2 Budget policy decisions

2.1 Chapter 1 explains how the measures announced in this Budget advance the Government's long-term goals. This chapter provides a brief description of all Budget policy decisions. These are decisions on tax measures, National Insurance contributions (NICs), measures that affect Annually Managed Expenditure (AME), changes to Departmental Expenditure Limits (DEL), and supply-side reform measures. Unless stated otherwise, measures in this chapter are measures announced at this Budget. The tables in this chapter set out the cost or yield of all Budget policy decisions with a fiscal impact in the years up to 2017-18.[1]

Fiscal impacts of Budget policy decisions

2.2 Alongside this Budget, the Office for Budget Responsibility (OBR) has published an independent forecast of the public finances and the economy incorporating Budget policy decisions. To produce the Budget forecast, the OBR has certified the Government's assessment of the direct cost or yield of Budget policy decisions that affect the economy and public finance forecasts and has made an assessment of the indirect effects of Budget measures on the economy.

2.3 Table 2.1 shows the cost or yield of all new Budget decisions with a direct effect on public sector net borrowing (PSNB). This includes tax measures, NICs measures, measures affecting AME and changes to DEL.

2.4 Consistent with its commitment to transparency, the Government is also publishing the methodology underlying the calculation of the fiscal impact of each Budget policy decision. This is included in the supplementary document *Budget 2013 policy costings*, published alongside this Budget.[2]

[1] The numbers or lower-case letters in brackets after each measure refer to the line in Table 2.1 or Table 2.2 where its cost or yield is shown.
[2] *Budget 2013 policy costings*, HM Treasury, Department for Work and Pensions, and HM Revenue and Customs (HMRC), March 2013.

Table 2.1: Budget 2013 policy decisions[1]

	Head	£ million				
		2013-14	2014-15	2015-16	2016-17	2017-18
Previously announced (smaller measures)						
1 Carbon Reduction Commitment: exclude schools	Tax	0	0	-65	-65	-65
2 Government response to OTS review of share schemes	Tax	-40	-45	-50	-55	-55
3 Carbon price floor: Northern Ireland exemption	Tax	-20	-25	-40	-45	-45
4 Annual charge and SDLT 15% rate: reliefs for commercial businesses	Tax	-30	-40	-40	-40	-45
5 Capital Gains Tax on disposals of high value residential property: extension to UK non-natural persons	Tax	+25	0	0	+5	+5
6 Universal Credit: exempt from income tax	Tax	0	0	-35	-35	-30
7 Debt Cap: tightening of rules	Tax	+50	+60	+50	+35	+30
8 Building Societies: capital instruments	Tax	+20	+20	+20	+20	+30
9 Employee shareholder status: CGT changes	Tax	0	0	*	+5	+30
10 Enterprise Management Incentive: qualification for CGT entrepreneurs' relief	Tax	-10	-15	-20	-25	-25
11 Lorry road user levy and offsetting VED reduction	Tax	0	+25	+25	+25	+25
12 Income tax: transfer of assets abroad	Tax	0	0	-10	-10	-10
13 Cap on reliefs: exemption for EIS share loss relief and overlap relief	Tax	0	-20	-10	-10	-10
14 Carbon price floor: non rate changes	Tax	+5	+5	+5	+5	+5
15 Disincorporation relief	Tax	-10	-5	-5	-5	-5
16 Vehicle Excise Duty: PIP disability exemption	Tax	-10	-10	-10	-5	0
17 Pension Credit pass through	Spend	+5	+5	*+5*	*+5*	*
Previously announced (Mid Term Review)						
Single Tier: introduce from 2016-17:						
18 Contracting out NICs: public sector employers	Tax	0	0	0	+3,325	+3,285
19 Contracting out NICs: public sector employees	Tax	0	0	0	+1,365	+1,350
20 Contracting out NICs: private sector employers	Tax	0	0	0	+570	+565
21 Contracting out NICs: private sector employees	Tax	0	0	0	+235	+235
Other Mid Term Review:						
22 Inheritance tax: threshold freeze for 3 years from 2015-16	Tax	0	0	+20	+80	+170
23 Social Care funding reform: introduce Dilnot cap from 2016-17	Spend	0	0	*0*	*-1,000*	*-1,000*
24 Childcare additional funding[2]	Spend	0	0	-400	-750	-750
Growth and Enterprise						
25 National Insurance: £2,000 Employment Allowance	Tax	0	-1,255	-1,370	-1,595	-1,725
26 Corporation tax: reduce main rate to 20% from 2015-16	Tax	0	-5	-400	-785	-865
27 Capital Spending: maintain 2014-15 level	Spend	0	0	*-3,000*	*-3,000*	*-3,000*
28 Affordable housing	Spend	0	-125	*0*	*0*	*0*
29 Right to Buy changes	Spend	-5	+45	*+40*	*+50*	*+50*
30 Stamp duty: abolish schedule 19 charge	Tax	0	-145	-145	-150	-160
31 Abolishing stamp duty on AIM and other junior shares	Tax	+5	-170	-170	-170	-175
32 Seed Enterprise Investment Scheme: extend CGT holiday to 2013-14	Tax	0	-5	*	0	0
33 Employee shareholder status: income tax	Tax	0	-15	-45	-65	-75
34 R&D Tax Credits: increase Above the Line credit to 10%	Spend	-20	-80	*-85*	*-90*	*-95*

