



HM TREASURY

The abolition of 36 tax reliefs:

response to consultation

December 2011



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1

The Consultation

Background to the consultation

1.1 The Government is committed to simplifying the tax system and to ensuring it is straightforward to understand and easy to comply with. In support of this, it established the independent Office of Tax Simplification (OTS) to carry out reviews of the tax system and to make recommendations to the Chancellor on possible reforms.

1.2 The first of the OTS reviews included a survey of all reliefs that exist in the tax system and an assessment to identify those that no longer served their rationale or which created unnecessary complications. This review was published ahead of Budget 2011. A copy can be found at <http://www.hm-treasury.gov.uk/ots>.

1.3 The OTS identified 1,042 tax reliefs, and conducted a detailed assessment of 155 of these. On the basis of the OTS's recommendations, the Government decided to abolish 43 reliefs. Of these reliefs 7 were found to have expired and were abolished in Finance Bill 2011. The Government decided to abolish the remaining 36 reliefs after formal consultation to determine the appropriate timing and transitional arrangements for their removal.

1.4 The repeal of these reliefs will result in the removal of over 100 pages of tax legislation. This represents a first step in the OTS's and the Government's work to reduce the complexity of the British tax code.

Purpose of the consultation

1.5 The Government is keen to manage the process of removing these reliefs in the most effective way, so that those who claim these reliefs have sufficient time to plan for the tax changes.

The consultation questions

1.6 The consultation invited individuals affected by the removal of the 36 tax reliefs to comment on the proposed transitional arrangements for abolishing the reliefs and to provide any additional evidence of potential impacts of abolition. In particular, interested parties were asked to respond to the following consultation questions:

- Is the rationale for abolishing the relief sound?
- How many claimants of the relief are there?
- What sector/demographic benefits?
- What is the value of the relief to the claimants?
- If the relief were retained, will the value of the relief change over time?
- Are the proposed transitional arrangements fair and proportionate?

2

Responses to the Consultation

2.1 A total of 78 consultation responses were received from individuals, businesses and representative bodies. In general, interested parties were fully supportive of the OTS work in simplifying the UK tax code; and agreed to removing reliefs where the policy rationale was no longer relevant. Support was also given for the Government's wider tax policy agenda and its commitment to a new approach to tax policy making.

2.2 In addition to information on technical and transitional arrangements, the Government received a wide range of arguments for either retaining or delaying the repeal of 22 of the 36 reliefs. These arguments were considered and weighed against the Government's overall objective to simplify the tax system.

2.3 In exceptional cases the Government has decided not to proceed to abolish particular reliefs. These instances are restricted to those where evidence submitted represented new information which significantly reduced the rationale for abolition.

2.4 Below the discussion and the Government's response is divided into three categories: (1) Reliefs that will not be abolished; (2) Reliefs for partial abolition; and (3) Reliefs for complete abolition. Detail is also provided on four further provisions that were identified during the process of instructing Parliamentary Counsel; and which the Government has assessed to have negligible impact and therefore also eligible for repeal.

Reliefs that will not be abolished

Relief: Late night taxis

2.5 This relief provides income tax and NICs exemption for employees who are provided a taxi to travel from work to home because they were required to work later than usual and past 9pm; this is an irregular occurrence; and travel by public transport was not available or would have been unreasonable on that occasion. The utilisation of this relief is limited to irregular events that do not form part of the employee's usual working pattern and a single employee is entitled to the relief no more than 60 times in a year. In addition to the relief provided to the employee, employers are also exempt from paying employer NICs. With the information available at the Budget, the Government decided to abolish this relief on the basis that changes in work patterns meant that unforeseen circumstances were less likely to arise; that the relief is skewed towards the better paid; and that the relief does not promote fairness and that it creates a distortion in the tax system.

2.6 Responses were received in relation to this relief from representatives of a wide variety of sectors – legal, financial, entertainment and hospitality, tax professionals, employers and low-income groups. The responses challenged the rationale for abolition and the fairness arguments. Some disagreed that working patterns had changed significantly since 1987. Others argued that this relief was used by a wide variety of demographics and that it mostly benefitted the lower paid. Additional arguments were also made around safety and security suggesting that this relief helped employers to manage these risks by providing female employees transport home. Finally, it was argued that removal of this relief would generate administrative burdens for firms who would now be required to record and report all taxi journeys.

2.7 Based on the new information provided in the consultation, the Government undertook further analysis to assess the equalities impact on vulnerable groups as well as the administrative burden that employers would face as a result of the repeal. New analysis has shown that repeal risks having a disproportionate impact on women; and could increase administrative burdens, therefore working against the Government's objectives for tax simplification.

2.8 Based on this assessment, the Government has decided not to abolish this relief.

Relief: Compensation for mis-sold pensions

2.9 This measure gives relief from both income tax and capital gains tax on compensation payments made in connection with personal pensions mis-sold as a result of bad advice given at least partly between 1988 and 1994. Repeal of this relief was subject to all relevant compensation payments being made.

2.10 New evidence was presented during this consultation by a number of companies and representative bodies. It is now estimated that approximately 25,000 people have yet to receive their final compensation payments and it would take approximately 30 years to complete these last payments – assuming the relief is not repealed. This is because many payments have been deferred for a number of years to be paid when pension policies mature. It was also argued that repealing the relief would create significant administrative costs for both those receiving payments and providers. Finally, it was suggested that, if the repeal went ahead in 2017 as proposed, early settlement of cases could lead to a significant reduction in tax receipts for the five years before the repeal came into effect.

