Overview of Tax Legislation and Rates

03 March 2021

Contents

Introduction 3
Chapter 1 - Finance Bill 2021 4
Personal Tax 4
Corporate Tax 10
Capital Allowances 14
Indirect Tax 17
Property Tax 22
Tax administration and other measures 24
Chapter 2 - Measures announced at Budget but not in Finance Bill 2021 28
Personal Tax 28
Indirect Tax 29

Tax Administration 31
Corporate Tax 32
Property Tax 33
Table 1: Unchanged measures for Finance Bill 2021 34
Table 2: Measures in this document without a corresponding announcement in the Budget report 35
Annex A: rates and allowances 37
Annex B: Consultations 85
Annex C: Guide to impact assessments in tax information and impact notes (TIINs) and full text of TIINs 86

Introduction

This document sets out the detail of each tax policy measure announced at Budget and of previously announced measures that will be included in Finance Bill 2021. 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 2021 will be published on 11 March 2021.

The information in the document is set out as follows:

Chapter 1 contains details of measures that are included in Finance Bill 2021.

Chapter 2 contains details of measures which are part of Budget but are not in Finance Bill 2021.

Table 1 lists measures where draft legislation was published on either 21 July 2020 or 12 November 2020, 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 2021 to 2022 and the tax year 2022 to 2023.

Annex B lists upcoming consultations, calls for evidence and other consultative documents announced at Budget. The government will publish a number of tax-related consultations and calls for evidence on 23 March, announced through a Command Paper "Tax policies and consultations Spring 2021". None of these announcements will require legislation in Finance Bill 2021 or have an impact on the government's finances. This document will be updated on that date to reflect the further announcements.

Annex C provides a guide to the impact assessments in tax information and impact notes.

Chapter 1 - Finance Bill 2021

Personal Tax

1.1 Income Tax: rates and thresholds for tax year 2021 to 2022

As announced at Budget, the government will legislate in Finance Bill 2021 to set the charge for income tax, and the corresponding rates, as it does every year. Finance Bill 2021 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 Parliament.

1.2 Personal Allowance, basic rate limit, Upper Earnings Limit and Upper Profits Limit

As announced at Spending Review 2020, the government will increase the Personal Allowance and the basic rate limit in line with the September CPI figure for 2021 to 2022. The Personal Allowance will therefore increase to £12,570 and the basic rate limit to £37,700 for 2021 to 2022. The higher rate threshold (the Personal Allowance added to the basic rate limit) will increase to £50,270 for 2021 to 2022.

As announced at Budget 2021, the government will legislate in Finance Bill 2021 to set the Personal Allowance at £12,570 and basic rate limit at £37,700 for 2022 to 2023, 2023 to 2024, 2024 to 2025 and 2025 to 2026. The higher rate threshold will therefore be £50,270 for these years.

The National Insurance contributions Upper Earnings Limit and Upper Profits Limit will remain aligned to the higher rate threshold at £50,270 for these years. The National Insurance contributions Upper Earnings Limit and Upper Profits Limit will be legislated for in the annual setting of National Insurance contributions limits and thresholds as standard.

Changes to the Personal Allowance will apply to the whole of the UK. Changes to the basic rate limit, and higher rate threshold, will apply to non-savings, non-dividend income in England, Wales and Northern Ireland, and to savings and dividends income in the UK. Income tax rates and thresholds on non-savings, non-dividend income for Scottish taxpayers are set by the Scottish Parliament.

Changes to the National Insurance contributions Upper Earnings Limit and Upper Profits Limit will apply to the whole of the UK.

Read the Income Tax Personal Allowance and the basic rate limit from 6 April 2022 to 5 April 2026 tax information and impact note for more information.

1.3 Starting rate for savings limit

As announced at Budget, the band of savings income that is subject to the 0% starting rate will remain at its current level of £5,000 for 2021 to 2022.

This measure will apply to the whole of the UK.

1.4 Setting the standard Lifetime Allowance

As announced at Budget, legislation will be introduced in Finance Bill 2021 to remove the annual link to the Consumer Price Index increase for the next 5 fiscal years.

This will maintain the standard Lifetime Allowance at £1,073,100 for tax years 2021 to 2022 to 2025 to 2026.

Read the Setting the standard Lifetime Allowance from 2021 to 2022 to 2025 to 2026 tax information and impact note for more information.

1.5 Taxation of collective money purchase pensions

The government will legislate to ensure that collective money purchase pension schemes (also known as collective defined contribution schemes), to be introduced by the Pension Schemes Act 2021, can operate as registered pension schemes for tax purposes.

1.6 Inheritance tax nil-rate band and residence nil-rate band

As announced at Budget, the government will introduce legislation in Finance Bill 2021 so that the inheritance tax nil-rate bands will remain at existing levels until April 2026.

The nil-rate band will continue at £325,000, the residence nil-rate band will continue at £175,000, and the residence nil-rate band taper will continue to start at £2 million.

This means qualifying estates can continue to pass on up to £500,000 and the qualifying estate of a surviving spouse or civil partner can continue to pass on up to £1 million without an inheritance tax liability.

This will have effect from 6 April 2021 to 5 April 2026.

Read the Inheritance Tax nil rate band and residence nil rate band thresholds from 6 April 2021 tax information and impact note for more information.

1.7 Venture Capital Schemes: Extension of the Social Investment Tax Relief (SITR)

The government will continue to support social enterprises in the UK that are seeking growth investment by extending the operation of SITR to April 2023. This will continue availability of Income tax relief and Capital Gains Tax hold-over relief for investors in qualifying social enterprises, helping them access patient capital.

This measure will be legislated for in Finance Bill 2021, and a summary of responses to the consultation held in Spring 2019 will be published on 23 March 2021.

Read the Extension of the Social Investment Tax Relief tax information and impact note for more information.

1.8 Easement for employer-provided cycles exemption

The government will legislate in Finance Bill 2021 to introduce a time-limited easement to the employer-provided cycle exemption to disapply the condition which states that employer-provided cycles must be used mainly for journeys to, from, or during work. The easement will be available to employees who have joined a scheme and have been provided with a cycle or cycling equipment on or before 20 December 2020.

The change will have effect on and after Royal Assent of Finance Bill 2021 and be in place until 5 April 2022, after which the normal rules of the exemption will apply.

Read the Easement for employer provided cycles exemption tax information and impact note for more information.

1.9 Technical changes to the off-payroll working rules legislation

As previously announced on 12 November 2020, a technical change will be legislated for in Finance Bill 2021 to address an unintended widening of the definition of an intermediary in the off-payroll working rules legislation, where it is a company. The original legislation went beyond the intended scope of the policy, and this change restores the policy intent.

An equivalent change will also be made to the relevant National Insurance contributions regulations ahead of 6 April 2021. The government will also introduce a Targeted Anti Avoidance Rule (TAAR) to ensure that the definition of an intermediary cannot be exploited.

The government is making two further minor related technical changes to improve the operation of the rules, in response to feedback from stakeholders, which will both be legislated for in Finance Bill 2021. The government will make changes to the rules regarding provision of information by parties in the labour supply chain.

These changes will make it easier for parties in a contractual chain to share information relating to the off-payroll working rules by allowing an intermediary, as well as a worker, to confirm if the rules need to be considered by the client organisation.

The government will also amend a provision relating to fraudulent information. The change will allow HMRC to take action against any UK-based party in the labour supply chain providing fraudulent information.

This will prevent client organisations or deemed employers from facing liabilities where they have relied on fraudulent information provided by another party in the labour supply chain.

These 2 further technical changes and the TAAR will also be effective from 6 April 2021.

Read the Technical changes to make sure the off-payroll working legislation operates as intended tax information and impact note for more information.

1.10 Optional Remuneration Arrangements: disregard for statutory parental bereavement payments

The government will legislate in Finance Bill 2021 to include a disregard for Statutory Parental Bereavement Pay within the 2017 Optional Remuneration Arrangements legislation.

This is to ensure that employees in receipt of Statutory Parental Bereavement Pay and one of the relevant long-term benefits do not lose entitlement to

the benefit of the transitional rules for existing long-term employment related benefit arrangements, which continue to provide a tax advantage until 5 April 2021.

The change will have effect on and after Royal Assent of Finance Bill 2021 and will apply retrospectively to the 2020 to 2021 tax year.

Read the Changes to Statutory Parental Bereavement Pay and Optional Remuneration Arrangements for income tax and National Insurance contributions tax information and impact note for more information.

1.11 Financial support payments to potential victims of modern slavery and human trafficking: exemption from income tax

The government will legislate in Finance Bill 2021 to introduce an exemption from income tax for financial support payments made by the UK Government and devolved administrations to potential victims of modern slavery and human trafficking. This measure will take effect retrospectively from 1 April 2009 when the financial support payments started.

Read the income tax exemption for financial support payments made to potential victims of modern slavery and human trafficking tax information and impact note for more information.

1.12 Taxation of coronavirus support payments

As announced at Budget, the government will legislate in Finance Bill 2021 to ensure that grants from the Self-Employment Income Support Scheme (SEISS) made on or after 6 April 2021 are taxed in the year of receipt. This measure will have effect for the tax year 2021 to 2022 and subsequent tax years.

Read the Updates to taxation of the Self-Employment Income Support Scheme grants for income tax tax information and impact note for more information.

1.13 Income tax exemption for employer-reimbursed COVID-19 tests for 2020 to 2021

The government will legislate in Finance Bill 2021 to introduce a retrospective income tax exemption for payments that an employer makes to an employee to reimburse for the cost of a relevant coronavirus antigen test for the tax year 2020 to 2021.

The change will have effect on and after Royal Assent of Finance Bill 2021. The corresponding National Insurance contributions disregard is already in force.

Read the income tax exemption for employer-reimbursed coronavirus antigen tests tax information and impact note for more information.

1.14 Extension of income tax exemption and National Insurance contributions disregard for employer-provided and employer-reimbursed COVID-19 tests for 2021 to 2022

As announced at Budget, the government will legislate in Finance Bill 2021 to extend the income tax exemption for payments that an employer makes to an employee to reimburse them for the cost of a relevant coronavirus antigen test for the tax year 2021 to 2022. Legislation will also be introduced to extend the existing National Insurance contributions disregard to tax year 2021 to 2022.

Finance Bill 2021 will also introduce an Income Tax exemption for the provision, by an employer, of a relevant coronavirus antigen test to an employee for the tax year 2021 to 2022, which will also ensure no Class 1A National Insurance contributions liability arises for 2021 to 2022.

The change will have effect on and after Royal Assent of Finance Bill 2021.

Read the Extension to the income tax and National Insurance contributions exemption for employer provided and employer-reimbursed coronavirus antigen tests tax information and impact note for more information.

1.15 Charge if person is not entitled to a Self-Employment Income Support Scheme (SEISS) payment

The government is updating in Finance Bill 2021 provisions in Finance Act 2020 which specify that an individual is subject to a 100% tax charge if they receive payment to which they are not entitled.

This measure will allow HMRC to recover payments where an individual was entitled to the grant at the time of claim but subsequently ceases to be entitled to all or part of the grant.

Read the updates to tax charges when a person is no longer eligible to Self-Employment Income Support Scheme payments tax information and impact note for more information.

1.16 Tax treatment of Covid-19 support scheme: working households receiving tax credits

As announced at Budget 2021, the government will legislate in Finance Bill 2021 to introduce an exemption from income tax for Covid-19 support scheme: working households receiving tax credits payments made to recipients of tax credits.

Read the Income Tax and coronavirus (COVID-19) support scheme: working households receiving tax credits tax information and impact note for more information.

1.17 Zero-rating zero-emission vans from the van benefit charge

As announced at Budget 2020 the government will legislate in Finance Bill 2021 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.

1.18 Capital Gains Tax: Relief for gifts of business assets

The government will legislate in Finance Bill 2021 to amend the anti-avoidance rule when claiming relief for gifts of business assets to make sure it operates as intended. This will affect disposals made on or after 6 April 2021.

Read the Capital Gains Tax relief for gifts of business assets tax information and impact note for more information.

1.19 Capital Gains Tax Annual Exempt Amount (AEA)

As announced at Budget , the government will introduce legislation in Finance Bill 2021 that maintains the current Capital Gains Tax annual exempt amount at its present level of £12,300 for individuals, personal representatives and some types of trusts for disabled people and £6,150 for trustees of most settlements for the tax years until 2025 to 2026. This will have effect from 6 April 2021.

Read the Maintaining the annual exempt amount for Capital Gains Tax tax information and impact note for more information.

Corporate Tax

1.20 Corporation tax: Main Rate

Legislation will be introduced in Finance Bill 2021 to set the charge to Corporation Tax and set the main rate at 19% for the financial year beginning 1 April 2022.

As announced at Budget, legislation will also be introduced in Finance Bill 2021 to set the charge to Corporation Tax and set the main rate at 25% for the financial year beginning 1 April 2023.

Read the Corporation Tax charge and rates from 1 April 2022 and Small Profits Rate and Marginal Relief from 1 April 2023 tax information and impact note for more information.

1.21 Corporation tax: Increase in the rate of Diverted Profits Tax

As announced at Budget the government will legislate in Finance Bill 2021 to increase the rate of Diverted Profits Tax from 25% to 31% for the financial year beginning 1 April 2023.

This will maintain the current differential of 6% between the Diverted Profits Tax rate and the main rate of corporation tax when the rate of corporation tax increases to 25% for the financial year beginning 1 April 2023.

Read the Change to the Diverted Profits Tax rate from 1 April 2023 tax information and impact note for more information.

1.22 Corporation tax: Small Profits Rate

As announced at Budget, the government will legislate in Finance Bill 2021 to introduce a small profits rate of 19% for financial year April 2023. The small profits rate will apply to profits of £50,000 or less.

Companies with profits between £50,000 and £250,000 will be taxed at the main rate of 25% but will be able to claim marginal relief. These thresholds are proportionately reduced for the number of associated companies and for short accounting periods.

Read the Corporation Tax charge and rates from 1 April 2022 and Small Profits Rate and Marginal Relief from 1 April 2023 tax information and impact note for more information.

1.23 Temporary Extension of Carry Back of Trading Losses

As announced at Budget 2021, the government will legislate in Finance Bill 2021 to temporarily extend the period over which incorporated and unincorporated businesses may carry-back trading losses from one year to three years.

This extension will apply to a maximum £2,000,000 of unused trading losses made in each of the tax years 2020 to 2021 and 2021 to 2022 by unincorporated businesses. The £2,000,000 maximum applies separately to

unused trading losses made by companies, after carry-back to the preceding year, in relevant accounting periods ending between 1 April 2020 and 31 March 2021 and a separate maximum of £2,000,000 for periods ending between 1 April 2021 and 31 March 2022.

The £2,000,000 cap will be subject to a group-level limit, requiring groups with companies that have capacity to carry back losses in excess of £200,000 to apportion the cap between its companies. Further detail on the group limit will be published in due course.

Read the Temporary extension to carry back of trading losses for corporation tax and income tax tax information and impact note for more information.

1.24 Preventing abuse of the R&D relief for small and medium-sized enterprises

For accounting periods beginning on or after 1 April 2021, the amount of SME payable R&D tax credit that a company can receive in any one year will be capped at £20,000 plus three times the company's total PAYE and National Insurance contributions liability, in order to deter abuse.

The government published legislation in November and has refined this to ensure the cap has been designed to minimise the impact on genuine businesses.

Read the Preventing abuse of Research and Development tax relief for small and medium-sized enterprises tax information and impact note for more information.

1.25 Corporation tax exemption for The Northern Ireland Housing Executive

As announced at Budget the government will legislate in Finance Bill 2021 to exempt the Northern Ireland Housing Executive from corporation tax, in order to ensure consistency of tax treatment with equivalent bodies providing state-funded housing across the UK. The changes will have effect on and after 1 April 2020.

Read the Exemption from corporation tax for Northern Ireland Housing Executive tax information and impact note for more information.

1.26 Tax treatment of business rates repayments

As announced in December 2020, the government will legislate in Finance Bill 2021 to ensure that the repayments of business rates relief by some businesses are deductible for corporation tax and income tax purposes,

ensuring consistency with the original expenditure which was an allowable expense.

Read the Tax deductibility of business rates repayment tax information and impact note for more information.

1.27 Withdrawal of LIBOR

Following a consultation in 2020, and as announced on 12 November 2020, the government will legislate in Finance Bill 2021 to deal with the withdrawal of LIBOR and the reform of other benchmark rates.

This will replace the statutory references to LIBOR in the leasing provisions with effect from 1 January 2022.

In addition, a time-limited power will be introduced to allow any unintended tax consequences arising from the transition away from LIBOR and other benchmark rates to be addressed in secondary legislation.

Read the The tax impact of the withdrawal of LIBOR and other benchmark rates tax information and impact note for more information.

1.28 Hybrids and other mismatches

Following a consultation announced at Budget 2020, and a second technical consultation on draft legislation published on 12 November 2020, the government is introducing changes to the Corporation Tax legislation containing the rules for Hybrids and other mismatches.

The changes, which will be introduced in Finance Bill 2021, will ensure the legislation operates proportionately and as intended.

Read the Changes to the hybrid and other mismatches regime for corporation tax tax information and impact note for more information.

1.29 Enterprise Management Incentives (EMI): Extension of time limited exception to working time requirements

As announced on 21 July 2020, the government will legislate in Finance Bill 2021 to extend the time-limited exception that ensures that employees who are furloughed or working reduced hours because of coronavirus (COVID-19) continue to meet the working time requirements for EMI schemes.

The change will apply to existing participants of EMI scheme and it also allows employers to issue new EMI options to employees who do not meet the working time requirement as a result of COVID-19.

This measure will have effect until 5 April 2022.

Read the Enterprise Management Incentives extension of time-limited exception to working time requirements tax information and impact note for more information.

1.30 Corporate Interest Restriction: technical amendments

As previously announced, two amendments to the Corporate Interest Restriction (CIR) rules are being legislated for in Finance Bill 2021.

The first amendment clarifies the way special provisions apply for Real Estate Investment Trusts. This comes into force with effect from 21 July 2020.

The second amendment ensures that no penalties arise for the late filing of an Interest Restriction Return where there is a 'reasonable excuse'. This applies from 1 April 2017 when the Corporate Interest Restriction rules commenced.

The previously published Technical amendments to the Corporate Interest Restriction for Corporation Tax tax information and impact note remains unchanged.

1.31 Corporation tax: technical amendments to reform of loss relief rules

The government will legislate in Finance Bill 2021 to make amendments to the loss relief rules to ensure that the legislation works as intended and to reduce administrative burdens for businesses.

Read the Changes to the reform of loss relief rules for corporation tax tax information and impact note for more information.

1.32 Repeal of provisions relating to the Interest and Royalties Directive

The government will legislate in Finance Bill 2021 to repeal the domestic legislation that gives effect to the EU Interest and Royalties Directive. This legislation currently provides an exemption from withholding tax on intra-group interest and royalty payments between UK and EU companies.

Repeal will mean that from 1 June 2021 withholding taxes will apply to payments of annual interest and royalties made to EU companies, subject to the terms of the relevant double taxation agreement.

Read the Repeal of provisions relating to the Interest and Royalties Directive tax information and impact note for more information.

Capital Allowances

1.33 Super-deduction and 50% first-year allowances

As announced at Budget, between 1 April 2021 and 31 March 2023, companies investing in qualifying new plant and machinery will benefit from new first-year capital allowances.

Under this measure, investments in main-rate assets will be relieved by a 130% super-deduction, whilst investments in assets qualifying for special rate relief will benefit from a 50% first-year allowance.

Legislation will be included in Spring Finance Bill 2021 for these measures, including accompanying consequential amendments to Capital Allowances Act 2001.

Read the New temporary tax reliefs on qualifying capital asset investments from 1 April 2021 tax information and impact note for more information.

1.34 Annual Investment Allowance (AIA) Extension

As announced on 12 November 2020, the temporary £1,000,000 limit for the AIA will be extended by one year. Legislation will be introduced in Finance Bill 2021 to implement this. This change will have effect from 1 January 2021 to 31 December 2021.

Read the Temporary increase in annual investment allowance for plant and machinery tax information and impact note for more information.

1.35 Freeports: Enhanced Structures and Buildings Allowance

As announced in the Freeports bidding prospectus published on 16 November 2020 and at Budget, an enhanced rate of Structures and Buildings Allowance (SBA) in Great Britain will be introduced.

Budget announces the location of 8 English Freeports. Once designated tax sites within these Freeports have been confirmed, the enhanced rate of SBA of 10% will be made available in the designated tax sites after tax site designation for corporation tax and income tax purposes. To qualify, the structure or building must be brought into use on or before 30 September 2026.

This will be legislated for in Finance Bill 2021.
Read the Enhanced Structures and Buildings Allowances in Freeports tax information and impact note for more information.

1.36 Freeports: Enhanced Capital Allowances

As announced in the Freeports bidding prospectus published on 16 November 2020 and at Budget, a 100% enhanced capital allowance in Great Britain will be introduced.

Budget announces the location of 8 English Freeports. Once designated tax sites within these Freeports have been confirmed, this enhanced relief will be made available for companies investing in plant and machinery in the designated tax sites. This change will have effect for investment incurred on or after tax site designation until 30 September 2026.

This will be legislated in Finance Bill 2021.

Read the Enhanced Capital Allowance for Plant and Machinery in Freeports tax information and impact note for more information.

1.37 Freeports: Power to Designate Freeport Tax Sites

As announced in the Freeports bidding prospectus published on 16 November 2020 and at Budget, tax sites within Freeports will need to be approved and confirmed by the government. Budget announces the location of 8 English Freeports. Once tax sites within these Freeports have been designated, businesses in those tax sites will be able to benefit from a number of tax reliefs.

The Finance Bill will introduce a power that enables areas in Great Britain to be designated as Freeport tax sites and confirmed by the government through secondary legislation; it will bring forward legislation to apply in Northern Ireland at a later date.

This change will have effect on or after 9 March 2021. Once tax sites have been approved and confirmed by the Government, then businesses in these tax sites will be able to benefit from a number of tax reliefs.

Read the Designation of Freeport tax sites tax information and impact note for more information.

1.38 Restoring plant and machinery leases to pre-Covid-19 treatment

The government will legislate as part of Finance Bill 2021 to turn off certain parts of anti-avoidance legislation affecting leases extended as a result of Covid-19.

The easement will restore eligibility to claim capital allowances, to the position as originally intended immediately prior to the date of the change in consideration due under the lease. Legislation will be introduced in Finance Bill 2021 to implement this.

The change will affect leases only where a relevant change in consideration is implemented between 1 January 2020 and 30 June 2021. Either party may choose not to apply this treatment, the election for which will be binding on both parties.

Read the Restoring plant and machinery leases to pre COVID-19 treatment tax information and impact note for more information.

1.39 Qualifying decommissioning expenditure

In Finance Bill 2021 the government will amend the legislation that defines expenditure which qualifies as "general decommissioning expenditure" to ensure that all appropriate expenditure can qualify.

The changes will apply for expenditure incurred on or after 3 March 2021.

Read the Oil and Gas Taxation qualifying decommissioning expenditure tax information and impact note for more information.

Indirect Tax

1.40 VAT reduced rate for tourism and hospitality

The government will extend the temporary reduced rate of VAT of 5% for hospitality, holiday accommodation, and attractions until 30 September 2021.

This will be followed by the introduction of a new reduced rate of 12.5% from 1 October 2021 that will be in effect until 31 March 2022 at which point it will revert to the standard rate.

Read the Introduction of a new reduced rate of VAT for hospitality, holiday accommodation and attractions tax information and impact note for more information.

1.41 Setting Air Passenger Duty (APD) rates for 2022 to 2023

As announced at Budget, APD rates will increase in line with RPI from April 2022, meaning that the reduced and standard short-haul rates will remain frozen at the same level since 2012.Long-haul rates will increase in line with RPI.

The rates for long-haul economy flights from Great Britain will increase by £2, and the rates for those travelling in premium economy, business and first class will increase by £5. Those travelling long-haul by private jets will see the rate increase by £13.

Read the Air Passenger Duty rates from 1 April 2022 to 31 March 2023 tax information and impact note for more information.

1.42 Landfill Tax: rates for 2021 to 2022

As announced at Budget 2020 the government will legislate in Finance Bill 2021 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, as set out in Annex A. Read the Changes to Landfill Tax rates from 1 April 2021 tax information and impact note for more information.

1.43 Gaming Duty: increase in casino gross gaming yield bands

As announced at Budget, the government will legislate in Finance Bill 2021 to raise the gross gaming yield bandings for gaming duty in line with inflation (based on RPI).

The revised gross gaming yield bandings used to calculate gaming duty must be used for accounting periods beginning on or after 1 April 2021.

The gross gaming yield bandings are published in Annex A.
Read the Gross gaming yield increase for Gaming Duty tax information and impact note for more information.

1.44 Red diesel entitlements

As announced at Budget 2020, the government will legislate in Finance Bill 2021 to remove the entitlement to use red diesel and rebated biofuels from April 2022. A few sectors will retain their entitlement to use red diesel beyond April 2022, as outlined in the summary of responses to last year's consultation which has been published alongside Budget. This includes agriculture, rail vehicles, non-commercial heating and power generation, travelling funfairs and circuses, amateur sports as well as golf courses, and all commercial boat operators.

Finance Bill 2021 will also extend fuel duty to biofuels and fuel substitutes used in heating, applying lower rebated rates when used for non-commercial heating. Regulations will be laid in early 2022 to make consequential amendments to the relevant statutory instruments.

All these changes will take effect on 1 April 2022.

Read the Reform of red diesel entitlements tax information and impact note for more information.

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

As announced at Budget, the government will legislate in Finance Bill 2021 to increase Vehicle Excise Duty rates for cars, vans, motorcycles and motorcycle trade licences by RPI with effect from 1 April 2021. Vehicle Excise Duty rates are set out in Annex A.

Read the Vehicle Excise Duty rates for cars, vans, motorcycles and trade licences from April 2021 tax information and impact note for more information.

1.46 Vehicle Excise Duty and Levy rates for heavy goods vehicles (HGVs)

As announced at Budget, to support the haulage sector and pandemic recovery efforts, the government will freeze heavy goods vehicle Vehicle Excise Duty for 2021 to 2022 and will suspend the heavy goods vehicle levy for another 12 months from 1 August 2021.

Read the Heavy goods vehicle levy suspension tax information and impact note for more information.

1.47 Climate Change Levy main and reduced rates

Following the announcement at Budget 2020, the government will legislate in Finance Bill 2021 for the Climate Change Levy main rates for 2022 to 2023 and 2023 to 2024 to continue to re-balance the electricity to gas ratio.

Also following the announcement at March Budget 2020, the government will legislate in Finance Bill 2021 to amend the reduced rates (discount percentages) so that businesses in the Climate Change Agreement scheme will only be subject to an increase to their Climate Change Levy liability in line with the Retail Prices Index (RPI) for the years 2022 to 2023 and 2023 to 2024.

The government announced at March Budget 2020 that liquified petroleum gas rates would be frozen until 31 March 2024. The freeze was first announced at Autumn Budget 2017.

The main and reduced rates of Climate Change Levy from 1 April 2022 are set out in Annex A.
Read the Changes to rates for the Climate Change Levy for 2022 to 2023 and 2023 to 2024 tax information and impact note for more information.

1.48 Seize in Situ

The government will legislate in Finance Bill 2021 to introduce a civil penalty for the unauthorised removal of goods that have been seized ‘in situ’.

Seized goods kept on the trader's premises are known as goods seized in situ. A penalty would apply to traders removing seized goods without prior authorisation from HMRC.

The change will have effect from Royal Assent of Finance Bill 2021.

Read the Changes to Schedule 3 of Customs and Excise Management Act (CEMA) 1979 for seizure in situ tax information and impact note for more information.

1.49 Tobacco Duty Rates: Consolidation of rates into Finance Bill 2021

On 12 November 2020 the government announced an increase to the excise duty rate on all tobacco products. This increase took effect from 16 November 2020 by virtue of The Tobacco Products Duty (Alteration of Rates) Order 2020, (the Order).

The Tobacco Products Duty Act 1979 limits the lifespan of such an Order to one year and it is necessary to consolidate the increase through a Finance Bill.

This measure will consolidate the duty rate increases contained within the Order by amending the Table within Schedule 1 of the Tobacco Products Duty Act 1979 and revoke the Order. There are no changes to the duty rates contained within the Order.

Read the Consolidation of Rates into Finance Bill 2021 for Tobacco Duty tax information and impact note for more information.

1.50 Plastic Packaging Tax

As announced at Budget 2018 and confirmed at Budget 2020, the government will introduce a new Plastic Packaging Tax from 1 April 2022, with primary legislation introduced in Finance Bill 2021. The tax will encourage the use of recycled plastic instead of new plastic within packaging.

Budget 2020 announced the rate of the tax as £200 per tonne of plastic packaging which contains less than 30% recycled plastic content. Following a technical consultation, minor amendments have been made to the draft legislation to improve clarity in accordance with stakeholder feedback.

Read the Introduction of Plastic Packaging Tax from April 2022 tax information and impact note for more information.

1.51 Amendment to Customs and Excise review and appeals legislation

As announced at Budget, the government will legislate in Finance Bill 2021 to give HMRC the power to temporarily approve businesses that appeal a decision to revoke their approval to operate within certain due diligence schemes, designed to protect the payment of duties on goods.

This measure will preserve the businesses' right of appeal, by ensuring that those that entirely depend on such approval to legally trade have the opportunity to remain financially viable, while their appeal is being heard.

Temporary approval will only be allowed in certain circumstances and will last only while the business pursues its appeal. Legislation will take effect following Royal Assent.

Read the Amendment to Customs and Excise review and appeals legislation tax information and impact note for more information.

1.52 Administrative Amendment to Vehicle Excise Duty Expensive Car Supplement

The government will make an amendment to the Vehicle Excise Duty legislation to ensure that where the vehicle licence end date and the expensive car supplement end date do not align. Registered keepers of cars in their last year of paying the expensive car supplement are issued correct Vehicle Excise Duty refunds when required.

The change will take effect from 1 April 2021.

Read the Administrative amendment to Vehicle Excise Duty expensive car supplement tax information and impact note for more information.

1.53 Repeal of Carbon Emissions Tax legislation

The government will introduce legislation in Finance Bill 2021 to repeal the provisions in Finance Acts 2019 and 2020 relating to Carbon Emissions Tax, which were not commenced.

This follows the government's announcement on 14 December 2020 that the UK Emissions Trading System rather than the Carbon Emissions Tax would be the UK's carbon pricing policy from 1 January 2021. The government response to a consultation in summer 2020 on the tax is being published on 23 March 2021.

The tax information and impact note published at Budget 2020 has been withdrawn.

1.54 S4C Section 33 VATA

The government will legislate in Finance Bill 2021 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.

In Spring 2020 HM Treasury and the Department for Digital, Culture, Media and Sport conducted an internal review, which concluded that there are no other broadcasters in a similar position to S4C.

1.55 VAT Deferral New Payment Scheme

The VAT deferral new payment scheme was announced on 24 September 2020 and gives businesses the opportunity to make monthly payments of deferred VAT from March 2021. Businesses that deferred VAT payments - which would otherwise have been payable with (or in connection with) VAT returns - due between 20 March and 30 June 2020 will now have the option to pay them in up to 11 interest-free instalments between 2021 to 2022.

Businesses that do not choose this option must pay deferred VAT by 31 March 2021. Businesses may opt-in between February and June 2021 but with fewer instalments where take-up is in April (up to 10 instalments), May (up to nine instalments) and June (up to eight instalments), to ensure that full payment is received by the end of the financial year.

This measure will be legislated for in Finance Bill 2021 for payment of the deferred VAT by instalments and for a penalty where the deferred VAT is not paid or there is no arrangement to pay.

Read the Legislating for the VAT deferral new payment scheme and deterrent tax information and impact note for more information.

Property Tax

1.56 Stamp Duty Land Tax: Extension to the SDLT temporary rates

As announced at Budget, the government will legislate in Finance Bill 2021 to extend the temporary increase to the Stamp Duty Land Tax nil rate band for residential property in England and Northern Ireland that was due to end on 31 March 2021.

The nil rate band will continue to be £500,000 for the period 8 July 2020 to 30 June 2021. From 1 July 2021 until 30 September 2021, the nil rate band will be £250,000. The nil rate band will return to the standard amount of £125,000 from 1 October 2021.

Read the Extension of the temporary increase to the Stamp Duty Land Tax nil rate band for residential properties tax information and impact note for more information.

1.57 Stamp Duty Land Tax: relief for Freeports

As announced in the Freeports bidding prospectus published on 16 November 2020 and at Budget, a relief from Stamp Duty Land Tax (SDLT) in England will be introduced.

Budget announces the location of 8 English Freeports. Once designated tax sites within these Freeports have been confirmed, SDLT relief will be made available for purchases of land or property, subject to that land or property being acquired and used for qualifying purposes and subject to a control period of up to 3 years.

Relief will be available for purchases made between tax site designation and 30 September 2026, in designated tax sites within successful Freeports and legislated in Finance Bill 2021.

Read the Stamp Duty Land Tax relief for Freeports tax information and impact note for more information.

1.58 Non-UK Resident SDLT

At Budget 2020, the Government confirmed its intention to introduce a Stamp Duty Land Tax surcharge on non-UK residents purchasing residential property in England and Northern Ireland from 1 April 2021.

The surcharge will be 2 percentage points above the existing residential rates. A consultation took place between 11 February and 6 May 2020.

1.59 Annual Tax on Enveloped Dwellings (ATED) and 15 per cent rate of Stamp Duty Land Tax (SDLT): Relief for Housing Co-Operatives

As announced at Budget, and following consultation on draft legislation over the Summer of 2020, the government will introduce new reliefs from ATED and the 15% rate of SDLT for certain qualifying housing co-operatives. This legislation comes into effect on 3 March 2021. For SDLT, the relief can be claimed for land transactions where the effective date of the transaction is on or after that date.

For ATED, the relief will apply to chargeable periods beginning on or after 1 April 2020, allowing eligible housing co-operatives who have already paid ATED for that period to claim a refund.

Read the New reliefs from Annual Tax on Enveloped Dwellings and Stamp Duty Land Tax for housing co-operatives tax information and impact note for more information.

Tax administration and other measures

1.60 Extending MTD for Value Added Tax to all VAT registered businesses from 1 April 2022

As announced by Written Ministerial Statement on 20 July 2020, Finance Bill 2021 includes provisions that will enable the scope of Making Tax Digital for VAT to be extended to all VAT registered businesses with effect from 1 April 2022.

Read the Extension of Making Tax Digital for VAT tax information and impact note for more information.

1.61 Tackling Promoters of Tax Avoidance

As announced at Budget 2020 and following consultation, the Government will legislate in Finance Bill 2021 to take further action against those who promote and market tax avoidance schemes.

The legislation, which will take effect following Royal Assent, will:

- strengthen information powers for HMRC's existing regime to tackle enablers of tax avoidance schemes and ensure enabler penalties are issued sooner for multi-user schemes
- enable HMRC to act promptly where promoters fail to disclose their avoidance schemes under the Disclosure of Tax Avoidance Scheme and Disclosure of VAT and other Indirect Taxes (DOTAS and DASVOIT) regimes
- allow HMRC to stop promoters from marketing and selling avoidance schemes earlier and ensure promoters fulfil their obligations under the Promoters of Tax Avoidance Schemes (POTAS) regime
- make further technical amendments to the POTAS regime, so the regime can continue to operate effectively
- make additional changes to the General Anti-Abuse Rule (GAAR) so it can be used as intended to tackle avoidance using partnerships

1.62 Follower Notices and Penalties

As announced by written ministerial statement on 16 December 2020 and further to the consultation concluded in January 2021, the government will legislate in Finance Bill 2021 to change the penalties that may be charged to

people receiving Follower Notices as a result of using avoidance schemes. The rate of penalty will be reduced from 50% to 30% of the tax in dispute.

A further penalty of 20% will be charged if the tribunal decides that the recipient of a Follower Notice continued their litigation against HMRC's decision on an unreasonable basis. The legislation will come into effect at Royal Assent.

1.63 Tax conditionality: licensing in England and Wales

As announced at Budget 2020, the government will legislate in Finance Bill 2021 to make the renewal of certain licences conditional on applicants completing checks that confirm they are appropriately registered for tax.

Those licences are to:

- drive taxis and private hire vehicles (for example minicabs)
- operate private hire vehicle firms
- deal in scrap metal

Licensing bodies will have to obtain confirmation that an applicant has completed the check before making a decision on their renewal application.

The 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 from 4 April 2022.

Read the New tax checks on licence renewal applications in England and Wales tax information and impact note for more information.

1.64 OECD Reporting Rules for Digital Platforms

The government will introduce a new power in Finance Bill 2021 which will enable regulations to be made to implement OECD rules that will require digital platforms to send information about the income of their sellers to both HMRC and to the seller themselves.

This will help taxpayers in the sharing and gig economy get their tax right, and help HMRC to detect and tackle tax evasion when they do not. A consultation will take place in Summer 2021.

Read the Reporting rules for digital platforms tax information and impact note for more information.

1.65 Northern Ireland Steel Import Duty measure

As announced in January 2021, the government will introduce legislation in Finance Bill 2021 which will enable businesses who import steel originating from countries outside of the EU and the UK into Northern Ireland to access the UK safeguard quotas or an equivalent in-quota tariff treatment provided the relevant EU tariff rate quota is open.

Such steel imports will not be subject to the EU's safeguard tariff. The change will be effective from the end of the Transition Period (1 January 2021).

The measure contains a power that may be exercised to extend its application to other goods.

Read the Northern Ireland Steel Import Duty tax information and impact note for more information.

1.66 Powers to amend interpretation and other provisions relating to banks

The government will legislate in Finance Bill 2021 to update the powers to make amendments to the bank surcharge, bank loss restriction, and bank levy rules by regulations made by statutory instruments.

These updated powers will allow HM Treasury to lay secondary legislation which amends the banking definitions used within these rules following implementation of the Investment Firms Prudential Regime from 1 January 2022, retrospectively if made before 30 June 2022. The changes will come into effect following Royal Assent.

Read the Powers to amend interpretation and other provisions relating to banks tax information and impact note for more information.

The government will consult on draft regulations in 2021.

1.67 Amendments to HMRC Civil Information Powers

As announced on 21 July 2020, a new Financial Institution Notice will be introduced which can be used under certain circumstances to require financial institutions to provide information to HMRC about a specific taxpayer, without the need for approval from the independent tax tribunal. Draft legislation was published on 21 July 2020.

Read the Amending HMRC's Civil Information Powers tax information and impact note for more information.

1.68 Interest harmonisation and reform of penalties for late submission and late payment of tax

As announced at Budget , following extensive consultation since 2015, the government will legislate in Finance Bill 2021 to introduce a new penalty regime for VAT and income tax Self Assessment (ITSA).

The reforms will come into effect for VAT taxpayers from periods starting on or after 1 April 2022; for taxpayers in ITSA, from accounting periods beginning on or after 6 April 2023 for taxpayers with business or property income over £10,000 per year (that is, taxpayers who are required to submit digital quarterly updates through Making Tax Digital for ITSA); and for all other ITSA taxpayers, from accounting periods beginning on or after 6 April 2024.

The new late submission regime will be points-based, and a financial penalty of £200 issued for every missed submission on and after relevant points threshold is reached.

The new late payment regime will introduce penalties which are proportionate to the amount of tax owed and how late payment is, with no penalty chargeable on tax paid up to 15 days after the due date, a 2% penalty chargeable on tax paid between 16 and 30 days after the due date, which increases to 4% penalty chargeable on tax unpaid after 30 days, with a further 4% annualised penalty rate chargeable on outstanding tax due after 30 days.

Interest charges and repayment interest on VAT will be aligned with other tax regimes.

Read the Interest harmonisation and penalties for late submission and late payment of tax tax information and impact note for more information.

Chapter 2 - Measures announced at Budget but not in Finance Bill 2021

Personal Tax

2.1 Individual Savings Account (ISA) annual subscription limit

As announced at Budget, the adult ISA annual subscription limit for 2021 to 2022 will remain unchanged at £20,000.

This measure will apply to the whole of the UK.

2.2 Junior ISA limit

As announced at Budget, the annual subscription limit for Junior ISAs for 2021 to 2022 will remain unchanged at £9,000.

This measure will apply to the whole of the UK.

2.3 Child Trust Funds

As announced at Budget, the annual subscription limit for Child Trust Funds for 2021 to 2022 will remain unchanged at £9,000.

This measure will apply to the whole of the UK.

2.4 Extension of income tax exemption for COVID-19 related home office expenses to 2021 to 2022 tax year

As announced at Budget, the government will, by secondary legislation, extend the temporary income tax exemption and Class 1 National Insurance contributions disregard for employer reimbursed expenses that cover the cost of relevant home office equipment. The extended exemption will have effect until 5 April 2022.

Read the Extension to the temporary income tax and National Insurance Contribution exemption for home-office expenses tax information and impact note for more information.

2.5 Van benefit charge and fuel benefit charges for cars and vans from 6 April 2021

As announced by Written Ministerial Statement on 4 February 2021, the government will increase the van benefit charge and the car and van fuel

benefit charges by the September 2020 Consumer Price Index. The change will have effect on and after 6 April 2021.

The government will legislate by Statutory Instrument in March 2021 to ensure the changes are reflected in tax codes for 2021 to 2022.

Read the income tax changes to benefit charges for vans and the fuel benefit charge for cars and vans tax information and impact note for more information.

Indirect Tax

2.6 VAT: No change in registration and deregistration thresholds

As announced at Budget, the VAT registration and deregistration thresholds will not change for a further period of two years from 1 April 2022. There will be no revisions to existing legislation and no new legal provisions will be introduced. Therefore, legislation will continue as follows:

- the taxable turnover threshold which determines whether a person must be registered for VAT will remain at £85,000
- the taxable turnover threshold which determines whether a person may apply for deregistration will remain at £83,000

The further 2 year period ends on 31 March 2024.

Read the Maintain VAT thresholds for 2 years from 1 April 2022 tax information and impact note for more information.

2.7 Landfill Tax: rates for 2022 to 2023

As announced at Budget the government will legislate in Finance Bill 2021 to 2022 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 2022.

The rates of Landfill Tax on and after 1 April 2020 are set out in Annex A.

2.8 Landfill Communities Fund – 2021 to 2022

As announced at Budget, the government will set the value of the Landfill Communities Fund for 2021 to 2022 at £34.4 million, with the cap on contributions by landfill operators remaining at 5.3% of their Landfill Tax liability.

2.9 Carbon Price Support Rates for 2022 to 2023

As announced at Budget the government will freeze the Carbon Price Support rate per tonne of carbon dioxide (CO_2) emitted to £18 for 2022 to 2023.

The rates for Carbon Price Support from 1 April 2022 are set out in Annex A.

2.10 Aggregates Levy rate 2021 to 2022

As announced at Budget, the government will freeze the Aggregates Levy rate in 2021 to 2022 but intends to return the levy to index-linking in the future.

Aggregates Levy rates are set out in Annex A.

2.11 Setting Fuel Duty rate for 2021 to 2022

As announced at Budget fuel duty rates will remain frozen for the financial year 2021 to 2022.

Fuel duty rates are set out in Annex A.

2.12 Alcohol Duty rates freeze

As announced at Budget, 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 and allowances are set out at Annex A.

2.13 Taxation of diesel used in private pleasure craft in Northern Ireland

As announced at Budget 2021, the government will lay secondary legislation later this year to bring into force provisions in Finance Act 2020 that will prohibit users of diesel-powered private pleasure craft in Northern Ireland from using red diesel to propel their craft.

It will also lay secondary legislation to introduce a new relief scheme in Northern Ireland to ensure that craft users with only one fuel tank on board do not have to pay a higher rate of duty on their non-propulsion use than they would otherwise have to pay (those with separate fuel tanks for propulsion and non-propulsion can continue to use red diesel for non-propulsion). These changes will all take effect no later than June this year.

An updated tax information and impact note will be published alongside the secondary legislation when it is laid later this year.

Tax Administration

2.14 OECD Mandatory Disclosure Rules

The government will consult later this year on draft regulations to implement the OECD's Mandatory Disclosure Rules, which facilitate global exchange of information on certain cross-border tax arrangements, to combat offshore tax evasion.

2.15 Electronic sales suppression

As announced at Budget, the government is introducing new powers to tackle electronic sales suppression.

The new electronic sales suppression-specific powers will make offences of the possession, manufacture, distribution and promotion of electronic sales suppression software and hardware.

There will also be electronic sales suppression-specific information powers allowing HMRC investigators to identify developers and suppliers in the electronic sales suppression supply chain and to access software developers' source code and the locations of code and data.

The government held a call for evidence on ESS and published its response in June 2020.

The government will legislate in Finance Bill 2021 to 2022 and the measure will take effect from Royal Assent.

2.16 Tax Conditionality: licensing in Scotland and Northern Ireland

As announced at Budget, the government will make the renewal of certain licences in Scotland and Northern Ireland conditional on applicants completing checks that confirm they are appropriately registered for tax, consistent with these reforms in England and Wales.

