's speech: We also publish a call for evidence on how online platforms can help their users to pay the right amount of tax. Budget – October 2018 – Overview of Tax Legislation and Rates (OOTLAR): 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.
Nov-17	Autumn Budget – November 2017	Faster recovery of Self-Assessment Debt	**3.86 Faster recovery of Self-Assessment Debt** – HMRC will use new technology to recover additional Self-Assessment debts in closer to real-time by adjusting the tax codes of individuals with Pay As You Earn (PAYE) income. These changes will take effect from 6 April 2019.

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Nov-17	Autumn Budget – November 2017	Securing debt in insolvency: extension of security deposit legislation	**3.87 Securing debt in insolvency: extension of security deposit legislation** – The government will expand existing security deposit legislation to corporation tax and Construction Industry Scheme deductions. These changes will be legislated for in Finance Bill 2018-19 and take effect from 6 April 2019. The government will consult on the most effective means of introducing this change.
Mar-18	Spring Statement - March 2018	Alternative methods of VAT collection - split payment	**Spring Statement – March 2018 – consultations (WMS):** **Alternative methods of VAT collection - split payment** – a consultation on a proposed split payment model to reduce online VAT fraud and improve how VAT is collected. **Budget 2018:** **3.74 Alternative method of VAT collection: 'split payment'** – To reduce online VAT fraud by third country sellers and improve how VAT is collected on cross-border e-commerce, the government is looking at a split payment model. Following the consultation launched at Spring Statement 2018, the government is publishing a response at the Budget. An Industry Working Group will also be established to address some of the main challenges associated with this policy through close cooperation with stakeholders.
Mar-18	Spring Statement - March 2018	Cash and digital payments	**Chancellor's speech:** And we will call for evidence, too, on how to encourage cashless and digital payments, while ensuring cash remains available to those who need it.
Oct-18	Budget - October 2018	Capital gains tax: tackling misuse of Entrepreneurs' Relief	**3.77 Capital gains tax: tackling misuse of Entrepreneurs' Relief** – In addition to the current requirements on share capital and voting rights, from 29 October 2018 shareholders must also be entitled either to at least 5% of the distributable profits and net assets of a company or to at least 5% of the proceeds if the company was sold to claim the relief. This is to address an identified abuse of the current rules.
Oct-18	Budget - October 2018	Profit fragmentation	**3.78 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.
Oct-18	Budget - October 2018	Reforming Stamp taxes on shares consideration rules	**3.79 Reforming Stamp taxes on shares consideration rules** – The government will consult on aligning the consideration rules of Stamp Duty and Stamp Duty Reserve Tax and introducing a general market value rule for transfers between connected persons. Reforming consideration rules will simplify Stamp taxes on shares and prevent contrived arrangements being used to avoid tax. From 29 October 2018, a targeted market value rule will be introduced for listed shares transferred to connected companies to prevent forestalling.

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Oct-18	Budget - October 2018	Preventing abuse of R&D tax relief for small and medium-sized enterprises (SMEs)	**3.80 Preventing abuse of R&D tax relief for small and medium-sized enterprises (SMEs)** – To help prevent abuse of the payable credit, from 1 April 2020, the amount of payable R&D tax credit that a qualifying loss-making company can receive in any tax year will be restricted to three times the company's total PAYE and NICs liability for that year. This will ensure the relief is robust against identified abuse, including fraud, following the prevention by HMRC of fraudulent claims worth £300 million. The government will consult on this change.
Oct-18	Budget - October 2018	VAT grouping	**3.81 VAT grouping** – The government will legislate in Finance Bill 2018-19 to extend the eligibility to join a VAT group to certain non-corporate entities. In addition, revised VAT grouping guidance will be issued to: • amend the definition of 'bought in services' to ensure that such services are subject to UK VAT • provide clarity to businesses on HMRC's protection of revenue powers and treatment of UK fixed establishments These guidance changes will be published in draft and come into effect from 1 April 2019.
Oct-18	Budget - October 2018	3.83 VAT Specified Supplies Order	**3.83 VAT Specified Supplies Order** – As announced in July 2018, the government will legislate to prevent a version of VAT avoidance (known as 'looping') that involves UK insurers setting up associates in non-VAT territories and using these associates to supply their UK customers. This allows them to reclaim VAT on costs that UK based competitors are unable to reclaim.
Oct-18	Budget - October 2018	Unfulfilled supplies	**3.84 Unfulfilled supplies** – 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 been charged VAT but have failed to collect what they have paid for and have not received a refund.
Oct-18	Budget - October 2018	Regulation 38	**3.85 Regulation 38** – The government will introduce stricter rules for how and when adjustments to VAT should be made following a reduction in price. Secondary legislation will tighten definitions for Regulation 38 and ensure a credit note is issued to customers. This will guarantee businesses are transparent and do not benefit from VAT that is due to the consumer or the Exchequer.
Oct-18	Budget - October 2018	Electronic sales suppression (ESS)	**3.86 Electronic sales suppression (ESS)** – The government will publish a call for evidence later in the year on ESS. ESS refers to the misuse of electronic point of sale functions (i.e. till systems), which is undertaken by a minority of businesses in order to hide or reduce the value of individual transactions and the corresponding tax liabilities.
Oct-18	Budget - October 2018	Protecting your taxes in insolvency	**3.87 Protecting your taxes in insolvency** – From 6 April 2020, 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, will 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 NICs, and Construction Industry Scheme deductions). The rules will remain unchanged for taxes owed by businesses themselves, such as Corporation Tax and employer NICs.