2.11 The abolition of this relief was subject to all relevant compensation payments being made. Given the number of outstanding claimants and the cost that could be incurred by the Exchequer if this relief was abolished in 2017, the Government has decided that this relief should not be abolished.

Relief: Land remediation relief

2.12 The original purpose of this relief was to provide a financial incentive to developers to bring land back into use that had been contaminated by previous industrial use or land containing derelict structures that would be prohibitively expensive to remove. Approximately 1,300 companies a year claim this relief costing the Exchequer around £40m. Based on the information available at Budget, the Government agreed with the OTS's view that it failed to deliver its policy objective.

2.13 As part of the consultation, responses were received from a range of interested parties including companies and representative bodies. Respondents argued that removing this relief would affect the regeneration of uneconomic brown-field sites. Several companies claimed that they take land remediation relief into account when considering sites and that removal of this relief would make a significant number of their planned projects financially unviable. Information was also presented that suggested abolishing this relief would exacerbate financial pressures on this sector resulting from the removal of the exemption from landfill tax for soils and waste from contaminated sites, which was agreed in 2009 and is coming into effect shortly.

2.14 The Government has considered the responses. Based on the evidence received in the consultation the Government has decided that removal of this relief, in conjunction with the already agreed removal of the exemption from landfill tax, would risk undermining the Government's plans to support the housing and construction sectors through planning reforms and the release of large areas of publicly owned land for development. The Government has therefore decided not to abolish this relief.

Relief: NICs exemption for assistance in identifying lost or stolen credit cards

2.15 This relief provides a National Insurance Contributions (NICs) exemption for cash rewards to retail employees who detect lost or stolen credit cards. The exemption applies only to third party reward payments and not to any payments that an employer may make to their own employees. The Government decided to abolish this relief because it was deemed to be underused and of negligible value.

2.16 Whilst no new evidence was provided on the actual take up of this particular relief, the consultation did highlight that removing this relief would generate an ongoing administrative burden. In particular, repeal of this relief would mean that employers of staff that receive these payments would become liable to pay employer NICs. This would create an administrative burden for such employers as they would have to exchange information with the provider of the reward and include this within the payroll system. Repeal therefore would risk removing a simplification of the tax system.

2.17 Based on the above assessment the Government agrees that repeal would undermine its objective of tax simplification. Therefore, it has decided to reverse its decision to repeal this relief.

Reliefs for partial abolition

Relief: Mineral royalties

2.18 This relief allows 50 per cent of mineral royalties to be treated as a capital gain (and subject to tax accordingly). The remaining 50 per cent is subject to either income tax or corporation tax as income. The relief was introduced in the 1970s (when top rates of income and corporation tax were much higher) to encourage land owners to make their mineral assets available. Now that income tax rates are now much lower, the Government believes that this policy rationale is redundant and that abolition would not discourage landowners from making land available for mineral extraction.

2.19 A number of responses were received from various agricultural bodies, law firms, surveyors and estate management companies. All respondents opposed the removal of this relief on the basis that the original policy rationale remained valid. Respondents also suggested that removal of this relief would discourage landowners from entering into royalty arrangements, and instead encourage them to look to dispose of their land, because of more preferable tax treatment. Other responses contradicted this, suggesting that many landowners would wish to retain their holdings of land and be unwilling to sell. The majority of respondents also argued that existing agreements have been entered into on the basis that the current capital loss reliefs will be available when these agreements end. Therefore, if this relief is abolished, some form of terminal loss relief should be made available.

2.20 The Government has assessed the responses and concluded that the policy rationale for removing this relief remains valid. Consequently, the Government has decided to repeal this relief in Finance Bill 2012, in respect of mineral royalties a person is entitled to receive on or after 1 April 2013 (for corporation tax) and 6 April 2013 (for income tax). From those dates mineral royalties will be fully liable to corporation or income tax, including royalties received in respect of existing mineral leases or agreements.

2.21 The Government agrees with the rationale to preserve capital loss reliefs in respect of mineral releases or agreements entered into before the repeal. Therefore, landowners with pre-April 2013 agreements will continue to benefit from the existing capital loss reliefs.

Relief: Deeply discounted securities – incidental expenses

2.22 Deeply discounted securities (DDS) are certain government securities and commercial bonds and loan stock for which the amount paid on redemption may be higher than the price at which they were issued. There are limited reliefs for the incidental expenses incurred on acquisition and disposal of these securities to be deducted in the calculation of the chargeable profit or allowable loss of disposal. These reliefs apply only to securities held since 26 March 2003.

2.23 The Government did not receive any responses about the proposed repeal of these provisions. However, as a result of amendments contained in Finance Act 2003, the treatment of incidental expenses on DDS held before 27 March has previously been preserved.

2.24 For this reason, and because such expenditure has already been incurred, the deduction for incidental expenses of acquisition incurred before 27 March 2003 is retained. However, the Government will repeal that part of the relief that relates to the disposal of the security in Finance Bill 2012 with effect from 6 April 2015.

Relief: Disadvantaged area relief (Stamp Duty and Stamp Duty Land Tax)

2.25 These reliefs were introduced to encourage regeneration in the UK's most disadvantaged areas by attracting buyers to the area. The relief is realised on completion of the purchase contract. Currently the relief only applies to residential properties and is limited to purchases up to £150,000. DAR for non-residential properties was abolished in 2005; however, a transitional provision was brought into effect for non-residential purchases made before 17 March 2005. Based on the OTS recommendation, the Government decided to repeal the relief in its entirety with effect from 6 April 2013.