In Scotland, this will apply to licences to drive taxis and Private Hire Cars (PHCs); operate from PHC booking offices; and be a metal dealer. In Northern Ireland, this is for licences to drive taxis.

Licensing bodies will have to obtain confirmation that an applicant has completed the check before making a decision on their renewal application, making it more difficult for non-compliant traders to operate in the hidden economy.

The new tax checks will come into force in Scotland and Northern Ireland from April 2023, building on policy announced at Budget 2020 to introduce these reforms in England and Wales from April 2022. A consultation on implementation options will be published on 23 March 2021. The government remains committed to seeking views on the wider application of tax conditionality.

Corporate Tax

2.17 Enterprise Management Incentives: call for evidence

As part of the review announced at Budget 2020, the government is publishing a consultation alongside the Budget on whether and how to expand the current Enterprise Management Incentives scheme to ensure it offers effective support for high-growth companies seeking to recruit and retain key employees.

2.18 R&D Tax Reliefs: Review

The government will carry out a review of R&D tax reliefs, with a consultation published alongside the Budget. This review will consider all elements of the two R&D tax relief schemes, to make sure the UK remains a competitive location for cutting edge research, that the reliefs continue to be fit for purpose and that taxpayer money is effectively targeted.

2.19 Corporation tax: Review of the surcharge on banking companies

Without any other action, due to the additional bank surcharge of 8%, the increase in the main corporation tax rate to 25% would make UK taxation of banks uncompetitive and damage one of our key exports.

The government believes that the combined level of bank taxation would be too high and, as announced at Budget, will therefore undertake a review of the surcharge on banking companies during 2021.

In the Autumn, the government will set out how it intends to ensure that the combined rate of tax on banks' profits does not increase substantially from its current level, that rates of taxation here are competitive with our major competitors in the US and the EU, and that the UK tax system is supportive of competition in the UK banking sector.

Changes will be legislated in Finance Bill 2021 to 2022.

Property Tax

2.20 Annual Tax on Enveloped Dwellings (ATED) – Annual chargeable amounts for 2021/2022 chargeable period

The ATED charges increase automatically each year in line with inflation (based on the previous September 2020).

The ATED annual charges will rise by 0.5% from 1 April 2021 in line with the September 2020 Consumer Prices Index.

A tax information and impact note has not been published for this measure, as it is a routine legislative change.

Table 1: Unchanged measures for Finance Bill 2021

This table lists measures which are part of Finance Bill 2021 where draft legislation was published for consultation either on 21 July 2020 or 12 November 2020, and where the draft legislation is unchanged.

Modernising Tax Administration

- Tackling Construction Industry Scheme abuse
- Changes to the treatment of termination payments and post-employment notice pay for income tax

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

Measure title	Paragraph number
Powers to amend interpretation and other provisions relating to banks	1.66
Technical changes to the off-payroll working rules legislation	1.9
Extending MTD for Value Added Tax to all VAT registered businesses from 1 April 2022	1.60
Tax Conditionality: Licensing in England and Wales	1.63
Capital Gains Tax: Relief for gifts of business assets	1.18
Landfill Tax: rates for 2021 to 2022	1.42
Corporation tax exemption for The Northern Ireland Housing Executive	1.25
Repeal of provisions relating to the Interest and Royalties Directive	1.32
Administrative Amendment to Vehicle Excise Duty Expensive Car Supplement	1.52
CCL main and reduced rates	1.47
Northern Ireland Steel Import Duty	1.65
Amendment to Customs and Excise review and appeals legislation	1.51
Repeal of Carbon Emissions Tax legislation	1.53
Annual Tax on Enveloped Dwellings (ATED) – Annual chargeable amounts for 2021/2022 chargeable period	2.20
Plastic Packaging Tax	1.50
Tobacco Duty Rates: Consolidation of rates into Finance Bill 2021	1.49
Landfill Tax: rates for 2022 to 2023	2.7
Landfill Communities Fund-2021 to 2022	2.8
Enterprise Management Incentives (EMI): Extension of time limited exception to working time requirements	1.29

Measure title	Paragraph number
Qualifying decommissioning expenditure	1.39
Corporation Tax: technical amendments to reform of loss relief rules	1.31
Restoring plant and machinery leases to pre-Covid-19 treatment	1.38
Annual Tax on Enveloped Dwellings (ATED) and 15 per cent rate of Stamp Duty Land Tax (SDLT): Relief for Housing Co-Operatives	1.59
Amendments to HMRC Civil Information Powers	1.67
Changes to treatment of termination payments and post-employment notice pay	Table 1
Non-UK Resident SDLT Surcharge	1.58
Hybrid and other mismatches	1.28
Income Tax: rates and thresholds: tax year 2021 to 2022	1.1
Easement for employer-provided cycles exemption	1.8
Income tax exemption for employer-reimbursed COVID-19 tests for 2020-21	1.13
Optional Remuneration Arrangements: disregard for statutory parental bereavement payments	1.10
Financial support payments to potential victims of modern slavery and human trafficking: Exemption from income tax	1.11
Withdrawal of LIBOR	1.27

Annex A: rates and allowances

This annex includes Spring Budget 2021 announcements of the main rates and allowances. It also covers all announcements made at Budget 2020 and subsequently.

PERSONAL TAX AND BENEFITS

Income tax bands of taxable income (£ per year)

-	Tax year 2021 to 2022	Tax year 2022 to 2023	Tax year 2023 to 2024	Tax year 2024 to 2025	Tax year 2025 to 2026
Basic rate	£1 to £37,700	£1 to £37,700	£1 to £37,700	£1 to £37,700	£1 to £37,700
Higher rate	£37,701 to £150,000	£37,701 to £150,000	£37,701 to £150,000	£37,701 to £150,000	£37,701 to £150,000
Additional rate	Over £150,000	Over £150,000	Over £150,000	Over £150,000	Over £150,000

INCOME TAX RATES

Main rates

Main rates	Tax year 2020 to 2021	Tax year 2021 to 2022
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%

These figures apply to non-dividend income, including income from savings, employment, property or pensions. From tax year 2017 to 2018, the main rates were separated into the main rates, the savings rates and the default rates.

Savings rates

Savings rates	Tax year 2020 to 2021	Tax year 2021 to 2022
Starting rate for savings	0%	0%
Savings basic rate	20%	20%
Savings higher rate	40%	40%
Savings additional rate	45%	45%

These figures apply to savings income.

Dividend rates

Dividend rates	Tax year 2020 to 2021	Tax year 2021 to 2022
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%

Apply to dividend income received above the £2,000 tax-free Dividend Allowance.

Default rates

Default rates	Tax year 2020 to 2021	Tax year 2021 to 2022
Default basic rate	20%	20%
Default higher rate	40%	40%
Default additional rate	45%	45%

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.

Starting rates for savings income

Starting rates for savings income	Tax year 2020 to 2021	Tax year 2021 to 2022
Starting rate for savings	0%	0%
Starting rate limit for savings	£5,000	£5,000

Special rates for trustees' income

Special rates for trustees' income	Tax year 2020 to 2021	Tax year 2021 to 2022
Standard rate on first £1,000 of income which would otherwise be taxable at the special rates for trustees	Up to 20%, depends on the type of income	Up to 20%, depends on the type of income
Trust rate	45%	45%
Dividend trust rate	38.1%	38.1%

INCOME TAX ALLOWANCES

Personal allowance

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Personal allowance	£12,500	£12,570
Income limit for personal allowance	£100,000	£100,000
Income limit for married couple's allowance	£30,200	£30,200

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.

The Income limit for married couple's allowance is an age-related allowance. It is reduced by £1 for every £2 of income over this limit.

Marriage allowance

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Marriage allowance	£1,250	£1,260

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.

Married couple's allowance for those born before 6 April 2935

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Maximum amount of married couple's allowance	£9,075	£9,125
Minimum amount of married couple's allowance	£3,510	£3,530

The relief for this allowance is given at 10%.

Blind person's allowance

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Blind person's allowance	£2,500	£2,520

Dividend allowance

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Dividend allowance	£2,000	£2,000

Personal savings allowance

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Personal savings allowance for basic rate taxpayers	£1,000	£1,000
Personal savings allowance for higher rate taxpayers	£500	£500

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.

Company car tax

Cars first registered before 6 April 2020

CO2 emissions, g/km	Electric range (miles)	Appropriate Percentage (%) for 2021 to 2022	Appropriate Percentage (%) for 2022 to 2023	Appropriate Percentage (%) for 2023 to 2024	Appropriate Percentage (%) for 2024 to 2025
0	N/A	1	2	2	2
1 to 50	More than 130	2	2	2	2
1 to 50	70 to 129	5	5	5	5
1 to 50	40 to 69	8	8	8	8
1 to 50	30 to 39	12	12	12	12
1 to 50	Less than 30	14	14	14	14
51 to 54		15	15	15	15
55 to 59	-	16	16	16	16
60 to 64	-	17	17	17	17
65 to 69	-	18	18	18	18
70 to 74	-	19	19	19	19
75 to 79	-	20	20	20	20
80 to 84	-	21	21	21	21
85 to 89	-	22	22	22	22
90 to 94	-	23	23	23	23
95 to 99	-	24	24	24	24
100 to 104	-	25	25	25	25
105 to 109	-	26	26	26	26
110 to 114	-	27	27	27	27
115 to 119	-	28	28	28	28
120 to 124	-	29	29	29	29
125 to 129	-	30	30	30	30
130 to 134	-	31	31	31	31
135 to 139	-	32	32	32	32
140 to 144	-	33	33	33	33
145 to 149	-	34	34	34	34
150 to 154	-	35	35	35	35
155 to 159	-	36	36	36	36
160 and over	-	37	37	37	37

Company car tax

Cars first registered on or after 6 April 2020

CO2 emissions, g/km	Electric range (miles)	Appropriate Percentage (%) for 2021 to 2022	Appropriate Percentage (%) for 2022 to 2023	Appropriate Percentage (%) for 2023 to 2024	Appropriate Percentage (%) for 2024 to 2025
0	N/A	1	2	2	2
1 to 50	More than 130	1	2	2	2
1 to 50	70 to 129	4	5	5	5
1 to 50	40 to 69	7	8	8	8
1 to 50	30 to 39	11	12	12	12
1 to 50	Less than 30	13	14	14	14
51 to 54		14	15	15	15
55 to 59	-	15	16	16	16
60 to 64	-	16	17	17	17
65 to 69	-	17	18	18	18
70 to 74	-	18	19	19	19
75 to 79	-	19	20	20	20
80 to 84	-	20	21	21	21
85 to 89	-	21	22	22	22
90 to 94	-	22	23	23	23
95 to 99	-	23	24	24	24
100 to 104	-	24	25	25	25
105 to 109	-	25	26	26	26
110 to 114	-	26	27	27	27
115 to 119	-	27	28	28	28
120 to 124	-	28	29	29	29
125 to 129	-	29	30	30	30
130 to 134	-	30	31	31	31
135 to 139	-	31	32	32	32
140 to 144	-	32	33	33	33
145 to 149	-	33	34	34	34
150 to 154	-	34	35	35	35
155 to 159	-	35	36	36	36
160 to 164	-	36	37	37	37
165 to 169	-	37	37	37	37
170 and over	-	37	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

Employee and employer Class 1 contributions rates and thresholds (£ per week)

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Weekly Lower Earnings Limit (LEL)	£120	£120
Weekly Primary Threshold (PT)	£183	£184
Weekly Secondary Threshold (ST)	£169	£170
Upper Earnings Limit (UEL)	£962	£967
Upper Secondary Threshold for under 21s	£962	£967
Apprentice Upper Secondary Threshold (AUST) for under 25s	£962	£967
Employment Allowance (per employer)	£4,000 per year	£4,000 per year

Employee's (primary) Class 1 contribution rates

Earnings band	Tax year 2020 to 2021	Tax year 2021 to 2022 (unchanged)
Below Weekly Lower Earnings Limit (LEL)	N/A	N/A
Weekly Lower Earnings Limit (LEL) to Weekly Primary Threshold (PT)	0%	0%
Weekly Primary Threshold (PT) to Upper Earnings Limit (UEL)	12%	12%
Above Upper Earnings Limit (UEL)	2%	2%

Married woman's reduced rate for (primary) Class 1 contribution rates

-	Tax year 2020 to 2021	Tax year 2021 to 2022 (unchanged)
Weekly earnings from between the Primary Threshold (PT) and Upper Earnings Limit (UEL)	5.85%	5.85%
Weekly earnings above the Upper Earnings Limit (UEL)	2%	2%

Employer's (secondary) Class 1 contribution rates

Earnings band	Tax year 2020 to 2021	Tax year 2021 to 2022 (unchanged)
Below Secondary Threshold (ST)	0%	0%
Above Secondary Threshold (ST)	13.8%	13.8%

Employer's (secondary) Class 1 contribution rates for employees under 21

Earnings band	Tax year 2020 to 2021	Tax year 2021 to 2022 (unchanged)
Below Upper Secondary Threshold (UST)	0%	0%
Above Upper Secondary Threshold (UST)	13.8%	13.8%

Employer's (secondary) Class 1 contribution rates for apprenticed under 25

Earnings band	Tax year 2020 to 2021	Tax year 2021 to 2022 (unchanged)
Below Apprentice Upper Secondary Threshold (AUST)	0%	0%
Above Apprentice Upper Secondary Threshold (AUST)	13.8%	13.8%

Self-employed Class 2 contribution rates and thresholds (£ per week)

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Small Profits Threshold	£6,475	£6,515

Class 2 contribution rates

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Annual Profits (£ a year)	*£ per week*	*£ per week*
Below Small Profits Threshold (SPT)	£3.05 (voluntary)	£3.05 (voluntary)
Above Small Profits Threshold (SPT)	£3.05	£3.05
Special Class 2 rate for share fishermen	£3.70	£3.70
Special Class 2 rate for volunteer development workers	£6.00	£6.00

Class 3 National contributions: Other rates and thresholds (£ per week)

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Voluntary contributions	£15.30	£15.40

Self-employed Class 4 contribution rates and thresholds (£ per year)

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Lower Profits Limit (LPL)	£9,500	£9,568
Upper Profits Limit (UPL)	£50,000	£50,270

Class 4 contribution rates

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Annual profits band	*NIC rate (per cent)*	*NIC rate (per cent) (unchanged)*
Below Lower Profits Limit (LPL)	0%	0%
Lower Profits Limit (LPL) to Upper Profits Limit (UPL)	9%	9%

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Above Upper Profits Limit (UPL)	2%	2%

TAX CREDITS, CHILD BENEFIT AND GUARDIAN'S ALLOWANCE

Working Tax Credits

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Basic element	£1,995	£2,005
Couple and lone parent element	£2,045	£2,060
30 hour element	£825	£830
Disabled worker element	£3,220	£3,240
Severe disability element	£1,390	£1,400

Childcare element of the Working Tax Credits

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Maximum eligible cost for one child	£175 per week	£175 per week
Maximum eligible cost for 2 or more children	£300 per week	£300 per week
Percentage of eligible costs covered	70%	70%

Child Tax Credit

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Family element	£545	£545
Child element	£2,830	£2,845
Disabled child element	£3,415	£3,435
Severely disabled child element	£4,800	£4,825

Income thresholds and withdrawal rates

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Income threshold	£6,530	£6,565
Withdrawal rate (per cent)	41%	41%

-	Tax year 2020 to 2021	Tax year 2021 to 2022
First threshold for those entitled to child tax credit only	£16,385	£16,480
Income rise disregard	£2,500	£2,500
Income fall disregard	£2,500	£2,500

Child Benefit per week

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Eldest or only child	£21.05	£21.15
Other children	£13.95	£14.00

Guardian's Allowance per week

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Guardian's allowance	£17.90	£18.00

CAPITAL, ASSETS AND PROPERTY

Pensions tax relief

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Lifetime Allowance limit	£1,073,100	£1,073,100
Annual Allowance limit	£40,000	£40,000
Money Purchase Annual Allowance	£4,000	£4,000
Tapered Annual Allowance (applies when an individual has 'adjusted income' over this amount provided the 'threshold income' test is met)	£240,000	£240,000

Tax free savings accounts

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Individual Savings Account (ISA) subscription limit	£20,000	£20,000
Junior ISA subscription limit	£9,000	£9,000
Child Trust Fund (CTF) subscription limit	£9,000	£9,000

CAPITAL GAINS TAX

Main rates for individuals other than gains on residential property (not eligible for Private Residence Relief) and carried interest

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Income tax basic rate payer	10%	10%
Income tax higher rate payer	20%	20%

Rates for individuals (for gains on residential property not eligible for Private Residence Relief, and carried interest)

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Income tax basic rate payer	18%	18%
Income tax higher rate payer	28%	28%

Main rate for trustees and personal representatives other than gains on residential property (not eligible for Private Residence Relief) and carried interest

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Income tax basic rate payer	20%	20%
Income tax higher rate payer	20%	20%

Rate for trustees and personal representatives (for gains on residential property not eligible for Private Residence Relief)

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Income tax basic rate payer	28%	28%
Income tax higher rate payer	28%	28%

Rate for personal representatives for gains on carried interest

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Income tax basic rate payer	28%	28%
Income tax higher rate payer	28%	28%

Annual exempt amount for individuals and personal representatives

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Income tax basic rate payer	£12,300	£12,300
Income tax higher rate payer	£12,300	£12,300

Annual exempt amount for most trustees

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Income tax basic rate payer	£6,150	£6,150
Income tax higher rate payer	£6,150	£6,150

Rate on gains subject to business asset disposal relief

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Income tax basic rate payer	10%	10%
Income tax higher rate payer	10%	10%

Rate on gains subject to investors' relief

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Income tax basic rate payer	10%	10%
Income tax higher rate payer	10%	10%

Business asset disposal relief: lifetime limit on qualifying gains

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Income tax basic rate payer	£1,000,000	£1,000,000
Income tax higher rate payer	£1,000,000	£1,000,000

Investors' relief: lifetime limit on gains for external investors

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Income tax basic rate payer	£10,000,000	£10,000,000
Income tax higher rate payer	£10,000,000	£10,000,000

Inheritance tax

-	Tax year 2020 to 2021	Tax year 2021 to 2022
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	£175,000	£175,000
Taper threshold for residence nil-rate band	£2,000,000	£2,000,000

STAMP DUTY LAND TAX – RESIDENTIAL PROPERTY

Initial Temporary Relief Period – 1 April 2021 to 30 June 2021

Property value	Rate (on portion of value above threshold)	Rate (on portion of value above threshold) if purchase is of an additional residential property	Rate (on portion of value above threshold) on or after 1st April 2021 if purchase is of residential property by certain non-UK residents	Rate (on portion of value above threshold) if purchase is of an additional residential property and by a certain non-UK resident
0 to £500k	0%	3%	2%	5%

Property value	Rate (on portion of value above threshold)	Rate (on portion of value above threshold) if purchase is of an additional residential property	Rate (on portion of value above threshold) on or after 1st April 2021 if purchase is of residential property by certain non-UK residents	Rate (on portion of value above threshold) if purchase is of an additional residential property and by a certain non-UK resident
£500k to £925k	5%	8%	7%	10%
£925k to £1.5m	10%	13%	12%	15%
£1.5m+	12%	15%	14%	17%

Qualifying purchases in freeport tax sites will be eligible for full SDLT relief.

Further Temporary Relief Period – 1 July 2021 to 30 September 2021

Property Value	Rate (on portion of value above threshold)	Rate (on portion of value above threshold) if purchase is of an additional residential property	Rate (on portion of value above threshold) on or after 1st April 2021 if purchase is of residential property by certain non-UK residents	Rate (on portion of value above threshold) if purchase is of an additional residential property and by certain non-UK resident
0 to £250,000	0%	3%	2%	5%
£250,000 to £925,00	5%	8%	7%	10%
£925,000 to £1,500,000	10%	13%	12%	15%
£1.5m+	12%	15%	14%	17%

Qualifying purchases in freeport tax sites will be eligible for full SDLT relief.

Standard rates from 1 October 2021 onwards

Property value	Rate (on portion of value above threshold)	Rate (on portion of value above threshold) if purchase is of an additional residential property	Rate (on portion of value above threshold) on or after 1st April 2021 if purchase is of residential property by certain non-UK residents	Rate (on portion of value above threshold) if purchase is of an additional residential property and by certain non-UK resident
0 to £125k	0%	3%	2%	5%
£125k to £250k	2%	5%	4%	7%
£250k to £925k	5%	8%	7%	10%
£925k to £1.5m	10%	13%	12%	15%
£1.5m+	12%	15%	14%	17%

Qualifying purchases in freeport tax sites will be eligible for full SDLT relief.

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%

Annual Tax on Enveloped Dwellings

Taxable value of the property	Charge for tax year 2020 to 2021	Charge for tax year 2021 to 2022
£500,001 to £1,000,000	£3,700	£3,700
£1,000,001 to £2,000,000	£7,500	£7,500
£2,000,001 to £5,000,000	£25,200	£25,300
£5,000,001 to £10,000,000	£58,850	£59,100
£10,000,001 to £20,000,000	£118,050	£118,600
£20,000,001 and over	£236,250	£237,400

The ATED charges increase automatically each year in line with inflation (based on the previous September's Consumer Prices Index (CPI)).

The ATED annual charges will rise by 0.5% from 1 April 2021 in line with the September 2020 Consumer Prices Index. A TIIN has not been published for this measure, as it is a routine legislative change.

The table above shows the property band and what the revised charges will be for the 2021 to 2022 chargeable period.

BUSINESS AND FINANCIAL SERVICES

Corporation tax rates

-	Financial year 2020 to 2021	Financial year 2021 to 2022	Financial year 2022 to 2023	Financial year 2023 to 2024
Main rates	19%	19%	19%	25%
Small profits rate	N/A	N/A	N/A	19%
Lower threshold	N/A	N/A	N/A	£50,000
Upper threshold	N/A	N/A	N/A	£250,000

North Sea oil and gas ring fence profits rates

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.

From April 2023 the lower and upper thresholds for the small profits rate in the ring fence regime will align with those for the main corporation tax regime. From April 2023 the marginal relief ring fence fraction will remain 11/400ths.

Corporation tax allowances and reliefs

-	Financial year 2019 to 2020	Financial year 2020 to 2021	Financial year 2021 to 2022
Plant and machinery: main rate expenditure	18%	18%	18%
Plant and machinery: special rate expenditure	6%	6%	6%
Structures and Buildings Allowance (SBA)	2% / 3% (this was increased from 2% to 3% in April 2020)	3%	3%
Annual investment allowance (AIA)	£1m	£1m / £200,000	£200,000
Enhanced Capital Allowances in Freeports (ECA+)	N/A / £100% (ECA+ will have effect from October 1)	100%	100%
Enhanced Structures and Buildings Allowance (SBA+)	10%	10%	10%
Full Expensing: Super-deduction	N/A	130%	130%
Full Expensing: Special Rate FYA	N/A	50%	50%
First year allowances for certain energy-saving or water efficient products	N/A	N/A	N/A
R&D tax credits SME scheme	230%	230%	230%
R&D SME payable credit	14.5%	14.5%	14.5%
R&D Expenditure Credit	12%	13%	13%
Patent Box	10%	10%	10%
Film tax relief	25%	25%	25%

-	Financial year 2019 to 2020	Financial year 2020 to 2021	Financial year 2021 to 2022
High-end TV tax relief	25%	25%	25%
Videogames tax relief	25%	25%	25%
Open ended investment companies and authorised unit trusts	20%	20%	20%
Plant and machinery: main rate expenditure	18%	18%	18%

For the Financial year 2020 to 2021, an Annual Investment Allowance of £1m will apply to investments made from 1 January 2019 until 31 December 2020. The Annual Investment Allowance for investments before and after those dates will be £200,000.

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

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
- 100% in 2017 to 2018

For open ended investment companies and authorised unit trusts the applicable corporation tax rate is 20%.

Bank levy

-	Chargeable equity and long-term chargeable liabilities	Short-term chargeable liabilities
1 January 2011 to 28 February 2011	0.025%	0.05%
1 March 2011 to 30 April 2011	0.05%	0.1%
1 May 2011 to 31 December 2011	0.0375%	0.075%
1 January 2012 to 31 December 2012	0.044%	0.088%
1 January 2013 to 31 December 2013	0.065%	0.130%
1 January 2014 to 31 March 2015	0.078%	0.156%
1 April 2015 to 31 December 2015	0.105%	0.21%
1 January 2016 to 31 December 2016	0.09%	0.18%
1 January 2017 to 31 December 2017	0.085%	0.17%
1 January 2018 to 31 December 2018	0.08%	0.16%
1 January 2019 to 31 December 2019	0.075%	0.15%
1 January 2020 to 31 December 2020	0.07%	0.14%
1 January 2021 onwards	0.05%	0.1%

Bank Surcharge

8% on profits from 1 January 2016 onwards

Diverted Profits Tax

Financial year 2021- 22	Financial year 2022 -23	Financial year 2023 -24
25%	25%	31%

Digital Services Tax

2% from 1 April 2020 onwards.

Global revenue threshold	£500m
UK revenue threshold	£25m
UK revenue allowance	£25m

UK oil and gas taxes

-	Financial year 2020 to 2021	Financial year 2021 to 2022	Financial year 2022 to 2023	Financial year 2023 to 2024
Petroleum revenue tax	0%	0%	0%	0%
Ring fence corporation tax	30%	30%	30%	30%
Supplementary charge	10%	10%	10%	10%

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.

From April 2023 the lower and upper thresholds for the small profits rate in the ring fence regime will align with those for the main corporation tax regime. From April 2023 the marginal relief ring fence fraction will remain 11/400ths.

Business rates

-	Financial year 2020-21	Financial year 2021-22
England standard multiplier	51.2p	51.2p
England small business multiplier	49.9p	49.9p

Small business multiplier applies to properties with a rateable value of less than £18,000 (or £25,500 in London).

INDIRECT TAX

Alcohol duty

Rate per litre of pure alcohol

-	Duty rate from 11 March 2020	Duty rate from 4 March 2021
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

-	Duty rate from 11 March 2020	Duty rate from 4 March 2021
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

-	Duty rate from 11 March 2020	Duty rate from 4 March 2021
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.	£288.10	£288.10
Sparkling wine and made-wine: at least 8.5% - not exceeding 15% abv.	£381.15	£381.15

Tobacco products

Cigarettes

The duty rate will be the the higher figure of the duty rate plus the ad valorem Element or minimum excise tax.

-	Duty rate plus ad valorem element	Minimum excise tax
From 6pm 11 March 2020	An amount equal to 16.5% of the retail price plus £237.34 per 1000 cigarettes.	£305.23 per 1000 cigarettes
From 16 November 2020	An amount equal to 16.5% of the retail price plus £244.78 per 1000 cigarettes.	£320.90 per 1000 cigarettes

Cigars

-	Duty rate plus ad valorem element	Minimum excise tax
From 6pm 11 March 2020	£296.04 per kilogram	N/A
From 16 November 2020	£305.32 per kilogram	N/A

Hand-rolling tobacco

-	Duty rate plus ad valorem element	Minimum excise tax
From 6pm 11 March 2020	£253.33 per kilogram	N/A
From 16 November 2020	£271.40 per kilogram	N/A

Other smoking tobacco and chewing tobacco

-	Duty rate plus ad valorem element	Minimum excise tax
From 6pm 11 March 2020	£130.16 per kilogram	N/A
From 16 November 2020	£134.24 per kilogram	N/A

Tobacco for heating

-	Duty rate plus ad valorem element	Minimum excise tax
From 6pm 11 March 2020	£243.95 per kilogram	N/A
From 16 November 2020	£251.60 per kilogram	N/A

Gambling duties

Bingo duty

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Percentage of bingo promotion profits	10%	10%

General betting duty

-	Tax year 2020 to 2021	Tax year 2021 to 2022
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

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Percentage of net pool betting receipts	15%	15%

Lottery duty

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Percentage of the price paid or payable on taking a ticket or chance in a lottery	12%	12%

Remote gaming duty

-	Tax year 2020 to 2021	Tax year 2021 to 2022
Percentage of remote gaming profits	21%	21%

Machine games duty

-	Tax year 2020 to 2021	Tax year 2021 to 2022
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 2020 to 2021

Tax rate	Gross gaming yield
15%	£2,471,000
20%	£1,703,500
30%	£2,983,000
40%	£6,296,500
50%	Remainder

Figures for accounting periods beginning on or after 1 April 2021

Tax rate	Gross gaming yield
15%	£2,548,500
20%	£1,757,000
30%	£3,077,000
40%	£6,494,500
50%	Remainder

Insurance Premium Tax

	Tax year 2020 to 2021	Tax year 2021 to 2022
Standard rate	12%	12%
Higher rate	20%	20%

Soft Drinks Industry Levy

For drinks within scope	Tax year 2020 to 2021	Tax year 2021 to 2022
Levy due on drinks that have a total sugar content of more than 5g and less than 8g per 100m	18p per litre	18p per litre
Levy due on drinks that have a total sugar content of 8g or more per 100m	24p per litre	24p per litre

Climate Change Levy main rates

Taxable commodity	Rate from 1 April 2021	Rate from 1 April 2022	Rate from 1 April 2023
Electricity (£ per kilowatt hour)	0.00775	0.00775	0.00775
Gas supplied by a gas utility or any gas supplied in a gaseous state that is of a kind supplied by a gas utility	0.00465	0.00568	0.00672
Any petroleum gas, or other gaseous hydrocarbon, supplied in a liquid state	0.02175	0.02175	0.02175

Taxable commodity	Rate from 1 April 2021	Rate from 1 April 2022	Rate from 1 April 2023
Any other taxable commodity	0.03640	0.04449	0.05258

Climate Change Levy reduced rates

Taxable commodity	Rate from 1 April 2021	Rate from 1 April 2022	Rate from 1 April 2023
Electricity	8%	8%	8%
Gas supplied by a gas utility or any gas supplied in a gaseous state that is of a kind supplied by a gas utility	17%	14%	12%
Any petroleum gas, or other gaseous hydrocarbon, supplied in a liquid state	23%	23%	23%
Any other taxable commodity	17%	14%	12%

Carbon Price Support rates of Climate Change Levy and fuel duty

-	Rate from 1 April 2016 to 31 March 2023
Carbon price equivalent (£ per tonne of carbon dioxide)	**18.00**

Supplies of commodity used in electricity generation

-	Rate from 1 April 2016 to 31 March 2023
Natural gas (£ per kilowatt hour)	0.00331
Liquid petroleum gas (£ per kilogram)	0.05280

-	**Rate from 1 April 2016 to 31 March 2023**
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 2020**	**Rate from 1 April 2021**
Commercially exploited taxable aggregate	£2 per tonne	£2 per tonne

Landfill rates for 2020 to 2022

Material sent to landfill	**Rate from 1 April 2020**	**Rate from 1 April 2021**	**Rate from 1 April 2022**
Coverage	England and Northern Ireland	England and Northern Ireland	England and Northern Ireland
Standard rated (per tonne)	£94.15	£96.70	£98.60
Lower rated (per tonne)	£3.00	£3.10	£3.15

Landfill Tax was devolved to the Scottish Parliament in April 2015 and to the Welsh Parliament/Senedd Cymru in April 2018.

Landfill Communities Fund for 2020 to 2021

As announced at Budget, the government will set the value of the Landfill Communities Fund for 2021 to 2022 at £34.4 million, with the cap on contributions by landfill operators remaining at 5.3% of their Landfill Tax liability.

Plastic Packaging Tax

-	**Rate from 1 April 2022**
Plastic packaging with less than 30% recycled plastic content	£200 per tonne

There will be a de minimis threshold of 10 tonnes of plastic packaging per 12 months, though for the first year this will be calculated differently.

Air Passenger Duty rates

Air Passenger Duty applies to all flights aboard aircraft 5.7 tonnes and above.

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.

Reduced rate (lowest class of travel)

Bands (approximate distance in miles from London)	From 1 April 2020	From 1 April 2021	From 1 April 2022
Band A (0 – 2,000 miles)	£13	£13	£13
Band B (over 2,000 miles)	£80	£82	£84

Standard rate (other than the lowest class of travel)

Bands (approximate distance in miles from London)	From 1 April 2020	From 1 April 2021	From 1 April 2022
Band A (0 – 2,000 miles)	£26	£26	£26
Band B (over 2,000 miles)	£176	£180	£185

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.

Higher rate

Bands (approximate distance in miles from London)	From 1 April 2020	From 1 April 2021	From 1 April 2022
Band A (0 – 2,000 miles)	£78	£78	£78
Band B (over 2,000 miles)	£528	£541	£554

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

Fuel duty – £ per litre unless stated

Light oils

-	Rates on and after 6pm on 23 March 2011
Unleaded petrol	0.5795
Light oil (other than unleaded petrol or aviation gasoline)	0.6767
Aviation gasoline (Avgas)	0.3820
Light oil delivered to an approved person for use as furnace fuel	0.1070

Aviation gasoline (Avgas) was £0.3770 per litre on and after 6pm on 23 March 2011. It increased to £0.3820 per litre from 1 January 2021.

Heavy oils

-	Rates on and after 6pm on 23 March 2011
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

-	Rates on and after 6pm on 23 march 2011
Bio-ethanol	0.5795
Bio-diesel	0.5795
Bio-diesel for non-road use	0.1114

-	Rates on and after 6pm on 23 march 2011
Bio-diesel blended with gas oil not for road fuel use	0.1114

Road fuel gases

-	Rates on and after 6pm on 23 March 2011
Liquefied petroleum gas (£ per kilogram)	0.3161
Road fuel natural gas including biogas (£ per kilogram)	0.2470

Other fuel

-	Rate on and after 6pm on 23 March 2011	Rate on and after 1 October 2015
Aqua-methanol set aside for road use		0.0790

Vehicle Excise Duty bands and rates for cars first registered on or after 1 April 2017

This includes cars emitting over 225g/km registered before 23 March 2006.

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 Vehicle Excise Duty band.

Tax year 2020 to 2021

CO_2 emissions (g/km)	Standard rate	First year rate
0	0	0
1 to 50	150	10
51 to 75	150	25
76 to 90	150	110
91 to 100	150	135
101 to 110	150	155
111 to 130	150	175

CO_2 emissions (g/km)	Standard rate	First year rate
131 to 150	150	215
151 to 170	150	540
171 to 190	150	870
191 to 225	150	1,305
226 to 255	150	1,850
Over 255	150	2,175

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 5 years.

Alternative fuelled vehicles, including hybrids, bioethanol and liquid petroleum gas, pay £140 per annum

Tax year 2021 to 2022

CO_2 emissions (g/km)	Standard rate	First Year Rate
0	0	0
1 to 50	155	10
51 to 75	155	25
76 to 90	155	115
91 to 100	155	140
101 to 110	155	160
111 to 130	155	180
131 to 150	155	220
151 to 170	155	555
171 to 190	155	895
191 to 225	155	1,345
226 to 255	155	1,910
Over 255	155	2,245

Cars with a list price of over £40,000 when new pay an additional rate of £335 per year on top of the standard rate, for 5 years.

Alternative fuelled vehicles, including hybrids, bioethanol and liquid petroleum gas, pay £145per annum.

Vehicle Excise Duty bands and rates for cars registered on or after 1 March 2001

This includes cars emitting over 225g/km registered before 23 March 2006.

Tax year 2020 to 2021

Vehicle Excise Duty band	CO_2 emissions (g/km)	Standard rate
A	Up to 100	0

Vehicle Excise Duty band	CO_2 emissions (g/km)	Standard rate
B	101 to 110	20
C	111 to 120	30
D	121 to 130	125
E	131 to 140	150
F	141 to 150	165
G	151 to 165	205
H	166 to 175	240
I	176 to 185	265
J	186 to 200	305
K	201 to 225	330
L	226 to 255	565
M	Over 255	580

Tax year 2021 to 2022

Vehicle Excise Duty band	CO_2 emissions (g/km)	Standard rate
A	Up to 100	0
B	101 to 110	20
C	111 to 120	30
D	121 to 130	130
E	131 to 140	155
F	141 to 150	170
G	151 to 165	210
H	166 to 175	250
I	176 to 185	275
J	186 to 200	315
K	201 to 225	340
L	226 to 255	585
M	Over 255	600

VED bands and rates for cars and vans registered before 1 March 2001

Engine size	Tax year 2020 to 2021	Tax year 2021 to 2022
1549cc and below	165	170
Above 1549cc	270	280

VED bands and rates for vans registered on or after 1 March 2001

Vehicle registration date	Tax year 2020 to 2021	Tax year 2021 to 2022
Early Euro 4 and Euro 5 compliant vans	140	140
All other vans	265	275

VED bands and rates for motorcycles

Engine size	Tax year 2020 to 2021	Tax year 2021 to 2022
Not over 150cc	20	21
151cc and 400cc	44	45
401cc to 600c	67	69
Over 600cc	93	96

VED bands and rates for motor tricycles

Engine size	Tax year 2020 to 2021	Tax year 2021 to 2022
Not over 150cc	20	21
All other tricycles	93	96

VED bands and rates for trade licences

Vehicle type	Tax year 2020 to 2021	Tax year 2021 to 2022
Available for all vehicles	165	170
Available only for bicycles and tricycles (weighing no more than 450kg without a sidecar)	93	96

VED and levy bands and rates for articulated vehicles and rigid vehicles without trailers

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**	£76.50	£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**	£94.50	£56 .70	£126	£75.60

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
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	£345.60	£768	£460.80
E2	£1,185	£650.10	£1,377	£765.30	£609	£304.50					

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
F	£1,419	£782.40	£1,662	£928.20	£690	£345	F	£729	£437.40	£972	£583.20
G	£1,750	£965	£2,050	£1,145	£850	£425	G	£900	£540	£1,200	£720

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

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

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
	D(T)	4,001-12,000kg	30,000kg	D(T)1	£365	£182.50	£405	£243	£540	£324
		Over 12,000kg	38,000kg	D(T)4	£430	£215				
			40,000kg	D(T)5	£444	£222				
Three	B(T)	4,001-12,000kg	33,000kg	B(T)1	£230	£115	£121.50	£72.90	£162	£97.20
		Over 12,000kg	38,000kg	B(T)3	£295	£147.50				
			40,000kg	B(T)5	£392	£196				
			44,000kg	B(T)3	£295	£147.50				
	C(T)	4,001-12,000kg	35,000kg	C(T)1	£305	£152.50	£279	£167.40	£372	£223.20
		Over 12,000kg	38,000kg	C(T)2	£370	£185				
			40,000kg	C(T)3	£392	£196				
			44,000kg	C(T)2	£370	£185				
	D(T)	4,001-10,000kg	33,000kg	D(T)1	£365	£182.50	£405	£243	£540	£324
			36,000kg	D(T)3	£401	£200.50				
		10,001-12,000kg	38,000kg	D(T)1	£365	£182.50				
		Over 12,000kg	44,000kg	D(T)4	£430	£215				
Four	B(T)	4,001-12,000kg	35,000kg	B(T)1	£230	£115	£121.50	£72.90	£162	£97.20

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
		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				

Rigid goods vehicles

The band and rate payable can be calculated by using the following look-up tables.

In the table, the letter indicates the Vehicle Excise Duty 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 Vehicle Excise Duty 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 road friendly suspension.

Rigid goods vehicle without trailer

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

Rigid vehicles with trailer

Revenue weight of vehicle (not trailer) over	Revenue weight of vehicle (not trailer) not over	2-axled rigid	3-axled rigid	4-axled rigid
11999 kg	15000 kg	B(T)	B(T)	B(T)
15000 kg	21000 kg	D(T)	B(T)	B(T)
21000 kg	23000 kg	E(T)	C(T)	B(T)
23000 kg	25000 kg	E(T)	D(T)	C(T)
25000 kg	27000 kg	E(T)	D(T)	D(T)
27000 kg	44000 kg	E(T)	E(T)	E(T)

Articulated vehicles

Articulated vehicles, tractive unit with 3 or more axles

Revenue weight of vehicle over	Revenue weight of vehicle not over	One or more semi-trailer axles	2 or more semi- trailer axles	3 or more semi-trailer axles
3,500 kg	11,999 kg	A0	A0	A0
11,999 kg	25,000 kg	A1	A1	A1
25,000 kg	26,000 kg	A3	A1	A1
26,000 kg	28,000 kg	A4	A1	A1
28,000 kg	29,000 kg	C1	A1	A1
29,000 kg	31,000 kg	C3	A1	A1
31,000 kg	33,000 kg	E1	C1	A1
33,000 kg	34,000 kg	E2	D1	A1
34,000 kg	36,000 kg	E2	D1	C1
36,000 kg	38,000 kg	F	E1	D1
38,000 kg	44,000 kg	G	G	E1

Articulated vehicles, tractive unit with 2 axles

Revenue weight of vehicle over	Revenue weight of vehicle not over	One or more semi-trailer axles	2 or more semi- trailer axles	3 or more semi-trailer axles
3,500 kg	11,999 kg	A0	A0	A0
11,999 kg	22,000 kg	A1	A1	A1
22,000 kg	23,000 kg	A2	A1	A1
23,000 kg	25,000 kg	A5	A1	A1
25,000 kg	26,000 kg	C2	A3	A1
26,000 kg	28,000 kg	C2	A4	A1
28,000 kg	31,000 kg	D1	D1	A1
31,000 kg	33,000 kg	E1	E1	C1
33,000 kg	34,000 kg	E1	E2	C1
34,000 kg	38,000 kg	F	F	E1
38,000 kg	44,000 kg	G	G	G

VAT

-	April 2020 to 2021	April 2021 to 2022
Standard rate	20%	20%
Reduced rate	5%	5%
Zero rate	0%	0%
Exempt	N/A	N/A
Temporary reduced rate for hospitality and tourism sector	5% (with effect from 15 July 2020)	5%/12.5%

The 5% rate applies to the 30 September 2021 and the 12.5% rate applies from 1 October 2021 to 31 March 2022.

VAT registration and deregistration thresholds

-	From April 2020	From April 2021
VAT registration thresholds	£85,000	£85,000
VAT deregistration threshold	£83,000	£83,000

Annex B: Consultations

This table lists the tax consultations, calls for evidence and other consultative documents announced at Budget.

You can also check the status of tax policy consultations for an update on previously announced consultations.

Title	Paragraph number
R&D Tax Credits: Review	2.18
Consultation: Reporting Rules for Digital Platforms	1.64
Consultation: Banking companies: powers to amend key definitions	1.66
Consultation: Mandatory Disclosure Rules	2.14
Enterprise Management Incentives Call for Evidence	2.17

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

Impact assessments in tax information and impact notes

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

Exchequer impact

This section shows the impact of the measure on the forecast tax yield. Where the number is positive, it indicates that the measure is expected to increase overall tax yields by that amount in line with the forecast. Where the number is negative, it indicates the measure is expected to decrease overall tax yields.

Exchequer impact is shown in millions of pounds and, as most measure have a continuing impact, the table will always show the impacts for five future tax years.

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

Economic impact

If the economic impact shown is a significant macroeconomic impact it is certified by the OBR. This will apply where, for example, a measure affects inflation or growth. This section also shows the behavioural effects from the measure, as set out in the costings note published on Budget day.

Individuals and households impact

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

A quantitative impact will be shown where each individual's:

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

Equalities impact

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

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

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

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

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

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

Business and civil society organisations

This section shows the impact on business and civil society organisations. If not otherwise set out in the tax information and impact note, this section will show the overall positive or negative impact on these organisations.

It will also show the additional costs to businesses of implementing the measure, including familiarisation costs (for example, reading related legislation or learning about new procedures and processes).

For tax measures, costs are calculated using the "Standard Cost Model". Where the costs are significant a compliance cost table is shown setting out the costs. Most measures do not have a significant cost.

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

- the number of affected businesses

- sectoral and particular market impacts
- annual and one-off compliance costs, where there is a compliance cost or saving greater than £100,000 annual or £5 million one off

Three different levels will be shown:

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

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

Operational impact

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

Other impacts

This section deals with the other impacts which apply across the measure. Impacts are shown where relevant to a tax measure.

Impacts which are sometimes shown in this box for tax measures include:

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

Ministerial sign off for tax impact and information notes

I can confirm that Treasury Ministers have read the tax impact and information notes published on 3 March 2021 and are satisfied that, given the available evidence, each represents a reasonable view of the likely costs, benefits and impacts of the measures.