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Oct-18	Budget - October 2018	Tax abuse and insolvency	**3.88 Tax abuse and insolvency** – Following Royal Assent of Finance Bill 2019-20, directors and other persons involved in tax avoidance, evasion or phoenixism will be jointly and severally liable for company tax liabilities, where there is a risk that the company may deliberately enter insolvency.
Oct-18	Budget - October 2018	Conditionality: hidden economy	**3.89 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.
Oct-18	Budget - October 2018	International tax enforcement: disclosable arrangements	**3.90 International tax enforcement: disclosable arrangements** – The government is enacting new legislation to allow the introduction of international disclosure rules about offshore structures that could avoid tax, or could be misused to evade tax.
Oct-18	Budget - October 2018	Offshore tax compliance strategy	**3.91 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.
Oct-18	Budget - October 2018	Voluntary Tax Returns	**Overview of Tax Legislation and Rates (OOTLAR)** **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.
Oct-18	Budget - October 2018	Amending HMRC's Civil Information Powers	**Overview of Tax Legislation and Rates (OOTLAR)** **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.
Oct-18	Budget - October 2018	Amendments to the General Anti-Abuse Rule (GAAR) Legislation	**Overview of Tax Legislation and Rates (OOTLAR)** **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.

Date	Fiscal event	Measure title	Chapter text / Overview of Tax Legislation and Rates (OOTLAR) text
Oct-18	Budget - October 2018	Interest provisions legislative amendment	Overview of Tax Legislation and Rates (OOTLAR) **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.
Oct-18	Budget - October 2018	Inheritance tax - trusts settlement definition	Overview of Tax Legislation and Rates (OOTLAR) **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.
Oct-18	Budget - October 2018	Inheritance Tax: changes to residence nil rate band	Overview of Tax Legislation and Rates (OOTLAR) **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.

Annex B

Reports fulfilling the obligations of the Chancellor of the Exchequer under sections 93 and 92 of Finance Act 2019

Review of the impact of anti-avoidance measures – Finance Act Section 93

Introduction

Section 93 of Finance Act 2019 states as follows:

(1) The Chancellor of the Exchequer must review the effectiveness of the provisions of this Act relating to tax avoidance and lay a report of that review before the House of Commons within six months of the passing of this Act.

(2) In this section, “the provisions of this Act relating to tax avoidance” means—

(a) section 15 and schedule 3

(b) section 16 and schedule 4

(c) sections 19 and 20

(d) section 22 and schedule 7

(e) section 23 and schedule 8

(f) sections 47 and 48

(g) section 84

(3) A review under this section must consider in particular—

(a) the effects of those provisions in reducing tax avoidance and evasion

(b) the effect of those provisions in inducing new tax avoidance measures unanticipated by the Act, and

(c) estimates of the efficacy of the provisions in reducing the tax gap in each tax year from 2018-19 to 2028-29

This report fulfils the obligations of the Chancellor of the Exchequer under the above section.

Summary of provisions discussed in this report

Section 15 and schedule 3 target large multinationals that hold intangible property, such as brands, in low-tax jurisdictions to artificially lower their tax bill and gain an unfair competitive advantage. The measure will counteract such tax-driven structures by applying UK income tax on intangible property income that is generated by UK sales, but realised in a low-tax jurisdiction. The measure comes into effect on 6 April 2019.