2.26 Response to the abolition of the relief was limited. No new evidence was presented that questioned the Government's assessment that this relief had limited impact in encouraging ownership in disadvantaged areas. However, whilst abolition of the relief is unlikely to affect residential property transactions which are already subject to contract, it was highlighted that there exist a number of non-residential contracts entered into before March 2005 which have yet to be completed. Due to the nature and size of these projects the contracts, are unlikely to be completed by 2013 and, would therefore be adversely affected should the transitional provisions be abolished.

2.27 Based on information provided the Government has decided to repeal the current relief for residential properties in Finance Bill 2012 with effect from 6 April 2013; and to allow for the continuation of the transitional relief for non-residential properties in relation to contracts entered into before 17 March 2005.

Reliefs for complete abolition

Relief: Life assurance premium relief

2.28 This relief provides income tax relief of 12.5 per cent on regular premiums paid into qualifying life insurance policies issued on or before 13 March 1984 (when the relief for premiums under new policies was abolished). Individuals pay premiums 'net' of the relief and insurers claim the difference from HMRC. The original rationale for repeal was that the scheme is becoming obsolete but requires long and complex legislation for an average amount of tax relief per policy per year that is very small. The OTS had also concluded that the administration of the relief imposed a disproportionate compliance burden on insurance companies.

2.29 Respondents to the consultation (including six representative bodies) disagreed that LAPR should be abolished; and rejected the OTS's assessment that LAPR represented an administrative burden for insurers. It was argued that abolition of the relief would present a significant burden

for companies, add costs and potentially create difficulties for the mainly elderly policyholders in understanding and dealing with the impact of the changes. Estimates suggest that there are approximately 1.5m policies attracting an average tax relief of £14 per policy per annum; and that a limited number of individuals may have more than one policy.

2.30 The Government has considered the arguments presented during consultation, and concluded that there is no ongoing policy justification for retaining a relief that provides a subsidy to life policies taken out at least 28 years ago. It recognises that there is an administrative burden associated with removal of the relief but this is substantially outweighed by a combination of the simplification benefits (the removal of the scheme which includes 25 pages of long and complex tax legislation) and the redirection of Government spending to support current policy initiatives. Furthermore, a longer term postponement of this relief would not be effective since the profile of policy holders suggests that it would take another 15-20 years before the numbers of policy holders are significantly reduced.

2.31 On this basis therefore the Government has decided to maintain its decision to repeal this relief in Finance Bill 2012. The Government does however recognise wider pressures on the insurance industry at the present time so will provide that the repeal takes effect from 6 April 2015 and will work with industry towards an effective transition.

Relief: Life assurance premiums paid by employers under E-FRBS

2.32 This relief extends the life assurance premium relief scheme to individuals whose employers pay life assurance premiums under an employer-financed retirement benefits scheme. Such schemes provide the individual (or their spouse, widow(er), children or dependents) with death and retirement benefits. The income tax relief of 12.5 per cent of premiums paid by employers is limited to £12.50 per year. It applies to policies providing retirement benefits that were issued on or before 13 March 1984.

2.33 The original justification for the repeal of this relief was that it is unlikely that many individuals are still eligible for what are very small amounts of relief each year, making the relief in effect obsolete.

2.34 No objections were received. On this basis, the Government will maintain its decision to repeal the relief. For the purposes of consistency with the repeal of life assurance premium relief generally, this relief will be repealed in Finance Bill 2012 with effect from 6 April 2015.

Relief: Grants for giving up agricultural land

2.35 In 1967 the Government introduced grants as a way of encouraging small farmers to sell what were considered to be un-commercial holdings of land. This relief exempts these grants from liability to capital gains tax. The Government decided to repeal this relief on the basis that no grants have been made for a considerable number of years. The last known scheme through which grants could be made came into effect in 1976 and has since lapsed.

2.36 Respondents argued that this was a straightforward relief that only consisted of one paragraph in existing legislation. It was also argued that although grants have not been given for a considerable length of time, they could still be given in the future. Respondents therefore sought assurances that, if this relief were abolished, the Government would commit to reintroducing it if further grants are made in the future.

2.37 The Government has considered the representations made and maintains its decision to repeal this relief. In addition, it confirms that if such grants are revived in the future it will consider introducing a similar tax relief.

Relief: Angostura bitters

2.38 This relief exempts the payment of excise duty on the importation of Angostura Bitters into the UK. The excise duty exemption was introduced in 1970, in order to support the economy of Trinidad and Tobago where Angostura Bitters are manufactured. Following the OTS review, the Government decided to repeal this relief on the basis that the current exemption was unfair because it only applied to one brand of “bitters” rather than all similar products; and because there was no evidence to suggest that this support was still required now that Trinidad and Tobago is a high income country.

2.39 A small number of responses were received opposing the Government’s decision. Respondents highlighted that Angostura Bitters are used as a low volume ingredient in the preparation of both food and drink, particularly cocktails. Consequently, it was argued that Angostura Bitters should be regarded as a flavouring and not an alcoholic beverage. In addition, it was suggested that the removal of the exemption imposes a discriminatory tax which would be contrary to EU and international trade rules.