Jesse Norman

Financial Secretary to the Treasury

List of Tax Information and Impact Notes

TIIN title	Pages
Administrative amendment to Vehicle Excise Duty expensive car supplement	94-96
Air Passenger Duty rates from 1 April 2022 to 31 March 2023	97-99
Amending HMRC's Civil Information Powers	100-103
Amendment to Customs and Excise review and appeals legislation	104-106
Capital Gains Tax relief for gifts of business assets	107-108
Change to the Diverted Profits Tax rate from 1 April 2023	109-111
Changes to Landfill Tax rates from 1 April 2021	112-114
Changes to rates for the Climate Change Levy for 2022 to 2023 and 2023 to 2024	115-118
Changes to Schedule 3 of Customs and Excise Management Act (CEMA) 1979 for seizure in situ	119-121
Changes to Statutory Parental Bereavement Pay and Optional Remuneration Arrangements for Income Tax and National Insurance contributions	122-125
Changes to the hybrid and other mismatches regime for Corporation Tax	126-130
Changes to the reform of loss relief rules for Corporation Tax	131-134
Consolidation of rates into Finance Bill 2021 for Tobacco Duty	135-137
Corporation Tax Charge and rates from 1 April 2022 and Small Profits Rate and Marginal Relief from 1 April 2023	138-141
Designation of Freeport tax sites	142-144

TIIN title	Pages
Easement for employer provided cycles exemption	145-148
Enhanced capital allowance for plant and machinery in Freeports	149-151
Enhanced Structures and Building allowances in Freeports	152-154
Enterprise Management Incentives extension of time-limited exception to working time requirements	155-157
Exemption for Corporation Tax for Northern Ireland Housing Executive	158-160
Extension of Making Tax Digital for VAT	161-169
Extension of the Social Investment Tax Relief for Venture Capital Schemes	170-171
Extension of the temporary increase to the Stamp Duty Land Tax nil rate band for residential properties	172-176
Extension to the Income Tax and National Insurance contributions exemption for employer provided and employer-reimbursed coronavirus antigen tests	177-181
Extension to the temporary Income Tax and National Insurance contribution exemption for home-office expenses	182-185
Gross gaming yield increase for Gaming Duty	186-187
Heavy goods vehicle levy suspension	188-189
Inheritance Tax nil rate band and residence nil rate band thresholds from 6 April 2021	190-193
Income Tax and coronavirus (COVID-19) support scheme: working households receiving tax credits	194-195

TIIN title	Pages
Income Tax changes to benefit charges for vans and the fuel benefit charge for cars and vans	196-199
Income Tax exemption for financial support payments made to potential victims of modern slavery and human trafficking	200-202
Income Tax exemption for employer-reimbursed coronavirus antigen tests	203-206
Income Tax Personal Allowance and the basic rate limit from 6 April 2022 to 5 April 2026	207-212
Interest harmonisation and penalties for late submission and late payment of tax	213-221
Introduction of a new reduced rate of VAT for hospitality, holiday accommodation and attractions	222-225
Introduction of Plastic Packaging Tax from April 2022	226-230
Legislating for the VAT deferral new payment scheme and deterrent	231-234
Maintain VAT thresholds for 2 years from 1 April 2022	235-238
Maintaining the annual exempt amount for Capital Gains Tax	239-241
New tax checks on licence renewal applications in England and Wales	242-248
Northern Ireland Steel Import Duty	249-252
Off-payroll working rules from April 2021	253-258
Oil and Gas Taxation qualifying decommissioning expenditure	259-261
Powers to amend interpretation and other provisions relating to banks	262-264
Reform of red diesel entitlements	265-274
Repeal of provisions relating to the Interest and Royalties Directive	275-277
Reporting rules for digital platforms	278-281

TIIN title	Pages
Restoring plant and machinery leases to pre COVID-19 treatment	282-285
Settling the standard Lifetime Allowance from 2021 to 2022 to 2025 to 2026	286-288
Stamp Duty Land Tax relief for Freeports	289-291
Tax deductibility of business rates repayment	292-294
Technical changes to make sure off-payroll working legislation operates as intended	295-299
Temporary extension to carry back of trading losses for Corporation Tax and Income Tax	300-303
Temporary increase in annual investment allowance for plant and machinery	304-307
Updates to tax charges when a person is no longer eligible to Self-Employment income Support Scheme payments	308-310
Updates to taxation of the Self-Employment Income Support Scheme grants for Income Tax	311-313
Vehicle Excise Duty rates for cars, vans, motorcycles and trade licences from April 2021	314-316

Administrative amendment to Vehicle Excise Duty expensive car supplement

Who is likely to be affected

Registered keepers of cars paying the Vehicle Excise Duty supplement for cars with a list price of over £40,000.

General description of the measure

Since April 2017, cars with a list price exceeding £40,000 pay an additional supplement as well as paying the standard rate, which means those who can afford the most expensive cars pay more than the standard rate imposed on other drivers.

The expensive car supplement is paid in addition to the standard rate for a period of five years from the start of the second vehicle licence but for a period of no longer that six years from when the vehicle was first registered.

As a vehicle can change hands or be declared off-road through a Statutory Off-Road Notification (SORN), the vehicle licence end date and the expensive car supplement end date will not always align.

This measure will make an administrative amendment to Vehicle Excise Duty legislation to ensure that where the vehicle licence end date and the expensive car supplement end date do not align, registered keepers of cars in their last year of paying the expensive car supplement are issued correct Vehicle Excise Duty refunds when required.

Policy objective

This measure ensures that registered keepers of cars with a list price of over £40,000 are issued with the correct annual Vehicle Excise Duty refund if they sell their vehicle or make a SORN in the last year of the vehicle being liable to pay the expensive car supplement.

Background to the measure

The administrative amendment to Vehicle Excise Duty legislation to ensure correct refunds are issued was announced at Budget 2021 and will be legislated for in Finance Bill 2021.

Detailed proposal

Operative date

The change in the law will apply from 1 April 2021.

Current law

Part I, Section 19 (3A) of the Vehicle Excise and Registration Act 1994 (VERA) provides for a rebate of Vehicle Excise Duty. The relevant amount is equal to one-

twelfth of the annual rate of duty chargeable on the licence (at the time when it was taken out) in respect of each complete month remaining on the licence.

Proposed revisions

Where a vehicle is subject to Schedule 1, Part 1AA, Paragraph 1GE (Higher rates of duty: vehicles with a price exceeding £40,000), legislation will be introduced in Finance Bill 2021 to amend Part I, Section 19 (3A) of VERA, so that the rebate amount is equal to the amount of months remaining at the higher rate of duty and the amount of months remaining at the standard rate.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	Nil	Nil	Nil	Nil	Nil

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

Economic impact

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

Impact on individuals, households and families

Individuals will not need to do anything differently compared to what they do now.

This measure 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 groups sharing protected characteristics.

Impact on business including civil society organisations

Businesses or civil society organisations will not need to do anything differently compared to what they do now.

Operational impact (£m) (HMRC or other)

This measure is expected to have a negligible operational impact.

Other impacts

This measure is designed to ensure correct Vehicle Excise Duty refunds are issued and so will not influence vehicle purchasing decisions. It is therefore not expected to have any environmental impacts.

Other Impacts have been considered and none has been identified.

Monitoring and evaluation

This measure will be evaluated and monitored by the Driver and Vehicle Licensing Agency (DVLA) and HMT.

Further advice

If you have any questions about this change, contact the Energy and Transport Taxes Team at the following email address: ETTAnswers@HMTreasury.gov.uk.

Air Passenger Duty rates from 1 April 2022 to 31 March 2023

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 2022 to 2023 will increase in line with the retail price index (RPI) as forecast at Budget 2021. Short haul rates will not rise.

Policy objective

This measure increases APD rates in line with RPI, constituting a real terms freeze. This ensures that APD receipts are maintained in real terms and that airlines make a fair contribution to the public finances.

The two distance band structure ensures that flights that travel further are subject to a higher tax rate.

Background to the measure

This measure was announced at Budget 2021.

The rates for the tax year 2022 to 2023 are being announced at Budget 2021 to give industry sufficient advance notice of changes in APD rates.

Detailed proposal

Operative date

The rates for the tax year 2022 to 2023 will have effect in relation to the carriage of chargeable passengers on or after 1 April 2022.

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 2021 to amend section 30 of FA 1994. The rates will be as follows:

From 1 April 2022

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)	£84	£185	£554

(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)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	-	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 who travel by air. There is expected to be no impact on the majority of passengers who travel to short haul destinations. Those individuals 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

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

Impact on business including civil society organisations

This measure 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 continuing costs.

There is expected to be 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

We expect the measure to have a negligible impact on the environment. Other impacts have been considered and none has 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.

Amending HMRC's Civil Information Powers

Who is likely to be affected

This measure will mainly affect financial institutions, such as banks and building societies, who might be asked for information for the purposes of checking the tax position of a taxpayer.

General description of the measure

Following a consultation in 2018, this measure introduces a new Financial Institution Notice (FIN) that will be used to require financial institutions to provide information to HMRC when requested about a specific taxpayer, without the need for approval from the independent tribunal that considers tax matters.

Information received in response to a FIN will be used for the purpose of checking the tax position of a taxpayer and used for debt collection purposes. The FIN will be balanced by a number of taxpayer safeguards, including:

- the information sought will have to be reasonably required for the purpose of checking a known taxpayer's tax position - for international requests the information in the FIN will need to be relevant to the administration or collection of tax and the jurisdiction requesting the information would need to have exhausted all reasonable domestic ways to get the information
- documents subject to legal professional privilege cannot be requested
- HMRC will be required to tell the taxpayer why the information is needed, unless a tax tribunal rules this condition should not apply
- an authorised officer of HMRC (someone with the relevant experience and training) will need to approve the decision to issue a FIN
- if a Financial Institution does not comply with a FIN and as a result HMRC charges penalties, the Financial Institution will be able to appeal against the penalties

In addition, HMRC will report to Parliament annually on the use of the FIN.

Policy objective

As the UK is the biggest exporter of financial services in the world, HMRC receives a relatively large number of requests for third party financial information from other tax authorities. It currently takes the UK 12 months on average to obtain this information when an information notice is needed, whereas the target under international standards is 6 months.

The introduction of a new FIN will remove the current need for HMRC to obtain approval from the tax tribunal before obtaining information from financial institutions. The new process will speed up the time HMRC takes to deal with international exchange of information requests and bring the UK into line with international

standards on tax transparency and on the quality and speed of exchange of tax information.

It will also support HMRC's domestic compliance activity by helping to establish an individual's tax position, including any tax debt.

These changes will bring the UK into line with other G20 countries and speed up the time taken to obtain information from financial institutions. The UK is the only G20 jurisdiction that requires the approval of a Tribunal, or the consent of the taxpayer, before a notice requiring information from a third party can be used. This measure will make HMRC's processes more efficient.

This measure will also correct a drafting error in the Schedule 36 Finance Act 2008 legislation that governs increased daily penalties for failure to comply with an information notice.

Background to the measure

Schedule 36 Finance Act 2008 (Schedule 36) allows HMRC to access information and documents in order to check that the right amount of tax is paid by a taxpayer. Sometimes the information is held by a third party rather than the taxpayer (for example, the taxpayer's bank or building society).

Obtaining approval from the tribunal to access information held by third parties can add a great deal of time to the information gathering process, and ultimately prolongs the course of a domestic enquiry or the time taken to exchange information internationally.

In recent years, the global community has agreed that a vital way to tackle cross border tax evasion and avoidance is to exchange information between tax authorities speedily.

This measure has been developed since 2018 through a consultation document, Amending HMRC's Civil Information Powers'. The consultation, published on 10 July 2018, reviewed a number of changes to HMRC's civil information powers to ensure they remain effective and to ensure the corresponding safeguards remain proportionate and appropriate.

The government consulted on options to speed up the process whereby HMRC is able to require taxpayer information from third parties, in order to respond to non-compliance (those taxpayers who fail to meet their tax obligations) and requests for tax information from other jurisdictions.

A response document was published alongside a Tax information and Impact Note on 21 July 2020.

Detailed proposal

Operative date

The measure will have effect on and after the date of Royal Assent to Finance Bill 2021.

Current law

Current law is contained in Schedule 36 Finance Act 2008.

Proposed revisions

Finance Bill 2021 will introduce legislation to bring in a new FIN, allowing HMRC to obtain information and documents from financial institutions for the purposes of checking the tax position of a taxpayer. It will also allow information to be obtained for the purpose of collecting a tax debt.

In addition, it will correct a drafting error in the Schedule 36 legislation that governs the issuing of increased daily penalties for failure to comply with an information notice. It also introduces a rule to prevent a third party telling the taxpayer about a third party information notice, where the tribunal has decided that is appropriate.

In order to meet the UK's obligations under the Withdrawal Agreement and Northern Ireland Protocol, a consequential amendment is included to deal with exchange of information requests made in accordance with the EU Mutual Assistance Recovery Directive (MARD).

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Nil	Nil	Nil	Nil	Nil	Nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

This measure is not expected to have a direct impact on individuals as it affects financial institutions, such as banks and building societies. 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 about 20 financial institutions, such as banks and building societies, who might be asked for information for the purposes of checking the tax position of a taxpayer.

One-off costs will include familiarisation with the change by a member of staff at each institution. There are not expected to be any continuing costs.

A continuing negligible saving could include financial institutions no longer making representations following requests. This could make their processes slightly less onerous.

Customer experience is expected to remain broadly the same as this measure does not significantly change how financial institutions interact with HMRC.

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

Operational impact (£m) (HMRC or other)

There are no financial consequences for HMRC.

Other impacts

Removing the tribunal step from the process will reduce the impact on the Ministry of Justice. While there may be rights of appeal in some circumstances which result in some tribunal cases, these will be outweighed by the removal of the requirement for HMRC to approach the tribunal in all cases.

Other impacts have been considered and none has been identified.

Monitoring and evaluation

The measure will be kept under review through communication with affected taxpayer groups and an annual report will be issued.

Further advice

If you have any questions about this change, please contact: eoi.policy@hmrc.gov.uk.

Amendment to Customs and Excise review and appeals legislation

Who is likely to be affected

Businesses approved by HMRC to carry out an activity under any of the due diligence schemes listed below.

Specifically, this measure will affect those businesses that wish to appeal against a decision by HMRC to revoke their approval:

- Alcohol Wholesaler Registration Scheme
- Warehousekeepers and Owners of Warehoused Goods
- Registered Dealers in Controlled Oil
- Tobacco Products Machinery Licensing
- Raw Tobacco Approval Scheme
- Fulfilment Houses

General description of the measure

There is currently no mechanism to allow suspensive relief to a business that has been issued with a revocation of its approval to trade in a certain area. Removing that ability to trade could cause the business to fail before their appeal can be heard, leaving its appeal right effectively removed.

This measure will amend legislation to enable HMRC to temporarily approve a business in certain circumstances. Granting temporary approval in these circumstances will protect the right of appeal and ensure businesses remain viable during the appeal process.

In order to be successful in an application for temporary approval, a business will need to provide evidence to support its application. Any temporary approval granted would be subject to case specific monitoring conditions.

Policy objective

The objective of this measure is to protect a business' appeal rights and ensure that existing powers are applied fairly.

Background to the measure

This measure has not had previous announcement or consultation, as implementation of an effective solution at the earliest opportunity is beneficial.

Detailed proposal

Operative date

The measure will have effect on and after the date of Royal Assent to Finance Bill 2021 and will come into force on a future day as determined by regulations made under this legislation.

Current law

Current appeals law is contained within Chapter 2 of Finance Act 1994 (particularly section 16). Current relevant approval law is contained within the following:

- Sections 92 and 100G of the Customs and Excise Management Act 1979
- Section 88C of the Alcoholic Liquor Duties Act 1979
- Section 8L of the Tobacco Products Duty Act 1979
- Section 49 of Finance (No.2) Act 2017
- The Tobacco Products Manufacturing Machinery (Licensing Scheme) Regulations 2018

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to amend Chapter 2 of Finance Act 1994, giving HMRC a power to temporarily approve businesses whose previous approval to trade has been removed, and following the lodging of an appeal against revocation by the affected business.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Nil	Nil	Nil	Nil	Nil	Nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on approximately 50 businesses a year. Any revoked business in the excise regimes identified will have a new opportunity to apply for temporary approval in the event that they face revocation action.

Providing this option is a way of safeguarding the right to appeal of such a business, who may go out of business waiting for the appeal to be heard. Pursual of this application is optional for business. In relevant cases, one-off costs would include familiarisation with the changes and could also include preparing evidence to support the application. There is expected to be no continuing costs.

Customer experience could see an improvement as there is currently no opportunity available to apply for the temporary approval in relevant circumstances, meaning that a business could fail awaiting appeal without the ability to seek suspensive relief. This measure can safeguard appropriate businesses to the point of their substantive appeal hearing.

This measure is not expected to impact civil society organisations.

Operational impact (£m) (HMRC or other)

The additional costs for HMRC in implementing this change are anticipated to be negligible.

Other impacts

There may be an impact on HM Courts and Tribunals Service. A Justice Impact Test will be completed with Ministry of Justice to quantify any such impacts.

Other impacts have been considered and none has been identified.

Monitoring and evaluation

The measure will be monitored through information collected from applications received and the number of appeals to the decision in those cases.

Further advice

If you have any questions about this change, please email Excise Alcohol Policy at holding.movement@hmrc.gov.uk.

Capital Gains Tax relief for gifts of business assets

Who is likely to be affected

Non-UK resident individuals claiming relief for gift of business assets (more commonly known as Gift Hold-Over Relief).

General description of the measure

Gift Hold-Over Relief operates by deferring the chargeable gain on the disposal when a person gives away business assets or sells them for less than they are worth to help the buyer.

The gain then comes into charge when the recipient disposes of the gifted asset. The recipient is treated as though they acquired the asset for the same cost as the person who gave them the asset.

An anti-avoidance rule at section 167(2) Taxation of Chargeable Gains Act 1992 disapplies the entitlement to relief where a transferee company is controlled by a person who is not resident in the UK and is connected with the person making the disposal.

This measure clarifies that rule by ensuring that it applies when the non-UK resident person gifting the asset also controls the recipient company.

Policy objective

This measure improves fairness for those that can claim Gift Hold-Over Relief to ensure these rules work effectively.

Background to the measure

This measure was announced at Budget 2021.

Detailed proposal

Operative date

This measure will affect disposals made on or after 6 April 2021.

Current law

Current law relating to gifts of business assets is contained within sections 165 – 169G of the Taxation of Chargeable Gains Act 1992. Section 167 provides the law for gifts to foreign-controlled companies.

Proposed revisions

Legislation has been introduced in Finance Bill 2021 to amend section 167 of the Taxation of Chargeable Gains Act 1992.

This ensures Gift Hold-Over Relief is not available where a non-UK resident person disposes of an asset to a foreign-controlled company controlled either by themselves or another non-UK resident with whom they are connected.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Nil	Nil	Nil	Nil	Nil	Nil

This measure supports the Exchequer in its commitment to protect revenue.

Economic impact

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

Impact on individuals, households and families

This measure will affect only a limited number of individuals who are non-UK resident that make a gift of business assets to a foreign-controlled company.

This measure clarifies that these rules apply when the non-UK resident person gifting the asset also controls the recipient company.

Customer experience is expected to remain broadly the same as this measure does not alter how individuals interact with HMRC. There is not expected to be any 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 no impact on businesses or civil society organisations as it only affects the potential eligibility for non-UK resident individuals claiming Gift Hold-Over Relief when making a gift to a foreign-controlled company.

Operational impact (£m) (HMRC or other)

There are no operational impacts for HMRC in implementing this measure.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the Capital Gains Tax policy team on Telephone: 03000 510915 or email: cgtbudget@hmrc.gov.uk.

Change to the Diverted Profits Tax rate from 1 April 2023

Who is likely to be affected

Large multinational enterprises with business activities in the UK who enter into contrived arrangements to divert profits from the UK by either avoiding a UK taxable presence or by other arrangements, or both, between connected entities designed to divert profits from the UK.

General description of the measure

This measure will increase the rate of Diverted Profits Tax from the current rate of 25% to 31% from 1 April 2023, in order to maintain the current differential between the Diverted Profits Tax rate and the Corporation Tax rate.

The rate of Diverted Profits Tax charged on diverted profits which are ring-fence profits or notional ring-fence profits remains unchanged at 55%. The rate of Diverted Profits Tax charged on taxable diverted profits which would have been subject to the bank surcharge remains unchanged at 33%.

Policy objective

This rate change will support the main policy objective of Diverted Profits Tax to discourage use of contrived arrangements that result in the erosion of the UK tax base.

Background to the measure

This measure was announced at Budget 2021 forming part of an overall package with the changes to the Corporation Tax rate and other ancillary changes. With the main rate of Corporation Tax set at 25% for Financial Year beginning 1 April 2023, it is necessary to increase the rate of Diverted Profits Tax in order to maintain the current differential and discourage the diversion of profits from the UK.

Detailed proposal

Operative date

This measure will have effect in respect of profits arising on or after 1 April 2023.

Current law

Companies engaging in the diversion of profits from the UK which meet the conditions for the Diverted Profits Tax to apply are subject to the legislation at:

- Part 3 Finance Act 2015
- Schedule 6 Finance Act 2019
- Proposed revisions

Legislation will be introduced in Finance Bill 2021 to amend the Diverted Profits Tax legislation to increase the rate to 31% along with apportionment provisions for accounting periods straddling the commencement date.

Summary of impacts

Exchequer impact (£million)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
–	–	–	negligible	negligible	negligible

This measure is expected to have a negligible impact on the Exchequer but has an important role in protecting the UK's corporation tax base.

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 large multinational businesses. There is no expected to impact of family formation, stability or breakdown.

Equalities impacts

This measure will only impact large multinational enterprises, and therefore 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 impact the limited number businesses that meet the conditions for Diverted Profits Tax to apply. This measure will increase the rate of Diverted Profits Tax from the current rate of 25% to 31% in order to maintain the current differential between the Diverted Profits Tax rate and the Corporation Tax rate. One-off costs will include familiarisation with this change. There are not expected to be any continuing costs. Customer experience is expected to remain broadly the same as this measure does not alter how businesses interact with HMRC. There is expected to be no impact on civil society organisations.

Operational impact

There are no operational costs associated with the delivery of this policy.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

HMRC already has extensive procedures in place for the monitoring and evaluation of compliance yield, including specific publications in relation to Diverted Profits Tax. It is anticipated that this measure can be monitored and evaluated as part of this pre-existing process.

Further advice

If you have any questions about this change, send an email to: divertedprofits.mailbox@hmrc.gov.uk.

Changes to Landfill Tax rates from 1 April 2021

Who is likely to be affected

Operators of landfill sites in England and Northern Ireland. Businesses registered with HMRC for Landfill Tax.

General description of the measure

As announced at Budget 2020 both the standard and lower rates of Landfill Tax will increase in 2021 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. 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 Landfill Tax can continue to help the government meet its environmental objectives.

Background to the measure

This measure was announced at Budget 2020.

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 to the Scottish Parliament and Welsh Parliament/ Senedd Cymru 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 2021. 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 2021 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 2020	Rates from 1 April 2021
Standard rated	£94.15 per tonne	£96.70 per tonne
Lower rated	£3.00 per tonne	£3.10 per tonne

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	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 continuing 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 operational costs implementing this change.

Other impacts

Uprating Landfill Tax by RPI maintains the incentive to minimise the amount of material produced and the use of non-landfill waste management options, which may include recycling, composting and recovery.

Other impacts, including carbon impacts, have been considered and no significant impacts have been identified.

Monitoring and evaluation

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

We will continue to work with Defra and the Environment Agency on monitoring and evaluation, given their roles and responsibilities in relation to waste policy and regulation.

Further advice

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

Changes to rates for the Climate Change Levy for 2022 to 2023 and 2023 to 2024

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 2022 to 2023 and 2023 to 2024, implementing the rates announced at Budget 2020. Early announcement was made to give those affected as much time as possible to prepare.

This measure also amends, for 2022 to 2023 and 2023 to 2024, 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 2020.

Policy objective

This measure will legislate for the main and reduced rates of CCL for 2022 to 2023 and 2023 to 2024, which were announced at March Budget 2020.

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.

In terms of impact on business costs, the rates on electricity are frozen while those for gas are increased but CCL makes up a relatively small proportion of energy bills.

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 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. Moving to a ratio of 2.5:1 (electricity: gas) from April 2019. The announced rates for 2022 to 2023 and 2023 to 2024 for which we now wish to legislate follow a trajectory towards the government's objective of reaching a ratio of 1:1 by April 2025.

Budget 2016 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 2020 announced amended reduced rates for 2022 to 2023 and 2023 to 2024

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 2022 (2022 to 2023) and 1 April 2023 (2023 to 2024).

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 8% of the main rate is payable where a supply is a reduced-rated supply. For supplies of other taxable commodities, 19% 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 2021 to amend the CCL main rates and the reduced rates in paragraph 42 of Schedule 6 to FA 2000.

The main and reduced rates for 2021 to 2022 and the rates for 2022 to 2023 and 2023 to 2024 announced at the March Budget 2020 are as follows:

Taxable commodity	Rate from 1 April 2021	Rate from 1 April 2022	Rate from 1 April 2023
Electricity (£ per kilowatt hour (KWh))	0.00775	0.00775	0.00775
Natural gas (£ per KWh)	0.00465	0.00568	0.00672
LPG (£ per kilogram (kg))	0.02175	0.02175	0.02175
Any other taxable commodity (£ per kg)	0.03640	0.04449	0.05258

Taxable commodity	Rate from 1 April 2021	Rate from 1 April 2022	Rate from 1 April 2023
Electricity	8%	8%	8%
Natural gas	17%	14%	12%
LPG	23%	23%	23%
Any other taxable commodity	17%	14%	12%

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	-	+115	+215	+210	+200

These figures are set out in Table 2.2 of Budget 2021 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 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 continuing 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 has 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 Farah Ullah on 03000 595857 or email farah.ullah@hmrc.gov.uk.

Changes to Schedule 3 of Customs and Excise Management Act (CEMA) 1979 for seizure in situ

Who is likely to be affected

Businesses involved in the importation of goods into the UK who divert them onto the UK market without payment of the correct amount of import duty and import VAT. This measure will only impact non-compliant traders.

General description of the measure

This measure is a legislative amendment to Schedule 3 of the Customs and Excise Management Act (CEMA) 1979 to allow HMRC to levy a civil penalty for goods seized 'in situ' that are removed without prior authorisation.

Goods that have been seized by HMRC are normally kept in Border Force controlled Queen's Warehouses. When goods that have been seized are kept on the trader's premises, the seizure is known as 'in situ'.

Currently, Schedule 3 CEMA 1979 allows for goods to be seized and kept on the trader's premises but does not refer to seizure 'in situ' and therefore if seized goods are removed without prior authorisation, no penalty can be issued. This measure is a legislative amendment to Schedule 3 of CEMA to include a civil penalty for where goods, seized in situ, are removed without authorisation. This will align with existing legislation in Schedule 2A, CEMA, and the current penalty for unauthorised removal of 'detained' goods in situ.

Policy objective

Legislating for a civil penalty will tackle unauthorised removal of goods seized in situ, thereby protecting the import duty and VAT owed on seized goods and ensuring a level playing field for compliant businesses in the UK. This measure seeks to deter the deliberate act to remove goods seized in situ by penalising unauthorised removal and would not impact legitimate traders.

Legislating for a penalty will also support existing schemes to provide assurance against non-compliance such as the Fulfilment House Due Diligence Scheme, and the Soft Drinks Industry Levy, both schemes have forfeiture provisions and will apply to goods in bulk.

Having a penalty for the unauthorised removal of goods enables HMRC and Border Force officers to fulfil regulation requirements where seizure is necessary and assist officers in tackling non-compliance. It will also mitigate the logistics, costs and environmental impact of moving goods seized in bulk.

Background to the measure

Schedule 2A of CEMA 1979 allows for goods to be detained 'in situ', i.e. goods that are detained can remain in the place of first detention such as the trader's premises or a Fulfilment House, rather than being removed to a Queen's Warehouse. Schedule 2A CEMA 1979 also provides for a civil penalty under section 9 of the Finance Act (FA)1994 for the unauthorised removal of detained goods. A penalty

may be issued for the value of the goods, and the duty owed on them (or £250, whichever is greater).

This amendment to Schedule 3 CEMA will mirror the existing penalty for detained goods in Schedule 2A CEMA.

There has not been a prior consultation process for this measure. Consultation was not required as this is a minor amendment, and it will align with the existing penalty regime for detained goods in CEMA 1979.

Detailed proposal

Operative date

The measure will take effect on, or after, the date that Finance Bill 2021 receives Royal Assent.

Current law

The current law is contained in the Customs & Excise Management Act (CEMA) 1979, s139 and Schedule 3 to that Act.

This includes the provisions to allow goods to be seized and detained. It also sets out the circumstances where the power can be exercised by any officer, or others, including police officers and the coastguard.

The provisions to allow a penalty to be effected for contraventions of statutory requirements are set out in section 9 of FA 1994. Section 10 of FA 1994 allows for the Tribunal to take any reasonable excuse into account. This would apply irrespective of whether the goods were in fact liable to forfeiture. The penalty will be 'duty geared' to the equivalent amount of 100% of the duty. The existing appeal process will apply to this penalty as well.

Proposed revisions

The legislation will insert a new paragraph to Schedule 3 of CEMA 1979 titled "Unauthorised removal or disposal of seized goods". This measure will allow the goods to be seized and, with the agreement of a person responsible, remain at the place where it is first seized rather than being removed elsewhere.

The legislation will also introduce statutory safeguards by way of time limits and an appeal mechanism. The proposed safeguards include that owners will have one calendar month in which to contest the seizure before goods are destroyed. At the end of the one calendar month, if there is no appeal, the goods will be deemed as forfeit to the Crown and can be destroyed.

The amendment to Schedule 3 of CEMA 1979 to include a civil penalty under the Finance Act 1994 for where goods, seized in situ, are removed without authorisation will mirror the existing penalty for detained goods in paragraphs 4 and 5 of Schedule 2A to CEMA 1979 for detention.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Nil	Nil	Nil	Nil	Nil	Nil

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

Economic impact

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

Impact on individuals, households and families

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is not expected to impact compliant traders. It will only impact non-compliant businesses. Customer experience for compliant businesses is expected to remain broadly the same as it does not change how they interact with HMRC. There is expected to be no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

HMRC will incur extra staff costs to monitor operation of the new penalty and enforce compliance, at an estimated cost of approximately £470,000 over a 5 year period.

Other impacts

Other impacts have been considered but none has been identified.

Monitoring and evaluation

This measure will be kept under review and monitored through information collected. This will include how many penalties are issued, and the amount of revenue protected.

Further advice

If you have any questions about this change, please contact Giselle Bowen, Excise & Customs Law team on Telephone (03000 593707) or email:

giselle.bowen@hmrc.gov.uk

enquiries.excisecustomslawteam@hmrc.gov.uk

Changes to Statutory Parental Bereavement Pay and Optional Remuneration Arrangements for Income Tax and National Insurance contributions

Who is likely to be affected

Employees who receive Statutory Parental Bereavement Payment (SPBP) from their employer and also receive certain long-term salary sacrifice benefits.

General description of the measure

This measure will ensure that employees who receive certain long-term salary sacrifice benefits do not lose entitlement to a tax advantage if they also begin to receive SPBP.

The relevant long-term benefits include certain employer provided vehicles, employer provided living accommodation and relevant school fees arrangements.

Policy objective

This measure is designed to minimise the financial burdens for employees by ensuring that SPBP is not treated as a variation in contract in relation to relevant long-term salary sacrifice benefit arrangements.

Background to the measure

The Optional Remuneration Arrangement (OpRA) legislation, introduced on 6 April 2017, largely removed the Income Tax and National Insurance contributions advantages for most employment related benefits provided through salary sacrifice schemes.

Transitional rules for relevant long-term benefits (employer provided living accommodation, relevant school fees arrangements and certain employer provided vehicles), allow for the previous benefit valuation rules to continue to apply until 5 April 2021, provided there is no variation in an employee's employment contract.

Statutory payments are normally treated as a variation in contract. However, these were specifically listed and disregarded from the 2017 OpRA legislation.

On 6 April 2020, a new statutory payment, SPBP, was introduced through the Parental Bereavement (Leave and Pay) Act 2018. The SPBP is payable to employed parents or partners of a parent who loses a child (biological, adoptive or born to a surrogate) under the age of 18 or suffers a stillbirth from 24 weeks.

This statutory payment is not listed within the 2017 OpRA legislation as one that can be disregarded for the purposes of making contractual changes as it did not exist at the time.

Therefore, where an employee is in receipt of SPBP and one or more of the relevant long-term benefits through a salary sacrifice arrangement, the variation to their employment conditions within the OpRA legislation meant they would lose their

entitlement to the Income Tax and National Insurance contributions advantages of receiving the benefit in this manner.

This measure therefore includes SPBP as a statutory payment that will be disregarded from the 2017 OpRA legislation.

Detailed proposal

Operative date

This measure will have effect on and after the date of Royal Assent to Finance Bill 2021 and will apply retrospectively to the tax year 2020 to 2021.

HMRC will exercise its collection and management powers and will not collect any Income Tax and National Insurance contributions liabilities prior to the date of Royal Assent.

Current law

Transitional protections for relevant long-term salary sacrifice arrangements entered into on or before 5 April 2017 are set out in Paragraph 62 of Schedule 2 Finance Act 2017.

Sub-paragraph 9 of Paragraph 62 of Schedule 2 sets out variations which are not considered to end the transitional arrangements. These variations include entitlement to statutory sick pay, statutory maternity pay, statutory adoption pay, statutory paternity pay and statutory shared parental pay. This list was complete and exhaustive at the time of drafting but does not include SPBP which was introduced in April 2020.

Non-inclusion of SPBP means that if an employee becomes entitled to receive SPBP, it is considered a variation in the OpRA and the transitional arrangements would no longer apply. The benefit in kind provided through the salary sacrifice arrangement would become chargeable to income tax and National Insurance contributions under the OpRA provisions.

Proposed revisions

To prevent employees from losing the advantage of having their benefits provided through a salary sacrifice arrangement, retrospective Finance Bill legislation will be used to include a disregard for SPBP within the OpRA legislation. Therefore, employees in receipt of one of the long-term benefits and SPBP will be subject to the original OpRA rules, which continue to provide a tax advantage until April 2021.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
negligible	-	-	-	-	-

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

Economic impact

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

Impact on individuals, households and families

The measure is expected to impact a small number of individuals who receive Statutory Parental Bereavement Pay and also receive one of the relevant long-term benefits covered by the transitional provisions. For those who do, they will continue to be eligible to receive the Income Tax and National Insurance contributions advantages of their benefit being provided under a salary sacrifice arrangement.

Customer experience is expected to remain broadly the same as it does not alter how individuals interact with HMRC.

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

Equalities impacts

This measure will affect some employees in receipt of SPBP, and it is likely that a proportion of those will fall into the pregnancy and maternity protected characteristic group. It is not anticipated that there will be impacts for any other groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on employers who provide their employees with one of the transitional benefits. This measure ensures they are able to continue operating the salary sacrifice scheme even where the employee receives Statutory Parental Bereavement Pay. One-off costs will include familiarisation with the change. There are not expected to be any continuing costs.

Customer experience is expected to stay broadly the same as there is no significant change to business processes.

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

Operational impact (£m) (HMRC or other)

There are no operational impact costs of delivering this policy.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the employment income policy team by email: employmentincome.policy@hmrc.gov.uk.

Changes to the hybrid and other mismatches regime for Corporation Tax

Who is likely to be affected

Multinational groups with UK parent or subsidiary companies involved in cross-border or domestic transactions that produce a mismatch in the tax treatment. The mismatch may be within the UK or between the UK and another jurisdiction.

General description of the measure

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

Policy objective

The hybrids legislation has had effect since 1 January 2017. The regime addresses arrangements that give rise to hybrid mismatch outcomes and generate a tax mismatch, and in doing so fully implements the OECD Base Erosion and Profit Shifting (BEPS) Action 2 recommendations. Mismatches can involve either double deductions for the same expense, or deductions for an expense without any corresponding receipt being taxable.

The changes consist of a series of reforms to the legislation to ensure that it operates proportionately and as intended. These reforms are informed both by HMRC's experience of applying the rules for 4 years, and by the fact that other jurisdictions have implemented equivalent rules since 2017.

Background to the measure

At Spring Budget 2020 the government announced that it would hold a public consultation to examine areas of the legislation that may not operate proportionately or effectively. That consultation was carried out between 19 March and 29 August 2020. A summary of responses to the consultation was published on 12 November 2020 alongside draft legislation which was subject to a further, technical consultation, between 12 November 2020 and 7 January 2021.

This measure introduces a number of technical changes to the hybrid and other mismatches regime, which have been identified following this extensive consultation with stakeholders.

Detailed proposal

All statutory references below are to Taxation (International and Other Provisions) Act 2010 (TIOPA 2010) unless otherwise stated.

Operative date

Current law

The changes will have effect from 1 January 2017 in respect of those amendments relating to the acting together 5% rule, securitisation vehicles, investment trusts,

relevant debt relief provisions, capital attribution tax adjustment (CATA), and the jurisdictional scope of s.259BE.

Changes in respect of investors with less than 10% interests in transparent funds, tax-exempt investors, the computation of overseas mismatches, illegitimate overseas deductions, the definition of foreign tax at s.259B(2), imported mismatches and dual inclusion income, will have effect from Royal Assent of the Finance Bill, though companies will be able to make a claim to apply the changes to dual inclusion income retrospectively.

Proposed revisions

Legislation is being introduced to make the following changes to the hybrid and other mismatches regime:

- amend the definition of dual inclusion income throughout Part 6A TIOPA 2010 to include income that is fully taxed but not subject to any corresponding deduction in any territory which has a tax akin to corporation tax. This treatment will only apply where that outcome would not have arisen but for the hybridity of the UK recipient which gives rise to a counteraction under Part 6A. Section 259ID will be repealed.

- clarify the meaning of dual inclusion income within Chapter 5 Part 6A TIOPA 2010.

- introduce a new chapter to allow for the allocation of dual inclusion income within a group if certain conditions are met.

- amend the definition of acting together at s.259ND(7)(c) to exclude cases where a party has a direct or indirect equity stake in a paying entity no greater than 5%, including votes and economic entitlement.

- introduce new provisions to ensure that hybrids counteractions are disapplied where they arise in respect of participants in transparent funds who hold investments of less than 10% in those funds.

- amend s.259EB and s.259GB to prevent a counteraction where the recipient is a Qualifying Institutional Investor within the substantial shareholding exemption rules (TCGA 1992 sch.7AC, para 30A).

- amend Chapter 11 to introduce a new s.259KE to limit the size of the counteraction in that section proportionately by reference to the imported mismatch payment made, taking account of any transfer pricing adjustment to that payment.

- introduce s.192A to Part 4 TIOPA 2010 to prevent a counteraction under Part 6A being effectively unwound by virtue of a corresponding adjustment in

another group company.

- amend Part 6A to exempt from counteraction payments to and from entities taxed as securitisation vehicles within the Taxation of Securitisation Regulations (as introduced in 2006 by Chapter 4, Part 3 CTA10 and SI 2006/3296).

- amend Part 6A to clarify that payments of deductible dividends as set out within The Investment Trusts (Dividends)(Optional Treatment as Interest Distributions) Regulations 2009 (SI 2009/2034) are not subject to counteraction under Chapter 3.

- amend Chapter 3, to ensure that no counteraction will arise in the circumstances contemplated by the “relevant debt relief provisions” set out in s.259CB(3).

- amend Part 6A to clarify that any relief arising from Capital Attribution Tax Adjustments (CATA) will not be subject to counteraction.

- amend s.259BE(2) and s.259BE(3)(a) and (b) to apply only to territories relevant to the particular structure being considered.

- amend the carry forward treatment of illegitimate overseas deductions in Chapters 9 and 10 in order to allow relief for the deduction when made to the investor or equivalent in chapter 10. This will be done by amending references to the income of any person as to refer only to a person other than the investor or the relevant dual resident or multinational company in the parent jurisdiction.

- amend condition E within Chapter 11, s.259KA(7), so it tests whether an overseas regime seen as a whole is equivalent to Part 6A and prevents any counteraction under Chapter 11 if it is.

- repeal condition F within Chapter 11, s.259KA(8) since it tests for factors already tested by Conditions D and G.

- amend the connection test in Condition G of Chapter 11 so that in the absence of a structured arrangement, a counteraction is not potentially triggered where the parties to an overseas mismatch are connected to each other but not to the underlying UK payer.

- introduce a new section relevant to the definition of foreign tax in s.259B(2) to ensure that income should not be regarded as charged to a foreign tax where that income is deemed to arise to, and be taxed in the hands of, an entity other than that to which it arose.

Summary of impacts

Exchequer impact

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Nil	Nil	Nil	Nil	Nil	Nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

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

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

Customer experience is therefore expected to remain broadly the same, as the measure does not change how businesses or civil society organisations who are undertaking normal commercial transactions interact with HMRC.

Operational impact (£m) (HMRC or other)

There are estimated to be HMRC costs in the region of £1.03m to deliver this change which incorporates changes to IT systems.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the Base Protection Policy Hybrids team. Email: mailboxhybrids@hmrc.gov.uk.

Changes to the reform of loss relief rules for Corporation Tax

Who is likely to be affected

Companies and unincorporated associations that pay Corporation Tax and have carried-forward losses.

General description of the measure

This measure makes amendments to the reform of loss relief rules to ensure the legislation works as intended and to reduce administrative burdens.

Policy objective

Corporation Tax loss reform increased flexibility over the use of tax losses against profits whilst ensuring that businesses pay tax in each accounting period that they make substantial profits.

This measure makes changes to ensure that the legislation works as intended and will protect revenue by giving relief for carried-forward losses only to the extent intended.

Background to the measure

The Corporation Tax loss reform rules were enacted in sections 18 and 19 and Schedule 4 of Finance (No 2) Act 2017 and apply from 1 April 2017 and were further amended by FA 2019. A tax information and impact note was published on 5 December 2016 and gives further information on the background to the rules.

Since 2017, HMRC has evaluated the Corporation Tax loss reform rules and identified a number of areas where changes are desirable.

Some groups may be prevented from accessing an allowance to which they are entitled following an acquisition or demerger. This is an unintended consequence of the legislation and is not in line with the policy objective.

Further improvements have been identified in the following areas:

- transfer of a trade where there has been a change of ownership
- group relief
- loss restriction computation
- the deductions allowance, including the group allocation statement

Detailed proposal

Operative date

The amendment to the nomination procedure and submission of a group allowance statement where a deductions allowance group ceases to exist will apply retrospectively with effect from 1 April 2017.

The following amendments will be treated as having always had effect:

- amounts of in-year reliefs actually claimed to be included in the loss restriction calculation

- capping relevant profits to nil where the allocated deductions allowance exceeds qualifying profits.

The amendments required as a consequence of the introduction of Corporate Capital Loss Restriction (CCLR) to include/refer to capital loss restriction in S296ZF(3) CTA 2010 and s188DD will be treated as having always had effect since the introduction of CCLR on 1 April 2020.

The following amendments will apply for accounting periods beginning on or after 1 April 2021:

- group relief for carried-forward losses

- amendment to correct a group relief circularity issue

- amendment to the time limits and requirement to submit a group allowance allocation statement

- the amendment of the formula for allocation of the deductions allowance

The following amendments will apply with effect from 1 April 2021:

- the extension of the application of "change of ownership" to include Chapter 2E will apply for acquisitions made (on or) after 1 April 2021

Current law

The current law is in Part 5, Part 5A, Part 7ZA (restrictions on certain deductions) and Part 14 (change in company ownership) of Corporation Tax Act 2010 (CTA 2010).

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to ensure groups have access to the deductions allowance to which they are entitled for the period prior to a change in the ultimate parent through acquisition or demerger. Amendments will be made to:

- allow a nomination to be made where there was not a valid nomination at the date the group ceased to exist for the purposes of a deductions allowance group. A nominated company will be able to submit a group allowance allocation statement (GAAS) for periods up to the date the group ceased to exist and thereby have access to a deductions allowance for that period (section 269ZS of CTA 2010)

- transitional provisions will allow an otherwise out of time GAAS to be submitted.

Other amendments will be made to:

- extend the definition of "change of ownership" in section 719(4A) and 721(4) CTA 2010 so that it also applies to Chapter 2E, Part 14 CTA 2010

- group relief for carried-forward losses to allow carried-forward losses to be surrendered where the surrendering company has covered its profits fully (section 188BE of CTA 2010).

- resolve a circularity issue concerning the interaction of group relief (Part 5) and the calculation of qualifying profits (Part 7ZA) and allow the computation to work as intended (section 137(4)(b) of CTA 2010)

- the loss restriction calculation to cap the figure of relevant profits at nil where the allocated deductions allowance exceeds qualifying profits and to ensure only in-year reliefs actually claimed are included in the loss restriction calculation (section 269ZFA (1) of CTA 2010)

- the formula for allocating the group deductions allowance to group companies to allow the nominated company to allocate the deductions allowance as they choose (section 269ZV(5) of CTA 2010)

- extend the time limits for submitting an original group allowance statement to include the enquiry time limits

- remove the requirement for a nominated company to submit a group allowance statement where no group companies have used any carried-forward losses in the period (section 269ZT of CTA 2010)

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Nil	Nil	Nil	Nil	Nil	Nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

This measure has no impact on individuals as it only affects 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 fewer than 100 businesses that pay Corporation Tax and have carried forward losses and are affected by the issues addressed by this measure. This measure makes minor technical amendments. One-off costs will include familiarisation with the changes. There are not expected to be any continuing costs.