35 Employee ownership: additional support	Spend	0	-50	-50	-50	-50
36 Industrial Strategy	Spend	-125	-160	-180	-180	-180
37 Growth vouchers	Spend	-10	-25	0	0	0
38 Tax relief: health interventions	Tax	0	-10	-10	-10	-10
39 Health interventions	Spend	0	+10	+10	+10	+15
40 Bank Levy (including offsetting CT changes)	Tax	0	+195	+250	+245	+250
Personal Tax						
41 Personal allowance: increase by an additional £560 to £10,000 in 2014-15	Tax	0	-1,075	-1,045	-1,060	-1,210
42 Pensions tax relief: individual protection	Tax	0	+100	+80	+50	0
Duties						
43 Fuel Duty: cancel September 2013 increase	Tax	-480	-810	-835	-870	-900
44 Alcohol: 1p off pint of beer and abolish escalator in 2014-15	Tax	-170	-215	-210	-205	-205
Avoidance and Debt		**+395**	**+1,025**	**+1,395**	**+1,075**	**+1,020**
45 Tax repatriation from Jersey, Guernsey, and Isle of Man	Tax	+80	+240	+325	+235	+170
46 Offshore employment intermediaries	Tax	0	+80	+85	+85	+90
47 Partnerships	Tax	0	+125	+365	+300	+285
48 Corporation Tax: losses	Tax	+260	+305	+270	+205	+190
49 Loans from close companies to participators	Tax	0	+65	+75	+70	+60
50 IHT: limiting deduction of liabilities	Tax	+5	+20	+15	+15	+15
51 General Anti-Abuse Rule: non revenue protection	Tax	0	+60	+50	+40	+85
52 Stamp Duty Land Tax: subsales	Tax	+45	+35	+30	+25	+25
53 Debt: improving coding out	Tax	0	0	+45	+40	+45
54 Avoidance schemes: enhanced information powers	Tax	0	+5	+35	+35	+35
55 Penalties in avoidance cases	Tax	0	+55	+60	+5	+10
Motoring and Environment						
56 Capital allowances: Ultra Low Emission Vehicles	Tax	0	0	-5	-25	-35
57 Company car tax: ULEVs	Tax	0	0	-10	-15	-15
58 VED: freeze rates for HGVs in 2013-14	Tax	-10	-10	-10	-10	-10
59 Aggregates levy: freeze in 2013-14	Tax	-10	-15	-15	-15	-15
60 Capital allowances: energy and water efficient technologies	Tax	+5	+15	+25	+30	+20
61 Capital allowances: energy saving plant & machinery in Northern Ireland	Tax	0	+5	+5	+10	+10
Changes to spending forecasts						
62 Spending total adjustment	Spend	+1,325	+1,085	0	0	0
63 Official Development Assistance: adjusting to meet 0.7% GNI target	Spend	+135	+165	+200	+250	+305
64 Special Reserve	Spend	+300	0	0	0	0
65 Equitable life	Spend	0	-45	0	0	0
TOTAL POLICY DECISIONS		**+1,315**	**-1,650**	**-2,850**	**+1,740**	**+1,305**
Total spending policy decisions		**+1,605**	**+1,055**	**0**	**0**	**0**
Total tax policy decisions		**-290**	**-2,705**	**-2,850**	**+1,740**	**+1,305**
Total tax policy decisions excluding impact on Government departments		**-290**	**-2,705**	**-2,850**	**-1,585**	**-1,980**
Financial transactions[3]:						
Help to Buy extension		-1,150	-1,430	-1,550	0	0
Build to Rent extension		-150	-445	-360	0	0

** Negligible.*

- Spending measures do not affect borrowing in 2015-16, 2016-17 and 2017-18 as they fall within the Total Managed Expenditure assumption.

1 Costings reflect the OBR's latest economic and fiscal determinants.

2 Additional funding for childcare will start in Autumn 2015. The Government is allocating £750m per annum for this support.

3 Financial transactions impact on PSND and not PSNB so do not feed through to the bottom line.

Table 2.2: Measures announced at Autumn Statement 2012 or earlier which take effect from April 2013 or later[1]

		Head	£ million				
			2013-14	2014-15	2015-16	2016-17	2017-18
Measures announced at Autumn Statement 2012							
a	Corporation tax: decrease main rate to 21% from 2014-15	Tax	-5	-370	-705	-790	-825
b	Business rates: empty property relief	Tax	-10	-55	-50	-30	-5
c	Business rates: small business relief extension	Tax	-475	+40	+5	0	0
d	Cash basis for small businesses	Tax	0	-165	+25	-5	*
e	Capital gains tax (CGT) relief: employee shareholder status	Tax	0	0	*	-15	-75
f	High end television: tax relief	Spend	-5	-25	-45	-60	-65
g	Personal allowance: increase by an additional £235 to £9,440 in 2013-14, with equal gains to higher rate taxpayers	Tax	-995	-1,140	-1,155	-655	-570
h	Working age discretionary benefits and tax credits: increase by 1% for three years from 2013-14	Spend	+515	+1,685	+2,680	+2,835	+2,935
i	Child Benefit: increase by 1% for two years from 2014-15	Spend	0	+220	+360	+360	+380
j	Housing Benefit: increase Local Housing Allowance by 1% for two years from 2014-15 with provision to high rent areas	Spend	0	+135	+280	+335	+375
k	Universal Credit impact of work allowance measure and increase by 1% for two years from 2014-15	Spend	0	+170	+680	+1,030	+1,215
l	Higher rate threshold: index by 1% for two years from 2014-15	Tax	0	+350	+960	+1,235	+1,260
m	Inheritance tax: increase nil rate threshold by 1% in 2015-16	Tax	0	0	+20	+40	+45
n	CGT: increase annual exempt amount by 1% for two years from 2014-15	Tax	0	0	+10	+15	+15
o	Tax credits: error and fraud	Spend	0	+315	+185	+85	*
p	Pensions: restrict tax relief	Tax	+200	+300	+600	+1,000	+1,125
q	Gift Aid Small Donation Scheme: amendments	Spend	-10	-15	-10	-20	-30
r	Amendments to cap on Income Tax reliefs	Tax	0	-85	-65	-70	-75
Measures announced at Budget 2012							
s	Personal allowance: increase by £1,100 in 2013-14, with a proportion passed to higher rate tax payers	Tax	-3,465	-3,700	-3,720	-3,875	-3,240
t	Income tax: reduce additional rate to 45p in 2013-14	Tax	-60	-110	-110	-120	-140
u	Income tax: cap on unlimited tax reliefs	Tax	*	+385	+245	+275	+290
v	Stamp Duty Land Tax: avoidance on residential property and associated CGT changes	Tax	+75	+75	+80	+90	+100
w	Corporation tax: decrease main rate to 24% in 2012-13, 23% in 2013-14 and 22% from 2014-15	Tax	-695	-740	-765	-815	-850
x	R&D Tax Credits: Above the Line	Spend	-10	-240	-165	-165	-170
y	Video games and animation: tax relief	Spend	-15	-50	-50	-55	-55
z	North Sea oil & gas: decommissioning certainty	Tax	+140	+425	+365	+330	+480
aa	Climate change levy: levy exemption certificates removal	Tax	+120	+125	+150	+165	+185
ab	Carbon Price Floor: combined heat and power relief and other changes	Tax	-65	-105	-170	-200	-240
ac	Company car tax	Tax	0	+125	+405	+375	+395
ad	Capital allowances: company cars	Tax	*	+25	+125	+225	+215
ae	Age-related allowances: freeze amount and restrict to existing receipts from 6 April 2013	Tax	+315	+700	+1,040	+1,280	+1,520
af	IHT: spouse relief	Tax	*	-5	-5	-5	-5
ag	Local authorities: Tax Increment Financing	Spend	-20	-20	-	-	-

