HM Revenue & Customs

HM Treasury

Overview of Tax Legislation and Rates

11 March 2020

Contents

Introduction

This document sets out the detail of each tax policy measure announced at Budget 2020. It is intended for tax practitioners and others with an interest in tax policy changes, especially those who will be involved in consultations both on the policy and on draft legislation.

Finance Bill 2020 will be published on 19 March 2020.

The information in the document is set out as follows:

Chapter 1 contains details of measures that are included in Finance Bill 2020.

Chapter 2 contains details of measures which are part of Budget 2020 but are not in Finance Bill 2020.

Table 1 lists measures where draft legislation was published on 11 July 2019, for consultation, and which remain unchanged.

Table 2 lists measures in this document without a corresponding announcement in the Budget report.

Annex A provides tables of tax rates and allowances for the tax year 2020 to 2021 and the tax year 2021 to 2022.

Annex B lists upcoming consultations, calls for evidence and other consultative documents announced at Budget 2020.

Annex C provides a guide to the impact assessments in TIINs and contains all of the TIINs.

1. Finance Bill 2020

Personal Tax

1.1 Income Tax: rates and thresholds: tax year 2020 to 2021 – As announced at Budget 2020, the government will legislate in Finance Bill 2020 to set the charge for Income Tax, and the corresponding rates, as it does every year. Finance Bill 2020 will set:

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

Income Tax rates and thresholds on non-savings, non-dividend income for Scottish taxpayers are set by the Scottish Parliament. A Welsh rate of Income Tax for non-savings, non-dividend income for Welsh taxpayers is set by the Welsh Assembly.

1.2 Starting rate for savings limit – As announced at Budget 2020, the government will legislate in Finance Bill 2020 to set the 0% band for the starting rate for savings income, which will remain at its current value of £5,000 for 2020-21. This measure will apply to the whole of the United Kingdom.

1.3 Tapered annual allowance for pensions – The two tapered annual allowance thresholds will each be raised by £90,000 and the minimum tapered annual allowance will be decreased from £10,000 to £4,000 from 6 April 2020. From 2020 to 2021 the level against which the "threshold income" is tested will be £200,000, which means individuals with (broadly) net income before tax below this level will not be affected by the tapered annual allowance; and the annual allowance will only begin to taper down for individuals who also have an "adjusted income" above £240,000". A tax information and impact note is published at Annex C.

1.4 Top Slicing Relief on life insurance policy gains – Following a recent First-tier Tribunal case, the government will legislate in Finance Bill 2020 to put beyond doubt the calculation of Top Slicing Relief by specifying how allowances and reliefs can be set against life insurance policy gains. This measure will apply to all relevant gains occurring on or after 11 March 2020. A tax information and impact note is published at Annex C.

1.5 Capital Gains Tax (CGT) reduction in the Entrepreneurs' Relief lifetime limit – As announced at Budget 2020, the government will introduce legislation in Finance Bill 2020 reducing the lifetime limit on gains eligible for Entrepreneurs' Relief from £10 million to £1 million for qualifying disposals made on or after 11 March 2020. Specific rules will apply where contracts were exchanged before 11 March but not completed until after that date. A tax information and impact note is published at Annex C.

1.6 Tax treatment of social security benefits in Scotland – The government will legislate in Finance Bill 2020 to clarify the Income Tax treatment of three new social security payments. The legislation will confirm that the following three benefits introduced by the Scottish Government are exempt from Income Tax: Job Start, Disability Assistance for Children and Young People; and the Scottish Child Payment. The legislation also includes a new power which permits the government to confirm by statutory instrument when new social security benefits introduced by the UK Government or any of the devolved administrations will be tax exempt. This measure will have effect on 6 April for the tax year 2020 to 2021 and subsequent tax years. A tax information and impact note is published at Annex C.

1.7 Tax treatment of the Windrush Compensation Scheme – As announced in April 2019, the government will legislate in Finance Bill 2020 to introduce exemptions from Income Tax, Inheritance Tax (IHT) and CGT for payments made on or after 3 April 2019 under the Windrush Compensation Scheme. The legislation also includes a new power to exempt any necessary future compensation payments by statutory instrument, from Income Tax, IHT and CGT, where appropriate.

1.8 Tax treatment of the Troubles Permanent Disablement Payment Scheme – The government will legislate in Finance Bill 2020 to introduce Income Tax, IHT and CGT exemptions for payments made on or after May 2020 under the Troubles Permanent Disablement Payment Scheme. A tax information and impact note is published at Annex C.

1.9 Inheritance Tax: tax treatment for Kindertransport Fund Payments – As announced in April 2019, the government will legislate in Finance Bill 2020 to introduce an IHT relief for compensation payments made from the Kindertransport Fund. The relief will apply to all payments from the Kindertransport Fund whenever made and will take effect in relation to deaths on or after 1 January 2019 when the scheme first opened. The TIIN was published on 11 July 2019.

1.10 Review of changes to the off-payroll working rules (commonly known as IR35) – The off-payroll working rules were introduced in 2000 and require that individuals who work like employees, but through their own company, pay broadly the same Income Tax and National Insurance Contributions (NICs) as individuals who are employed directly. At Budget 2018 the government announced that it would reform the off-payroll working rules in the private and third sectors from April 2020. The government has recently concluded a review of the reform and is making a number of changes to support its smooth and successful implementation. The government believes it is right to address the fundamental unfairness of the non-compliance with the existing rules, and the reform will therefore be legislated in Finance Bill 2020 and implemented on 6 April 2020, as previously announced.

Capital Allowances

1.11 Rate of Structures and Buildings Allowance – As announced in Budget 2020, an increase to the annual rate of the Structures and Buildings Allowance (SBA) will be introduced in Finance Bill 2020. The annual rate will increase from 2% to 3% from 1 April 2020 for corporation tax purposes and 6 April 2020 for income tax purposes. Some miscellaneous amendments to the SBA legislation in Part 2 of the Capital Allowances Act 2001 will also be included in Finance Bill 2020. A tax information and impact note is published at Annex C.

Corporate Tax

1.12 Corporation Tax rates – As announced at Budget 2020, the Corporation Tax main rate for the financial year beginning 1 April 2020 will remain at 19%. Legislation in Finance Bill 2020 will set the rate at 19%. Legislation will also be introduced in Finance Bill 2020 to charge Corporation Tax and set the main rate at 19% for the financial year beginning 1 April 2021. A tax information and impact note is published at Annex C.

1.13 Corporation Tax: non-UK resident companies with UK property income – Finance Act 2019 enacted rules under which non-UK resident companies that carry on a UK property business, or have other UK property income, will be charged to Corporation Tax on its property profits or property income from 6 April 2020 rather than being charged to Income Tax as at present. The government will legislate in Finance Bill 2020 to ensure that the Finance Act 2019 rules work as intended to ensure a smooth transition of the taxation of UK property profits from Income Tax to Corporation Tax and continue to deliver more equal tax treatment for UK and non-UK resident companies in receipt of similar income. A tax information and impact note is published at Annex C.

1.14 Corporate capital loss restriction – As announced at Budget 2018, the government will legislate in Finance Bill 2020 to restrict companies' use of carried-forward capital losses to 50% of capital gains from 1 April 2020. This measure includes an allowance that gives groups unrestricted use of up to £5 million capital or income losses each year. A consultation paper was published on 29 October 2018 and draft legislation was published on 11 July 2019, with a further period of technical consultation running until 5 September 2019. An anti-forestalling measure to support this change has effect on and after 29 October 2018. A tax information and impact note is published at Annex C.

1.15 Intangible fixed assets: relief for pre-Finance Act 2002 assets – As announced at Budget 2020, the government will introduce legislation in Finance Bill 2020 on the tax treatment of intellectual property (the intangible fixed asset regime). This will allow all pre-Finance Act 2002 intangible assets acquired from 1 July 2020 to come within the intangible fixed asset regime, subject to certain transitional provisions in respect of related party acquisition costs. A tax information and impact note is published at Annex C.

1.16 Digital Services Tax – As announced at Budget 2018, the government will legislate in Finance Bill 2020 to introduce the Digital Services Tax (DST). The DST is a new tax on the revenues of certain digital businesses to ensure the UK tax they pay reflects the value they derive from UK users. The rate of this tax will be set at 2% and raise around £2 billion for the public finances. The DST will take effect from 1 April 2020. A tax information and impact note is published at Annex C.

1.17 Research and Development Expenditure Credit (RDEC) rate – The government will introduce legislation in Finance Bill 2020 to increase the rate of RDEC from 12% to 13% from 1 April 2020, supporting businesses investing in R&D and helping to drive innovation in the economy. A tax information and impact note is published at Annex C.

Indirect Tax

1.18 VAT rules concerning call-off stock arrangements – As announced on 31 December 2019, the government will introduce legislation required by Council Directive 2018/1910 relating to the VAT treatment of supplies of call-off stock across EU borders. This change will introduce simplified rules for the VAT treatment of movements of call-off stock between the UK and EU Member States, allowing businesses to delay accounting for VAT until the goods are called-off. The legislation will have a retrospective element, applying to goods which are removed from a Member State or the UK on or after 1 January 2020. A tax information and impact note is published at Annex C.

1.19 Tobacco Duty Rates – As announced at Budget 2020, the government will legislate in Finance Bill 2020 to:

- increase the duty rates for all tobacco products by 2% above inflation (based on RPI)
- increase the rate for hand-rolling tobacco by an additional 4% above this to 6% above inflation (based on RPI)
- to set the Minimum Excise Tax (MET) at £305.23 per 1,000 cigarettes.

These changes will take effect from 6pm on 11 March 2020.

Tobacco duty rates and the updated MET level are set out in Annex A. A tax information and impact note is published at Annex C.

1.20 Gaming Duty: increase in casino gross gaming yield bands – As announced at Budget 2020, the government will legislate in Finance Bill 2020 to raise the gross gaming yield (GGY) bandings for gaming duty in line with inflation (based on the Retail Price Index (RPI)). The revised GGY bandings used to calculate gaming duty must be used for accounting periods beginning on or after 1 April 2020.

The GGY bandings are published in Annex A. A tax information and impact note is published at Annex C.

1.21 Plastic Packaging Tax – Following a consultation in 2019, the government will introduce a new Plastic Packaging Tax to incentivise the use of recycled plastic in packaging. Paving legislation will be introduced in Finance Bill 2020 to allow the Commissioners for HMRC to prepare for the introduction of the new tax. The government launched a further consultation alongside Budget on the detailed design and implementation of the new tax, and will introduce legislation in Finance Bill 2020-21. The measure will take effect from April 2022. A tax information and impact note is published at Annex C.

1.22 Landfill Tax: rates for 2020 to 2021 – As announced at Budget 2018, the government will legislate in Finance Bill 2020 to increase the standard and lower rates of Landfill Tax in line with RPI, rounded to the nearest 5 pence. The change will have effect on and after 1 April 2020. The rates of Landfill Tax are set out in Annex A. A tax information and impact note is published at Annex C.

1.23 Fuel duty and private pleasure craft – As announced at Budget 2020, and following consultation carried out during summer 2019, the government will introduce enabling legislation in Finance Bill 2020 relating to diesel used to propel private pleasure craft. Details on implementation will be set out in due course. The government will publish its response to the consultation later this year. A tax information and impact note is published at Annex C.

1.24 Air Passenger Duty (APD) rates – As announced at Budget 2020, the government will legislate in Finance Bill 2020 to increase long-haul APD rates in line with inflation (based on RPI). Short-haul rates will not rise. The new rates will apply from 1 April 2021. A tax information and impact note is published at Annex C.

1.25 Vehicle Excise Duty (VED): rates for cars, vans and motorcycles – As announced at Budget 2020, the government will legislate in Finance Bill 2020 to increase VED rates for cars, vans, motorcycles and motorcycle trade licences by RPI with effect from 1 April 2020. VED rates are set out in Annex A. A tax information and impact note is published at Annex C.

1.26 VED for zero emission vehicles – As announced at Budget 2020, the government will introduce legislation in Finance Bill 2020 so zero-emission light passenger vehicles registered until 31 March 2025 will be exempted from the additional supplement for those with a list price exceeding £40,000. These changes will have effect from 1 April 2020.

1.27 VED: rates for motorhomes – As announced at Budget 2020, the government will introduce legislation in Finance Bill 2020 so that new vehicles type approved as M1SA will no longer be required to provide a carbon dioxide emissions (CO_2) figure when they register the vehicle with the Driver and Vehicle Licensing Agency. As a result, new M1SA vehicles will be included in the private/ light goods vehicles class. These changes will have effect from 12 March 2020. From 1 April 2021 the government will align the VED treatment of new motorhomes with vans. A tax information and impact note is published at Annex C.

1.28 Carbon pricing: UK emissions trading scheme and Carbon Emissions Tax – In line with the Withdrawal Agreement, the UK will remain in the EU Emissions Trading Scheme (EU ETS) until 31 December 2020. As set out in the UK's Approach to Negotiations, the UK would be open to considering a link between any future UK ETS and the EU ETS if it suited both sides' interests. In the event that there is no link agreed between a UK ETS and the EU ETS, the UK would introduce an alternative carbon pricing policy. The government is preparing both a standalone domestic emissions trading system and a Carbon Emissions Tax as possible alternatives.

As announced in Budget 2020, the government will legislate in Finance Bill 2020 to provide the powers to establish a UK ETS. The measure will provide HM Treasury with the powers to lay secondary legislation which provides for the allocation of emissions allowances in return for payment (auctioning) under a linked or standalone ETS, as defined by the Climate Change Act 2008.

As announced at Budget 2020, the government will legislate in Finance Bill 2020 to make changes to the Carbon Emissions Tax legislation set out in Finance Act 2019. These changes will amend powers, update definitions and add provisions relating to penalties. Were the tax introduced, it would apply to all UK stationary installations that hold the relevant permit issued by UK regulators and would tax emissions of carbon dioxide (and other greenhouse gases on a carbon equivalent basis) above an emission allowance set individually for all permitted installations. A consultation will be published in spring 2020 on the operation of the tax to inform secondary legislation that would be laid in late 2020 if the tax were to be introduced. A tax information and impact note is published at Annex C.

1.29 Climate Change Levy (CCL): main and reduced rates – As announced at Budget 2018, the government will legislate in Finance Bill 2020 for the CCL main rates for 2020 to 2021 and 2021 to 2022 so as to continue to rebalance the electricity to gas ratio. The electricity rate will be lowered in 2020 to 2021 and 2021 to 2022 and the gas rate will increase in these years so that it reaches 60% of the electricity main rate by 2021 to 2022. Other fuels, such as coal, will continue to align with the gas rate.

As also announced at Budget 2018, the government will legislate in Finance Bill 2020 to amend the reduced rates (discount percentages) so that businesses in the Climate Change Agreement (CCA) scheme will only be subject to an increase to their CCL liability in line with RPI for the years 2020 to 2021 and 2021 to 2022.

To provide greater long-term certainty, Budget 2020 also announced the CCL main rates and reduced rates for 2022 to 2023 and 2023 to 2024. Legislation for these changes will be introduced in a future finance bill.

As announced at Autumn Budget 2017, the rate of CCL for liquified petroleum gas will remain frozen at the 2019 to 2020 level in both 2020 to 2021 and 2021 to 2022. Budget 2020 announced the freeze will be extended to 2022 to 2023 and 2023 to 2024.

The main and reduced rates of CCL from 1 April 2020 are set out in Annex A. A tax information and impact note is published at Annex C.

1.30 Technical amendment to the process of import duty variation – As announced at Budget 2020, the government will legislate in Finance Bill 2020 to amend section 15 of the Taxation (Cross-Border Trade) Act 2018 by refining the criteria that determines when the government may vary the amount of import duty in the context of an international trade dispute. This will allow the government to vary import duty where it considers this appropriate having regard to relevant international agreements and obligations.

Avoidance, Evasion and Non-Compliance

1.31 Response to the Independent Loan Charge Review – Budget 2020 confirms the government's response to Sir Amyas Morse's Independent Loan Charge Review and sets out the Exchequer costs of accepting the recommendations. These will be legislated for in Finance Bill 2020. To implement the changes, the government will also provide HMRC with additional operational funding. However, disguised remuneration schemes continue to be used. Therefore, the government will shortly issue a call for evidence on further action to stamp out these schemes. A tax information and impact note is published at Annex C.

1.32 Surcharge on banking companies: transferred in losses – The government will legislate in Finance Bill 2020 to amend the bank surcharge rules so that the rules which prevent a banking company's chargeable gains being offset by allowable losses transferred in from non-banking companies in prior periods are also effective when those loses are utilised in the same year. The changes will have effect for allowable losses deducted from chargeable gains accruing on disposals made on or after 11 March 2020. A tax information and impact note is published at Annex C.

Tax Administration

1.33 Clarifying the treatment of Limited Liability Partnership (LLP) returns – As announced at Budget 2020, the government will legislate prospectively and retrospectively in Finance Bill 2020 to put beyond doubt that LLPs should be treated as general partnerships under Income Tax rules. This will ensure HMRC can continue to amend LLPs members' tax returns where the LLP operates without a view to profit. This measure does not create any new or additional obligations or liabilities for taxpayers. It clarifies the legislation to ensure the rules work as designed and intended. A tax information and impact note is published at Annex C.

1.34 HMRC Automation – As announced by written ministerial statement on 31 October 2019 and confirmed at Budget 2020, the government will legislate to confirm that HMRC may use automated processes to issue taxpayers with notices to file tax returns and penalty notices. This measure will apply prospectively and retrospectively to put beyond doubt that the rules work as designed and intended. This does not create any new or additional obligations or liabilities for taxpayers. A tax information and impact note is published at Annex C.

1.35 Protecting your taxes in insolvency – As announced at Budget 2018, the government will change the rules so that when a business enters insolvency, more of the taxes paid in good faith by its employees and customers and temporarily held by the business go to fund public services, rather than being distributed to other creditors. Budget 2020 delays the commencement date of this measure from 6 April to 1 December 2020 and extends this measure to Northern Ireland. This reform will only apply to taxes collected and held by businesses on behalf of other taxpayers (VAT, Pay As You Earn, Income Tax, employee NICs, student loan deductions and Construction Industry Scheme deductions). The rules will remain unchanged for taxes owed by businesses themselves, such as Corporation Tax and employer NICs. The legislation will be introduced in Finance Bill 2020. A tax information and impact note is published at Annex C.

Other Finance Bill measure

1.36 Public Works Loan Board (PWLB) Lending Limit – As announced at Budget 2020, the government will legislate in Finance Bill 2020 to obtain the power to raise the PWLB lending limit in the future. This offers the option of increasing the PWLB budget, first by £20 billion to £115 billion using a Commencement Order, then by £20 billion to £135 billion through a statutory instrument. This does not commit the government to raising the limit and would not constitute new spending, but allows flexibility for local government borrowing requirements.

2. Measures not in Finance Bill 2020

Personal Tax

2.1 Van benefit charge and fuel benefit charges for cars and vans from 6 April 2020 – As announced by Written Ministerial Statement on 2 March 2020, the government will increase the van benefit charge and the car and van fuel benefit charges by the September 2019 Consumer Price Index (CPI). The government will legislate by statutory instrument in March 2020 to ensure the changes are reflected in tax codes for 2020 to 2021. A tax information and impact note is published at Annex C.

2.2 Zero-rating zero emission vans from the van benefit charge – As announced at Budget 2020, the government will legislate in a future finance bill to reduce the van benefit charge to zero for vans that produce zero carbon emissions. The change will have effect on and after 6 April 2021.

2.3 Individual Savings Account (ISA) annual subscription limit – As announced at Budget 2020, the adult ISA annual subscription limit for 2020 to 2021 will remain unchanged at £20,000. This measure will apply to the whole of the UK.

2.4 Junior ISA limit – As announced at Budget 2020, the annual subscription limit for Junior ISAs will be increased to £9,000. This measure will apply to the whole of the UK.

2.5 Child Trust Funds – As announced at Budget 2020, the annual subscription limit for Child Trust Funds for 2020-21 will be increased to £9,000. This measure will apply to the whole of the UK.

2.6 Call for evidence on pension tax administration – Those earning around or below the level of the personal allowance and saving into a pension may benefit from a top-up on their pension savings equivalent to the basic rate of tax, even if they pay no tax. Whether they receive this top-up depends on how their pension scheme administers tax relief. The government has committed to reviewing options for addressing these differences and will shortly publish a call for evidence on pensions tax relief administration..

2.7 Taxation of collective defined contribution pensions – The government will legislate to ensure that collective money purchase schemes, to be introduced by the Pension Schemes Bill 2019-20, can operate as registered pension schemes for tax purposes. The change will have effect after Royal Assent of the Pension Schemes Bill 2019-20.

2.8 Lifetime allowance for pensions: ongoing CPI increase – As announced at March Budget 2015 and confirmed at Summer Budget 2015, the lifetime allowance for pensions will increase in line with CPI, rising to £1,073,100 for the tax year 2020 to 2021.

2.9 Tax treatment of welfare counselling provided by employers – As announced at Budget 2020, the government will extend the scope of non-taxable counselling services to include related medical treatment, such as cognitive behavioural therapy, when provided to an employee as part of an employer's welfare counselling services. The changes will take effect from April 2020.

2.10 Income Tax and National Insurance exemptions for bursary payments to care leavers – As announced at Budget 2020, the government will legislate in Finance Bill 2020-21 to introduce an Income Tax exemption for the bursary paid by the Education and Skills Funding Agency to care leavers aged 16 to 24 who start an apprenticeship. Corresponding legislation will also be introduced to mirror the Income Tax exemption for NICs. This legislation will confirm HMRC's current position that care leavers' bursaries are tax exempt, including those paid prior to the 2020 to 2021 tax year. A tax information and impact note is published at Annex C.

2.11 Increasing the flat rate tax deduction for home working – As announced at Budget 2020, the government will increase the maximum flat rate Income Tax deduction available to employees to cover additional household expenses from £4 to £6 per week where they work at home under homeworking arrangements. This change will take effect from April 2020.

2.12 Employment Allowance – The government will increase the Employment Allowance from £3,000 to £4,000 from April 2020. Legislation will be introduced immediately after Budget 2020. A tax information and impact note is published at Annex C.

2.13 National Insurance holiday for employers of veterans – The government will introduce a National Insurance holiday for employers of veterans in their first year of civilian employment. A full digital service will be available to employers from April 2022; however, transitional arrangements will be in place in the 2021 to 2022 tax year which will effectively enable employers of veterans to claim this holiday from April 2021. The holiday will exempt employers from any NICs liability on the veteran's salary up to the Upper Earnings Limit. The government will consult on the design of this relief.

Capital Allowances

2.14 Extending Enhanced Capital Allowances in Enterprise Zones (EZs) – Secondary legislation will be introduced to ensure that 100 per cent First Year Allowances (FYA) remain available for expenditure incurred in relation to all designated areas, whenever designated, until at least 31 March 2021. First Year Allowances are available to companies investing in qualifying plant and machinery for use in designated areas within EZs. These changes will have effect from 1 April 2020. A tax information and impact note is published at Annex C.

2.15 Capital allowances: carbon dioxide emission thresholds for business cars and FYAs for business cars, zero emission goods vehicles and equipment for gas refuelling stations – As announced at Budget 2020, statutory legislation will be made and laid in 2020 to 2021 to adjust the CO_2 emission thresholds for capital allowances for business cars. The upper threshold for the main writing down allowance rate will be reduced to 50 grams per kilometre (g/km), while the 100 percent FYA for business cars will be extended, with the threshold reduced to 0g/km. The existing FYAs for zero-emission good vehicles and equipment for gas refuelling stations will be extended to the end of 2024 to 2025.

The changes support the government's policy to incentivise the uptake of zero-emission vehicles, alongside consulting on bringing forward the phase out date for the sale of new diesel and petrol cars and vans from 2040 to 2035, or earlier if a faster transition is feasible, and the wider policy on climate change to reduce all greenhouse gas emissions from the UK to net zero by 2050. A tax information and impact note is published at Annex C.

Corporate Tax

2.16 Consultation on research and development (R&D) tax credit qualifying costs – The government will consult on whether expenditure on data and cloud computing should qualify for R&D tax credits.

2.17 Preventing abuse of the R&D tax relief for small and medium enterprises (SME) – Following consultation last year, the government will delay the implementation of the PAYE cap on the payable tax credit in the SME R&D scheme until 1 April 2021. The government has listened to industry and will also consult on change to the cap's design, to ensure it targets abusive behaviour as intended while ensuring that eligible businesses are able to access the relief. The government will also publish a summary of responses to the first consultation.

2.18 Hybrid and other mismatches – As announced at Budget 2020, the government will publish a consultation on the corporation tax rules that apply to hybrid mismatch arrangements. These are arrangements that exploit the differences in tax treatments between the two jurisdictions and the consultation seeks to ensure that the hybrid mismatch rules work proportionately and as intended.

2.19 Consultation on the tax impact of the withdrawal of the London Interbank Offered Rate (LIBOR) – The government will consult to ensure that where tax legislation makes reference to LIBOR it continues to operate effectively. The consultation will also enable the government to ensure it is aware of all of the significant tax issues that arise from the reform of LIBOR and other benchmark rates.

2.20 Review of the UK funds regime – As announced at Budget 2020, the government will undertake a review of the UK's funds regime during 2020. This will cover direct and indirect tax as well as relevant areas of regulation, with a view to considering the case for policy changes. The review will include a consultation on whether changes to the tax treatment of companies used by funds to hold assets could make the UK a more attractive location for these companies. It will also consider the VAT treatment of fund management fees and other aspects of the UK's funds regime.

Indirect Tax

2.21 VAT: applying a zero rate to e-publications – As announced at Budget 2020, the government will legislate to apply a zero rate of VAT to e-publications, to make it clear that e-books, e-newspapers, e-magazines and academic e-journals are entitled to the same VAT treatment as their physical counterparts. This change will take effect from 1 December 2020. The government will be consulting on the details of the legislation ahead of its implementation.

2.22 VAT: amendment to the Agricultural Flat Rate Scheme (AFRS) – As announced at Budget 2020, we will introduce new entry and exit rules for the VAT AFRS. The government engaged with businesses and their representatives in 2019. The following changes will be implemented from 1 January 2021:

- businesses can join the AFRS when their annual turnover for farming related activities is below £150,000
- businesses must notify HMRC once their annual turnover for farming related activities exceeds £230,000, to be deregistered from the scheme and register for VAT instead
- businesses with turnover that exceeds £85,000 for non-farming related activities will still be required to register for VAT and will be ineligible for the scheme.

2.23 Introduction of a zero rate of VAT for women's sanitary products – As announced at Budget 2020, and following enabling legislation in Finance Bill 2016, the government will introduce a zero rate of VAT for women's sanitary products on 1 January 2021.

2.24 S4C Section 33 VAT Act review – The government will legislate later in the year to add S4C to the special VAT refund scheme for public bodies, which will allow S4C to receive a refund of VAT incurred on its public service activities. HM Treasury and the Department for Digital, Culture, Media & Sport will conduct an internal review in spring 2020 to establish whether other broadcasters should be given similar VAT treatment.

2.25 Partial Exemption and the Capital Goods Scheme – Following the recent call for evidence on the simplification of the VAT rules on partial exemption and the capital goods scheme, the government will continue to engage with stakeholders in relation to their responses and will publish a response in due course.

2.26 VAT financial services: industry working group – As announced at Budget 2020, the government will create an industry working group to examine VAT on financial services.

2.27 The Value Added Tax (Finance Order) 2020 – As announced by the government in July 2019, the government is legislating to provide a wider VAT exemption for the management of Special Investment Funds.

2.28 VAT treatment of goods from overseas sellers – As announced at Budget 2020, the government will informally consult with stakeholders to explore options on the VAT treatment of goods from overseas sellers. This will include consideration of low value imports and goods located in the UK when sold to UK customers.

2.29 Postponed VAT accounting – As announced at Budget 2020, from 1 January 2021 registered businesses will be able to account for VAT on goods they import from all countries, including the EU, on their periodic VAT return.

2.30 EU Exit: long term passengers policy consultation – As announced at Budget 2020, the government is publishing a consultation on the approach to the VAT and excise treatment of goods carried across borders by passengers for their personal use. The consultation will be published on 11 March and run for 10 weeks. It will consider inbound allowances for excise and non-excise goods, outbound duty-free and tax-free sales, and the VAT Retail Export Scheme.

2.31 Fuel Duty – As announced at Budget 2020, fuel duty rates will remain frozen for the tax year 2020 to 2021. Fuel duty rates are set out in Annex A.

2.32 Red diesel: removing entitlement – As announced at Budget 2020, the government will legislate in Finance Bill 2021-2022 (and later secondary legislation) to remove the entitlement to use rebated heavy oil (known as red diesel) and rebated biofuels from all sectors that currently use it from April 2022, apart from the agriculture (including pisciculture, forestry and horticulture) and rail sectors and for use in non-commercial heating. The government will consult later this year on whether the entitlement to use red diesel and rebated biofuels is justified for any other users, and whether to align the proposed treatment of these rebated fuels with fuel oil and non-aviation kerosene.