Continuing savings could include the amendment to s188BE which will make the group relief legislation easier to apply.

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

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

Operational impact (£m) (HMRC or other)

The additional costs or savings for HMRC in implementing the proposed revisions set out in this measure are anticipated to be negligible.

Guidance will be updated to reflect the changes made.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Katherine Acton (Corporation Tax) on Telephone: 03000 569745 or email: katherine.acton@hmrc.gov.uk or Eva Upali (Corporation Tax) on Telephone: 03000 542 465 or email: eva.upali@hmrc.gov.uk.

Consolidation of Rates into Finance Bill 2021 for Tobacco Duty

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 consolidates the duty rates contained in The Tobacco Products Duty (Alteration of Rates) Order 2020 into Finance Bill 2021.

The Summary of Impacts table contained within this document mirrors that published on 12 November 2020 within the Tax Impact and Information Note which accompanied the Tobacco Products Duty (Alteration of Rates) Order 2020. It has been updated to reflect the estimated Exchequer and Operational Impacts. All other impacts shown reflect the position when the duty rates took effect on 16 November 2020.

Policy objective

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

Background to the measure

On 12 November 2020 the government announced an increase to the excise duty rate on all tobacco products. This increase took effect from 16 November 2020 by virtue of the Tobacco Products Duty (Alteration of Rates) Order 2020.

The Order increased the duty rates on all tobacco products by the tobacco duty escalator of 2% above Retail Price Index (RPI) inflation. In addition, the duty rate for hand-rolling tobacco increased by a further 4%, to 6% above RPI inflation and the Minimum Excise Tax (MET) by an additional 2% to 4% above RPI inflation. Implementing these increases through the Order helped to protect revenues in the absence of an autumn Budget in 2020.

The Tobacco Products Duty Act 1979 limits the lifespan of such an Order to one year and it is necessary to consolidate these rates in legislation through a Finance Bill.

Detailed proposal

Operative date

The consolidation of the tobacco duty rates will take effect when the Finance Bill receives Royal Assent. The Tobacco Products Duty (Alteration of Rates) Order 2020 will be revoked at the same time. There will be no changes to the rates in force.

Current law

The current tobacco duty rates were introduced in The Tobacco Products Duty (Alteration of Rates) Order 2020 in November 2020.

Proposed revisions

The rates of duty previously implemented through the Tobacco Products (Alteration of Rates) Order 2020 will be consolidated into Finance Bill 2021. This consolidation will update the Table in Schedule 1 to the Tobacco Products Duty Act 1979 and revokes the Order.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-5	+5	+5	+5	+5	+5

These figures are set out in Table 1.1 of Spending Review 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Spending Review 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. The costing includes a behavioural effect 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 or switch to reduced risk nicotine delivery systems, 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.

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

Smokers are represented in each of the groups sharing protected characteristics and so the measure is expected to have disproportionate negative impacts for those in all groups depending on tobacco consumption.

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 on to consumers.

There will be a negligible one-off cost to these businesses of familiarisation and amending systems to reflect the new rates. It is not expected there will be any continuing 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)

Changes to HMRC's IT systems have been made as a result of this change at a cost of £1400.

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 has 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.

Corporation Tax Charge and rates from 1 April 2022 and Small Profits Rate and Marginal Relief from 1 April 2023

Who is likely to be affected

Companies and unincorporated associations that pay Corporation Tax.

General description of the measure

The measure sets the charge to Corporation Tax and sets the main rate at 19% for the Financial Year beginning 1 April 2022 and also sets the charge to CT for the Financial Year beginning 1 April 2023.

This measure also announces that from 1 April 2023, the Corporation Tax main rate for non-ring fenced profits will be increased to 25% applying to profits over £250,000. A small profits rate (SPR) will also be introduced for companies with profits of £50,000 or less so that they will continue to pay Corporation Tax at 19%. Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate.

Policy objective

This measure supports the government's objective to raise revenue whilst keeping the UK's rate of Corporation Tax competitive relative to other major comparable economies and excluding the least profitable businesses from a rate increase.

Background to the measure

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would be 19%.

Detailed proposal

Operative date

The Corporation Tax charge and main rate for Financial Year 2022 will have effect from 1 April 2022 to 31 March 2023.

The Corporation Tax charge, main rate and small profits rate for Financial Year 2023 will have effect from 1 April 2023 to 31 March 2024.

Current law

The Corporation Tax charge and main rate for Financial Year 2021 was set by section 6 of Finance Act 2020.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to set the charge to Corporation Tax and set the main rate of Corporation Tax for all non-ring fence profits to 19% for Financial Year 2022 and to set the charge to Corporation Tax and set the main rate at 25% for Financial Year 2023.

Legislation will also introduce a small profits rate and will set this at 19%.

The small profits rate will apply to profits below the lower limit of £50,000 and profits exceeding the upper limit of £250,000 will be charged at the main rate. The thresholds that apply for determining whether a company is chargeable at the small ring fence profits rate at s279E Corporation Tax Act 2010 will be aligned with these limits.

In line with the approach taken with the former rules, the small profits rate will not apply to close investment-holding companies. The definition of a close investment-holding company will follow the definition previously found at section 34 CTA 2010.

Marginal relief provisions will also be introduced so that, where a company's profits fall between the lower and upper limits, it will be able to claim an amount of marginal relief that bridges the gap between the lower and upper limits providing a gradual increase in the Corporation Tax rate.

The lower and upper limits will be proportionately reduced for short accounting periods and where there are associated companies.

The related 51% group company test at S279F to S269H CTA 2010 will be repealed and replaced by associated company rules. This will be the case for its application for determining whether a company is large or very large for quarterly instalment payment purposes or for determining whether a company may elect to use the small claims treatment for the Patent Box, and so on.

Broadly, a company is associated with another company at a particular time if, at that time or at any other time within the preceding 12 months:

- one company has control of the other
- both companies are under the control of the same person or group of persons

Summary of impacts

Exchequer impact (£million)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-5	+20	+2390	+11900	+16250	+17200

These figures are set out in Table 2.1 of Budget 2021 and have been certified by the Office for Budget Responsibility (OBR). More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

This measure is expected to have a significant economic impact and the OBR has made an adjustment to their economy forecast to account for this measure. More details can be found in their March 2021 Economic 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 expected to be no direct impact on individuals as Corporation Tax is levied on companies.

However, if businesses struggle or are unable to pay increased Corporation Tax, this could impact on their family formation, stability or breakdown. To support, HMRC can provide a Time To Pay arrangement.

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 significant administrative impact on approximately 2 million businesses who will need to be aware of the changes even if they do not currently have a Corporation Tax liability.

The introduction of a small profits rate will mean that around 1.4 million businesses continue to pay either no Corporation Tax or Corporation Tax at 19%.

There will be a one-off cost as businesses familiarise themselves with the rate changes and determine which rate of Corporation Tax they should be paying. Some businesses will have to update internal software systems. The one-off implementation cost to all businesses is estimated to be around £50 million.

There will also be a negligible continuing administrative burden for companies which will make claims to marginal relief particularly where there are changes in the number of associated companies. It is expected that these changes will also affect agents acting for businesses and software providers. HMRC does not have data that would suggest agents or software providers will increase fees as a result of this change which would increase the continuing costs, but we will keep this under review.

This measure will have no impact on civil society organisations.

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

Estimates of compliance costs are shown in the following table:

Estimated one-off impact on administrative burden (£million)

One-off impact	**(£million)**
Costs	50
Savings	–

Estimated continuing impact on administrative burden (£million)

Continuing average annual impact	**(£million)**
Costs	negligible
Savings	–
Net impact on annual administrative burden	negligible

Operational impact (£million) (HMRC or other)

The additional costs for HMRC in implementing this change are anticipated to be approximately £5.1 million.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

This measure will be monitored through information collected from Corporation Tax receipts.

Further advice

If you have any questions about this change, contact Eva Upali on Telephone: 03000 542465 or email: eva.upali@hmrc.gov.uk.

Designation of Freeport tax sites

Who is likely to be affected

Freeport bidding coalitions that are awarded Freeport status by the government or the Freeport Governance Body of a Freeport.

General description of the measure

This measure will introduce a power to designate the location of one or more tax sites within any Freeport located in Great Britain from 9 March 2021. Legislation to give effect to this will be introduced within the Finance Bill 2021.

Policy objective

This power will enable tax sites within Freeport locations to be designated and recognised in law as geographical areas where businesses can benefit from tax reliefs to incentivise investment and to boost employment.

Background to the measure

On 10 February 2020 the government published a consultation on Freeport policy, in respect of its plans to introduce at least 10 Freeports in the United Kingdom following its departure from the European Union.

Freeports are intended to support the policy of levelling up the towns, cities and regions of the United Kingdom.

The government published a consultation response on 7 October 2020, which provided initial confirmation of the tax reliefs it intended to offer to encourage investment in Freeports.

This was followed by a Freeport bidding prospectus on 16 November 2020, which included plans for the introduction of the tax reliefs to be offered.

Detailed proposal

Operative date

The measure will come into effect from 9 March 2021.

Current law

The measure will introduce new legislation in Finance Bill 2021 to designate tax sites within Freeport locations in Great Britain.

Proposed revisions

This power will enable HM Treasury to designate through secondary legislation, tax sites within a Freeport area in Great Britain.

Tax sites will be designated for the purpose of claiming Freeport specific tax reliefs.

Summary of impacts

Exchequer impact

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Empty	Empty	Empty	Empty	Empty	Empty

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

Economic impact

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

Impact on individuals, households and families

This measure will enable tax sites in Freeport locations in Great Britain to be designated and recognised in law as geographical areas where businesses can benefit from Freeport specific tax reliefs.

This measure itself has no direct impacts on individuals. Any future impacts arising from Freeports will be fully examined and detailed. This measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that there will be impacts for those in groups sharing protected characteristics. The measure applies only to Great Britain, so there will be no Northern Ireland impacts.

Impact on business including civil society organisations

This measure will enable tax sites within Freeport locations to be designated and recognised in law as geographical areas where businesses can benefit from Freeport specific tax reliefs.

The measure itself has no direct impacts on businesses or civil society organisations. Any future impacts arising from Freeports will be fully examined and detailed.

Operational impact (£m) (HMRC or other)

This change can be made at no cost to HMRC. Any operational costs of the individual tax measures will be accounted for in their separate tax information and impact notes.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax returns and through communications with the affected taxpayer population.

Freeports governance bodies will also need to monitor and evaluate business activity in each Freeport.

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.

Easement for employer provided cycles exemption

Who is likely to be affected

Users of the employer provided cycles exemption, which includes employers who offer a Cycle to Work scheme, and employees who are users of the scheme and are working from home due to the coronavirus outbreak.

General description of the measure

This measure will introduce a time limited easement to disapply the condition which states that cycles and cyclist's safety equipment, where obtained through a Cycle to Work scheme, must be used mainly for qualifying journeys.

The easement will apply to existing users and will allow those employees to continue to benefit from the employer provided cycle tax exemption without needing to meet the qualifying journeys condition.

Policy objective

This measure is designed to minimise the financial burdens for employees who joined a Cycle to Work scheme expecting to meet the qualifying criteria for the employer provided cycles exemption, but due to the government's COVID-19 restrictions, now find themselves unable to do so.

The easement will mean that employees who have received a cycle or cyclist's safety equipment on or before 20 December 2020, will not have to meet the qualifying journeys condition until after 5 April 2022.

Background to the measure

The tax exemption for the employer provision of cycles and cyclist's safety equipment was introduced to support employers in promoting healthier journeys to work and to encourage green commuting. Many employers offer this in the form of Cycle to Work schemes.

One of the conditions of the exemption is that the cycling equipment provided should be used mainly for qualifying journeys (to or from work or in the course of work).

However, the government's COVID-19 restrictions have required employees to work from home where possible. Therefore, many existing users of the scheme are not travelling to work and may be unable to meet the condition for qualifying journeys.

The government is committed to supporting employers and employees through the COVID-19 outbreak. This easement will ensure that those who entered into an agreement with the expectation of meeting the qualifying journeys criteria but are unable to do so due to the COVID-19 restrictions, continue to benefit from the tax exemption.

No consultation has been held as this is a minor and temporary change which provides an easement.

Detailed proposal

Operative date

This measure will have effect on and after the date of Royal Assent to Finance Bill 2021 and will apply retrospectively.

Employees who have joined a Cycle to Work scheme and have been provided with a cycle or cycling equipment on or before 20 December 2020, will be permitted to an easement, and will not have to meet the qualifying journeys condition until after 5 April 2022.

HMRC will exercise its collection and management powers and will not collect Income Tax and National Insurance contributions (NICs) liabilities prior to the date of Royal Assent.

Employees who join a scheme from 21 December 2020 will need to meet all the normal conditions of the exemption.

Current law

Cycle to Work, covered by a tax exemption set out at section 244 Income Tax (Earnings and Pensions) Act 2003 (ITEPA) was introduced to help employees with the cost of getting a cycle and/or cycling equipment.

The receipt of a cycle and/or cyclist's safety equipment for the employee's use would normally be treated as a Benefit in Kind (BIK), however this BIK is not taxable by virtue of s244 providing that conditions A to C are met.

Condition A is that there is no transfer of the property in the cycle or equipment in question.

Condition B is that the employee uses the cycle or equipment in question mainly for qualifying journeys.

Condition C is that cycles or cyclist's safety equipment are available generally to employees of the employer concerned.

Proposed revisions

Due to the government's COVID-19 restrictions, many employees who received a cycle and/or cyclist's safety equipment, and were previously able to comply with all the conditions in s244 are no longer able to meet Condition B as they will not be using the cycle or equipment mainly for qualifying journeys.

S244 will be amended to remove the requirement for employees to meet Condition B, in relation to cases where an employee is provided with a cycle or cyclist safety equipment on or before 20 December 2020.

The easement will apply so that eligible employees do not need to comply with Condition B until after 5 April 2022.

The requirements set out in s244 will remain the same for employees who entered into an arrangement on or after 21 December 2020.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-5	Negligible	-	-	-	-

These figures are set out in Table 2.1 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

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

Impact on individuals, households and families

This proposal is expected to have a positive impact for employees who have been provided with a cycle or cyclist safety equipment on or before 20 December 2020.

This proposal ensures that individuals continue to benefit from the employer provided cycle tax exemption without needing to meet the qualifying journeys condition.

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

Equalities impacts

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

Impact on business including civil society organisations

This proposal is expected to have a positive impact on businesses and civil society organisations who offer a Cycle to Work scheme for their employees. There will be a one-off cost in the form of familiarisation with the change.

There are not expected to be any continuing costs. There will be one off saving from not having to report information for those employees who have already joined a scheme but are unable to meet the qualifying journeys condition.

Customer experience is expected to stay broadly the same as there is no significant change to business processes.

Operational impact (£m) (HMRC or other)

There will be no operational impact to HMRC for this change.

Other impacts

This measure is likely to have a positive health impact for employees who joined a Cycle to Work scheme on or before 20 December 2020, as they will temporarily be able to use their cycle without needing to meet the qualifying journeys criteria.

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the employment income policy team by email: employmentincome.policy@hmrc.gov.uk.

Enhanced capital allowance for plant and machinery in Freeports

Who is likely to be affected

Businesses incurring qualifying expenditure on plant and machinery for use in Freeport tax sites, from the date the Freeport tax site is designated until September 2026.

General description of the measure

This measure will introduce an enhanced capital allowance (ECA) available to companies for qualifying expenditure on plant and machinery for use within Freeport tax sites.

This ECA will be available for such qualifying expenditure incurred on or after the date the Freeport tax site is designated until 30 September 2026. The ECA will be for 100% of the qualifying expenditure for the tax period in which it is incurred.

Policy objective

This ECA is designed to incentivise companies to invest in plant and machinery in Freeport tax sites.

Background to the measure

On 10 February 2020 the government published a consultation on freeport policy, in respect of its plans to introduce at least 10 Freeports in the United Kingdom following its departure from the European Union.

Freeports are intended to support the policy of levelling up the towns, cities and regions of the United Kingdom.

The government published a consultation response on 7 October 2020, which provided initial confirmation of the tax reliefs it intended to offer to encourage investment in Freeports. This was followed by a Freeport bidding prospectus on 16 November 2020, which included plans for the introduction of the tax reliefs to be offered.

Detailed proposal

Operative date

This measure will have effect for qualifying expenditure incurred on or after the date the Freeport site is designated.

Current law

The measure will introduce provisions for this ECA into the Capital Allowances Act 2001 through the Finance Bill 2021, which will make available an enhanced level of relief for investment in plant and machinery for use in designated tax sites within Freeport locations in Great Britain.

Proposed revisions

The provisions for this ECA will be included within Part 2 of the Capital Allowances Act 2001. The plant and machinery must be new or unused, be for the purpose of a qualifying activity and for primary use within a tax site within a Freeport.

There will be a provision to clawback the ECA claimed where the plant or machinery is for primary use within a Freeport tax site when it is acquired or brought into use, but then within 5 years from its acquisition or when it is brought into use, becomes for primary use outside of a tax site of a Freeport area.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Empty	Empty	Empty	Empty	Empty	Empty

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

Economic impact

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

Impact on individuals, households and families

This measure is expected to have no impact on individuals as it only affects businesses incurring qualifying expenditure on plant and machinery for use in Freeport tax sites. This measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that there will be impacts for those in groups sharing protected characteristics. The measure applies only to Great Britain, so there will be no Northern Ireland impacts.

Impact on business including civil society organisations

This measure will impact on company businesses investing in equipment in Freeport tax sites by making available an increased level of relief for expenditure on plant or machinery at 100% of the cost for the tax period in which it was incurred.

One-off costs could include businesses having to make themselves aware of the change and updating software as a result of the change. There are not expected to be any continuing costs.

Continuing savings could include businesses not having to calculate a lesser rate of relief through writing down allowances in future tax periods against the purchase of plant and machinery covered by this ECA. This measure is not expected to impact civil society organisations.

This measure is expected overall to improve company businesses' experience of dealing with HMRC as calculating capital allowances for their plant and machinery purchases will be simpler.

Operational impact (£m) (HMRC or other)

There will be HMRC costs to deliver this change, including both changes to IT systems and operationally. These costs are estimated at £3.5 million.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax returns and through communications with the affected taxpayer population. Freeports governance bodies will also need to monitor and evaluate business activity in each Freeport.

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.

Enhanced Structures and Buildings allowances in Freeports

Who is likely to be affected

Businesses incurring qualifying expenditure on non-residential structures and buildings within Freeport tax sites from the date the Freeport tax site is designated until September 2026.

General description of the measure

This measure will introduce an enhanced rate of Structures and Buildings Allowance (SBA), available for businesses on qualifying expenditure for the construction of new, and renovation of existing, non-residential structures and buildings within Freeport tax sites.

The enhanced SBA will be available for qualifying assets brought into use on or before 30 September 2026, and after the date each Freeport tax site is designated. The enhanced rate of SBA will be at 10% on a straight-line basis.

Policy objective

SBA relieves construction costs for new structures and buildings used for qualifying purposes. This supports business investment in constructing new structures and buildings and the improvement of existing ones.

The enhanced SBA for Freeport tax sites is designed to provide an additional incentive for businesses to invest in structures and buildings within Freeport tax sites.

Background to the measure

On 10 February 2020 the government published a consultation on Freeport policy, in respect of its plans to introduce up to 10 Freeports in the United Kingdom, following its departure from the European Union.

Freeports are intended to support its policy of levelling up the towns, cities and regions of the United Kingdom.

The government published a consultation response on 7 October 2020, which provided initial detail of the tax reliefs it intended to offer to encourage investment in Freeports.

This was followed by a Freeport bidding prospectus on 16 November 2020, which included plans for the introduction of the tax reliefs to be offered.

Detailed proposal

Operative date

The measure will have effect for qualifying expenditure where the first contract for construction of the relevant structure or building was entered into on or after the date the Freeport tax site is designated.

Current law

Current law for SBA is included in Part 2A Capital Allowances Act 2001, inserted by SI 2019/1087.

Proposed revisions

Part 2A will be amended so that the enhanced rate of relief is 10% per year from the operative date for Freeport tax sites. This reduces the time it will take to relieve qualifying expenditure from 33 and one third years to 10 years.

To qualify for the relief, the structure or building must be brought into qualifying use on or before 30 September 2026.

The legislation will allow for just and reasonable apportionment of qualifying expenditure for structures and buildings which are partly within and partly outside the Freeport tax sites.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Empty	Empty	Empty	Empty	Empty	Empty

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

Economic impact

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

Impact on individuals, households and families

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

Equalities impacts

It is not anticipated that there will be impacts for those in groups sharing protected characteristics. The measure applies only to Great Britain, so there will be no Northern Ireland impacts.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses incurring qualifying expenditure on non-residential structures and buildings within Freeport tax sites.

This measure will help to stimulate business investment in Freeport tax sites by providing an incentive for businesses to invest in non-residential structures and buildings. Businesses will need to assess their capital allowance entitlement for non-

residential structures and buildings within Freeport tax sites, and to claim a deduction in computing their taxable profits.

One-off costs could include a business having to spend time to make themselves aware of the change and upskilling staff. There are expected to be no continuing costs.

Where civil society organisations invest in non-residential structures and buildings in Freeport tax sites, 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 (£m) (HMRC or other)

This change will require HMRC to alter IT systems along with other operational changes and costs are estimated at £2.6 million.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax returns and through communications with the affected taxpayer population. Freeports governance bodies will also need to monitor and evaluate business activity in each Freeport.

Further advice

If you have any questions about this change, please contact Joe Layzell on Telephone: 03000 589 347 or email: joseph.layzell@hmrc.gov.uk.

Enterprise Management Incentives extension of time-limited exception to working time requirements

Who is likely to be affected

Employers and individuals that participate in Enterprise Management Incentives employee share schemes (EMI).

General description of the measure

This measure will ensure that, until 5 April 2022, individuals who are furloughed or who have their working hours reduced below the current statutory working time requirement for EMI as a result of coronavirus (COVID-19) will retain access to the scheme's tax advantages.

This will apply both to existing participants of EMI schemes and in circumstances where new EMI share options are being granted.

Policy objective

This measure ensures that EMI can, throughout the coronavirus pandemic, continue to meet its policy objective of helping small and medium-sized enterprises (SMEs) recruit and retain key employees.

It enables participants to maintain the tax advantages and reliefs of EMI as if they had continued to work for their employer as per their employment contract during the coronavirus pandemic, in cases where employees may otherwise be unable to meet the working time requirements.

Background to the measure

The government has introduced a range of support for businesses to protect jobs during the coronavirus pandemic. Where employees are furloughed, working reduced hours or taking unpaid leave due to coronavirus, they may not be able to meet the committed working time requirement of EMI.

Legislation was introduced in Finance Act 2020 to ensure that participants are not forced to exercise their options earlier than planned and, also guarantees that participants can be granted options during coronavirus. Finance Bill 2021 will legislate to ensure that new EMI options issued by employers to employees who have not met the working time requirement as a result of coronavirus will be qualifying EMI options.

This measure will extend the time-limited exception until 5 April 2022 given the ongoing nature of the pandemic and the impact on working patterns.

Detailed proposal

Operative date

These changes will apply for a limited period. They will have effect from 19 March 2020 and will come to an end on 5 April 2022.

Current law

Current law is included in Chapter 9 of Part 7 of Income Tax Earnings and Pensions Act (ITEPA) 2003 and Paragraphs 26 and 27 of Schedule 5 ITEPA 2003.

Legislation was introduced at section 107 of Finance Act 2020, which modifies Schedule 5, Part 4 ITEPA 2003 and sets out the requirement that EMI participants must meet a minimum commitment of 25 hours working time per week or 75% of working time subject to a small list of exceptions.

An exception was introduced at paragraph 26, subsection (3) alongside the other list of exceptions such as injury, ill-health or disability (a) to (d) as (3)(e) which gave effect to a time limited exception to the working time requirement for employees who are furloughed or working reduced hours because of coronavirus. Paragraph 27 of that Schedule (meaning of 'working time') was modified to include the time limited exception, at paragraph 26 at subsection (3) to the working time requirement, for employees who are furloughed or working reduced hours because of coronavirus. The exception applied until 5 April 2021.

Section 535 of ITEPA 2003 (disqualifying events relating to employee in relation to enterprise management incentives) was modified to include the time limited exception, at paragraph 26 at subsection (3) to the working time requirement for employees who are furloughed or working reduced hours because of coronavirus.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to modify section 107 of Finance Act 2020. This will ensure that employers can continue to issue new EMI share options to individuals who have been furloughed, have taken unpaid leave or have had their working hours reduced below the current statutory working time requirement for EMI as a result of coronavirus. This will apply until 5 April 2022.

Legislation in Finance Bill 2021 will also be introduced to modify the date for the time-limited exception in Schedule 5, Part 4 ITEPA. This will now apply until 5 April 2022. This will ensure that employees with qualifying options and employers who wish to issue new EMI share options can continue to access the exception while the coronavirus pandemic continues.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Nil	Nil	Nil	-	-	-

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

This measure is expected to have a positive impact on new and existing participants of EMI (usually employees) who are yet to exercise share options granted over the past 10 years. There were 34,000 individuals granted options in 2018 to 2019. This measure will maintain tax reliefs where they may otherwise not apply due to varied employment contracts during the coronavirus pandemic. Customer experience is therefore expected to improve.

Individuals are not expected to take any further action or do anything differently.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses who operate an EMI scheme. There were around 12,000 companies operating an EMI scheme in 2018 to 2019.

This measure allows their employees to retain tax advantages in EMI share schemes. One-off costs will include familiarisation with the change and could also include businesses training or upskilling staff as a result of this change. There are not expected to be any continuing costs.

Customer experience is expected to improve as this measure maintains tax reliefs that would otherwise be affected by varied employment contracts during the coronavirus pandemic. There is expected to be no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

The impacts on HMRC of implementing this change are negligible.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

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

Exemption for Corporation Tax for Northern Ireland Housing Executive

Who is likely to be affected

The measure affects only the Northern Ireland Housing Executive.

General description of the measure

The measure provides an exemption from Corporation Tax for the Northern Ireland Housing Executive, the Northern Ireland body which provides state funded housing.

Policy objective

The measure is intended to ensure consistency of tax treatment for the provision of state funded housing across the whole of the UK.

Currently, the equivalent providers of state funded housing in England, Wales and Scotland are exempt from Corporation Tax (as they are local authorities for Corporation Tax purposes). The Northern Ireland Housing Executive is not.

The measure will be wholly relieving, with retrospective effect from 1 April 2020.

Background to the measure

The Northern Ireland Housing Executive was established in such a way that it did not meet the definition of 'local authority' for Corporation Tax purposes and has been paying Corporation Tax for a number of years.

Detailed proposal

Operative date

The measure will have retrospective effect from 1 April 2020.

Current law

Corporation Tax Act 2009, Part 2 Chapter 1, Section 2 requires Corporation Tax to be charged on the profits of 'companies'.

Corporation Tax Act 2010 (CTA 2010), Part 24, Chapter 1, defines a 'company' as 'any body corporate'.

The Northern Ireland Housing Executive was established as a separate body corporate. It is therefore, without a specific exemption, chargeable to Corporation Tax. It does not meet the definition of a Northern Ireland local authority within CTA 2010, Part 24, Chapter 1, section 1130.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to amend CTA 2010 to include the new exemption from Corporation Tax for The Northern Ireland Housing Executive.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Nil	-20	-10	-10	-10	-10

These figures are set out in Table 2.1 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

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

Impact on individuals, households and families

This measure has no impact on individuals, households or families as it only affects one Northern Ireland public body. The measure is not expected to have an impact on family formation, stability or breakdown.

Equalities impacts

As the measure does not have an impact on people, there are no equalities impacts.

Impact on business including civil society organisations

This measure is expected to have a positive impact on the Northern Ireland Housing Executive by providing an exemption from corporation tax. Negligible one-off costs will include familiarisation with the change.

There are not expected to be any continuing costs. There will be a continued saving as a result of the Northern Ireland Housing Executive no longer being liable for Corporation Tax.

Customer experience is expected to stay the same as there is no change to how businesses or civil society organisations interact with HMRC.

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

Operational impact (£m) (HMRC or other)

HMRC does not anticipate any IT or operational impacts for this change.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Lorraine Coster on Telephone:03000 585 676 or email: lorraine.coster@hmrc.gov.uk.

Extension of Making Tax Digital for VAT

Who is likely to be affected

These changes will apply to the approximately 1.1m VAT registered businesses with taxable turnover below the current VAT threshold that are not currently required to operate Making Tax Digital (MTD) for their VAT reporting and record keeping obligations.

General description of the measure

MTD and its extension forms a crucial building block in the government's 10-year strategy to make the tax system more resilient and effective, to boost business productivity, and support taxpayers.

These changes extend MTD requirements to smaller VAT businesses from April 2022. They build on the successful introduction in April 2019 of MTD for those VAT businesses with taxable turnover above the VAT threshold.

There is a growing body of evidence, from research and insights from taxpayers within MTD for VAT, which demonstrates that MTD is securing a range of benefits for those that use it in practice.

These benefits include reducing or eliminating paper-based or manual processes through use of software and an integrated approach to business administration and tax, allowing for greater accuracy in tax returns. This reduces the time businesses spend on administration, providing businesses more time to maximise business opportunities, productivity and profitability. MTD's intention is that, for the majority of businesses, tax will be made easier to get right and harder to get wrong.

About a quarter of VAT registered businesses below the VAT threshold have voluntarily chosen to join MTD, demonstrating that a modern, digital approach to managing tax can work for businesses of every size.

MTD aims to tackle that part of the tax gap caused by error and failure to take reasonable care, by removing opportunities to make certain types of mistakes in preparing and submitting tax returns.

Under MTD, businesses must keep digital records and use third-party software to submit their tax returns to HMRC. Under the changes, those who do not already keep their records digitally will need to start doing so for their VAT obligations. The process of then sending returns to HMRC will become more straightforward, with their returns generated and sent directly from the software they are using to keep their records.

The software these businesses use must be capable of receiving information from HMRC digitally via HMRC's Application Programming Interface (API) platform.

Policy objective

The fundamental benefits of a modern, digital business model are well understood with millions of businesses routinely securing orders, banking, paying invoices, and filing their returns online.

Many businesses now expect to be able to manage their affairs digitally, including tax, and MTD meets this need. Businesses that move to real-time record keeping using accounting software may experience significant productivity benefits, as their software provides an up-to-date picture of their finances, and may also provide additional functionality to integrate record keeping with other business processes.

This can further reduce time spent on administration, allowing businesses to spend their time serving customers, innovating, growing and creating jobs. For example, the Lloyds Bank UK Business Digital Index 2019 found that digital channels saved small businesses, on average, a day a week in administration.

The Enterprise Research Centre, in their State of Small Business Britain Report 2018, found that for micro-businesses, web-based accounting software could improve efficiency by 11.8%.

MTD does not change businesses' tax liability or payment obligations, but reduces scope for error. This in turn contributes to a reduction in the tax gap, supporting public services and levelling the playing field for businesses. The projected gains to the Exchequer resulting from MTD reflect the reduced scope for error.

Businesses will therefore also save time through processes that help them get their taxes right first time and reduce the chances of time spent putting errors right at a later stage.

Less time spent on tax administration has scope to cut stress and allow businesses to focus on their most pressing business priorities.

Background to the measure

Originally announced at Budget 2015, and following formal consultation in 2016, the first phase of MTD for VAT was implemented from April 2019.

For VAT periods starting on or after 1 April 2019, VAT-registered businesses with a turnover above the VAT registration threshold have needed to keep their records digitally and provide their VAT return information to HMRC through MTD-compatible software.

In July 2020, the government published 'Building a trusted, modern tax administration system', which set out a vision for the future of tax administration in the UK, designed to improve its resilience, effectiveness and support for taxpayers.

A long-term strategy of focused, collaborative and transparent improvement of the tax administration system has the potential to yield huge benefits, both for individual taxpayers and businesses. It also contributes to the collective strength and resilience of the country as a whole.

Extending Making Tax Digital is a critical building block for this, so as part of the Legislation Day announcements on 21 July 2020, the government set out its

roadmap for the further rollout of MTD with the expansion of mandatory MTD for VAT from April 2022 and the introduction of mandatory MTD for ITSA from April 2023.

Detailed proposal

Operative date

From their first VAT period starting on or after 1 April 2022, VAT registered businesses (including self-employed and landlords) that are not already required to operate MTD under the requirements applying from 1 April 2019 will have to:

- keep their records digitally (for VAT purposes only)
- provide their VAT return information to HMRC through Making Tax Digital compatible software

Current law

The Finance (No.2) Act 2017 sections 60-62 contains framework legislation enabling MTD for VAT. This is supplemented by amendments to the VAT Regulations contained in the Value Added Tax (Amendment) Regulations 2018, SI 2018/261.

Proposed revisions

To enable the extension of the operation of MTD to all VAT registered businesses, a very minor amendment to the legislation introduced in the Finance (No.2) Act 2017 will be necessary.

This will enable VAT regulations to be made that apply to businesses with taxable turnover below the VAT registration threshold.

Consequential minor changes to the VAT Regulations 1995 will also be necessary to apply those regulations to this group of businesses.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	-	+20	+55	+210	+400

These figures are set out in Table 2.2 of Budget 2021 as 'Future of Making Tax Digital' and cover both the extension of obligations of MTD VAT to taxpayers with a turnover of between £0 and the VAT threshold from April 2022 and the introduction of MTD obligations to Income Tax Self-Assessment businesses and landlords with income above £10,000 from April 2023.

These figures have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Spending Review 2020.

Economic impact

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

Impact on individuals, households and families

This measure will have an impact on individuals who run their own VAT-registered business to the extent reflected in the 'Impact on businesses' section.

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

Equalities impacts

The government has been clear that if a business cannot go digital, it will not be required to do so.

MTD is intended to help businesses get their tax right, with mandatory use of digital record keeping and using MTD-compatible software to provide HMRC updates and returns digitally. It is, however, anticipated that some people with disabilities, those in rural locations with poor broadband services, and those who are digitally excluded for other reasons may find it more difficult to comply.

Businesses that are already exempt from engaging with HMRC through other mandatory digital channels will continue to be exempt and will not have to meet the obligations of MTD.

The exemptions under MTD mirror the VAT online filing exemption. MTD exemptions have operated successfully since the introduction of MTD for VAT businesses with taxable turnover in excess of the VAT threshold since April 2019.

These exemptions will continue to be available to businesses within the expanded scope of MTD. HMRC ensures that clear guidance is provided and information is easily accessible for digitally excluded taxpayers about the exemption process.

Taxpayers may apply to be exempted from MTD requirements through non-digital means.

In order to ensure the widest possible access to software that will meet MTD requirements, HMRC is continuing to work closely with software developers to make sure that there are several VAT software products that cater for those with cognitive, motor, visual and hearing difficulties.

There are filters on HMRC's software choices viewer on GOV.UK to help customers easily identify these products. Where a person already complies with requirements to send information electronically and uses assistive technology, the MTD requirements should not impose additional costs to meet their accessibility needs.

For those moving to digital, especially those needing extra support, HMRC's customer support model includes:

- a multi-layered approach stretching across agents, third party software support, through to telephony support, webchat, and HMRC's Extra Support service

- accessible online content including recorded Webinars, YouTube videos and E-learning

GOV.UK content including Help pages - signposting to information, guides, and to local or third-party providers of digital skills courses, or support already provided by external providers

HMRC will also continue to work across multiple channels supporting as many taxpayers as possible to move onto digital services.

Apart from the impact on those who are disabled as discussed above, it is not anticipated that there will be impacts on those in other groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a significant impact on approximately 1.1 million businesses and civil society organisations with VAT obligations. Businesses within scope that already manage their VAT digitally may incur relatively little cost in moving to MTD, where other, less digitally capable businesses, may be more affected by one-off transitional costs as they move to MTD processes.

In assessing these impacts, HMRC have incorporated findings from the businesses already signed up to MTD, as well as feedback from engagement with external stakeholders about their experience of the costs to businesses in complying with MTD. In particular, HMRC has worked extensively with stakeholders from the accountancy, business and software communities to update its assumptions underpinning the cost estimates, to ensure they are robust and a realistic representation.

Alongside the costs of making the transition to MTD, there are significant, wider benefits and cost efficiencies available for many businesses as part of going digital, once they have moved to digital record keeping. Some, but not all, of these are measurable in cost terms. For businesses, these benefits may offset wholly, or in part, any costs of complying with MTD.

Standard Cost Model (SCM) methodology was used to estimate administrative burden impacts. This methodology allows HMRC and HMT to apply a standard set of principles for estimating administrative burdens across all impact assessments. The assessment only considers the costs and savings strictly related to meeting MTD tax obligations. It does not include the wider benefits that HMRC expects businesses may see, such as through:

- an improved customer experience
- an easier process for managing tax affairs
- improved record keeping
- greater accuracy in returns
- reduced time spent on wider elements of business administration
- improved efficiency and greater productivity
- better business management
- a streamlined, digital experience

It also does not reflect the broader picture of taxpayer experience and cannot measure all consequential and longer-term benefits. The SCM only captures the costs to business of retaining and/or disclosing information to HMRC or to third parties and therefore cannot be used to estimate wider benefits of MTD to businesses.

Once businesses are used to operating the new MTD processes, HMRC anticipates that they will find that MTD makes it easier for them to get their tax right first time and reduces errors, making the management of tax affairs simpler.

HMRC expects this to, in turn, improve businesses' experience of dealing with the department. MTD also has the ability to support business efficiency and productivity through the use of digital channels.

HMRC project that these changes will also have positive impacts on agents acting for businesses. Businesses may find MTD software means that they can do more in relation to recordkeeping and tax.

Civil society organisations may potentially see an increase in requests for help and support from less digitally engaged individuals and business in transitioning to the new requirements.

Through MTD, VAT-registered businesses will be required by law to keep digital records.

This will involve a transitional cost for businesses not already doing this. They will need to purchase, or acquire a free version of, software and become accustomed to using it.

HMRC has been working with the software industry to ensure that businesses needing to update their accounting systems will have access to affordable software products. Supporting MTD for VAT, the industry has produced software at a range of price points and offering different levels of functionality.

This includes bridging software for those who want to continue to use spreadsheets for record-keeping, right the way through to fully integrated accounting software that provides additional functionality to help users better understand and plan for their business.

When MTD for VAT was introduced, more than 250 existing subscription VAT software products were updated at no cost to customers to provide MTD for VAT capability. The industry has also provided a number of free products. Within the MTD for VAT software market there is huge choice and competitive pricing with over 450 products on the MTD for VAT software choices page on GOV.UK.

Invariably, costs will differ from business to business and are influenced by factors including size and complexity of business, degree of digital capability and cost and functionality of software solution employed.

Transitional one-off costs could include some or all of the following:

- time spent in familiarisation with the new MTD obligations (digital record keeping and making of MTD-compliant VAT returns)
- in-house training
- the purchase of new hardware or upgrading of existing hardware (expected to affect a small minority)
- additional accountancy or agents' costs

Transitional costs can be offset against the business' profits for tax purposes.

The majority of VAT businesses with taxable turnover below the VAT threshold already report their VAT quarterly and electronically. Those businesses already using digital tools and processes to manage their VAT affairs are already likely to have the necessary hardware and will be accustomed to using software, so we would expect them to incur lower transitional costs than those moving from paper-based accounting processes.

Continuing costs could include:

- cost of software subscription for those moving to MTD compatible software, from either paper or spreadsheet systems (although for businesses with the most straightforward affairs there is free software available)
- cost of bridging software to provide MTD compatibility for those who prefer to continue using spreadsheets
- marginal increases in some existing software costs to provide MTD compatibility (although many VAT subscription-based software packages have been updated for MTD for free)

This measure is expected to improve businesses experience of dealing with HMRC as managing their tax affairs will be simpler. Once businesses are used to operating the new MTD processes, we anticipate that they will find that MTD makes it easier for them to get things right and reduce errors.

Estimated one-off impact on administrative burden (£m)

One-off impact	£(m)
Costs	173
Savings	-

Estimated continuing impact on administrative burden (£m)

Continuing average annual impact	£(m)
Costs	76
Savings	83
Net impact on annual administrative burden	-7

Operational impact (£m) (HMRC or other)

There will be both IT and resource costs for HMRC in developing, applying and policing this measure, and in updating guidance.

HMRC IT and non-IT costs for the next phases of MTD expansion (MTD VAT and ITSA) are expected to be in the region of £362 million.

Other impacts

Justice impact test and rural proofing: HMRC is required to consider these proposals in relation to their impacts on rural communities and the justice system.

Preliminary assessments suggest any impact is likely to be negligible. Mitigations are in place for those whose rural location affects their internet access to the point where it is not feasible to operate MTD, as discussed above under 'Equalities impacts'.

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Ady Garrett by email at: makingtaxdigital.consultations@hmrc.gov.uk.

Extension of the Social Investment Tax Relief for Venture Capital Schemes

Who is likely to be affected

Social enterprises, individuals who invest in social enterprises, Social Investment Tax Relief (SITR) fund managers.

General description of the measure

This measure extends the operation of the SITR from April 2021 to April 2023, continuing the availability of Income Tax relief and Capital Gains Tax (CGT) hold-over relief for investors in qualifying social enterprises.

A response document to the 2019 consultation 'SITR: call for evidence' will now be published.

Policy objective

The SITR intends to support social enterprises seeking external finance by providing tax incentives to encourage individuals to invest in them. The legislation contains sunset clauses for the Income Tax and CGT reliefs available which would bring the scheme to an end in April 2021. This measure extends those sunset clauses and the SITR to April 2023.

Background to the measure

At Budget 2018 the government announced that it would consult on the SITR to understand how the scheme has been used since its introduction in 2014, including levels of take up and the impact the scheme has had on social enterprises' access to finance. A consultation document 'SITR: call for evidence' was published on 24 April 2019.

This evidence has been used to inform this decision about the future of the relief.

Detailed proposal

Operative date

The changes to this measure will apply to qualifying investments made on or after 6 April 2021.

Current law

The changes to this measure will apply to qualifying investments made on or after 6 April 2021.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to replace the existing dates within the sunset clauses of 6 April 2021 with the new end date of 6 April 2023.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Negligible	Negligible	Negligible	Nil	Nil	Nil

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

Economic impact

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

Impact on individuals, households and families

This measure is not expected to impact on individuals. Individuals who wish to invest in social enterprises will not see any change to what they currently do now. There is expected to be no impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that the extension of the scheme will change the impacts of this measure on any group. After careful consideration, and taking account of the data available, we have concluded that there are no impacts on groups of people sharing protected characteristics differently to other groups.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on an estimated 110 social enterprises by extending the operation of the SITR from April 2021 to April 2023 which continues the availability of Income Tax relief and CGT hold-over relief for investors in qualifying social enterprises. One-off costs will include familiarisation with the change. There are not expected to be any continuing costs. Customer experience is expected to remain broadly the same as it does not alter how social enterprises interact with HMRC. This measure is not expected to impact on civil society organisations.

Operational impact (£m) (HMRC or other)

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

Other impacts

Other impacts have been considered and none has 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 Martin Trott on Telephone: 03000 585619 or email: venturecapitalschemes.policy@hmrc.gov.uk.

Extension of the temporary increase to the Stamp Duty Land Tax nil rate band for residential properties

Who is likely to be affected

Purchasers of residential property in England and Northern Ireland.

General description of the measure

This measure introduces a staged withdrawal of the temporary increase to the amount that a purchaser can pay for residential property before they pay Stamp Duty Land Tax (SDLT), by:

- extending to 30 June 2021 the nil rate band of £500,000, which was due to end on 31 March 2021

- introducing a nil rate band of £250,000 for the period 1 July 2021 to 30 September 2021

Policy objective

This measure is part of the government's strategy to maintain confidence in the housing market following the coronavirus (Covid-19) pandemic.

Background to the measure

Due to the coronavirus pandemic, the housing market was largely put on hold between 26 March 2020 and 13 May 2020, and after that period there continued to be reduced activity in the UK housing market when compared with the period before lockdown. In response to this, on 8 July 2020 the Chancellor announced a temporary increase to the amount a purchaser could pay for residential property before SDLT was due, from £125,000 to £500,000, for the period 8 July 2020 to 31 March 2021.

No consultation has been held as this is a temporary change which is wholly relieving. It would not be in the public interest to consult, as this may have an adverse effect on the housing market if buyers delayed purchases during the consultation period.

Detailed proposal

Operative date

This measure will apply to transactions in England and Northern Ireland with an effective date (usually the date of completion) between 1 April 2021 and 30 September 2021.

This measure does not apply to Scotland or Wales who operate their own land transaction taxes.

Current law

The main SDLT legislation is at Part 4 of the Finance Act 2003.

The temporary increase from 8 July 2020 to 31 March 2021 to the amount that a purchaser can pay for residential property before they pay SDLT is in The Stamp Duty Land Tax (Temporary Relief) Act 2020.