ah Transfer of assets	Tax	*	*	*	*	*
ai Insurance tax: Claims Equalisation Reserves	Tax	0	+85	+90	+80	+80
aj Life assurance premium relief	Tax	0	0	+5	+5	+5
ak Stamp Duty Land Tax: area based reliefs	Tax	+30	+35	+35	+40	+40
Measures announced at Autumn Statement 2011						
al Air passenger duty: business jets	Tax	+5	+5	+5	+5	+5
am Climate change levy: increase electricity tax relief to 90 per cent	-15	-15	-20	-20	-20	-20
Measures announced at Budget 2011						
an Corporation tax: decrease to 24% in 2013-14 and 23% in 2014-15	Tax	-705	-740	-760	-805	-845
ao Carbon price floor: introduce from 2013-14 with £30 per tonne of CO_2 target	Tax	+975	+1,420	+2,025	+2,075	+2,200
ap Climate change agreements: reform	Tax	-25	-25	-25	-25	-30
aq Company car tax: adjustment to rates for 2013-14	Tax	+120	+125	+125	+130	+135
ar VAT: fraud on imported road vehicles	Tax	+110	+100	+95	+90	+85
as Gift Aid: small donations scheme	Spend	-45	-75	-95	-100	-100
Measures announced at Spending Review 2010						
at Council Tax Benefit: 10% reduction in expenditure and localisation	Tax	+475	+475	+475	+475	+470
au Total household benefit payments capped on the basis of average take-home pay for working households from 2013-14	Spend	+110	+185	+185	+185	+185
av Disability Living Allowance: remove mobility components for claimants in residential care from April 2013	Spend	+155	+160	+160	+160	+165
aw Child and Working Tax Credits: use real time information	Spend	0	+260	+190	+80	+10
Measures announced at June Budget 2010						
ax Corporation tax: decrease to 25% in 2013-14 and 24% in 2014-15	Tax	-1,720	-2,500	-2,970	-3,185	-3,335
ay Basic rate limit: freeze in 2013-14	Tax	+275	+515	+445	+510	+580
az Disability Living Allowance: reform gateway from 2013-14	Spend	+140	+660	+1,190	+2,000	+2,870
ba Social sector: limit working age entitlements to reflect size of family from 2013-14	Spend	+465	+465	+465	+470	+470
Measures announced before June Budget 2010						
bb Alcohol duty: increase in rates in 2013-14 and 2014-15 (March Budget 2010)	Tax	+155	+330	+340	+355	+370
bc Patent box from 2013-14 (2009 Pre-Budget Report)	Tax	-350	-640	-675	-740	-760
bd Landfill tax: increase in 2014-15 (2009 Pre-Budget Report)	Tax	0	+65	+60	+60	+60

* *Negligible*

[1] *Costings reflect the OBR's latest economic and fiscal determinants.*

2.5 The supplementary document *Overview of tax legislation and rates*, published alongside this Budget, provides a more detailed explanation of tax measures included in this chapter and a summary of their impacts.[3]

Public Spending

Total Managed Expenditure

2.6 Spending in 2016-17 and 2017-18 – In line with previous policy, the Government has set a fiscal assumption that Total Managed Expenditure (TME) in 2016-17 and 2017-18 will continue to fall in real terms at the same rate as over the Spending Review 2010 period. Fiscal consolidation for 2016-17 and 2017-18 is expressed as a reduction in TME. It would, of course, be possible to do more of this further consolidation through tax instead.

[3] *Overview of tax legislation and rates,* HM Treasury and HMRC, March 2013.

Table 2.3: Total Managed Expenditure[1]

	£ billion					
			Forecasts			
	2012-13[2]	2013-14	2014-15	2015-16	2016-17	2017-18
CURRENT EXPENDITURE						
Resource AME	317.4	334.1	345.1	362.3	378.5	396.1
Resource DEL excluding depreciation	317.6	320.7	315.7			
Ring-fenced depreciation	22.2	18.1	19.3			
Implied Resource DEL, including depreciation				*331.9*	*325.1*	*316.9*
Public sector current expenditure	**657.2**	**672.9**	**680.0**	**694.2**	**703.7**	**713.0**
CAPITAL EXPENDITURE						
Capital AME[2]	-20.0	5.0	5.5	6.3	8.6	9.2
Capital DEL	36.1	42.2	44.9			
Implied Capital DEL[3]				*44.2*	*42.7*	*42.9*
Public sector gross investment	**16.1**	**47.2**	**50.4**	**50.4**	**51.3**	**52.1**
Total Managed Expenditure	**673.3**	**720.0**	**730.4**	**744.7**	**754.9**	**765.1**
Total Managed Expenditure (% GDP)	*43.6%[2]*	*45.2%*	*44.0%*	*43.1%*	*41.8%*	*40.5%*

Envelope for 2015-16 Spending Round			***744.7***		
of which					
Current spending envelope			*694.2*		
Capital spending envelope			*50.4*		
Memo: TME baseline for years beyond 2014-15[4]		*735.9*	*744.7*	*754.9*	*765.1*
Average annual real growth	*SR10 period*	*-0.4%*	*Beyond SR10 period:*		*-0.4%*

[1] Budgeting totals are shown net of the OBR's forecast Allowance for Shortfall. Resource DEL excluding ring-fenced depreciation is the Treasury's primary control within resource budgets and is the basis on which Spending Review 2010 settlements were agreed. The OBR publishes public sector current expenditure in DEL and AME, and public sector gross investment in DEL and AME. A reconciliation is published by the OBR.

[2] In 2012-13, TME is temporarily reduced by a £28 billion effect on public sector net investment resulting from the transfer of assets from the Royal Mail Pension Plan to the public sector. For budgeting purposes, income from this transaction is treated as Capital AME. Excluding the effect of Royal Mail TME would be 45.4 per cent of GDP.

[3] Implied Capital DEL reduces in 2016-17 as measures set out in table 2.6 come to an end. This does not affect the public sector gross investment forecast as it is offset by a corresponding adjustment to the Capital AME forecast.

[4] TME is lower in the baseline for calculating the assumption for the years beyond 2014-15 as a result of excluding the effect of all measures announced at Budget 2013 and Autumn Statement 2012, capital measures announced at Autumn Statement 2011, and the OBR's Allowance for Shortfall forecast.

Departmental Expenditure Limits

2.7 Reduction in departmental spending in 2013-14 and 2014-15 – Resource DEL will be reduced by £1.1 billion in 2013-14 and £1.2 billion in 2014-15. This is equivalent to a 1 per cent reduction for most departments. The schools and health budgets remain unchanged. Local Government and police allocations that have been set out for 2013-14 will not be changed. HM Revenue and Customs will also be excluded, to ensure that they are able to focus on delivering the additional revenue targets set out at Autumn Statement 2012. The budget of the Department for International Development (DFID) will be reduced by £135 million in 2013-14 and £165 million in 2014-15 to reflect the downward revisions to nominal Gross National Income set out in the OBR forecast. There is also a reprofiling of funding for broadband programmes to support local delivery. The Government will reduce the Special Reserve provision to reflect progress made by the Afghans in taking on responsibility for their security. This funding is held over and above the Ministry of Defence budget. (62) (63) (64)