2.40 The Government has considered the arguments presented. If it was not for the duty exemption, Angostura Bitters would be classed as a spirit (it has an alcohol content of 44.7 per cent abv). Given that other bitters pay duty as spirits and do not have a duty exemption, the Government has decided to repeal this relief in order to maintain fairness amongst all producers of bitters.

2.41 On this basis the Government will repeal this relief in Finance Bill 2012 with effect from 1 April 2013.

Relief: Black beer

2.42 This relief provides an exemption from excise duty for a fermented beverage made from malt, barley syrup and cane sugar. The exemption is in part due to an historical belief that Black Beer has medicinal and nutritional properties. The Government decided to repeal this relief on the basis that Black Beer is generally of high alcoholic strength (around 8.5 per cent abv) and so can no longer be considered a health product.

2.43 Responses were limited, however, it was argued in the consultation that Black Beer continued to have nutritional benefits (high vitamin C); and should not be considered as an alcoholic drink because it cannot be consumed in concentrated form.

2.44 The Government has considered the arguments made in the consultation. If it was not for the duty exemption, Black Beer would be charged as a beer. On this basis the Government has concluded that a relief which applies to a single producer is unfair.

2.45 Based upon the above assessment, the Government maintains its decision to repeal this relief in Finance Bill 2012 with effect from 1 April 2013.

Relief: Cycle to work days – provision of meals

2.46 Where an employer provides meals to employees on designated “cycle to work” days the meal is not subject to tax and Class 1A NICs. The relief covers the first refreshment or meal provided by an employer to an employee on a “cycle to work” day and this can be obtained and/or taken on or off the employer’s premises. The relief is not generally available to those who cycle daily but only to employees who participate in designated “cycle to work” days. On the basis that the value of this relief is minimal and generally outweighed by the time, effort and cost of providing the benefit, the Government decided to repeal this relief.

2.47 Whilst the number of responses received was limited, all supported the repeal of this relief. The Government maintains its decision to repeal this relief on the basis of its original justification. It will therefore be repealed in regulations with effect from 6 April 2013.

Relief: Luncheon vouchers

2.48 This relief provides a tax and NICs exemption on the first 15p per working day of a meal voucher provided by an employer to an employee. The relief was introduced in 1946 when food rationing was in place with the objective of helping individuals afford healthy meals. It was targeted at employees working for companies without a workplace canteen. Following the OTS review, the Government decided to repeal this relief on the basis that its benefit has been almost entirely eroded by inflation and therefore no longer achieves a clear objective. Furthermore, it creates an administrative burden to the employer.

2.49 Respondents to this relief argued that employers still continued to use luncheon vouchers with total issuance being between £7-£8m a year; and that 75 per cent of this amount is subject to the 15p tax relief. It was further argued that repeal of this relief will impact upon luncheon voucher suppliers as well as the hospitality industry.

2.50 The Government has considered the arguments made. On the basis that employers are still willing to issue luncheon vouchers despite the relief being worth as little as 15p, the Government maintains the view that this relief is redundant.

2.51 The Government therefore will repeal this relief in Finance Bill 2012 with effect from 6 April 2013. The corresponding NICs exemption will be removed by regulations to come into force on the same date.

Relief: Pools payment for football ground improvements;

Relief: Pools payment for support for games; and

Relief: Pool betting duty payments related to safety improvement at football grounds or for the arts

2.52 This group of reliefs ensured that the full benefit of reductions in pool betting duty in 1990, 1991 and 1995 contributed to football ground improvements, and to sport and the arts generally, by removing certain tax liabilities that would otherwise have arisen.

2.53 The agreement to commit payments to the Football Trust, Football Foundation and Foundation for Sport and the Arts ceased at the end of March 2004. In addition, no qualifying funds are expected to be held in the relevant trusts after March 2012. Following the OTS review, the Government decided to repeal these reliefs on the basis that they would become obsolete.

2.54 Responses received supported the repeal of this relief and agreed that they would become obsolete. On the basis of the consultation responses received and previous assessments, the Government maintains its decision to repeal this group of reliefs.

2.55 All reliefs will be repealed in Finance Bill 2012 with effect from 1 April 2013 (for corporation tax) and 6 April 2013 (for income and inheritance taxes).

Relief: NICs exemption for certain apprentices and students coming to the UK

2.56 This relief provides an exemption for Class 1 NICs for certain apprentices and students in their first 52 weeks in the UK. It does not apply to workers from the EEA. The policy objectives behind the exemption were to enable the UK to benefit from the work provided by these groups and for the individuals to acquire new skills to benefit their home country. The relief dates to a time when the UK experienced acute labour shortages and there was a desire to bring in labour from outside the EA. Following the OTS review, the Government decided to repeal the NICs

disregard on the basis that current immigration rules prioritise UK and EEA labour and few students or apprentices now come to the UK who could meet the criteria.

2.57 Responses were limited, but included representation from an industry body. Arguments were made that the relief provides additional encouragement to some individuals to pursue an apprenticeship in the UK and possibly a future career within the UK.

2.58 The Government considered the responses received. No evidence was provided to contradict the Government's position that this exemption has a limited use, particularly given the existence of immigration schemes (such as Seasonal Agricultural Workers Schemes) for non-graduate level employment which are currently open only to EEA nationals.

2.59 Based on the above assessment, the Government maintains its decision to repeal this exemption by regulations with effect from 6 April 2012.