Proposed revisions

Legislation will be introduced in the Finance Bill to amend The Stamp Duty Land Tax (Temporary Relief) Act 2020 which in turn will amend the Finance Act 2003.

Initial temporary relief period

The legislation will have the effect that the existing temporary period of reduced rates of SDLT will end on 30 June 2021 instead of 31 March 2021, and will be described in the legislation as 'the initial temporary relief period'. For that period the Finance Act 2003 is amended as follows:

Table A of section 55(1B) (for purchases other than higher rates purchases):

Relevant consideration	**Percentage**
So much as does not exceed £500,000	0%
So much as exceeds £500,000 but does not exceed £925,000	5%
So much as exceeds £925,000 but does not exceed £1,500,000	10%
The remainder (if any)	12%

Table A at paragraph 2(3) of Schedule 5 (for rent):

Rate bands	**Percentage**
£0 to £500,000	0%
Over £500,000	1%

Table A at paragraph 1 of Schedule 4ZA (for higher rates purchases):

Relevant consideration	**Percentage**
So much as does not exceed £500,000	3%
So much as exceeds £500,000 but does not exceed £925,000	8%

Relevant consideration	Percentage
So much as exceeds £925,000 but does not exceed £1,500,000	13%
The remainder (if any)	15%

The provisions applicable to first time buyers in section 57B and Schedule 6ZA are disapplied during the initial temporary relief period as the extended nil rate band applies in all cases where first time buyers' relief would normally apply.

Section 44 will be amended to make sure that no additional tax will be due when a contract is completed following substantial performance during the initial temporary relief period provided the only reason for additional tax becoming due under section 44 is that completion has occurred after the end of the initial temporary relief period.

Further temporary relief period

The period 1 July 2021 to 30 September 2021 will be 'the further temporary relief period' and the Finance Act 2003 will be amended as follows:

Table A of section 55(1B) (for purchases other than higher rates purchases):

Relevant consideration	Percentage
So much as does not exceed £250,000	0%
So much as exceeds £250,000 but does not exceed £925,000	5%
So much as exceeds £925,000 but does not exceed £1,500,000	10%
The remainder (if any)	12%

Table A at paragraph 2(3) of Schedule 5 (for rent):

Rate bands	Percentage
£0 to £250,000	0%
Over £250,000	1%

Table A at paragraph 1 of Schedule 4ZA (for higher rates purchases):

Relevant consideration	Percentage
So much as does not exceed £250,000	3%
So much as exceeds £250,000 but does not exceed £925,000	8%
So much as exceeds £925,000 but does not exceed £1,500,000	13%
The remainder (if any)	15%

The provisions applicable to first time buyers in section 57B and Schedule 6ZA are not disapplied during the further temporary relief period so that first time buyers can claim relief under those provisions.

Section 44 will be amended to make sure that no additional tax will be due when a contract is completed following substantial performance during the further temporary relief period provided the only reason for additional tax becoming due under section 44 is that completion has occurred after the end of the further temporary relief period.

Summary of impacts

Exchequer impact (£million)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-255	-1,350	negligible	negligible	-5	nil

These figures are set out in Table 2.1 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

Changes to SDLT rates are shown to impact housing market activity. Based on HMRC analysis, the OBR assume that cuts in the rate of SDLT boosts housing transactions and increases house prices. Based on this and accounting for possible forestalling behaviour, the extension would likely lead to a net increase in transactions across the forecast period. Through increasing transactions, the SDLT extension will also boost residential investment in the UK and increase house prices.

Impact on individuals, households and families

Individuals and their families buying a residential property are expected to be positively impacted by a reduction of SDLT as it will make it easier to buy a home. Overall there is expected to be no impact on family formation, stability or breakdown as this proposal could make it easier for families to purchase a family home when they were previously unable to, and to stay together as a family unit.

Customer experience is expected to remain broadly the same as it does not significantly alter existing processes.

Equalities impacts

The benefits of this measure will fall to those who are buying residential property, which is expected to be in line with the existing distribution of home ownership.

This measure is not expected to impact on this distribution for any protected group.

Impact on business including civil society organisations

This proposal is expected to have a negligible impact on approximately 40,000 businesses associated with the property and conveyancing industry.

One-off costs will include familiarisation with the change and could also include making minor IT and software changes to take account of the change. There is expected to be no continuing costs. This measure is not expected to impact civil society.

Customer experience is expected to remain broadly the same as it does not significantly alter existing processes.

Operational impact (£million) (HMRC or other)

HMRC will need to make changes to IT systems and the online calculator on GOV.UK to support this change. HMRC will not require additional funding for these changes.

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, contact: stamptaxes.budgetfinancebill@hmrc.gov.uk.

Extension to the Income Tax and National Insurance contributions exemption for employer provided and employer-reimbursed coronavirus antigen tests

Who is likely to be affected

Employers who choose to provide their staff with, or reimburse them for the cost of, a relevant coronavirus antigen test, and employees who receive or are reimbursed for the cost of a relevant test from their employer.

General description of the measure

This provides for an extension to existing Income Tax exemptions and National Insurance contributions disregards that were introduced during the 2020 to 2021 tax year, to ensure that employees who are provided with, or reimbursed for the cost of, a relevant coronavirus antigen test by their employer will not be liable to an Income Tax or National Insurance contributions charge.

The extension means that the exemptions and disregards will apply to any coronavirus antigen test provided by an employer, for the tax year 2020 to 2021 and 2021 to 2022. They will also apply to any reimbursement to an employee for a coronavirus antigen test for the tax years 2020 to 2021 and 2021 to 2022.

Policy objective

This measure is designed to minimise the financial burdens on employees, and the Class 1 National Insurance contributions and reporting requirements on employers who provide, or reimburse employees for the cost of, a relevant coronavirus antigen test.

Background to the measure

The government is committed to supporting businesses and individuals through the coronavirus pandemic, and this measure aims to ensure the use of relevant antigen testing procedures by employers are not subject to a tax or National Insurance contributions charge.

No consultation has been held as this is a minor and temporary change which is wholly relieving.

Detailed proposal

Operative date

This measure will have effect from 6 April 2021 until 5 April 2022.

Current law

For the purposes of the exemption and disregard for both employer provided and employer reimbursed coronavirus antigen tests, “coronavirus antigen test” is defined as a test which detects the presence of a viral antigen or viral ribonucleic acid (RNA) specific to severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). This includes any variants that are identified via a coronavirus antigen test.

Employer provided coronavirus antigen tests

For the purpose of employment-related benefits, a benefit is defined in section 201(2) of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA03) as "a benefit or facility of any kind". When a benefit is provided to an employee (or to any member of his/her family or household) by reason of the employment, it is defined as an "employment-related benefit". The amount of a benefit which is chargeable as earnings is the "cash equivalent" of the benefit less any amount made good by the employee.

The definition of what is a benefit is thus very wide and, prior to the temporary exemption introduced via S.I.2020/1293, employer provided coronavirus antigen tests were not covered by existing tax exemptions for particular benefits.

Therefore, on 9 July 2020 the government announced via a written ministerial statement that the provision of coronavirus antigen tests to employees by employers would not attract tax and National Insurance contributions liabilities for the tax year 2020 to 2021.

The tax position was given effect, between 8 December 2020 and 5 April 2021, by Income Tax (Exemption of Minor Benefits) (Coronavirus) Regulations 2020 (SI 2020/1293). This instrument was made under the powers in s210 to exempt minor benefits caught by the residual liability to charge in Chapter 10 of Part 3 ITEPA03.

The exemption from tax created by S.I. 2020/1293 also meant that there was no corresponding Class 1A National Insurance contributions liability which arose on the provision of the test, so there was no need to separately legislate to cover the liability to National Insurance contributions (see section 10(1) of the Social Security Contributions and Benefits Act 1992).

The Commissioners of HMRC have also agreed to exercise collection and management powers to not collect the tax and National Insurance contributions due on antigen tests provided between 6 April 2020 and 7 December 2020. The combination of the S.I and collection and management powers will ensure that no liabilities will be collected for the tax year 2020 to 2021.

Employer reimbursed coronavirus antigen tests

The reimbursement of the cost of a relevant coronavirus antigen test to an employee is not covered by any existing income tax exemptions or tax reliefs. This means that, without this measure, the reimbursement to the employee would be treated as earnings derived from employment, and a liability would arise for both the employer and employee.

For tax purposes, where an amount is reimbursed to an employee in respect of expenses incurred by the employee or paid in advance to the employee to meet expenses incurred by them, then this would ordinarily be captured by section 72 in Chapter 3 Part 3 of ITEPA03, where the sum is to be treated as earnings from the employment for the tax year in which it is paid or paid away. This would normally give rise to an income tax liability for the employee, and a National Insurance

contributions charge on the employer and employee, unless a relevant exemption/disregard applies.

Tax relief is generally available under section 336 ITEPA03 where an employee incurs a cost that is “wholly, exclusively and necessarily in the performance of the duties of their employment”. However, the current rules mean that where an employee buys their own coronavirus test and is reimbursed by their employer, they will currently not be entitled to tax relief. This is because the expense incurred puts the employee in a position to perform their duties and is therefore not incurred in performance of their duties.

On 17 December 2020 the government announced, via a written ministerial statement, a second Income Tax exemption and National Insurance contributions disregard, to ensure that employees who purchase their own coronavirus antigen test and are reimbursed by their employer, will not attract tax and National Insurance contributions liabilities for the tax year 2020/21.

The Income Tax exemption will be introduced through Finance Bill 2021, to remove the tax charge retrospectively for the reimbursement to employees by employers of the costs incurred where an employee has been reimbursed for a coronavirus antigen test during the tax year 2020 to 2021. Finance Bill 2021 will also introduce an Income Tax exemption to remove the tax charge prospectively for employer reimbursed coronavirus antigen tests in the 2021 to 2022 tax year.

For National Insurance contributions disregard this was given effect via the Social Security Contributions (Disregarded Payments) (Coronavirus) (No. 2) Regulations 2020 (SI 2020/1523), which came into force on 25 January 2021 and have effect in relation to payments made on or after that date, but before the end of the tax year 2020 to 2021. An extension to this disregard will be introduced under sections 3 and 10 of the Social Security Contributions and Benefits Act 1992 (SSCBA) for the 2021-2022 tax year.

HMRC Commissioners have agreed to exercise collection and management powers not to collect tax on all payments made during the tax year 2020 to 2021 (until HMRC are able to legislate in a Finance Bill); and all National Insurance contributions due on payments made between 6 April 2020 and 24 January 2021.

Proposed revisions

The temporary exemption for employer provided coronavirus antigen tests (S.I.2020/1293), will be extended through the Finance Bill 2021, to cover the tax year 2021 to 2022 and also include a Treasury Order making power to extend the exemption to future years if required.

The Finance Bill 2021 will also retrospectively introduce a new Income Tax exemption for employer reimbursed coronavirus antigen tests, and this measure will extend it to the tax year 2021 to 2022. A Treasury Order making power will also be included to extend the exemption future years if required.

To minimise the financial and reporting burdens, the temporary National Insurance contributions disregard for Class 1 National Insurance contributions will be extended

to cover the tax year 2021 to 2022. This disregard will be introduced under sections 3 and 10 of the Social Security Contributions and Benefits Act 1992 (SSCBA). The disregard will ensure that where an employer reimburses an employee for the cost of a coronavirus test there will be no National Insurance contributions liability.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	-105	-5	negligible	negligible	negligible

These figures are set out in Table 2.1 of Budget 2021 as a package of measures called "COVID-19: HMRC exemptions" and have been certified by the Office for Budget Responsibility.

Economic impact

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

Impact on individuals, households and families

This proposal is expected to have a positive impact on employees who receive or are reimbursed for a relevant coronavirus antigen test from their employer. This proposal ensures that employees will not be liable to an Income Tax charge on employer provided antigen tests or reimbursements for the cost of an antigen test.

This proposal also ensures that employers and employees are not liable to National Insurance contributions on these tests. Customer experience is expected to remain broadly the same as it does not change how individuals interact with HMRC.

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

Equalities impacts

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

Impact on business including civil society organisations

This proposal is expected to have a positive impact on employers in general. This proposal will have a positive impact by ensuring employers no longer need to report the provision or reimbursement of a benefit. There will be a one-off cost in the form of familiarisation with the change. There are not expected to be continuing costs. There will be a one-off saving from not having to report information on the provision of or a reimbursement of a relevant test for this year.

Customer experience is expected to stay broadly the same as this proposal does not significantly change how employers interact with HMRC. There is expected to be no impact on civil society organisations.

Operational impact (£m) (HMRC or other)

There will be negligible operational impact to HMRC for this change.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the employment income policy team by email: employmentincome.policy@hmrc.gov.uk.

Extension to the temporary Income Tax and National Insurance contribution exemption for home-office expenses

Who is likely to be affected

Employees who are working from home due to the coronavirus outbreak, and employers who encourage their staff to purchase their own home office equipment to enable them to work from home as a result of the outbreak and reimburse the expense.

General description of the measure

This measure will extend the temporary Income Tax and Class 1 National Insurance contributions (NICs) exemption for employer reimbursed expenses that cover the cost of relevant home-office equipment.

Home office equipment is the equipment deemed necessary for the employee to work from home as a result of the coronavirus outbreak, and can for example include a laptop, a desk or necessary computer accessories.

The exemption will ensure that employees receive the full reimbursement free from Income Tax and Class 1 NICs.

The exemption was due to end on 5 April 2021 but will now be extended to have effect until 5 April 2022 considering the ongoing impact of the outbreak.

Policy objective

The government's coronavirus restrictions have required individuals to work from home where possible.

This measure is designed to minimise the burdens on employers, and employees who are required to work from home due to coronavirus. The extension of the Income Tax exemption and NICs disregard will mean that employees can continue to purchase the office equipment necessary for them to work from home as per government guidelines without worrying about the Income Tax and NICs consequences, and employers will continue not to be required to report the reimbursed expense which would normally be liable to Income Tax and NICs. This will make it easier for employees to gain access to equipment and remain productive as they work from home.

Background to the measure

The government is committed to supporting employers and employees through the coronavirus outbreak. This measure will support employees working from home and therefore help to meet the government's aims to supress the spread of coronavirus.

No consultation has been held as this is a minor and temporary change which is wholly relieving.

Detailed proposal

Operative date

This measure will extend the end date of the current exemption from the end of the tax year 2020 to 2021 to the end of the tax year 2021 to 2022.

Current law

An existing tax exemption under section 316 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA03) applies where an employer provides supplies (such as home office equipment) directly to the employee and retains ownership of those supplies, and the employee's private use is not significant.

This exemption does not extend to employer reimbursements for employee expenditure on home office equipment as it only applies when the supplies are provided by the employer. It has been more difficult for employers to provide equipment directly during the coronavirus outbreak.

A deduction from earnings is also available under section 336 ITEPA03 where an employee incurs a cost in respect of an amount that is "wholly, exclusively and necessarily in the performance of the duties of their employment". The corresponding NICs disregard is contained within schedule 3 of the Social Security (Contributions) Regulations 2001.

However, the current rules mean that where an employee buys their own home office equipment and is reimbursed by their employer, they will currently not be entitled to tax relief. This is because the expense incurred puts the employee in a position to perform their duties and is therefore not incurred in performance of their duties.

This principle applies to the tax treatment of employee expenses generally.

To provide effective support for employees in the current situation, S.I. 2020/524 created an exemption from a charge to tax under Chapter 10 of Part 3 of ITEPA in respect of expenses reimbursed to employees for the purchase of home office equipment in the circumstances outlined above.

This legislation was introduced under section 210 ITEPA03 (power to exempt minor benefits). S.I. 2020/525, which was made under section 3(2) and (3) of the Social Security Contributions and Benefits Act 1992, introduced a corresponding Class 1 NICs disregard on the same amounts. This legislation ensures that employer reimbursements for the cost of home office equipment expenses are exempt from Income Tax and NICs.

For the expenditure to be exempt from Income Tax and disregarded for NICs, it must meet the following two conditions:

- that equipment is obtained by the employee for the sole purpose of enabling them to work from home as a result of the coronavirus outbreak

- the provision of the equipment would have been exempt from Income Tax under section 316 of ITEPA if it had been provided directly to the employee by or on behalf of the employer

As the tax exemption was made under section 210 ITEPA, and as required by section 210(2), the exemption will be conditional on the benefit of any reimbursement in respect of home office equipment expenses being made available to all of an employer's employees generally on similar terms.

The current tax exemption and NICs disregard are a temporary measure and apply until the end of the tax year 2020 to 2021.

Proposed revisions

In light of the continuing impacts of the coronavirus outbreak, the Income Tax exemption and NICs disregard will be extended to cover the tax year 2021 to 2022. This will require new secondary legislation.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	-105	-5	Negligible	Negligible	Negligible

These figures are set out in Table 2.1 of Budget 2021 as a package of measures called "COVID-19: HMRC exemptions" and have been certified by the Office for Budget Responsibility.

Economic impact

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

Impact on individuals, households and families

This proposal is expected to have a positive impact on employees through the provision of tax and NICs relief on their reimbursed employee expenses when purchasing home office equipment.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a positive impact on businesses and civil society organisations who have employees that purchase home office equipment as their employees will not have to pay tax and NICs on their reimbursed expenses for the 2020 to 2021 tax year.

The administrative burden on these businesses and civil society organisations is expected to be negligible. There will be a one-off cost in the form of familiarisation with the change.

There are not expected to be any continuing costs. There will be a one-off saving from not having to report information on reimbursed expenses for this year.

Customer experience is expected to stay broadly the same as there is no significant change to business processes.

Operational impact (£m) (HMRC or other)

There will be negligible operational impact to HMRC for this change.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the employment income policy team by email: employmentincome.policy@hmrc.gov.uk.

Gross gaming yield increase for Gaming Duty

Who is likely to be affected

All 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.

Background to the measure

Gaming duty is paid by casinos on their GGY 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 £2,548,500 of GGY, up to 50%. The 50% rate applies to any GGY above £13,877,000. 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 2021.

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 91 of the Finance Act 2020.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to increase the GGY values in section 11(2) FA 1997. These bandings cover a 6 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)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	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 protected equality groups.

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 continuing 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. Minor changes to HMRC's IT systems are expected to cost around £30,000.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Anne Merrell on Telephone: 03000 588078 or email: anne.merrell@hmrc.gov.uk.

Heavy goods vehicle levy suspension

Who is likely to be affected

Registered keepers of Heavy Goods Vehicles (HGVs) registered in the UK, and drivers and owners/operators of HGVs from outside the UK accessing the UK road network.

General description of the measure

Collection of the levy will be suspended for a further 12 months from 1 August 2021. HGV Levy rates will also remain frozen in 2021 to 2022.

Policy objective

This will reduce financial liabilities for UK and foreign hauliers operating in the UK from 1 August 2021 to facilitate economic recovery from the impacts of COVID-19.

Background to the measure

The levy was introduced in 2014 and re-designed in 2019 to better meet the environmental objective of improving air quality. It was suspended for 12 months from first 1 August 2020 to support the haulage sector as it recovers from COVID-19.

It will be suspended for a further 12 months from 1 August 2021 and HGV Levy rates will also remain frozen in 2021 to 2022.

Detailed proposal

Operative date

This measure will take effect from 1 August 2021, extending the existing HGV Levy suspension.

Current law

Current law is contained in section 5(2) and section 6(2) and section 7 of the HGV Road User Levy Act 2013.

Proposed revisions

This clause amends section 88(3) of the Finance Act 2020 so as to define the exempt period as 24 months beginning with 1 August 2020 instead of 12.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	-140	-75	-5	-5	-5

These figures are set out in Table 2.1 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document alongside Budget 2021.

Economic impact

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

Impact on individuals, households and families

This measure has no disproportionate impact on individuals as it reduces costs for registered keepers of HGVs registered in the UK, and drivers and owners/operators of HGVs from outside the UK and operating on a commercial basis. The measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure reduces costs for both UK and foreign hauliers. As such, no impact on the equality of groups sharing protected characteristics has been identified.

Impact on business including civil society organisations

This measure is expected to have a positive impact on around 100,000 UK based operators of HGVs, in addition to foreign operators of HGVs operating in the UK, by not requiring them to pay the levy for 12 months. One-off costs will include familiarising themselves with the change which is expected to be negligible.

There are not expected to be any continuing costs. Customer experience is expected to remain broadly the same as this measure does not significantly change existing processes.

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

Operational impact (£m) (HMRC or other)

The costs are expected to be minimal. There will be a marginal cost to DVLA in changing the system to manage the suspension.

Other impacts

This is a temporary measure and is not expected to impact air quality or climate change as it should not influence the decisions around which vehicles are purchased.

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, contact the Energy and Transport Taxes Team at the following email address: ETTAnswers@HMTreasury.gov.uk.

Inheritance Tax nil rate band and residence nil rate band thresholds from 6 April 2021

Who is likely to be affected

This measure affects the estates of deceased persons and their personal representatives where the value of the estate exceeds the nil-rate band (NRB) and where the value of a qualifying residence exceeds the residence nil-rate band (RNRB). It also affects individuals who make lifetime chargeable transfers and trustees of relevant property trusts who are liable to periodic inheritance tax (IHT) and exit charges.

General description of the measure

This measure maintains the IHT thresholds at their 2020 to 2021 levels up to and including 2025 to 2026. This measure will maintain the:

NRB at £325,000

RNRB at £175,000

RNRB taper, starting at £2 million

Policy objective

This measure maintains the tax-free thresholds and the RNRB taper available for IHT at their 2020 to 2021 levels up to and including 2025 to 2026. This means qualifying estates can continue to pass on up to £500,000 and the qualifying estate of a surviving spouse or civil partner can continue to pass on up to £1 million without an IHT liability. Maintaining these thresholds at their 2020 to 2021 levels is part of the fair and sustainable approach to rebuilding the public finances and continuing to fund excellent public services.

Background to the measure

This measure was announced at Budget 2021.

There are two nil-rate bands within IHT. Subject to available reliefs and exemptions, tax is payable to the extent the net value of the estate exceeds these nil-rate bands.

The £325,000 NRB is available to all in respect of their death estate and can be set against all assets. The NRB can also be used:

- to allow individuals to make lifetime chargeable transfers up to £325,000 within a 7-year period without an IHT liability
- in calculating the periodic and exit charges on relevant property trusts

The £175,000 RNRB is available to those passing on a qualifying residence on death to their direct descendants. A taper reduces the amount of the RNRB by £1 for every £2 that the net value of the estate is more than £2 million.

Any unused NRB or RNRB following the death of an individual can be transferred to their surviving spouse or civil partner. This means that from 6 April 2021, qualifying estates can continue to pass on up to £500,000 and if the NRB and RNRB remain unused, the qualifying estate of a surviving spouse or civil partner is still able pass on up to £1 million without an IHT liability.

The NRB has been maintained at £325,000 since 2009 to 2010.

The RNRB was introduced in 2017 to 2018, starting at £100,000 and increasing by £25,000 each year until reaching £175,000 in 2020 to 2021. The taper threshold has been set at £2 million since the RNRB was introduced.

The current legislation requires the NRB, RNRB and threshold for the RNRB taper to increase in line with the Consumer Prices Index (CPI) in each year from 2021 to 2022.

Detailed proposal

Operative date

The measure will take effect in relation to the tax years 2021 to 2022 up to and including 2025 to 2026 and will affect lifetime gifts made, relevant property trust charges arising and deaths occurring on or after 6 April 2021.

Current law

Section 7 of the Inheritance Tax Act 1984 (IHTA) provides for the rates of IHT to be as set out in the table in Schedule 1. The table states that the NRB is currently £325,000. Section 8 of the IHTA provides for the indexation of the NRB in line with CPI unless Parliament otherwise determines.

Section 10 Finance (No. 2) Act 2015 provides that section 8 of IHTA does not apply up to and including 2020 to 2021. This means that the NRB is maintained at the current level of £325,000 until the end of 2020 to 2021. Sections 8A-C of the IHTA provides that where an estate qualifies for the spouse or civil partner exemption, the unused proportion of the NRB when the first of the couple dies can be transferred to the estate of the surviving spouse or civil partner, so that the combined NRB can be up to £650,000.

Section 8D(5) of the IHTA provides the amount of the RNRB where the interest in a home passes on death to direct descendants. Section 8K of the IHTA provides for the definition of a direct descendant. The RNRB has increased from £100,000 for the tax year 2017 to 2018 to £175,000 for the tax year 2020 to 2021. Section 8D(5) of the IHTA outlines the "taper threshold" which reduces the amount of the RNRB by £1 for every £2 the net value of the estate is worth more than the £2 million taper threshold.

Section 8G of the IHTA provides that where the RNRB is not fully used, the unused proportion of the RNRB can be transferred to the estate of the surviving spouse or civil partner. The combined RNRB can be up to £350,000. Section 8D(6) and (7) of

the IHTA provides for the indexation of the RNRB and taper threshold set out in section 8D(5) unless Parliament otherwise determines.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to maintain the NRB, RNRB, and RNRB taper threshold at their 2020 to 2021 levels until the end of 2025 to 2026. The legislation will disapply the indexation provisions in sections 8 and 8D of the IHTA.

Summary of impacts

Exchequer impact (£million)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	+15	+70	+165	+290	+445

Economic impact

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

Impact on individuals, households and families

More than 94% of estates are still forecast to have no IHT liability in each of the next five years. This measure will impact an estimated total of 161,900 estates that are forecast to have an IHT liability over the next 5 years. This includes bringing a cumulative total of around 12,700 additional estates into IHT over this period compared to if the thresholds increased in line with CPI. It is expected that for those estates brought into IHT, the tax liability will be small in comparison to the value of the estate. Customer experience could be negatively impacted for those being brought into IHT if they are not already familiar with the process. To support individuals, HMRC provides clear guidance published on GOV.UK. This measure is not expected to have a material impact on family formation, stability or breakdown. The additional tax that some estates may have to pay compared to the thresholds increasing in line with the CPI will be small in relation to the value of the estate. Some individuals and families may be affected more than others, depending on their income and wealth levels and family circumstances.

Equalities impacts

HM Revenue and Customs (HMRC) collects data about the age, gender and marital status of the deceased. The impact of this measure on groups with protected characteristics is expected to be proportionate with the population of the estates of the deceased paying IHT each year.

IHT is mostly paid by the estates of individuals aged 75 or over. For example, in the tax year 2017 to 2018, almost 80% of taxpaying estates belonged to individuals aged 75 or over. IHT is also paid by the estates of more females than males each year. One reason for this is the combined total of marriages and civil partnerships in the

UK are predominantly between individuals of an opposite sex. Men generally die at a younger age and those in a marriage or civil partnership will normally pass on all, or a large percentage, of the estate to their spouse or civil partner tax-free. The exemption for transfers between spouses and civil partners is also the reason only a small number of taxpaying estates belong to those married or in a civil partnership at death, with almost half belonging to those who had been widowed.

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on advisers and relevant businesses. There is expected to be a negligible one-off cost to advisers and relevant businesses as they familiarise themselves with the change and update software to reflect the thresholds being maintained until 2025 to 2026. There are not expected to be any continuing costs.

Customer experience of advisers is expected to remain the same as this measure doesn't alter how advisers interact with HMRC.

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

Operational impact (£million) (HMRC or other)

HMRC costs for this change are estimated to be in region of £3.5 million over the next 5 years. This is to cover increased staffing costs dealing with the additional estates brought into IHT. Other impacts have been considered and none have been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the Inheritance Tax Helpline on telephone: 0300 123 1072.

Income Tax and coronavirus (COVID-19) support scheme: working households receiving tax credits

Who is likely to be affected

Recipients of Tax Credits who receive payments from Covid-19 support scheme: working households receiving tax credits.

General description of the measure

This measure introduces an Income Tax exemption for payments from Covid-19 support scheme: working households receiving tax credits.

Policy objective

These changes give certainty to Tax Credits claimants, that payments made under Covid-19 support scheme: working households receiving tax credits will not give rise to charges to Income Tax.

Background to the measure

In March 2020, the Chancellor announced a temporary uplift of £20 per week to the Universal Credit (UC) standard allowance and Working Tax Credits basic element for the 2020 to 2021 financial year. These payments provided extra support to low-income workers during the coronavirus pandemic, where they may have had unexpected falls in incomes.

A one-off payment - Covid-19 support scheme: working households receiving tax credits of £500 is being made to Tax Credits recipients to cover a six-month period from April to September 2021 to continue this government support.

Detailed proposal

Operative date

The measure will have effect from 6 April 2021.

Current law

Payments from the Covid-19 support scheme: working households receiving tax credits are being introduced under section 76 of the Coronavirus Act 2020, HMRC functions. Payments made under Section 76 of the Coronavirus Act 2020 are subject to Income Tax as coronavirus support payments under Section 106(2)(c) of Finance Act 2020.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to exempt from Income Tax Covid-19 support scheme: working households receiving tax credits payments made to tax credit recipients.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	-765	-20	NIL	NIL	NIL

These figures are set out in Table 2.1 of Budget 2021 as a package of measures called '£500 payment to eligible Working Tax Credit recipients', and have been certified by the Office for Budget Responsibility.

They represent the combined Exchequer impact of Exemption from Income Tax of WTC coronavirus support payments and DEL cost of the WTC one-off payment.

Economic impact

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

Impact on individuals, households and families

This measure will affect approximately 780,000 individuals, of whom a quarter are expected to be self-assessment taxpayers. This measure will ensure they do not pay tax on Covid-19 support scheme: working households receiving tax credits payments. Customer experience is expected to remain broadly the same as this measure does not alter how individuals interact with HMRC. This measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

Of the individuals affected, approximately two-thirds are women and one-third are men.

Impact on business including civil society organisations

This measure is expected to have no impact on businesses or civil society organisations as it only affects Tax Credits recipients of Covid-19 support scheme: working households receiving tax credits payments.

Operational impact (£million) (HMRC or other)

There are no operational impacts to HMRC of implementing this change.

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.

Income Tax changes to benefit charges for vans and the fuel benefit charge for cars and vans

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 from 6 April 2021. The flat-rate van benefit charge will increase to £3,500; the multiplier for the car fuel benefit will increase to £24,600; and the flat-rate van fuel benefit charge will increase to £669.

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 2021 to 2022 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 4 February 2021 by Written Ministerial Statement.

Detailed proposal

Operative date

The changes will have effect on and after 6 April 2021.

Current law

The Van Benefit and Car and Van Fuel Benefit Order 2020 (SI 2020/199) set the charges for 2020 to 2021. It set the van benefit at £3,490, the car fuel benefit multiplier at £24,500 and the van fuel benefit at £666.

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 2020 Consumer Price Index figure. The value of the multiplier for calculating the cash equivalent of the fuel benefit for a car will increase to £24,600 for 2021 to 2022. The flat rate charge for the van fuel benefit will increase to £669 for 2021 to 2022.

The cash equivalent where a van is made available to an employee for private use will increase to £3,500 for 2021 to 2022 by making an amendment to section 155(1B)(a) and (b) of ITEPA.

Separate legislation is being introduced in Finance Bill 2021 in respect of the van benefit for zero emission vans.

Summary of impacts

Exchequer impact (£m)

Van benefit charge

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	Negligible	Negligible	Negligible	Negligible	Negligible

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

Van fuel benefit charge

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	Negligible	Negligible	Negligible	Negligible	Negligible

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

Car fuel benefit charge

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	Negligible	Negligible	Negligible	Negligible	Negligible

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

Economic impact

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

Impact on individuals, households and families

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. Approximately 211,000 individuals are likely to be affected by the increase in the car and van fuel benefit charge. Approximately, 80,000 individuals are likely to be affected by the increase in the van benefit charge.

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 measure will impact men more than women, as the majority of employees who make private use of employer-provided vans or are provided with fuel for private mileage in company vehicles are men.

It is not anticipated that this measure will have impacts on other 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 car and van fuel benefit charges. There are not expected to be any continuing costs.

Customer experience is expected to remain broadly the same as 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)

The financial consequences to HMRC of implementing these changes will be in the region of £200,000.

These measures can be implemented at no additional cost to Other Government Departments.

Other impacts

The changes to the car and van fuel benefit support the government's climate change agenda by discouraging excess private mileage in company vehicles.

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

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.gov.uk.

Income Tax exemption for financial support payments made to potential victims of modern slavery and human trafficking

Who is likely to be affected

Individuals in receipt of financial support payments for potential victims of modern slavery and human trafficking.

General description of the measure

This measure introduces an exemption from Income Tax for financial support payments received by potential victims of modern slavery and human trafficking, made by the UK Government and devolved administrations.

Policy objective

The objective of this measure is to confirm that financial support payments made to potential victims of modern slavery and human trafficking are exempt from Income Tax.

Background to the measure

The UK has an obligation under the Council of Europe Convention on Action against Trafficking in Human Beings to assist victims of modern slavery and human trafficking in their physical, psychological and social recovery, including material assistance.

Modern slavery is defined as human trafficking, slavery, servitude, and forced or compulsory labour.

When a potential victim of modern slavery is identified, they are considered under the National Referral Mechanism (NRM), which assesses whether that individual has been a victim.

While the NRM makes its assessment, the individual is entitled to support through the Victim Care Contract (VCC) which includes financial support payments as well as accommodation and a support worker.

The payments are made under Article 12 of the Council of Europe Convention on Action against Trafficking in Human Beings.

Detailed proposal

Operative date

This measure is wholly relieving with retrospective effect. The exemption from Income Tax will have effect from the 1 April 2009, when the financial support payments started.

Current law

These payments represent annual payments. In the absence of a specific exemption, the payments made by the UK government and devolved administrations

are chargeable to tax under 683 of the Income Tax (Trading and Other Income) Act 2005).

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to relieve payments made in connection to modern slavery and human trafficking, from Income Tax under section 683 of the Income Tax (Trading and Other Income) Act 2005.

Summary of impacts

Exchequer impact

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
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 impact.

Impact on individuals, households and families

This measure is expected to have a positive impact on individuals receiving subsistence payments from Home Office, Scottish Government and Northern Ireland Executive for modern slavery and human trafficking. There are no Capital Gains Tax and Inheritance Tax implications from the scheme.

Customer experience is expected to remain broadly the same as this measure doesn't alter how individuals interact with HMRC. This measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

This measure may have a disproportionate positive impact on some groups sharing protected characteristics, reflecting the population receiving the financial support payments.

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 for modern slavery and human trafficking.

Operational impact (£m) (HMRC or other)

There will be no operational impacts.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

The measure will be kept under review through regular communication with paying departments.

Further advice

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

Income Tax exemption for employer-reimbursed coronavirus antigen tests

Who is likely to be affected

Employers who choose to reimburse an employee for the cost of a relevant coronavirus antigen test, and employees who are reimbursed for the cost of a relevant test from their employer.

General description of the measure

This measure will introduce an income tax exemption for payments that an employer makes to an employee to reimburse for the cost of a relevant coronavirus antigen. There will be no Income Tax liability for the employee or employer.

To be eligible for the exemption, a relevant coronavirus antigen test is defined as a test which can detect the presence of a viral antigen or viral ribonucleic acid (RNA) specific to severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).

This includes any variants that are identified via a coronavirus antigen test.

The Income Tax exemption will retrospectively apply to any advance payments or reimbursements made to an employee for the cost of a relevant coronavirus antigen test made for the tax year 2020 to 2021.

Corresponding National Insurance contributions (NICs) regulations have been laid to prevent an equivalent NICs charge on the payment. Further details can be found in the separate NICs tax impact and information note published on 15 December 2020.

For any relevant advance payments or reimbursements which have been made during the 2020 to 2021 tax year, but before the Income Tax (or NICs) measures come into force, HMRC will exercise its Collection and Management (C&M) powers and will refrain from collecting any Income Tax (or NICs) due on the reimbursement of a relevant coronavirus antigen test.

Policy objective

This measure is designed to minimise the financial burdens on employees, and the Income Tax liability and reporting requirements on employers who reimburse an employee for the cost of a relevant coronavirus antigen test.

Background to the measure

The government is committed to supporting businesses and individuals through the coronavirus pandemic. This measure aims to ensure that there is no Income Tax liability where an employer reimburses an employee for the cost of a relevant coronavirus antigen test.

This measure, alongside the existing tax exemption for employer-provided coronavirus antigen tests, means employers and their employees will not have any Income Tax liabilities resulting from either provision of a relevant coronavirus antigen test or reimbursement of the cost of a test to an employee for the 2020 to 2021 tax

year (there is a separate measure to remove prospectively the tax charge for employer reimbursed coronavirus antigen tests in the 2021 to 2022 tax year).

No consultation has been held as this is a minor and temporary change which is wholly relieving.

Detailed proposal

Operative date

The income tax measure will have effect after the date of Royal Assent to Finance Bill 2021 and will retrospectively apply to the 2020 to 2021 tax year.

For any relevant advance payments or reimbursements which have been made during the 2020 to 2021 tax year, but before the Income Tax measure comes into force HMRC will exercise its collection and management discretion and will not collect tax and NICs due on any amounts, provided the conditions set out in the legislation are met.

Current law

For tax purposes, where an amount is reimbursed to an employee in respect of expenses incurred by the employee or paid in advance to the employee to meet expenses incurred by the employee, then this would ordinarily be captured by section 72 (Chapter 3 Part 3 of Income Tax (Earning and Pensions) Act 03 (ITPEA03) where the sum is to be treated as earnings from the employment for the tax year in which it is paid or paid away.

This would normally give rise to an Income Tax liability for the employee and NICs charge on the employer and employee, unless a relevant exemption applies.

Tax relief is generally available under section 336 ITEPA03 where an employee incurs a cost that is "wholly, exclusively and necessarily in the performance of the duties of their employment". The corresponding NICs disregard is contained within schedule 3 of the Social Security (Contributions) Regulations 2001.

However, the current rules mean that where an employee buys their own coronavirus test and is reimbursed by their employer, they will currently not be entitled to any Income Tax or NICs relief.

This is because the expense incurred puts the employee in a position to perform their duties and is therefore not incurred in performance of their duties.

To minimise the financial and reporting burdens, a new NICs disregard for both Class 1 and Class 1A NICs was introduced under sections 3 and 10 of the Social Security Contributions and Benefits Act 1992 (SSCBA).

The disregard ensures that where an employer reimburses an employee for the cost of a relevant coronavirus antigen test there will be no NICs liability.

Proposed revisions

A new Income tax exemption will be introduced to ensure that where an employer reimburses an employee for the cost of a relevant coronavirus antigen test there will be no Income Tax liability.

The government will legislate for an Income Tax exemption within ITEPA03 for employer reimbursements of the cost of relevant coronavirus antigen tests in Finance Bill 2021. The disregard specifically applies to relevant coronavirus antigen tests only and does not extend to coronavirus antibody tests.

This is because antibody tests only provide a historic view of whether an individual has previously contracted the coronavirus, and unlike the antigen test, it does not inform whether the individual is currently affected by the coronavirus and needs to self-isolate to prevent spreading the virus to other people.

Summary of impacts

Exchequer impact

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Empty	Empty	Empty	Empty	Empty	Empty

The Office for Budget Responsibility has included the impact of this measure in its forecast at Budget 2021.

Economic impact

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

Impact on individuals, households and families

This proposal is expected to have a positive impact on employees who are reimbursed the cost of a relevant coronavirus test by their employer as it ensures that they (and their employer) will not be liable to Income Tax or NICs on the payment.

Customer experience is expected to remain broadly the same as it does not change how individuals interact with HMRC.

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

Equalities impacts

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

Impact on business including civil society organisations

This proposal is expected to have a positive impact on employers by ensuring they no longer need to pay Income Tax or NICs when they reimburse an employee the cost of a relevant coronavirus antigen test.

There will be a one-off cost in the form of familiarisation with the change.

There are not expected to be continuing costs. Customer experience is expected to stay broadly the same as this proposal does not significantly change how employers interact with HMRC.

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

Operational impact (£m) (HMRC or other)

There will be a negligible operational impact to HMRC for this change.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the Income Tax Policy team by email: employmentincome.policy@hmrc.gov.uk.

Income Tax Personal Allowance and the basic rate limit from 6 April 2022 to 5 April 2026

Who is likely to be affected

Income taxpayers, National Insurance contributions payers, employers and pension providers.

General description of the measure

This measure will maintain the Personal Allowance and basic rate limit at their 2021 to 2022 levels up to and including 2025 to 2026. It will set the Personal Allowance at £12,570, and the basic rate limit at £37,700 for tax years:

- 2022 to 2023
- 2023 to 2024
- 2024 to 2025
- 2025 to 2026

The higher rate threshold (the Personal Allowance added to the basic rate limit) will be £50,270 for these years. The National Insurance contributions Upper Earnings Limit and Upper Profits Limit will remain aligned to the higher rate threshold at £50,270 for these years.

From 2026 to 2027 onwards, existing legislation means that the default is for the Personal Allowance and basic rate limit to be indexed with Consumer Price Index (CPI).

Policy objective

This policy takes steps to make sure the sustainability of the public finances and fund our vital public services in a fair and sustainable way.

Background to the measure

This measure was announced at Budget 2021.

Changes to the Personal Allowance will apply to the whole of the UK.

Changes to the basic rate limit, and higher rate threshold, will apply to non-savings and non-dividend income in England, Wales and Northern Ireland and to savings and dividend income in the UK. Since April 2017, the Scottish Parliament sets the basic rate limit and higher rate threshold for non-savings, non-dividend income for Scotland. Changes to the National Insurance contributions Upper Earnings Limit and Upper Profits Limit will apply to the whole of the UK.

Detailed proposal

Operative date

The measure will have effect on and after 6 April 2022.

Current law

The Personal Allowance is indexed with CPI under section 57 of the Income Tax Act 2007.

The basic rate limit is also indexed with CPI, under section 21 of the Income Tax Act 2007.

The Personal Allowance is set at £12,570 for 2021 to 2022, and the basic rate limit is set at £37,700 for 2021 to 2022.

The higher rate threshold is equal to the Personal Allowance added to the basic rate limit. As a result, the higher rate threshold will be £50,270 in 2021 to 2022.

The National Insurance contributions Upper Earnings Limit and Upper Profits Limit are set at £50,270 for 2021 to 2022.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to set the Personal Allowance for 2022 to 2023 at £12,570, and the basic rate limit for 2022 to 2023 at £37,700.

These thresholds will remain set at £12,570 and £37,700 for 2023 to 2024, 2024 to 2025, and 2025 to 2026, and the legislative default is that they would rise in line with CPI thereafter.

The following table sets out the thresholds to include the changes from this measure.

	2022 to 2023	**2023 to 2024**	**2024 to 2025**	**2025 to 2026**
Personal Allowance (PA)	£12,570	£12,570	£12,570	£12,570
Basic rate limit (BRL)	£37,700	£37,700	£37,700	£37,700

The National Insurance contributions Upper Earnings Limit and Upper Profits Limit will remain aligned to the higher rate threshold at £50,270 for:

- 2022 to 2023
- 2023 to 2024
- 2024 to 2025
- 2025 to 2026

The National Insurance contributions Upper Earnings Limit and Upper Profits Limit will be legislated for in the annual setting of National Insurance contributions rates, limits and thresholds as standard.

Summary of impacts

Exchequer impact (£million)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
–	negligible	+1,555	+3,655	+5,790	+8,180

The figures for these measures are set out in Table 2.1 of Budget 2021 as 'Personal Allowance and higher rate threshold: set at £12,570 and £50,270 in 2022 to 2023 to 2025 to 2026' and have been certified by the Office for Budget Responsibility (OBR). More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

The OBR have incorporated the impact of this policy in their economy forecast to account for the temporary impact on consumption from this measure. More details can be found in their March 2021 Economic and Fiscal Outlook.

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

An adjustment was made to take account of the behavioural response.

Impact on individuals, households and families

The impact analysis that follows relates specifically to the impact of the legislative provisions outlined above. Gains and losses are presented compared to the income tax and National Insurance contributions individuals would have faced if these thresholds were indexed with CPI from 2022 to 2023 onwards.

From 2022 to 2023, this measure will impact 32.5 million individuals, of whom 27.7 million will be basic rate taxpayers, 4 million will be higher rate taxpayers, and 475,000 will be additional rate taxpayers. A basic rate taxpayer will have an average real loss of £41, a higher rate taxpayer will have an average real loss of £165, and an additional rate taxpayer will have an average real loss of £73.

There will be 479,000 individuals with an average real gain of £35 in 2022 to 2023. These gains include Scottish higher rate taxpayers and part-time workers (or individuals with fluctuating incomes) who do not lose from maintaining the higher rate threshold but benefit from maintaining the Upper Profits and Upper Earnings Limits for National Insurance contributions.

The measure will bring 319,000 individuals into income tax in 2022 to 2023, and 186,000 individuals into the higher rate of income tax compared to if these thresholds were indexed with inflation.

By 2025 to 2026, the final year of this measure, it will impact 33.3 million individuals, of whom 27.1 million will be basic rate taxpayers, 4.3 million will be higher rate taxpayers, and 591,000 will be additional rate taxpayers. A basic rate taxpayer will have an average real loss of £196, a higher rate taxpayer will have an average real loss of £734, and an additional rate taxpayer will have an average real loss of £324.