Table 2.4: Departmental Expenditure Limits

	£ billion		
	Estimate	Plans	
	2012-13	2013-14	2014-15
Departmental Programme and Administration Budgets (Resource DEL excluding depreciation[1])			
Education	51.4	53.1	53.8
NHS (Health)[2]	102.9	106.9	109.8
Transport	4.4	4.8	4.4
CLG Communities	1.4	2.0	1.3
CLG Local Government	24.0	23.9	21.7
Business, Innovation and Skills[3]	15.4	14.9	13.8
Home Office	7.9	8.0	7.4
Justice	8.1	7.2	6.8
Law Officers' Departments	0.6	0.6	0.5
Defence[4]	27.1	26.5	24.5
Foreign and Commonwealth Office	2.0	1.8	1.1
International Development	6.1	8.8	8.3
Energy and Climate Change	1.2	1.4	1.1
Environment, Food and Rural Affairs	1.9	1.9	1.7
Culture, Media and Sport[5]	1.9	1.2	1.1
Work and Pensions	7.1	7.6	7.4
Scotland	25.0	25.3	25.3
Wales	13.3	13.5	13.5
Northern Ireland	9.5	9.5	9.5
Chancellor's Departments	3.3	3.7	3.5
Cabinet Office	2.1	2.1	2.3
Small and Independent Bodies	1.4	1.5	1.4
Reserve	0.0	2.2	2.8
Special Reserve	0.0	0.4	1.8
Adjustment for Budget Exchange[6]	0.0	-1.7	-1.2
Green Investment Bank	0.0	1.0	0.0
Total Resource DEL excluding depreciation	**317.8**	**328.3**	**323.6**
Adjustment for DEL/AME switches[7]	*0.0*	*-6.4*	*-6.9*
OBR Allowance for Shortfall	*-0.3*	*-1.2*	*-1.0*
OBR Resource DEL excluding depreciation forecast	***317.6***	***320.7***	***315.7***
Capital DEL			
Education	4.5	4.0	4.6
NHS (Health)	3.7	4.4	4.6
Transport	7.8	8.7	8.9
CLG Communities	2.5	4.2	4.8
CLG Local Government	0.0	0.0	0.0
Business, Innovation and Skills	1.1	1.8	2.1
Home Office	0.4	0.4	0.5
Justice	0.3	0.3	0.3
Law Officers' Departments	0.0	0.0	0.0
Defence	7.4	9.8	9.0
Foreign and Commonwealth Office	0.1	0.1	0.1
International Development	1.7	1.9	2.0
Energy and Climate Change	2.1	2.2	2.2
Environment, Food and Rural Affairs	0.4	0.4	0.5
Culture, Media and Sport	0.3	0.2	0.3
Work and Pensions	0.4	0.4	0.2
Scotland	3.0	2.6	2.9
Wales	1.4	1.3	1.4
Northern Ireland	0.8	0.9	1.0
Chancellor's Departments	0.2	0.2	0.1
Cabinet Office	0.3	0.4	0.4
Small and Independent Bodies	0.1	0.1	0.1
Reserve	0.0	0.9	1.1
Special Reserve	0.0	0.1	0.3
Adjustment for Budget Exchange	0.0	-1.1	-0.4
Green Investment Bank	0.2	0.5	0.0
Total Capital DEL plans	**38.6**	**44.6**	**46.9**
Spectrum receipts	*-2.3*	*0.0*	*0.0*
OBR Allowance for Shortfall	*-0.3*	*-2.3*	*-2.0*
OBR Capital DEL forecast	***36.1***	***42.2***	***44.9***

[1] Resource DEL excluding ring-fenced depreciation is the Treasury's primary control total within resource budgets and the basis on which Spending Review 2010 settlements were made.

[2] The health budget remains projected to grow in real terms every year from 2012-13 to 2014-15.

[3] Spending on the Green Investment Bank is part of the Department for Business, Innovation and Skills' budget in 2012-13. However, consistent with previous Budgets, the Green Investment Bank is shown separately here.

[4] The defence budget for 2013-14 reflects the likely initial drawdown of funding from the Special Reserve for the net additional cost of military operations at Main Estimates. No such allocation has yet been made for 2014-15; the funding in this year remains in the Special Reserve.

[5] Includes the Olympics budget in 2012-13 only.

[6] Departmental budgets in 2013-14 and 2014-15 include amounts carried forward from 2012-13 through Budget Exchange, which will be voted at Main Estimates. These increases will be offset by any deposits at Supplementary Estimates in future years so are excluded from spending totals.

[7] Net aggregate adjustment to departmental plans for changes to local government funding for Business Rates Retention and Council Tax localisation. These changes will be voted at Main Estimates.

2.8 Date of the 2015-16 Spending Round – The Government will publish individual departmental budgets for 2015-16 in a Spending Round to be announced on 26 June 2013.

2.9 Spending envelope for 2015-16 – The Government has set envelopes for current and capital spending in 2015-16 of £694.2 billion and £50.4 billion. Health, schools and Official Development Assistance will be protected.

2.10 Capital spending plans – The Government has increased capital spending plans by £3 billion a year from 2015-16. The Government will take a long-term approach to capital as part of the 2015-16 Spending Round, setting plans out to 2020-21 for the most economically valuable areas of capital expenditure. (27)

2.11 Efficiency programme in 2015-16 – The 2015-16 Spending Round will extend the efficiency programme into 2015-16, with the expectation of generating a further £5 billion of savings.

Table 2.5: Estimated underspends and Budget Exchange carried forward since Budget 2012[1]

	£ billion					
	Resource DEL excluding depreciation			Capital DEL		
	Estimated underspend[2]	Budget Exchange[3]		Estimated underspend	Budget Exchange	
	2012-13	2013-14	2014-15	2012-13	2013-14	2014-15
Education	-1.0	0.4	0.2	0.0	0.1	0.0
NHS (Health)	-1.4	0.0	0.0	-0.8	0.0	0.0
Transport	-0.7	0.1	0.0	-0.2	0.3	0.1
CLG Communities	-0.5	0.2	0.0	-0.3	0.0	0.0
CLG Local Government	0.0	0.0	0.0	0.0	0.0	0.0
Business, Innovation and Skills	-0.6	0.2	0.2	-0.2	0.0	0.0
Home Office	-0.7	0.1	0.0	-0.1	0.0	0.0
Justice	0.4	0.0	0.0	0.0	0.0	0.0
Law Officers' Departments	0.0	0.0	0.0	0.0	0.0	0.0
Defence[4]	-0.5	0.5	0.8	-0.8	0.1	0.2
Foreign and Commonwealth Office	0.2	0.0	0.0	0.0	0.0	0.0
International Development	-0.5	0.1	0.0	0.0	0.0	0.0
Energy and Climate Change	-0.3	0.1	0.0	0.0	0.0	0.0
Environment, Food and Rural Affairs	-0.2	0.1	0.0	0.0	0.0	0.0
Culture, Media and Sport	-0.1	0.0	0.0	-0.4	0.0	0.1
Work and Pensions	-0.7	0.0	0.0	0.1	0.0	0.0
Scotland	-0.2	0.0	0.0	0.4	0.0	0.0
Wales	-0.1	0.0	0.0	0.2	0.0	0.0
Northern Ireland	0.0	0.0	0.0	-0.1	0.0	0.0
Chancellor's Departments[5]	-0.1	0.0	0.0	0.1	0.0	0.0
Cabinet Office	0.0	0.0	0.0	0.0	0.0	0.0
Small and Independent Bodies	0.0	0.0	0.0	0.0	0.0	0.0
Green Investment Bank[6]	0.0	0.0	0.0	-0.6	0.5	0.0
Other[7]	-0.7	0.0	0.0	0.6	0.0	0.0
TOTAL	**-7.6**	**1.7**	**1.2**	**-2.1**	**1.1**	**0.4**
Single Use Military Equipment[4]				*-1.7*	*0.0*	*0.0*
Exceptional inter-period flexibility[8]		*0.4*	*0.4*		*0.4*	*0.4*

[1] These figures exclude measures from this Budget and Autumn Statement 2012 to illustrate changes in departmental data that informed the OBR's Allowance for Shortfall judgement. In addition to underspends, departments' budgets also change as a result of inter-departmental transfers and classification decisions, as well as changes voted at Supplementary Estimates.