2.33 Call for evidence on VED – The government is publishing a call for evidence which will include how VED can be used to support the take-up of zero and ultra-low emission vehicles and reduce overall emissions from road vehicles.

2.34 Alcohol duty rates – As announced at Budget 2020, the government will freeze all alcohol duty rates. There will be no revisions to existing legislation and no new legal provisions will be introduced. Alcohol duty rates are set out in Annex A.

2.35 Alcohol duty review – As announced at Budget 2020, the government recognises the complexity of the current alcohol duty system and will review potential reforms to be implemented after the Transition Period. This will begin with the publication of a call for evidence by the summer.

2.36 Small brewery beer relief – As announced at Budget 2018, the government has been reviewing how small brewery beer relief is currently structured. The outcome of the review will be published by spring 2020.

2.37 Landfill Tax: rates for 2021 to 2022 – As announced at Budget 2020, the government will legislate in Finance Bill 2020-21 to increase the standard and lower rates of Landfill Tax in line with RPI, rounded to the nearest 5 pence. The change will have effect on and after 1 April 2021. Landfill Tax rates are set out in Annex A.

2.38 Landfill Communities Fund – As announced at Budget 2020, the government will set the value of the Landfill Communities Fund for 2020 to 2021 at £35 million, with the cap on contributions by landfill operators remaining at 5.3% of their Landfill Tax liability.

2.39 Carbon price support rates – As announced at Budget 2020, the government will freeze the carbon price support (CPS) rate per tonne of carbon dioxide emitted at £18 for 2021 to 2022. This further extends the rate freeze introduced from 1 April 2016. The rates for CPS from 1 April 2020 are set out in Annex A.

2.40 CCA scheme extension – As announced at Budget 2020, the CCA scheme, which benefits participants with a reduced rate of CCL and which was scheduled to end on 31 March 2023, will be extended to 31 March 2025. The government will consult later in the spring on the details of the scheme extension and options for the scheme in the longer term.

2.41 Aggregates Levy rates – As announced at Budget 2020, the government will freeze the Aggregates Levy rate in 2020 to 2021. Aggregates Levy rates are set out in Annex A.

2.42 Aggregates Levy review – The government will be publishing a summary of the responses to last year’s comprehensive review of the levy. This will also set out the government’s next steps.

Property Tax

2.43 Annual Tax on Enveloped Dwellings (ATED): annual chargeable amounts for the 2020 to 2021 chargeable period – The ATED charges increase automatically each year in line with inflation (based on the previous September's CPI). The ATED charges will rise by 1.7% from 1 April 2020 in line with the September 2019 CPI. A tax information and impact note has not been published for this measure, as it is a routine legislative change.

2.44 Non-UK resident Stamp Duty Land Tax surcharge – At Budget 2018, the government announced that it would consult on introducing a Stamp Duty Land Tax surcharge on non-UK residents purchasing residential property in England and Northern Ireland. That consultation took place between 11 February and 6 May 2019. At Budget 2020, the government confirmed that it will legislate in Finance Bill 2020-21 for a 2% surcharge to take effect from 1 April 2021. Where contracts are exchanged before 11 March 2020 but complete or substantially performed after 1 April 2021, transitional rules may apply subject to conditions. The government will shortly publish a summary of responses to the consultation.

2.45 Relief for housing co-operatives – As announced at Budget 2020, the government will introduce new reliefs from the ATED and the 15 per cent rate of SDLT for certain qualifying housing cooperatives. The government will consult on draft legislation in summer 2020 and legislate in Finance Bill 2020-21.

Avoidance, Evasion and Non-Compliance

2.46 Tackling promoters of tax avoidance – As announced in the government's response to the Independent Loan Charge Review, the government is taking forward further measures to reduce the scope for promoters to market tax avoidance schemes. Draft legislation will be published in July 2020 and legislation will be introduced in Finance Bill 2020-21 to make changes to the existing regimes that tackle avoidance. The changes will come into effect following Royal Assent.

2.47 HMRC Promoter Strategy – HMRC will publish a new ambitious strategy for tackling the promoters of tax avoidance schemes. This will outline the range of policy, operational and communications interventions both underway and in development to drive those who promote tax avoidance schemes out of the market, disrupt the supply chain to stop the spread of marketed tax avoidance and deter taxpayers from taking up the schemes.

2.48 Identifying cross-border arrangements that could be used to avoid or evade tax – The government has introduced regulations which require taxpayers and their advisers to report to HMRC certain cross-border arrangements that could be used to avoid or evade tax.

2.49 Tackling Construction Industry Scheme (CIS) abuse – As announced at Budget 2020, the government will introduce legislation in Finance Bill 2020-21 to prevent non-compliant businesses from using the CIS to claim tax refunds to which they are not entitled. The measure will allow HMRC to reduce or deny the CIS credit claimed on employer returns where the sub-contractor cannot evidence the deductions and does not correct their return when asked. It will also simplify the rules covering deemed contractors, clarify the rules on allowable deductions for expenditure on materials, and expand the scope of the penalty for supplying false information when registering for CIS. The government will also publish a consultation on how to promote supply chain due diligence, including ideas for tackling fraud in supply chains.

2.50 Conditionality: hidden economy – As announced at Budget 2020, the government will legislate in Finance Bill 2020-21 to make the renewal of licences to drive taxis and private hire vehicles (PHVs, for example, minicabs), operate PHV firms and deal in scrap metal, conditional on applicants completing checks that confirm they are appropriately registered for tax. Licensing bodies will have to obtain confirmation that an applicant has completed the check before making a decision on their renewal application. This measure will make it more difficult for non-compliant traders to operate in the hidden economy and help level the playing field for the compliant majority. These changes will take effect in England and Wales in April 2022. The government is considering extending this reform to Scotland and Northern Ireland in the future and will work will the devolved administrations to this effect.

2.51 Tax conditionality: wider application – The government will publish a discussion document seeking views on the wider application of tax conditionality in the spring. Tax conditionality refers to a principle whereby businesses are granted access to government awards and authorisations (such as approvals, licences, grants) only if they are able to demonstrate good tax compliance.

2.52 Raising standards in the market for tax advice – As announced at Budget 2020, the government will publish a call for evidence on raising standards in the market for tax advice in the spring. This will seek evidence about providers of tax advice, current standards upheld by tax advisers, and the effectiveness of the government's efforts to support those standards, in order to give taxpayers more assurance that the advice they are receiving is reliable.

2.53 Anti-illicit tobacco package – To help tackle illicit tobacco, the government will publish a consultation in 2020 on proposals for tougher penalties to tackle tobacco tax evasion as part of the Track and Trace system, introduced in May 2019. The government plans to introduce legislation in 2021-22. The government will also strengthen HMRC and Trading Standards' resources to help combat the illicit tobacco trade, including the creation of a UK-wide HMRC intelligence sharing hub to support this work.

2.54 VAT: reverse charge – As announced in September 2019, the government has delayed the introduction of the VAT domestic reverse charge for building and construction services. The measure will now come into force on 1 October 2020.

Tax Administration

2.55 Large business notification – As announced at Budget 2020, from April 2021 large businesses will be required to notify HMRC when they take a tax position which HMRC is likely to challenge. This policy will draw on international accounting standards which many large businesses already follow. The government will consult shortly on the detail of the notification process.

2.56 Insurance Premium Tax: response to the call for evidence – Following the call for evidence on the operation of Insurance Premium Tax (IPT), published on 3 June 2019, which considered how the administration and collection of IPT can be modernised, and how to address possible emerging practices leading to unfair outcomes, the government will shortly publish a response document and will shortly hold a consultation to seek further information.

Table 1: Unchanged Measures

This table lists measures which are part of Finance Bill 2020 where draft legislation was published for consultation on 11 July 2019, and where the draft legislation is unchanged.

Personal Tax

- Legislating the existing tax treatment of expenses for unpaid office-holders
- Capital Gains Tax private residence relief: reform of ancillary reliefs
- Capital Gains Tax: relief for loans to traders (section 253, Taxation of Capital Gains Act 1992)
- Company Car Tax: carbon dioxide emission regime
- Inheritance Tax: excluded property – additions to trusts and transfers between trusts
- Enterprise Investment Scheme: approved knowledge intensive fund

Corporate Tax

- Losses on disposals of shares: abolition of requirement to be a UK business
- Deferred Corporation Tax payments on cross border transfers
- Income Tax and Corporation Tax rules for spreading transitional adjustments on new lease accounting

Indirect Tax

- Post duty point dilution
- Medical courier charities exemption from Vehicle Excise Duty

Avoidance and Evasion

- Tax abuse and insolvency
- Technical and procedural amendments to the General Anti-Abuse Rule
- Transfer of unlisted securities to connected companies for Stamp Duty and Stamp Duty Reserve Tax

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

Measure Title	Paragraph number
Annual tax on enveloped dwellings (ATED): annual chargeable amounts for the 2020 to 2021 chargeable period	2.43
Capital Gains Tax private residence relief: reform of ancillary reliefs	Table 1: Unchanged Measures
Capital Gains Tax: relief for loans to traders (section 253, Taxation of Capital Gains Act 1992)	Table 1: Unchanged Measures
Corporation Tax: non-UK resident companies with UK property income	1.13
Deferred Corporation Tax payments on cross border transfers	Table 1: Unchanged Measures
Enterprise Investment Scheme: approved knowledge intensive fund	Table 1: Unchanged Measures
Extending enhanced capital allowances (ECAs) in enterprise zones (EZs)	2.14
Identifying cross-border arrangements that could be used to avoid or evade tax	2.48
Income Tax and Corporation Tax rules for spreading transitional adjustments on new lease accounting	Table 1: Unchanged Measures
Landfill Tax: rates for 2020 to 2021	1.22
Landfill Tax: rates for 2021 to 2022	2.37
Landfill Communities Fund	2.38
Losses on disposals of shares: abolition of requirement to be a UK business	Table 1: Unchanged Measures
Surcharge on banking companies: transferred in losses	1.32
Taxation of collective defined contribution pensions	2.7
Uprating the Van Benefit Charge	2.1

Annex A: Rates and Allowances

This annex includes Budget 2020 announcements of the main rates and allowances. It also covers all announcements made at Autumn Budget 2018 and subsequently.

PERSONAL TAX AND BENEFITS

Income tax bands of taxable income (£ per year)		
	Tax year 2019-20	**Tax year 2020-21**
Basic rate	£1 – £37,500	£1 – £37,500
Higher rate	£37,501 - £150,000	£37,501 - £150,000
Additional rate	Over £150,000	Over £150,000

Income tax rates		
Main rates[1]	**Tax year 2019-20**	**Tax year 2020-21**
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Savings rates[2]		
Starting rate for savings	0%	0%
Savings basic rate	20%	20%
Savings higher rate	40%	40%
Savings additional rate	45%	45%

[1] Apply to non-dividend income, including income from savings, employment, property or pensions. From 2017-18, the main rates were separated into the main rates, the savings rates and the default rates.
[2] Apply to savings income.

Dividend rates[3]		
Dividend ordinary rate - for dividends otherwise taxable at the basic rate	7.5%	7.5%
Dividend upper rate - for dividends otherwise taxable at the higher rate	32.5%	32.5%
Dividend additional rate - for dividends otherwise taxable at the additional rate	38.1%	38.1%
Default rates[4]		
Default basic rate	20%	20%
Default higher rate	40%	40%
Default additional rate	45%	45%

Starting rates for savings income		
	Tax year 2019-20	**Tax year 2020-21**
Starting rate for savings	0%	0%
Starting rate limit for savings	£5,000	£5,000

Special rates for trustees' income		
	Tax year 2019-20	**Tax year 2020-21**
Standard rate on first £1,000 of income which would otherwise be taxable at the special rates for trustees	Up to 20%, depends on the type of income	Up to 20%, depends on the type of income
Trust rate	45%	45%

[3] Apply to dividend income received above the £5,000 tax-free Dividend Allowance, introduced in April 2016 to replace the Dividend Tax Credit.
[4] Apply to non-savings and non-dividend income of any taxpayer that is not subject to either the Main rates or the Scottish Rates of income tax.

Dividend trust rate	38.1%	38.1%

Income tax allowances

	Tax year 2019-20	Tax year 2020-21
Personal allowance		
Personal allowance[5]	£12,500	£12,500
Income limit for personal allowance	£100,000	£100,000
Income limit for Married couple's allowance[6]	£29,600	£30,200
Marriage allowance		
Marriage allowance[7]	£1,250	£1,250
Married couple's allowance for those born before 6 April 1935		
Maximum amount of married couple's allowance[8]	£8,915	£9,075
Minimum amount of married couple's allowance[8]	£3,450	£3,510
Blind person's allowance		
Blind person's allowance	£2,450	£2,500
Dividend allowance		
Dividend allowance[9]	£2000	£2000
Personal savings allowance		
Personal savings allowance for basic rate taxpayers[10]	£1000	£1,000

[5] The Personal Allowance reduces where the income is above £100,000 – by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of date of birth.
[6] This age-related allowance is reduced by £1 for every £2 of income over this limit.
[7] This transferable allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax; or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates.
[8] The relief for this allowance is given at 10%.
[9] From April 2016, the new Dividend Allowance means that individuals will not have to pay tax on the first £5,000 of dividend income they receive.
[10] From April 2016, the new Personal Savings Allowance means that basic rate taxpayers do not have to pay tax on the first £1,000 of savings income they receive and higher rate taxpayers do not have tax to pay on their first £500 of savings income.

Personal savings allowance for higher rate taxpayers	£500	£500

Company car tax - Cars first registered before 6 April 2020				
CO_2 emissions, g/km	**Electric range (miles)**	**Appropriate Percentage (%)**		
		2020-21	**2021-22**	**2022-23**
0	N/A	0	1	2
1-50	>130	2	2	2
1-50	70-129	5	5	5
1-50	40-69	8	8	8
1-50	30-39	12	12	12
1-50	<30	14	14	14
51-54		15	15	15
55-59		16	16	16
60-64		17	17	17
65-69		18	18	18
70-74		19	19	19
75-79		20	20	20
80-84		21	21	21
85-89		22	22	22
90-94		23	23	23
95-99		24	24	24
100-104		25	25	25
105-109		26	26	26
110-114		27	27	27
115-119		28	28	28
120-124		29	29	29
125-129		30	30	30
130-134		31	31	31
135-139		32	32	32
140-144		33	33	33
145-149		34	34	34

150-154		35	35	35
155-159		36	36	36
160 and over		37	37	37
Company car tax - Cars first registered on or after 6 April 2020				
CO_2 emissions, g/km	**Electric range (miles)**	**Appropriate Percentage (%)**		
		2020-21	**2021-22**	**2022-23**
0	N/A	0	1	2
1-50	>130	0	1	2
1-50	70-129	3	4	5
1-50	40-69	6	7	8
1-50	30-39	10	11	12
1-50	<30	12	13	14
51-54		13	14	15
55-59		14	15	16
60-64		15	16	17
65-69		16	17	18
70-74		17	18	19
75-79		18	19	20
80-84		19	20	21
85-89		20	21	22
90-94		21	22	23
95-99		22	23	24
100-104		23	24	25
105-109		24	25	26
110-114		25	26	27
115-119		26	27	28
120-124		27	28	29
125-129		28	29	30
130-134		29	30	31
135-139		30	31	32
140-144		31	32	33
145-149		32	33	34
150-154		33	34	35
155-159		34	35	36
160 -164		35	36	37
165-169		36	37	37
170 and over		37	37	37

For all cars, drivers must add 4% to their appropriate percentage if the car is propelled solely by diesel (up to a maximum of 37%). Cars that meet the Real Driving Emissions Step 2 (RDE2) standard are exempt from the diesel supplement.

NATIONAL INSURANCE CONTRIBUTIONS (NICs)

Class 1 NICs: Employee and employer rates and thresholds (£ per week)		
	Tax year 2019-20	**Tax year 2020-21**
Weekly Lower Earnings Limit (LEL)	£118	£120
Weekly Primary Threshold (PT)	£166	£183
Weekly Secondary Threshold (ST)	£166	£169
Upper Earnings Limit (UEL)	£962	£962
Upper Secondary Threshold for under 21s	£962	£962
Apprentice Upper Secondary Threshold (AUST) for under 25s	£962	£962
Employment Allowance (per employer)	£3,000 per year	£4,000 per year

Employee's (primary) Class 1 contribution rates	**Tax year 2019-20**	**Tax year 2020-21**
Earnings band	*NIC rate (per cent)*	*NIC rate (per cent)*
Below LEL	N/A	N/A
LEL - PT	0%	0%
PT- UEL	12%	12%
Above UEL	2%	2%

Married woman's reduced rate for (primary) Class 1 contribution rates	**Tax year 2019-20**	**Tax year 2020-21**
Weekly earnings from between the PT and UEL	5.85%	5.85%
Weekly earnings above the UEL	2%	2%

Employer's (secondary) Class 1 contribution rates	**Tax year 2019-20**	**Tax year 2020-21**
Earnings band		
Below ST	0%	0%
Above ST	13.8%	13.8%

Employer's (secondary) Class 1 contribution rates for employees under 21	**Tax year 2019-20**	**Tax year 2020-21**
Earnings band		
Below UST	0%	0%
Above UST	13.8%	13.8%

Employer's (secondary) Class 1 contribution rates for Apprentices under 25	**Tax year 2019-20**	**Tax year 2020-21**
Earnings band		
Below AUST	0%	0%
Above AUST	13.8%	13.8%

Class 2 NICs: Self-employed rates and thresholds (£ per week)		
	Tax year 2019-20	**Tax year 2020-21**
Small Profits Threshold (SPT)	£6,365	£6,475
Class 2 contribution rates	**Tax year 2019-20**	**Tax year 2020-21**
Annual Profits (£ a year)	*£ per week*	*£ per week*
Below SPT	£3.00 (voluntary)	£3.05 (voluntary)
Above SPT	£3.00	£3.05
Special Class 2 rate for share fishermen	£3.65	£3.70
Special Class 2 rate for volunteer development workers	£5.90	£6.00

Class 3 NICs: Other rates and thresholds (£ per week)		
	Tax year 2019-20	**Tax year 2020-21**
Voluntary contributions	£15.00	£15.30

Class 4 NICs: Self-employed rates and thresholds (£ per year)		
	Tax year 2019-20	**Tax year 2020-21**
Lower Profits Limit (LPL)	£8,632	£9,500
Upper Profits Limit (UPL)	£50,000	£50,000
Class 4 contribution rates	**Tax year 2019-20**	**Tax year 2020-21**
Annual profits band	*NIC rate (per cent)*	*NIC rate (per cent)*
Below LPL	0%	0%
LPL to UPL	9%	9%
Above UPL	2%	2%

WORKING AND CHILD TAX CREDITS, CHILD BENEFIT AND GUARDIANS ALLOWANCE

Working and child tax credits		
£ per year (unless stated)	**Tax year 2019-20**	**Tax year 2020-21**
Working tax credit		
Basic element	£1,960	£1,995
Couple and lone parent element	£2,010	£2,045
30 hour element	£810	£825
Disabled worker element	£3,165	£3,220
Severe disability element	£1,365	£1,390
Childcare element of the working tax credit		
Maximum eligible cost for one child	£175 per week	£175 per week
Maximum eligible cost for two or more children	£300 per week	£300 per week
Percentage of eligible costs covered	70%	70%
Child tax credit		
Family element	£545	£545
Child element	£2,780	£2,830
Disabled child element	£3,355	£3,415
Severely disabled child element	£4,715	£4,800
Income thresholds and withdrawal rates		
Income threshold	£6,420	£6,530
Withdrawal rate (per cent)	41%	41%
First threshold for those entitled to child tax credit only	£16,105	£16,385
Income rise disregard	£2,500	£2,500
Income fall disregard	£2,500	£2,500

Child benefit per week		
	Tax year 2019-20	**Tax year 2020-21**
Eldest/only child	£20.70	£21.05
Other children	£13.70	£13.95
Guardians allowance per week		
Guardians allowance	£17.60	£17.90

CAPITAL, ASSETS AND PROPERTY

Pensions tax relief		
	Tax year 2019-20	**Tax year 2020-21**
Lifetime Allowance limit	£1,055,000	£1,073,100
Annual Allowance limit	£40,000	£40,000
Money Purchase Annual Allowance	£4,0000	£4,000
Tapered Annual Allowance (applies when an individual has ‘adjusted income’ over this amount provided the ‘threshold income’ test is met)	£150,000	£240,000

Tax free savings accounts		
	Tax year 2019-20	**Tax year 2020-21**
Individual Savings Account (ISA) subscription limit	£20,000	£20,000
Junior ISA subscription limit	£4,368	£9,000
Child Trust Fund (CTF) subscription limit	£4,368	£9,000

Capital gains tax				
	Tax year 2019-20		**Tax year 2020-21**	
Main rates for individuals other than gains on residential property (not eligible for Private Residence Relief) and carried interest	Income tax basic rate payer	Income tax higher rate payer	Income tax basic rate payer	Income tax higher rate payer
	10%	20%	10%	20%
Rates for individuals (for gains on residential property not eligible for Private	18%	28%	18%	28%

Residence Relief, and carried interest)		
Main rate for trustees and personal representatives other than gains on residential property (not eligible for Private Residence Relief) and carried interest.	20%	20%
Rate for trustees and personal representatives (for gains on residential property not eligible for Private Residence Relief)	28%	28%
Rate for personal representatives for gains on carried interest	28%	28%
Annual exempt amount (AEA) for individuals and personal representatives	£12,000	£12,300
AEA for most trustees	£6,000	£6,150
Rate on gains subject to entrepreneurs' relief	10%	10%
Rate on gains subject to investors' relief	10%	10%
Entrepreneurs' relief: lifetime limit on gains for entrepreneurs	£10,000,000	£1,000,000
Investors' relief: lifetime limit on gains for external investors	£10,000,000	£10,000,000

Inheritance tax

	Tax year 2019-20	**Tax year 2020-21**
Rate (for estates)	40%	40%
Reduced rate (for estates leaving 10% or more to charity)	36%	36%
Rate (for chargeable lifetime transfers)	20%	20%
Nil rate band limit	£325,000	£325,000

Residence nil rate band limit	£150,000	£175,000

Stamp Duty Land Tax – residential property		
Property value	**Rate (on portion of value above threshold)**	**Rate (on portion of value above threshold) on or after 1 April 2016 if purchase is of an additional residential property[11]**
0 to £125k	0%	3%
£125k to £250k	2%	5%
£250k to £925k	5%	8%
£925k to £1.5m	10%	13%
£1.5m+	12%	15%

Stamp Duty Land Tax – non-residential property	
Purchase and Premium Transactions	
Property Value	**Rate on or after 17 March 2016 (on portion of value above threshold)**
0 to £150k	0%
£150k to £250k	2%
£250k+	5%
Net Present Value (NPV) of the Lease	**Rate on or after 17 March 2016 (on portion of value above threshold)**
0 to £150k	0%
£150K to £5m	1%
£5m+	2%

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

Annual Tax on Enveloped Dwellings		
Property value	**Charge for tax year 2019-20**	**Charge for tax year 2020-21**
More than £500,000 but not more than £1m	£3,650	£3,700
More than £1m but not more than £2m	£7,400	£7,500
More than £2m but not more than £5m	£24,800	£25,200
More than £5m but not more than £10m	£57,900	£58,850
More than £10m but not more than £20m	£116,100	£118,050
More than £20m +	£232,350	£236,250

BUSINESS AND FINANCIAL SERVICES

Corporation tax rates

	Financial year 2019-20[12]	Financial year 2020-21	Financial year 2021-22
Main rate	19%	19%	19%
North Sea oil and gas ring fence profits rates[13]	See footnote	See footnote	See footnote

Corporation tax allowances and reliefs

	Financial year 2019-20	Financial year 2020-21	Financial year 2021-22
Plant and machinery: main rate expenditure	18%	18%	18%
Plant and machinery: special rate expenditure	6%	6%	6%
Structures and Buildings Allowances (SBA)	2%	3%[14]	3%
Annual investment allowance (AIA)	£1m	£1m / £200,000[15]	£200,000
First year allowances for certain energy-saving/water efficient products	100%	N/A[16]	N/A
R&D tax credits SME scheme	230%	230%	230%
R&D SME payable credit	14.5%	14.5%	14.5%

[12] From 1 April 2015, for all profits except North Sea oil and gas ring fence profits, corporation tax is paid at a single rate. For 2019 to 2020 the rate is 19%.
[13] For North Sea oil and gas ring fence profits the main rate is 30% and the small profits rate is 19%. The marginal relief ring fence fraction is 11/400ths.
[14] Structures and Building Allowance will be increased from 2% to 3% from April 2020.
[15] An Annual Investment Allowance of £1m will apply to investments made from 1 January 2019 until 31 December 2020. The AIA for investments before and after those dates will be £200,000.
[16] From 1 April 2020 for incorporated businesses and from 6 April 2020 for unincorporated businesses, environmental enhanced capital allowances will be abolished.

R&D Expenditure Credit	12%	13%[17]	13%
Patent Box[18]	10%	10%	10%
Film tax relief	25%	25%	25%
High-end TV tax relief	25%	25%	25%
Videogames tax relief	25%	25%	25%
Open ended investment companies and authorised unit trusts[19]	20%	20%	20%

Bank levy		
	Chargeable equity and long-term chargeable liabilities	**Short-term chargeable liabilities**
1 January 2011 – 28 February 2011	0.025%	0.05%
1 March 2011 – 30 April 2011	0.05%	0.1%
1 May 2011 – 31 December 2011	0.0375%	0.075%
1 January 2012 – 31 December 2012	0.044%	0.088%
1 January 2013 – 31 December 2013	0.065%	0.130%
1 January 2014 – 31 March 2015	0.078%	0.156%
1 April 2015 – 31 December 2015	0.105%	0.21%
1 January 2016 – 31 December 2016	0.09%	0.18%

[17] The R&D Expenditure Credit will increase from 12% to 13% from April 2020.

[18] The Patent Box has been phased in from April 2013 , with companies being able to claim 60% of the benefit in 2013 to 2014, 70% in 2014 to 2015, 90% in 2016 to 2017 and 100% in 2017-2018.

[19] For open ended investment companies and authorised unit trusts the applicable corporation tax rate is 20 per cent.

1 January 2017 – 31 December 2017	0.085%	0.17%
1 January 2018 – 31 December 2018	0.08%	0.16%
1 January 2019 – 31 December 2019	0.075%	0.15%
1 January 2020 – 31 December 2020	0.07%	0.14%
1 January 2021 onwards	0.05%	0.1%

Bank Surcharge	
1 January 2016 onwards	8% on profits

Digital Services Tax	
1 April 2020 onwards	2%
Global revenue threshold	£500m
UK revenue threshold	£25m
UK revenue allowance	£25m

UK oil and gas taxes			
	Financial year 2019-21	**Financial year 2020-21**	**Financial year 2021-22**
Petroleum revenue tax	0%	0%	0%
Ring fence corporation tax[20]	30%	30%	30%
Supplementary charge	10%	10%	10%

[20] For North Sea oil and gas ring fence profits the main rate is 30 per cent and the small profits rate is 19 per cent. The marginal relief ring fence fraction is 11/400ths.

Business rates		
	Financial year 2019-20	**Financial year 2020-21**
England standard multiplier	50.4p	51.2p
England small business multiplier[21]	49.1p	49.9p

[21] Small business multiplier applies to properties with a rateable value of less £51,000

INDIRECT TAX

Budget 2020 confirmed that alcohol duty rates have been frozen from 2019, as shown in the table below.

