

Certain Payments Arising from a Reduction in Pool Betting Duty: Repeal of Reliefs

Who is likely to be affected?

Pool betting companies and particular trusts they support. The relevant trusts still in operation are the Football Foundation (FF) and the Foundation for Sport and the Arts (FSA). The other relevant trust, the Football Trust (FT), has disbanded.

General description of the measure

This measure therefore repeals a number of reliefs which are expected to have become obsolete. The reliefs ensured that the full benefit of reductions in pool betting duty in 1990, 1991 and 1995, paid to the relevant trusts, flowed through to football ground improvements, sport and the arts, by removing certain tax liabilities that would otherwise arise. The agreement to commit payments to the FT, FF and FSA ceased at the end of March 2004. No qualifying funds are expected to be held in the relevant trusts after March 2012.

Some income tax reliefs that mirrored the corporation tax reliefs being consulted on were identified as being redundant during the course of consultation and are also being repealed although no specific consultation was done for these provisions.

Policy objective

The repeals support the Government's objective to simplify the tax system and are part of a package of measures which will repeal reliefs that are no longer necessary, have not achieved their policy rationale or are distortive.

Background to the measure

Following the Office of Tax Simplification review of reliefs, the Government announced at Budget 2011 that it would repeal seven reliefs in Finance Act 2011 and confirmed its intention to abolish a further 36 reliefs in Finance Bill 2012 and beyond, subject to a period of consultation.

Consultation on the abolition of 36 tax reliefs was published on 27 May 2011 and views were requested on the Government's proposal to repeal these reliefs. The Government response was published on 6 December 2011. All documents are available on both the HM Treasury and HM Revenue & Customs websites.

Detailed proposal

Operative date

These reliefs will be withdrawn for corporation tax purposes for payments made on or after 1 April 2013 and 6 April 2013 for income and inheritance tax purposes.

Current law

The relevant reliefs are:

- section 126(4) of the Finance Act 1990 – this overrides the capital allowances contributions legislation at section 532 of the Capital Allowance Act 2001 which ordinarily would prevent a football club claiming capital allowances on the grant-funded element of a ground improvement. It ensures that the club can claim capital allowances on the full cost of the works where the grant was funded by a contribution from one of the relevant trusts, and as a result of a reduction in pool betting duty.
- section 126(5) of the Finance Act 1990 and section 121(4) of the Finance Act 1991 – these remove any inheritance tax charges on monies received by trustees out of the duty reduction and which are either distributed or held in a trust.
- section 138 of the Corporation Tax Act 2009 (CTA) – this ensures that a pool betting company can deduct the payment derived from the reduced duty when computing its trading profits.
- section 978 of CTA – this ensures that a payment by a pool betting company is not treated as an annual payment and so is not liable to corporation tax where this payment is a consequence of a reduction in pool betting duty and is used in order to meet capital expenditure incurred in improving safety or comfort at a football ground.
- sections 162 and 748 of the Income Tax (Trading and Other Income) Act 2005 – these provide similar reliefs to income tax as sections 138 and 978 of CTA do for corporation tax.

Proposed revisions

Legislation will be introduced in Finance Bill 2012 to repeal the above provisions.

Summary of impacts

Exchequer impact (£m)	2011-12	2012-13	2013-14	2014-15	2015-16
	-	-	nil	nil	nil
	This measure is not expected to have an Exchequer impact.				
Economic impact	These changes have no significant economic impacts.				
Impact on individuals and households	There is no impact on individuals and households because this is a measure that affects only businesses liable to pay pools betting duty and the trusts they support.				
Equalities impacts	Potential impacts have been considered and no different impact has been identified on people with protected characteristics.				
Impact on business including civil society organisations	No associated costs or administrative burden for businesses or the trusts they support are expected as it is likely that all use of these reliefs will have ended before this measure is implemented.				
Operational impact (£m) (HMRC or other)	There will be a negligible operational impact for HMRC.				

Other impacts	The potential for other impacts has been considered and none have been identified.
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Monitoring and evaluation

These changes do not require monitoring or evaluation as they remove unnecessary reliefs. Any correspondence received on the impact of the repeals will be dealt with on a case by case basis.

Further advice

If you have any questions about this change, please contact Craig Griffith on 020 7147 3395 (email: craig.griffith@hmrc.gsi.gov.uk).

1 Payments relating to reductions in pool betting duty

Schedule 1 contains repeals of provision about payments relating to reductions in pool betting duty.