[2] The difference between plans published at Budget 2012 and departments' latest estimates of their full-year position.

[3] These are the amounts carried forward from 2012-13 through Budget Exchange, presented in the Supplementary Estimates.

[4] The Capital DEL changes exclude spending on Single Use Military Equipment (SUME) from the defence budget. This better illustrates the PSGI changes that underpin the OBR's forecast as SUME scores as capital spending in budgets but current spending in the OBR's forecasts.

[5] Excludes £0.3 billion of income from London Inter-Bank Offered Rates (LIBOR) fines that was not present in Budget 2012 totals.

[6] Spending on the Green Investment Bank scores as financial transactions spending and so does not directly affect the deficit.

[7] Includes changes to the Reserve, Special Reserve and Budget Exchange adjustments.

[8] Exceptional inter-period flexibilities identified after Supplementary Estimates; these figures are provisional.

2.12 As described in Chapter 1, departmental underspends in 2012-13 are higher than in a typical year, which has informed the OBR's Allowance for Shortfall judgement. Table 2.5 sets out the underspends as well as changes to departmental budgets (for example, inter-departmental transfers and classification changes) that have emerged since Budget 2012, as well as the Budget Exchange amounts that departments are carrying into future years as a result.

Financial transactions and contingent liabilities

2.13 A number of policy measures announced in the Budget do not directly affect PSNB in the same way as conventional spending or taxation. These include financial transactions that directly impact only on the central government net cash requirement (CGNCR) and public sector net debt, and transactions likely to be recorded as contingent liabilities. Table 2.6 shows the effect of financial transactions on CGNCR.

Table 2.6: Financial transactions: impact on central government net cash requirement

	£ million		
Financial transactions – Housing	**2013–14**	**2014–15**	**2015–16**
Help to Buy	-1,150	-1,430	-1,550
Build to Rent extension	-150	-445	-360
TOTAL	**-1,300**	**-1,875**	**-1,910**

All figures include Barnett consequentials.

Pay and employment

2.14 Public sector pay – Public sector pay awards in 2015-16 will be limited to an average of up to 1 per cent. It will be for government departments and pay review bodies to determine whether a lower award is justified based on affordability and individual recruitment and retention needs. In 2014-15, pay awards for civil service departments who entered the 2010 pay freeze early will average at 1 per cent, aligning them with the rest of the public sector.

2.15 The Government will seek significant further savings through reform to progression pay in the 2015-16 Spending Round. The armed forces will be excluded due to the unique nature of their careers.

2.16 Military Pay – In addition to the recent 1 per cent increase in base pay for the armed forces, the X-Factor component of base pay will also be increased by half a percent, as recommended by the independent Armed Forces Pay Review Body, from 1 May 2013. By accepting the recommendations in full, armed forces personnel are receiving a total 1.45 per cent increase in base pay.

Capital spending

2.17 M4 in south Wales – The Government is continuing to discuss options for funding improvements to the M4 in south Wales with the Welsh Government, alongside an assessment of the Silk Commission recommendations, and will be reporting in due course.

Housing

2.18 Changes to pension investment rules to encourage the conversion of unused space in commercial properties – The Government will explore with interested parties whether the conversion of unused space in commercial properties in high streets and town centres to residential use could be encouraged by amending Investment Regulated Pensions Schemes rules. Any amendments would need to be consistent with sound public finances and the Government's wider pensions strategy.

2.19 Help to Buy: mortgage guarantee – The Government will create the Help to Buy: mortgage guarantee to increase the availability of mortgages for those with small deposits across the UK.

2.20 Help to Buy: equity loan – From 1 April 2013 Help to Buy: equity loan will be opened up to all those who aspire to own a new build home. The Government will:

- provide an equity loan worth up to 20 per cent of the value of a new build home, repayable once the home is sold;
- significantly widen the eligibility criteria for shared equity to ensure as many people as possible are able to benefit. The maximum home value will be £600,000 and there will be no income cap constraint; and
- ensure that the scheme is open not only to first time buyers but also to all those looking to move up the housing ladder.

2.21 Social Rental Policy – At the 2015-16 Spending Round, the Government will set out a social rental policy that gives social landlords certainty until 2025.

2.22 Pay to Stay – The Government will shortly take steps to allow landlords to charge market rents to those social housing households with incomes of more than £60,000 a year and intends to make it the responsibility of these households to ensure they are making a fair contribution, with all additional income reinvested in housing.

2.23 Right to Buy: increase cap in London – From 25 March 2013 the maximum Right to Buy discount cash cap will be raised from £75,000 to £100,000 in London. (29)

2.24 Right to Buy: simplification – The Government will simplify the Right to Buy application process for both local authorities and prospective tenants.

2.25 Right to Buy: eligibility – The Government will reduce the time tenants have to wait before they are eligible for Right to Buy from five to three years. (29)

2.26 Build to Rent – The Government will expand the £200 million Build to Rent fund announced at Autumn Statement 2012 to £1 billion.

2.27 Zero Carbon Homes – The Department for Communities and Local Government (DCLG) will consult on next steps for Zero Carbon Homes.

2.28 Extension to affordable homes guarantee programme – The Government will double the existing affordable homes guarantee programme, providing up to a further £225 million to support a further 15,000 affordable homes in England. (28)

2.29 Public Land Disposals – DCLG have invited bids from eligible public landholders for the £290 million funding allocated to accelerate surplus public land disposals at Autumn Statement 2012. In addition, around 30 sites will transfer to the Howes and Communities Agency, who will dispose of them quickly.

Other spending measures

2.30 Equitable Life with-profits annuitants – The Government will make flat rate lump sum payments to living with-profits annuitants aged over 60 who bought their annuity from Equitable Life Assurance Society before 1 September 1992. Payments will start in 2014 or earlier if possible. (65)

2.31 Whole Place Community Budgets – The Government will establish a new multi-agency network to drive the transformation of local public services. The network will spread innovation from the Whole-Place Community Budget pilots and What Works Centres to support other places at key stages to provide advice and support on co-designing local public service transformation.

2.32 Social care funding reform – Drawing on the Dilnot Commission's recommendations, the Government will introduce a £72,000 cap on reasonable care costs and extend the means test from April 2016. (23)

Personal tax and welfare

Income tax and National Insurance contributions

2.33 Income tax: personal allowance in 2013-14 – As announced at Autumn Statement 2012, from April 2013 the income tax personal allowance will be increased to £9,440. The basic rate limit will be £32,010. The higher rate threshold will be £41,450 in 2013-14. The National Insurance upper earnings/profits limit will also be reduced to align it with the higher rate threshold. (Finance Bill 2013) (g)

2.34 Income tax: personal allowance in 2014-15 – The Government will increase the income tax personal allowance to £10,000 in 2014-15. The basic rate limit will decrease to £31,865 in line with the Autumn Statement 2012 decision to increase the higher rate threshold by 1 per cent to £41,865. (Finance Bill 2014) (41) The personal allowance will then be increased by CPI from 2015-16.