Alcohol duty		
	Duty rate from 1 February 2019	**Duty rate from 11 March 2020**
Rate per litre of pure alcohol		
Spirits	£28.74	£28.74
Spirits-based RTDs	£28.74	£28.74
Wine and made-wine: exceeding 22% alcohol by volume (abv)	£28.74	£28.74
Rate per hectolitre per cent of alcohol in the beer		
Beer - lower strength: exceeding 1.2% - not exceeding 2.8% abv.	£8.42	£8.42
Beer – General Beer Duty: exceeding 2.8% - not exceeding 7.5% abv.	£19.08	£19.08
Beer - High strength: exceeding 7.5% - in addition to the General Beer Duty	£19.08 + £5.69	£19.08 + £5.69
Rate per hectolitre of product		
Still cider and perry: exceeding 1.2% - not exceeding 6.9% abv..	£40.38	£40.38
Still cider and perry: exceeding 6.9% - not exceeding 7.5% abv.	£50.71	£50.71
Still cider and perry: exceeding 7.5% - less than 8.5% abv.	£61.04	£61.04
Sparkling cider and perry: exceeding 1.2% - not exceeding 5.5% abv.	£40.38	£40.38
Sparkling cider and perry: exceeding 5.5% - less than 8.5% abv.	£288.10	£288.10
Wine and made-wine: exceeding 1.2% - not exceeding 4% abv.	£91.68	£91.68
Wine and made-wine: exceeding 4% - not exceeding 5.5% abv.	£126.08	£126.08
Still wine and made-wine: exceeding 5.5% - not exceeding 15% abv.	£297.57	£297.57
Wine and made-wine: exceeding 15% - not exceeding 22% abv.	£396.72	£396.72
Sparkling wine and made-wine: exceeding 5.5% - less than 8.5% abv.	£279.46	£279.46
Sparkling wine and made-wine: at least 8.5% - not exceeding 15% abv.	£369.72	£369.72

Tobacco Products				
	From 6pm 29 October 2018 *unless otherwise stated		**From 6pm 11 March 2020**	
	Duty Rate plus Ad valorem Element	**Minimum Excise Tax**	**Duty Rate plus Ad valorem Element**	**Minimum Excise Tax**
Cigarettes	An amount equal to the higher of the following alternatives		An amount equal to the higher of the following alternatives	
	An amount equal to 16.5% of the retail price plus £228.29 per 1000 cigarettes.	or £293.95 per 1000 cigarettes	An amount equal to 16.5% of the retail price plus £237.34 per 1000 cigarettes.	or £305.23 per 1000 cigarettes
Cigars	£284.76 per kilogram	N/A	£296.04 per kilogram	N/A
Hand-rolling tobacco	£234.65 per kilogram	N/A	£253.33 per kilogram	N/A
Other smoking tobacco and chewing tobacco	£125.20 per kilogram	N/A	£130.16 per kilogram	N/A
Tobacco for Heating	£234.65 per kilogram	N/A	£243.95 per kilogram	N/A

Gambling duties		
	Tax year 2019-20	**Tax year 2020-21**
Bingo duty		
Percentage of bingo promotion profits	10%	10%
General betting duty		
Percentage of 'net stake receipts' for fixed odds bets and totalisator bets on horse or dog races	15%	15%
Percentage of 'net stake receipts' for financial spread bets	3%	3%
Percentage of 'net stake receipts' for all other spread bets	10%	10%
Pool betting duty		
Percentage of net pool betting receipts	15%	15%
Lottery duty		
Percentage of the price paid or payable on taking a ticket or chance in a lottery	12%	12%
Remote gaming duty		
Percentage of remote gaming profits	21%	21%
Machine games duty		
Percentage of the net takings from dutiable machine games with a maximum cost to play not more than 20p and a maximum cash prize not more than £10 (Type 1 machines)	5%	5%
Percentage of net takings from machines which are not Type 1 machines but where the cost to play cannot exceed £5	20%	20%
Percentage of net takings from dutiable machine games where the maximum cost to play can exceed £5	25%	25%

Gaming duty 2019-20					
Tax rate	15%	20%	30%	40%	50%
Gross gaming yield	£2,423,500	£1,670,500	£2,925,500	£6,175,500	Remainder
Figures for accounting periods beginning on or after 1 April 2020.					
Tax rate	15%	20%	30%	40%	50%
Gross gaming yield	£2,471,000	£1,703,500	£2,983,000	£6,296,500	Remainder

Insurance Premium Tax		
	Tax year 2019-20	**Tax year 2020-21**
Standard rate	12%	12%
Higher rate	20%	20%

Soft Drinks Industry Levy		
For drinks within scope:	**Tax year 2019-20**	**Tax year 2020-21**
Levy due on drinks that have a total sugar content of more than 5g and less than 8g per 100ml	18p per litre	18p per litre
Levy due on drinks that have a total sugar content of 8g or more per 100ml	24p per litre	24p per litre

Climate change levy main rates				
Taxable commodity	**Rate from 1 April 2020**	**Rate from 1 April 2021**	**Rate from 1 April 2022**	**Rate from 1 April 2023**
Electricity (£ per kilowatt hour)	0.00811	0.00775	0.00775	0.00775
Natural gas (£ per kilowatt hour)	0.00406	0.00465	0.00568	0.00672
Liquefied petroleum gas (£ per kilogram)	0.02175	0.02175	0.02175	0.02175
Any other taxable commodity (£ per kilogram)	0.03174	0.03640	0.04449	0.05258

Climate change levy reduced rates				
Taxable commodity	**Rate from 1 April 2020**	**Rate from 1 April 2021**	**Rate from 1 April 2022**	**Rate from 1 April 2023**
Electricity	8%	8%	8%	8%
Natural gas	19%	17%	14%	12%
Liquefied petroleum gas	23%	23%	23%	23%
Any other taxable commodity	19%	17%	14%	12%

CPS rates of CCL and fuel duty	
	Rate from 1 April 2016 to 31 March 2022
Carbon price equivalent (£ per tonne of carbon dioxide)	18.00
Supplies of commodity used in electricity generation	
Natural gas (£ per kilowatt hour)	0.00331
LPG (£ per kilogram)	0.05280
Coal and other taxable solid fossil fuels (£ per gross gigajoule)	1.54790
Gas oil; rebated bio blend; and kerosene (£ per litre)	0.04916
Fuel oil; other heavy oil and rebated light oil (£ per litre)	0.05711

Aggregates levy		
	Rate from 1 April 2019	**Rate from 1 April 2020**
Commercially exploited taxable aggregate	£2 per tonne	£2 per tonne

Landfill tax			
Material sent to landfill	**Rate from 1 April 2019**	**Rate from 1 April 2020**	**Rate from 1 April 2021**
Coverage	England and Northern Ireland	England and Northern Ireland	England and Northern Ireland
Standard rated (per tonne)	£91.35	£94.15	£96.70

Lower rated (per tonne	£2.90	£3.00	£3.10

Air passenger duty rates [22, 23]									
Bands (approximate distance in miles from London)	**Reduced rate (lowest class of travel)**			**Standard rate** [24] **(other than the lowest class of travel)**			**Higher rate** [25]		
	From 01 April 2019	From 01 April 2020	From 01 April 2021	From 01 April 2019	From 01 April 2020	From 01 April 2021	From 01 April 2019	From 01 April 2020	From 01 April 2021
Band A (0 – 2,000 miles)	£13	£13	£13	£26	£26	£26	£78	£78	£78
Band B (over 2,000 miles)	£78	£80	£82	£172	£176	£180	£515	£528	£541

Fuel duty – pound per litre unless stated	
	Rates on and after 6pm on 23 March 2011
Light oils	
Unleaded petrol	0.5795
Light oil (other than unleaded petrol or aviation gasoline)	0.6767
Aviation gasoline (Avgas)	0.3770
Light oil delivered to an approved person for use as furnace fuel	0.1070

[22] APD applies to all flights aboard aircraft 5.7 tonnes and above.
[23] Rates for direct long-haul flights from Northern Ireland are devolved and set at £0. Direct long haul journeys are those where the first leg of the journey is to a destination outside Band A.
[24] Where a class of travel provides a seat pitch in excess of 1.016 metres (40 inches), the standard rate is the minimum rate that applies.
[25] The higher rate applies to flights on aircraft of 20 tonnes and above, with fewer than 19 seats.

Heavy oils	
Heavy oil (diesel)	0.5795
Marked gas oil	0.1114
Fuel oil	0.1070
Heavy oil other than fuel oil, gas oil or kerosene used as fuel	0.1070
Kerosene to be used as motor fuel off road or in an excepted vehicle	0.1114
Biofuels	
Bio-ethanol	0.5795
Bio-diesel	0.5795
Bio-diesel for non-road use	0.1114
Bio-diesel blended with gas oil not for road fuel use	0.1114
Road fuel gases	
Liquefied petroleum gas (£ per kilogram)	0.3161
Road fuel natural gas including biogas (£ per kilogram)	0.2470
Other fuel	
	Rate on and after 1 October 2016
Aqua-methanol set aside for road use	0.07900

The changes to VED rates to take effect from 1 April 2020 are set out in the tables below: [26]

VED bands and rates for cars first registered on or after 1 April 2018

CO_2 emissions (g/km)	Tax year 2019-20		Tax year 2020-21	
	Standard rate[27]	First year rate[28]	Standard rate	First Year Rate
0	0	0	0	0
1-50	145	10	150	10
51-75	145	25	150	25
76-90	145	110	150	110
91-100	145	130	150	135
101-110	145	150	150	155
111-130	145	170	150	175
131-150	145	210	150	215
151-170	145	530	150	540
171-190	145	855	150	870
191-225	145	1,280	150	1,305
226-255	145	1,815	150	1,850
Over 255	145	2,135	150	2,175

Budget 2018 announced that new diesel vehicles registered after 1 April 2018 that do not meet the real driving emission step 2 (RDE2) standard will be charged a supplement on their First Year Rate to the effect of moving up by one VED band.

[26] Includes cars emitting over 225g/km registered before 23 March 2006.
[27] Cars with a list price of over £40,000 when new pay an additional rate of £325 per year on top of the standard rate, for five years.
[28] Alternative fuelled vehicles, including hybrids, bioethanol and liquid petroleum gas, pay £140 per annum.

VED bands and rates for cars registered on or after 1 March 2001			
VED band	**CO_2 emissions (g/km)**	**Tax year 2019-20**	**Tax year 2020-21**
		Standard rate	**Standard rate**
A	Up to 100	0	0
B	101-110	20	20
C	111-120	30	30
D	121-130	125	130
E	131-140	145	150
F	141-150	160	165
G	151-165	200	205
H	166-175	235	240
I	176-185	260	265
J	186-200	300	305
K[29]	201-225	325	330
L	226-255	555	565
M	Over 255	570	580

VED bands and rates for cars and vans registered before 1 March 2001		
Engine size	**Tax year 2019-20**	**Tax year 2020-21**
1549cc and below	160	165
Above 1549cc	265	270

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

VED bands and rates for vans registered on or after 1 March 2001		
Vehicle registration date	**Tax year 2019-20**	**Tax year 2020-21**
Early Euro 4 and Euro 5 compliant vans	140	140
All other vans	260	265

VED bands and rates for motorcycles		
Engine size	**Tax year 2019-20**	**Tax year 2020-21**
Not over 150cc	20	20
151cc and 400cc	43	44
401cc to 600c	66	67
Over 600cc	91	93

VED bands and rates for motor tricycles		
Engine size	**Tax year 2019-20**	**Tax year 2020-21**
Not over 150cc	20	20
All other tricycles	91	93

VED bands and rates for trade licences		
Vehicle type	**Tax year 2019-20**	**Tax year 2020-21**
Available for all vehicles	160	165
Available only for bicycles and tricycles (weighing no more than 450kg without a sidecar)	91	93

VED bands and rates for cars											
VED band (letter and rate number)	**Total VED and levy (Euro VI vehicles)**		**Total VED and levy (Euro 0-V vehicles)**		**VED rates**		**Levy bands**	**Levy rates (Euro VI vehicle)**		**Levy rates (Euro 0-V vehicles)**	
	12 months	**6 months**	**12 months**	**6 months**	12 months	**6 months**		**12 months**	**6 months**	**12 months**	**6 months**
A0	£165	£90.75	£165	£90.75	£165	£90.75	**n/a**	n/a	n/a	n/a	n/a
B0	£200	£110	£200	£110	£200	£110					
A1	£156.50	£85.90	£182	£101.20	£80	£40	**A**	£7 6.50	£45 .90	£102	£61.20
A2	£160.50	£87.90	£186	£103.20	£84	£42					
A3	£176.50	£95.90	£202	£111.20	£100	£50					
A4	£222.50	£118.90	£248	£134.20	£146	£73					
A5	£227.50	£121.40	£253	£136.70	£151	£75.50					
B1	£189.50	£104.20	£221	£123.10	£95	£47.50	**B**	£9 4.50	£56 .70	£126	£75.60
B2	£199.50	£109.20	£231	£128.10	£105	£52.50					
B3	£219.50	£119.20	£251	£138.10	£125	£62.50					
C1	£426	£234.60	£498	£277.80	£210	£105	**C**	£216	£129.60	£288	£172.80
C2	£481	£262.10	£553	£305.30	£265	£132.50					

C3	£505	£274.10	£577	£317.30	£289	£144.50					
D1	£615	£339	£720	£402.00	£300	£150	**D**	£315	£189	£420	£252
E1	£1,136	£625.60	£1,328	£740.80	£560	£280	**E**	£576	£345.6 0	£768	£460.80
E2	£1,185	£650.10	£1,377	£765.30	£609	£304.50					
F	£1,419	£782.40	£1,662	£928.20	£690	£345	**F**	£7 29	£437.4 0	£972	£583.20
G	£1,750	£965	£2,050	£1,145	£850	£425	**G**	£900	£540	£1,20 0	£720

VED and levy amounts payable for rigid vehicles with trailers (vehicles WITH Road Friendly Suspension)

HGV axles	**Levy band**	**Trailer weight category**	**Total weight of HGV and trailer, not over**	**VED band (letter) and rate (number)**	**VED rates**		**Levy rates (Euro VI vehicles)**		**Levy rates (Euro 0-V vehicles)**	
					12 months	**6 months**	**12 months**	**6 months**	**12 months**	**6 months**
Two	B(T)	4,001-12,000kg	27,000kg	B(T)1	£230	£115	£121.50	£72.90	£162	£97.20
		Over 12,000kg	33,000kg	B(T)3	£295	£147.50				
			36,000kg	B(T)6	£401	£200.50				
			38,000kg	B(T)4	£319	£159.50				
			40,000kg	B(T)7	£444	£222				
	D(T)	4,001-12,000kg	30,000kg	D(T)1	£365	£182.50	£405	£243	£540	£324
			38,000kg	D(T)4	£430	£215				

		Over 12,000kg	40,000kg	D(T)5	£444	£222				
Three	B(T)	4,001-12,000kg	33,000kg	B(T)1	£230	£115	£121.50	£72.90	£162	£97.20
		Over 12,000kg	38,000kg	B(T)3	£295	£147.50				
			40,000kg	B(T)5	£392	£196				
			44,000kg	B(T)3	£295	£147.50				
	C(T)	4,001-12,000kg	35,000kg	C(T)1	£305	£152.50	£279	£167.40	£372	£223.20
		Over 12,000kg	38,000kg	C(T)2	£370	£185				
			40,000kg	C(T)3	£392	£196				
			44,000kg	C(T)2	£370	£185				
	D(T)	4,001-10,000kg	33,000kg	D(T)1	£365	£182.50	£405	£243	£540	£324
			36,000kg	D(T)3	£401	£200.50				
		10,001-12,000kg	38,000kg	D(T)1	£365	£182.50				
		Over 12,000kg	44,000kg	D(T)4	£430	£215				
Four	B(T)	4,001-12,000kg	35,000kg	B(T)1	£230	£115	£121.50	£72.90	£162	£97.20
		Over 12,000kg	44,000kg	B(T)3	£295	£147.50				
	C(T)	4,001-12,000kg	37,000kg	C(T)1	£305	£152.50	£279	£167.40	£372	£223.20
		Over 12,000kg	44,000kg	C(T)2	£370	£185				
	D(T)	4,001-12,000kg	39,000kg	D(T)1	£365	£182.50	£405	£243	£540	£324
		Over 12,000kg	44,000kg	D(T)4	£430	£215				

	E(T)	4,001-12,000kg	44,000kg	E(T)1	£535	£267.50	£747	£448.20	£996	£597.60
		Over 12,000kg	44,000kg	E(T)2	£600	£300				

VED and levy amounts payable for rigid vehicles with trailers (vehicles WITHOUT Road Friendly Suspension)

HGV axles	Levy band	Trailer weight category	Total weight of HGV and trailer, not over	VED band (letter) and rate (number)	VED rates		Levy rates (Euro VI vehicles)		Levy rates (Euro 0-v vehicles	
					12 months	6 months	12 months	6 months	12 months	6 months
Two	B(T)	4,001-12,000kg	27,000kg	B(T)1	£230	£115	£121.50	£72.90	£162	£97.20
		Over 12,000kg	31,000kg	B(T)3	£295	£147.50				
			33,000kg	B(T)6	£401	£200.50				
			36,000kg	B(T)10	£609	£304.50				
			38,000kg	B(T)7	£444	£222				
			40,000kg	B(T)9	£604	£302				
	D(T)	4,001-12,000kg	30,000kg	D(T)1	£365	£182.50	£405	£243	£540	£324
		Over 12,000kg	33,000kg	D(T)4	£430	£215				
			36,000kg	D(T)8	£609	£304.50				
			38,000kg	D(T)5	£444	£222				
			40,000kg	D(T)7	£604	£302				
Three	B(T)	4,001-10,000kg	29,000kg	B(T)1	£230	£115	£121.50	£72.90	£162	£97.20
			31,000kg	B(T)2	£289	£144.50				
		10,001-12,000kg	33,000kg	B(T)1	£230	£115				
		Over 12,000kg	36,000kg	B(T)3	£295	£147.50				
			38,000kg	B(T)5	£392	£196				
			40,000kg	B(T)8	£542	£271				
	C(T)	4,001-10,000kg	31,000kg	C(T)1	£305	£152.50	£279	£167.40	£372	£223.20
			33,000kg	C(T)4	£401	£200.50				
		10,001-12,000kg	35,000kg	C(T)1	£305	£152.50				
		Over 12,000kg	36,000kg	C(T)2	£370	£185				
			38,000kg	C(T)3	£392	£196				

			40,000kg	C(T)5	£542	£271				
	D(T)	4,001-10,000kg	31,000kg	D(T)1	£365	£182.50	£405	£243	£540	£324
			33,000kg	D(T)3	£401	£200.50				
			35,000kg	D(T)8	£609	£304.50				
		10,001-12,000kg	36,000kg	D(T)1	£365	£182.50				
			37,000kg	D(T)2	£392	£196				
		Over 12,000kg	38,000kg	D(T)4	£430	£215				
			40,000kg	D(T)6	£542	£271				
Four	B(T)	4,001-12,000kg	35,000kg	B(T)1	£230	£115	£121.50	£72.90	£162	£97.20
		Over 12,000kg	40,000kg	B(T)3	£295	£147.50				
	C(T)	4,001-12,000kg	37,000kg	C(T)1	£305	£152.50	£279	£167.40	£372	£223.20
		Over 12,000kg	40,000kg	C(T)2	£370	£185				
	D(T)	4,001-10,000kg	36,000kg	D(T)1	£365	£182.50	£405	£243	£540	£324
			37,000kg	D(T)5	£444	£222				
		10,001-12,000kg	39,000kg	D(T)1	£365	£182.50				
		Over 12,000kg	40,000kg	D(T)4	£430	£215				
	E(T)	4,001-10,000kg	38,000kg	E(T)1	£535	£267.50	£747	£448.20	£996	£597.60
			40,000kg	E(T)3	£604	£302				
			40,000kg	E(T)1	£535	£267.50				

The band and rate payable can be calculated by using the following look-up tables. Note that in all the tables below the letter indicates the VED and levy band the vehicle is in, and the number indicates the rate that is payable as part of that band (for example B2 would refer to VED and levy band B, and rate 2 as determined by the weight and axle configuration of the vehicle). For vehicles with trailers, the rate paid depends on whether the vehicle has road-friendly suspension. There are separate tables for with and without RFS.

<table>
<tr><th colspan="5"><u>Rigid goods vehicle - WITHOUT trailer)</u></th></tr>
<tr><th colspan="2">Revenue weight of vehicle, kg</th><th rowspan="2">2 axles</th><th rowspan="2">3 axles</th><th rowspan="2">4 or more axles</th></tr>
<tr><th>Over</th><th>Not over</th></tr>
<tr><td>3,500</td><td>7,500</td><td>A0</td><td>A0</td><td>A0</td></tr>
<tr><td>7,500</td><td>11,999</td><td>B0</td><td>B0</td><td>B0</td></tr>
<tr><td>11,999</td><td>14,000</td><td>B1</td><td rowspan="3">B1</td><td rowspan="5">B1</td></tr>
<tr><td>14,000</td><td>15,000</td><td>B2</td></tr>
<tr><td>15,000</td><td>19,000</td><td rowspan="6">D1</td></tr>
<tr><td>19,000</td><td>21,000</td><td>B3</td></tr>
<tr><td>21,000</td><td>23,000</td><td>C1</td></tr>
<tr><td>23,000</td><td>25,000</td><td rowspan="3">D1</td><td>C1</td></tr>
<tr><td>25,000</td><td>27,000</td><td>D1</td></tr>
<tr><td>27,000</td><td>44,000</td><td>E1</td></tr>
</table>

<table>
<tr><th colspan="5"><u>Rigid vehicles - WITH trailer</u></th></tr>
<tr><th colspan="2">Revenue weight of vehicle (not trailer), kg</th><th rowspan="2">Two-axled rigid</th><th rowspan="2">Three-axled rigid</th><th rowspan="2">Four-axled rigid</th></tr>
<tr><th>Over</th><th>Not over</th></tr>
<tr><td>11,999</td><td>15,000</td><td>B(T)</td><td rowspan="2">B(T)</td><td rowspan="3">B(T)</td></tr>
<tr><td>15,000</td><td>21,000</td><td>D(T)</td></tr>
<tr><td>21,000</td><td>23,000</td><td rowspan="4">E(T)</td><td>C(T)</td></tr>
<tr><td>23,000</td><td>25,000</td><td rowspan="2">D(T)</td><td>C(T)</td></tr>
<tr><td>25,000</td><td>27,000</td><td>D(T)</td></tr>
<tr><td>27,000</td><td>44,000</td><td>E(T)</td><td>E(T)</td></tr>
</table>

<table>
<tr><th colspan="5"><u>Articulated vehicles – Tractive unit with three or more axles)</u></th></tr>
<tr><th colspan="2">Revenue Weight of Vehicle, kg</th><th rowspan="2">One or more semi-trailer axles</th><th rowspan="2">Two or more semi trailer axles</th><th rowspan="2">Three or more semi-trailer axles</th></tr>
<tr><th>Over</th><th>Not over</th></tr>
<tr><td>3,500</td><td>11,999</td><td>A0</td><td>A0</td><td>A0</td></tr>
</table>

<table>
<tr><th colspan="5"><u>Articulated vehicles – Tractive unit with two axles)</u></th></tr>
<tr><th colspan="2">Revenue Weight of Vehicle, kg</th><th rowspan="2">One or more semi-trailer axles</th><th rowspan="2">Two or more semi trailer axles</th><th rowspan="2">Three or more semi-trailer axles</th></tr>
<tr><th>Over</th><th>Not over</th></tr>
<tr><td>3,500</td><td>11,999</td><td>A0</td><td>A0</td><td>A0</td></tr>
</table>

<table>
<tr><td>11,999</td><td>25,000</td><td>A1</td><td rowspan="5">A1</td><td rowspan="7">A1</td></tr>
<tr><td>25,000</td><td>26,000</td><td>A3</td></tr>
<tr><td>26,000</td><td>28,000</td><td>A4</td></tr>
<tr><td>28,000</td><td>29,000</td><td>C1</td></tr>
<tr><td>29,000</td><td>31,000</td><td>C3</td></tr>
<tr><td>31,000</td><td>33,000</td><td>E1</td><td>C1</td></tr>
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<tr><td>38,000</td><td>44,000</td><td>G</td><td>G</td><td>E1</td></tr>
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<tr><td>38,000</td><td>44,000</td><td>G</td><td>G</td><td>G</td></tr>
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VAT		
	April 2019-20	**April 2020-21**
Standard rate	20%	20%
Reduced rate	5%	5%
Zero rate	0%	0%
Exempt	N/A	N/A

VAT registration and deregistration thresholds		
	From April 2019	**From April 2020**
VAT registration thresholds	£85,000	£85,000
VAT deregistration threshold	£83,000	£83,000

Annex B: Consultations

This table lists the tax consultations announced at Budget 2020.

For an update on previously announced consultations, see the tax policy consultation tracker.

Consultation Title	Paragraph number
Consultation: Plastic Packaging Tax	1.21
Consultation on Carbon Emissions Tax operation	1.28
National Insurance holiday for employers of veterans	2.13
Consultation on R&D tax credit qualifying costs	2.16
Consultation on the corporation tax rules that apply to hybrid mismatch arrangements	2.18
Consultation on the tax impact of the withdrawal of the London Interbank Offered Rate (LIBOR)	2.19
Red diesel: entitlement	2.32
Call for evidence on VED	2.33
Consultation: duty-free and tax-free goods carried by passengers	2.30
Consultation: Tax treatment of asset holding companies in alternative fund structures	2.20
Tackling Construction Industry Scheme (CIS) abuse	2.49
Consultation: Penalties to tackle tobacco tax evasion	2.53
Consultation: Large business consultation	2.55
Consultation: Insurance Premium Tax	2.56

Annex C: Guide to impact assessments in tax information and impact notes (TIINs) and full text of TIINs

Guide to impact assessment in TIINs

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

Exchequer impact

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

Where exchequer impacts are significant, they are agreed with the Office for Budget responsibility (OBR) and are shown in Table 2.1 of the Budget report. Where the exchequer impact is negligible, the impact is less than £3 million in any one year.

Economic impact

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

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

Individuals and households impact

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

A quantitative impact will be shown where:

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

Equalities impact

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

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

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

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

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

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

Business and civil society organisations

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

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

- the number of affected businesses
- sectoral and particular market impacts
- annual and one-off compliance costs, where there is a compliance cost or saving greater than £100,000 a year or £5 million on a one-off basis.

Three different levels will be shown:

- no impact
- negligible impact, where the impact is below the £100,000 annual and £5 million one-off cost or saving
- significant impact, where the impact is over at least one of the thresholds and a cost table is shown.

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

Operational impact

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

Other impacts

This section deals with the other impacts which may result from a measure. Impacts are only shown where relevant to a measure and include:

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

Ministerial sign off for tax impact and information notes

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

Financial Secretary to the Treasury

List of Tax Information and Impact Notes

Pensions Tax: Changes to income limits in calculating the tapered annual allowance

Who is likely to be affected

Following an increase in the threshold income and adjusted income, those individuals with a threshold income of between £110,000 and £200,000 and adjusted income between £150,000 and £240,000 will no longer be impacted by the tapered annual allowance.

For individuals who continue to be affected by the tapered annual allowance, the minimum tapered annual allowance will be £4,000 (currently £10,000).

Scheme administrators of registered pension schemes will need to modify their systems to accommodate for these changes.

General description of the measure

This measure increases the income limits used in calculating a tapered annual allowance and decreases the minimum tapered annual allowance.

The threshold income, which is broadly net income before tax (excluding pension contributions), is increased from £110,000 to £200,000.

The adjusted income, which is broadly net income plus pension accrual, is increased from £150,000 to £240,000.

The minimum tapered annual allowance is decreased from £10,000 to £4,000.

Policy objective

The measure supports the government's objective to make sure pensions tax relief is fair, affordable and sustainable.

Background to the measure

The government introduced the tapered annual allowance with effect from 6 April 2016 for those with incomes of over £150,000. The tapered annual allowance is triggered when both the threshold income and the adjusted income exceeds their designated limits. The £40,000 annual allowance is reduced by £1 for every £2 that the adjusted income exceeds £150,000, to a minimum annual allowance of £10,000.

In August 2019 the previous government announced a review of the tapered annual allowance and its effect on the delivery of public services. In December 2019 the government further announced a more focused review of the taper and its effect on the NHS.

Following this, the government has announced that it will increase the threshold income from £110,000 to £200,000; the adjusted income from £150,000 to £240,000 and will decrease the minimum reduced tapered annual allowance from £10,000 to £4,000.

Detailed proposal

Operative date

The measure will have effect for the tax year 2020-21 and will be effective for benefits accrued on or after 6 April 2020.

Current law

Although there are no limits to how much an individual can save or accrue in a registered pension scheme, there is an annual limit on the amount of an individual's tax-relieved annual pension savings or accrual (including employer contributions). This is known as the annual allowance (sections 227 to 238A of Finance Act (FA) 2004). The standard annual allowance is currently £40,000. Unused annual allowance from the three previous tax years for the individual can be carried forward and added to the current annual allowance. If the individuals' pension savings for the tax year exceed this total, the annual allowance charge is applied to the excess.

The rules for the tapered annual allowance came into force on 6 April 2016 and are set out in Section 228ZA FA2004. These rules apply to individuals with 'adjusted income' for a tax year above £150,000 subject to their threshold income exceeding £110,000. Both income limits have to be exceeded before a person is affected by the tapered annual allowance.

The annual allowance is reduced by £1 for every £2 of adjusted income above £150,000, subject to a minimum reduced annual allowance of £10,000.

Where the reduction would otherwise take an individual's tapered annual allowance below £10,000 for the tax year, their reduced annual allowance for that year is restricted to £10,000.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to amend the threshold income to £200,000 and the adjusted income to £240,000, whilst also reducing the minimum tapered annual allowance from £10,000 to £4,000.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	- 180	- 315	- 450	- 560	- 670

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020.

Economic impact

This measure is not expected to have any significant macroeconomic impacts. A behavioural adjustment is made for some affected individuals choosing to make higher pension contributions.

Impact on individuals, households and families

This measure will impact an estimated 250,000 individuals who are currently affected by the tapered annual allowance. This figure consists of individuals who no longer fit the criteria as they now fall below either one or both of the thresholds, those who are still impacted by the taper but are entitled to make more tax relievable pension contributions, and individuals who will be impacted by the reduced minimum tapered annual allowance.

Individuals who continue to be affected by the taper, depending on their adjusted income, may be impacted by the reduced minimum tapered annual allowance decreasing to £4,000. Individuals who no longer exceed the annual allowance as a result of the taper may choose to work more hours. However for those with very high incomes, being affected by the reduced minimum annual allowance may make them consider retiring earlier or reducing hours. Especially if they can't easily reduce contributions.