Section 16 and schedule 4 aim 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. 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 that date.

Section 19 introduces two changes to the Hybrid and other Mismatch rules, which ensure that the UK rules are fully compliant with the EU Anti-Tax Avoidance Directive (ATAD). The first change expands the scope of the rules to deal with mismatches involving "disregarded" permanent establishments. The second change provides a regulatory power to amend the definition of exempt "financial instruments". The UK already has comprehensive Hybrid Mismatch rules, and it is not expected that these two technical changes will have a significant impact on the overall effectiveness of those rules. The measure comes into effect on 1 January 2020.

Section 20 introduces two changes to Controlled Foreign Company rules, which ensure that the UK rules are fully compliant with the EU Anti-Tax Avoidance Directive (ATAD). The first change restricts access to the full and partial exemption rules for finance companies, to the extent that the relevant profits are generated by UK activity. The second change expands the control rules to take into account the interests held by all related parties, rather than just UK residents. The UK already has comprehensive Controlled Foreign Company rules, and it is not expected that these two technical changes will have a significant impact on the overall effectiveness of those rules. The measure came into effect on 1 January 2019.

Section 22 and schedule 7 change the rules governing when capital gains tax payments must be made to HMRC when a trust ceases to be resident in the UK or assets cease to be used in a trade carried on through a branch or agency in the UK. In both cases, the measure allows that in certain circumstances payment can be deferred. The measure comes into effect on 6 April 2019.

Section 23 and schedule 8 make changes to corporation tax exit charges, including the rules for deferred payment of exit charges on a transfer of assets or tax residence between the UK and an EEA state by companies resident in the UK or an EEA state. The changes adapt existing UK rules to implement Article 5 of the EU Anti-Tax Avoidance Directive. The measure comes into effect on 1 January 2020.

Sections 47 and 48, which came into effect on 31 October 2018, introduce a new targeted Stamp Taxes on Shares market value rule where listed securities are transferred to a connected company. HMRC is aware of contrived arrangements involving the transfer of listed shares to connected companies to minimise stamp taxes on shares liability on the acquisition of high-value share portfolios. These measures make the tax system fairer by removing this unfair advantage.

Section 84 provides legislation to allow regulations to be made to give effect to international rules on the disclosure of cross border tax arrangements. This measure will enable the government to better tackle tax evasion and avoidance by requiring the disclosure of arrangements that avoid tax or could be misused to evade tax. Section 84 comes into effect on 12 February 2019.

Summary of findings of this review

The government is confident that all recent anti-avoidance measures will be effective in reducing avoidance and evasion and will ultimately contribute towards reducing the tax gap, or prevent it from otherwise increasing. In all cases, the provisions have been introduced because the government believes they improve the functioning of the tax system and/or make the system fairer.

The government routinely assesses the impacts of all tax reforms, including measures to prevent or tackle avoidance and evasion, using available evidence to estimate the number of taxpayers affected and the extent of the impact. Indeed, the government publishes tax information and impact notes (TIINs) for tax policy changes. TIINs provide a clear explanation of the policy objective together with details of the tax impact on the Exchequer, the economy, individuals, businesses, civil society organisations, as well as any equality or other specific area of impact.

In many cases, the ultimate measure of success of anti-avoidance measures will be the extent to which non-compliant behaviour is prevented or reduced, and more of the tax due is collected (raising revenue and reducing the tax gap) or tax potentially at risk is protected (thereby mitigating the risk of the tax gap becoming larger). Where measures have a fiscal impact, this is certified by the independent Office for Budget Responsibility, who review the available evidence and challenge the underlying assumptions to reach a central estimate of the effects of measures and their anticipated revenue or cost.

Many of the provisions in question in Finance Act 2019 have not yet come into effect, and for those that have, the time lag before tax returns for the relevant period are filed means there is as yet no new data available to assess the effectiveness of the provisions. However, the government remains confident that the rationale for introducing the measures is sound and that they will be effective in fulfilling their purpose.

In this report, the government interprets "new tax avoidance measures" to mean new tax avoidance opportunities or loopholes. It is not anticipated that any of the provisions discussed in this report will induce any new tax avoidance opportunities. A number of the provisions discussed in this report are not anti-avoidance measures and are not intended to reduce the tax gap; nevertheless, their effects are outlined.