2.35 Income tax rates – The basic and higher rates of income tax for 2013-14 will remain at their 2012-13 levels. As announced at Budget 2012 and legislated for in Finance Act 2012, the additional rate of income tax will be reduced from 50 per cent to 45 per cent from 2013-14. (Finance Bill 2013) (t)

2.36 Income tax: reliefs cap – As announced at Budget 2012, the Government will cap previously unlimited income tax reliefs at the greater of £50,000 or 25 per cent of an individual's income. Charitable reliefs, share loss relief applying to Enterprise Investment Scheme or Seed Enterprise Investment Scheme (SEIS) and overlap relief will be exempt from this cap. (Finance Bill 2013) (u) (13)

2.37 Expenses of devolved administration members – The Government will legislate to formalise aspects of the income tax treatment of travel expenses incurred by members of devolved administrations on parliamentary or assembly duties. This will include a tax exemption for expenses incurred on travel by spouses or partners of devolved administration members where they share caring responsibilities for a dependent. (Finance Bill 2013)

2.38 Universal Credit – The Government will legislate to ensure that Universal Credit will be exempt from income tax. (Finance Bill 2013) (6)

2.39 Scottish rate of income tax – The Government will introduce legislation in Finance Bill 2014 to require the National Audit Office to report annually to the Scottish Parliament on HMRC's administration of the Scottish rate of income tax. (Finance Bill 2014)

2.40 Income tax exemptions for non-resident athletes – Legislation will be introduced to exempt from UK income tax any income arising to non-resident competitors in relation to the London Anniversary Games in 2013 or the Glasgow Commonwealth Games in 2014. (Finance Bill 2013)

2.41 National Insurance: £2,000 Employment Allowance – The Government will introduce an allowance of £2,000 per year for all businesses and charities to be offset against their employer NICs bill from April 2014. (25)

2.42 National Insurance administration for the self-employed – The Government will consult on options to simplify the administrative process for the self-employed by using Self Assessment to collect Class 2 NICs alongside income tax and Class 4 NICs.

2.43 SEIS: off-the-shelf companies – The Government will amend the qualifying conditions attached to the SEIS so that an investment on or after 6 April 2013 into companies established by corporate formation agents can qualify for the scheme. (Finance Bill 2013)

2.44 Community Investment Tax Relief (CITR) – As announced at Budget 2012, the Government will relax the CITR on-lending requirements that currently place conditions on the speed with which Community Development Finance Institutions must on-lend the funding they receive, and introduce new rules to allow investors to carry unused relief forward from April 2013. The Government will also place limits on the amounts of CITR tax relief an investor company can obtain in any three year period. (Finance Bill 2013)

2.45 Social investment tax relief – The Government will consult by summer 2013 on the introduction of a new tax relief to encourage investment into social enterprises. The outcome of the consultation will be confirmed at Autumn Statement 2013 with a view to introducing legislation in Finance Bill 2014. (Finance Bill 2014)

2.46 Employee shareholder status – To ensure that the first £2,000 of share value received by those adopting the new employee shareholder status is free from income tax and NICs, the Government will legislate to deem that employee shareholders have paid £2,000 for shares they receive from 1 September 2013, when the new status comes into force. (Finance Bill 2013) (33)

2.47 Non-domicile taxation – As announced on 6 December 2011, the Government will simplify the rules applying to the taxation of non-domiciles and remove minor anomalies. (Finance Bill 2013)

2.48 Statutory residence test and reform of ordinary residence – As announced on 6 December 2011, the Government will introduce a statutory definition of tax residence and abolish ordinary residence for most tax purposes from 6 April 2013. Overseas workday relief will be made available to any non-domiciled individual who arrives in the UK following a period where they have been non-resident for at least three tax years. (Finance Bill 2013)

2.49 Legislation of Statement of Practice 1/09 (SP1/09) – As proposed in a consultation document published in June 2011, the Government will introduce legislation to put SP1/09 on a statutory basis from 6 April 2013. SP1/09 provides an administrative easement for employees who claim overseas workday relief. (Finance Bill 2013)

2.50 Government response to Office of Tax Simplification (OTS) review of unapproved share schemes – The Government will consult shortly on a number of the recommendations of the OTS's review of non-tax advantaged ('unapproved') share schemes. (Finance Bill 2014)

2.51 Government response to OTS tax-advantaged employee share schemes review – As announced on 11 December 2012, the Government will introduce a package of simplification measures in response to the OTS's review of the tax-advantaged share schemes. (Finance Bill 2013 and Finance Bill 2014) (2)

2.52 Employer provided benefits in kind: beneficial loans – Legislation will be introduced in Finance Bill 2014 to increase the exempt threshold for the small loans exemption limit from £5,000 to £10,000. (Finance Bill 2014)

Taxation of pensions and savings

2.53 Lifetime Allowance (LTA) for pensions contributions – As announced at Autumn Statement 2012, LTA for pension savings will reduce from £1.5 million to £1.25 million for 2014-15 and subsequent years. As part of this change, the Government will offer a fixed protection regime to individuals to prevent any retrospective tax charges following the reduction of the lifetime allowance. The Government will also consult on the detail of an individual protection regime in spring 2013. (Finance Bill 2013) (p)

2.54 Individual Protection – The Government will offer an individual protection regime, in addition to a fixed protection regime, for individuals with pension rights above £1.25 million when the standard LTA is reduced from £1.5 million to £1.25 million for 2014-15 and subsequent years. The Government will consult on the detail in spring 2013 and legislation will be included in Finance Bill 2014. (Finance Bill 2014) (42)

2.55 Reduction in the Annual Allowance (AA) for pensions contributions – As announced at Autumn Statement 2012, the AA for pension savings will reduce from £50,000 to £40,000 for 2014-15 and subsequent years. (Finance Bill 2013) (p)

2.56 Restriction of pensions tax relief: closing loophole – As announced at Budget 2012, legislation will be included in Finance Bill 2013 to remove the tax and NICs incentives for employees and employers respectively from arrangements where an employer pays a pension contribution into a registered pension scheme for an employee's spouse or family member as part of their employee's flexible remuneration package. (Finance Bill 2013)

2.57 Overseas transfers of UK pension savings – As announced at Budget 2012, qualifying recognised overseas pension schemes (QROPS) will need to re-notify HMRC every five years that they continue to meet the requirements to be QROPS. Former QROPS will also have to continue to report payments out of transfers received while they were QROPS and there will be additional reasons for excluding a pension scheme from being a QROPS. (Finance Bill 2013)

2.58 Tax relief on loans to purchase life annuities – As recommended by the OTS, the Government will consult on the impact of the future withdrawal of relief for interest on loans to purchase life annuities taken out by pensioners before 1999.