The change in tax liability brought by this measure is unlikely to have an impact on family formation, stability or breakdown. Those earning more than £300,000 will see a reduction in their annual allowance and will pay more tax as a consequence. Likewise, those earning below £300,000 adjusted income are likely to see a reduction in the tax they pay because they are either no longer impacted by the taper and are entitled to the full £40,000 annual allowance, or they are still impacted by the taper, but their tapered annual allowance has increased. Some individuals may be affected more than others depending on their income levels and family circumstances.

Customer experience with HMRC is expected to improve for those who are no longer are affected by the taper as they will no longer have to do the additional calculations. Those who continue to be affected would expect their experience to remain broadly the same as the process will not change for them.

Equalities impacts

Our analysis from the Family Resources Survey show that 2% of the overall male population and 1% of the overall female population are earning more than £150,000. This measure will therefore impact men more than women. It is not anticipated that there will be any particular impact on other groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses administering registered pension schemes.

One-off costs for businesses will include familiarisation with the changes and could also include updating systems to reflect changes to the annual allowance. Additional one-off costs could also include training staff of changes, legal and consultation advice and undertaking extra end of year calculations.

There are not expected to be any additional ongoing costs.

Customer experience is expected to stay broadly the same as the process is not expected to change significantly.

This measure is not expected to impact civil society organisations.

Operational impact (£m) (HMRC or other)

Minimal changes will need to be made to the online guidance on gov.uk and The Pensions Annual Allowance Calculator. The calculator will need amending to take into consideration the increased limits and reduction in minimum annual allowance. This will only impact the Digital Operations Delivery Group and the estimated cost of this will be £5,000.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Top Slicing Relief on life insurance policy gains

Who is likely to be affected

Individuals who have made gains on life insurance policies and claim Top Slicing Relief (TSR).

General description of the measure

This measure allows the personal allowance to be reinstated within the calculation for TSR. This provides additional relief for taxpayers whose entitlement to the personal allowance has been reduced because a gain is included as part of their income.

The measure also clarifies the treatment of allowances and reliefs within the TSR calculation by confirming that they must be set as far as possible against other income in preference to the gain. This will ensure that the relief is calculated in a fair and consistent way.

Policy objective

The measure supports the government's objective of promoting fairness in the tax system by ensuring TSR is calculated in a consistent and fair way

The original policy intent of TSR was to provide relief to taxpayers who have become subject to a higher rate of tax due to a gain being included in their income. The change to the treatment of reduced personal allowances, as set out in this measure, is in line with that original policy intent.

Background to the measure

This measure was announced at Budget 2020.

Detailed proposal

Operative date

The measure will have effect for all relevant gains occurring on or after announcement at Budget 2020.

Current law

The current law is set out in Chapter 9, Part 4 Income Tax (Trading and Other Income) Act 2005. This is known as the chargeable event gain regime. These rules ensure that gains made by individuals from their policies are subject to income tax at the individual's marginal rate.

Within Chapter 9, sections 535 to 537 set out how TSR is to be calculated. Life insurance policy gains accrue over a number of years but are taxed in one year. This can result in gains being taxed at a higher rate. TSR was designed to mitigate the impact of this higher tax charge.

Proposed revisions

Finance Bill 2020 will include amendments to sections 535 to 537 to put beyond doubt the effect of the legislation. The amendments will:-

- Permit the personal allowance to be reinstated within the taxpayer's TSR calculation where it has been reduced by reason of including a gain in their income for the year. For this purpose, the personal allowance will be calculated by reference to the taxpayer's other income and a proportion of the gain; and
- Confirm that, in the TSR calculation, allowances and reliefs have to be set as far as possible against other income in preference to the gain.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	negligible	-15	-15	-15	-20

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020. This measure also supports the Exchequer in its commitment to protect revenue.

Economic impact

This measure is not expected to have significant macroeconomic impacts.

Impact on individuals, households and families

This measure is expected to impact around 2,000 of the 45,000 individuals who return gains annually. These individuals will benefit from the reinstatement of personal allowances. There is not expected to be any impact on family formation, stability or breakdown.

Customer experience is expected to improve as the measure provides clarity on how the relief is calculated and will ensure that affected taxpayers benefit from the correct amount of relief.

Equalities impacts

This measure applies to individuals incurring gains on life insurance policies only. This measure will affect individuals within the protected equality groups that tend to be represented amongst those with above average income.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on around 200 life insurance companies who offer life insurance policies to UK customers.

The measure will not create an additional tax charge for those companies. One-off costs include familiarisation with the new rule as well as updating existing guidance on TSR following implementation. There are not expected to be any on-going costs.

There is expected to be no impact on civil society organisations.

Customer experience is expected to stay the same as the obligations of life insurance companies, in relation to this relief, remain unchanged.

Operational impact (£m) (HMRC or other)

The changes will result in one-off costs which are estimated to be in the region of £400,000 to deliver the IT solution to support this measure.

Other impacts

This measure will have no impact on climate and fuel poverty targets, or on air quality targets.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Laura Parker on Telephone: 03000 535613 or email: Laura.Parker2@hmrc.gov.uk.

Capital gains tax: Reduction in the Entrepreneurs' Relief lifetime limit

Who is likely to be affected

Individuals who dispose of all or part of their business; individuals who dispose of shares in their personal company; and trustees who dispose of business assets.

General description of the measure

Entrepreneurs' Relief (ER) provides for a lower rate of capital gains tax (10%) to be paid when disposing of all or part of a business where certain criteria are met, subject to a lifetime limit of £10,000,000 of qualifying gains.

This measure reduces the lifetime limit from £10,000,000 to £1,000,000 for ER qualifying disposals made on or after 11 March 2020.

There are special provisions for disposals entered into before 11 March 2020 that have not been completed.

Policy objective

This measure improves the effectiveness and value for money of ER by reducing the lifetime limit on eligible gains. This change ensures the Government continues to encourage genuine risk takers and entrepreneurs' in a fair way, with over 80% of those using the relief unaffected.

Background to the measure

This measure was announced at Budget 2020.

Detailed proposal

Operative date

This measure will have effect for ER qualifying disposals made on or after 11 March 2020.

Current law

Current law is at sections 169H to 169V of, and Schedules 5B and 7ZA to, the Taxation of Chargeable Gains Act 1992 (TCGA 1992). Section 169N provides that ER is available subject to a maximum lifetime limit of £10,000,000 per individual.

Proposed revisions

Legislation will be introduced in Finance Bill 2020 reducing the ER lifetime limit to a maximum of £1,000,000. The rules will also provide that the lifetime limit must take into account the value of ER claimed in respect of qualifying gains in the past.

Rules will also be introduced that apply to forestalling arrangements entered into before Budget day. In such cases the disposal will be subject to the £1,000,000 lifetime cap unless:

(1) The parties to the contract demonstrate that they did not enter into the contract with a purpose of obtaining a tax advantage by reason of the timing rule in section 28 of TCGA 1992, and

(2) Where the parties to the contract are connected, that the contract was entered into for wholly commercial reasons.

In addition, where shares have been exchanged for those in another company on or after 6 April 2019 but before 11 March 2020, and

- both companies are owned or controlled by substantially the same persons, or
- persons who held shares in company A hold a greater percentage of shares in company B than they did in company A and, on 11 March 2020, the personal company test, the trading company and the employee/officer test are met in respect of company B,

Then if an election is made under section 169Q TCGA 1992 on or after 11 March 2020, the share disposal is to be treated as taking place at the time of the election for ER purposes, meaning that the new lifetime limit of £1,000,000 will apply.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
+5	+215	+1,120	+1,470	+1,670	+1,820

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020.

Economic impact

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

Impact on individuals, households and families

This proposal is expected to impact individuals who dispose of all or part of their business individuals who dispose of share in their personal company and trustees who dispose of business assets, with gains above the new lifetime limit. This is expected to be 9,000 individuals in total. There will also be an impact on individuals disposing of Enterprise Management Incentive shares that qualified for ER, with gains above the lifetime limit. This is expected to be around 120 individuals.

Reducing the lifetime limit on ER-eligible gains to £1,000,000 will significantly reduce the cost of the relief, with 17% of ER taxpayers being affected by the change and 58% of gains being made ineligible for ER. This reflects that the majority of the cost of ER is generated by a small minority of very affluent taxpayers’ gains.

The impacts on individuals and families will vary, depending on the value of their gains, income levels and personal circumstances.

Customer experience is expected to stay broadly the same because this measure does not bring new taxpayers into the tax system and does not significantly change processes for existing taxpayers.

Equalities impacts

Reducing the lifetime limit will affect a small proportion of CGT taxpayers. ER claimants tend to be older, male, of above-average means, and include individuals who are selling their business or their company’s shares on retirement.

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

Impact on business including civil society organisations

This measure is expected to have no impact on businesses or civil society organisations. It only affects individuals and trustees who pay CGT in their personal capacity and personal representatives who pay CGT in that capacity on behalf of an individual or estate.

Operational impact (£m) (HMRC or other)

The operational impacts on HMRC of implementing this measure are in the region of £6m over the period to 2025.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact capital gains tax policy team on Telephone: 03000 510915 or email: cgtbudget@hmrc.gov.uk .

Income Tax: Tax Treatment of certain Scottish Social Security Benefits

Who is likely to be affected

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

General description of the measure

This measure clarifies the tax treatment of three new social security benefits introduced by the Scottish government. It confirms the exemption from income tax for Job Start and the Disability Assistance for Children and Young People and introduces an exemption from income tax for the Scottish Child Benefit.

It also introduces a new power to enable new social security payments, introduced by the UK government or devolved administrations in the future, to be exempted from income tax by statutory instrument.

Policy objective

The objective of this measure is to confirm the tax treatment of three social security benefits introduced by the Scottish government and to enable the government to clarify the tax treatment of new social security payments**,** introduced by the UK government or devolved administrations, by statutory instrument.

Background to the measure

Social security benefits are administered by a number of different UK government departments and the devolved administrations.

The tax treatment of social security benefits is legislated for in Income Tax legislation. The tax treatment of new benefits should be confirmed when each one is introduced.

The Scottish government's fiscal framework underpins the powers over tax and welfare that are devolved to Scotland through the Scotland Act 1998. The fiscal framework states that new benefits introduced by the Scottish government will not be deemed to be income for tax purposes, unless it 'tops up' a taxable benefit.

The Scottish government is introducing three social security payments:

- Job Start
- Disability Assistance for Children and Young People
- Scottish Child Payment

Operative date

This measure will have effect on 6 April for the tax year 2020 to 2021 and subsequent tax years.

Current law

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

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

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

Proposed revisions

Legislation will be introduced in Finance Bill 2020 to amend ITEPA 2003 to clarify the Income Tax treatment of three social security benefits and enable new social security payments introduced by the UK government or devolved administrations to be exempted in future by the Treasury by statutory instrument.

The following new Scottish benefits will be exempted from tax in Table B in section 677 of ITEPA 2003:

- Job Start, payable under the Employment and Training Act 1973,
- Disability Assistance For Children and Young People, payable under the Social Security (Scotland) Act 2018, and
- Scottish Child Payment, payable under the Social Security (Scotland) Act 2018.

This measure will also introduce a new power to add new benefits to Table B in ITEPA 2003, confirming tax exempt status. This power can be used on new benefits introduced by the UK government, or any devolved administration. Regulations will be made by government (Treasury) in a statutory instrument, subject to negative resolution procedure.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024/25
-	-	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, Households and families

This measure is expected to have a positive impact on individuals in receipt of Job Start, Disability Assistance for Children and Young People and the Scottish Child Payment.

This measure confirms that these benefits are tax exempt. Customer experience for individuals in receipt of these benefits is expected to stay broadly the same as these individuals will not experience any change to their customer experience.

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

Equalities impacts

Due consideration has been given to the equalities impacts of this measure. This measure will affect those in receipt of the social security benefits detailed, which include a broad range of demographics. It does not discriminate on those with protected characteristics. The policy applies equally to those affected by its provisions and in receipt of the relevant benefits.

Impact on business including civil society organisations

There is no impact on businesses or civil society organisations as this measure only affects individuals.

Operational impact (£m) (HMRC or other)

The operational impacts of this policy are negligible. There are no information technology impacts associated with delivering this measure and it is expected purely guidance changes will be required.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Tax treatment of the Troubles Permanent Disablement Payment Scheme

Who is likely to be affected

Individuals and personal representatives who receive payments under the Troubles Permanent Disablement Payment Scheme.

General description of the measure

This measure introduces Income Tax, Inheritance Tax and Capital Gains Tax exemptions for payments made under the Troubles Permanent Disablement Payment Scheme.

Policy objective

These changes give certainty to claimants that payments made under the Troubles Permanent Disablement Payment Scheme will not give rise to charges to Income Tax, Inheritance Tax and Capital Gains Tax.

Background to the measure

The Troubles Permanent Disablement Payment Scheme will be introduced by the UK Government in May 2020 to support victims injured in the Northern Ireland Troubles.

The payments will provide a form of recognition of the significant and particular harm caused to individuals by the Troubles, provide a degree of financial certainty and support an improved quality of life for those seriously injured in the Troubles. The payments are not intended to put individuals back into the financial position they might otherwise have been without the disability. Payments will be backdated to December 2014.

Without this exemption, some payments made under the scheme could be subject to Income Tax, Inheritance Tax or Capital Gains Tax.

Operative date

This measure will take effect in relation to payments made under the Troubles Permanent Disablement Payment Scheme from 29 May 2020 and in relation to Inheritance Tax in respect of someone who dies on or after 29 May 2020.

Current law

The Income Tax (Earnings and Pensions) Act 2003 imposes charges to Income Tax on employment income, pension income and social security income. The Income Tax (Trading and Other Income) Act 2005 charges Income Tax on the profits of a trade, profession or vocation, which can include receipts in compensation for loss of profits.

The Taxation of Chargeable Gains Act 1992 imposes Capital Gains Tax on gains that arise on the disposal of assets which are not chargeable to Income Tax. However, compensation or damages received by an individual for any wrong or injury suffered in his person or in his profession or vocation is exempt from Capital Gains Tax.

Section 4 of the Inheritance Tax Act 1984 imposes the charge to Inheritance Tax for transfers on death. Payments made under the scheme, or the right to receive such payments would be treated as part of the deceased's estate and would be subject to Inheritance Tax on their death. There are reliefs already in existence with respect to payments to victims of persecution during the Second World War era (Section 153ZA Inheritance Tax Act 1984).

Proposed revisions

Legislation will be introduced in the Finance Bill 2020 to exempt payments made under the Troubles Permanent Disablement Payment Scheme from Income Tax, Inheritance Tax and Capital Gains Tax. The changes take effect in relation to payments made from the Troubles Permanent Disablement Payment Scheme from 29 May 2020 and in relation to Inheritance Tax in respect of someone who dies on or after that date.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 25
-	negligible	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

This measure is expected to have a positive impact on individuals receiving payments under the Troubles Permanent Disablement Payment Scheme by exempting them from Income Tax, Capital Gains Tax and Inheritance Tax. Customer experience for individuals in receipt of this benefit is expected to stay broadly the same as these individuals will not experience any change to their customer experience. This measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure will have a positive impact on those in groups sharing protected characteristics who receive payments under the Troubles Permanent Disablement Payment Scheme by exempting them from Income Tax, Capital Gains Tax and Inheritance Tax.

Impact on business including civil society organisations

This measure is not expected to have any impact on businesses or civil society organisations as it only affects individuals receiving payments under the Troubles Permanent Disablement Payment Scheme.

Operational impact (£m) (HMRC or other)

This measure is not expected to have any operational impact or costs.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Capital Allowances / Increase in rate of Structures and Buildings Allowances and technical changes

Who is likely to be affected

Businesses incurring qualifying expenditure on non-residential structures and buildings newly constructed, or renovated, on or after 29 October 2018.

General description of the measure

Businesses that incur qualifying expenditure on the construction, renovation or conversion of non-residential structures and buildings may claim Structures and Buildings Allowances (SBA). From 1 April 2020 for the purposes of corporation tax and 6 April 2020 for the purposes of income tax, businesses may claim an increased annual allowance of 3%. Some miscellaneous amendments to the legislation are included to ensure it operates as intended.

Policy objective

The SBA aims to relieve the construction, renovation or conversion costs for new structures and buildings used for qualifying purposes over their lifetime. The increased rate of relief will further support business investment in constructing new non-residential structures and buildings including necessary preparatory costs, and the improvement of existing ones. The increased allowance will improve the international competitiveness of the UK's capital allowances system.

Background to the measure

The SBA was announced at Budget 2018. Following extensive consultation, legislation in Part 2A Capital Allowances Act 2001 came into force on 5 July 2019 with effect from 29 October 2018.

Detailed proposal

Operative date

The new rate will be effective from:

- 1 April 2020 for businesses within the charge to corporation tax and
- 6 April 2020 for businesses within the charge to income tax

From the operative date, all businesses that bring into qualifying use a non-residential structure or building, where all the contracts for construction works were entered into on or after 29 October 2018, will be able to claim the new rate of 3% per year.

In addition, businesses that were entitled to claim the SBA for structures or buildings that were brought into use between 29 October 2018 and 1 April 2020, for corporation tax, or 6 April 2020, for income tax, can claim the new 3% rate from the operative date.

Businesses whose chargeable period spans 1 April (corporation tax) or 6 April (income tax), may claim 2% per year for days in that period before the operative date and 3% for days thereafter.

Current law

Current law is included in Part 2A Capital Allowances Act 2001, inserted by Statutory Instrument 2019 No 1087. The current 2% per year rate will apply to the whole or part of chargeable periods in relation to days before the operative date.

Proposed revisions

Part 2A will be amended so that the new rate of relief is 3% per year from the operative date. This reduces the time it will take to relieve qualifying expenditure from 50 years to 33 and one third years. The technical changes ensure that the legislation allows relief for the first day of qualifying use, allows simplified calculations for all qualifying non-residential structures or buildings, prevents double relief where research and development allowances are available, includes oral construction contracts, clarifies apportionment of allowances and allowances on contributions towards another person's costs. The revisions will be included in Finance Bill 2020.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-15	-90	-165	-210	-260	-295

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020.

Economic impact

This measure will have a positive impact on business investment.

Impact on individuals, households and families

This measure has no impact on individuals as it only affects businesses who incur qualifying expenditure on new non-residential structures and buildings on or after 29 October 2018. There is expected to be no impact on family formation, stability or breakdown.

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a positive impact on businesses investing in non-residential structures and buildings. One-off costs may include familiarisation with the new rate of relief, updating software and training staff, and calculating relief separately for an accounting period which straddles the operative date.

Some businesses may be able to claim additional transitional relief for assets acquired at the 2% rate. Further one-off costs may therefore arise from keeping such a record, where they continue to own the asset till expiry of 33 and one third years from the date the asset was first used. Ongoing savings are expected to include fewer calculations as the relief will be calculated over 33 and one third years, instead of 50 years, which is expected to positively impact businesses.

Where civil society organisations invest in non-residential structures and buildings, they may choose to comply with evidence requirements so that, when they dispose of the asset, any subsequent owner may claim if entitled to do so.

This measure is expected overall to improve businesses experience of dealing with HMRC as claims will be filed over a shorter period, reducing their time spent on tax administration.

Operational impact (£) (HMRC or other)

HMRC operational costs for the implementation of this change are estimated at £50,000.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Corporation Tax main rate at 19% in 2020 and charge and main rate for 2021

Who is likely to be affected

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

General description of the measure

The measure sets the CT main rate at 19% for the Financial Year beginning 1 April 2020. This maintains the rate at 19% rather than reducing it to 17% from 1 April 2020.

The charge to CT and the main rate will also be set at 19% for the Financial Year beginning 1 April 2021.

Policy objective

This measure supports the government's objective to raise revenue whilst maintaining the UK's competitive rate of Corporation Tax.

Background to the measure

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

At Budget 2016, the government announced an additional 1% reduction to 17% for the Financial Year beginning 1 April 2020.

Detailed proposal

Operative date

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

The CT charge and main rate for Financial Year 2021 will have effect from 1 April 2021 to 31 March 2022.

Current law

A main rate of 18% for the Financial Year 2020 was set by section 7 of Finance (No. 2) Act 2015 for all non-ring fence profits. This was amended to 17% by section 46 of Finance Act 2016.

The CT charge for the Financial Year 2020 was set by section 2 of Finance Act 2019.

Proposed revisions

Legislation will be introduced in Finance Bill 2020 to amend the main rate of CT for all non-ring fence profits to 19% for Financial Year 2020. The CT charge and the main rate will also be set at 19% for all non-ring fence profits for Financial Year 2021.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
+930	+4,635	+6,120	+6,680	+7,075	+7,500

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020.

Economic impact

The OBR made an adjustment to their economy forecast to account for this measure as detailed in the Economy and Fiscal Outlook.

A behavioural adjustment has been made to account for changes in the incentives for multinational companies to shift profits in and out of the UK. An adjustment has also been made to account for the reduced incentive to incorporate as a result of this measure.

Impact on individuals, households and families

There is no direct impact on individuals as it only affects businesses.

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

Equalities impacts

It is not anticipated that this measure will impact on groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on the administrative burdens of over 1.5 million businesses whose CT liability will not be reduced as a result of maintaining the rate at 19%.

Some businesses within the quarterly instalment payment regime may have made insufficient payments as a result of calculating their CT liability by reference to the 17% rate. One off costs will include familiarisation with the rate change and could include updating systems to reflect the new rate, as well as interest charges on any insufficient instalment payments.

There are not expected to be any on-going administrative costs.

Customer experience is expected to stay broadly the same as the change for businesses is a rate change. However, for businesses who have made insufficient payments as a result of calculating their CT liability by reference to the 17% rate, this could negatively impact their customer experience. To support these businesses, we aim to provide guidance as soon as possible to advise of the correct rate.

There is expected to be no impact on civil society organisations.

Operational impact (£m) (HMRC)

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

The additional costs for HMRC in implementing this change are anticipated to be approximately £0.5m

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through information collected from CT receipts.

Further advice

If you have any questions about this change, please contact Eva Upali on Telephone 03000 542 465 or email: eva.upali@hmrc.gov.uk.

Corporation Tax: Changes to Corporation Tax for non-UK resident companies with UK property income

Who is likely to be affected

Non-UK resident companies with UK property income may be affected by this measure.

General description of the measure

The changes introduced by this measure are designed to ensure that Finance Act 2019 rules, enacted to bring non-UK resident companies that carry on a UK property business or have other UK property income within the scope of Corporation Tax from 6 April 2020, work as intended.

Policy objective

This measure is designed to ensure a smooth transition of the taxation of UK property profits of non-UK resident companies from Income Tax to Corporation Tax.

Background to the measure

Following announcement at Autumn Statement 2016, the government consulted in March 2017 on options for bringing non-resident companies' UK property income and gains (previously chargeable to Income Tax and non-resident Capital Gains Tax respectively) into Corporation Tax.

At Autumn Budget 2017, the government published a response document to the consultation and announced that it would make this change for UK property income in April 2020.

Changes to the taxation of non-resident Capital Gains Tax gains were enacted at section 13 and Schedule 1 to the Finance Act 2019 and came into force on 1 April 2019.

Changes to the taxation of the UK property business or other UK property income of a non-UK resident company were enacted at section 17 and Schedule 5 to the Finance Act 2019 and come into force on 6 April 2020.

Detailed proposal

Operative date

The measure will apply to non-UK resident companies on and after 6 April 2020 to align with the commencement date of section 17 and Schedule 5 to Finance Act 2019.

Current law

The current law on the taxation of non-trade loan relationship credits is at section 301(1A) and section 574(2A) Corporation Tax Act 2009 introduced by paragraphs 15 and 18 respectively of Schedule 5 to the Finance Act 2019.

Sections 57 and 272 Income Tax (Trading and Other Income) Act 2005 provide relief for costs that are incurred before the date when the business commences. There is no direct equivalent for financing costs of a non-UK resident company carrying on a UK property business under Corporation Tax.

Regulation 6 to 10 of the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004 (S.I. 2004/3256) ("the Disregard Regulations") provide rules to disregard the fair value movements on the certain derivatives that hedge risks of the company, and instead to bring profits and losses into account in line with the hedged risk.

Paragraph 44 of Schedule 5 to the Finance Act 2019 confirms how the Disregard Regulations will apply where companies come into Corporation Tax on 6 April 2020.

The current law on the requirement and duty to notify chargeability to Corporation Tax where all of a company's income consists of payments on which the company bears Income Tax by deduction is at paragraph 2(1A) of Schedule 18 to the Finance Act 1998 as inserted by paragraph 6 of Schedule 5 to the Finance Act 2019 and at new section 55A of Finance Act 2004 as inserted by paragraph 7 of Schedule 5 to the Finance Act 2019.

Proposed revisions

Legislation will be introduced in Finance Bill 2020 to address the following specific points:

- Section 301(1A) CTA 2009 and section 574 (2A) CTA 2009 are to be replaced by new wording to ensure that these subsections do not limit the taxation of income from non-trading loans and derivatives held in respect of a UK permanent establishments.
- New section 330ZA will be inserted into Part 5 of Corporation Tax Act 2009. It will bring into account in the company's first accounting period a net amount of financing costs incurred by a non-resident company related to the UK property held before it starts to carry on its UK property business. The amount to be brought in is limited to debits incurred within a period of 7 years before the date on which the UK property business begins and will be net of any relevant credits that arise in that same pre-commencement period. New section 607ZA to be inserted into Part 7 of Corporation Tax Act 2009 makes similar provision for derivative contracts.
- The time limits for electing into the Disregard Regulations are not accelerated solely as a result of the company disposing of an asset where the gain is subject to Corporation Tax. This will be relevant where the disposal occurs prior to the company being within the charge to Corporation Tax in respect of its UK property income.
- Paragraph 2(1A) of Schedule 18 to the Finance Act 1998 (as inserted by paragraph 6 of Schedule 5 to the Finance Act 2019) will be amended so that the exception from notifying chargeability is conditional on the tax deducted at source having met the company's tax liability for that accounting period.
- Section 55A of Finance Act 2004 (as inserted by paragraph 7 of Schedule 5 to the Finance Act 2019) will be amended so that the exception from the duty to notify chargeability within three months of the start of an accounting period is conditional on the company having a reasonable expectation that the tax deducted from its income will meet its potential tax liability on that income.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	nil	nil	nil	nil	nil

The revisions proposed in this measure are not expected to have an Exchequer impact. The impact figures for the original measure are set out in Table 2.2 of Budget 2020 as “Non-resident property income: move from Income Tax to Corporation Tax” and have been certified by the Office for Budget Responsibility.

More details can be found in the policy costings document published alongside Autumn Budget 2017.

Economic impact

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

Impact on individuals, households and families

This measure is expected to have no impact on individuals as it only affects non-UK resident companies with UK property income. This measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

We do not anticipate that this measure will impact on groups sharing protected characteristics.

Impact on business including civil society organisations

The proposed changes under this measure, which are explained above, make additional provision so that non-UK resident company landlords when they move into Corporation Tax from Income Tax are entitled to the same reliefs for pre-trading financing costs and the same time limits for making elections as are available to UK resident companies. All companies of whatever size are provided with clarity on the conditions for notifying chargeability to tax where they have had tax deducted at source from its income.

We do not expect this measure to add to the existing administrative burden of non-UK resident company landlords that are to move from Income Tax to Corporation Tax from 6 April 2020. Customer experience is therefore expected to remain broadly the same.

There is expected to be no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

This measure does not have any operational impact.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, contact Susan Gardner on Telephone: 03000 563 815 or email: susan.m.gardner@hmrc.gov.uk

Corporation tax – Corporate Capital Loss Restriction

Who is likely to be affected

Large companies that pay Corporation Tax (CT) and have carried-forward capital losses.

General description of the measure

For accounting periods ending on or after 1 April 2020 companies making chargeable gains will only be able to offset up to 50% of those gains using carried-forward (allowable) capital losses.

A Corporate Income Loss Restriction (CILR) for carried-forward income losses was introduced in 2017 which included an allowance that the first £5 million of profits per group could be offset with carried-forward losses before the 50% restriction is applied. The deductions allowance can now also be set against chargeable gains. This will ensure that over 99% of companies are unaffected by the restriction.

Policy objective

This measure will ensure that large businesses pay tax for each accounting period in which they realise substantial chargeable gains.

Background to the measure

This measure was announced at Budget 2018. The government consulted on the measure from 29 October 2018 to 25 January 2019.

A response to that consultation was published on 11 July 2019 together with draft legislation. A period of technical consultation ran from 11 July 2019 to 5 September 2019.

Detailed proposal

Operative date

The measure will have effect where carried-forward capital losses are used to offset chargeable gains accruing on or after 1 April 2020.

Transitional arrangements will apply where an accounting period straddles the above date.

An anti-forestalling provision was announced at Budget 2018 and took effect for any arrangement made on or after 29 October 2018.

Current law

Part I of Taxation of Chargeable Gains Act 1992 (TCGA) sets out how allowable losses can be carried forward and used to offset future chargeable gains. A company can make substantial chargeable gains in an accounting period but pay no corporation tax because it has sufficient carried-forward capital losses to offset those gains, reducing them to nil.