There will be 1.9 million individuals with an average real gain of £80 in 2025 to 2026. These gains include Scottish higher rate taxpayers and part-time workers (or individuals with fluctuating incomes) who do not lose from maintaining the higher rate threshold but benefit from maintaining the Upper Profits and Upper Earnings Limits for National Insurance contributions.

The measure will bring 1.3 million individuals into income tax by 2025 to 2026, and 1 million individuals into the higher rate of income tax compared to if these thresholds were indexed with inflation.

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

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

Equalities impacts

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

From this measure, 2022 to 2023 estimated impacts by gender are:

- 32.5 million individuals will lose – of these, 18.9 million (58%) are male and 13.7 million (42%) are female

- 319,000 individuals will be brought into tax – of these, 142,000 (45%) are male and 177,000 (55%) are female

- 186,000 individuals will be brought into the higher rate of tax – of these, 128,000 (69%) are male and 58,000 (31%) are female

- 479,000 individuals will gain from the proposed measure, of which 306,000 (64%) are male and 173,000 (36%) are female

From this measure, 2022 to 2023 estimated impacts by age are:

- 32.5 million individuals will lose – of these, 25.5 million (78%) are below State Pension age and 7 million (22%) are above State Pension age

- 319,000 individuals will be brought into tax – of these, 210,000 (66%) are below State Pension age and 109,000 (34%) are above State Pension age

- 186,000 individuals will be brought into the higher rate of tax – of these, 164,000 (88%) are below State Pension age and 22,000 (12%) are above State Pension age

- 479,000 individuals will gain from the proposed measure, of which more than 99% are below State Pension age

From this measure, 2025 to 2026 estimated impacts by gender are:

- 33.3 million individuals will lose – of these, 19 million (57%) are male and 14.3 million (43%) are female

- 1.3 million individuals will be brought into tax – of these, 565,000 (42%) are male and 776,000 (58%) are female

- 1 million individuals will be brought into the higher rate of tax – of these, 671,000 (67%) are male and 331,000 (33%) are female

- 1.9 million individuals will gain from the proposed measure, of which 1.3 million (67%) are male and 622,000 (33%) are female

From this measure, 2025 to 2026 estimated impacts by age are:

- 33.3 million individuals will lose – of these, 25.6 million (77%) are below State Pension age and 7.7 million (23%) are above State Pension age

- 1.3 million individuals will be brought into tax – of these, 873,000 (65%) are below State Pension age and 467,000 (35%) are above State Pension age

- 1 million individuals will be brought into higher rate of tax – of these, 877,000 (88%) are below State Pension age and 124,000 (12%) are above State Pension age

- 1.9 million individuals will gain from the proposed measure, of which more than 99% are below State Pension age

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses and civil society organisations. An individual's Personal Allowance is reflected in their PAYE tax code. Any changes to individuals' tax codes are a routine annual event for employers and pension providers. Non-routine changes are handled by HMRC.

Operational impact (£million) (HMRC or other)

There will be no operational impacts on HMRC.

Other impacts

None have been identified.

Monitoring and evaluation

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

Further advice

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

Interest harmonisation and penalties for late submission and late payment of tax

Who is likely to be affected

This measure will affect those who are required to submit a VAT Return and/or an Income Tax Self Assessment (ITSA) Return and who fail to submit returns on time or fail to pay on time. It will also affect anyone working on behalf of taxpayers such as agents.

General description of the measure

Late submission

This measure introduces a new points-based penalty regime for regular tax return submission obligations, which replaces existing penalties for VAT and ITSA.

Late payment

There is no penalty at all if the taxpayer pays the tax late but within 15 days of the due date.

The first penalty is set at 2% of the outstanding amount if they pay between 16 days and 30 days after the due date.

It is set at 4% of the outstanding amount if there is tax left unpaid 30 days after the due date.

A second late payment penalty is charged at a rate of 4% per annum, calculated on a daily basis on the total unpaid tax incurred from day 31.

To avoid a penalty or penalties, the taxpayer will need to either pay or approach HMRC to agree a Time to Pay Arrangement.

The effect of making payments or approaching HMRC to agree a Time to Pay Arrangement is shown in the table below.

Interest harmonisation

The VAT interest rules will change and will be similar to those that currently exist in ITSA. The measure will make the following changes to interest payments in VAT:

- when an amount is not paid by the due date, late payment interest will be charged to the taxpayer from the date that payment was due, until the date the payment is received

- HMRC will pay repayment interest on any overpaid tax and/or tax refunds due to be repaid

Policy objective

The new penalty regime is designed to make sanctions for failing to file or pay on time simple, fair and effective to protect public finances by incentivising compliance and to strengthen confidence in the tax system.

It will penalise the small minority who persistently do not comply by missing filing and payment deadlines, while being more lenient on those who make the occasional slip-up.

The current penalty regimes for late submission and late payment and interest are inconsistent across major taxes, meaning HMRC penalises the same behaviour in different ways.

The reform introduces a common approach across VAT and ITSA, providing greater consistency, fairness and certainty in the system, making it easier for taxpayers to comply with their submission and payment obligations and making late payment penalties more proportionate to the lateness of payment.

For Making Tax Digital (MTD) ITSA taxpayers, the penalties will provide a sanction to encourage compliance with their new quarterly and End of Period Statement obligations. However, as the late submission penalties are points-based they also take a proportionate approach by not applying a financial penalty to every missed obligation.

MTD taxpayers would have to miss four quarterly submission deadlines before incurring a financial penalty.

The new regime is designed so that it can be applied to other taxes with payment and regular submission obligations, to provide a clear, transparent and consistent approach for taxpayers and HMRC.

Background to the measure

This new approach assures the compliant majority that an occasional failure in the context of overall good compliance will not be treated in the same way as persistent poor compliance.

This measure has been developed through three consultations. The first Making Tax Digital: Tax Administration ran from August to November 2016.

This consultation proposed models for a late submission penalty, as well as options for a separate late payment penalty. Initial comments were also sought in this consultation for alignment of the HMRC interest rules.

The second consultation Making Tax Digital: sanctions for late submission and late payment ran from March to June 2017. Here, further models were proposed for a late submissions penalty and a late payment penalty.

The third consultation Making Tax Digital: interest harmonisation and sanctions for late payment ran from December 2017 to March 2018.

This consultation focused on aligning interest for monies owed to and by HMRC as well as proposing another model for the late payment penalty.

Responses to all of these consultations have helped to shape the details of the new penalty regime.

Detailed proposal

Operative date

Penalty Reform will replace existing penalties and will come into effect as follows:

VAT taxpayers for accounting periods beginning on or after 1 April 2022

ITSA taxpayers with business or property income over £10,000 per year (who are required to submit digital quarterly updates through Making Tax Digital for ITSA) for accounting periods beginning on or after 6 April 2023, and to all
other ITSA taxpayers for accounting periods beginning on or after 6 April 2024

Current law

Late submission penalty

For VAT, there is currently no standalone late submission penalty. Instead, the Default Surcharge is provided for at Sections 59, 59A and 59B of the Value Added Tax Act 1994. Default Surcharge is a combined late submission and late payment sanction. It will be replaced by the new late submission penalties at the same time as the related interest harmonisation and sanctions for late payment reforms.

For ITSA, late submission penalties are set out at paragraphs 1 to 6 of Schedule 55 to Finance Act (FA) 2009 (with paragraphs 6(3)(a) and (4)(a) providing a higher penalty for deliberate withholding). A penalty of £100 becomes chargeable as soon as a return is late.

A £10 daily penalty becomes chargeable when a return remains outstanding 3 months after the deadline. A penalty of £300 or 5% of the tax liability (whichever is greater) becomes chargeable where a return is outstanding 6 months after the deadline and again at 12 months. A higher penalty can be charged for 12 months' delay if the taxpayer deliberately withholds information by not submitting the return.

Late payment penalty

Current law for late payment penalties in ITSA is contained in FA 2009 Schedule 56, table items 1, 12 and 17 to 19, and paragraphs 3 and 9 to 17.

For VAT there is currently no standalone late payment penalty. Instead Default Surcharge applies at Sections 59, 59A and 59B of the Value Added Tax Act 1994, which is a combined sanction for late submission and late payment penalty.

Interest

In ITSA, the current law on late payment and repayment interest is contained in FA 2009, sections 101 to 103 and Schedule 53 and Schedule 54.

Interest in VAT includes charges to taxpayers (default interest) and payments to taxpayers (repayment supplement and official error). Current law is contained in the Value Added Tax Act 1994, section 73 to 74 and section 78 to 79 respectively.

Proposed revisions

Late submission penalties

When a taxpayer misses a submission deadline they will incur a point. Points accrue separately for VAT and for ITSA.

A taxpayer becomes liable to a fixed financial penalty of £200 only after they have reached the points threshold.

The level of points threshold depends on the taxpayer's submission frequency: Annually = 2 points / Quarterly = 4 Points / Monthly = 5 Points.

Individual penalty points accrued will automatically expire after 24 months provided the taxpayer remains below the points threshold. After the points threshold has been reached all points will expire after the taxpayer has met their return obligations for a set period of time based on their submission frequency: Annually = 24 months / Quarterly = 12 months / Monthly = 6 months.

If the taxpayer continues to miss submission deadlines after they have reached the points threshold and have been issued with a penalty, they will become liable for a further fixed rate penalty for each additional missed obligation. This is the case even if they have paid the fixed rate penalty.

In common with other tax penalties, a taxpayer will not be liable to a point or penalty if they had a reasonable excuse for not making the relevant submission on time and will have a right to appeal against both points and penalties.

Legislation will be introduced in Finance Bill 2021 to create two new schedules.

The first schedule will provide for the new points-based late submission penalty regime for VAT and ITSA. This legislation will set the financial penalty at £200.

The second schedule will replace the deliberate withholding penalty for ITSA (currently set out in paragraphs 6(3)(a) and (4)(a) of Schedule 55 to Finance Act (FA) 2009) so it works effectively with the new points-based regime.

It will not, at this stage, apply to VAT where the immediate intention is to continue to apply the current VAT civil evasion penalty in s.60 VATA 1994, though this may be reviewed in future.

Other taxes and occasional obligations will continue to be dealt with under existing legislation.

Late payment penalties

Legislation will align the late payment penalty regimes across the main taxes. Current late payment sanctions will be replaced.

The new late payment penalty will consist of two separate charges. The first charge will become payable 30 days after the payment due date and will be based on a set percentage of the balance outstanding.

The amount of that charge will depend on payments made or Time to Pay (TTP) arrangements that are agreed during those first 30 days.

First charge

Days after payment due date	Action by taxpayer	Penalty
0 to 15	Payments made or taxpayer proposes a TTP that is eventually agreed	No penalty is payable
16 to 30	Payments made or the taxpayer proposes a TTP that is eventually agreed	Penalty will be calculated at half the full percentage rate (2%)
Day 30	No payment made, no TTP agreed	Penalty will be calculated at the full percentage rate (4%)

Second charge

A second charge will also become payable from Day 31 and will accrue on a daily basis, based on amounts outstanding. As with the first charge, the taxpayer can agree a TTP with HMRC.

If the TTP is agreed, the penalty will stop accruing from the date the taxpayer proposes it.

Notice of penalty

Both the first charge and second charge will be notified to the taxpayer and any amounts shown as payable on the notice will be required to be paid, or appealed, within 30 days of the date of that notice.

In common with other tax penalties, a taxpayer will not incur a late payment penalty if they had a reasonable excuse for not making the payment on time and will have a right to appeal against late payment penalties.

Interest harmonisation

Legislation will align the interest rules for VAT to ensure they follow similar rules to those for ITSA. Provisions similar to the current FA 2009 S101, S102, Schedules 53 and 54 will be enacted to apply to VAT accounting periods starting after April 2022.

The measure will ensure that in VAT, where a payment is made after the due date, late payment interest will be payable from the date that payment became due until the date it is received by HMRC.

Late payment interest will also apply to VAT returns, VAT amendments and assessments and VAT payments on account.

Additionally, repayment interest will be payable in VAT either from the last day the payment was due to be received or the day it was received, whichever is later, until

the date the repayment to the taxpayer is authorised or offset. Where a VAT repayment return has been received HMRC will not pay interest:

- for periods of reasonable enquiry where a full response has not been received
- where there are any outstanding returns for other prescribed accounting periods
- where security has been requested and not provided

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	-	+5	+90	+155	+155

These figures are set out in Table 2.1 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

This measure is not expected to have significant macroeconomic impacts.

Impact on individuals, households and families

This measure is expected to affect individuals who submit a Self Assessment tax return and who are non-compliant with payment and/or submission deadlines.

There are currently about 4 million individuals who are within the ITSA regime who will benefit from the replacement of flat rate penalties with a points-based regime. This will allow ITSA taxpayers to make one-off failures to file returns on time without a financial penalty, unlike now.

Late payment penalties will directly link to the tax amount owed and the length of time outstanding to encourage payment sooner. Over time it is expected that the new regime will influence compliance and reduce the overall number of penalties.

In the short-term, taxpayer experience may worsen given the need for familiarisation with the new late payment and late submission penalty regimes. HMRC will aim to reduce this impact by carrying out pre-implementation publicity and where a taxpayer has a Digital Tax Account, providing interactive guidance.

HMRC recognise that moving to the new system of late payment penalties is a significant change for some taxpayers, especially those who might have more difficulty in getting in contact with HMRC within 15 days of missing a payment to begin arranging a Time-to-Pay agreement.

HMRC will therefore take a light-touch approach to the initial 2% late payment penalty for taxpayers in the first year of operation of the new system under both VAT and ITSA. In the first year, where a taxpayer is doing their best to comply, HMRC will not assess the first penalty at 2% after 15 days, allowing taxpayers 30 days to approach HMRC before HMRC charges a penalty.

The first penalty charged will be charged at 4% on any tax still outstanding at 30 days.

In addition, there is no penalty due if the taxpayer has a reasonable excuse for late payment. If HMRC is satisfied a taxpayer has a reasonable excuse it will agree not to assess. This will prevent the taxpayer from unnecessarily having to appeal.

HMRC also has discretionary power to reduce or not to charge a penalty for late payment if it considers that appropriate in the circumstances.

These will include where there are special circumstances that cause a taxpayer to pay their tax late. HMRC will actively consider all cases where this might be the case.

In the longer term, taxpayer experience is expected to improve as the change brings the ITSA and VAT penalty regimes into closer alignment reducing complexity for taxpayers.

There could be an impact on family formation, stability and breakdown if individuals receive a penalty that they are unable to pay. Some individuals could be more affected than others depending on their income levels and family circumstances.

However, ‘Time to Pay’ arrangements and ‘Reasonable Excuse’ provisions will help those individuals who have trouble paying all at once or are unable to meet their payment obligations respectively.

Equalities impacts

HMRC does not hold equalities information on those who currently receive late submission and payment penalties, but this measure will make the application of penalties fairer and simpler to understand.

‘Time to Pay Arrangements’ and ‘reasonable excuse’ provisions for late filing and payment will cover those unable to meet their obligations. This will protect taxpayers in vulnerable circumstances who, for example, may have suffered a bereavement or a serious illness.

Further ‘reasonable adjustments’ may apply to groups with protected characteristics who may, because of their circumstances, be less able to meet their obligations. HMRC will also provide support for the digitally excluded.

Impact on business including civil society organisations

This measure is expected to have an impact on an estimated 2.5 million VAT and 7 million ITSA businesses and civil society organisations who will need to familiarise

themselves with the change to the VAT or ITSA regimes respectively (and some businesses will need to learn about both changes).

In the short-term, taxpayer experience may worsen given the need for familiarisation with the new late payment and late submission penalty regimes. HMRC will aim to reduce this impact by carrying out pre-implementation publicity and where a taxpayer has a Digital Tax Account, providing interactive guidance.

In the longer term, taxpayer experience is expected to improve as the change brings the ITSA and VAT penalty regimes into closer alignment reducing complexity for taxpayers.

For VAT-registered businesses, the current combined penalty for late filing and late payment (VAT Default Surcharge) will be replaced with the new penalties. This means that for the first time there will be a specific penalty for late filing, although only for repeated late filing.

One-off costs include familiarisation with the new late payment and late submission penalty regimes, and the new rules for interest in VAT. HMRC will aim to reduce these costs by carrying out pre-implementation publicity and providing interactive guidance in a taxpayer's Digital Tax Account.

It is not expected that there will be any continuing costs for compliant businesses.

Estimated one-off impact on administrative burden (£m)

One-off impact	(£m)
Costs	39
Savings	-

Estimated continuing impact on administrative burden (£m)

One-off impact	(£m)
Costs	-
Savings	-
Net impact on annual administrative burden	-

The measure also replaces the complex and unpopular Default Surcharge regime for VAT. In addition, the new late submission penalties will not penalise ITSA taxpayers for occasional slip-ups, such as one-off failures to file returns on time.

Operational impact (£m) (HMRC or other)

The operational impact to HMRC for “Penalty Reform” in total is estimated to be in the region of £34m. This includes IT development, business readiness and communications to explain changes to taxpayers.

There may be some longer-term efficiencies to be realised through the automated application of penalties but it has not been possible to quantify these.

Other impacts

A Justice Impact Test will be sent to the Ministry of Justice.

Other impacts have been considered and none has been identified.

Monitoring and evaluation

This measure will be monitored through information collected from HMRC’s systems including data on the issuing of penalties, points accrued and appeals and reviews.

HMRC will monitor implementation closely, collecting stakeholder feedback, and use this to inform any future changes that may be necessary.

Further advice

If you have any questions about this change, contact Christopher Jennings on Telephone: 07471 027634 or email: Chris.jennings@hmrc.gov.uk.

Introduction of a new reduced rate of VAT for hospitality, holiday accommodation and attractions

Who is likely to be affected

Businesses that make certain supplies relating to hospitality, make supplies of holiday accommodation or charge for admission to certain types of attractions.

General description of the measure

The government announced on 8 July 2020 that it intended to legislate to apply a temporary 5% reduced rate of VAT to certain supplies relating to hospitality, hotel and holiday accommodation and admission to certain attractions.

The reduced rate was initially introduced to last for a temporary period between 15 July 2020 and 12 January 2021. This period was subsequently extended to 31 March 2021.

The government announced at Budget 2021 that the temporary reduced rate will be extended for a further six-month period at 5% until 30 September 2021.

A new reduced rate of 12.5% will then be introduced which will end on 31 March 2022. The scope of the relief will remain unchanged.

Policy objective

To support businesses and protect 2.4 million jobs following the lifting of the COVID-19 lockdown, the government have temporarily applied a reduced rate of VAT (5%) to certain supplies in the tourism and hospitality sectors.

This was aimed at supporting the reopening of the economy following the outbreak of the coronavirus pandemic and help to re-establish habits such as eating out in restaurants.

The temporary 5% reduced rate will come to an end on 30 September 2021 and will then be replaced with a 12.5% reduced rate that will be effective until 31 March 2022: both will apply across the UK.

Background to the measure

This temporary relief was introduced as an urgent response to the coronavirus emergency. Its main objective was to support businesses severely affected by the coronavirus pandemic and social distancing measures.

Before the current reduced rate was introduced, the standard rate of VAT (20%) applied to all supplies of restaurant services, hot takeaway food, holiday accommodation and admission to many attractions.

This measure extends the temporary reduced rate of 5% which applies to these supplies until 30 September 2021 in order to provide continued support to businesses most severely impacted by measures taken to address the pandemic.

It also introduces a temporary reduced rate of 12.5% until 31 March 2022 in order to assist with the transition back to the standard rate of VAT as a means to further assist the most severely impacted businesses.

As the government has decided to implement this extension as an emergency measure to support the reopening of businesses, it has not been possible to consult in the time available.

Detailed proposal

Operative date

The initial reduced rate of 5% has had effect from 15 July 2020. The subsequent 12.5% reduced rate will have effect from 1 October 2021 until 31 March 2022. At this point the standard rate will apply.

Current law

Previously the standard rate of VAT applied to most goods and services supplied by the tourism and hospitality sectors. However, groups 14, 15 and 16 were introduced into Schedule 7A VATA when the temporary reduced rate came in to force which results in the following supplies attracting the reduced rate of 5%:

Hospitality: supplies in the course of catering including supplies of hot and cold food and drink to be consumed on the premises and supplies of hot takeaway food and drink to be consumed off the premises

Accommodation: the provision of hotel and holiday accommodation, pitch fees for caravan parks and tents and related facilities

Attractions: admission to attractions not covered by the cultural exemption (see below)

Group 1, Schedule 8 to the VATA applies a zero rate to a large range of supplies of food sold in the UK, including a large range of cold takeaway food. It also applies a zero rate to a limited number of drinks but expressly excludes alcoholic beverages.

Groups 1 and 13 of Schedule 9 VATA applies an exemption from VAT to the following supplies respectively:

- most grants of an interest in, or a right to occupy, land excluding hotel and holiday accommodation and pitch fees for caravans and tents

- admission charges to museums, galleries, art exhibitions, zoos and theatrical, musical or choreographic performances of a cultural nature, when supplied by a public body or an eligible body (as defined)

The previous measure also amended regulation 55K of the VAT Regulations 1995 to ensure that businesses in these sectors that use the flat-rate scheme will also be able to benefit from the reduced rate for the period that it applies.

Proposed revisions

The temporary 5% reduced rate will be extended until 30 September 2021. The 12.5% reduced rate will then come in to force on 30 September 2021 until March 2022. Regulation 55K of the VAT Regulations 1995 will also be amended when the 12.5% reduced rate is introduced to ensure that businesses in these sectors that use the flat-rate scheme will also be able to proportionately benefit from this rate for the period that it applies.

It is intended that this legislation will be included in Finance Bill 2021. The extent and application will be the whole of the United Kingdom.

Summary of impacts

Exchequer impact

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	-4,720	-	-	-	-

These figures are set out in Table 2.1 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

This measure is expected to boost cash flow and viability of businesses in the hotel, hospitality and tourism sectors. Where businesses opt to pass some or all of the saving on to customers this may result in increased spending in these sectors.

This is expected to have a negative impact on inflation in the period for which the measure applies and positive impact in the following year (compared against a return to the standard VAT rate).

Impact on individuals, households and families

This measure is expected to continue to have a positive impact for individuals who go out for meals, buy hot takeaway food, stay in hotels or other holiday accommodation or visit the types of attractions outlined above.

This measure extends the temporary reduced rate of 5% for six months, until 30 September 2021. It then introduces a temporary reduced rate of 12.5% until 31 March 2022 to avoid a cliff edge at the end of the 5% period.

The extension and introduction of the temporary reduced rate of 12.5% are being introduced to continue supporting the cash flow and viability of businesses following multiple periods of closure throughout the coronavirus pandemic.

Customer experience is expected to improve given the positive nature of this measure.

This 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 positive and significant impact upon more than 100,000 businesses by substantially reducing the VAT they would be ordinarily required to charge and account for to HMRC. One off costs will include familiarisation with the changes and could include changes to IT systems to account for a new rate and / or menus to alter prices.

It is expected that the introduction of the temporary 12.5% reduced rate may have an impact on system providers, as they will have a one off cost to familiarise themselves with this change and could also incur one off cost to make adjustments to their software to allow businesses to account for VAT at this new rate.

However, these costs for system providers are expected to be negligible. HMRC will be consulting with industry stakeholders to gather further evidence on implementation costs and the government will update its estimates in due course.

There are not expected to be any continuing costs.

Customer experience for impacted businesses is expected to improve given the supportive and positive nature of this measure.

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

Operational impact (£m) (HMRC or other)

HMRC costs for this change are estimated to be negligible.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about these changes, please contact HMRC at VATtourismandhospitality@hmrc.gov.uk.

Introduction of Plastic Packaging Tax from April 2022

Who is likely to be affected

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

To mitigate against disproportionate administrative burdens in comparison to the tax liability for those who are likely affected, there will be an exemption for manufacturers and importers of less than 10 tonnes of plastic packaging per year.

General description of the measure

This is a new tax that will apply to plastic packaging manufactured 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.

Policy objective

The tax will provide a clear economic incentive for businesses to use recycled material in the manufacture of plastic packaging, which will create greater demand for this material. In turn this will 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.

At Budget 2020, the government announced key decisions on the design of the tax, and HMRC launched a consultation on the more detailed design and implementation of the tax.

On 12 November 2020, the government published the draft primary legislation for technical consultation, alongside a summary of responses for the consultation held earlier in 2020. Feedback from the technical consultation has been used to amend the primary legislation.

The tax information and impact note on the tax published on 12 November 2020 is superseded by this note.

Detailed proposal

Operative date

The tax will take effect from 1 April 2022.

Current law

This is new legislation to establish a Plastic Packaging Tax.

The Finance Act 2020 contains paving legislation which enables HMRC spending on costs associated with the development of the tax, in particular the development of the IT system to support this new tax.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to establish a Plastic Packaging Tax. This sets out the key features of the tax, including:

- the £200 per tonne tax rate for packaging with less than 30% recycled plastic
- the registration threshold of 10 tonnes of plastic packaging manufactured in or imported into the UK per annum
- the scope of the tax by definition of the type of taxable product and recycled content
- the exemption for manufacturers and importers of small quantities of plastic packaging
- who will be liable to pay the tax and need to register with HMRC
- how the tax will be collected, recovered and enforced
- how the tax will be relieved on exports

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	-	+235	+235	+225	+210

These figures are set out in Table 2.2 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

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.

The addition of joint and several liability has no additional impact on individuals as it only affects businesses who are required to conduct due diligence on their supply chain or take action following notification of wrongdoing by a taxpayer they are connected with.

Equalities impacts

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

Impact on business including civil society organisations

It is expected that the impact on businesses will be significant. There is expected to be no impact on civil society organisations.

This measure is expected to impact on an estimated 20,000 manufacturers 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. Continuing 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.

Business experience with HMRC 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.

The average annual net increase in continuing administrative burden for businesses is estimated to be £0.4 million. This is largely for costs related to completing returns, but also includes the costs of new registrations after the commencement of the tax.

Estimated one-off impact on administrative burden (£m)

One-off impact	**(£m)**
Costs	Negligible
Savings	-

Estimated continuing impact on administrative burden (£m)

Continuing average annual impact	**(£m)**
Costs	0.4m
Savings	-
Net impact on annual administrative burden	+0.4m

We have also assessed that the addition of joint and several liability requirements is expected to have a negligible additional impact on businesses or civil society organisations by requiring them to conduct due diligence on their supply chain or take action following notification of wrongdoing by a taxpayer they are connected with. One-off costs could include familiarisation with the new requirements. Continuing costs could include recording and providing HMRC with more information as part of due diligence requirements.

The addition of joint and several liability could negatively impact business experience with HMRC as it may lead to increased contact from HMRC and will require affected businesses to adapt their business practices to comply. To support these businesses, clear guidance will be set out in advance of the commencement of the tax to ensure that businesses know what is required to comply with this change.

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 capital costs of £10-20m developing a new computer service to support this tax, together with £22m in staff and other resource costs. These costs have increased since our last impact assessment following extensive engagement with businesses and a further review of the delivery requirements and are subject to change while the system is finalised. An updated assessment will be published if this impact significantly changes.

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 estimated that as a result of the tax the use of recycled plastic in packaging could increase by around an estimated 40%. This is equal to carbon savings of nearly 200,000 tonnes in 2022 to 2023, based on current carbon factors. Estimates of behaviour change have been noted as including a high degree of uncertainty by the OBR. 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 has been identified.

Monitoring and evaluation

Consideration will be given to evaluating aspects including the rate, threshold and exemptions of the policy after at least one year of monitoring data has been analysed and collected.

Further advice

If you have any questions about this change, please contact Chloe Harkness by email: indirecttaxdesign.team@hmrc.gov.uk.

Legislating for the VAT deferral new payment scheme and deterrent

Who is likely to be affected

Businesses which took up the offer to defer VAT payments that would otherwise have been payable with (or in connection with) VAT returns due between 20 March 2020 and 30 June 2020.

General description of the measure

This measure has 2 impacts.

First, it legislates for a commitment given by the Chancellor of the Exchequer on 24 September 2020 as part of the Winter Economy Plan. This commitment stated that businesses which deferred VAT until 31 March 2021 would be given longer to pay, in up to 11 smaller interest-free instalments.

The New Payment Scheme has a straightforward portal which enables businesses to pay their deferred VAT in instalment by direct debit, with the first instalment made in the month that the business opted into the scheme. After that, payments are made in equal monthly instalments.

Businesses can opt into the New Payment Scheme in March, April, May or June but the later they opt in, the fewer instalments they are allowed to make. The opt-in date must be sufficiently early in the month to allow the first payment to have reached HMRC by the end of that month. Briefly:

Month of opting-in	First payment by end of	Maximum subsequent equal monthly instalments
March	March	10 (11 in total)
April	April	9 (10 in total)
May	May	8 (9 in total)
June	June	7 (8 in total)

Businesses can pay in fewer instalments but there must be a minimum of 2 instalments.

Alternatively, businesses can still pay the full deferred amount by 31 March 2021 or contact HMRC to arrange an alternative way of paying. These options are fully legislated.

Second, the measure provides for a penalty of 5%, chargeable in relation to the amount of the deferred VAT that is outstanding if businesses have not paid in full, opted into the New Payment Scheme or made an alternative arrangement to pay by

30 June 2021. The normal Default Surcharge approach will not apply to deferred VAT.

Policy objective

The measure will provide additional support to businesses during the COVID-19 pandemic, preventing a 'cliff edge' deadline at the end of March 2021, giving the important flexibility and a choice of more and smaller instalments at a time of reduced cashflow for many sectors.

The New Payment Scheme is only one measure in a suite of support across HMRC and government. HMRC will continue to offer bespoke and tailored support to businesses who need it through alternative arrangements.

The penalty is a valuable compliance tool to encourage payment of deferred VAT and ensure that non-compliant businesses do not gain unfair advantage over those that pay on time or make alternative arrangements to pay.

Background to the measure

On 20 March 2020, as part of the government's support for businesses during COVID-19, businesses were given the option to defer their VAT payments due between 20 March and 30 June 2020 to manage their cash flow through the initial stages of the COVID-19 pandemic.

Around 600,000 businesses deferred payments worth an estimated £34 billion. Businesses using the option of deferring their VAT payments must pay by 31 March 2021.

On 24 September 2020, the Chancellor of the Exchequer announced a further support package which included an option for spreading payments of deferred VAT. The New Payment Scheme will allow businesses with deferred VAT to spread their payments over a series of equal monthly instalments from March 2021, interest free. This is a standard offer that businesses can opt in to.

Detailed proposal

Operative date

The New Payment Scheme has been available since February and will remain so until late June 2021. The government intends to bring forward provisions in the Finance Bill to enable the continued operation of the scheme and authorise the Commissioners of Revenue and Customs to administer it.

The penalty with take effect from 1 July 2021. It is intended that provision be brought forward for the assessment of the penalty to be a matter for the Commissioners' discretion.

Current law

The New Payment Scheme and associated penalty will, if passed into law, be the subject of new provision. There will be consequential amendment to the Value Added Tax Act 1994 c. 23 and related legislation.

Proposed revisions

If passed into law, there will be a consequential amendment to the Value Added Tax Act 1994 c. 23 and related legislation.

Summary of impacts

Exchequer impact (£M)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-440	-30	Nil	Nil	Nil	Nil

These figures are set out in Table 1.1: Policy decisions since Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the Policy costings: November 2020 document published alongside Spending Review 2020.

Additional 3 months window for VAT deferral payments via the New Payment Scheme (NPS)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-80	-	-	-	-	-

These figures are set out in Table 2.1 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

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

Impact on individuals, households and families

This measure is expected to have no impact on individuals as it only affects businesses which have deferred VAT payments due between 20 March and 30 June 2020. This measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

There are no equalities impacts. This measure will be available to all VAT registered businesses across the UK which deferred the VAT that was due from 20 March to 30 June 2020.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses' administrative costs. It will provide approximately 600,000 businesses which deferred VAT due between 20 March and 30 June 2020 the option to pay it in up to 11 interest free instalments from March 2021. The New Payment Scheme will be delivered through a simple, self-guided digital portal and Direct Debit (with onboarding help for businesses which are digitally excluded). The customer experience for this scheme is expected to be quick and smooth.

Businesses will face a penalty if they do not pay, or make arrangements to pay, their deferred VAT. The New Payment Scheme will be faster, simpler and more accessible to the majority of customers. A small number of businesses will not be able to use the digital self-serve tool, for example, if they are digitally excluded, if they do not have a UK bank account or if a joint signatory is required on the account. HMRC has developed an alternative payment arrangement for these customers so that they can take advantage of the same terms offered by the New Payment Scheme.

One-off costs include familiarisation with the change to decide whether to use the New Payment Scheme or not and could include registering for the new service and also setting up a Direct Debit. There are not expected to be any continuing costs.

Customer experience could see an improvement as using the New Payment Scheme digital service to opt-in to a standard offer will be faster, simpler and more accessible to the majority of customers.

Operational impact (£m) (HMRC or other)

The operational impacts of this measure have been accounted for in the government's wider economic response to the COVID-19 pandemic. This measure does not generate any further costs to HMRC.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact VAT Infrastructure COVID-19 Policy on email: vatinfrastructurecovid19policy@hmrc.gov.uk.

Maintain VAT thresholds for 2 years from 1 April 2022

Who is likely to be affected

Businesses whose turnover is close to the existing VAT registration threshold of £85,000.

General description of the measure

The VAT registration and deregistration thresholds will not change for 2 years from 1 April 2022.

The taxable turnover threshold, which determines whether a person must be registered for VAT, will remain at £85,000 until 31 March 2024.

The taxable turnover threshold, which determines whether a person may apply for deregistration, will remain at £83,000 until 31 March 2024.

Policy objective

In order to provide businesses with continuing certainty, the registration and deregistration thresholds are being maintained at current levels for a further 2 years.

The Office of Tax Simplification (OTS) report published on 7 November 2017 recognised the distortions the threshold causes and recommended the government should review this.

A lead option to address the distortionary effect is to lower the threshold, however the high level of the threshold acts as a simplification measure for small businesses, ensuring that they do not have to register for VAT.

In March 2018 the government published a call for evidence to explore the extent to which the current threshold acts as barrier to business growth.

Background to the measure

The UK's VAT registration threshold (above which persons making taxable supplies are required to register and account for VAT) is currently set at £85,000, although businesses can opt to register voluntarily if their taxable turnover is below this.

The deregistration threshold for taxable supplies, currently £83,000, is set lower than the registration threshold to avoid businesses trading around the threshold level having constantly to register and deregister.

The UK has the highest registration threshold when compared to members of the EU and OECD. It keeps an estimated 3.6 million small businesses out of VAT. The average thresholds in the EU and the Organisation for Economic Co-operation and Development (OECD) countries are, respectively, around £28,000 (€31,000) and c£35,000 ($49,000).

A previous measure to maintain the current registration and deregistration thresholds until March 2022 was announced at Budget 2018.

The OTS report published on 7 November 2017 recognised the distortions the threshold causes and recommended the government should review this whilst also acknowledging that a higher threshold could simply move the point at which the distortion takes place.

The government published a call for evidence on 13 March 2018 inviting views on the effect of the current threshold and what policy options could better incentivise growth.

A summary of responses was published at Budget 2018. The responses provided did not present a clear option for reform. While concerns about the effect of the threshold remain, the registration and deregistration thresholds will be maintained for a further 2 years until 31 March 2024 to provide businesses with certainty and allow them to make decisions in the knowledge that current thresholds will not change.

Detailed proposal

Operative date

The thresholds will be maintained at their current level for 2 years from 1 April 2022.

Current law

Current law is included in Schedules 1 and 3 of the Value Added Tax Act 1994.

Proposed revisions

There will be no revisions to existing legislation, and no new legal provisions will be introduced.

Summary of impacts

Exchequer impact

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	-	+55	+125	+135	+165

These figures are set out in Table 2.1 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

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

Impact on individuals, households and families

The measure has no impact on individuals or households as it only impacts on businesses. There is no impact on family formation, stability or breakdown.

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a significant impact on businesses with a turnover just below the VAT threshold. The businesses most affected will be those in accommodation and food services, wholesale and retail, professional, scientific and technical services, and construction. Civil society organisations that are making taxable sales who have not been used to dealing with VAT may also be impacted.

Maintaining the current threshold levels is expected to result in approximately 9,400 additional small businesses (or 0.3% of unregistered businesses) having to register for VAT by the end of the 2022 to 2023 financial year and 19,400 businesses (0.5% of unregistered businesses) in total by the end of the 2023 to 2024 financial year when maintenance of the threshold has fully taken effect. This is out of a total business population of 6.0 million at the start of 2020 as estimated by the Department for Business Energy and Industrial Strategy.

One-off costs will include registering for VAT and setting up systems and processes in order to correctly account for and pay VAT. Continuing costs include keeping records of sales and purchases, issuing VAT invoices, maintaining a VAT account and filing and paying VAT returns.

The one-off implementation cost to businesses entering the VAT system over five years is estimated to be negligible. The total continuing administrative burden for the small business population of accounting for VAT will increase by £7 million per year.

Customer experience could be negatively impacted as businesses and affected civil society organisations with no previous VAT experience will now need to familiarise themselves with and register for VAT. To support customers, HMRC provides educational products, online guidance and support through helplines.

Estimates of the costs are shown in the tables below:

Estimated one-off impact on administrative burden (£m)

One-off impact	£(m)
Costs	Negligible
Savings	-

Estimated continuing impact on administrative burden (£m)

Continuing average annual impact	£(m)

Costs	7
Savings	-
Net impact on annual administrative burden	+7

Operational impact (£m) (HMRC or other)

HMRC will incur additional staff costs to implement this policy, estimated at approximately £1.65m.

Other impacts

Justice impact test: judicial impacts are expected to be negligible.

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this note,
email: cit.vatregistrationandaccountingpolicy@hmrc.gov.uk.

Maintaining the annual exempt amount for Capital Gains Tax

Who is likely to be affected

Individuals, trustees of settlements and the personal representatives of deceased persons who have capital gains.

General description of the measure

This measure maintains the Capital Gains Tax annual exempt amount at its current amount of £12,300 for individuals and personal representatives and £6,150 for most trustees of settlements for the tax years 2021 to 2022 up to and including 2025 to 2026.

Policy objective

The annual exempt amount sets the level of capital gains that taxpayers can realise before paying Capital Gains Tax in a given tax year. Maintaining this allowance at its 2020 to 2021 levels is a responsible decision that helps ensure that the post-crisis task of putting the public finances on a sustainable path is no harder than it needs to be.

Background to the measure

This measure was announced at Budget 2021.

Detailed proposal

Operative date

This measure will have effect in relation to gains accruing on or after 6 April 2021.

Current law

The rules for the annual exempt amount are at sections 1K and 1L, and Schedule 1C to, the Taxation of Chargeable Gains Act (TCGA) 1992. Section 1L provides that the annual exempt amount, which is presently set at £12,300, is increased annually in line with increases in the Consumer Prices Index (CPI), rounded up to the nearest £100. Schedule 1C provides that the annual exempt amount available to most trustees of settlements is one half of the amount available to individuals.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to maintain the annual exempt amount at its present levels for tax years 2021 to 2022, 2022 to 2023, 2023 to 2024, 2024 to 2025 and 2025 to 2026.

Summary of impacts

Exchequer impact

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	negligible	+5	+10	+20	+30

These figures are set out in Table 2.1 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

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

Impact on individuals, households and families

As a result of maintaining the annual exempt amount at current levels, the maximum additional liability an individual will have at the highest Capital Gains Tax rate is £28 compared to if the annual exempt amount increase with CPI.

It is estimated that around 300,000 individuals could be impacted by the measure in 2021 to 2022. Most of those affected will be existing Capital Gains Tax payers. The measure will bring around 25,000 individuals into the scope of Capital Gains Tax in 2021 to 2022.

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

Customer experience is expected to stay the same for existing taxpayers. For new taxpayers the customer experience could be negatively impacted because they may have to register for self assessment for the first time. However, to support these taxpayers, online guidance and a dedicated Capital Gains Tax helpline is available.

Equalities impacts

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

Impact on business including civil society organisations

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

Operational impact (£m) (HMRC or other)

The operational impacts of implementing this measure are considered to be negligible.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Aatif Patel on Telephone: 03000 510 915 or email: cgtbudget@hmrc.gov.uk.

New tax checks on licence renewal applications in England and Wales

Who is likely to be affected

Individuals, partnerships (including limited liability partnerships (LLPs)) and companies applying for licences in England and Wales to either drive taxis or private hire vehicles (PHVs), or both, operate a PHV business or deal in scrap metal.

The measure also affects licensing bodies in England and Wales that administer those licence applications.

General description of the measure

Conditionality will introduce a check on tax registration (tax check) for renewed applications in England and Wales for licences to:

- drive taxis and PHVs (for example, minicabs)
- operate a PHV business
- carry on the business of a scrap metal dealer on a site
- carry on business as a mobile collector of scrap metal

An applicant who wishes to renew a licence will need to carry out a tax check. The licensing body (typically a local authority) will have to obtain confirmation from HMRC that the applicant has completed the check before being able to consider their renewed licence application.

Policy objective

The hidden economy consists of individuals and businesses with sources of taxable income that are entirely hidden from HMRC. This deprives the government of funding for vital public services. The hidden economy tax gap (the difference between the amount of tax that should, in theory, be paid, and what is actually paid is estimated to be £2.6 billion for 2018 to 2019.

The hidden economy also distorts competition and is linked to wider rule breaking and criminality, including money laundering, health and safety violations, failure to comply with employment rights, and immigration offences. HMRC is committed to levelling the playing field for legitimate businesses and has a continuing programme of operational work to tackle the hidden economy.

Many people operating in the hidden economy do so because they are unaware of or confused about their tax obligations. If they have been hiding their income for a long period, they are also likely to find it harder to come forward and tell HMRC that they are, or should have been, chargeable to tax ('registered').

Conditionality aims to address part of the hidden economy by helping applicants for certain public sector licences better understand their tax obligations and by making

access to the licences they need to trade conditional on completing a tax check. It is an innovative, cost effective and simple way to tackle this part of the tax gap and help level the playing field, making it more difficult for people to enter or stay in the hidden economy.

Budget 2021 announced that the government will extend this reform to Scotland and Northern Ireland from 2023. A consultation on implementation options will be published on 23 March 2021.

The government will consider extending the principle of conditionality to other sectors over time.

Background to the measure

HMRC has conducted two public consultations on using conditionality to tackle the hidden economy. The first consultation on the principles of conditionality took place in 2016. The Summary of Responses was published on 20 March 2017.

The second consultation on how conditionality could work in practice was published after Autumn Budget 2017 and proposed that access to some public sector licences could be conditional on proving tax registration. It sought evidence on the extent to which the government's proposals would address risks posed by the hidden economy, while minimising administrative or other burdens for customers and licensing bodies.

Budget 2020 announced that the government will legislate in Finance Bill 2021 to make the renewal of licences to drive taxis, drive and operate PHVs and deal in scrap metal conditional on applicants completing checks that confirm they are appropriately registered for tax.

Detailed proposal

Operative date

This measure will have an effect on applications made from 4 April 2022.

Current law

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

Section 7 of the Taxes Management Act 1970 requires an individual who is chargeable to tax to notify HMRC within 6 months of the end of the tax year where they have not received a notice to file, or within 30 days of such a notice being withdrawn.

Paragraph 2 of Schedule 18 to Finance Act 1998 requires a company that is chargeable to tax, and which has not received a notice requiring a return, to notify HMRC within 12 months of the end of the accounting period. Conditionality is designed to test compliance with these two obligations, where they apply.

The licences that will be subject to conditionality are issued under:

- section 46 of the Town Police Clauses Act 1847
- section 8 of the Metropolitan Public Carriage Act 1869
- sections 9 and 13 of the Plymouth City Council Act 1975
- sections 51 and 55 of the Local Government (Miscellaneous Provisions) Act 1976
- sections 3 and 13 of the Private Hire Vehicles (London) Act 1998
- section 2 of the Scrap Metal Dealers Act 2013

Section 17(7) of the Transport Act 1985 and paragraph 1 of Schedule 1 to the Scrap Metal Dealers Act 2013 provide safeguards to ensure that, where a renewal application is made before the original licence expires, the original licence continues in force until a final decision has been made on the application, including a decision on appeal (or alternatively, in the case of the Scrap Metal Dealers Act 2013, until the application is withdrawn).

Proposed revisions

To help tackle the hidden economy, legislation will be introduced in Finance Bill 2021.

Conditionality will apply to applications made by individuals, companies and partnerships, including LLPs for licences to drive taxis and/or PHVs, operate a PHV business or deal in scrap metal.

Licensing bodies will be required to signpost first-time applicants to HMRC guidance about their potential tax obligations and obtain confirmation that the applicant is aware of the guidance before considering the application. Where the application is not a first-time application (a renewed application) the licensing body must, before considering the application, obtain confirmation from HMRC that the applicant has completed a tax check.