2.59 Pension drawdown – The Government will increase the capped drawdown limit for pensioners with these arrangements of all ages from 100 per cent to 120 per cent of the value of an equivalent annuity in Finance Bill 2013, from 26 March 2013. (Finance Bill 2013)

2.60 Pensions drawdown rates – The Government has commissioned the Government Actuary's Department to review the pensions drawdown table and the underlying assumptions used to provide drawdown rates to make sure they continue to reflect the annuity market.

2.61 Defined benefit pensions regulation – The Government will provide the Pensions Regulator with a new objective to support scheme funding arrangements, that are compatible with sustainable growth for the sponsoring employer and fully consistent with the 2004 funding legislation. The precise wording of this new objective will be set out in legislation that DWP will publish later in spring 2013.

2.62 Child Trust Funds – The Government will consult on options for transferring savings held in Child Trust Funds into Junior ISAs. (Finance Bill 2014)

2.63 Bridging pensions – Following the announcement at Budget 2012, legislation will be introduced with effect from April 2013 to align the tax rules on the payment of bridging pensions with DWP changes to State Pension Age. (Finance Bill 2013)

2.64 Income tax rules on interest – The Government will introduce legislation in Finance Bill 2013 on disguised interest and on deduction of income tax from interest on compensation payments, specialty debt, and interest in kind. (Finance Bill 2013)

2.65 Pensions tax consequentials of the abolition of contracting out (defined contribution schemes) – As announced in Budget 2012, legislation will be introduced in Finance Bill 2013 to bring tax legislation into line with DWP legislation which abolished contracting out through a defined contribution pension scheme from 6 April 2012. (Finance Bill 2013)

2.66 LTA: fixed protection technical improvements – As announced at Budget 2012, a regulation-making power will be included in Finance Bill 2013 in order to amend the fixed protection legislation introduced in Finance Act 2011 and make it work as intended. (Finance Bill 2013)

CGT and inheritance tax

2.67 Capital Gains Tax (CGT): residential property – The Government will apply CGT at 28 per cent to gains accruing on or after 6 April 2013 on disposals made by certain non-natural persons of UK residential property valued at over £2 million that has been subject to the Annual Tax on Enveloped Dwellings. (Finance Bill 2013) (5)

2.68 SEIS: CGT relief – The Government will legislate to provide a 50 per cent relief against CGT chargeable on gains realised in 2013-14 which are reinvested in the SEIS in 2013-14 or 2014-15. (Finance Bill 2013) (32)

2.69 CGT: employee shareholder status – As announced on 8 October 2012 and confirmed at Autumn Statement 2012, the Government will exempt from CGT gains on up to £50,000 of shares received by individuals adopting the new employee shareholder employment status. The CGT exemption will apply to shares received from 1 September 2013, when the new status comes into force. (Finance Bill 2013) (e) (9)

2.70 CGT: annual exempt amount (AEA) – As announced at Autumn Statement 2012, the AEA will increase by 1 per cent in 2014-15 and 2015-16. The AEA will rise to £11,000 in April 2014 and £11,100 in April 2015. (Finance Bill 2014) (n)

2.71 Employee ownership: additional support – The Government will provide £50 million annual funding from 2014-15 to support employee ownership. This will include the introduction of a CGT exemption on qualifying disposals of a controlling interest in a business into an employee-owned structure from April 2014. (Finance Bill 2014) (35)

2.72 Entrepreneurs' Relief: Enterprise Management Incentives (EMI) shares – As announced at Budget 2012, the Government will extend Entrepreneurs' Relief to cover gains made on shares acquired through the exercise of EMI options, to apply to qualifying share disposals from 6 April 2013. (Finance Bill 2013) (10)

2.73 CGT: Heritage Maintenance Funds (HMFs) – As announced at Budget 2012, the Government will ease a restriction for trusts that are HMFs and which have deferred CGT charges arising from the re-settlement of assets from one HMF to another. This will have retrospective effect from 6 April 2012. (Finance Bill 2013)

2.74 Inheritance tax (IHT): investments in open ended investment companies (OEICs) and authorised unit trusts (AUTs) – As announced at Autumn Statement 2012, the Government will legislate to ensure that the switching of UK assets in a trust settled by a non-UK domiciled individual to investments in OEICs and AUTs is exempt from IHT. This will ensure that the changes introduced in Finance Act 2003 work as intended. Consequently, these changes have effect from 16 October 2002. (Finance Bill 2013)

2.75 IHT: periodic charges on trusts – The Government will consult further on simplifying the calculation of IHT charges to which trusts are subjected at ten-yearly intervals and when property is transferred out of the trust. (Finance Bill 2014)

2.76 IHT: nil-rate band – As announced on 11 February, the Government will partly fund reforms to the funding of social care by extending the freeze on the IHT nil-rate band of £325,000 until 2017-18. (Finance Bill 2014) (22)

2.77 IHT: spouses and civil partners domiciled outside the UK – As announced at Budget 2012, the Government will legislate to increase the IHT-exempt amount that a UK-domiciled individual can transfer to their non-UK domiciled spouse or civil partner. The Government will also allow individuals who are domiciled outside the UK and who have a UK-domiciled spouse or civil partner to elect to be treated as domiciled in the UK for the purposes of IHT. (Finance Bill 2013) (af)

Gift Aid and charitable giving

2.78 Gift Aid – The Government will consult on proposals to make it easier to claim Gift Aid through a wide range of digital giving channels, including options for enabling donors to complete a single Gift Aid declaration to cover all their donations through a specific channel.

2.79 Community Amateur Sports Clubs (CASCs) – As announced on 4 March 2013, the Government will consult on measures to clarify the eligibility conditions for CASCs. (Finance Bill 2013)

Welfare

2.80 Single-tier State Pension – The Government will introduce the single-tier State Pension from April 2016-17. As announced in the White Paper in January 2013, the State Second Pension will close and contracting-out of National Insurance will be abolished. The current value of the contracting-out rebate is 3.4 per cent for employers and 1.4 per cent for employees on earnings between the lower earnings limit and the upper accruals point. (18, 19, 20, 21)

2.81 Tax reliefs and Personal Independence Payments (PIP) – Through Finance Bill 2013 and amending other regulations, the Government will legislate to ensure tax reliefs currently available for claimants of Disability Living Allowance (DLA) will be available for those eligible to receive PIP, which will begin to replace DLA for working age claimants from April 2013 and those in receipt of Armed Forces Independence Payments (AFIP).