SCHEDULE 1

Section 1

PAYMENTS RELATING TO REDUCTIONS IN POOL BETTING DUTY

- 1 (1) Section 126 of FA 1990 (capital allowances and IHT: pools payments for football ground improvements) is repealed.
(2) Accordingly, the following are also repealed –
 - (a) paragraph 72 of Schedule 2 to CAA 2001;
 - (b) paragraph 416 of Schedule 1 to ITTOIA 2005.(3) The repeals made by this paragraph –
 - (a) for corporation tax purposes, have effect in relation to payments made on or after 1 April 2013,
 - (b) for income tax purposes, have effect in relation to payments made on or after 6 April 2013, and
 - (c) for inheritance tax purposes, come into force on 6 April 2013 (and have effect in relation to payments whenever made).
- 2 (1) Section 121 of FA 1991 (inheritance tax: pools payments to support games etc) is repealed.
(2) The repeal made by this paragraph comes into force on 6 April 2013 (and has effect in relation to payments whenever made).
- 3 (1) In ITTOIA 2005, the following provisions are repealed –
 - (a) section 162 (deductions in respect of payments by persons liable to pool betting duty);
 - (b) section 748 (exemption for payments by persons liable to pool betting duty).(2) Accordingly, section 683(4)(g) of that Act is also repealed.
(3) The repeals made by this paragraph have effect in relation to payments made on or after 6 April 2013.
- 4 (1) In CTA 2009, the following provisions are repealed –
 - (a) section 138 (deductions in respect of payments by companies liable to pool betting duty);
 - (b) section 978 (exemption for payments by persons liable to pool betting duty).(2) Accordingly, section 976(1)(b) of that Act, and the “and” before it, are also repealed.
(3) The repeals made by this paragraph have effect in relation to payments made on or after 1 April 2013.

EXPLANATORY NOTE

PAYMENTS RELATING TO REDUCTIONS IN POOL BETTING DUTY

SUMMARY

1. This schedule withdraws a number of redundant reliefs for income, corporation and inheritance taxes, for various payments which, in consequence of a reduction in pool betting duty, are made by the person liable to pay pool betting duty for the purpose of improving football ground safety and comfort or supporting sports and the arts.

DETAILS OF THE SCHEDULE

2. Paragraph 1(1) withdraws reliefs from corporation tax and income tax, for capital expenditure funded by grants made for the purpose of improving football ground safety and comfort, and withdraws relief from inheritance tax for trustees responsible for administering those grants, both of which were provided for by section 126 of the Finance Act 1990. Subparagraph (2) makes minor consequential amendments to the Capital Allowances Act 2001 and the Income Tax (Trading and Other Income) Act 2005 (ITTOIA). Subparagraph (3) provides that these changes shall have effect from 1 April 2013 for corporation tax purposes and from 6 April 2013 for income tax and inheritance tax purposes.
3. Paragraph 2(1) withdraws relief from inheritance tax for trustees administering funds held for the purpose of supporting sports and the arts provided for by section 121 of the Finance Act 1991. Subparagraph (2) provides that this change shall have effect from 6 April 2013.
4. Paragraph 3(1) withdraws reliefs from income tax in respect of payments for the purpose of improving football ground safety and comfort or supporting sports and the arts provided for by sections 162 and 748 of ITTOIA. Subparagraph (2) makes a minor consequential amendment. Subparagraph (3) states that these repeals shall have effect from 6 April 2013.
5. Paragraph 4(1) withdraws relief from corporation tax in respect of payments for the purpose of improving football ground safety and comfort or supporting sports and the arts provided for by sections 138 and 978 of the Corporation Tax Act 2009. Subparagraph (2) makes a minor consequential amendment. Subparagraph (3) states that these repeals shall have effect from 1 April 2013.

BACKGROUND NOTE

6. Pool betting duty was reduced from 42.5 per cent to 40 per cent with effect from 6 April 1990 with further reductions in 1991 and 1995. The intention was that these reductions in duty would be passed on by pools operators in the form of payments to a trust established to help meet the cost of capital works designed to improve the safety and comfort of spectators at football grounds in accordance with Lord Justice Taylor's recommendations following the Hillsborough Stadium disaster, and, as additionally provided for from 1991, to support sport and the arts generally.
7. To ensure that the full benefit of the pool betting duty reduction flowed through to their intended recipients certain tax liabilities that would otherwise arise were removed, however the arrangements by which these reductions were passed on expired in 2004 and since it has been several years since any qualifying payment was made it is considered that these reliefs are now redundant.
8. If you have any questions about this change, or comments on the legislation, please contact Craig Griffith on 020 7147 3395 (email: craig.griffith@hmrc.gsi.gov.uk).