The current law covering the CILR can be found at Part 7ZA Corporation Tax Act (CTA) 2010. This restricts a company to offsetting no more than 50% of its relevant profits using certain carried-forward losses.

The current law covering life insurers can be found in Chapter III of Part VI of TCGA. This broadly ring-fences all chargeable gains and allowable losses arising from an insurer's Basic Life Assurance and General Annuity Business (BLAGAB).

Proposed revisions

Legislation will be introduced in Finance Bill 2020.

From 1 April 2020, the loss restriction will have the effect that the amount of chargeable gains that can be relieved with carried-forward capital losses will be restricted to 50%.

The steps for computing the CILR in Part 7ZA CTA 2010 will be amended to facilitate this restriction and enable the sharing of the £5 million deductions allowance which forms part of the CILR.

Life insurers writing BLAGAB are excluded from the restriction so far as BLAGAB (ring-fenced) losses are offset against BLAGAB gains. This will be achieved by amendments to the BLAGAB rules and specific provision in Part 7ZA CTA 2010. This measure also includes several clarifications of the BLAGAB rules to ensure that the restriction operates as intended.

The restriction will not apply to companies with a ring-fence trade from oil-related activities where chargeable gains accrue within that ring-fence.

Real Estate Investment Trusts (REITs) are subject to a specific tax regime that generally exempts chargeable gains. This measure will not apply to capital losses that are attributed in respect of Property Income Distributions (PIDs).

Companies which are insolvent and are being liquidated will be able to offset carried-forward capital losses against chargeable gains without restriction during the period of official liquidation.

Companies which have one-day accounting periods purely as a result of chargeable gains will be able to claim to access the full £5 million deductions allowance over a financial year in addition to being able to offset allowable losses against other chargeable gains accruing during the same financial year without restriction. Amendments will be made within CTA 2010 and TCGA to facilitate this change.

All companies with one-day accounting periods (as a result only of chargeable gains) and profits in excess of £27,397 will be treated as 'large' for the purposes of applying The Corporation Tax (Instalment Payments) Regulations 1998 (SI1998/3175). This change will apply to accounting periods commencing on and after 11 March 2020.

An anti-avoidance provision will prevent companies from obtaining a tax advantage in respect of this provision. An anti-forestalling provision was introduced on 29 October 2018 to prevent arrangement intended to forestall the effect of this measure and will be legislated within Finance Bill 2020.

Summary of impacts

Exchequer impact (£m)

Impacts excluding the exemption for companies in insolvent liquidation

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
+30	+130	+170	+165	+150	+140

These figures are set out in Table 2.2 of Budget 2020 as "Corporation Tax: restrict use of carried forward capital losses from 2020/21" and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Impacts for the exemption for companies in insolvent liquidation

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
negligible	negligible	-5	-5	-5	-5

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020.

Economic impact

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

Impact on individuals, households and families

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

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

Equalities impacts

This measure does not impact on groups sharing protected characteristics, as it only affects companies.

Impact on business including civil society organisations

This measure will impact on about 200 corporates each year that will pay additional tax as a result of this measure: mainly large corporates within the banking, pharmaceutical, property investment and utilities sectors, groups with a large property portfolio, and insurance companies.

The impact on business administrative burdens is expected to be negligible.

One-off costs include familiarisation with the new rules, as well as modification of existing systems following those made for the introduction of CILR.

On-going costs include making a calculation annually to determine if this measures still applies.

Customer experience is expected to stay broadly the same, although there is an administrative burden from this measure on companies who will need to engage with calculations. This burden already exists from the CILR measure introduced in 2017 and this measure will only build on those requirements and add a little more complexity. It is expected that software companies will be able to amend their existing software to add in the new requirements and this measure was designed with this in mind. There are some details around the commencement provisions which will add to the complexity in the first accounting period affected by the measure, but clear and detailed guidance will be issued to minimise this impact. It is expected that software developers will design their accounting packages to assist customers with the commencement requirements.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC)

HMRC costs including both IT & operational costs to implement this measure are estimated to be approximately £1.5 million.

Other impacts

This will have no impact on Climate and Fuel Poverty targets, nor on Air Quality Targets.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the Business, Assets and International policy team by email: reform.capitalloss@hmrc.gov.uk.

Corporation Tax: Intangible fixed assets: relief for pre-FA 2002 assets

Who is likely to be affected

Companies that acquire intangible fixed assets (including intellectual property such as trademarks, patents, design rights etc) from related parties.

General description of the measure

This measure removes a restriction that exists in relation to pre-FA 2002 intangible assets that prevents some companies from claiming relief for older, well-established intellectual property rights. This means that corporation tax relief will be available for the cost of acquiring these assets in circumstances where it wasn't previously and that corporate intangible assets will now be relieved and taxed under a single regime for acquisitions from 1 July 2020.

The measure amends the corporate intangible fixed assets regime (the "IFA regime") to allow companies to claim corporation tax relief for pre-FA 2002 intangible fixed assets acquired from related parties from 1 July 2020.

A pre-FA2002 intangible fixed asset is an intangible asset that was created before 1 April 2002. The IFA regime only applies to companies.

Policy objective

The measure supports UK investment in intangible assets by allowing a company's pre-FA 2002 intangible assets acquired from 1 July 2020 to be relieved and taxed under a single regime.

Background to the measure

The government announced a consultation to review the IFA regime at Autumn Budget 2017. The consultation was carried out between February and May 2018.

At Budget 2018 the government announced changes that included; a targeted relief for goodwill and closer alignment of the de-grouping rules for corporate groups.

The government announced further changes to the IFA regime in Budget 2020. These changes will allow pre-FA 2002 intangible fixed assets acquired on or after 1 July 2020 to be brought within the IFA regime for companies.

Detailed proposal

Operative date

The changes will have effect in relation to intangible assets acquired from 1 July 2020.

Transitional rules will be introduced to protect companies holding intangible assets that are within the charge to corporation tax immediately before 1 July 2020 including those companies with accrued gains or losses on intangible assets dealt with under the capital gains rules. These transitional rules are extended and may apply to intangible assets held by any company within the charge corporation tax in relation to chargeable intangible assets held at any time between 11 March 2020 to 30 June 2020.

Current law

The corporation tax rules that deal with intangible assets are contained in Part 8 Corporation Tax Act 2009 ("CTA 2009"). The Part 8 CTA 2009 rules only apply to intangible assets that are created on or after 1 April 2002 or to intangible assets acquired from an unrelated party on or after 1 April 2002. Intangible assets that do not meet this condition are referred to as "pre-FA 2002 assets".

Pre-FA 2002 assets are normally dealt with under the corporate capital gains rules within the Taxation of Chargeable Gains Act 2002 ("TCGA 1992") or under Part 9 of CTA 2009.

Proposed revisions

Legislation will be introduced in Finance Bill 2020 to amend Part 8 CTA 2009 to allow companies who acquire pre-FA 2002 intangible assets from related parties from 1 July 2020 to be brought within Part 8 CTA 2009.

The general rule in Chapter 16 of Part 8 CTA 2009 that prevents pre-FA 2002 assets acquired from related parties coming within Part 8 CTA 2009 will be amended. For intangible assets not within the charge to corporation tax prior to acquisition there will be no need to consider when the intangible asset was created or whether an intangible asset acquired from a related party was a pre-FA 2002 asset in the related party's hands.

The tax treatment for pre-FA 2002 assets already within the charge to corporation tax prior to 1 July 2020 will be preserved.

Transitional rules will also be introduced to counter avoidance between related parties where a pre-FA 2002 asset is acquired from a related party on or after 1 July 2020 (including a licence in respect of a pre-FA 2002). The transitional related party rules will be extended to include related party acquisitions of assets from a person who is not a company in relation to assets created before 1 April 2002. These transitional rules will limit the amount of debit relief under Chapter 3 and 15 of Part 8 CTA 2009 by deducting the market value of the asset at the date of acquisition from any costs incurred on acquisition. The acquisition costs not relieved under Chapter 3 and 15 will instead be relieved on any subsequent realisation under Chapter 4 of Part 8 CTA 2009.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-5	-25	-60	-95	-140	-185

These figures are set out in table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020.

Economic impact

This measure is not expected to have any significant macroeconomic impacts. Behavioural adjustments have been made to account for an increase in inward investment and companies deferring transactions or using other methods to obtain the relief.

Impact on individuals, households and families

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a positive impact on businesses who benefit from obtaining relief when acquiring unrestricted pre-FA 2002 intangible fixed assets.

The measure is likely to benefit businesses with older but well established (pre-FA 2002) intellectual property rights such as trademarks, patents, design rights etc. The benefits could potentially apply to businesses across all sectors.

This measure is expected to have a negligible impact on an estimated 30,000 businesses that own or transact in pre-FA 2002 intangible fixed assets.

One-off costs for those businesses will include familiarisation with the change. On-going costs are expected to have a negligible impact on an estimated 1,000 businesses each year acquiring pre-FA 2002 intangible fixed assets from related parties. Companies acquiring assets would already incur the cost of undertaking the market valuations and related tax computations. The additional ongoing cost of this measure could include additional time required for computational calculations which would differ from what was previously done.

Customer experience is expected to stay broadly the same in the short-term as it will take time for assets to come within the new rules. When assets have come within the new rules customer experience could see an improvement given simplifications which are part of this measure.

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

Operational impact (£m) (HMRC or other)

There will be IT changes to implement this change for HMRC and the costs are estimated to be in the region of £0.38m.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact John Williams on Telephone: 03000 530 434 or email: john.r.williams@hmrc.gov.uk.

Digital Services Tax

Who is likely to be affected

Large multi-national enterprises with revenue derived from the provision of a social media service, a search engine or an online marketplace to UK users.

General description of the measure

From 1 April 2020, the government will introduce a new 2% tax on the revenues of search engines, social media services and online marketplaces which derive value from UK users.

Policy objective

The application of the current corporate tax rules to businesses operating in the digital economy has led to a misalignment between the place where profits are taxed and the place where value is created. Many of these digital businesses derive value from their interaction and engagement with a user base. Under the current international tax framework, the value businesses derive from user participation is not taken into account when allocating the profits of business between different countries. This measure will ensure the large multinational businesses in-scope make a fair contribution to supporting vital public services.

The government still believes the most sustainable long-term solution to the tax challenges arising from digitalisation is reform of the international corporate tax rules and strongly supports G7, G20 and OECD discussions on long-term reform. The government is committed to dis-applying the DST once an appropriate international solution is in place.

Background to the measure

The announcement of the Digital Services Tax in Budget 2018 was followed by a consultation which closed in February 2019. Draft legislation was published in July 2019 followed by a consultation which closed in September 2019.

Detailed proposal

Operative date

The Digital Services Tax will apply to revenue earned from 1 April 2020.

Current law

This is new legislation and there is no current law in this area.

Proposed revisions

Legislation will be introduced to establish a Digital Services Tax.

The Digital Services Tax will apply to a group's businesses that provide a social media service, search engine or an online marketplace to UK users. These businesses will be liable to Digital Services Tax when the group's worldwide revenues from these digital activities are more than £500m and more than £25m of these revenues are derived from UK users.

If the group's revenues exceed these thresholds, its revenues derived from UK users will be taxed at a rate of 2%. There is an allowance of £25m, which means a group's first £25m of revenues derived from UK users will not be subject to DST.

The provision of a social media service, internet search engine or online marketplace by a group includes the carrying on of any associated online advertising service. An associated online advertising service is an online service that facilitates online advertising and derives significant benefit from its association with the social media service, search engine or online marketplace.

There is an exemption from the online marketplace definition for financial services providers.

The taxable revenues will include any revenue earned by the group which is connected to the social media service, search engine or online marketplace, irrespective of how the business monetises the service. If revenues are attributable to the business activity and another activity, the group will need to apportion the revenue to each activity on a just and reasonable basis.

Revenues are usually derived from UK users if the revenue arises by virtue of a UK user using the service. However, there are some exceptions to this general rule.

Where one of the parties to a transaction on an online marketplace is a UK user, all of the revenues from that particular transaction will be treated as derived from UK users.

When the transaction involves accommodation, land or buildings in the UK, revenue from that transaction will be treated as derived from UK users. When the transaction involves accommodation, land or buildings not in the UK, revenue from that transaction will only be treated as derived from UK users if the consumer of the relevant service is a UK user.

The revenue charged will be reduced to 50% of the revenues from the transaction when a user in respect of a marketplace transaction is normally located in a country that operates a similar tax to the Digital Services Tax.

Advertising revenues are derived from UK users when the advertisement is viewed or otherwise consumed by a UK user.

A UK user is an individual that is normally located in the UK, or other type of user established in the United Kingdom.

Groups will be able to elect to calculate their DST under an alternative calculation. This is intended to ensure that the DST does not have a disproportionate effect on business sustainability in cases where a business has a low operating margin from providing in-scope activities to UK users.

The total DST liability will be calculated at the group level, but the DST will be charged on the individual entities in the group that realise the revenues that contribute to the total. The group consists of all entities which are included in the group consolidated accounts, provided these are prepared under an acceptable accounting standard. Revenues will consequently be counted towards the DST thresholds even if they are recognised in entities which do not have a UK taxable presence for corporation tax purposes.

A single entity in the group will be responsible for reporting the DST to HMRC. Groups can nominate an entity to fulfil these responsibilities. Otherwise, the ultimate parent of the group will be responsible.

The DST will be payable and reportable on an annual basis.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
+70	+280	+390	+425	+465	+515

These figures are the total of figures set out in Tables 2.1 and 2.2 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020 and 2018.

Economic impact

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

Impact on individuals, households and families

This measure has no direct impact on individuals as it only affects businesses. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure has no direct impact on individuals as it only affects businesses. It is not anticipated that this measure will have any impacts for groups sharing protected characteristics.

Impact on business including civil society organisations

The measure is expected to have an impact on a small number of large multinational groups by bringing into scope of Digital Services Tax the proportion of their revenue that is derived from UK users of social media, search engines or online marketplaces. The policy will be delivered through a DST charge reported and collected under new provisions.

As with any new tax, there will inevitably be an increased admin burden on the affected groups. The customer experience for the businesses in scope of the DST will change due to the additional requirements placed on them from complying with a new tax. HMRC will provide clear and targeted guidance to support businesses further.

One-off costs will include familiarisation with the new rules. Ongoing costs may include keeping records of revenue referable to UK users and making payment to HMRC. Businesses in scope will also use a new service to make their annual return of the tax due.

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

Operational impact (£m) (HMRC or other)

HMRC will incur costs of up to £8 million to enable both new IT systems and processes to be developed as well as additional staff to monitor and administer the new tax.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from receipts.

Further advice

If you have any questions about this change, please contact the Digital Services Tax team by email: dst.mailbox@hmrc.gov.uk.

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

Who is likely to be affected

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

General description of the measure

This measure increases the tax relief for large companies (and Small and Medium size Enterprises in some cases) that carry out qualifying R&D and claim RDEC.

The RDEC (also known as the 'Above the Line' credit) is a standalone credit that is brought into account as a receipt in calculating trading profits. The current general rate is set as 12% of qualifying R&D expenditure. This measure increases the rate of the RDEC from 12% to 13%.

Policy objective

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

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

A rate increase of RDEC from 12% to 13%, means that large companies can claim more support for their R&D, increasing the incentive to undertake R&D.

Background to the measure

This measure was announced at Budget 2020.

Detailed proposal

Operative date

The increase in the RDEC rate will have effect for expenditure incurred on or after 1 April 2020.

Current law

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

Proposed revisions

Legislation will be introduced in Finance Bill 2019-20 amending section 104M of CTA 2009.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	negligible	-170	-275	-300	-310

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020.

Economic impact

This measure will have a positive impact on business investment. A behavioural adjustment is made to account for a behavioural response of businesses increasing investment in R&D.

Impact on individuals, households and families

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

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

Equalities impacts

After careful consideration, the government has concluded that it is not anticipated that there will be impacts on groups of people sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on administrative burdens for 7000 businesses. One-off costs include familiarisation with the changes and updating systems to reflect the increased rate. There will also be a one-off cost where some companies make claims for R&D activity where they have not previously done so or where companies begin R&D work where they have not done previously. It is not expected there will be any ongoing costs. Customer experience is expected to stay broadly the same, however this measure is expected to be welcomed by eligible businesses as they can now claim more support for their R&D. There are no impacts on civil society organisations. This measure is expected to have a positive impact on over 7000 businesses claiming the RDEC. Increasing the rate will support business investment as companies can now claim more support for their R&D.

Operational impact (£m) (HMRC or other)

HMRC operational costs for this change are estimated to be £1.2million.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Yasmin Achha/ David Harris/Innovation & Growth team on Telephone: 03000 592504/ 03000 586834 or email: yasmin.achha@hmrc.gov.uk or david.harris@hmrc.gov.uk

VAT rules to simplify the taxation of call-off stock arrangements between the UK and EU Member States

Who is likely to be affected

Businesses sending or receiving goods between the UK and Member State (MS) of the EU in advance of the goods being 'called off' for delivery (call-off stock).

General description of the measure

This measure implements changes required by Council Directive (EU) 2018/1910 to simplify the VAT treatment of call-off stock moved from the UK to another MS or vice-versa. The changes permit a supplier in the State of origin to remove call-off stock to storage in another State, the destination State, without accounting for VAT on the transaction at that time. The supplier and customer will account for the supply and acquisition when the goods are called-off. This avoids the need for the supplier to register for VAT in the destination State.

Policy objective

The purpose of the changes is to simplify the VAT rules for 'call-off' stock and avoids the requirement for the supplier to register in the destination State.

Background to the measure

On 4 December 2018, the European Council adopted the VAT "quick fixes" legislative package to harmonise and simplify certain rules and exemptions for cross-border supplies of goods with the aim of improving the VAT system for the taxation of trade between EU Member States. These changes are contained in Council Directive (EU) 2018/1910 which amends the Principal VAT Directive 2006/112/EC and MS of the EU and the UK were obliged to implement them by 1 January 2020.

Additional requirements are set out in the Council Implementing Regulation (EU) 2018/1912, which is directly applicable in the UK.

Detailed proposal

Operative date

The measure, which has a retrospective element, applies to goods removed from a MS of the EU to UK (or vice versa) on or after 1 January 2020.

Current law

There is no explicit reference in current legislation to call-off stock transactions. Current UK law makes provision in relation to intra-community supplies in sections 6, 7, 10, 11, 12, 13, 30, 65, 66 and 69 of the Value Added Tax Act 1994 (the VAT Act), Schedule 4 to the VAT Act and regulations 21, 22 and 22B of the Value Added Tax Regulations 1995 (the VAT Regulations).

Proposed revisions

Following the UK's departure from the EU, we have now entered a transition period which lasts until 31 December 2020. During the transition period we are obliged under EU law to implement the Directive or risk substantial fines. The position after the transition period will be determined by the outcome of negotiations on our Future Economic partnership with the EU.

The draft legislation for the new call off stock arrangements was published on 31 December 2019:

- New Schedule 4B of the VAT Act ("Schedule 4B") contains conditions for the call off stock simplification to apply. The simplification delays the accounting for an intra-EU supply of call-off stock until the stock is called off by the customer.

- Provided that certain conditions are met, the supplier will make a supply of the call-off stock in the State of origin when the customer calls-off the stock in the destination State. The customer will make a corresponding acquisition of the goods in the destination State at that time. The supplier will not make a supply of the goods in the destination State and will not, therefore, be required to register for VAT in the destination State by reason of such a supply. The customer will account for acquisition tax.

- Schedule 4B also contains provisions dealing with the consequences of certain events occurring after the goods arrive in the destination State, including the supplier's failure to make a supply of the call-off stock to the intended customer within the 12 month period, the substitution of a different intended customer, and the return of the goods to the origin State.

- Amendments to section 69(1) of the VAT Act create a penalty where a customer in the UK in call-off stock arrangements fails to make the required record of transactions in a call-off stock register.

- Amendments to section 69(2) of the VAT Act create a penalty where a supplier of call-off stock in the UK or a customer in call-off stock arrangements in the UK fails to preserve the records kept in a call-off stock register.

- New regulation 22ZA of the VAT Regulations requires suppliers of call-off stock to include information relating to specified events in an EC Sales List, and sets out the related requirements.

- Amendments to regulation 21 and 22B of the VAT Regulations 1995 consequential on the insertion of new regulation 22ZA.

There will be no obligation on suppliers to structure transactions so as to meet the conditions, but where a supplier does so, the supplier and customer must account for VAT in accordance with the legislation and comply with the legislation's other requirements. Businesses which dispatch goods in circumstances which do not meet the conditions should continue to apply the current VAT accounting rules for EU cross-border transactions.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
negligible	negligible	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

This measure has no impact on individuals as it only affects businesses. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that this measure will have impacts on groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on an estimated amount of less than 100 businesses by making changes to UK VAT law through simplifying the rules for UK/EU supplies of call-off goods. There are likely to be one-off costs of setting up the required records and familiarisation of the rules. Ongoing costs will could include keeping additional records and providing extra information to HMRC on the EC Sales List. Customer experience is expected to stay broadly the same as businesses are not obliged to arrange operational structures to meet the conditions of the new legislation. There is expected to be no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will need to update IT systems to accommodate the revised EC Sales List submissions, at an estimated cost of £2,122,000. It is not expected that there will be any additional staff costs.

Other impacts

There is no impact in respect of:

- carbon assessment;
- sustainable development;
- wider environment impact; health impact assessment;
- climate and fuel poverty targets;
- air quality targets;
- rural proofing;

- privacy impact; or
- Competition impact.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Tobacco Duty rates 2020

Who is likely to be affected

Manufacturers, importers, distributors, retailers and consumers of tobacco products. Tobacco products include cigarettes, cigars, hand-rolling tobacco, other smoking tobacco and chewing tobacco, tobacco for heating and herbal smoking products.

General description of the measure

This measure sets out how tobacco duties will increase this year.

Policy objective

The government is committed to maintaining high tobacco duty rates as this is an established tool to reduce smoking prevalence and to ensure that tobacco duties continue to contribute to government revenues.

Background to the measure

As announced at Budget 2020 the duty rate on all tobacco products will continue to increase by 2% above Retail Price Index (RPI) inflation. It was also announced that hand-rolling tobacco will rise by an additional 4%, to 6% above RPI inflation this year.

Detailed proposal

Operative date

The new tobacco duty rates will have effect from 6pm on 11 March 2020.

Current law

The table of duty rates on tobacco products is in Schedule 1 to the Tobacco Products Duty Act 1979 (TPDA).

Proposed revisions

Legislation will be introduced in Finance Bill 2020 to increase the rates of duty on tobacco products. The legislation will amend Schedule 1 to the TPDA.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
+5	+30	+35	+30	+15	+5

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020.

Economic impact

This measure is not expected to have any significant macroeconomic impacts. If passed on to consumers, the increases in tobacco duty rates will lead to a very small positive impact on inflation. A behavioural adjustment is made to account for the reduction in consumption resulting from higher prices.

Impact on individuals, households and families

Assuming duty increases are passed on to consumers, this measure will impact on individuals who smoke by increasing the price of tobacco products. Heavy smokers will face the highest burden from this measure.

In response to higher prices, some individuals could choose to consume less, some could down-trade from more expensive to cheaper tobacco products, and others could engage in cross border shopping or purchase from the illicit tobacco market. HM Revenue and Customs (HMRC) will monitor and respond to any potential shift in illicit consumption as part of its strategy to combat tobacco fraud.

Customer experience is expected to stay broadly the same as this measure only increases the price of tobacco products.

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

Equalities impacts

Due to differences in tobacco consumption, any change to tobacco duties will have equalities impacts. Men are slightly more likely to smoke than women. Younger people are also more likely to smoke than older people.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on fewer than 30 manufacturers and importers. They will face an increase in tobacco duty rates that they are likely to pass onto consumers. There will be a negligible one-off cost to these businesses of familiarisation and amending systems to reflect the new rate. It is not expected there will be any on-going costs. Customer experience is expected to stay broadly the same as this measure does not present a significant change for tobacco manufacturers and importers.

There is no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will incur a negligible cost for changing tobacco duties.

Other impacts

Health impact assessment: any reduction in smoking prevalence will have a positive impact on health and reduce the cost to the NHS of smoking-related illness. There may be reductions in other costs that arise from tobacco use. These costs include losses in productivity from smoking breaks and ill-health absences, the cost of cleaning up cigarette butts, the cost of smoking-related house fires and the loss in economic output from people who die from diseases related to smoking or exposure to second-hand smoke.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the Excise and Customs Helpline on Telephone: 0300 200 3700.

Gaming Duty: increase in casino gross gaming yield bands

Who is likely to be affected

UK casino operators.

General description of the measure

This measure will increase the gross gaming yield (GGY) bands for gaming duty in line with inflation.

Policy objective

The measure will ensure that the gaming duty accounted for by the casino operators is maintained at real levels and does not increase simply on account of inflation.

Background to the measure

Gaming duty is paid by casinos on their gross gaming yield which can broadly be defined as the amounts staked by customers minus winnings paid to them. The duty is calculated by reference to bands of GGY. As the GGY increases, so the rate applied to calculate the duty increases.

The rates range from 15% which is applied to the first 2,471,000 of GGY, up to 50%. The 50% rate applies to any GGY above £13,454,000 If the bandings were not increased in line with inflation then over time more GGY would be subject to higher rates.

Detailed proposal

Operative date

The increase to gaming duty bands will have effect for gaming duty accounting periods starting on or after 1 April 2020.

Current law

Current law is contained in the table at section 11(2) of the Finance Act (FA) 1997. The bandings were last amended by section 45 of Finance (No.2) Act 2017.

Proposed revisions

Legislation will be introduced in Finance Bill 2020 to increase the GGY values in section 11(2) FA 1997. These bandings cover a six month accounting period and businesses liable to gaming duty are required to submit a return at the end of each period, using the GGY bandings to calculate their gaming duty liability.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

This measure is not expected to have a direct impact on the availability, price and pay-outs of casino gaming for individuals. There is expected to be no impact on family formation, stability or breakdown.

Equalities impacts

This measure is not expected to have any impacts on any groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on approximately 50 casino operators by increasing the GGY bands for gaming duty in line with inflation. One-off costs include familiarisation with the change and will also include updating internal systems to reflect the new GGY values. There are not expected to be any ongoing costs. Customer experience is expected to remain broadly the same as this measure is only making a change to the GGY bands. This measure is not expected to impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be no significant operational impact on HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

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

Plastic Packaging Tax

Who is likely to be affected

UK producers of plastic packaging, importers of plastic packaging, business customers of producers and importers of plastic packaging, and consumers who buy goods in plastic packaging in the UK.

There will be an exemption for producers and importers of small amounts of plastic packaging to mitigate against disproportionate administrative burdens in comparison to the tax liability.

General description of the measure

This is a new tax that applies to plastic packaging produced in, or imported into the UK that does not contain at least 30% recycled plastic. Plastic packaging is packaging that is predominantly plastic by weight.

It will not apply to any plastic packaging which contains at least 30% recycled plastic, or any packaging which is not predominantly plastic by weight.

Imported plastic packaging will be liable to the tax, whether the packaging is unfilled or filled.

The government will be holding a consultation on the design and implementation of the tax, which will be launched alongside Budget.

Policy objective

The tax will provide a clear economic incentive for businesses to use recycled material in the production of plastic packaging, which will create greater demand for this material and in turn stimulate increased levels of recycling and collection of plastic waste, diverting it away from landfill or incineration.

Background to the measure

At Budget 2017, the government announced a call for evidence into using the tax system or charges to tackle single-use plastic waste and received 162,000 responses.

At Budget 2018, a new tax on plastic packaging with less than 30% recycled plastic was announced. The government launched a consultation in February 2019 seeking input on the initial proposals for the design of the tax. A summary of responses was published in July 2019.

Detailed proposal

Operative date

The tax will take effect from April 2022.

Current law

The tax is new so there is no current law.

Proposed revisions

The government will introduce paving legislation in Finance Bill 2020 to enable spending on costs associated with the development of the tax, in particular the development of the IT system.

The government intends to publish draft legislation for consultation in 2020, which will set out the key features of the tax, such as:

- the £200 per tonne tax rate for packaging with less than 30% recycled plastic
- the scope of the tax by definition of the type of taxable product and recycled content
- the exemption for producers and importers of small quantities of plastic packaging
- who will be liable to pay the tax and need to register with HM Revenue & Customs (HMRC)
- how the tax will be collected, recovered and enforced

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	-	-	+240	+235	+220

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020.

Economic impact

This measure is not expected to have any significant macroeconomic impacts. The tax will provide a clear economic incentive for businesses to use recycled material in plastic packaging, which will create greater demand for this material and in turn stimulate increased levels of recycling and collection of plastic waste, diverting it away from landfill or incineration.

A behavioural adjustment is made to account for a behavioural response due to the policy, most significantly an increase in recycled content. Smaller behavioural adjustments include business behaviour such as reducing plastic packaging use, and consumer reduction of purchases of products containing plastic packaging.