The tax gap is calculated by working out the difference between the amount of tax that should, in theory, be paid to HMRC and what is actually paid. This means measures that create new tax liabilities are expected to raise revenue, but will not reduce the tax gap. See page 4 of this document for more information on the tax gap and the government's strong record in reducing it. It is currently too early to quantify the efficacy of the provisions in Finance Act 2019 in reducing the tax gap. Measurement of the tax gap is retrospective and looks at what has already occurred, with some time lag due to when data becomes available (e.g. HMRC's "Measuring Tax Gaps 2018 edition" was published on 14 June 2018 and related to the 2016-17 tax year). Further, the tax gap may rise or fall due to a number of exogenous factors unrelated to the actions of the government. For these reasons, no prospective estimate can reasonably be made of the efficacy of the provision in reducing the tax gap. However, where a likely effect on the tax gap can be anticipated, this is detailed below.

Section 15 and schedule 3

The measure comes into effect on 6 April 2019. The first tax year for which returns will be affected by the changes is 2019-20. The deadline for filing tax returns for that year is 31 January 2021. HMRC does not have data to assess how effective the measure has been in reducing tax avoidance and evasion.

It is not anticipated that section 15 and schedule 3 will induce any new tax avoidance opportunities.

Section 15 and schedule 3 are not intended to reduce the tax gap, as the behaviour they are targeting falls out of scope of what is measured in the tax gap.

Section 16 and schedule 4

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 that date. The first tax year for which returns will be affected by the changes is 2019-20. The deadline for filing tax returns for that year is 31 January 2021 for individuals, or 12 months following the end of an accounting period for companies. HMRC does not have data to assess how effective the measure has been in reducing tax avoidance and evasion.

It is not anticipated that section 16 and schedule 4 will induce any new tax avoidance opportunities.

It has not been possible to estimate the efficacy of this provision in reducing the tax gap for the reasons set out in the Summary of Findings of this Review on page 54.

Section 19

The measure comes into effect on 1 January 2020. The first corporate tax returns that will be affected by the change will be those whose accounting period ends after 1 January 2020. The earliest deadline for submitting those returns would be 2 January 2021. HMRC does not have data to assess how effective the measure has been in reducing tax avoidance and evasion.

It is not anticipated that section 19 will induce any new tax avoidance opportunities.

It has not been possible to estimate the efficacy of this provision in reducing the tax gap for the reasons set out in the Summary of Findings of this Review on page 54.

Section 20

The measure came into effect on 1 January 2019. The first corporate tax returns that will be affected by the change will be those whose accounting period ends after 1

January 2019. The earliest deadline for submitting those returns would be 2 January 2020. HMRC does not have data to assess how effective the measure has been in reducing tax avoidance and evasion.

It is not anticipated that section 20 will induce any new tax avoidance opportunities.

It has not been possible to estimate the efficacy of this provision in reducing the tax gap for the reasons set out in the Summary of Findings of this Review on page 54.

Section 22 and schedule 7

The measure comes into effect on 6 April 2019. The first tax year for which returns will be affected by the changes is 2019-20. The deadline for filing tax returns for that year is 31 January 2021 and requests for deferment have until that date to be made. HMRC therefore does not have data to assess the effect of the measure at this time.

It is not anticipated that section 22 and schedule 7 will induce any new tax avoidance opportunities.

Section 22 and schedule 7 are not an anti-avoidance measure and are not intended to reduce the tax gap.

Section 23 and schedule 8

The measure comes into effect on 1 January 2020. HMRC therefore does not have data to assess how effective the measure has been in reducing tax avoidance and evasion.

It is not anticipated that section 23 and schedule 8 will induce any new tax avoidance opportunities.

It has not been possible to estimate the efficacy of this provision in reducing the tax gap for the reasons set out in the Summary of Findings of this Review on page 54.

Section 47 and section 48

These measures came into effect on 29 October 2018. These measures support the Exchequer in its commitment to protect revenue. Whether transactions are affected by the new rules is not straightforward to determine as they are not specifically reported. HMRC therefore does not have data to assess with certainty how effective the measures have been in reducing tax avoidance and evasion. However, before the measure was introduced, HMRC had evidence that a loophole was being exploited. The measure sought to close that loophole and, since it came into effect, HMRC has seen no further evidence of any attempt at the behaviour which it sought to end.

It is not anticipated that section 47 and section 48 will induce any new tax avoidance opportunities.