An applicant will carry out a tax check by providing information to enable HMRC to satisfy itself that the applicant has complied with an obligation to notify their chargeability to tax, where such an obligation applied. The check will include a question about whether income from the licensed activity has been declared to HMRC, where the applicant was chargeable to tax. The check will be completed when HMRC is satisfied the applicant has provided all information requested.

Where an HMRC failure prevents the applicant from carrying out their tax check or the licensing body from meeting its requirement to obtain confirmation of the completion of the tax check, the requirement on the licensing body to obtain that confirmation will cease to apply.

In cases where the licensing body has been unable to obtain confirmation of completion of the tax check for 28 days other than because of an HMRC failure (for

example, where an applicant refuses to complete a tax check and therefore HMRC cannot provide confirmation that they have completed one) amendments to section 17 of the Transport Act 1985 and paragraph 1 of Schedule 1 to the Scrap Metal Dealers Act 2013 will cause the extended licence to expire.

Operative details for conditionality will be contained in regulations.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	+5	+30	+45	+55	+ 35

These figures are set out in Table 2.2 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

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

Impact on individuals, households and families

This measure is expected to have an impact on employed drivers and on drivers, PHV operators and scrap metal dealers who are self-employed. All of these individuals will need to complete a tax check when applying to renew licences in England and Wales. If individuals do not complete a tax check the licensing body will be unable to consider their application to renew their licence and their current licence will expire.

This could have an impact on family formation, stability or breakdown if individuals will no longer be licensed and individuals and their families would have less disposable income.

To mitigate this HMRC will produce clear guidance and work with licensing bodies and industry representative bodies to make individuals aware of the new requirement.

Individuals' experience of dealing with HMRC is expected to remain broadly the same as the tax check will be simple to complete.

Equalities impacts

The measure is expected to have an impact on some licence holders in relation to protected characteristics of sex and race. This impact is indirect, since the measure will apply to all licence holders in these sectors regardless of sex and race. Taxi and private-hire vehicle drivers are more likely to be men than women (98% in England in

2018/19 – Department for Transport Taxi and Private Hire Vehicle Statistics, England 2019).

It is likely that a significantly higher percentage of taxi and PHV drivers are from ethnic minority groups than the general working age population. This is based on statistics which show that a lower percentage of taxi and PHV drivers are from white backgrounds than the general working age population (42% of drivers in England were white according to Department for Transport's Taxi and Private Hire Vehicle Statistics, England 2019 compared with 88% of the working age population of the UK according to the Labour Force Survey Oct-Dec 19 published 18/02/2020). There is no comprehensive data to show the proportion of people from all other ethnic groups combined within the taxi and PHV driver population.

Taxi and PHV drivers on average are older than the working age population of the UK. In England 40% of taxi and PHV drivers are aged over 50 according to the Department for Transport's Taxi and Private Hire Vehicle Statistics, England 2019 compared to 32% of the UK population according to the Labour force survey.

Feedback from stakeholders suggested Gypsy, Roma or Travellers are particularly represented in the scrap-metal collector population.

HMRC will ensure that final policy design addresses the particular needs of anyone who holds these protected characteristics; in particular, through the provision of appropriate support and guidance.

HMRC will also ensure that individuals who may be digitally excluded or need extra support are signposted to additional help, via established HMRC processes.

Impact on business including civil society organisations

The measure will have a significant impact cumulatively on about 400,000 businesses who are expected to hold licences in the relevant sectors by 2022 to 2023. Each time they apply to renew their licences, businesses will need to use the new digital service or the alternative route provided for digitally excluded customers to demonstrate whether they have notified their chargeability to tax.

One-off costs will include familiarisation with the new requirement and could include updating internal processes and creating a government gateway account if the business does not have one already.

Continuing costs will arise from businesses completing the tax check each time they renew their licence. This includes gathering any necessary information to do this. The tax check will be completed online or via the alternative route provided for digitally excluded customers.

Customer experience is expected to improve as the tax check will give compliant businesses reassurance that HMRC is directly tackling their non-compliant competitors. It will also assist non-compliant businesses that wish to comply by directing them to support to get their tax affairs right.

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

Small and micro business assessment: The majority of businesses affected by this change are micro and small in size, since licensed drivers make up the greater part of the population affected by the measure. Omitting small and micro businesses from the change would negate the purpose of the measure. The measure is expected to benefit compliant micro and small businesses by preventing non-compliant competitors from gaining an unfair financial advantage. HMRC will ensure that small and micro businesses who may be digitally excluded or need extra support are directed towards additional help, via established HMRC processes.

The estimated average annual net increase in continuing administrative burden is estimated to be £0.7 million.

Estimated one-off impact on administrative burden (£m)

One-off impact	**(£m)**
Costs	negligible
Savings	-

Estimated continuing impact on administrative burden (£ million)

Continuing average annual impact	**(£m)**
Costs	0.7
Savings	-
Net impact on annual administrative burden	+0.7

Operational impact (£m) (HMRC or other)

HMRC is developing a simple online service for renewal applicants and licensing bodies to use. Additional support will be provided to applicants who need help to use the online service or who cannot use it.

The additional costs for HMRC are estimated to be £4.5 million for building new systems and £4.5 million for staff resources. Licensing body additional costs are estimated to be up to £1.5 million.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

The measure will be kept under review through communication with affected licensing and trade sector groups and monitored through information collected from tax returns and undertaking the tax check.

Further advice

If you have any questions about this change, please contact ISBC Policy and Strategy by email: isbc.compliancepolicy@hmrc.gov.uk.

Northern Ireland Steel Import Duty

Who is likely to be affected

This measure will affect businesses who move steel which originates from countries outside the EU and the UK into Northern Ireland.

General description of the measure

This measure will enable businesses who move steel originating from countries outside the EU and the UK into Northern Ireland to access the UK safeguard quotas or an equivalent in-quota tariff treatment provided there is a relevant EU tariff rate quota and it is open. This means such steel imports will not be subject to the EU out-of-quota safeguard tariff where there is capacity in the relevant quota.

The measure also provides that existing powers to make secondary legislation, contained in the Taxation (Cross-border Trader) Act 2018, can, with appropriate Parliamentary engagement, be used to extend the measure retrospectively to other goods which, like steel, would otherwise be subject to prohibitive EU out-of-quota rates, provided any retrospective provision does not impose or increase taxation.

Policy objective

The government wants to ensure that Northern Ireland importers can continue to move Rest of World (RoW) steel – steel which is not of EU or UK origin - without being subject to prohibitive EU out-of-quota safeguard duties when there is still capacity in relevant quotas.

The government will meet this objective by providing Northern Ireland steel importers with access to the UK safeguard quotas or an equivalent in-quota tariff treatment where there is no UK safeguard measure, provided that there is a relevant EU tariff rate quota and it is open.

Background to the measure

This measure is being implemented to ensure Northern Ireland importers can continue to import RoW steel without being subject to prohibitive EU out-of-quota safeguard duties. The measure does not affect EU origin steel, and HMRC has implemented an interim arrangement to allow UK origin steel to move into Northern Ireland and benefit from the EU's UK specific tariff rate quota. However, legislation is needed for steel that originates from countries outside the UK and EU. A combination of various events make this legislation necessary:

- the EU has put in place safeguard Tariff Rate Quotas (TRQs) for non-EU origin steel goods - the in-quota rate is 0%; the out-of-quota rate is 25% - these safeguards are a type of trade defence measure

- the Withdrawal Agreement Joint Committee Decision on "at risk" goods means that goods subject to EU trade defence measures cannot be declared "not at risk" unless, for goods imported from UK, the applicable EU duties would be zero, or for goods imported from RoW, the EU duties are equal to or

less than UK duties - this means that, because of the EU's safeguarding charge, all steel entering Northern Ireland from RoW is "at risk" and subject to EU tariffs

- the EU unilaterally implemented a new regulation last year which purports to prevent EU TRQs being accessed when goods enter free circulation in Northern Ireland

Taken together, this means that without action, RoW steel imported into Northern Ireland, or moved into Northern Ireland from Great Britain would be subject to the EU's out-of-quota rate of 25%.

Detailed proposal

Operative date

Some elements of the measure will have retrospective effect from 11pm on the 31 December (the end of the Transitional Period).

Current law

Current relevant law is contained in:

- Sections 30A-C and sections 40A-B into Part 1 and Part 2 of The Taxation (Cross-border Trade) Act 2018 (TCTA), inserted by the Taxation (Post-transition Period) Act 2020 (TPP)

- Reg 4, 6, 7, 10, 12 and 13 of The Customs (Northern Ireland) (EU Exit) Regulations 2020 (the Northern Ireland SI)

- the Trade Remedies (Increase in Imports Causing Serious Injury to UK Producers) (EU Exit) Regulations 2019/449, in particular regulations 47(2) and 52(4)

Proposed revisions

The application of UK steel safeguard measures, made by public notice under regulations 47(2) or 52(4) of the Trade Remedies (Increase in Imports Causing Serious Injury to UK Producers) (EU Exit) Regulations 2019/449, to RoW steel imports into Northern Ireland and movements of RoW steel from Great Britain to Northern Ireland which are not domestic goods, where the goods would have benefitted from EU tariff-rate quota under EU steel safeguarding measures had those goods been imported into an EU member State. This will have effect from 3 March 2021.

The EU steel safeguarding measures will not apply when calculating the duty charged for Great Britain to Northern Ireland movements of RoW steel, which are domestic goods, where the goods would have benefitted from EU tariff-rate quota under EU steel safeguarding measures had those goods been imported into an EU member State. Including provisions about claiming the treatment and requiring a

notification in relation to a claim. This will have retrospective effect from 11pm on 31 December 2020 (the end of the Transitional Period).

The EU steel safeguarding measures will not apply when calculating the duty charged for RoW steel imports to Northern Ireland and movements of RoW steel from Great Britain to Northern Ireland which are not domestic goods, which are declared before the 3rd March 2021, where the goods would have benefitted from EU tariff-rate quota under EU steel safeguarding measures had those goods been imported into an EU member State and the goods would not have been subject to a UK steel safeguarding measure if they had been declared in Great Britain. Including provisions about claiming the treatment and requiring a notification in relation to a claim. This will have retrospective effect from 11pm on 31 December (the end of the Transitional Period) and will only apply to goods declared before the 3rd March 2021.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Nil	Nil	Nil	Nil	Nil	Nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. Businesses affected by the measure – who import steel which originates from countries outside the EU and the UK into Northern Ireland – will have access to the UK safeguard quotas or an equivalent in-quota tariff treatment provided there is a relevant EU tariff rate quota and it is open.

This means their steel imports will not be subject to the EU's safeguard tariff where there is capacity in the relevant quotas.

One-off costs will include familiarisation with the change as affected businesses will need to understand whether they can access the solution and what they must do to benefit.

We anticipate these costs to be negligible.

Customer experience and continuing costs could include recording additional information per movement into Northern Ireland, and submitting this to HM Government in a timely manner.

We do not anticipate this to be a significant cost to businesses, as the information businesses need to provide is minimal and set out in an easy template.

HMRC has written to industry clearly setting out requirements for businesses to benefit from the solution. This measure is not expected to impact civil society organisations.

Operational impact (£m) (HMRC or other)

This measure is not expected to have a significant operational impact. The process will be captured within existing resource and there will be no new IT or digital requirements.

Traders using the process will use guidance published on GOV.UK to navigate the change.

Other impacts

This measure is not expected to have a significant operational impact. The process will be captured within existing resource and there will be no new IT or digital requirements.

Traders using the process will use guidance published on GOV.UK to navigate the change.

Monitoring and evaluation

The measure will be kept under review through communication with affected traders within the steel industry.

Further advice

If you have any questions about this change, contact:

Freya Owen freya.owen@hmrc.gov.uk

James Wilson james.wilson3@hmrc.gov.uk

Anton Rose anton.rose@hmtreasury.gov.uk

Lauren Skarkou lauren.skarkou@hmtreasury.gov.uk

Off-payroll working rules from April 2021

Who is likely to be affected

Individuals supplying their services through an intermediary, such as a personal service company (PSC), and who would be employed if engaged directly.

Medium and large-sized client organisations in the private and voluntary sectors that engage individuals working through PSCs. Public sector client organisations will also be affected by the changes to improve the operation of the reform.

Recruitment agencies and other intermediaries supplying staff working through PSCs.

General description of the measure

The off-payroll working rules have been in place since 2000 to ensure fairness between individuals who work in a similar way. They are designed to make sure that an individual who works like an employee but through their own limited company (such as a PSC) pays broadly the same Income Tax and National Insurance contributions (NICs) as other employees. The rules do not apply to the self-employed.

This measure will apply to engagements with medium or large-sized client organisations in the private and voluntary sectors. It will shift responsibility for operating the off-payroll working rules from the individual's PSC, to the client organisation or business to which the individual is supplying their services.

This includes responsibility for deciding whether the rules should apply and ensuring that the associated employment taxes and NICs are deducted, where appropriate. Public sector client organisations who are already responsible for deciding whether the rules apply will be affected by some new requirements, such as issuing a Status Determination Statement, which should include the reasons for the status decision.

Engagements with small client organisations outside the public sector are exempt, minimising administrative burdens for the vast majority of businesses.

A 5% allowance is currently available to PSCs to reflect the costs of administering the off-payroll working rules. Because responsibility is shifting from the PSC to the organisation receiving the individual's services, this allowance will be removed from 6 April 2021 for those engagements with medium and large-sized organisations in the private and voluntary sectors.

The allowance will continue to be available to PSCs for engagements with small organisations outside the public sector.

Provisions to allow for the transfer of liability and the passing of information through labour supply chains will also be included.

These provisions will also apply to public sector client organisations who are already responsible for deciding whether the rules apply.

Policy objective

The off-payroll working rules are designed to ensure fairness between individuals working in a similar way.

To increase compliance with the existing off-payroll working rules in the private and voluntary sectors, medium and large-sized client organisations will become responsible for assessing an individual's employment status and ensuring the right tax and NICs are deducted and accounted for.

The measure will also improve the way the rules operate in the public sector, where client organisations are already responsible for determining whether the rules apply.

Background to the measure

In April 2017 the government reformed the rules so that public sector client organisations who take on contractors are responsible for making sure they and their workers pay the right amount of tax.

This has proved to be effective in improving compliance. Analysis of tax returns suggests that the reform increased overall Exchequer revenues by £250m in the first 12 months, and a further £275m in the second 12 months.

At Autumn Budget 2017, the government announced plans to carefully consult on how to tackle non-compliance in the private sector. Following a 12 week consultation published in May 2018, the government announced at Autumn Budget 2018 that it would extend the public sector reform to all engagements with medium and large-sized client organisations. To give people and businesses time to prepare, it was announced that this change would not be introduced until April 2020.

HMRC consulted on the detail of the reform between 5 March and 28 May 2019 and in April 2019 published guidance on the actions client organisations can take to prepare for the reform. The government published draft legislation on 7 July 2019 and conducted a review of the implementation of the reform in January 2020 to determine if any further steps could be taken to ensure the smooth and successful implementation of the reform, publishing its findings on 27 February 2020.

Since Autumn 2019 HMRC has been providing support and education to customers through a range of channels to ensure that organisations and contractors are prepared for the changes.

At Spring Budget 2020, the government announced that the introduction of the reform would be delayed until 6 April 2021 in response to the impacts of coronavirus (COVID-19). Provisions were introduced as a government amendment to Finance Bill 2020 with the revised implementation date.

This Tax Information and Impact Note (TIIN) updates and replaces the TIIN published on 11 July 2019.

Detailed proposal

Operative date

This measure will have effect for contracts entered into, or for payments made for work carried out, on or after 6 April 2021.

Current law

Current law is included in Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003) Part 2 Chapter 8, sections 48 to 61, (ITEPA 2003), Part 2 Chapter 10, sections 61K to 61X and the Social Security Contributions (Intermediaries) Regulations 2000 (SI 2000 No 727).

Proposed revisions

Changes to legislation received Royal Assent as part of Finance Act 2020, which amended Chapters 8 and 10 in ITEPA 2003 (as well as making other consequential amendments).

Further aspects of the changes are set out in the Income Tax (Pay as You Earn) (Amendment No. 3) Regulations 2020 (amending the Income Tax (Pay as You Earn) Regulations 2003) and the Social Security Contributions (Intermediaries) (Miscellaneous Amendments) Regulations 2020 (amending the Social Security Contributions (Intermediaries) Regulations 2000).

The combined revisions will mean that where an individual works for a medium or large-sized client organisation outside of the public sector, through their own PSC and falls within the rules:

- the party paying the individual's PSC (the "fee-payer" or "deemed employer") is treated as an employer for the purposes of Income Tax and Class 1 National Insurance contributions

- the amount paid to the individual's PSC for the individual's services is deemed to be a payment of employment income, or of earnings for Class 1 National Insurance contributions for that individual

- the party paying the worker's intermediary (the "fee-payer") is liable for secondary Class 1 NICs and must deduct tax and NICs from the payments they make to the worker's intermediary in respect of the services of the worker

- the person deemed to be the employer for tax purposes is obliged to remit payments to HMRC and to send HMRC information about the payments using Real Time Information (RTI) returns

A technical change to the off-payroll working rules will be made in Finance Bill 2021, to ensure the legislation operates as intended from 6 April 2021 for engagements where an intermediary is a company. The change will not affect the content of this Tax Information and Impact Note.

Further information about this change can be found in technical changes to make sure the off-payroll working legislation operates as intended.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
+30	+1,020	+590	+650	+725	+805

These figures are set out in Table 2.2 of Budget 2021 and have been certified by the Office for Budget Responsibility. These figures update and combine 2 previous costings. More details about those costings can be found as follows:

- in the policy costings document published alongside Budget 2018, under the heading "Off-payroll Working: extend reforms to private sector in 2020-21, excluding small businesses"
- in the policy costings document published alongside Spending Review 2020, under the heading "Off-Payroll reform: delay extension of the reform to the private and voluntary sectors by one year"

Economic impact

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

A behavioural adjustment has been made to the costing of extending the reform to private and voluntary sectors to account for taxpayers shifting their structure to mitigate tax changes.

The costing of the delay to the extension of the reform accounts for behavioural responses such as changes to businesses models in preparation for the reform, and attrition from taxpayers seeking to mitigate the effect of the changes.

Impact on individuals, households and families

This measure is expected to impact around 180,000 individuals working through their own company, who would be employed if engaged directly.

Those who are complying with the existing rules should feel little impact. The measure is targeted at individuals who are not compliant with the existing rules. These individuals will be required to pay tax at the correct levels and will therefore face additional tax liabilities.

For individuals who were previously non-compliant, the reform of the off-payroll working rules could have an impact on the disposable income available to them and their families.

Equalities impacts

This measure is not anticipated to impact on groups sharing protected characteristics.

Impact on business including civil society organisations

Due to the scope of the off-payroll working rules and the degree of change required by this reform, the impact on business and civil society organisations is expected to be significant, but varied, with some realising savings through reduced administrative requirements.

PSCs

There will be continuing savings for around 240,000 PSCs who will no longer have the requirement for determining status or associated accounting burdens. This figure includes PSCs operated by workers whose engagements will be outside the off-payroll legislation.

PSCs will also have the right to request confirmation of a client organisation's size, which if exercised, may result in an administrative burden for the PSC.

Client organisations

Up to 60,000 client organisations outside the public sector are in scope of the reformed off-payroll working rules.

The majority of large client organisations, and a high proportion of medium-sized client organisations, who engage off-payroll workers do so through agencies. One-off costs for these client organisations could include familiarisation with the changes, upskilling staff in making status determinations and determining whether the rules apply to their existing off-payroll engagements.

Continuing costs could include making status determinations for any new off-payroll engagements, maintaining a status disagreement process for off-payroll workers who seek to challenge their status determination and responding to requests to confirm the client organisation's size.

Client organisations that engage PSCs directly will be additionally responsible for deducting Income Tax and NICs and remitting it directly to HMRC for these engagements through Real Time Information returns.

Recruitment Agencies

This measure affects approximately 20,000 agencies who provide workers to medium and large-sized client organisations. They will need to operate payroll for any workers they supply who work through their own company (PSC) and fall within the scope of the rules. One-off costs could include familiarisation with the changes, upskilling staff and implementing processes that allow them to operate payroll on the payments made to PSCs.

Continuing costs for these agencies could include making status determinations for any new off-payroll engagements.

During the House of Lords Economic Affair Finance Bill Sub-Committee's inquiry into the reform of the off-payroll working rules in 2020, HMRC committed to review its assessment of the administrative burden of the changes on businesses and individuals.

The revised assessment has increased one-off and continuing costs, whilst also increasing the estimated continuing savings of the reform.

Estimates of the costs are shown in the tables below:

Estimated one-off impact on administrative burden (£m)

One-off impact	(£m)
Costs	19.7
Savings	-

Estimated continuing impact on administrative burden (£m)

Continuing average annual impact	(£m)
Costs	8.4
Savings	8.7
Net impact on annual administrative burden	-0.3

Operational impact (£m) (HMRC or other)

The operational costs of implementing this measure are calculated to be in the region of £18.5m between the tax years 2018 to 2019 and 2025 to 2026.

Compliance teams will be providing extensive support and guidance to businesses to help them implement the off-payroll working rules and ensure they apply them correctly.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax returns and independent research which will be published.

Further advice

If you have any questions about this change, please contact the Off-Payroll Working Policy team at: offpayrollworking.legislation@hmrc.gov.uk.

Oil and Gas Taxation qualifying decommissioning expenditure

Who is likely to be affected

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

General description of the measure

The rules determining what expenditure qualifies as "general decommissioning expenditure" for the purposes of decommissioning tax relief are being updated to ensure that all appropriate expenditure can qualify.

The amendments will clarify that certain expenditure on decommissioning incurred prior to the approval of an abandonment programme will qualify.

Policy objective

To clarify that certain expenditure incurred by oil and gas companies on decommissioning plant and machinery prior to the approval of an abandonment programme qualifies for decommissioning tax relief.

Background to the measure

HMRC has been discussing clarification of the rules around "general decommissioning expenditure" with oil and gas industry representative bodies for some time.

Although no formal consultation has been conducted informal consultation has been carried out during the discussions with industry representative bodies.

Detailed proposal

Operative date

The measure will have effect for expenditure incurred on or after 3 March 2021.

Current law

Current law is contained in section 163 Capital Allowances Act 2001.

Proposed revisions

Section 163 is amended to include expenditure incurred in anticipation of the approval of an abandonment programme. New section 163A operates to disqualify some of the expenditure if the asset on which the expenditure is incurred is not included in an approved abandonment programme, or covered by a specific agreement, within 5 years of the end of the accounting period in which the expenditure was incurred.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
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 economic impacts.

Impact on individuals, households and families

This measure is expected to have no impact on individuals as it only affects oil and gas companies operating in the UK and on the UKCS. There is expected to be no impact on family formation, stability or breakdown.

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on oil and gas companies by clarifying that certain expenditure incurred on decommissioning plant and machinery prior to the approval of an abandonment programme qualifies for decommissioning tax relief.

One-off costs will include familiarisation with this clarification. A continuing cost may arise when some companies are required to provide HMRC with information in order for HMRC to make assessments.

Customer experience is expected to remain broadly the same as there is no change to how oil and gas companies interact with HMRC. There are expected to be no impacts on civil society organisations.

Operational impact (£m) (HMRC or other)

There are negligible operational impacts for HMRC for this change.

Other impacts

Environmental and other impacts have been considered and none has been identified.

Monitoring and evaluation

This measure will be subject to continued monitoring through regular discussions with industry representative bodies and information contained in tax returns.

Further advice

If you have any questions about this change, please contact Hugh Dorey on Telephone: 07469 023216 or email: hugh.dorey@hmrc.gov.uk.

Powers to amend interpretation and other provisions relating to banks

Who is likely to be affected

Banking companies and groups that include a banking company (banks), within the charge to UK Corporation Tax and the scope of the Bank Levy.

General description of the measure

There are bank-specific tax rules: the Bank Levy, the bank Corporation Tax surcharge (Surcharge), the Code of Practice on Taxation, the bank loss relief restriction, and the restriction on tax relief for banks' compensation payments (Compensation Restriction), all of which apply to banks, as defined within their respective legislation.

These rules apply to banking companies or groups, the definitions of which are contained within the legislation of each of these rules. Parts of these definitions rely on terms contained within the Financial Conduct Authority's (FCA) current Handbook. These terms will cease to exist following the introduction of the new Investment Firm Prudential Regime ("IFPR") from 1 January 2022. The FCA is currently consulting on the proposed IFPR rules.

This measure updates the powers in the bank-specific tax rules to make amendments to those rules by regulations made by statutory instruments.

The definitions will be updated by regulations after the IFPR rules are finalised.

Policy objective

This measure will ensure that the bank-specific tax rules will continue to operate as intended following the introduction of the IFPR.

The bank-specific tax rules contain definitions that reference terms defined in the current FCA Handbook. Those terms will be replaced when the IFPR is introduced, and therefore the definitions in the bank-specific tax rules will need to be amended to ensure that these rules continue to be effective.

The updated powers will have limited retrospective power, that will ensure that no bank within the population at 31 December 2021 will cease to be within the scope on 1 January 2022, if amendments have not taken effect from that date.

Background to the measure

This measure was announced alongside the announcement of the Financial Services Bill in Budget 2020.

Detailed proposal

Operative date

The measure will take effect on the date of Royal Assent to Finance Bill 2021.

Current law

The bank levy is included in Schedule 19 to Finance Act 2011. The current power to make consequential changes is included in Part 9 of Schedule 19.

The Surcharge and bank loss relief restriction are included in Part 7A of Corporation Tax Act 2010. The current power to make consequential changes is contained in Chapters 2 and 4 of this Part.

The Compensation Restriction is included within Chapter 9 of Corporation Tax Act 2009, from sections 133A to 133N.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to amend the powers in Part 9 of Schedule 19 to Finance Act 2011, section 133N of Corporation Tax Act 2009, and Chapters 2 and 4 of Part 7A of Corporation Tax Act 2010.

The definitions in the bank-specific tax rules rely on terms in the FCA Handbook, which will be removed following the introduction of the IFPR.

The updated powers will allow HM Treasury to make amendments to these definitions by regulations made by statutory instrument once the IFPR rules are finalised.

The government will consult on these regulations later this year.

Regulations made, on or before 30 June 2022 under these updated powers may have retrospective effect from 1 January 2022 to ensure that no bank falls out of charge, and they may contain transitional provisions. Any such regulations must be laid before and approved by a resolution of the House of Commons.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	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 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 350 banks affected by the bank-specific tax rules.

One-off costs for these businesses will include familiarisation with the new rules. There are not expected to be any continuing costs.

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

Customer experience is expected to stay broadly the same because this is an amendment to existing powers to make regulations by statutory instruments.

Operational impact (£m) (HMRC or other)

There are no financial consequences for HMRC.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Robby Wells on Telephone: 03000 530 261 or email: robby.wells@hmrc.gov.uk.

Reform of red diesel entitlements

Who is likely to be affected

Businesses and individuals currently entitled to supply or use rebated gas oil (red diesel) and rebated biofuels.

General description of the measure

This measure introduces legislative changes through Finance Bill 2021 and subsequent secondary legislation to restrict the entitlement to use red diesel and rebated biofuels from April 2022 to the following qualifying purposes:

- for vehicles and machinery used in agriculture, horticulture, fish farming and forestry. This includes allowing vehicles used for agriculture to be used for cutting verges and hedges, snow clearance and gritting roads

- to propel passenger, freight or maintenance vehicles designed to run on rail tracks

- for heating and electricity generation in non-commercial premises - this includes the heating of homes and buildings such as places of worship, hospitals and townhalls; off-grid power generation; and non-propulsion uses on permanently-moored houseboats

- for maintaining community amateur sports clubs as well as golf courses (including activities such as ground maintenance, and the heating and lighting of clubhouses, changing rooms etc.)

- as fuel for all marine craft refuelling and operating in the UK (including fishing and water freight industries), except for propelling private pleasure craft in Northern Ireland

- for powering the machinery (including caravans) of travelling fairs and circuses

The measure will also extend fuel duty to biodiesel, bioblends and fuel substitutes used in heating, applying the rebated duty rate to non-commercial heating and the full rate of duty to commercial heating. Consequential changes to covering penalties for contravening restrictions on the use of rebated fuels will also be made. The legislation will provide for secondary legislation to enable HMRC to disapply its powers to seize vehicles or other machinery in certain circumstances.

Registered fuel suppliers that switch a fuel tank from red to white diesel will need to flush out the tank and supply lines until no trace of marked rebated fuel remains. This will help to ensure compliance and minimise the risk that white diesel that has had the full duty rate paid on it is contaminated with the red diesel marker.

Policy objective

In June 2019, the UK became the first major economy in the world to pass laws guaranteeing an end to its contribution to global warming by 2050. The target will require the UK to bring all greenhouse gas emissions to net zero by 2050, compared with the previous target of at least an 80% reduction from 1990 levels. The government also launched in 2019 an ambitious new strategy to clean up the air and save lives, given air pollution is one of the biggest continuing threats to public health in the UK.

Red diesel is diesel used mainly for off-road purposes, such as to power bulldozers and cranes used in the construction industry, or to power drills for oil extraction. It accounts for around 15% of all the diesel used in the UK and is responsible for the production of nearly 14 million tonnes of carbon dioxide a year. Red diesel used in the construction and infrastructure building sectors was also estimated to have caused 7% of nitrogen oxide emissions and 8% of PM10 emissions (a type of particulate matter) in London in 2018.

At Budget 2020, the government therefore announced that it would remove the entitlement to use red diesel and rebated biodiesel from most sectors from April 2022 to help meet its climate change and air quality targets. The tax changes will ensure that most users of red diesel use fuel taxed at the standard rate for diesel from April 2022, like motorists, which more fairly reflects the harmful impact of the emissions they produce. Removing most red diesel entitlements will also help to ensure that the tax system incentivises users of polluting fuels like diesel to improve the energy efficiency of their vehicles and machinery, invest in cleaner alternatives, or just use less fuel.

Background to the measure

Motor and heating fuels are liable to fuel duty, with only fuel taxed at the full rate of fuel duty allowed to be used in road vehicles. Some oils and fuels are taxed at a lower (rebated) rate – historically because fuel duty was intended to be a tax on road vehicles. This includes gas oil (diesel), which is chemically marked and dyed to enable law enforcement agencies to identify it as rebated fuel and detect when the wrong sort of diesel is being used, providing a deterrent to fuel fraud. The colour of the dye means this fuel is called 'red diesel'. Gas oil intended for use in diesel engine road vehicles, otherwise known as 'white diesel' (because it has no marker or dye), has a fuel duty rate of 57.95 pence per litre (ppl). Red diesel is entitled to a rebate of 46.81ppl, giving it an effective duty rate of 11.14ppl.

At Budget 2020 the government announced that it was removing entitlement to use red diesel from most sectors, except for agriculture (as well as horticulture, forestry and fish farming), rail and non-commercial heating, from 1 April 2022.

The government consulted last summer to ensure that it had not overlooked any exceptional reasons why other sectors should be allowed to continue to use red diesel beyond April 2022. The outcome of this consultation is set out in the summary of responses to the consultation that has been published alongside Budget 2021.

At Budget 2021, the government announced its decision not to change the treatment of private pleasure craft in Great Britain, where they will continue to be able to use

red diesel and pay their fuel supplier the difference between the red diesel rate and that for white diesel on the proportion they intend to use for propulsion. The government response to the summer 2020 consultation also announced that from no later than June this year private pleasure craft in Northern Ireland will have to use white diesel to propel their craft. This will achieve consistency with the 2019 judgment by the Court of Justice of the European Union and ensure the UK meets its international obligations under the terms of the Northern Ireland Protocol to the Withdrawal Agreement. It will also align with fuel use by private pleasure craft in the Republic of Ireland, which should make it simpler for private pleasure craft users to access the fuel they need if they sail between Northern Ireland and the Republic of Ireland (and vice versa).

Alongside that change, the government will introduce a new relief scheme under which private pleasure craft users in Northern Ireland will be able to claim a relief for the proportion of their fuel that will be used for non-propulsion, meaning they will not pay a higher rate of duty than they currently do on this fuel. The changes relating to the taxation of diesel used in private pleasure craft in Northern Ireland will be enacted in separate legislation and a Tax Information and Impact Note (TIIN) will be published for that measure alongside secondary legislation.

Detailed proposal

Operative date

The measure will have effect in relation to any red diesel used from 1 April 2022.

Current law

The Hydrocarbon Oil Duties Act 1979 (HODA) is the UK primary legislation on the taxation of hydrocarbon oils, including defining the different types of oils, excise duty charge, the rebate for heavy oils and associated penalties for misuse of rebated oils. It provides a rebate on heavy oils but this rebate is not allowed for any oil that will be used as fuel for a ‘road vehicle’.

Road vehicles are defined as any vehicle constructed or designed for use on roads, other than any ‘excepted vehicles’. They are currently not allowed to use red diesel and rebated biodiesel in any circumstances, unless they are ‘excepted vehicles’ as defined in Schedule 1 to the Act. These excepted vehicles include various agricultural vehicles and specialist vehicles, such as those used in construction, subject to particular conditions on their specification and use. Road vehicles that are not excepted vehicles must use fully duty paid petrol or diesel at all times.

Biodiesel, bioblends and fuel substitutes are subject to duty if set aside for a chargeable use and rebates are provided for in specified circumstances. However, heating is not a chargeable use for these fuels.

The current duty treatment for heavy oils, biodiesel and bioblends is as follows (all rates shown in ppl):

Non-rebated

	Generally when used in road vehicles
Gas oil (diesel)	57.95
Fuel oil	57.95
Heavy oil other than gas oil and fuel oil (kerosene)	57.95
Heavy oil other than gas oil and fuel oil (excluding kerosene)	57.95
Biodiesel	57.95
Biodiesel blended with gas oil (bioblend)	57.95

Rebated

	Used in an excepted vehicle or other off-road engine	Used in heating
Gas oil (diesel)	11.14	11.14
Fuel oil	10.70	10.70
Heavy oil other than gas oil and fuel oil (kerosene)	11.14 (requires HMRC approval and repayment of the rebate prior to use)	0.00
Heavy oil other than gas oil and fuel oil (excluding kerosene)	11.14	11.14
Biodiesel	11.14	Not chargeable use

	Used in an excepted vehicle or other off-road engine	Used in heating
Biodiesel blended with gas oil (bioblend)	11.14	11.14

Finance Act 2020 made changes to HODA which have not yet been commenced. It amended sections 12 and 14E 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. It replaced section 14F 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. It also made consequential amendments to sections 6AB, 13ZB, 14A, 14B, 14C, 20AAA, 24 and 27 and Schedules 4 and 5, including to give HMRC powers to take samples. Finance Act 2020 provided for all changes relating to private pleasure craft to be brought into force on a day appointed in secondary legislation either in the UK as a whole or in a more limited area of the UK.

There is extensive secondary legislation relating to fuel duty, with around 15 statutory instruments which are relevant to rebated fuels.

Proposed revisions

Finance Bill 2021 will amend HODA to make the changes outlined below:

- changes will be made to sections 12 and 27 to replace references to ‘road vehicles’ with references to ‘excepted machines’. A new Schedule 1A will replace Schedule 1 and this will specify which vehicles and machines are ‘excepted machines’. These machines will be defined by reference to the type of machine and the purposes for which they are being used. Only ‘excepted machines’ will be able to use red diesel and rebated biodiesel. Numerous references to road vehicles throughout HODA will be amended so that they apply instead to ‘excepted machines’

- changes will be made to sections 6AA and 6A to make heating a chargeable use for biodiesel, bioblends and other fuel substitutes and provide for rebated rates when used in non-commercial heating

- changes will be made to sections 13, 13ZB, 13AA, 13AB, and 14A to 14D to update the legislation covering restrictions on use of rebated fuels and penalties for contravening these restrictions, so that the restrictions and penalties can apply where necessary following the changes in entitlement to use these fuels

- consequential amendments will be made to other sections and Schedules of HODA.

In relation to private pleasure craft, Finance Bill 2021 provides for alternative changes to be made to some of the sections amended by Finance Act 2020, depending on whether those amendments have been commenced by the time the Finance Bill comes into force.

The legislation provides that Treasury may make regulations to cover, among other things, transitional provisions. Regulations under this power will enable HMRC to disapply seizure powers where a vehicle or machine is one which has lost entitlement as a result of the change of legislation and certain conditions are met. The fuel remaining in the vehicle, machine, appliance or heating system must have been taken in for a permitted purpose before a change of law (and still being used for the same purpose); and residual traces of marker remaining must be from legitimate fuelling and use before the change of law.

The duty position after these changes will be as follows (all rates shown in ppl):

Non-rebated

	Generally when used in road vehicles
Gas oil (diesel)	57.95
Fuel oil	57.95
Heavy oil other than gas oil and fuel oil (kerosene)	57.95
Heavy oil other than gas oil and fuel oil (excluding kerosene)	57.95
Biodiesel	57.95
Biodiesel blended with gas oil (bioblend)	57.95

Rebated

	Used in an excepted vehicle or other off-road engine	**Used in heating**
Gas oil (diesel)	11.14	11.14

	Used in an excepted vehicle or other off-road engine	Used in heating
Fuel oil	10.70	10.70
Heavy oil other than gas oil and fuel oil (kerosene)	11.14 (requires HMRC approval and repayment of the rebate prior to use)	0.00
Heavy oil other than gas oil and fuel oil (excluding kerosene)	11.14	11.14
Biodiesel	11.14	11.14
Biodiesel blended with gas oil (bioblend)	11.14	11.14

Secondary legislation will be laid before Parliament in early 2022 to make the necessary consequential amendments to the relevant statutory instruments referred to above.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	+10	+1,405	1,425	+1,395	+1,510

These figures are set out in Table 2.2 of Budget 2021 as “Red Diesel: remove relief for sectors other than rail, home heating and agriculture” and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2020.

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	-	-80	-85	-100	-110

These figures are set out in Table 2.1 of Budget 2021 as “Red diesel exemptions” and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

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

Impact on individuals, households and families

The impact of this measure on individuals or households is expected to be minimal because where the government felt that removing entitlements could materially impact on the prices of goods and services households consume (such as heating or sports), entitlement to use red diesel has been maintained.

If individuals or households consume red diesel directly and are not covered by the continued entitlements, they will face increased costs which could impact individuals and their families as they may have less disposable income. Some individuals could be more affected than others depending on their income levels and family circumstances – this will depend on their fuel usage.

Customer experience of those affected by this measure could be negatively impacted where costs increase.

Equalities impacts

HMRC does not hold equalities information on current users of rebated fuels but no equality impacts were raised as part of the consultation, so this measure is not expected to have adverse impacts on any groups sharing protected characteristics under the Equality Act 2010.C

Impact on business including civil society organisations

This measure is expected to have a negligible administrative impact on those businesses and civil society organisations that will lose their entitlement to use red diesel and will need to switch to white diesel, although it will increase their fuel costs. This will include sectors, for example, such as construction, mining and quarrying, ports, manufacturing (e.g. ceramics, steel, timber), haulage (for transport refrigeration units on lorries), road maintenance, airport operations, oil and gas extraction, plant hire, logistics and waste management. Whilst these businesses will need to pay the full duty rate for using white diesel, this measure is expected to incentivise these rebated fuel users to seek to use greener alternatives or use less fuel.

One-off costs will include familiarisation with the changes for those sectors no longer entitled, including costs in running down or removing red diesel and rebated biofuels from vehicles, machinery and storage tanks, and possibly from selling back any excess red diesel stock to fuel suppliers. There are also likely to be costs associated with sourcing other alternative fuels for those sectors no longer allowed to use rebated fuels.

There will be other one-off costs for some fuel suppliers (Registered Dealers in Controlled Oils or RDCOs) who will no longer have customers to sell red diesel fuel to and will therefore need to decommission fuel tanks currently storing red diesel or flush out these tanks if being reallocated for white diesel to ensure compliance. However, the government anticipates that many fuel suppliers will continue to sell red diesel and white diesel to customers. These fuel suppliers could see a continuing saving as they will need to record information for fewer rebated fuel users.

There are not expected to be any continuing costs.

Customer experience could be negatively impacted in the short-term given the work businesses and civil society organisations will need to undertake to switch to white diesel. Customer experience could see an improvement in future because business administrative burdens would be reduced for fuel suppliers, as there would be a reduction in the need to collect and report data to HMRC and collect and remit tax to HMRC.

HMRC will aim to reduce some of these familiarisation costs by carrying out further pre-implementation publicity to make businesses aware of the changes, including providing guidance to support businesses to ensure they comply with the new rules. HMRC will also allow some latitude to businesses during the transition to help them. So that businesses can use up red diesel taken in before the change, for example, HMRC will have the ability to disapply the liability to seizure of fuel where they can be satisfied that the user has not taken red diesel into the fuel system after the change in rules for usage.

Operational impact (£m) (HMRC or other)

There are no significant operational impacts for HMRC. The reduction in legitimate red diesel usage by around three quarters should reduce the level of illegitimate use of red diesel overall because it will be harder to obtain this for deliberate misuse in road vehicles. This measure may lead to a switch between different fuel frauds, in which case HMRC will reprioritise existing resources.

The changes to HMRC processes, systems and websites as a result of this measure will be negligible.

It is possible that this measure may initially lead to a small increase in the number of appeals to tax and duty tribunals. Although the existing criminal offences and civil penalties for misuse of rebated fuels will remain largely unchanged, as fewer people will now be able to use rebated fuels, more people could commit an offence or become liable to a civil penalty and might appeal this penalty or the seizure of any fuels by HMRC. As the supply of rebated fuels will remain strictly controlled, there is likely to be only a small impact, most likely just after the change in entitlement to use rebated fuels comes into effect.

The supply of rebated fuels is restricted to businesses in the RDCO scheme. There are currently around 3,000 such businesses in the UK. There could be some more tribunal appeals if businesses that commit a criminal offence or receive a civil

penalty have their RDCO status removed and appeal against this, though numbers are likely to be very small.

Other impacts

Removing most red diesel entitlements will help to ensure that the tax system incentivises users of polluting fuels like diesel to improve the energy efficiency of their vehicles and machinery, invest in cleaner alternatives, or just use less fuel. These tax changes should therefore have a positive impact on carbon emissions and air quality.

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

Other impacts have been considered and none has been identified.

Monitoring and evaluation

This measure will be monitored through information collected from fuel duty receipts of red diesel and white diesel, which will help to evaluate trends in fuel usage, and by communicating with affected sectors no longer entitled to use these rebated fuels as well as developers of greener alternatives.

Further advice

If you have any questions about this change, please contact Priti Khatri on Telephone: 03000 577065 or email: priti.khatri@hmrc.gov.uk.

Repeal of provisions relating to the Interest and Royalties Directive

Who is likely to be affected

UK resident companies that make payments of annual interest or royalties to connected companies resident in an EU member state.

General description of the measure

This measure will repeal legislation that gave effect to the EU Interest and Royalties Directive (IRD) in UK law.

Policy objective

The measure will ensure that companies resident in EU member states will cease to benefit from UK withholding tax exemptions now that the UK no longer has an obligation to provide relief.

As a result, EU companies will no longer receive more favourable treatment than companies based elsewhere in the world, and the UK's ability to withhold tax on cross-border payments of annual interest and royalties will be governed solely by the reciprocal obligations in double taxation agreements.

Background to the measure

This measure has not been previously announced.

Detailed proposal

Operative date

The measure applies to payments of interest and royalties made on or after 1 June 2021.

Current law

Sections 757 to 767 of the Income Tax (Trading and Other Income) Act 2005 contain the rules that gave effect to the IRD in UK law. The right of companies to make gross payments of royalties in circumstances where the IRD applied is set out in sections 914 to 917 of the Income Tax Act 2007.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to repeal sections 757 to 767 of the Income Tax (Trading and Other Income) Act 2005 and sections 914 to 917 of the Income Tax Act 2007.

Minor consequential amendments will also be made to:

- section 98 of the Taxes Management Act 1970
- paragraph 3 of Schedule 18 to the Finance Act 1998

- sections 369, 578 and 683 of the Income Tax (Trading and Other Income) Act 2005

- section 100 of the Finance Act 2015

- section 42 of the Finance Act 2016

In addition, the Exemption From Tax For Certain Interest Payments Regulations 2004 (Statutory Instrument 2004 No. 2622) are revoked and exemption notices issued under those regulations are cancelled.

Summary of impacts

Exchequer impact

2020 to 2021	**2021 to 2022**	**2022 to 2023**	**2023 to 2024**	**2024 to 2025**	**2025 to 2026**
-	+10	+10	+10	+5	Nil

These figures are set out in Table 2.1 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

This measure is not expected to have any macroeconomic impacts.

Impact on individuals, households and families

This measure has no direct impact on individuals as it seeks to withdraw relief currently available to companies under the terms of an EU directive that no longer applies to the UK.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on an estimated 250 businesses making payments of interest or royalties to connected companies in the EU. This measure seeks to withdraw the relief currently available to businesses under the terms of an EU directive that no longer applies to the UK.