Relief: Nationalisation schemes

2.60 This relief exempts from stamp duty any transfers of stock and marketable securities to the Crown or a Crown appointed body in connection with a nationalisation scheme. Following the OTS review, the Government decided to repeal this relief because it does not believe it to be necessary to have these general provisions standing on the statute book. The Government anticipates that the future need for this relief will be low.

2.61 No responses were received on this relief. On this basis, the Government maintains its decision to repeal this relief in Finance Bill 2012 with effect from 6 April 2013.

Relief: Tax reserve certificates issued by HM Treasury

2.62 Tax Reserve Certificates (TRCs) were introduced in 1941 as a mechanism for making payments of tax on account. Interest on TRCs is paid when the certificates are used to settle a tax liability. TRCs have not been issued since the mid-1970s, when they were replaced by Certificates of Tax Deposit. The Government decided to repeal the corporation tax relief on interest for TRCs on the basis that they have not been issued for some time. This would bring TRCs in line with the tax treatment of other financial instruments.

2.63 The consultation response was limited but supported the repeal. However, since the consultation document was published it came to the Government's attention that an equivalent relief for income tax at Section 750 of Income Tax (Trading and Other Income) Act (ITTOIA) 2005 also exists. This means that repeal of the corporation tax relief would not bring the tax treatment of TRCs in line with other financial instruments as originally proposed.

2.64 Whilst the Government remains minded to repeal the corporation tax relief in Finance Bill 2012 with effect from 1 April 2013, on the basis that this relief has limited use, it believes it is important to provide further opportunity to consult on both the principle of the repeal of this relief and the draft Clauses. The Government will also consult on repeal of the income tax relief - see paragraphs 2.103-2.105 for further detail. All responses should be sent to tap@hmrc.gsi.gov.uk. If the Government decides to repeal this corporation tax relief thereafter, it will publish a response to the consultation separately in the Tax Impact and Information Note which will accompany Finance Bill 2012.

Relief: Payments for the benefit of family members

2.65 This measure provides individuals with an income tax relief of up to a maximum of £20 per year where they are required to make provision for their surviving spouse or children by their employer or under an Act of Parliament. The Government decided to repeal this relief on the basis that the maximum tax relief available is now very small in relative terms. Furthermore the

policy objectives of this relief have now been superseded by the pensions' code, which provides much more generous relief.

2.66 Since no responses were received, the Government maintains its decision to repeal this relief in Finance Bill 2012, with effect from 6 April 2013.

Relief: Class 1A NICs – Exemption for prescribed general earnings

2.67 This relief provides an exemption from Class 1A NICs arising on certain specified payments, such as relocation expenses that are disregarded in the calculation of an employee's earnings. The exemption only applies to expenses incurred before April 1998 where the relocation expenses were agreed before that date. The Government decided to abolish this relief on the basis that it was redundant.

2.68 Respondents supported its repeal arguing that the amount payable was negligible. The Government has considered these responses and maintains its decision to repeal by regulations with effect from 6 April 2012.

Relief: Class 4 NICs – Relief which allows deduction in next tax year of losses incurred in 1989/90 or previous tax year where losses from income other than trade or profession or vocation

2.69 Liability for Class 4 NICs is generally determined on the same amount of profits as is used for income tax, and this allows for certain losses to be deducted in calculating the chargeable amount. For 1989/90, there was a provision that applied for certain losses that arose either to a self-employed person, or their spouse, from income other than that from a trade, profession or vocation to be offset against the amount of profits chargeable to Class 4 NICs. The relief was a transitional provision and maintained the loss relief determined under previous rules. The loss can be carried forward indefinitely, but must be given against the profits of the earliest year possible.

2.70 The Government decided to abolish this relief on the basis that more than 20 years has lapsed since the latest year in which the relevant losses could have been incurred; and use of this relief is likely to be negligible.

2.71 Respondents supported its repeal. No evidence was provided to contradict the Government's assessment of likely take up going forward. Therefore, the Government's decision to abolish this relief remains.

2.72 This relief will be repealed in the first available National Insurance Contributions Bill.

Relief: Capital allowances – safety at sports grounds

2.73 Various capital allowances reliefs for sports grounds were originally introduced in 1975 and later widened, following government inquiries into sports ground safety. The aim was to provide relief for substantial, unanticipated costs incurred by the operators of existing sports grounds in meeting safety requirements contained in the Safety at Sports Grounds Act 1975 and Fire Safety and Safety of Places of Sports Act 1987. Following the OTS review, the Government proposed repealing these reliefs on the basis that the original policy intent, to bring the stock of existing sports grounds up to the relevant standards set out in the 1975 and 1987 acts have been met.

2.74 A number of responses were received. All argued against the repeal of the reliefs on the basis that they applied not just to existing stands or stadia, but also to the construction of new stands or stadia. In addition, as part of a stadium operator's ongoing review process of safety legislation, it was considered likely that future expenditure on additional safety precautions work would be necessary.

2.75 The Government has considered the responses received. In light of the information provided, the Government continues to believe that the stock of existing sports grounds should have been brought up to the safety standards appropriate for their size and use. In addition, these reliefs were not intended to apply to new stadia or stands, which are specifically designed and built to meet all existing safety requirements and standards.

2.76 Consequently, the Government maintains its decision to repeal this relief in Finance Bill 2012 with effect from 1 April 2013 (for corporation tax) and 6 April 2013 (for income and inheritance taxes).