These measures are primarily focussed on protecting yield rather than reducing the tax gap.

Section 84

The measure comes into effect on 12 February 2019. As section 84 only allows the government to introduce new rules in secondary legislation, this section does not have any direct impact on businesses or individuals. The first reports required under the regulations to be made under this power will be required in 2020. HMRC therefore does not have data to assess how effective the measure has been in reducing tax avoidance and evasion.

Section 84 will not have any direct impact on businesses or individuals. The government will consult widely before introducing regulations under the power granted by this section, to ensure that they will not introduce any new tax avoidance opportunities.

Section 84 has no direct impact on the public and so will not impact on the tax gap. It is not currently possible to assess the impact on the tax gap of the regulations to be introduced under this provision, as the draft regulations have not been published. The government will consult on draft regulations in the first half of 2019.

Review of the impact of anti-avoidance measures – Finance Act Section 92

Introduction

Section 92 of Finance Act 2019 states as follows:

> (1) The Chancellor of the Exchequer must review the impact of —
>
> (a) section 15 and Schedule 3
>
> (b) section 16 and Schedule 4
>
> (c) sections 19 and 20
>
> (d) section 22 and Schedule 7
>
> (e) section 23 and Schedule 8
>
> (f) sections 47 and 48
>
> (g) section 84
>
> of this Act in accordance with this section and lay a report of that review before the House of Commons within six months of the passing of this Act.

This corresponds to the same sections of Finance Act 2019 that are addressed in the previous report responding to section 93.

The review requires an analysis of the impact of these sections under the following aspects:

> (a) child poverty
>
> (b) households at different levels of income
>
> (c) people with protected characteristics (within the meaning of the Equality Act 2010), and
>
> (d) different parts of the United Kingdom and different regions of England

This report fulfils the obligations of the Chancellor of the Exchequer under the above section.

Pages 2-52 of this document set out the government's strong record in tackling tax avoidance, evasion and other forms of non-compliance. As far as possible, HMRC sets out who will be affected by measures tackling avoidance and evasion, and the size of the impact, in its TIINs.

While some of the measures covered in this report are important in tackling avoidance or improving the functioning of the tax system, they tend to solely impact companies or a small number of typically high-income individuals. Their direct impact on broad indicators of living standards and different types of households is thus difficult to determine, and will often be nil by definition, as set out below.

This review does not make assumptions on how any additional revenue to the Exchequer raised or protected by these measures would be used. In general, the distribution of taxation and government spending in the UK remains highly redistributive. In 2019-20, the lowest income households will receive over £4 in public spending for every £1 they pay in tax on average. While the highest income households will contribute over £5 in tax for every £1 they receive in public spending on average. Those sharing protected characteristics concentrated in lower income households are thus likely to benefit disproportionately from public spending. When considered on a regional basis, public spending is higher in Wales, Scotland and Northern Ireland compared to England, and highest in London, the North East and the North West within England.[1]

Measures not directly affecting private households in the UK: Section 15, sections 19 and 20, section 23 and sections 47 and 48

Child poverty

Low income measures for children in the UK are usually given by measuring the income of the household they live in against a given threshold, e.g. 60% of current median net household income for relative low income measures and 60% of real median net household income in 2010 for absolute low income measures.

Section 15, sections 19 and 20, section 23, sections 47 and 48 of Finance Act 2019 apply to the relationship between businesses or non-resident entities and the Exchequer. They thus do not have a direct impact on household incomes or child poverty measures, and whether these measures will have an impact on published low income statistics in practice will depend on the response by businesses affected. Businesses could react e.g. by lowering dividends, reducing pay or increasing prices. These decisions may have a small indirect impact on the number of children in low income, depending on the exact shape they take. The government does not hold the necessary information to predict the response by businesses or model which households will be affected.

Households at different levels of income

The Treasury publishes detailed distributional analysis on the impact of tax measures across the net household income distribution, including anti-avoidance measures where these can be modelled and have a direct impact on households. However, these sections of Finance Act 2019 exclusively affect businesses or non-resident entities, meaning that there is no direct impact on households at different levels of income. Any indirect impact on households will depend on the response of businesses affected and cannot be estimated.

Those sharing protected characteristics

The Treasury, along with other relevant departments, carefully considers the impact of its decisions on those sharing protected characteristics – including at Budgets and other fiscal events – in line with both its legal obligations and with its strong commitment to promoting fairness. HMRC regularly publishes TIINs setting out the impact of tax measures on those sharing protected characteristics.