For businesses making payments of interest or royalties, a one-off cost will include familiarisation with the change and could also include applying for a notice of permission not to deduct of tax under an alternative instrument. An estimated 100

businesses would incur continuing costs of withholding tax, keeping a record of amounts withheld, and reporting and paying the tax to HMRC.

Customer experience is expected to remain broadly the same as the majority of those businesses affected will already be familiar with the process of withholding tax from payments overseas and accounting for it to HMRC.

Operational impact (£m) (HMRC or other)

The additional costs for HMRC in implementing this change are anticipated to be negligible.

Other impacts

Other impacts have been considered and none has 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 the Tax Treaty Team by email: taxtreaty.team@hmrc.gov.uk.

Reporting rules for digital platforms

Who is likely to be affected

This measure will affect digital platforms in the UK that facilitate the provision of services by UK and/or other taxpayers.

The measure will also affect UK taxpayers, including individuals and companies, who provide services on digital platforms. The measure does not currently affect digital platforms which facilitate the sale of goods and UK taxpayers who use digital platforms to sell goods, but these groups may be affected at a later stage, subject to consultation.

Digital platforms includes apps and websites which facilitate services such as the provision of taxi and private hire services, food delivery services, freelance work and the letting of short-term accommodation.

General description of the measure

The measure introduces a power to enable regulations to be made.

Regulations made under this power will require certain UK digital platforms to report information to HMRC about the income of sellers of services on their platform.

HMRC will then exchange the information with the other participating tax authorities for the jurisdictions where the sellers are tax resident. Under the Organisation for Economic Co-operation and Development (OECD) rules, digital platforms in participating jurisdictions will be required to provide a copy of the information to the taxpayer to help them comply with their tax obligations.

Policy objective

Regulations made under this power will support the government's work to help taxpayers get their tax right first time, and to bear down on tax evasion.

While HMRC already has the power to access information from UK-based platforms on the income of sellers on the platform, implementing the OECD rules will enable HMRC to exchange information with other tax authorities to access data from platforms based outside the UK quickly and efficiently.

This will improve international cooperation and mean that tax authorities have similar visibility of income as they would have with traditional businesses. A consistent, standardised international approach to provision of information will also be better for platforms as it is designed to replace a patchwork of domestic reporting requirements.

The rules will also make it easier for sellers on these platforms to comply, and will help HMRC to detect and tackle tax evasion when they do not.

Background to the measure

The OECD issued a publication entitled "Model Rules for Reporting by Platform Operators with respect to Sellers in the Sharing and Gig Economy" on 3 July 2020.

The UK was involved in the discussions and agreement of these model rules at the OECD. This power is being introduced so that the UK can implement the model rules via secondary legislation, following consultation.

Consultation will take place in summer 2021 on the proposed UK implementation of the rules.

Detailed proposal

Operative date

The power to make regulations will have effect from the date of Royal Assent of the Finance Bill. The regulations will be subject to consultation before they take effect and are not expected to come into force before 1 January 2023, with reporting not due until January 2024.

Current law

This is a new measure and does not amend any current law.

Proposed revisions

This measure introduces a power to make regulations to provide for the UK implementation of the OECD "Model Rules for Reporting by Platform Operators with respect to Sellers in the Sharing and Gig Economy". It includes the ability to make provision for penalties for the failure to comply with the regulations.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Empty	Empty	Empty	Empty	Empty	Empty

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

Economic impact

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

Impact on individuals, households and families

The measure is not expected to have an impact on individuals who use digital platforms to buy goods or services.

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

Equalities impacts

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

Impact on business including civil society organisations

This measure is likely to significantly increase customer costs for some of the businesses affected. HMRC is working to understand these costs and the scope of any impacts better.

The consultation process will also enable HMRC to establish the costs with more certainty.

Digital Platforms

This measure is expected to have a significant impact on UK digital platform businesses who will have to collect specific pieces of information about sellers, which some platforms will not already collect. UK platforms will have to verify that information using third party documentation, collate and report that information to identify the residency of the seller and the jurisdiction in which a property is located.

There will be one-off costs which will include familiarisation with the change and could also include updating their website/software to collect more information, updating their IT and upskilling staff to provide information to tax authorities in XML schema format, upskilling staff to implement the new information collection and verification processes, and communicating the changes to sellers using the platform.

Continuing costs could include digital platforms collecting more information than they currently do now from sellers on their platforms and sending that information to HMRC annually.

Customer experience for digital platforms could be negatively affected as this change is complex and will require them to perform tasks they do not currently perform. Digital platforms were consulted in the OECD drafting process and HMRC will consult on new regulations in the UK and, in due course, issue clear guidance on how to comply with the new rules.

The government will look to minimise burdens for platforms where possible, while also ensuring that the information reported is accurate and useful. There will also be an optional exemption for start-ups and a phasing in period for some of the obligations to help spread out the initial impact.

Businesses including individuals who sell services or rent out property through Digital Platforms

This measure is expected to have a significant combined impact on an estimated 2-5 million businesses who provide their services via digital platforms though the impact for each seller is expected to be small.

Data, including bank account information if the platform holds that information, will be collected and provided to HMRC, and exchanged with other tax authorities when appropriate. This information will be used to identify and risk assess the individual or company.

One-off costs will include familiarisation with the change and could include providing specific information and documents to digital platforms either when registering or as part of a verification process. This includes name, address, and tax identification number.

There are not expected to be any continuing costs.

Customer experience for these sellers is expected to improve as they will receive a copy of the information that has been submitted to a tax authority. This should help them to declare the right income and may make complying with their tax obligations easier.

HMRC will use findings from their external research programme and from the consultation to estimate the number of businesses who will be affected by this measure more precisely.

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

Operational impact (£m) (HMRC or other)

There is an estimated cost to HMRC of £21m including 24 Full Time Equivalent (FTE) required. However, the costs to HMRC are currently being developed further.

Other impacts

A Data Protection Impact Assessment will be undertaken for regulations introduced using this power.

Other impacts have been considered and none has been identified.

Monitoring and evaluation

This measure will be kept under review and monitored by evaluating information collected from digital platforms.

This will include additional tax yield generated as a result of cases identified.

Further advice

If you have any questions about this change, please contact the Exchange of Information policy team by email: eoi.policy@hmrc.gov.uk.

Restoring plant and machinery leases to pre COVID-19 treatment

Who is likely to be affected

Lessees, eligible to claim capital allowances where plant or machinery is leased under a long funding operating lease which is extended due to a change in consideration due under the lease, due to COVID-19.

Lessors and/or Lessees eligible to claim capital allowances, where plant or machinery is leased under a short lease which is extended due to a change in consideration due under the lease, due to COVID-19 and the ‘new’ lease is a long funding lease.

General description of the measure

This measure turns off capital allowances anti-avoidance legislation, normally triggered when the term of the following plant or machinery leases is extended, when that extension to the lease term is related to COVID-19 for:

- all long funding operating leases
- short leases, where the ‘new’ period (the date of the change in consideration which results in the extension of the lease to the end of the extended period) would be of sufficient length to create a long funding lease

Either party to the lease will be permitted to disregard this measure by election, which will be binding on both parties.

The measure will cover COVID-19 related lease extensions, where anti-avoidance legislation is triggered, from 1 January 2020 to 30 June 2021.

Policy objective

This measure is designed to:

- prevent lessors and lessees unknowingly triggering the anti-avoidance legislation
- restore leases to their original position, as agreed between the lessor and lessee, returning economic certainty to the lease, easing unexpected cash flow issues
- reduce the administrative burden, for those lessors and lessees caught by the anti-avoidance legislation, of renegotiating leases and/or recalculating capital allowances

Background to the measure

The Finance and Leasing Association (FLA) approached HMRC with concerns that some plant or machinery leases would be adversely affected by the government’s anti-avoidance legislation, and common law.

Following extensive research, HMRC concluded that common law would only apply to create new leases where there were fundamental changes to the terms of the lease, which would be beyond the scope of a lease extension caused by COVID-19.

The remaining issue, the subject of this measure, relates to specific circumstances under which HMRC anti-avoidance legislation creates unexpected outcomes for many lessors and lessees.

No ‘open’ consultation was undertaken due to time constraints. HMRC considers that there was sufficient coverage of the issue as the FLA represent almost 40% of UK lessors. As the measure is restorative in nature with no negative impacts for customers, no adverse response to the measure is anticipated.

Detailed proposal

Operative date

The measure will have effect in relation to leases caught by anti-avoidance legislation where the date of the change in consideration for a lease which results in an extension to the lease lies between 1 January 2020 to 30 June 2021 and is for reasons related to COVID-19.

Current law

The current law is at S70YB and S70YC, in Part 2, Chapter 6A (interpretation of provisions about long funding leases) of CAA 2001.

Proposed revisions

Primary legislation will be introduced in Finance Bill 2021.

S70YCA CAA 2001 will work to disapply S70YB(1) and S70YC(1) where on or after 1 January 2020, there is (or was) a change in the payments under the lease that would have been payable on or before 30 June 2021; the effect of the change is that the term of the lease is extended and anti-avoidance legislation at section 70YB(1) or 70YC(1) would apply.

The change must have been made for a reason related to COVID-19 and after the change the consideration under the lease must be substantially the same as, or less than, the consideration under the lease before the change.

This will automatically disapply anti-avoidance legislation for those lessors and lessees unintentionally caught by S70YB and S70YC CAA 2001 following changes in consideration payable under the lease due to COVID-19 resulting in an extension to the lease, returning lessors and lessees to their original intended contractual position. It also prevents those unaware of the anti-avoidance rules accidentally falling foul of them.

This legislation will only apply where there is no other substantive change to the terms of the lease and the lessor and lessee have not made any arrangement in connection with any changes to capital allowances relating to the lease arising as result of the extension of the lease due to COVID-19.

This is to ensure no other amendments are made at the same time which would, but for this legislation, have triggered the anti-avoidance rules.

It also disapplies the legislation where parties to a lease have already made provision for the anti-avoidance rules, so as not to undo their work.

Either party has the option to elect to disapply S70YCA, and that election is binding on both parties.

This allows any party who will be disadvantaged by this legislation to restore the strict legal position.

The government will be able to amend the end date of this legislation via secondary legislation to adapt to future circumstances as they become clearer.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
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 impact on individuals. This measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on a small number of businesses who are eligible to claim capital allowances where plant or machinery is leased either under a long funding operating lease which is extended, or a short lease which is extended creating a long funding lease. They will file the capital allowances aspects of their returns as they had originally expected.

One-off savings could include not having to renegotiate contracts, not having to recalculate capital allowances, and the saving of the corresponding costs of training or upskilling of staff to perform the calculations arising as a result of this change.

Continuing savings could include not having to do more calculations, as a result of this change.

This measure is expected overall to improve businesses experience of dealing with HMRC because lessors would not usually expect their goodwill gesture intended to assist lessees in this time of financial difficulty, to trigger anti-avoidance legislation.

This measure is not expected to impact civil society organisations.

Operational impact (£m) (HMRC or other)

Operational impacts for HMRC for this change are estimated to be negligible.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact Lesley Herbert (CS&TD) on Telephone: 03000 537124 or email: lesley.herbert@hmrc.gov.uk team mailbox address.

Settling the standard Lifetime Allowance from 2021 to 2022 to 2025 to 2026

Who is likely to be affected

Individuals whose total UK tax relieved pension savings are near to or more than £1,073,100.

Employers who contribute to registered pension schemes on behalf of their employees.

Scheme administrators of registered pension schemes and advisors with clients who have UK tax relieved pension savings.

General description of the measure

This measure removes the annual link to the Consumer Price Index increase for the next 5 fiscal years and so maintains the standard lifetime allowance at £1,073,100 for tax years 2021 to 2022 to 2025 to 2026.

Policy objective

To support the government's objective of a system of pensions tax relief that is fair, affordable and sustainable.

Background to the measure

The lifetime allowance link to the Consumer Price Index increase was announced at March Budget 2015 and confirmed at Summer Budget 2015.

The lifetime allowance has increased in line with the Consumer Price Index increase for tax years 2018 to 2019, 2019 to 2020 and 2020 to 2021.

Detailed proposal

Operative date

Freezing the lifetime allowance by removing the link to the Consumer Price Index increase will have effect for the tax year 2021 to 2022 through to 2025 to 2026. The change will be effective from 6 April 2021.

Current law

The current pensions tax rules for registered pension schemes came into force on 6 April 2006 (A-day) and are set out in Part 4 of the Finance Act 2004. Although there are no limits to how much can be saved in registered pension schemes, there is an annual and lifetime limit on the total amount of tax-relieved pension savings that an individual can have.

The lifetime allowance is the maximum amount of tax relieved pension savings that an individual can build up over their lifetime. The standard lifetime allowance is £1,073,100. Tax relief on any pension benefits taken over this amount is recovered by the application of the lifetime allowance charge to the excess, which is charged at

25% if the excess is taken as a pension or 55% if it is taken as a lump sum (sections 214 to 216 of FA 2004).

The lifetime allowance also applies to any savings individuals have built up with UK tax relief where they are a relieved member of a relieved non-UK pension scheme (paragraphs 13 to 19 of Schedule 34 to FA 2004).

The maximum tax-free lump sum that an individual can normally have is 25% of their pension rights subject to an overall maximum of 25% of the standard lifetime allowance (paragraphs 1 to 3A of Schedule 29 to FA 2004).

The lifetime allowance was previously reduced in FA 2011 and FA 2013. To protect individuals who thought they would be affected by the reductions, transitional protection regimes were introduced.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to remove the annual lifetime allowance link to the Consumer Price Index increase for the next 5 fiscal years. This change will maintain the standard lifetime allowance of £1,073,100 for tax years 2021 to 2022 to 2025 to 2026.

As the lifetime allowance is not reducing there is no need for transitional protection regimes.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-10	+80	+150	+215	+255	+300

These figures are set out in Table 2.1 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

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

Impact on individuals, households and families

The lifetime allowance only affects those with the largest pension pots – 95% of savers approaching retirement are currently unaffected by it. This measure maintains the standard lifetime allowance and could impact individuals who have pension wealth close to this limit when they are approaching retirement, as well as those individuals who have pension wealth over this limit when they retire. These individuals may have been expecting the lifetime allowance to continue to increase

when the Consumer Price Index increases, so this may influence their pension savings behaviour.

Where individuals now breach the lifetime allowance, some may reduce their hours or retire earlier than they want to, to stay within the lifetime allowance. If individuals breach the lifetime allowance, they will have a lifetime allowance tax charge, so that could reduce their income. Some individuals may be affected more than others depending on their income levels and family circumstances.

Customer experience is expected to stay broadly the same because maintaining the lifetime allowance limit will not change when and how the individual will need to interact with HMRC.

Equalities impacts

The measure will have a greater effect on those later in life and closer to retirement than those in other age groups.

The measure may impact more men than women because more men typically have greater pension savings.

No other impacts are anticipated in respect of groups sharing other protected characteristics.

Impact on business including civil society organisations

This measure is expected to impact pension schemes and employers who will need to provide up to date information and guidance to individuals affected.

One-off costs will include familiarisation with the changes.

There is not expected to be any continuing costs.

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

Customer experience is expected to stay broadly the same because maintaining the lifetime allowance limit will not change when and how the pension scheme will need to interact with HMRC.

Operational impact (£m) (HMRC or other)

There will be no additional costs for HMRC to administer this measure.

Other impacts

Other impacts have been considered and none has 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 Karen Bishop on Telephone: 03000 512336 or email: pensions.policy@hmrc.gov.uk.

Stamp Duty Land Tac relief for Freeports

Who is likely to be affected

Purchasers of land and buildings situated inside Freeport tax sites located in England who claim relief from Stamp Duty Land Tax.

General description of the measure

This measure will introduce Stamp Duty Land Tax relief for purchases of land and buildings within a Freeport tax site, subject to a ‘control period’ of up to 3 years and the land being acquired and used in a ‘qualifying manner’.

Relief from Stamp Duty Land Tax will apply to qualifying transactions with an effective date from the date the Freeport tax sites are designated until 30 September 2026.

This measure will also enable HMRC to require information from claimants to ensure that relief continued to be available during the control period.

Policy objective

This Stamp Duty Land Tax relief is designed to incentivise investment in land and buildings in Freeport tax sites.

Background to the measure

On 10 February 2020 the government published a consultation on Freeport policy in respect of its plans to introduce at least ten Freeports in the United Kingdom following departure from the European Union. Freeports are intended to support the policy of levelling up the towns, cities and regions of the United Kingdom.

The government published a consultation response on 7 October 2020, which provided initial confirmation of the tax reliefs it intended to offer to encourage investment in Freeports. This was followed by a Freeport bidding prospectus on 16 November 2020, which included plans for the introduction of the tax reliefs to be offered.

Detailed proposal

Operative date

The Freeport relief given by this measure will have effect as soon as Freeport tax sites have been designated.

The ability for HMRC to ask for information will come into effect from the date of Royal Assent of the Finance Bill 2021.

Proposed revisions

The provisions for this relief will be included within Part 4 of the Finance Act 2003 and cover land and buildings situated in a designated ‘Freeport tax site’ provided the property is acquired for use in a ‘qualifying manner’ and actually used in a ‘qualifying manner’

There will be a provision to clawback the Freeport relief claimed where the purchaser fails to use the property in question in a 'qualifying manner'.

There will also be an amendment to Schedule 36 of the Finance Act 2008 to enable HMRC to check continued entitlement to reliefs where those reliefs are dependent upon the future actions of the claimant.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
Empty	Empty	Empty	Empty	Empty	Empty

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

Economic impact

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

Impact on individuals, households and families

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

Equalities impacts

It is not anticipated that there will be impacts for those groups sharing protected characteristics. The measure applies only to England, so there will be no Northern Ireland impacts.

Impact on business including civil society organisations

This measure is expected to have a negligible administrative impact on businesses and civil society organisations purchasing land and buildings for commercial purposes. One-off costs will include familiarisation with guidance on eligibility to claim relief, understanding when relief may be subject to clawback at the end of the control period and what to do in that event.

Further one-off costs could include intermediaries such as conveyancers updating or purchasing new software to enable them to calculate a purchaser's tax where relief is claimed. A one-off cost in training and upskilling staff may also apply.

There are not expected to be any continuing costs. Customer experience is expected to be the same as the processes and requirements for existing Stamp Duty Land Tax reliefs.

Operational impact (£m) (HMRC or other)

HMRC will have to make changes to IT systems to introduce this change at an estimated cost of £1.8 million. HMRC will also require some extra staff to administer this change at an estimated cost of £140,000 up to and including the 2025 to 2026 year.

There are no other financial consequences for HMRC.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

The measure will be monitored through information collected from tax returns and through communications with the affected taxpayer population. Freeports governance bodies will also need to monitor and evaluate business activity in each Freeport.

Further advice

If you have any questions about this change, please contact stamptaxes.budgetfinancebill@hmrc.gov.uk.

Tax deductibility of business rates repayment

Who is likely to be affected

Businesses that have returned a sum to a public authority in respect of a ‘coronavirus support arrangement’, which is outside of the definition of a Coronavirus Support Payment (CSP) within s106 Finance Act 2020. For example, a business returning a sum, which is no longer required in respect of relief previously granted, such as business rates relief.

Policy objective

The government has supported businesses throughout the coronavirus (COVID-19) pandemic with targeted relief.

In some circumstances the relief has not been required by specific businesses within the sector targeted and they have repaid sums equivalent to the relief to the government or devolved administrations. This policy ensures that the neutrality and fairness of a business’s tax outcome is achieved on the basis that sums returned to government are an allowable expense if the expenses covered by the relief would have originally been an allowable deduction.

The measure outlines the timing and quantum of the tax deduction a business should take when it returns a sum in respect of coronavirus support arrangement to a public authority.

Background to the measure

This measure provides a new statutory relief and overrides the existing law on allowable expenses for payments to the government or devolved administrations in respect of coronavirus support which is no longer required by a business.

There has been no consultation due to the pace of government intervention in rolling out economic stimulus packages to support businesses throughout the pandemic. However, this measure ensures neutrality for business wishing to return a sum which has been provided by way of a relief.

Detailed proposal

Operative date

The measure will have retrospective effect once enacted within Finance Act 2021.

Current law

The existing primary legislation for companies subject to Corporation Tax is contained within chapters 4 and 5 of Part 3, chapter 2 of Part 16 and chapter 1 of Part 20 Corporation Tax Act 2009.

The existing primary legislation for businesses subject to Income Tax is contained within chapters 4 and 5 of Part 2 Income Tax (Trading and Other Income) Act 2005.

Proposed revisions

Legislation will be introduced in Finance Act 2021 so that a business that makes a payment to a public authority to repay coronavirus support or relief, may claim an Income Tax or Corporation Tax deduction equivalent to the quantum of that payment.

The measure seeks to provide neutrality by allowing a deduction in the same accounting periods as the original liability would have been due and paid. The quantum will be limited to the original liability.

To be eligible, a business must have had a liability which would have been deductible in calculating the profits of the business for Income Tax or Corporation Tax purposes had the liability not been removed through coronavirus support or relief. The reason for the original liability being removed must be for a purpose of supporting business in connection with coronavirus by a public authority.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	**2021 to 2022**	**2022 to 2023**	**2023 to 2024**	**2024 to 2025**	**2025 to 2026**
-160	-30	Nil	Nil	Nil	Nil

These figures are set out in Table 2.1 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

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

Impact on individuals, households and families

This measure is expected to have no impact on individuals as it only affects businesses. There is expected to be no impact on family formation, stability or breakdown.

Equalities impacts

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

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses or civil society organisations that return coronavirus support arrangements to government that is no longer required, such as businesses rates relief, by ensuring that these payments are tax deductible.

This measure will put the business in the same position as if they had made the payment prior to the liability being reduced to nil. One-off costs will include familiarisation with the change.

There are not expected to be any continuing costs. Customer experience is expected to stay broadly the same as there is no significant change to how businesses or civil society organisations interact with HMRC.

Operational impact (£m) (HMRC or other)

It is anticipated that any operational impacts for HMRC due to this change will be negligible.

Other impacts

Other impacts have been considered and none has 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 Kristofer Ross or Thomas Brown on
email: kristofer.ross@hmrc.gov.uk or thomas.brown1@hmrc.gov.uk.

Technical changes to make sure off-payroll working legislation operates as intended

Who is likely to be affected

Individuals supplying their services through an intermediary, such as a personal service company (PSC), and who would be employed if engaged directly.

Medium and large-sized client organisations in the private and voluntary sectors that engage individuals working through PSCs. Public sector client organisations will also be affected by changes to improve the operation of the reform.

Recruitment agencies and other intermediaries supplying staff working through PSCs.

General description of the measure

This measure will:

- address an unintended widening of the conditions where an intermediary is a company
- improve the operation of the rules by extending the provision of information to the intermediary, as well as the worker
- improve the operation of the rules by extending the consequences of providing fraudulent information to any UK-based party in the labour supply chain

The off-payroll working rules were reformed in 2017, moving the responsibility for operating the off-payroll working rules from the individual's PSC, to the public sector client organisation that the individual is supplying their services to. This includes responsibility for deciding whether the rules should apply and ensuring the associated employment taxes and National Insurance contributions are deducted, where appropriate.

In Finance Act 2020, this reform was extended to the private and voluntary sectors. Engagements with small client organisations outside the public sector are exempt, minimising administrative burdens for the vast majority of businesses.

Policy objective

A technical change to the off-payroll working rules is being made to ensure the legislation operates as intended from 6 April 2021 for engagements where an intermediary is a company. The change will address an unintended widening of the conditions of an intermediary, which went beyond the intended scope of the policy.

The conditions of a company intermediary were amended in Finance Act 2020 to prevent avoidance of the off-payroll working rules by workers diluting their shares in the intermediary so that they do not have a material interest (for example, having a

shareholding of less than or equal to 5%). This would have meant that the off-payroll working rules did not apply.

The amended condition set out that, where a worker is providing their services through an intermediary and receives a payment for the services provided, the rules should be considered. The scope of this condition was wider than the policy intent, as it would have caught any arrangement where the worker operates through a company, even if the full payment had already been taxed as employment income (such as where the worker is operating as an employee of an umbrella company). The technical change will limit the scope of this condition to only cases where the worker has less than a material interest in the intermediary and the payment received by the worker for the services provided is not already taxed wholly as employment income.

The measure will also improve the rules regarding the provision of information within the labour supply chain to ensure they operate effectively. The requirement to confirm whether the conditions of an intermediary are met will be extended to apply to the intermediary as well as the worker. This recognises that the intermediary will sometimes be better placed to confirm if one of the conditions is met. This change should make it easier for parties in the supply chain to confirm whether the worker is potentially subject to the off-payroll working rules.

The measure will further improve the operation of the rules by extending the provisions relating to fraudulent information. This will now include fraudulent information provided by any UK-based party in the labour supply chain, rather than just the worker or someone connected to them. This will prevent client organisations or deemed employers from facing a liability where they have been provided with fraudulent information by another party in the chain.

Background to the measure

A commitment to make a technical change to the legislation was announced by the Financial Secretary to the Treasury in a Written Ministerial Statement on 12 November 2020. This measure will address an unintended consequence of the off-payroll working legislation before it comes into effect on 6 April 2021. In addition to this technical change, two further changes have been identified that would improve the effectiveness of the technical change and wider rules.

Due to time constraints, there was no formal consultation on the technical changes. However, HM Revenue & Customs (HMRC) have worked extensively with stakeholders on the design of the changes to ensure that the rules operate as intended.

Detailed proposal

Operative date

The measure will have effect for contracts entered into, or payments made for work carried out, on or after 6 April 2021.

Current law

Current law is included in sections 48 to 61 of Chapter 8 of Part 2 of Income Tax (Earnings and Pensions) Act 2003 (ITEPA 2003), sections 61K to 61X of Chapter 10 of Part 2 of ITEPA 2003 and the Social Security Contributions (Intermediaries) Regulations 2000 (SI 2000 No 727).

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to amend ITEPA 2003 and relevant National Insurance contributions regulations. The changes include:

- amending section 61O (and equivalent provisions in Regulation 15 in the Social Security Contributions (Intermediaries) Regulations 2000) to introduce a new condition where a company is an intermediary that, if met, will bring the engagement in scope of the off-payroll working rules. This condition will be met if certain criteria apply. This condition will only need to be considered for engagements where the worker has an interest in the company intermediary that is less than material and receives a chain payment that is not wholly treated as employment income

- introducing a Targeted Anti-Avoidance Rule (TAAR) that will target any arrangements where the main purpose, or one of the main purposes, is to gain a tax advantage by circumventing the conditions of an intermediary and taking the engagement out of scope of the off-payroll working rules

- amending section 61U (and Regulation 21) to expand the requirement to provide information to the potential deemed employer to the intermediary, as well as the worker. This will require either the worker or the intermediary to confirm to the potential deemed employer whether one of the conditions in section 61N is met and therefore whether the rules should apply to the engagement. It remains the case that where the worker or intermediary does not confirm if the conditions are met, the client organisation must assume that one of the conditions is met and consider the application of the rules.

- amending section 61V (and Regulation 22) to extend the consequences for providing fraudulent information to include information provided by any UK-based party in the labour supply chain. Where fraudulent information is provided, the subsequent liability will be moved to the party that provided the fraudulent information.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	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 economic impacts.

Impact on individuals, households and families

This measure is not expected to have an impact on individuals, households or families beyond those already identified for the wider reform of the off-payroll working rules.

The technical change in this measure ensures that the policy operates as intended. The further changes will improve the operation of the legislation, but will not have any additional impacts on individuals, households or families.

Equalities impacts

This measure is not anticipated to impact on groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is not expected to have an impact on business or civil society organisations beyond those already identified for the wider reform of the off-payroll working rules.

The technical change in this measure ensures that the policy operates as intended and restores the original policy intent.

The further changes will improve the operation of the legislation, but will not have any additional impacts on businesses or civil society organisations. This is because we expect that intermediaries will only need to confirm if conditions are met in cases of more complex arrangements, where they are likely to be sharing information with others in the supply chain already. This change makes it easier for client organisations to determine whether the rules apply.

Extending the consequences for providing fraudulent information to other parties in the supply chain will only affect businesses involved in fraudulent activity.

Operational impact (£m) (HMRC or other)

This measure is not expected to have any operational impact beyond those already identified for the wider reform of the off-payroll working rules. This measure ensures that the policy operates as intended.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, please contact the Off-Payroll Working Policy team by email: offpayrollworking.legislation@hmrc.gov.uk.

Temporary extension to carry back of trading losses for Corporation Tax and Income Tax

Who is likely to be affected

All companies and unincorporated businesses making losses from carrying on trades, professions or vocations.

General description of the measure

Legislation will be introduced in Finance Bill 2021 to temporarily extend the period over which businesses may carry trading losses back for relief against profits of earlier years to get a repayment of tax paid.

Policy objective

This is one of several measures announced by the government to assist incorporated and unincorporated businesses that may have suffered economic harm from the coronavirus (COVID-19) outbreak.

Some businesses have experienced reduced demand for their products and services, or disruption to their supply chains as a result of the outbreak and associated restrictions. This has led to increased trading losses in the short term for many businesses.

This measure will provide a cashflow benefit to affected businesses by providing additional relief for trading losses, thereby generating repayments for tax paid for 2 additional years.

Background to the measure

The government announced this measure at Budget 2021 to support businesses in response to the coronavirus outbreak.

Detailed proposal

Operative date

This measure will have effect for company accounting periods ending in the period 1 April 2020 to 31 March 2022 and for tax years 2020 to 2021 and 2021 to 2022 for unincorporated businesses.

Current law

For Corporation Tax, current law is contained in section 37 Corporation Tax Act 2010. A company incurring a trading loss in an accounting period can make a claim to offset the loss against total profits of the previous 12 months after first having set the losses against any profits of the accounting period in which the loss occurred.

For Income Tax, current law is contained in section 64 Income Tax Act 2007.

A person incurring a trading loss in a tax year can make a claim to offset losses against the person’s net income of the current year, the previous year or both years.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to extend the period for which trading losses can be carried back against previous profits. This extension will apply to trading losses made by companies in accounting periods ending between 1 April 2020 and 31 March 2022 and to trading losses made by unincorporated businesses in tax years 2020 to 2021 and 2021 to 2022.

Trade loss carry back will be extended from the current one year entitlement to a period of 3 years, with losses being carried back against later years first.

Corporation Tax

The amount of trading losses that can be carried back to the preceding year remains unlimited for companies. After carry back to the preceding year, a maximum of £2,000,000 of unused losses will be available for carry back against profits of the same trade to the earlier 2 years. This £2,000,000 limit applies separately to the unused losses of each 12 month period within the duration of the extension.

This means a cap of £2,000,000 on the extended carry back of losses incurred in accounting periods ending in the period 1 April 2020 to 31 March 2021 and a separate cap of £2,000,000 on the extended carry-back of losses incurred in accounting periods ending in the period 1 April 2021 to 31 March 2022.

The £2,000,000 cap will be subject to a group-level limit, requiring groups with companies that have capacity to carry back losses in excess of a de minimis of £200,000 to apportion the cap between its companies.

Income Tax

The amount of trading losses that can be carried back by individuals to set against profits of the preceding year remains unlimited. The current restrictions to carry back losses from a trade against general income will remain.

A separate £2,000,000 cap will apply to the extended carry back of losses made in each of the tax years 2020 to 2021 and 2021 to 2022.

This £2,000,000 limit applies separately to the unused losses of each tax year within the duration of the extension. Income Tax payers will not be subject to a partnership-level limit.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-840	-205	+580	+325	-160	+80

These figures are set out in Table 2.1 of Budget 2021 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2021.

Economic impact

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

Impact on individuals, households and families

There is no impact on individuals as this measure only affects businesses.

This 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 positive impact for companies and unincorporated businesses by temporarily extending the period over which they may carry trading losses back for relief against profits of earlier years to get a repayment of tax paid.

It will ease their financial pressures and help them to keep their businesses afloat. It is expected to have a negligible impact on the administrative burdens of upward of an estimated 130,000 companies and 500 unincorporated businesses that will receive additional relief for their trading losses.

One-off costs will include familiarisation with the new rules.

There are not expected to be any continuing costs.

Customer experience is expected to stay broadly the same for the majority of companies as the process for claiming relief remains the same as for existing rules. However, for a minority of companies that will have the additional requirement to apportion the £2 million cap, customer experience could worsen.

However, this is a minor administrative requirement and these companies may already be doing this for loss restriction purposes.

This measure is not expected to impact civil society organisations.

Operational impact (£m) (HMRC or other)

Implementation is likely to have a significant operational impact and will necessitate some changes to HMRC IT systems and online filing products.

HMRC costs including both IT and operational costs to implement this measure are estimated to be approximately £17 million.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

This measure will be monitored and assessed alongside the government's package of Coronavirus support measures.

Further advice

If you have any questions about this change, please contact Eva Upali (CT) on Telephone: 03000 542 465 or email: eva.upali@hmrc.gov.uk, or Daniel Shaw (IT) on Telephone: 03000 511 123 or email: daniel.shaw@hmrc.gov.uk.

Temporary increase in annual investment allowance for plant and machinery

Who is likely to be affected

Businesses investing more than £200,000 in plant and machinery from January 2021.

General description of the measure

This measure will temporarily increase the limit of the annual investment allowance (AIA) from £200,000 to £1,000,000 for expenditure on plant and machinery incurred during the period from 1 January to 31 December 2021.

Policy objective

This measure is designed to stimulate investment in the economy by providing an increased incentive to invest in plant and machinery and to simplify the tax relief for this.

Background to the measure

The summer Budget 2015 set the permanent level of AIA at £200,000 from 1 January 2016. At Budget 2018 the level was temporarily increased to £1,000,000 for 2 years from 1 January 2019.

Detailed proposal

Operative date

The measure will have effect in relation to qualifying expenditure from 1 January 2021.

Current law

AIA was introduced from April 2008 and most businesses regardless of their size and subject to certain conditions (specified below), have been able to claim this on their expenditure on plant and machinery. The permanent limit of the annual amount was set at £200,000 from 1 January 2016.

The AIA is a 100% capital allowance for qualifying expenditure on plant and machinery up to a specified annual limit. The capital allowances legislation in respect of AIA is at Sections 38A, 38B and 51A-51N Capital Allowances Act 2001 (CAA).

Most businesses are able to claim the AIA in respect of their expenditure on plant and machinery which would otherwise be eligible for another type of capital allowance known as a writing down allowance (WDA) at either the main or special rates, which defer relief for most of the expenditure to future tax periods.

AIA is not available for certain capital expenditure on plant and machinery and the exceptions are set out in Section 38B CAA, the main one being expenditure on cars.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to maintain the current temporary £1,000,000 AIA limit for one year from 1 January 2021.

Transitional rules will apply where a business has a tax period that spans the operative date of 1 January 2022 for the reversion of the AIA limit to £200,000. Under such rules, the maximum AIA available should be calculated in 2 parts, with apportionments made on a just and reasonable basis.

The AIA available based upon the £1,000,000 temporary limit for the proportion of the tax period falling before 1 January 2022.

The AIA available based upon the £200,000 limit for the proportion of the tax period falling on or after 1 January 2022.

Example

Based only on these transitional rules and apportioning by reference to the number of days, the maximum AIA available to a company with a 12-month tax period from 1 April 2021 to 31 March 2022 would be £802,740, which is calculated as follows:

The period from 1 April to 31 December 2021: £1,000,000 x 275/365 days = £753,425 and

The period from 1 January to 31 March 2022: £200,000 x 90/365 days = £49,315

The maximum entitlement is also affected by when the qualifying expenditure is incurred. In this example, if the total qualifying expenditure for that tax period amounts to £900,000 and is incurred by 31 December 2021, then the amount eligible for AIA is limited to £802,740. If it was incurred after that date, then it is limited to £49,315.

There are more detailed transitional rules for businesses subject to income tax and with a tax period spanning the date of the decrease of the AIA limit on 1 January 2022.

There are also more detailed transitional rules about entitlement to AIA for example, in relation to group companies, or when businesses under common control are regarded as “related”.

These transitional rules are based on similar time-apportionment principles as applied to the rules in Section 51K of CAA (operation of the annual investment allowance where restrictions apply).

Summary of impacts

Exchequer impact

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-120	-395	-80	+110	+60	+50

These figures are set out in Table 1.1: Policy decisions since Budget 2020 and have been certified by the Office for Budget Responsibility. More details can be found in the Policy costings: November 2020 document published alongside Spending Review 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 only affects businesses investing more than £200,000 in plant and machinery from January 2021. This measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

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

Impact on business including civil society organisations

This measure will impact on an estimated 31,500 businesses by making available an increased level of relief for expenditure on plant and machinery at 100% of the cost for the tax period in which it was incurred.

The administrative burden is likely to be minimal as they will simply be eligible to claim a larger amount of their qualifying expenditure under AIA. One-off costs could include businesses having to make themselves aware of the change and updating software as a result of the change. There are not expected to be any continuing costs.

Continuing savings could include businesses not having to calculate relief available through WDAs in future tax periods against the purchase costs of their plant and machinery covered by the increased amount of AIA available. This measure is not expected to impact civil society organisations.

Small and micro business (SMB) assessment: the temporary increase in the AIA is expected to be of benefit to the largest SMBs with investment in plant and machinery which regularly exceeds the permanent £200,000 AIA limit, which would otherwise be relieved by WDAs at a lesser rate.

Customer experience impact: this measure is expected overall to improve businesses' and individuals' experience of dealing with HMRC as calculating capital allowances for their plant and machinery purchases will be simpler.

Operational impact (£m) (HMRC or other)

This measure will require changes to HMRC IT systems and guidance, the costs are estimated to be £800,000.

Other impacts

Environmental Impacts: the continuation of the temporary increase in the AIA will be of benefit to businesses which previously purchased items from the energy-saving and environmentally-beneficial technology lists which were eligible for first-year allowances which came to an end in April 2020.

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

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.

Updates to tax charges when a person is no longer eligible to Self-Employment income Support Scheme payments

Who is likely to be affected

Self-employed individuals and individual members of a partnership who have received a payment from the Self-Employment Income Support Scheme (SEISS) but subsequently stop being entitled to that payment.

General description of the measure

Current legislation enables HMRC to reclaim overpaid SEISS grants where the claimant did not meet the eligibility criteria at the time of claim. This measure makes changes to the time and circumstances when a 100% tax charge may arise in relation to SEISS payments. It enables HMRC to recover grants where an individual was entitled to the grant at the time of claim but subsequently ceases to be entitled to all or part of the grant. It also extends the Treasury's regulation making powers in relation to charges if a person is not entitled to a coronavirus support payment, to bring the SEISS within scope of the legislation.

Policy objective

In response to COVID-19, the government set up several schemes to support businesses and individuals, including the SEISS. This measure is consistent with the commitment to tackle fraud and abuse of COVID-19 schemes.

Background to the measure

The Chancellor announced the SEISS on 26 March 2020.

The Chancellor announced an extension to the scheme on 29 May 2020. This was followed by further announcements made by the Chancellor on 24 September 2020 to extend the scheme further, committing to the third and fourth grants. Spring Budget 2021 confirmed the fourth grant and announced a fifth and final grant.

Detailed proposal

Operative date

This measure will apply to SEISS payments made on or after 6 April 2021.

Current law

Relevant provisions are at section 106 and Schedule 16 Finance Act 2020. Under paragraph 8 of Schedule 16, an individual is liable to a charge, if they are not entitled to COVID-19 support payments in accordance with the scheme under which the payment was made.

Proposed revisions

Provisions will be introduced in the Finance Bill 2021 to amend s106(3) and paragraph 8 Schedule 16 Finance Act 2020.

Section 106(3) Finance Act 2020 will be extended so that the Treasury may make regulations about the application of (including provision modifying) Schedule 16 to SEISS Paragraph 8 of Schedule 16 will be amended so that where a recipient of a SEISS grant stops being entitled to keep all or part of the grant due to a change in circumstances, a tax charge equivalent to the amount of the grant to be recovered, can be applied.

Summary of impacts

Exchequer impact (£million)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
–	nil	nil	nil	nil	nil

This measure supports the Exchequer in its commitment to protect revenue.

Economic impact

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

Impact on individuals, households and families

This measure is expected to impact self-employed individuals and individual partners who receive a grant which they are no longer entitled to. Customer experience is expected to improve given that this measure clarifies and provides certainty on how any SEISS grants that someone is no longer entitled to can be recovered.

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

Equalities impacts

This measure is expected to have no impact on eligible individuals who received a payment from a COVID-19 support scheme to which they were, and remain, entitled. It is anticipated that those impacted will be represented, proportionately, in each of the groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have no impact on eligible businesses who have received a payment from a COVID-19 support scheme to which they were, and remain entitled.

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

Operational impact (£million) (HMRC or other)

HMRC is not anticipating any operational impacts as a result of implementing this measure.

Other impacts

Other impacts have been considered and none has been identified.

Monitoring and evaluation

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

Further advice

If you have any questions about this change, contact the SEISS team by email: seiss@hmrc.gov.uk.

Updates to taxation of the Self-Employment Income Support Scheme grants for Income Tax

Who is likely to be affected

All individuals and individual members of a partnership who receive a payment from the Self-Employment Income Support Scheme (SEISS).

General description of the measure

This measure updates the legislation that confirms that payments from SEISS are subject to tax, as announced by the Chancellor on 26 March 2020. Under the current legislation, a payment from SEISS is taxed as income for the tax year 2020 to 2021.

This measure will provide for future payments from SEISS to be taxed as income for the tax year in which they are received.

Policy objective

In response to COVID-19, the government has set up several schemes to support businesses and individuals, including SEISS.

The measure provides certainty that the tax treatment of payments
from SEISS received after the end of the 2020 to 2021 tax year will be taxed in the year of receipt.

Background to the measure

SEISS was announced by the Chancellor as a taxable grant on 26 March 2020 and extensions to the scheme were announced on 29 May and 24 September 2020.

A draft Finance Bill clause and schedule on the taxation of SEISS, among other schemes, were published on 29 May 2020 and a consultation ran from then until 12 June 2020. The legislation was included in the Finance Act 2020 which came into force on 22 July 2020.

Detailed proposal

Operative date

The measure will have effect for tax years 2021 to 2022 onwards and for payments from SEISS received on or after 6 April 2021.

Current law

Current law is included in section 106 and Schedule 16 Finance Act 2020. A payment from SEISS is taxed as income for the tax year 2020 to 2021, except in the case of a payment made to a partner distributed among the partnership where the payment is treated as income of the partnership.

Proposed revisions

Legislation will be introduced in Finance Bill 2021 to tax a payment from SEISS as income for the tax year in which it is received. The exception in the case of a payment made to a partner distributed among the partnership will be unchanged.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	Nil	Nil	Nil	Nil	Nil

This measure is not expected to have an Exchequer impact.

Economic impact

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

Impact on individuals, households and families

This measure is expected to impact self-employed individuals and individual partners in receipt of payments from SEISS by ensuring the payments are taxed in the year they are received. Customer experience is expected to remain broadly the same as it does not alter how individuals interact with HMRC. This measure is not expected to impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that there will be impacts on groups sharing protected characteristics. HMRC will provide extra support to all customers who need extra help to deal with the taxation of payments from SEISS.

Impact on business including civil society organisations

This measure has no impact on businesses or civil society organisations as it only affects self-employed individuals in receipt of payments from SEISS.

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 has 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 Daniel Shaw on Telephone: 03000 511123 or email: daniel.shaw@hmrc.gov.uk.

Vehicle Excise Duty rates for cars, vans, motorcycles and trade licences from April 2021

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 rates for cars, vans, motorcycles and motorcycle trade licences. This is a standard uprating to come into effect from April 2021.

Policy objective

Increasing Vehicle Excise Duty rates by RPI in 2021 to 2022 will ensure that Vehicle Excise Duty 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 2021.

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

Detailed proposal

Operative date

The measure will have effect on and after 1 April 2021 for all cars, vans, motorcycles, heavy goods vehicles and motorcycle trade licences.

Current law

Section 1 of the Vehicle and Registration Act (VERA) 1994 provides for the charging of Vehicle Excise Duty.

Section 2 of VERA provides that Vehicle Excise Duty 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 2021 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)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
-	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 Vehicle Excise Duty 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 affect those with protected characteristics who are registered keepers of cars in the same way as it affects all 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 Vehicle Excise Duty 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.

Other impacts

Vehicle Excise Duty is designed to encourage the uptake of lower emission vehicles, so this measure will maintain the environmental signal as it will increase Vehicle Excise Duty rates in line with inflation.

Other impacts have been considered and none has been identified.

Monitoring and evaluation

This measure will be evaluated and monitored through the DVLA vehicle licensing data, as well as through regular communication with relevant stakeholders across Government and in industry.

Further advice

If you have any questions about this change, contact the Energy and Transport Taxes Team by email at: ETTAnswers@HMTreasury.gov.uk.