Relief: Capital allowances – flat conversion allowances

2.77 This relief provides 100 per cent capital allowances for the conversion or renovation of empty or underused space above shops and other commercial premises to residential use. This was one of a package of regeneration measures, introduced in 2001, in response to the recommendations of the Urban Task Force. The objective was to increase the number of affordable residential properties available to let. The Government proposed repealing this relief on the grounds that it has been unsuccessful in achieving its policy objectives to any significant extent.

2.78 Of the responses received many focussed on wider housing issues, rather than the impact of the relief's abolition. Of those comments received about abolition, many accepted that take up of the relief was low, but argued that there is still sufficient policy rationale for its continuation. Others added that the low take up reflected the relief's restrictive nature, rather than its usefulness. Some respondents also suggested that a review of the relief be undertaken to determine how it can be made more effective instead of abolishing it.

2.79 The Government has considered the responses received, but no new compelling evidence has been provided to retain this relief. The Government believes that the issues raised are best addressed through its wider housing policy agenda, which includes a number of schemes aimed at increasing the supply of housing in the UK. These include reforms to the planning system to support house builders and developers, and the release of large areas of publicly owned land for development.

2.80 Consequently, the Government maintains its decision to repeal this relief in Finance Bill 2012 with effect from 1 April 2013 (for corporation tax) and 6 April 2013 (for income and inheritance taxes).

Relief: Exempt instruments

2.81 This relief was introduced to reduce administrative burdens for both taxpayers and HMRC by exempting from stamp duty instruments that would otherwise be chargeable with a fixed stamp duty of £5. The relief has no current application as fixed stamp duty charges were abolished in March 2008. On this basis the Government decided to repeal this relief.

2.82 No consultation responses were received in relation to this relief. As such, the Government maintains its original decision to repeal this relief in Finance Bill 2012 with effect from 6 April 2013.

Relief: Certain leases granted by registered social landlords

2.83 This provision provides relief from stamp duty on certain leases granted by registered social landlords under agreements to house the homeless temporarily. The relief applies to agreements with housing authorities, who have a statutory obligation to provide such accommodation. The relief was introduced to encourage social landlords to enter into such agreements. Since the introduction of Stamp Duty Land Tax (SDLT) in 2003 this relief is only applicable to contracts

entered into before 10 July 2003 but not yet completed. The Government decided to abolish this relief on the basis that there were not expected to be any outstanding claims for the relief.

2.84 No responses were received in relation to this relief and therefore, the Government maintains its original assessment and will repeal this relief in Finance Bill 2012 with effect from 6 April 2013.

Relief: Partial relief for company acquisitions

2.85 This relief provides for a reduced rate of stamp duty of 0.5 per cent where a company acquires the whole or part of an undertaking of another company, provided that certain conditions are met. Since the introduction of SDLT in 2003 this relief has only applied to transfers of shares. As the current stamp duty rate for transfers of shares is 0.5 per cent, the relief has no current application. On this basis, the Government decided to abolish this relief.

2.86 No responses were received for the Government to consider. As such, the Government maintains its original assessment and will repeal this relief in Finance Bill 2012 with effect from 6 April 2013.

Relief: Shared ownership transactions

2.87 Shared ownership schemes allow individuals to purchase a share in residential property, with the option to buy further shares and, if desired, eventually owning 100 per cent of the property. Rather than pay stamp duty under the normal rules, each time a proportion of the property is purchased, this provision allows stamp duty to be paid once only on the market value of the freehold or the ultimate leasehold interest which may be acquired. Since the introduction of SDLT in 2003 this relief is only applicable to contracts entered into before 10 July 2003 but not yet completed. The Government decided to abolish this relief on the basis that there were not expected to be any outstanding claims for the relief.

2.88 No consultation responses were received. Therefore, in the absence of any new information, the Government maintains its original assessment and will repeal this relief in Finance Bill 2012 with effect from 6 April 2013.

Relief: Transfers to registered social landlords

2.89 This relief applies to acquisitions of land by registered social landlords where certain conditions are met. The relief was introduced to encourage the provision of social housing. Since the introduction of SDLT in 2003 this relief is only applicable to contracts entered into before 10 July 2003 but not yet completed. The Government decided to abolish this relief on the basis that there were not expected to be any outstanding claims for the relief.

2.90 No consultation responses were received for the Government to consider. As such, it maintains its original assessment and will repeal this relief in Finance Bill 2012 with effect from 6 April 2013.

Relief: Visiting forces and allied headquarters

2.91 This measure provides an exemption from stamp duty for transfers of land made with a view to building or enlarging barracks or camps, facilitating the training in the UK, or promoting the health or efficiency of a visiting force of a designated country. Exemption is also provided for land to be used as designated allied headquarters. The Government decided to abolish this relief on the basis that it now only applies to contracts entered into before 10 July 2003 but not yet completed.

2.92 No responses were received for consideration. Consequently, the Government maintains its original assessment to repeal this relief in Finance Bill 2012 with effect from 6 April 2013.

Relief: Specified payments to mariners to be disregarded for Class 1 NICs

2.93 This is a long standing exemption that provides for a NICs exemption for payments to or in respect of mariners under certain circumstances. The circumstances in which this relief would have applied all relate to situations which are now no longer current practice. Furthermore, it was introduced to cater for a system of payments which no longer exists and in respect of certain payments administered by the National Maritime Board which was abolished in 1990. On this basis the Government decided to abolish this relief as the policy rationale for retaining this relief has expired.