Impact on individuals, households and families

This measure is not expected to impact individuals unless businesses pass on the charge. It is expected that if all the tax is passed on to individual consumers, the cost to consumers will be small as plastic packaging usually makes up a very small amount of the total cost of goods. On this basis we expect customer experience to stay broadly the same. There is not expected to be any impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that this measure will impact on groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to impact on up to an estimated 20,000 producers and importers of plastic packaging. One-off costs include familiarisation with the new rules, training for staff, registration with HMRC, and developing the required reporting framework to complete tax returns. On-going costs could include completing, filing and paying tax returns, keeping appropriate records (including those required to claim the export credit), and amending returns. There will also be new registrations and de-registrations each year. Customer experience could be negatively impacted as this is a new tax that businesses will need to understand and comply with. However, to support businesses HMRC will develop clear guidance and other tools to help businesses understand and meet their obligations.

It is expected that the impact on businesses will be significant and the overall impact will depend on the design of the tax. The government will be holding a consultation on the design and implementation of the tax, including on guidance and tools that can help businesses meet their obligations, launching at Budget this year to gain a better understanding of these impacts.

There is expected to be no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC expects to incur one-off capital costs to develop the system for collecting the tax. There will also be on-going resource costs for HMRC to implement this change, monitor compliance and meet customer service needs.

HMRC will incur estimated costs of £6.59m developing a new computer system to support this tax, together with £11.36m in staff costs. There may also be extra costs incurred by the Ministry of Justice as a result of this new tax, which will be quantified in due course.

Other impacts

Justice Impact Test: In line with other taxes, there will be civil and criminal penalties for failing to comply with the tax, including penalties for failure to register, failure to file returns and failure to pay the tax. A full Justice Impact Test will be completed.

Environmental impact assessment: The rationale of this tax aims to increase the use of recycled content in plastic packaging and it is anticipated that as a result of the tax there will be a significant increase in the amount of plastic packaging with greater than 30% recycled plastic. Recycled plastic has a carbon footprint than can be up to four times lower than that of virgin plastic. The policy may also help to divert plastics from landfill or incineration, and drive recycling technologies within the UK.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Alex Marsh on telephone: 03000 535 937 or email: alexander.marsh@hmrc.gov.uk

Landfill Tax: increase in rates

Who is likely to be affected

Operators of landfill sites in England and Northern Ireland. Businesses registered with HM Revenue and Customs (HMRC) for Landfill Tax.

General description of the measure

As announced at Budget 2018 both the standard and lower rates of Landfill Tax will increase in 2020 in line with the Retail Prices Index (RPI), rounded to the nearest 5 pence.

Policy objective

Landfill Tax is charged on material disposed of at a landfill site or an unauthorised waste site. As such, it encourages efforts to minimise the amount of material produced and the use of non-landfill waste management options, which may include recycling, composting and recovery. Increasing Landfill Tax rates in line with RPI means that the Landfill Tax can continue to help the government meet its environmental objectives.

Background to the measure

This measure was announced at Budget 2018.

Landfill Tax was introduced on 1 October 1996 to encourage waste producers and the waste management industry to switch to more sustainable alternatives for disposing of material. There is a lower rate of tax, which applies to less polluting qualifying materials covered by two Treasury Orders, and a standard rate which applies to all other taxable material disposed of at authorised landfill sites. Previously, the tax applied across the UK but from 1 April 2015 it was devolved in Scotland and from 1 April 2018 in Wales.

Detailed proposal

Operative date

The increases in the standard and lower rates of Landfill Tax in line with RPI will apply to taxable disposals made, or treated as made, at relevant landfill sites and unauthorised waste sites, on or after 1 April 2020. The rate changes will apply in England and Northern Ireland only. Sites operating without the necessary environmental disposal permit or licence will be liable for Landfill Tax at the standard rate on all material.

Current law

Section 42 of the Finance Act 1996 specifies the rates of Landfill Tax.

Proposed revisions

Legislation will be introduced in Finance Bill 2020 to amend section 42(1)(a) and 42(2) to provide for the new rates of Landfill Tax. The rates being amended and the new rates will be:

Material sent to landfill	Rates from 1 April 2019	Rates from 1 April 2020
Standard rated	£91.35/tonne	£94.15/tonne
Lower rated	£2.90/tonne	£3.00/tonne

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

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

Equalities impacts

It is not anticipated that there will be equalities impacts in relation to any group sharing protected characteristics.

Impact on business including civil society organisations

The measure is expected to have a negligible impact on approximately 120 waste site operators. Negligible one-off costs will include familiarisation with the change and could involve updating internal systems to reflect the new rate. There are not expected to be any on-going costs. Customer experience is expected to remain broadly the same as the difference for businesses is a rate change. This measure is not expected to have any impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will not incur any costs implementing this change

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Alan Jones on Telephone: 03000 552961or email: alan.jones1@hmrc.gov.uk.

Use of diesel in private pleasure craft

Who is likely to be affected

Users of diesel propelled craft, particularly private pleasure craft, and those involved in the supply of fuel to UK craft (in particular operators of ports, marinas and inland waterway refuelling stations).

General description of the measure

This measure introduces enabling legislation in Finance Bill 2020 relating to the propulsion of private pleasure craft. Details on implementation will set out in due course. Private pleasure craft already pay white diesel rates for their propulsion, even though they are allowed to put red diesel in their tanks. Under this measure, private pleasure craft would have to use white diesel in their propulsion tanks. Craft with a separate fuel tank for domestic use on-board can continue to use red diesel for this purpose. Where craft have one tank for propulsion and heating, the government will explore options that prevent them from having to pay a higher rate of duty on their heating use than they would otherwise have to pay.

The measure was subject to a summer 2019 consultation, a response to which will be published later this year alongside government's consultation on red diesel.

Policy objective

The objective of this measure is to ensure that private pleasure craft continue to pay the same duty rate they currently pay on the fuel they use for propulsion, while achieving consistency with a 2018 judgment by the Court of Justice of the European Union (CJEU) (case C-503/17) and meeting our international obligations. The court ruled that it is contrary to the Fuel Marker Directive for the UK to allow marked diesel to propel private pleasure craft, even though the user of the fuel pays their supplier the duty differential between the rates for red diesel and unmarked (white) diesel on the amount used to propel their craft.

Background to the measure

Historically the UK – along with some EU member states – has charged two rates of duty on diesel fuel: the full rate (currently 57.95 pence per litre) on road fuel and the rebated rate (currently 11.14 pence per litre) for other uses. Rebated fuel is marked with various chemicals including a red dye to enable misuse to be detected. Red diesel is used in commercial craft and in private pleasure craft. To comply with the Energy Taxation Directive, since 2007, the latter have had to pay the duty differential between the rebated and full rate for diesel, if the fuel is used to propel their craft (but not for domestic on board use).

In 2018, the CJEU ruled that the use of red diesel to propel private pleasure craft breached the Fuel Marker Directive, which is designed to ensure that any misuse of diesel crossing EU internal borders can be detected given the variation in duty treatment in member states. Following the UK's departure from the EU, we have now entered a transition period which lasts until 31 December 2020. During the transition period we are obliged under EU law to implement the judgment or risk substantial fines.

Over summer 2019, the Government consulted on how it intended to implement the court judgment by requiring private pleasure craft to use white diesel for propulsion. The consultation sought evidence on the impact this would have on users of diesel propelled craft operating in UK inland waterways and along the coast; and on the companies that supply diesel to them. The consultation made clear that responses would be used to help determine whether a period would be required for suppliers, known as Registered Dealers in Controlled Oils (RDCOs), and users of diesel fuel to adapt to using only white diesel for propulsion of private pleasure craft and, if needed, the length of any such period.

Budget 2020 also announced a wider reform to red diesel, with a consultation to be launched later this year.

Detailed proposal

Operative date

The measure would be brought into force on a day appointed in secondary legislation. Decisions on implementation will be made in due course.

Current law

The 2003 Energy Taxation Directive was designed to harmonise energy taxation across the EU to facilitate trade in the Single Market. It contains rules on the taxation of diesel, including that while rebated diesel can be used in commercial craft it cannot be used for propelling private pleasure craft (the definition for which is set out in the Directive).

The Fuel Marker Directive sets out the fiscal marking requirements for gas oils and kerosene and aims to prevent the improper use of certain hydrocarbon oils that are subject to excise duties. It provides that EU countries have to apply a fiscal marker to gas oils (including diesel) and kerosene which are exempt or relieved from excise duty. Fiscal marking consists of adding a specific chemical substance to such products. EU countries may add a national marker or colour in addition to the marker provided for by the Directive. During the transition period following our departure from the EU, the UK is obliged to comply with both the Energy Taxation and Fuel Marker Directives.

The Hydrocarbon Oil Duties Act 1979 (HODA) covers the UK law on the taxation of hydrocarbon oils, including diesel used on and off road. The main provisions for fuel used to propel private pleasure craft are currently in section 14E with penalties in section 14F. They allow red diesel to be supplied to operators of private pleasure craft for all uses but compel suppliers of the fuel to collect the additional duty on the fuel used for propulsion of private pleasure craft.

The VAT Act 1994 provides that white diesel is subject to VAT at the standard rate of 20% and deliveries of red diesel of not more than 2,300 litres for private pleasure craft qualify for the reduced VAT rate of 5%. Schedule 7A to the Act contains a reference to marked fuel used in private pleasure craft in respect of which a declaration under section 14E of HODA has been received.

The Hydrocarbon Oil and Bioblend (Private Pleasure Flying and Private Pleasure Craft) (Payment of Rebate Etc.) Regulations 2008 (S.I. 2008/2599) deals with mixtures of fuel where some is for use as a private pleasure craft and some not; the process for applying for a rebate; and requirements for declarations about the fuel.

Proposed revisions

Finance Bill 2020 will:

- amend sections 12 and 14E of HODA to disallow the rebates that apply to diesel, biodiesel and bioblend that are not used for road vehicles on the fuel used for propelling private pleasure craft. In practice such craft have not been benefiting from this rebated rate on the fuel used in propulsion as they have been paying the additional duty to ensure they pay the full rate
- replacing section14F of HODA to create new penalties for using marked fuel for propelling a private pleasure craft similar to those that exist when marked fuel is used in road vehicles
- make consequential amendments to sections 6AB, 13ZB, 14A, 14B, 14C, 20AAA, 24, and 27 and Schedules 4 and 5 of HODA. This includes giving HMRC powers to take samples
- provide for secondary legislation to mitigate the impact of the measure on permanently moored houseboats
- amend Schedule 7A to the Value Added Tax Act 1994 to provide for the removal, if necessary, of the reference to marked fuel used in private pleasure craft in respect of which a declaration has been received
- provide for the changes to be brought into force on a day appointed in secondary legislation, if necessary, and to the extent required to meet our continuing international obligations.

If the changes need to be brought into force, a statutory instrument would be made and laid. If they were brought into force for the whole of the UK, S.I. 2008/2599 would be amended in due course to remove redundant references to private pleasure craft.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025

The final costing will be subject to scrutiny by the Office for Budget Responsibility and will be set out at a later fiscal event.

Economic impact

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

Impact on individuals, households and families

This measure, if introduced, is expected to impact users of private pleasure craft who currently use red diesel. It would prohibit the use of red diesel unless a separate tank was used for supplying fuel for domestic use on board. Costs on crafts for installing a separate tank are estimated by their representative bodies at around £500. However, many craft do not have the space for a separate tank and associated other equipment. These craft users would have to use fuel that has had duty paid at 57.95p per litre for domestic use instead of the rebated fuel duty rate of 11.14p per litre they currently use, and VAT at 20%. Customer experience could therefore be negatively impacted given these increased costs. Where craft have one tank for propulsion and heating, the government will explore options that prevent individuals from having to pay a higher rate of duty on their heating use than they would otherwise have to pay. This measure could have an impact on the disposable income available to individuals and their families. However, this would depend entirely on their amount of fuel usage.

Equalities impacts

In 2017 Royal Yachting Association, Royal National Lifeboat Institution, British Marine, Maritime & Coastguard Agency, British Canoeing and Centre for Environment, Fisheries and Aquaculture Science commissioned Arkenford to examine the participation in watersports. Their report gives no reason to believe that any group with protected characteristics will be particularly impacted. No further report has been commissioned.

Impact on business including civil society organisations

This measure, if introduced, is expected to have a negligible administrative burden impact on approximately 400 operators of refuelling stations at marinas, ports and inland waterways.

By switching to white diesel, one-off costs would include familiarisation with the new rules and could include some operators having to install new pumps and tanks to supply both white and red diesel (although this will be affected by wider changes to red diesel announced at Budget). It is expected that there would be no ongoing costs. Ongoing savings could include not having to report to HMRC the proportion of red diesel used by private pleasure boat users for propulsion and those that opt to supply only white diesel would no longer need to be RDCOs. Some suppliers may, however, continue to supply red diesel only, because their customer base is skewed towards commercial craft that would continue to be able to use red diesel. They would not be able to supply private pleasure craft, leading to a loss of revenue and profits.

This measure, if introduced, is also expected to have a negligible impact on fewer than 100 fuel suppliers that supply refuelling stations. One-off costs would include familiarisation with the new rules and could include changing what fuel they supply to marine RDCOs. It is expected that there would be no ongoing costs.

If introduced, customer experience could be negatively impacted in the short-term because where suppliers chose to supply both fuels, they would incur up-front costs. Customer experience could see an improvement in future because business administrative burdens would be reduced, as there would be a reduction in the need to collect and report data to HMRC and collect and remit tax to HMRC.

It is expected that there would be no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There would be no operational impacts for HMRC since RDCOs have administered the existing scheme on behalf of HMRC. RDCOs would see a reduction in their administration burden because they would not be a required to record the amount of red diesel used for propulsion of private pleasure craft and collect the duty differential compared with white diesel and pass this on to HMRC.

The Ministry of Justice are content there would be negligible extra costs on the justice system arising from any prohibition.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this measure, please contact Gary Satchell on Telephone: 03000 585802 or email: gary.satchell@hmrc.gov.uk

Air Passenger Duty: rates from 1 April 2021 to 31 March 2022

Who is likely to be affected

Airlines and other aircraft operators, and their passengers.

General description of the measure

The long haul rates of Air Passenger Duty (APD) for the tax year 2021 to 2022 will increase in line with the retail price index (RPI) as forecast at Budget 2020. Short haul rates will not rise.

Policy objective

This measure increases APD rates in line with RPI, constituting a real terms freeze. This contributes towards the government's public finances.

Background to the measure

This measure was announced at Budget 2020.

The rates for the tax year 2021 to 2022 are being announced at Budget 2020 to give industry sufficient advance notice of changes in APD rates.

Detailed proposal

Operative date

The rates for the tax year 2021 to 2022 will have effect in relation to the carriage of chargeable passengers on or after 1 April 2021.

Current law

Section 30 of Finance Act 1994 (FA 1994) sets out the rates of APD.

Proposed revisions

Legislation will be introduced in Finance Bill 2020 to amend section 30 of FA 1994. The rates will be as follows:

From 1 April 2021			
Bands (distance in miles from London)	Reduced rate (lowest class of travel)	Standard rate (1) (other than the lowest class of travel)	Higher rate (2)
Band A (0 – 2000 miles)	£ 13	£ 26	£ 78
Band B (over 2000 miles)	£ 82	£ 180	£ 541

(1) If any class of travel provides a seat pitch in excess of 1.016 metres (40 inches) the standard rate is the minimum rate that applies.

(2) The higher rate applies to flights aboard aircraft of 20 tonnes and above with fewer than 19 seats.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	-	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

This measure will impact on some individuals, households and families who travel by air. There is no impact on the majority of passengers who travel to short haul destinations. Those who travel to long haul destinations may see an increase in price. The increase is in line with RPI, constituting a real terms freeze.

Customer experience is expected to stay broadly the same because this measure does not change how individuals interact with HMRC.

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

Equalities impacts

This measure will impact on those who travel more by air. Some people with protected characteristics are likely to be over represented in the class of people who travel by this means.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on approximately 1500 airlines and aircraft operators. One-off costs include familiarisation with the new rates and updating systems to include the new rates. It is not expected that there will be any on-going costs. There is no impact on civil society organisations.

Customer experience is expected to stay broadly the same because this measure does not change how businesses interact with HMRC.

Operational impact (£m) (HMRC or other)

Costs to HMRC of implementing this change are expected to be negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Ann Little on Telephone: 03000 586096 or email: ann.little@hmrc.gov.uk.

Vehicle Excise Duty (VED): rates for vans, cars, and motorcycles

Who is likely to be affected

Owners of cars, vans, motorcycles, and holders of motorcycle trade licences.

General description of the measure

This measure will uprate, by the Retail Prices Index (RPI), the Vehicle Excise Duty (VED) rates for cars, vans, motorcycles and motorcycle trade licences. This is a standard uprating to come into effect from April 2020.

Policy objective

Increasing VED rates by RPI in 2020 to 2021 will ensure that VED receipts are maintained in real terms and that motorists make a fair contribution to the public finances.

Background to the measure

This measure was announced at Budget 2020.

VED is paid on vehicle ownership, and rates depend on the vehicle type and first registration date. VED rates have increased in line with inflation since 2010.

Detailed proposal

Operative date

The measure will have effect on and after 1 April 2020 for all cars, vans, motorcycles, HGVs and motorcycle trade licences.

Current law

Section 1 of the Vehicle and Registration Act (VERA) 1994 provides for the charging of VED. Section 2 of VERA provides that VED in respect of a vehicle of any description is chargeable by reference to the applicable rate specified in schedule 1 of VERA.

Proposed revisions

Legislation will be introduced in Finance Bill 20 to amend the applicable rates for cars, vans, motorcycles and motorcycle trade licences specified in Schedule 1 of VERA. Full details of the new rates are given in Annex A to the Overview of Tax Legislation and Rates.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

This measure will impact on motorists owning a car, van or motorcycle or using a motorcycle trade licence. The increase in VED rates is in line with RPI meaning rates will remain unchanged in real terms.

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

Customer experience is expected to remain broadly the same as this measure does not make any changes to the operation of the tax.

Equalities impacts

This measure will impact those in groups sharing protected characteristics which are representative of all registered keepers of cars.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses, which own or sell vans, car or motorcycles by a change in their VED liabilities. One-off costs include familiarisation with the rate change. There are not expected to be any ongoing costs.

There is expected to be no impact on civil society organisations.

Customer experience is expected to remain broadly the same as this measure does not make any changes to the operation of the tax.

Operational impact (£m) (HMRC or other)

There will be negligible financial impact on operational costs for the Driver and Vehicle Licensing Agency (DVLA) and no additional administrative costs for affected car, van or motorcycle drivers.

Monitoring and evaluation

This measure will be evaluated and monitored through the DVLA vehicle licensing data.

Further advice

If you have any questions about this change, please contact the DVLA on telephone: 0300 790 6802 or online.

Vehicle Excise Duty (VED) rates for motorhomes

Who is likely to be affected?

This will affect owners of motorhomes (type approved M1SA) first registered from 12 March 2020.

General description of the measure

From 12th March 2020, new motorhomes (type approved M1SA) will no longer need to provide their CO2 emissions figure when they register the vehicle. As a result, new motorhomes will be included in the Private/Light Goods VED class or the Private HGV VED class if they weigh over 3,500kg. Then, from 1st April 2021, VED for new motorhomes will be aligned with the Light Goods Vehicle VED class

M1SA vehicles are defined as motor caravans in Part A of Annex II to Directive 2007/46/EC. The minimum requirement is that a motor caravan includes seats and a table; sleeping accommodation; and cooking and storage facilities.

Policy objective

This measure ensures that new motorhomes with the latest engine technology do not attract significant VED increases as a result of Commission Regulation (EU) 2017/1151. This requires any multi-stage build, including those type approved M1SA, to record the carbon dioxide (CO_2) emissions and fuel consumption on their certificate of conformity.

Background to the measure

This measure was announced at Budget 2020 and will be legislated for in Finance Bill 2020.

Detailed proposal

Operative date

The change in the law will apply from 12 March 2020.

Motorhomes (type approved M1SA) first registered prior to [12 March 2020], with an eligible CO_2 emissions figure, will pay graduated VED as a petrol or diesel car.

Current law

Section 1 of the Vehicle and Registration Act (VERA) 1994 provides for the charging of VED. Section 2 of VERA provides that VED in respect of a vehicle of any description is chargeable by reference to the applicable rate specified in Schedule 1 of VERA.

Proposed revisions

Paragraph 1GA, Schedule 1 to VERA will be amended to exclude vehicles which are M1SA type-approved, as defined in Pt 5.1 of Annex II to Directive 2007/46/EC.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
negligible	-15	-20	-25	-30	-35

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document alongside Budget 2020.

Economic impact

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

Impact on individuals, households and families

This measure will have a positive impact for individuals first registering a new motorhome (type approved M1SA) from 12 March 2020 onwards, as this measure will reduce their tax burden.

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

Customer experience is expected to stay broadly the same as there is not expected to be any complex change for affected individuals. To support individuals with this change, we will provide clear guidance to update of these changes.

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses that own or sell motorhomes through changes to how motorhomes are registered and their VED treatment. One-off costs include familiarisation with this change. There are not expected to be any on-going costs.

There is expected to be no impact on civil society organisations.

Customer experience is expected to stay broadly the same as there is not expected to be any complex change for businesses. To support businesses with this change and to mitigate the impact of this change, DVLA will provide clear guidance to update affected businesses of this change.

Operational impact (£m) (HMRC or other)

There will be negligible financial impact on operational costs for the Driver and Vehicle Licensing Agency (DVLA) and no additional administrative costs for affected motorhome keepers.

Other impacts

Wider environment impact and carbon assessment: This will reduce the tax liability on motorhomes, which are relatively highly polluting vehicles. However, as motorhomes only comprise less than 1% of total vehicle registrations, the impact is limited. Furthermore, from April 2021, motorhome VED liabilities will be based on their CO_2 emissions figure.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be evaluated and monitored through the DVLA vehicle licensing data.

Further advice

If you have any questions about this change, please contact CEU.Enquiries@hmtreasury.gov.uk

Legislating to establish a UK Emissions Trading System

Who is likely to be affected

Permit holders of installations currently covered by the EU Emissions Trading System (EU ETS). This includes: power generators; certain large industrial premises and manufacturers, including food processing plants; certain public sector facilities; and those small emitters and hospitals that are subject to simplified reporting arrangements.

General description of the measure

In line with the Withdrawal Agreement, the UK will remain in the EU ETS until 31 December 2020. As set out in the UK's Approach to Negotiations, the UK would be open to considering a link between any future UK Emissions Trading System (ETS) and the EU ETS, if it suited both sides' interests.

In the event that there is no link agreed between a UK ETS and the EU ETS then the UK would introduce an alternative carbon pricing mechanism. The Government is preparing both a standalone emissions trading system or a Carbon Emissions Tax, as possible alternatives. For further detail on the Carbon Emissions Tax, see the separate TIIN.

This measure therefore provides the powers for HM Treasury to establish a UK Emissions Trading System (UK ETS), which could be linked to the EU ETS, or a standalone UK ETS. This charging power means that allowances can be auctioned in a UK ETS and that additional market stability mechanisms can be implemented in a standalone UK ETS, to be defined in regulations.

Policy objective

The measure ensures that a UK ETS regime can be implemented from 1 January 2021, either as a regime linked to the EU ETS or as a standalone UK regime. This is intended to maintain a carbon price signal for emitters currently covered by the EU ETS, encouraging decarbonisation and therefore helping to meet our legally binding Net Zero target.

Background to the measure

This measure was announced at Spring Budget 2020.

The government sets a total carbon price to provide an incentive to invest in low-carbon electricity generation and technologies, as well as to ensure that polluters pay for their emissions. This currently comprises the EU ETS price and the Carbon Price Support (CPS) rate per tonne of carbon dioxide. Electricity generators pay both the CPS and ETS price and industrial installations pay only the EU ETS price. Spring Budget 2020 also contains announcements about Carbon Price Support rates which will remain in place irrespective of the outcome of UK-EU negotiations.

The government and the Devolved Administrations consulted on "The Future of UK Carbon Pricing" between May and July 2019. Following the end of the Transition Period, the following options have been designed to ensure a carbon price remains in place in all scenarios: a UK ETS linked to the EU ETS; a standalone UK ETS, or a Carbon Emissions Tax. For further detail on the Carbon Emissions Tax, see the separate TIIN.

This measure has been prepared to ensure that allowances in a future UK ETS (either linked or standalone) can be auctioned, as defined in regulations.

The measure also allows for the potential implementation of market stability mechanisms in a standalone UK ETS. As set out in the consultation, this could include a Cost Containment Mechanism (CCM) to respond to any significant short-term price spikes and an Auction Reserve Price (ARP). If implemented, the ARP would set a minimum price for which allowances can be sold at auction to provide a minimum carbon price signal and to mitigate any associated start-up issues.

A response to the consultation will be published in due course.

Detailed proposal

Operative date

Royal assent of Finance Bill 2020.

Current law

Section 44(1) of the Climate Change Act 2008 provides the power for the relevant national authorities to make provisions by regulations for trading schemes relating to greenhouse gas emissions. However, schedule 2, paragraph 5(4) of the Climate Change Act (2008) imposes a prohibition on the exchange of allowances in return for consideration.

Proposed revisions

This clause allows HM Treasury to make regulations which provide for the allocation of emissions allowances in return for payment under an emissions reduction trading scheme (UK ETS), as defined by the Climate Change Act (2008).

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

This measure has no impact on individuals. In line with the consultation, a future UK ETS (either linked or standalone) would only affect permit holders of installations currently covered by the EU ETS. There is expected to be no impact on family formation, stability or breakdown.

Equalities impacts

This measure would not have impacts for groups sharing protected characteristics.

Impact on business including civil society organisations

This measure has no direct impact on the approximately 1,000 installations currently covered by the EU ETS. This measure would provide a charging power for HM Treasury to establish a UK ETS linked to the EU ETS, or a standalone UK ETS. A consultation response will be published over the coming months confirming the details of a UK ETS.

There is expected to be no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

No operational impact.

Other impacts

Monitoring and evaluation

This measure does not require monitoring or evaluation, as the details will be confirmed in regulations.

Further advice

If you have any questions about this change, please contact HM Treasury: CEU.Enquiries@hmtreasury.gov.uk.

Carbon Emissions Tax

Who is likely to be affected

Stationary installations currently holding (or that become liable to hold):

- a greenhouse gas emissions permit, including power generators; certain large industrial premises and manufacturers, including food processing plants; certain public sector facilities; and
- an excluded installation emissions permit (small emitters and hospitals)

Verifiers of, and advisers to such installations.

A new category of installation, ultra-low emitters, will also be interested.

General description of the measure

This measure announces that the government will maintain the Carbon Emissions Tax as a fallback carbon pricing policy and legislate in Finance Bill 2020 to make changes to the tax provisions set out in Finance Act 2019. A consultation will take place later this spring on how the tax would operate if introduced.

In line with the Withdrawal Agreement, the UK will remain in the EU ETS until 31 December 2020. As set out in the UK's Approach to Negotiations, the UK would be open to considering a link between any future UK ETS and the EU ETS if it suited both sides' interests. In the event that there is no link agreed, the UK would introduce an alternative carbon pricing mechanism. The government is preparing both a standalone emissions trading system and a Carbon Emissions Tax as possible alternative carbon pricing policies. Therefore, at Budget 2020, it was announced that legislation to prepare for a UK ETS will also be included in Finance Bill 2020, for which a separate Tax Information and Impact Note (TIIN) is provided. This note deals with the Carbon Emissions Tax option.

The tax was announced at Budget 2018 as a fallback policy should the UK have left the EU without a deal and thereby have ceased to participate in the EU Emissions Trading System (ETS). It was established in Finance Act 2019 but not commenced.

Stationary installations that hold the relevant permit issued by UK regulators will continue to report their activities each spring under the Monitoring, Reporting and Verification (MRV) scheme to establish how many tonnes of greenhouse gases they emit during a calendar year reporting period. If the Carbon Emissions Tax were introduced, it would tax permitted stationary installations' emissions of carbon dioxide (and other greenhouse gases on a carbon equivalent basis) above an individually set emission allowance.

The first emissions reporting period under the tax would run from 1 January to 31 December 2021, with activities and emissions reported in spring 2022 and first tax bills issued by HM Revenue and Customs (HMRC) in summer 2022.

Finance Bill 2020 will amend Finance Act 2019 to include provisions relating to penalties, update definitions, and update powers relating to the review and appeal of decisions and the charging of fees by regulators.

A consultation will be published in spring 2020 on the operation of the tax to inform secondary legislation that would be laid in late 2020 if the tax were to be introduced.

Policy objective

If introduced, the new tax would contribute to the UK's ambitious 2050 net zero target by maintaining a stable carbon price for those stationary emitters that were covered by the EU ETS. This would provide stability for businesses and support the UK to meet its legally binding carbon reduction targets, which are unaffected by leaving the EU. It also aims to replace the revenue lost from the auctioning of EU Allowances from the UK's non-participation in the EU ETS.