However, as these sections relate exclusively to the taxation of businesses or non-resident entities, they do not have a direct impact on those sharing protected characteristics. Any indirect impact on those sharing protected characteristics will depend on the response of businesses affected and cannot be estimated.

1 Public spending by country and region, House of Commons Library, 28 November 2018

Regional impacts

For most of the measures in this category, direct regional impacts in the UK cannot be estimated as the government does not hold the necessary data on the location of entities affected.

Section 15 exclusively affects non-UK resident entities, but these entities may have connected UK resident businesses. We do not have the information regarding where these connected UK parties are based.

In the case of section 19, the change in relation to the definition of financial instruments will mainly impact the financial sector, which is concentrated in London and the South East regions, with 35% of jobs in the financial services sector located in London, and a further 11.5% in the South East.[2] The changes will not take effect until 1 January 2020.

Measures potentially affecting private households in the UK: Section 16, section 22 and section 84

Child poverty

HMRC currently estimate that approximately 1,000 individuals will be required to make adjustments to their business profits under section 16. These individuals are estimated to sit towards the top end of the income distribution. Increasing the tax burden on such individuals is unlikely to have an impact on absolute or relative measures of child poverty. Absolute child poverty would only change if household incomes towards the lower end of the income distribution are affected. Relative child poverty can change through either a change in incomes towards the lower end of the income distribution, or a change in median household income. Section 16 of the Finance Act 2019 is unlikely to cause either of these changes.

Section 22 is an optional payment mechanism for those trusts which become non-resident and who wish to pay their capital gains tax charges on exit by instalments. HMRC do not expect a large number of trusts to use this facility. Allowing trusts to pay capital gains tax in instalments when they leave the UK and become non-resident will not have any impact on absolute or relative measures of child poverty.

Section 84 will not have a direct impact on individuals or businesses as it only enables the government to enact detailed secondary legislation that will set out rules requiring certain cross border arrangements to be reported to HMRC, where these arrangements avoid tax or could be misused to evade tax. That secondary legislation will have a direct impact. Thus, this section does not have a direct impact on household incomes or child poverty measures. The government will consult in the first half of 2019 on the design of that secondary legislation and will publish analysis of the impacts of these rules when consulting in the usual manner. However, since the secondary legislation will concern cross border arrangements that avoid tax or could be misused to evade tax, HMRC estimate it is unlikely that low income households will be affected, as they are not usually engaged in this type of behaviour.

[2] Office for National Statistics workforce jobs by industry (SIC 2007) - seasonally adjusted, Office for National Statistics, September 2018

Households at different levels of income

The Treasury publishes detailed distributional analysis on the impact of tax measures across net household income distribution, including anti-avoidance measures where these can be modelled. As section 16 of the Finance Act 2019 is only expected to directly impact 1,000 individuals, its impact cannot be reliably modelled in the same way. However, HMRC estimate the impact to fall on households towards the top of the income distribution. As section 22 is only expected to directly impact a very small number of individuals, its impact cannot be reliably modelled. While section 22 may affect some individuals with large amounts of wealth rather than high income, these characteristics tend to be strongly correlated.

As section 84 only takes a power to introduce new reporting requirements via secondary legislation, it does not have any direct impact on businesses or individuals, meaning that there is no impact on households at different levels of income. HMRC will produce analysis of the impact of the detailed rules before consulting on draft secondary legislation in 2019, as part of the usual tax policy making process. However, HMRC estimate it is more likely that higher income households would be affected by the secondary legislation as lower income households are unlikely to engage in the target behaviour.

Those sharing protected characteristics

HMRC does not hold equalities data on the small number of individuals expected to be affected by section 16 and Schedule 4 of Finance Act 2019. HMRC also does not hold equalities data on the small number of individuals expected to be affected by section 22, but does not expect it to have a disproportionate impact by protected characteristic.

As section 84 only takes a power to make regulations, it does not have an impact on those sharing protected characteristics. The government's impact analysis of these subsequent regulations will identify any potential impacts they may have on individuals with protected characteristics.

Regional impacts

The Treasury and HMRC do not hold the necessary information to predict the regional distribution of individuals affected by section 16 and Schedule 4 or section 22 of the Finance Act 2019.

As section 84 does not directly affect businesses or individuals, it will have no regional impacts.

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