2.94 Whilst responses were limited, one of those suggested that the exemption should be retained. However, industry representatives confirmed that the relief was no longer needed. Based upon the above assessment the Government maintains its decision to repeal this exemption by regulations with effect from 6 April 2012.

Relief: Harbour authorities;

Relief: Harbour reorganisation schemes; and

Relief: Transfers in relation to harbour reorganisation schemes

2.95 This group of reliefs address the tax consequences of statutory reconstruction schemes involving the creation and operation of a Harbour Authority. The Government decided to repeal these reliefs on the basis that it does not believe it to be necessary to have these general provisions standing on the statute book. The Government anticipates that the future need for this relief will be low.

2.96 No consultation responses were received. As such, the Government maintains its original assessment and will continue to repeal this relief in Finance Bill 2012 with effect from 1 April 2013.

Newly identified reliefs

Relief: Pool betting duty payments related to safety improvement at football grounds or for the arts – Income tax

2.97 As discussed above in paragraphs 2.52-2.55 the Government maintains its decision to repeal the corporation tax element of the pool betting duty reliefs. In drafting legislation, it was observed that the income tax element of this relief could also be repealed.

2.98 The Government undertook an internal assessment to determine the impact of repealing the income tax component of this relief. Based on the evidence available, it was judged that the impact would be negligible. When the corporation tax element of this relief is removed, the income tax component will become obsolete.

2.99 On this basis, the Government has decided to repeal this relief without consultation. This relief will be repealed in Finance Bill 2012 with effect from 6 April 2013.

Relief: Pensions for 1947 redundancies

2.100 This provision exists in the 1946 Financial Act and provides for the payment of pensions to people who lost their job as a result of the closure of certain offices within the then Inland Revenue in 1947. This measure was identified by Parliamentary Counsel when drafting legislation for the repeal of other reliefs under this consultation.

2.101 An assessment has been undertaken to determine the impact of repealing this provision. Given the specific nature of this provision and the number of years that have lapsed since its

introduction, it has been judged that this relief is obsolete. Consequently, its repeal would have no impact on individuals, households or businesses.

2.102 Given the above assessment, the Government will abolish this relief without consultation. Repeal will be made in Finance Bill 2012 with effect from 6 April 2013.

Relief: Tax Reserve Certificates – Income tax

2.103 As discussed in paragraphs 2.62-2.64, the Government intends to remove the relief to corporation tax on interest for Tax Reserve Certificates. Since consultation on the corporation tax element, it has come to the Government's attention that there is a case for repealing an equivalent relief for income tax at Section 750 of ITTOIA 2005.

2.104 Based on the evidence available, the Government believes that repeal of this relief would have negligible impact. However, the Government would like to invite comments on both the principle of the repeal and the draft Clauses.

2.105 All responses should be sent to tap@hmrc.gsi.gov.uk. If the Government decides to repeal this relief thereafter, it will be included in Finance Bill 2012 with effect from 6 April 2013. A response to the consultation will also be provided in the Tax Impact and Information Note which will accompany Finance Bill 2012.

3

Next Steps

3.1 As announced in Budget 2011, and discussed in this document, legislation will be introduced in Finance Bill 2012 or in regulations to repeal the above mentioned tax reliefs. A summary of the dates on which these repeals will take effect has been provided in an annex to this document.

3.2 Eight weeks will be allowed for comments on draft Finance Bill legislation and for comments on draft secondary legislation where it makes a substantive change to the tax code. Contact details for each relief will be provided in the Tax Impact and Information Notes.

3.3 For the purposes of the “Consultation on the abolition of 36 tax reliefs”, this consultation is now formally closed.

A

List of the Respondents

A.1 There were 78 responses received to the consultation. The following businesses and representative bodies submitted responses. Representations from individuals were also considered, but are not listed below.

Angostura

Association of British Insurers

Association of Financial Mutuals

Association of Taxation Technicians

Barratt Development PLC

Berkeley Associates

Bridges UK Actuarial Services

British Hospitality Association

British Property Federation

Broadcasting, Entertainment, Cinematograph and Theatre Union

Burns Stewart Distillers

Central Association of Agricultural Valuers

Chartered Institute of Taxation

Civil Engineering Contractors Association

Confederation of Business Industry

CLAIRE

Continental Wine

Country Land and Business Association

Crowe Clark Whitehall LLP

Deloitte

Dunham Consulting

English Heritage

Ernst and Young

Financial Ombudsman

Financial Services Compensation Scheme

FTMINS Chartered Minerals Surveyors

Grant Thornton
Gleeds
Harrow Estates PLC
Home Builders Federation
Home Communities Agency
Institute of Chartered Accountants in England and Wales
Institute of Chartered Accounts of Scotland
Institute of Civil Engineers Wales
Investment and Life Assurance Group
KPMG
Land Development
Legal and General
Linklaters LLP
Low Incomes Tax Reform Group
Mexborough Estates
National Farmers' Union
National Grid
Network Rail
Pink Gin Alliance
Pinset Masons LLP
Premier League
Prudential
PWC
Redrow
Residential Landlords Association
RSM Tenon
Rugby Football Union
Sainsburys
Scottish Land and Estates
Sefton Council
Society of London Theatre and the Theatrical Management Association
Sport and Recreation Alliance
Squire Sanders Hammonds