Background to the measure

The government sets a total carbon price to provide an incentive to invest in low-carbon electricity generation and technologies. For years up to and including 2020 this comprises the EU ETS price and the Carbon Price Support rate per tonne of carbon dioxide. Electricity generators pay both elements and industrial and other installations covered by the EU ETS pay only the EU ETS price. Budget 2020 also contains announcements about Carbon Price Support rates which remain in place now the UK has left the EU.

The EU ETS, which was introduced in 2005, is a 'cap and trade' scheme designed to set a price for carbon emissions to encourage their reduction. It requires participants to obtain a permit to emit and then to submit a report annually providing information across the previous calendar year, from which their emissions across the period are calculated. All greenhouse gas emissions are calculated on a carbon equivalent basis.

The EU ETS applies to large emitters of greenhouse gases in the EU (including electricity generators) and includes rules determining how many free EU Allowances participants are allocated each year. It also provides for a simplified reporting scheme for small emitters and certain hospitals, with annual emissions targets set rather than the system of allocating EU Allowances. From 1 January 2021, the government is legislating to provide that installations that qualify as ultra-low emitters will be able to opt to leave the UK permitting scheme. If they did so, they would not be subject to the tax if introduced.

Currently the EU ETS is in Phase III which ends at the end of 2020. Phase IV will run from 1 January 2021 to 31 December 2030. When the UK ceases to participate in the EU ETS from 31 December 2020 (the end of the Transition Period), the system of permitting installations and emission monitoring and reporting requirements for 2021 and beyond will continue, allowing the UK to monitor progress towards its ambitious 2050 net zero target.

The government is considering long term options for carbon pricing following exit from the EU and undertook a 10-week consultation, which closed on 12 July 2019. A consultation response will be published in due course.

The TIIN on the tax published at Budget 2018 is superseded by this note. If the tax were introduced, the TIIN would be republished alongside the laying of secondary legislation towards the end of 2020.

Detailed proposal

Operative date

The tax would apply to emissions in excess of an installation's tax emission allowance from 1 January 2021. The primary legislation relating to the tax would be commenced by regulations made by HMRC towards the end of 2020.

Current law

Finance Act 2019 established the Carbon Emissions Tax, setting the scope, rate and basic structure of the tax and providing that for any given tax reporting period it will be payable only on emissions above a tax emission allowance set for each installation. The Act also provided for the tax to be brought into effect by statutory instrument; and for a further statutory instrument or instruments to be laid on the detailed operation of the tax.

Proposed revisions

Finance Bill 2020 will amend Finance Act 2019 to:

- set a penalty for failure to make payment of tax on time
- clarify and expand the power to make regulations in relation to reviews and appeals
- allow regulations to impose penalties for a failure to comply with an obligation imposed by regulations
- clarify the power to make regulations that confer functions on various Government entities such as the Secretary of State and HMRC
- allow regulations to be made by reference to events occurring in the past to enable HMRC to consider data from before the tax is introduced when adjusting tax emission allowances
- allow regulations to set an emission allowance for a reporting period at any point up to the end of that reporting period
- allow regulations to modify secondary legislation dealing with monitoring, reporting, verification of emissions to ensure the legislation operates effectively for the purposes of the tax
- update the references to legislation that has been updated and replaced since the Finance Act 2019 was introduced to Parliament
- allow HM Treasury to exclude regulated installations of a specified description from the charge to tax

Summary of impacts

This summary of impacts assumes the tax would be introduced on 1 January 2021.

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025

If the tax were introduced, the final costing would be subject to scrutiny by the Office for Budget Responsibility and would be set out at a later date.

Economic impact

It is not expected that this measure would have any significant macroeconomic impacts.

Impact on individuals, households and families

It is expected that this measure would not have an impact on individuals as Carbon Emissions Tax would be a business tax. This measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that this measure would have impacts for those in groups sharing protected characteristics.

Impact on business including civil society organisations

This measure would have an impact on around 1,000 UK stationary installations participating in the EU ETS (generally electricity generators or manufacturing plants, mostly operated by large businesses).

The coverage of the tax would be broadly the same as the current EU ETS population, except that the aviation sector and installations that fall under a new category of ultra-low emitters would not be liable to the tax. Installations' emissions obligations are expected to be similar to those for monitoring, reporting and verifying emissions under the EU ETS.

Installations with lower emissions than their tax emission allowance would face no tax liability. For installations whose emissions exceed their tax emission allowance there would be an additional one-off requirement to familiarise themselves with this measure and an ongoing cost of paying a tax bill once a year, starting in 2022, both of which would carry negligible costs.

As this would be a new tax with which taxpayers have not previously had to engage, we expect there would be some impact on customer experience as affected businesses would need to familiarise themselves with the tax. Other aspects of customer experience could see an improvement as installations would no longer have to comply with the EU ETS by acquiring and surrendering allowances. This would be time saving for some businesses. Other aspects of customer experience would be expected to remain the same as installations would continue to report their activities each spring under the Monitoring, Reporting and Verification scheme.

The measure would have no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC would incur costs to build IT systems to support this new tax. This would cover obtaining the information from regulators' IT system that would be needed to bill installations, and to provide an IT system to enable bills to be generated and tax to be accounted for accurately. These costs are provisionally estimated at £2.75 million. HMRC would also incur staff costs, initially estimated at £620,000. All costs would be reviewed once tax and system designs were final.

There would also be costs to the Environment Agency, provisionally estimated at less than £100,000, from adding functionality to ensure the regulators' IT system could provide relevant information to HMRC. Any such changes would be made alongside changes needed to reflect leaving the EU ETS and, where possible, would be done in a way that would enable them to be used for any long-term carbon pricing solution.

A Justice Impact Test has been completed with the Ministry of Justice considering whether additional burdens would fall on Courts and tribunals. This concluded that the risks of creating additional burdens on the tribunal system was small.

Other impacts

Carbon assessment – at present the government has not set a rate of tax. However, it is intended that the rate of tax would provide an incentive for electricity generators and energy intensive industries to reduce their emissions.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure would be monitored through information collected from annual emissions reports and tax receipts, and through communication with affected taxpayer groups.

BEIS would continue to monitor carbon emissions via the system for monitoring, reporting and verifying emissions.

Further advice

If you have any questions about this measure, please contact Andy Jameson on Telephone: 03000 586082 or email: carbon.taxation@hmrc.gov.uk

Climate Change Levy: main and reduced rates

Who is likely to be affected

Business and public sector users of energy, gas and electricity utilities and suppliers of solid fuels and liquefied petroleum gas (LPG).

General description of the measure

This measure amends the main rates of Climate Change Levy (CCL) for 2020 to 2021 and 2021 to 2022, implementing the rates announced at Budget 2018. Early announcement was made to give those affected as much time as possible to prepare. This measure also amends, for 2020 to 2021 and 2021 to 2022, the reduced rates of CCL for qualifying businesses in the Climate Change Agreements (CCA) scheme. Similarly, early announcement of these changes was made at Budget 2018.

Policy objective

This measure will legislate for the main and reduced rates of CCL for 2020 to 2021 and 2021 to 2022, which were announced at Budget 2018.

The changes to the main rates are in line with the government's commitment to continue to rebalance the electricity to gas ratio announced at Budget 2016. The electricity rate will be lowered and the gas rate will increase in both years, so that the gas rate reaches 60% of the electricity rate in 2021 to 2022.

The changes to the reduced rates seek to limit the impact on CCA scheme participants to a Retail Prices Index (RPI) increase only.

Background to the measure

CCL was introduced in 2001 and is a UK-wide tax on electricity, gas, LPG and solid fuels supplied to businesses and public sector consumers. The main rates on these commodities are paid to HM Revenue and Customs (HMRC) by energy suppliers who pass on the costs, through billing, to their non-domestic customers. The reduced rates available to CCA participants are expressed as a percentage of the full main rates.

Budget 2016 announced that, from 1 April 2019, rates would become subject to 'rebalancing' to reflect changes in the fuel mix used in electricity generation (the increase in rates from 1 April 2019 also sought to recover the tax revenues lost by closing the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme).

Budget 2018 reaffirmed the government's commitment to continue with this rebalancing and the announced CCL rates for 2020 to 2021 and 2021 to 2022 reflected this.

Budget 2016 also announced that, alongside the rates increase from 1 April 2019, the reduced rates of CCL for qualifying businesses in the CCA scheme would be amended so that participants did not pay more in CCL than they would have if the rates were increased in line with the Retail Prices Index (RPI) as in previous years. Budget 2018 announced amended reduced rates for 2020 to 2021 and 2021 to 2022 which would similarly limit the impact on CCA scheme participants to an RPI increase.

Detailed proposal

Operative date

The changes will have effect for supplies of taxable commodities treated as taking place on and after 1 April 2020 (2020 to 2021) and 1 April 2021 (2021 to 2022).

Current law

CCL is provided for by the Finance Act (FA) 2000. The main rates are set out in paragraph 42(1) of Schedule 6 to the Act.

Paragraph 42(1) (ba) and (c) of Schedule 6 to FA 2000 provides that, for supplies of electricity, only 7% of the main rate is payable where a supply is a reduced-rated supply. For supplies of other taxable commodities, 22% of the main rate is payable where a supply is reduced-rated supply.

Paragraph 2 of Schedule 1 to the Climate Change Levy (General) Regulations 2001 (SI 2001/838) ('the Regulations') sets out the formula used by businesses in the CCA scheme to calculate their CCL relief entitlement, including the reduced rate.

Proposed revisions

Legislation will be introduced in Finance Bill 2020 to amend the CCL main rates and the reduced rates in paragraph 42 of Schedule 6 to FA 2000.

The rates for 2019 to 2020 and the rates covered by the Budget 2018 announcement are as follows:

Taxable commodity	Rate from 1 April 2019	Rate from 1 April 2020	Rate from 1 April 2021
Electricity (£ per kilowatt hour (KWh))	0.00847	0.00811	0.00775
Natural gas (£ per KWh)	0.00339	0.00406	0.00465
LPG (£ per kilogram (kg))	0.02175	0.02175	0.02175
Any other taxable commodity (£ per kg)	0.02653	0.03174	0.03640

Taxable commodity	Rate from 1 April 2019	Rate from 1 April 2020	Rate from 1 April 2021
Electricity	7%	8%	8%
Natural gas	22%	19%	17%

LPG	22%	23%	23%
Any other taxable commodity	22%	19%	17%

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	+40	+60	+65	+85	+90

These figures are set out in Table 2.2 of Budget 2020 as "Climate change levy: move toward equalised gas and electricity rates" and have been certified by the Office of Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2018.

Economic impact

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

Impact on individuals, households and families

This measure is not expected to impact on individuals as Climate Change Levy (CCL) is not levied on the supply of energy to individuals and households, so should not affect individuals or household energy bills. There is expected to be no impact on family formation, stability or breakdown.

Equalities impacts

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

Impact on business including civil society organisations

The measure is expected to have a negligible impact on businesses and civil society organisations. The cost of CCL for some businesses and civil society organisations will rise and for some it will decrease. One off costs will include familiarisation with the rate changes and updating systems to reflect the new rates. There are not expected to be any ongoing costs.

Customer experience is expected to stay broadly the same because this measure only changes the rates of CCL.

Operational impact (£m) (HMRC or other)

HMRC's processing systems are designed to accommodate tax rate changes. The measure will not increase HMRC processing or compliance resource.

Other impacts

Environmental impact: CCL is an energy tax which aims to increase energy efficiency. Increasing tax rates strengthens the price signal for businesses to reduce energy consumption.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Cesar Yanchev on Telephone: 03000 532030 or email: lachezar.yanchev@hmrc.gov.uk

Implementation of recommendations from the Independent Review of the Loan Charge

Who is likely to be affected

Individuals, companies and employers that fall within the disguised remuneration loan charge legislation in respect of employment or trading income, including those who made certain voluntary payments to HM Revenue & Customs (HMRC) as part of a settlement.

General description of the measure

At Budget 2016, the government announced a package of changes to tackle existing and prevent future use of disguised remuneration tax avoidance schemes. This included the Loan Charge, a new charge on disguised remuneration loan balances outstanding at 5 April 2019. Scheme users were given three years (Budget 2016 to April 2019) to repay their disguised remuneration loans, reach a settlement with HMRC, or be subject to the new charge.

In September 2019, the government commissioned Sir Amyas Morse to conduct an independent review of the loan change (the Review). The Review was published on 20 December 2019 along with the government's response. The government announced that it would accept all but one of the Review's recommendations.

The recommendations included the following changes to the Loan Charge:

- it will only apply to the outstanding balance on loans made between 9 December 2010 and 5 April 2019 inclusive
- it will not apply to loans made in tax years before 2016 to 2017 where a reasonable disclosure of the use of a disguised remuneration tax avoidance scheme was made within the relevant tax return or, where appropriate, accompanying documents, and HMRC failed to take any action (an 'unprotected' year)
- those affected by the Loan Charge will be able to elect to split their loan balance over three consecutive years - 2018 to 2019, 2019 to 2020 and 2020 to 2021
- late payment interest will not be payable for the period 1 February 2020 to 30 September 2020 on any Self Assessment liability for 2018 to 2019, as long as a return is filed and the tax paid, or an arrangement made with HMRC to do so, by 30 September 2020; and
- moving the date by which the online form to report disguised remuneration loans must be returned to HMRC from 1 October 2019 to 1 October 2020 - the form requires customers to provide full information to HMRC relating to any outstanding disguised remuneration loans for which they will need to make tax payments

Legislation to implement these, and other recommendations, was published in draft on 20 January 2020.

The government also agreed that HMRC would repay certain voluntary payments (known as 'voluntary restitution') paid under a qualifying agreement made on or after 16 March 2016. The recommended refunds cover voluntary restitution in relation to loans made in unprotected years:

- prior to 9 December 2010; or

- between 9 December 2010 and 5 April 2016, where the scheme user made reasonable disclosure of their scheme but HMRC failed to take action, for example by opening an enquiry.

Legislation to require HMRC to set up a scheme to make these refunds was published in draft on 27 February 2020, together with a draft scheme.

Policy objective

The Loan Charge supports the government's commitment to tackle tax avoidance and ensures users of disguised remuneration tax avoidance schemes pay their fair share of Income tax and National Insurance contributions. The changes introduced in this measure amend the Loan Charge to address concerns raised in the Review about the impact of some aspects of the policy.

The government recognises that those who voluntarily settled their tax liability on or after 16 March 2016 have complied with their relevant tax obligations under settlement terms based on the Loan Charge applying from 6 April 1999. This measure will also ensure that the tax liability of these taxpayers reflects the decision not to apply the Loan Charge to unprotected years.

An unprotected year, for the purposes of the Loan Charge, refers to a year up to and including the tax year 2015 to 2016, where at 5 April 2019 HMRC had not acted to protect its assessing position, for example by opening an enquiry or issuing an assessment or determination.

Background to the measure

Disguised remuneration schemes are typically used by employers and individuals to avoid Income Tax and National Insurance contributions. These schemes take various forms, but they commonly result in loans from a third party on such terms that they are never repaid in practice.

The government commissioned Sir Amyas Morse to lead a review into the Loan Charge to determine whether the policy was an appropriate response to the tax avoidance behaviour in question, and to determine whether the changes the government has announced to support individuals to meet their tax liabilities have addressed any legitimate concerns raised, including about affordability of the Loan Charge for those affected.

Sir Amyas recognised that disguised remuneration loan schemes are a form of tax avoidance, and that it was right to act to ensure the tax was collected. The Review did not recommend overturning or revoking the Loan Charge. The government has confirmed that the Loan Charge will remain in force.

However, the government recognises the concerns raised by the Review about the impact of some aspects of the Loan Charge and accepted all but one of the recommendations, to address these concerns. The government will also ensure that those who have already voluntarily settled their disguised remuneration liability also benefit from the changes to the Loan Charge.

For the policy changes which require legislation, the government will legislate in Finance Bill 2020.

Detailed proposal

Operative date

This legislation will have effect retrospectively to 5 April 2019, which is the relevant date for the purposes of applying the Loan Charge. However, clauses related to repayments of voluntary payments will have effect on and after the date of Royal Assent to Finance Bill 2020.

Current law

Finance Act 2011 introduced the employment income provided through third parties rules at Part 7A of ITEPA 2003, commonly referred to as the ‘disguised remuneration rules’.

These rules give rise to an employment income charge on employment income paid through a third party as if it were paid directly to the employee by the employer.

The Loan Charge is a new income tax charge on individuals (whether employed or self-employed), applying to loans made through disguised remuneration schemes after 6 April 1999, which had not been repaid by 5 April 2019. It was introduced in Schedules 11 and 12 to Finance (No. 2) Act 2017 (“Schedules 11 and 12”).

Schedule 11 provides that where an employee has an outstanding loan balance at 5 April 2019, a relevant step has been taken at that date. Schedule 12 provides that where a self-employed trader has an outstanding loan balance at 5 April 2019, a relevant benefit arises in the tax year 2018 to 2019. As a result these provisions recognise all outstanding loans as income in tax year 2018 to 2019.

If taxpayers agreed a contractual settlement with HMRC or repaid their loans by 5 April 2019, in accordance with the terms of repayment set out in Schedules 11 and 12, then they will not have to pay the Loan Charge and will instead pay the tax due on their earlier year liabilities. If taxpayers failed to take one of these actions by 5 April 2019, their outstanding loan balance is added to their 2018 to 2019 taxable income or trading profits. They will then receive double taxation relief against earlier years’ tax liabilities arising from the same income.

Contract settlements are entered into by the Commissioners of HMRC exercising their statutory powers. A settlement agreement ends a taxpayer’s dispute with HMRC and there is currently no legislation that allows for a refund of amounts paid under the settlement.

Proposed revisions

To change the date from which the Loan Charge applies to outstanding loan balances, Schedule 11 is amended. The changes being made are to paragraph (1)(1)(b) of Schedule 11. This change will amend the current date of 6 April 1999 to 9 December 2010.

To allow customers to split their loan balance over three years the legislation introduces new paragraphs into Schedule 11. New paragraph 1A of Schedule 11 sets out that a person with an outstanding loan balance on 5 April 2019 may be treated as having three equal portions of income which are taxed over three consecutive tax years, starting with tax year 2018 to 2019.

Paragraph 1A also sets out that for a customer to split their loan balance over three years the customer must make an election to do so. The customer must also provide full information of their outstanding loans as set out by paragraph 35C of Schedule 11 before they can make an election. This election cannot be withdrawn by the customer and an election made under Schedule 11 will cover all loans captured by that Schedule and by Schedule 12.

A new paragraph 1B is inserted in Schedule 11 which narrows the scope of the charge. It provides that the Loan Charge will not apply where a taxpayer has made a reasonable disclosure on a tax return of a loan or quasi-loan relating to 2015 to 2016 or an earlier year, and HMRC had not, as at 6 April 2019, taken action to protect the year by, for example, opening an enquiry or issuing an assessment. Paragraph 1B additionally provides that years 2016 to 2017 onwards are within scope of the Loan Charge, irrespective of whether or not HMRC has taken action to protect the year.

Corresponding changes are also made to Schedule 12 to implement the changes described above for self-employed individuals.

This legislation also makes provision to remove the charge to late payment interest for customers who are liable to the Loan Charge for the period 1 February 2020 to 30 September 2020 where a Self Assessment return is filed and the tax paid, or an arrangement made with HMRC to do so, by 30 September 2020. The legislation also provides that no late payment interest will be due on payments on account for 2019 to 2020 where the payments are made by 31 January 2021 or are included in a payment arrangement by that date. If the payment deadline is not met or there is no payment arrangement in place by that date, these changes will not apply and interest will accrue from the statutory due date.

This legislation also introduces new clauses that require HMRC to set up a scheme under which they may make a refund of a ‘qualifying amount’ paid and associated repayment interest, or waive a qualifying amount due to be paid, under a ‘qualifying agreement’. The legislation provides definitions of terms and ensures that those who have settled and paid voluntary restitution to avoid exposure to the Loan charge will be given the opportunity to have certain voluntary restitution payments refunded to them so that they benefit from the changes to the Loan Charge and are not disadvantaged by having settled prior to the changes now being implemented. The legislation also enables HMRC to set out in the scheme who can apply for a refund, the application process, and the factors that will be taken into account by HMRC in calculating the refund due.

Voluntary restitution will only be refunded where it was paid in respect of a loan made before 9 December 2010 (when the Loan Charge no longer applies), or a qualifying loan for an unprotected year before 6 April 2016, where a reasonable disclosure of use of the loan schemes was made to HMRC but HMRC failed to take action, for example by opening an enquiry.

The scheme has also been published.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-30	-305	-245	-70	-70	-25

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020.

Economic impact

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

Impact on individuals, households and families

This section does not cover the impact of the Loan Charge itself, which was addressed in the tax information and impact note published on 5 December 2016 and included an estimate that 40,000 individuals who had entered into disguised remuneration schemes could be affected.

An additional package announced in 2016 brought a further 10,000 self-employed individuals within scope of the Loan Charge. The numbers below focus only on the impact of the changes to the Loan Charge contained in this measure.

Initial analysis suggests that more than 30,000 individuals will benefit from this measure:

- An estimated 11,000 individuals will be removed from the Loan Charge due to the date the Loan Charge applies from being changed to 2010 and the provisions for those who have made reasonable disclosures.
- An estimated 21,000 individuals will see the amount of tax they owe under the Loan Charge reduce as a result of the proposals to allow customers to split their loan balance over three years.

By reducing the tax liability through the changes to the Loan Charge, this measure should reduce financial pressures on those who benefit.

Employed individuals with outstanding disguised remuneration loan balances to report will need to speak to their employer to manage their payments of tax through their employer. Their employer will need to make manual changes to the individuals' tax payments through the PAYE process. It is possible that some employees might have a large amount of tax recovered from their last month's pay each year for three years. However, individuals can agree a payment plan with HMRC, based on their individual circumstances, and HMRC will not ask for more than 50% of their disposable income to be paid in their payment plan.

Around 1,000 individuals are expected either to receive a refund of voluntary restitution paid, or to face reduced instalment arrangements if it was included as part of a time to pay or instalment plan.

Individuals will need to make a claim for a refund before 1 October 2021 either directly from HMRC or through their employer. HMRC will write to individuals who might be directly due a refund to invite them to make a claim. HMRC will also advertise the refunds scheme and the need to make a claim by the deadline. Individuals should contact HMRC if they believe they are entitled to a refund and have not heard from HMRC by 30 November 2020. HMRC will then send them a claim form and work with them to ensure they receive any amount due as quickly as possible.

Those who make a claim in respect of voluntary restitution paid, or payable, on loans made between 9 December 2010 and 5 April 2016, will need to provide information on whether they made a 'reasonable disclosure' of their loans.

For customers who are due refunds of certain voluntary restitution payments, the customer experience in applying for those refunds will be supported by clearly defining who is eligible and the process that the customer needs to follow to obtain the refund. The process will not affect customers' wider engagement with HMRC.

However, it is expected that these changes will have a positive impact on the majority of individuals with outstanding loan balances, who will have a reduced tax liability. As this legislation is designed to narrow the scope of the Loan Charge, and to refund, or waive, certain voluntary restitution payments, it is estimated that it will reduce financial pressures on more than 30,000 individuals. It is therefore not expected to have a negative impact on family formation, stability or breakdown for these individuals.

The government recognises that many individuals may still face tax liabilities related to their use of disguised remuneration schemes following these changes, and that for some, this could involve significant sums of money. Separately to this measure, HMRC are implementing a number of changes for individuals who cannot pay the tax due, and who are in need of bespoke arrangements to pay their tax debts.

Equalities impacts

This measure will affect those of working age or older who have used disguised remuneration avoidance schemes, including those who paid voluntary restitution on or after 16 March 2016 to settle their tax liability for unprotected years which are no longer in scope of the Loan Charge. It is not anticipated that this measure will have a significant, or disproportionate, impact on groups with protected characteristics as recognised in the Equality Act 2010.

Broadly the measure is expected to affect more males than females. The measure is also expected to affect slightly older individuals on balance given that earlier uses of disguised remuneration loan schemes are affected by amending the date of the Loan Charge to 9 December 2010.

HMRC will provide extra support to anyone who needs help, or anyone in vulnerable circumstances who is finding it difficult dealing with their tax liabilities in relation to the Loan Charge.

Impact on business including civil society organisations

Initial analysis suggests that moving the date the Loan Charge applies from 1999 to 2010, together with the provisions that disapply the Loan Charge where a reasonable disclosure of a loan relating to 2015 to 2016 or an earlier year was made and HMRC had not taken action to protect the year, would remove an estimated 1,000 employers from the Loan Charge.

Around 1,000 employers are expected to receive a refund of voluntary restitution paid.

One-off costs for employers will include familiarisation with the changes and could also include employers identifying employees and notifying them of these changes, as well as obtaining evidence from relevant employees that they have made a 'reasonable disclosure' of any loans and providing that evidence to HMRC. There may also be costs for employers who have to pass on refunds to employees who 'made good' amounts paid by their employer on their behalf.

Employers will need to make a claim for a refund before 1 October 2021. HMRC will write to those who might be due a refund to invite them to make a claim. HMRC will also advertise the scheme and the need to make a claim by the deadline. Customers should contact HMRC if they believe that they are entitled to a refund and have not heard from HMRC by 30 November 2020. HMRC will then send them a claim form and work with them to ensure they receive any amount due as quickly as possible.

Continuing costs could include the need to submit three annual end of year updates to account for the Loan Charge for any employees who do elect to split their loan balance. They may have to recover tax from employees in each of those years.

Given that most employers already account for regular payroll runs, it is not expected that this will be a significant addition to their administrative burden. Employers may need to make some changes to their process to account for specific issues relating to the Loan Charge.

Customer experience for employers impacted by the Loan Charge will vary depending on how many of their employees are affected. The employer will need to be in contact with each employee to understand how the changes have affected their liability to the Loan Charge. If the employee has decided to make an election to spread their Loan Charge balance over three consecutive tax years, the employer may be required to make amendments to the Real Time Information (RTI) returns already submitted. The more work and complexity employers face could result in reduced customer experience for them.
There is not expected to be any impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be costs and complexities in ascertaining which loans remain covered by the Loan Charge especially where complex avoidance arrangements affect loans made in multiple years.

IT changes are needed to amend the online form for customers to report their disguised remuneration loan and to allow elections to be made to spread an outstanding loan balance. These elections will need to be processed manually to ensure they are correct. This has an additional staff cost.

HMRC will need to make enhancements to existing IT tools to enable customers to take advantage of these changes, as well as costs related to additional communications to make taxpayers aware of their obligations. It is anticipated that these IT enhancements and additional communications will cost in the region of £600,000.

There are no IT system changes required for those due repayments, or waivers, of amounts paid, or due to be paid, through voluntary restitution.

Total costs relating to the implementation of these legislative changes include: IT changes; additional communications; processing claims for refunds; calculating and issuing payments; and negotiating amendments to existing settlement agreements. We estimate that these are in the region of £60 million over 2020/21-2024/25 – they will be subject to further refinement.

Further resource required for compliance activity and litigation to resolve outstanding tax disputes in relation to loans made before 9 December 2010 about the underlying avoidance arrangements will be considered separately.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the Loan Charge review team by email: loanchargeconsultationresponses@hmrc.gov.uk

Surcharge on banking companies: transferred-in losses

Who is likely to be affected

Banking companies including building societies (banks) within the charge to UK Corporation Tax (CT).

General description of the measure

The bank Corporation Tax surcharge (Surcharge) is a charge of 8% on the profits of banks, payable in addition to CT. The Surcharge profits are calculated on the same basis as for CT, but with some reliefs denied. The current Surcharge legislation disregards the effect of elections to transfer allowable losses from a non-banking company to a bank where they are used to reduce future chargeable gains. However, this disregard does not extend to transfers of allowable losses used to reduce in-year chargeable gains. This measure addresses this inconsistency and ensures that Surcharge profits are not reduced by allowable losses surrendered by non-banking companies in the same group.

Policy objective

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

The Surcharge is linked to a bank's profitability. This measure ensures that banks are not able to reduce their Surcharge liability using allowable losses suffered in non-banking parts of their groups.

Background to the measure

This measure was announced at Budget 2020.

Detailed proposal

Operative date

This amendment will apply to allowable losses that are deducted from chargeable gains accruing on disposals made on or after 11 March 2020.

Current law

Current law is included in Chapter 4 of Part 7A Corporation Tax Act 2010 (CTA 2010).

Proposed revisions

Legislation will be introduced in Finance Bill 2020 to disregard, for Surcharge purposes, the effects of any elections to transfer allowable losses from a non-banking company. This new rule applies whether the transferred-in loss arose in the same period as the gain it is being used to reduce or arose in an earlier period from which it has been carried forward.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
negligible	negligible	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

This measure is not expected to impact on individuals as it only affects banks. There is expected to be no impact on family formation, stability or breakdown

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on the estimated 100 banks affected by the Surcharge.

One-off costs for these businesses will include familiarisation with the new rules. There are not expected to be any ongoing costs.

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

Customer experience is expected to stay the same because this is a minor technical amendment to the Surcharge legislation.

Operational impact (£m) (HMRC or other)

There are no financial consequences for HMRC.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Robby Wells on Telephone: 03000 530 261 or email: robby.wells@hmrc.gsi.gov.uk.