St Modwen

Terrace Hill Group

The Construction Industry Joint Taxation Committee

The Law Society England and Wales

The Society of Pension Consultants

The Tax Bridge

Theatrical Management Association

Welsh Government

Westminster Advisors

B

Summary of Outcomes

B.1 Below is a summary of the Government's decision on whether or not to repeal the 36 reliefs that were consulted on.

| Relief | Decision | Page |
|--|--|------|
| Late night taxis | Retain relief | 5 |
| Compensation for mis-sold pensions | Retain relief | 6 |
| Land remediation relief | Retain relief | 6 |
| Class 1 NICs exemption for assistance in identifying lost or stolen credit cards | Retain relief | 7 |
| Mineral royalties | Partial repeal of relief with effect from 1 April 2013 (for corporation tax) and 6 April 2013 (for income tax) | 7 |
| Deeply discounted securities - incidental expenses | Partial repeal of relief in FB2012 with effect from 6 April 2015 | 8 |
| Disadvantaged area relief (Stamp Duty) | Partial repeal of relief in FB2012 with effect from 6 April 2013 | 8 |
| Disadvantaged area relief (Stamp Duty Land Tax) | Partial repeal of relief in FB2012 with effect from 6 April 2013 | 8 |
| Life assurance premium relief | Repeal relief in FB2012 with effect from 6 April 2015 | 8 |
| Life assurance premiums paid by employers under E-FRBS | Repeal relief in FB2012 with effect from 6 April 2015 | 9 |
| Grants for giving up agricultural land | Repeal relief in FB2012 with effect from 6 April 2013 | 9 |
| Angostura bitters | Repeal relief in FB2012 with effect from 1 April 2013 | 10 |
| Black beer | Repeal relief in FB2012 with effect from 1 April 2013 | 10 |
| Cycle to work days - provision of meals | Repeal relief in regulations with effect from 6 April 2013 | 10 |
| Luncheon vouchers | Repeal tax relief in FB2012 and NICs disregards in regulations with effect from 6 April 2013 | 11 |
| Pools payment for football ground improvements | Repeal relief in FB2012 with effect from 1 April 2013 (for corporation tax) and 6 April 2013 (for income and inheritance taxes) | 11 |
| Pools payment for support for games | Repeal relief in FB2012 with effect from 1 April 2013 (for corporation tax) and 6 April 2013 (for income and inheritance taxes) | 11 |
| Pool betting duty payments related to safety improvement at football grounds or for the arts | Repeal relief in FB2012 with effect from 6 April 2013 | 11 |
| Class 1 NICs exemption for certain apprentices and students coming to the UK | Repeal relief in regulations with effect from 6 April 2012 | 11 |
| Nationalisation schemes | Repeal relief in FB2012 with effect from 6 April 2013 | 12 |
| Tax reserve certificates issued by HM Treasury | Subject to consultation, repeal of relief from Corporation Tax in FB2012 with effect from 1 April 2013; and repeal of relief from Income Tax in FB2012 with effect from 6 April 2013 | 12 |
| Payments for the benefit of family members | Repeal relief in FB2012 with effect from 6 April 2013 | 12 |
| Class 1A NICs exemption for | Repeal relief in regulations with effect from 6 April | 13 |

| | | |
|---|---|----|
| prescribed general earnings | 2012 | |
| Class 4 -NICs relief that allows deduction in next tax year of losses incurred in 89/90 or previous tax year where losses from income other than trade or profession or vocation | Repeal in first available NICs Bill | 13 |
| Capital allowances - safety at sports grounds | Repeal relief in FB2012 with effect from 1 April 2013 (for corporation tax) and 6 April 2013 (for income and inheritance taxes) | 13 |
| Capital allowances - flat conversion allowances | Repeal relief in FB2012 with effect from 1 April 2013 (for corporation tax) and 6 April 2013 (for income and inheritance taxes) | 14 |
| Exempt Instruments | Repeal relief in FB2012 with effect from 6 April 2013 | 14 |
| Certain leases granted by registered social landlords | Repeal relief in FB2012 with effect from 6 April 2013 | 14 |
| Partial relief for company acquisitions | Repeal relief in FB2012 with effect from 6 April 2013 | 15 |
| Shared ownership transactions | Repeal relief in FB2012 with effect from 6 April 2013 | 15 |
| Transfers to registered social landlords | Repeal relief in FB2012 with effect from 6 April 2013 | 15 |
| Visiting forces and allied headquarters | Repeal relief in FB2012 with effect from 6 April 2013 | 15 |
| Specific payments to mariners to be disregarded for Class 1 NICs | Repeal relief in regulations with effect from 6 April 2012 | 16 |
| Harbour authorities | Repeal relief in FB2012 with effect from 1 April 2013 | 16 |
| Harbour reorganisation schemes | Repeal relief in FB2012 with effect from 1 April 2013 | 16 |
| Transfers in relation to harbour reorganisation schemes | Repeal relief in FB2012 with effect from 1 April 2013 | 16 |
| Pool betting duty payments related to safety improvements at football grounds or for the arts - Income tax | Repeal relief in FB2012 with effect from 6 April 2013 | 16 |
| Pensions for 1947 redundancies | Repeal relief in FB2012 with effect from 6 April 2013 | 16 |
| Tax Reserve Certificates - Income tax | Subject to consultation - repeal relief in FB2101 with effect from 6 April 2013 | 17 |

HM Treasury contacts

This document can be found in full on our website: <http://www.hm-treasury.gov.uk>

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