Income, Capital Gains and Corporation Tax: Limited Liability Partnerships

Who is likely to be affected

Limited Liability Partnerships (LLPs) that carry on a trade, profession “without a view to profit”.

General description of the measure

This measure provides that in circumstances where an LLP has delivered an LLP partnership return on the basis of operating “with a view to profit” and is subsequently found to be operating “without a view to profit”, HMRC can still amend the LLP members’ returns based on the LLP return as originally submitted.

It is introduced with retrospective and prospective effect but does not introduce any additional obligations or liabilities for customers.

Policy objective

This measure will ensure that all LLP members are treated equally and fairly for taxation purposes under the law as they always have been.

Background to the measure

The measure was announced at Budget 2020.

The measure preserves the status quo for the vast majority of LLP customers that operate with a view to profit who will not experience any change at all.

Detailed proposal

Operative date

The measure has retrospective and prospective effect from the date of Royal Assent to Finance Bill 2020.

Current law

Current law relating to the making and delivery of LLP and general partnership tax returns is contained within sections12AA Taxes Management Act 1970, 863 Income Tax (Trading and Other Income) Act 2005 and 1273 Corporation Tax Act 2009 and s1(1) Partnership Act 1890.

Proposed revisions

Legislation will be introduced in Finance Bill 20 with retrospective and prospective effect to affirm the long accepted and expected position by customers and HMRC, that deeming provisions that treat LLPs as partnerships and their members as partners, continue to work as they always have done.

Customers who have submitted LLP returns will notice no difference in the treatment of their returns.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
nil	nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

This measure has no impact on individuals as it relates to Limited Liability Partnerships.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is not expected to have any direct impact on businesses as it merely affirms the existing policy and practice that Limited Liability Partnerships are treated for taxation purposes on the same basis as other partnerships which has been the case for over 18 years.

Customer experience is expected to improve because of increased certainty

There is not expected to be any impact on civil society organisations.

Operational impact (£m) (HMRC or other)

This measure is not expected to have any operational impact as it merely affirms the existing policy and operational practice that Limited Liability Partnerships are treated for taxation purposes on the same basis as other partnerships which has been the case for over 18 years.

No Justice Impact Test is required as there is nil impact.

Other impacts

No other impacts have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Jim Fedigan, Tax Administration Policy & Strategy by telephone: 03000 547075 or email: jim.fedigan@hmrc.gsi.gov.uk

Changes to Protect your Tax in Insolvency

Who is likely to be affected

Those likely to be affected (as well as their advisers and agents) are:

- businesses
- individuals
- shareholders
- directors
- lenders
- companies
- insolvency practitioners

General description of the measure

From 1 December 2020, when a business enters insolvency, more of the taxes paid in good faith by its employees and customers, and temporarily held 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. The included charges are:

- VAT
- PAYE Income Tax
- Employee National Insurance contributions
- Student loan deductions
- Construction Industry Scheme deductions

The rules will remain unchanged for taxes owed by businesses themselves, such as:

- Corporation Tax
- Employer National Insurance contributions

The tax impact information note on this measure was published on 11 July 2019, this is a supplementary note on the impact of delaying the commencement date to 1 December 2020, and extending the measure to Northern Ireland.

Policy objective

Taxes paid by employees and customers do not always go to funding public services, if the business temporarily holding that money goes into insolvency before passing the tax on to HMRC. Instead, those funds often go towards paying other creditors.

This measure will amend insolvency legislation to move HMRC up the creditor hierarchy for the distribution of assets in the event of insolvency. It will make HMRC a secondary preferential creditor in respect of certain tax debts held by a business (this includes individuals and partnerships) on behalf of their customers and employees.

This change will enable more of those taxes paid in good faith to go to fund public services as intended.

Background to the measure

As announced at Budget 2018, the government will change the rules so that when a business enters insolvency, more of the taxes paid in good faith by its employees and customers and temporarily held by the business go to fund public services, rather than being distributed to other creditors.

This reform will only apply to taxes collected and held by businesses on behalf of other taxpayers (VAT, PAYE Income Tax, employee NICs, student loan deductions and Construction Industry Scheme deductions).

The rules will remain unchanged for taxes owed by businesses themselves, such as Corporation Tax and employer NICs. The legislation will be introduced in Finance Bill 2020 and will take effect from 1 December 2020.

Detailed proposal

Operative date

The measure will have effect from 1 December 2020.

Current law

The order in which creditors recover their debts in insolvency is set out in legislation.

HMRC is currently an unsecured creditor.

Preferential debts are paid after fixed charges and the expenses of the insolvency practitioner, but before the holders of floating charges and all other unsecured creditors.

The current categories of preferential debts for personal and corporate insolvency in England and Wales are defined in Section 386 and Schedule 6 of the Insolvency Act 1986.

In Scotland, Section 129 and Sch 3 of the Bankruptcy (Scotland) Act 2016 are the relevant provisions for personal insolvency (i.e. where sequestration is applicable). For corporate insolvency, the provisions in Section 386 and Schedule 6 of the Insolvency Act 1986 apply.

In Northern Ireland, Article 346 of the Insolvency (Northern Ireland) Order (SI.1989/2405 (N.I .19), contains the relevant categories for preferential debts.

Proposed revisions

Legislation will be introduced in Finance Bill 2020 to amend section 386 and Schedule 6 to the Insolvency Act of 1986; section 129 and Schedule 3 of the Bankruptcy (Scotland) Act 2016 and Article 346 and Schedule 4 of the Insolvency (Northern Ireland) Order 1989.

Summary of impacts

The impacts shown in the table below cover (a) a delay to the start date to 1 December 2020, and (b) an extension to Northern Ireland, to the original measure.

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-5	-30	-85	-35	+5	+5

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document alongside Budget 2020.

Economic impact

This measure is not expected to have any significant economic impact. This change will affect financial institutions but the government does not expect it to have a material impact on lending.

Impact on individuals, households and families

This measure will impact on shareholders, secured creditors who hold floating charges, and unsecured creditors that are involved in an insolvency where HMRC is also a creditor and funds would be available otherwise after preferential creditors. Prioritising the recovery of HMRC's debt could reduce the dividends to these individuals. This could have an impact on the disposable income available to them and their families. Some individuals could be more affected than others depending on their income levels and family circumstances. Customer experience is expected to stay broadly the same because insolvency claims will be processed by insolvency practitioners, and there are no substantive changes to this process.

Equalities impacts

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

Impact on business including civil society organisations

This measure will impact on all businesses and civil society organisations who are creditors involved in an insolvency where HMRC receives a dividend upon its secondary preferential claim.

Prioritising the recovery of HMRC's tax debt could mean that banks in particular are affected as they are the main holders of floating charges. They, along with other creditors, could receive a reduced dividend and may change their lending practices as a result of this measure.

The impact on administrative burdens is expected to be negligible. One-off costs include familiarisation with the new rules. It is not expected that there will be any on-going costs as insolvency claims will continue to be made in the same way.

Customer experience is expected to stay broadly the same because there are no substantive changes to the claims processing both to businesses and insolvency practitioners.

Operational impact (£m) (HMRC or other)

HMRC will need to make changes to its IT systems to process insolvency claims. The cost of these changes is estimated in the region of £1.06 million, which includes additional staff resource costs to facilitate delivery and handle additional legal queries.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact, Ademola Adetosoye on telephone 03000 586040 or email: ademola.adetosoye@hmrc.gov.uk.

Income Tax/Automation Challenges

Who is likely to be affected

This measure affirms that functions conferred on an officer of Revenue and Customs may be carried out by HMRC using an automated process or other means. It will have no effect on individuals, partners and corporate bodies who are issued with a notice to file or on anyone issued with a late filing penalty notice. The measure does not introduce any new obligations or liabilities.

General description of the measure

This is a technical change to confirm that processes used by HMRC to carry out certain functions, including the issue of notices to file self-assessment tax returns and notices imposing a penalty for late filing of those returns, may be carried out using a computer or other means rather than an individual officer.

Policy objective

This measure is designed to provide certainty that HMRC's use of automated processes to serve certain statutory notices and to carry out certain functions has a firm legal footing. This technical clarification will provide fairness across all taxpayer groups and affirm the statutory basis for the existing policy and practice, which has been in place for many years.

Background to the measure

The government announced, in a Written Ministerial Statement on 31 October 2019, its intention to legislate to put beyond doubt that certain statutory notices issued by HMRC computer systems or by other electronic means have the same force of law as those issued by an individual officer of HMRC.

HMRC relies on automated processes for routine tasks, which can be carried out using taxpayer data and parameters set by HMRC. Automation is used where manually carrying out those tasks would be resource intensive and expensive. The automated processes HMRC currently uses have been in place for many years and assist HMRC to manage the collection of taxes in the most efficient and cost-effective way.

Detailed proposal

Operative date

This measure will apply both prospectively and retrospectively. Although this measure applies retrospectively, it does not introduce any new or additional obligations or liabilities.

Current law

The current law is contained in:

- s8, s8A, s9ZB, s12AA, s30A and s100 of the Taxes Management Act 1970,
- paragraph 3 of Schedule18 to Finance Act 1998, and
- paragraphs 2 and 3 of Schedule 14 to Finance Act 2003.

Proposed revisions

The government will legislate in Finance Bill 2020 to make it clear that certain functions attributed to an officer may be carried out by HMRC using an automated computer process or other means.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
nil	nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

This measure has no direct impact on individuals as it affirms that automated statutory notices are and always have been fully authorised by tax administration law. It will have no effect on individuals who are issued with an automated notice to file a self-assessment tax return or on individuals issued with an automated late filing penalty notice. Customer experience is expected to stay the same as there is expected to be no change to individuals' experience. There is expected to be no impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that there will be impacts on groups sharing protected characteristics. Support is available for all customers who need extra help to deal with their tax and benefit affairs.

Impact on business including civil society organisations

This measure has no direct impact on businesses or civil society organisations as it affirms that automated statutory notices are and always have been fully authorised by tax administration law. Payment and reporting processes are not affected by this measure, which is intended to affirm the law in respect of automated processes. Customer experience is expected to stay the same as there is expected to be no change to businesses experience.

Operational impact (£m) (HMRC or other)

There is no operational impact. HMRC systems will remain unchanged. This measure is intended to affirm HMRC's application of tax law.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through information collected from data on appeals and reviews.

Further advice

If you have any questions about this change, please contact Carol Beardsley, Tax Administration Policy & Strategy team on Telephone: 03000 557390 or email: carol.beardsley@hmrc.gov.uk

Income Tax: van benefit charge and fuel benefit charges for cars and vans from 6 April 2020

Who is likely to be affected

Employers and employees, where employers provide employees with company vans available for private use, or provide fuel for private mileage in company cars and vans.

General description of the measure

This measure increases the van benefit charge and the car and van fuel benefit charges by the Consumer Price Index (CPI) from 6 April 2020. The flat-rate van benefit charge will increase to £3,490; the multiplier for the car fuel benefit multiplier will increase to £24,500; and the flat-rate van fuel benefit charge will increase to £666.

Policy objective

The measure ensures the tax system continues to support the sustainability of the public finances. Employers will be able to make the necessary changes to payroll systems and tax codes will be updated where appropriate, in advance of the 2020 to 2021 tax year. It also allows tax codes to be updated in advance of the relevant year where appropriate.

Background to the measure

The measure was announced on 2 March 2020 via Written Ministerial Statement.

Detailed proposal

Operative date

The changes will have effect on and after 6 April 2020.

Current law

The Van Benefit and Car and Van Fuel Benefit Order 2018 (SI 2018/1176) set the charges for 2019 to 2020. It set the van benefit charge at £3,430, the car fuel benefit multiplier at £24,100 and the van fuel benefit at £655.

Proposed revisions

Legislation will be introduced by statutory instrument, amending sections 150(1) and 161(b) of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) to increase the cash equivalent of the fuel benefit charges for cars and vans respectively based on the September 2019 CPI figure. The value of the multiplier for calculating the cash equivalent of the fuel benefit for a car will increase to £24,500 for 2020 to 2021. The flat rate charge for the van fuel benefit will increase to £666 for 2020 to 2021.

The cash equivalent where a van is made available to an employee for private use will increase to £3,490 for 2020 to 2021 by making an amendment to section 155(1B)(a) and (b) of ITEPA.

Summary of impacts

Exchequer impact (£m)

Van benefit Charge

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	negligible	negligible	negligible	negligible	negligible

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

Van fuel benefit Charge

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	negligible	negligible	negligible	negligible	negligible

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

Car fuel benefit charge

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	+ 5	+ 5	+ 5	+ 5	+ 5

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document alongside Budget 2020.

Economic impact

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

Impact on individuals, households and families

This measure will impact individuals who use a company van which is available for their private use and / or who are provided with fuel for their private use by their employer. These charges are uprated each year and are in line with expectations. It is anticipated that these individuals will pay more tax as a result of the increases.

This measure is not expected to impact on family formation, stability or breakdown as any tax increase is expected to be minimal.

Customer experience is expected to stay broadly the same because these are annual upratings which do not require customers to behave differently. Customers affected by these upratings will have to familiarise themselves with the increase in charges.

Equalities impacts

This is not expected to have any impact on groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on an estimated 50,000 employers and civil society organisations. One-off costs include familiarisation with the new rates and could include businesses having to update their systems to reflect the new figures for calculating the van benefit charge and the car and van fuel benefit charges. There are not expected to be any on-going costs.

Customer experience is expected to stay broadly the same because the method of reporting these charges remains the same.

This measure is not expected to impact civil society organisations.

Operational impact (£m) (HMRC or other)

These measures are estimated to cost HMRC in the region of £100k in order to implement the IT changes required.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

Regulations relating to the van benefit charge and the car and van fuel benefit charges are normally reviewed on an annual basis.

Further advice

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

National Insurance Increase Employment Allowance

Who is likely to be affected

All businesses, charities and community amateur sports clubs eligible for the Employment Allowance, whose Secondary Class 1 National Insurance Contributions (NICs) liability is over £3,000 a year.

General description of the measure

This measure increases the maximum Employment Allowance by £1,000 to £4,000 from April 2020. This means eligible businesses and charities will be able to claim a greater reduction on their Secondary Class 1 NICs liability.

Policy objective

This measure supports businesses by providing relief of up to £4,000 on their employer secondary Class 1 NICs liabilities. This is expected to reduce around a further 65,000 businesses' NICs bill to £0, and further allow small, growing enterprises to take on staff without incurring additional NICs liabilities. This is in addition to the 590,000 businesses whose NICs bill is effectively reduced to nil under the current level of the Employment Allowance.

Background to the measure

This was announced in spring Budget 2020 for implementation from April 2020.

Detailed proposal

Operative date

This reform will have effect from 6 April 2020.

Current law

The Employment Allowance was introduced in 2014 in the National Insurance Contributions Act 2014 (NICA 2014) and when it was first introduced was a relief of up to £2,000.

In April 2015, it was reformed to exclude employers of personal or domestic staff (except care or support workers) and from April 2016, the value of the relief was increased to £3,000 and single director companies were excluded.

It is being reformed from April 2020 to restrict access to employers whose NICs liability in the previous tax year was under £100,000.

Proposed revisions

This measure reforms section 1(2)(a) NICA 2014 to increase the annual maximum amount of NICs Employment Allowance from £3,000 to £4,000.

Employers will not have to do anything extra to claim the additional Allowance.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	-445	-455	-465	-470	-475

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020.

Economic impact

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

Impact on individuals, households and families

This measure is not expected to impact on individuals as it affects businesses, charities and community amateur sports clubs eligible for the Employment Allowance, whose Class 1 (Secondary) NICs liability is over £3,000 a year. There is expected to be no impact on family formation, stability or breakdown.

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a positive impact around 510,000 businesses eligible for the Employment Allowance and with Class 1 (Secondary) NICs liability over £3,000 a year by providing relief of up to £4,000 on their employer secondary Class 1 NICs liabilities. Businesses and civil society organisations who already claim the allowance through their payroll software will automatically receive the increased allowance, provided they remain eligible. Approximately a further 65,000 businesses and civil society organisations are expected to be taken out of employer NICs liability altogether.

The impact on businesses' and civil society organisations' administrative burdens is expected to be negligible.

There are likely to be negligible one-off costs as business and civil society organisations familiarise themselves with the new rules. There are not expected to be any ongoing costs.

Customer experience is expected to stay broadly the same because the process for claiming and accessing the Employment Allowance is not changing. Customers will be able to automatically access the additional allowance on application.

Operational impact (£m) (HMRC or other)

Operational impact on HMRC is expected to be very small. Given that the allowance will be claimed through HMRC's RTI system and standard payroll software, the operational impact outside HMRC is expected to be negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be monitored through information collected from receipts.

Further advice

If you have any questions about this change, please contact Victoria Bedford on 03000562088 or email victoria.bedford@hmrc.gov.uk

Enhanced Capital Allowances in Enterprise Zones

Who is likely to be affected

Companies investing in new plant or machinery for use in designated assisted areas within Enterprise Zones.

General description of the measure

This measure ensures that the 100% first year capital allowance will remain available for expenditure incurred in relation to all areas, whenever designated, until at least 31 March 2021.

Policy objective

Enterprise Zones are designed to provide government support to encourage investment and economic growth. Enhanced first year capital allowances are intended to contribute to this by promoting capital investment by companies in a number of specific designated sites within Enterprise Zones.

Background to the measure

Enhanced first year allowances for investment in new plant or machinery within designated assisted areas within Enterprise Zones were introduced in 2012 and were initially available for investment over a 5-year period but this was later extended to 8 years. The period commences from when the area is treated as designated. By 31 March 2020, 8 years will have elapsed since the introduction of these enhanced first year allowances. The government has announced at Budget March 2020 that these capital allowances will remain available for expenditure incurred in relation to all areas, whenever designated, until at least 31 March 2021.

Detailed proposal

Operative date

The legislation will have effect from 1 April 2020.

Current law

Capital allowances allow businesses to write down the costs of qualifying capital expenditure on plant or machinery against their taxable income. The capital allowances legislation in respect of Enterprise Zones is at Sections 45K to 45N Capital Allowances Act 2001. This makes available an enhanced 100% first year allowance for qualifying expenditure incurred by companies on plant or machinery for use primarily in designated assisted areas within Enterprise Zones, subject to certain conditions. The Enterprise Zone must also be located within an Assisted Area which is specified within Section 1 Industrial Development Act 1982 or Northern Ireland. The qualifying expenditure must be incurred within a period of 8 years beginning with the date the specific area is treated as having been designated.

Proposed revisions

Secondary legislation will be introduced to ensure that the enhanced first year capital allowance remains available for expenditure incurred in relation to all designated assisted areas, whenever designated, until at least 31 March 2021.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
negligible	negligible	negligible	-	-	-

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

Economic impact

This measure is not expected to have any significant economic impacts. The extension of these enhanced capital allowances for a further year is expected to support further business investments in Enterprise Zones.

Impact on individuals, households and families

There is no impact on individuals or households because this change only affects companies that invest in plant or machinery in designated areas within Enterprise Zones. There is no impact on family formation, stability or breakdown.

Equalities impacts

This is not expected to have any impact on groups sharing protected characteristics.

Impact on business including civil society organisations

This will benefit companies which qualify for the 100% first year allowance in designated assisted areas as it will enable them to write off qualifying expenditure more quickly for tax purposes. The impact on businesses' administrative burdens is expected to be negligible as the change is extending the availability of relief and not the scope of the relief. One off costs include familiarisation with the change. There are not expected to be any on-going costs. There is expected to be no impact on civil society organisations.

Small and micro business assessment: the majority of small and micro businesses will be able to write down all of their capital investment in plant or machinery through the availability of another capital allowance, the Annual Investment Allowance. The first year allowance for use of plant or machinery within Enterprise Zones is more likely to benefit businesses undertaking large capital investments.

Customer experience is expected to remain the same as businesses' interaction with HMRC is not expected to change.

Operational impact (£m) (HMRC or other)

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

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact John Rodgers on telephone: 03000 514188 or email: john.p.rodgers@hmrc.gov.uk

Capital Allowances: CO_2 emission thresholds for business cars and first year allowances for business cars, zero-emission goods vehicles and equipment for gas refuelling stations

Who is likely to be affected

Businesses incurring expenditure from April 2021 on the acquisition of cars, zero-emission goods vehicles or equipment for gas refuelling stations for use in their business.

General description of the measure

The measure extends the period for which the 100% first year (capital) allowances (FYAs) are available for this expenditure from April 2021 to April 2025. In conjunction with this, the measure also reduces the CO_2 emission thresholds which are used to determine the rate of capital allowances available for business cars. This will also reduce the threshold for the lease rental restriction. These changes will also come into effect from April 2021.

Policy objective

The measure is designed to incentivise the uptake of zero CO_2 emission vehicles, following the Government's announcement that it will consult on bringing forward the phase out date for the sale of new petrol, diesel and hybrid cars from 2040 to 2035, or earlier. This would also support the wider policy on climate change to reduce all greenhouse gas emissions from the UK to net zero by 2050.

Background to the measure

The last changes to the FYA for business cars were introduced at Budget 2016, which extended it to 2021 and reduced its CO_2 emissions threshold. The Government has announced that it is consulting on bringing forward to 2035 the ending of sales of new petrol, diesel and hybrid cars and vans and has invited the public's views through an open consultation published on 20 February 2020.

At Budget 2017, the FYAs for zero-emission goods vehicles and equipment for gas refuelling stations were extended to 2021.

Detailed proposal

Operative date

For the FYA for zero-emission goods vehicles, the legislation will have effect from 1 April 2021 for businesses chargeable to corporation tax. For businesses chargeable to income tax, it will have effect from 6 April 2021.

For the reduction to the CO_2 emission thresholds together with the FYAs for low CO_2 emission cars and equipment for gas refuelling stations, the legislation will have effect from 1 April 2021.

Current law

Capital allowances allow businesses to write down their qualifying capital expenditure on plant or machinery against their taxable income. Where 100% FYAs are available, the entire expenditure can be written down against taxable income in the tax period in which the expenditure is incurred. Otherwise the expenditure is allocated to a pool, which would be eligible for a writing down allowance (WDA) for the tax period in which the expenditure is incurred and succeeding tax periods on a reducing balance basis against taxable income at either the main rate or the (lower) special rate.

The capital allowances legislation for the 100% FYAs for cars with low CO_2 emissions, zero-emission goods vehicles and equipment for gas refuelling stations is respectively at Sections 45D, 45DA and 45E Capital Allowances Act 2001 (CAA).

The capital allowances legislation which sets out the CO_2 emission thresholds for business cars is at Sections 45D and 104AA CAA.

Where a business hires a car with emissions exceeding 110 grams per kilometre (g/km) and it is hired for more than 45 consecutive days, the deduction allowable for tax purposes for the expense of hiring the car is restricted. The amount of the deduction allowable is reduced by 15%. This emission threshold for the purposes of the lease restriction is determined from the emissions threshold for the main rate of capital allowances.

Proposed revisions

Legislation will be introduced to extend the 100% FYAs for low CO_2 emission cars, zero-emission goods vehicles and equipment for gas refuelling stations by 4 years from April 2021.

Legislation will be introduced to reduce the CO_2 emission thresholds from April 2021, which determine the rate of capital allowances available through which the capital expenditure for business cars can be written down. The thresholds will be reduced from 50g/km to 0g/km for the purpose of the FYA for low CO_2 emission cars and from 110g/km to 50g/km for the purpose of WDAs for business cars. This will mean that business cars acquired from April 2021 with CO_2 emissions of 0g/km will be eligible for the FYA (100%) while those business cars with CO_2 emissions not exceeding 50g/km will be eligible for WDAs at the main rate (18%) while such cars with CO_2 emissions exceeding 50g/km will be eligible for WDAs at the special rate (6%). The new 50g/km threshold will also apply for determining the lease rental restriction for costs of hiring business cars for more than 45 consecutive days.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	negligible	-5	+10	+70	+110

These figures are set out in Table 2.1 of Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020.

Economic impact

This measure is not expected to have any significant macroeconomic impacts. It will increase the incentive for businesses to invest in lower emission vehicles. A behavioural adjustment is applied to account for companies changing the type of car they purchase in order to fall into the tighter emission brackets and qualify for FYA and Main rate.

Impact on individuals, households and families

There is expected to be no impact on individuals as capital allowances can only be claimed on qualifying expenditure for businesses. There is expected to be no impact on family formation, stability or breakdown.

Equalities impacts

This is not expected to have any impact on groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to impact on an average of 880,000 vehicles per year by extending the period for which these FYAs are available and the reduction of the CO2 thresholds in respect of the FYA and WDAs for cars. However as this is a rate change and businesses will already be claiming capital allowances, the anticipated burden of the emission band changes on businesses is expected to be negligible. The extension for the FYA is expected to have a negligible impact on administrative burdens for business as the measure extends an existing FYA scheme.

The reduction in the CO2 thresholds will also impact some businesses where cars are hired and may require them to calculate the lease rental restriction on more of their car fleet. One-off costs will include familiarisation with the change and could also include updating software or purchasing new software as a result of the change and training or upskilling staff as a result of the change. On-going costs could include providing HMRC with more data/information compared to what they do now.

Customer experience could be negatively impacted as some customers could face additional complexity as a result of this change. In addition, it may also increase the number of business cars for which the lease rental restriction will apply.

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

Operational impact (£m) (HMRC or other)

There will be HMRC operational costs, mainly IT, to develop this change which are estimated to be approximately £3.2 million.

Other impacts

This measure has a behavioural impact in encouraging businesses to purchase vehicles with zero CO2 emissions to support the Government’s wider objective on climate policy to reduce greenhouse gas emissions to net zero by 2050.

Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact John Rodgers on telephone: 03000 514188 or email: john.p.rodgers@hmrc.gov.uk

Exemption for bursary payments to care leavers

Who is likely to be affected

Individuals aged between 16 and 24 who are in or who have left care and started an apprenticeship in England, and who receive the £1,000 bursary introduced by the Education and Skills Funding Agency (ESFA).

General description of the measure

This measure creates statutory Income Tax and National Insurance contributions (NICs) exemptions for the one-off £1,000 bursary paid to care leavers aged between 16 and 24 who enter an apprenticeship.

Policy objective

ESFA offers a £1,000 bursary to care leavers aged 16 to 24 who undertake an apprenticeship. Individuals are generally liable to pay Income Tax, and individuals and employers are both liable to pay class 1 NICs, on payments that derive from an employment. This includes individuals who are employed as apprentices, and so this exemption ensures those receiving this bursary receive the full benefit of the bursary.

Young people leaving care can experience additional barriers to getting an apprenticeship. The care leavers' apprenticeship bursary helps to cover some of the additional costs incurred in the first year of their apprenticeship as learners transition into the workplace for their practical studies.

The Income Tax exemption will ensure that the tax treatment of a bursary to care leavers who undertake an apprenticeship is the same as the tax treatment of a bursary to care leavers who enter higher education.

The payments will also not be subject to NICs. A Class 1 NICs disregard will be introduced through regulations after Royal Assent to Finance Bill 2020-21.

Background to the measure

This measure was announced at Budget 2020.

Detailed proposal

Operative date

The measure will have effect after the date of Royal Assent to Finance Bill 2020, once regulations have been laid to specify the details of the bursary payment. For payments that have already been made HMRC will exercise its collection and management discretion and will not collect tax and NICs due on any retrospective amounts.

Current law

Employees are subject to income tax on the full amount of cash received as earnings from an employment under Part 2 of the Income Tax (Earnings and Pensions) Act 2003.

Class 1 NICs are also payable on those earnings under Section 3 of the Social Security Contributions and Benefits Act (SSCBA) 1992.

Proposed revisions

Legislation in Finance Bill 2020-21 will introduce a new section into Chapter 4 of Part 4 of Income Tax Earnings and Pensions Act 2003.

The new legislation defines that no liability to Income Tax arises in respect of a care leaver's apprenticeship bursary payment. This is defined as a payment which is payable out of the public revenue to a care leaver in connection with the person's employment as an apprentice in England. Further details of conditions to be met will be specified in Regulations.

Regulations will be laid at a further date after Royal Assent to Finance Bill 2020-21 to specify the details of the bursary payment and provide for the Class 1 NICs disregard in the Social Security (Contributions) Regulations 2001.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
-	negligible	negligible	negligible	negligible	negligible

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

Economic impact

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

Impact on individuals, households and families

This measure impacts individuals aged between 16 and 24 and who are in or who have left care and are starting an apprenticeship. Customer experience is expected to stay broadly the same as affected individuals will not have to do anything differently. There is expected to be no impact on family formation, stability or breakdown.

Equalities impacts

This measure is likely to have a positive impact on individuals aged between 16 and 24 who have left care and who received an apprenticeship bursary payment. It is not anticipated that there will be impacts on any other groups with protected characteristics.

Impact on business including civil society organisations

This measure will have no impact on businesses or civil society organisations. It only affects individuals, aged between 16 and 24, who are care leavers starting an apprenticeship.

Operational impact (£m) (HMRC or other)

There are no operational impacts as a result of implementing this measure.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

This measure will be monitored through information collected by ESFA and kept under review through regular communication with affected taxpayer groups.

Further advice

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