2.82 Finance Bill 2013 will introduce legislation to: treat for tax purposes assets held in trusts for vulnerable beneficiaries in a similar way as if held directly by the vulnerable person; extend the qualifying age for a child under employer supported childcare if the child is in receipt of DLA; ensure beneficial capital allowance treatment for lessors of cars to the disabled; and grant a Vehicle Excise Duty (VED) exemption for those in receipt of higher rate mobility and a 50 per cent discount for those in receipt of standard rate mobility. (Finance Bill 2013)

2.83 The Government will also make consequential changes to VAT and insurance premium tax rules.

2.84 Pension Credit pass-through – As announced by the DWP in December 2012, the standard minimum income guarantee in Pension Credit will rise by 1.9 per cent in April 2013 to match the cash increase in the basic State Pension. This will mean that no single pensioner need live on less than £145.40 a week, and no pensioner couple on less than £222.05 a week. The threshold for the Savings Credit will increase to £115.30 for single pensioners and £183.90 for pensioner couples. The net effect of these two measures is broadly cost neutral. (17)

2.85 Sickness absence – The Government will abolish the Percentage Threshold Scheme and recycle funding into creating the health and work assessment and advisory service for those at danger of long-term sickness absence. The Government will also introduce a targeted tax relief so that amounts up to a cap of £500 paid by employers on health-related interventions recommended by the service are not treated as a taxable benefit in kind. The Government will consult on implementation later in 2013. (38) (39)

2.86 Childcare vouchers – The Government will introduce a new Tax-Free Childcare Scheme to support working families with the costs of childcare. Once fully in place, support will be worth 20 per cent of childcare costs up to £6,000 per child each year, for children under 12.

This new system will be phased in from autumn 2015, with all children under five eligible from the first year of operation. Disabled children up to age 16 will also be eligible in line with existing Employer Supported Childcare Rules. Tax-Free Childcare will be available to families where all parents are working, who are not already receiving support through tax credits or Universal Credit and where neither parent earns over £150,000 a year. Alongside the new scheme, the current Employer Supported Childcare will be phased out for new applicants from autumn 2015.

2.87 The Government will also increase childcare support within Universal Credit, to improve work incentives and ensure that it is worthwhile to work up to full-time hours for low and middle income parents. An additional £200 million of support for childcare will be provided, which is equivalent to covering 85 per cent of childcare costs for households qualifying for the Universal Credit childcare element where the lone parent or both earners in a couple pay income tax. The details of how to provide this support will be determined as part of the consultation on the Tax-free Childcare scheme, to ensure the two schemes operate effectively together. The new element of support in Universal Credit will be funded from within social security budgets at the time. (24)

Corporate taxes

Corporation tax

2.88 Corporation tax: main rate – The Government will reduce the main rate of corporation tax to 21 per cent from April 2014, as announced at Autumn Statement 2012. (Finance Bill 2013) Budget 2013 announces an additional 1 percentage point reduction to 20 per cent from April 2015. (Finance Bill 2013) (a) (26)

2.89 Single rate of corporation tax – The small profits rate and the main rate of corporation tax will be unified in 2015, when the main rate is reduced to 20 per cent. (Finance Bill 2014)

2.90 Corporation tax: small profits rate – The small profits rate of corporation tax will remain at 20 per cent from April 2013. (Finance Bill 2013)

2.91 Annual Investment Allowance (AIA) – As announced at Autumn Statement 2012, the Government will increase the AIA limit from £25,000 to £250,000 for two years for all qualifying investments in plant and machinery made on or after 1 January 2013. (Finance Bill 2013)

2.92 Research and Development (R&D) tax credit: 'Above the Line' (ATL) – As announced at Autumn Statement 2011, the Government will introduce an ATL credit for large company R&D expenditure incurred on or after 1 April 2013. Budget 2013 increases the ATL credit to a rate of 10 per cent before tax. Companies with no corporation tax liability will be able to claim a payable credit. The ATL credit will be introduced alongside the existing super-deduction in April 2013, and will fully replace the super-deduction in April 2016. (Finance Bill 2013) (34)

2.93 Capital allowances for business cars: first year allowances (FYA) – As announced at Budget 2012, the 100 per cent FYA for businesses purchasing the lowest emissions vehicles will be extended until 31 March 2015. From April 2013, the carbon dioxide emissions threshold below which cars are eligible for the FYA will be reduced from 110 grams/kilometre to 95 grams/kilometre and leased business cars will no longer be eligible for the FYA. (Finance Bill 2013) (ad)

2.94 The Government will extend the FYA for a further three years until 31 March 2018. From April 2015, the carbon dioxide emissions threshold will be reduced from 95 grams/kilometre to 75 grams/kilometre. (Finance Bill 2015) (56)

2.95 The Government will review the case for going further with the FYA, and the appropriate emissions threshold, at Budget 2016.

2.96 Capital allowances for business cars: main rate – As announced at Budget 2012, the carbon dioxide emissions threshold below which cars are eligible for the main rate of capital allowances will be reduced from 160 grams/kilometre to 130 grams/kilometre from April 2013. (Finance Bill 2013)

2.97 The Government will review the main rate emissions threshold at Budget 2016, with any amendments taking effect from April 2018. (ad)

2.98 Capital allowances: gas refuelling equipment – As announced at Budget 2012, the existing 100 per cent FYA for business expenditure on gas refuelling equipment will be extended for a further two years to 31 March 2015. (Finance Bill 2013)

2.99 The Government will now extend the FYA for gas refuelling equipment for a further three years to 31 March 2018. (Finance Bill 2015)

2.100 Capital allowances: Mineral Extraction Allowances – The Government will consult informally on proposals to align the treatment of assets eligible for Mineral Extraction Allowances with that for assets eligible for Plant and Machinery Allowances, where profits are not taxed in the UK.

2.101 UK group relief rules – As announced on 11 December 2012, the Government will amend the restrictions on when companies resident in the European Economic Area can surrender losses from their UK branches as group relief from corporation tax in the UK. From 1 April 2013, these restrictions will be based on whether the losses are used elsewhere in any period, rather than on whether they could potentially be used elsewhere. (Finance Bill 2013)

2.102 Restrictions on corporation tax group loss relief – As announced on 11 December 2012, the Government will expand the types of commercial arrangements that are exempt from anti-avoidance rules affecting group loss relief. This will ensure the group loss relief anti-avoidance rules are more effectively targeted for the future. (Finance Bill 2013)

2.103 Corporation tax reliefs for the creative sector – As announced at Budget 2012, the Government will introduce corporation tax reliefs for the animation, high-end television and video games industries. The Commission is expected to approve the animation and high-end television tax reliefs shortly, to start on 1 April 2013. The video games tax relief will be introduced following state aids approval. (Finance Bill 2013) (y)

2.104 Disincorporation relief – The Government will introduce a disincorporation relief for five years from April 2013. The relief will allow a company to transfer goodwill and an interest in land to its shareholders so that no corporation tax charge arises on the company on the transfer. The relief will be available to businesses with total qualifying assets not exceeding £100,000. (Finance Bill 2013) (15)

2.105 Lease premium relief: effective duration of a lease – As announced on 11 December 2012, the Government will limit the availability of lease premium relief where leases are of more than 50 years duration. The legislation will take effect for leases granted on or after 1 April 2013 for companies and on or after 6 April 2013 for individuals and partnerships. (Finance Bill 2013)

2.106 Controlled Foreign Companies (CFC) rules – As announced on 11 December 2012, legislation will be introduced to make four amendments to the new CFC rules introduced in Finance Act 2012. In addition to those previously announced, four minor additional amendments will be made to ensure the CFC rules operate as intended. All the amendments, subject to one transitional rule, will have effect from 1 January 2013 in line with the commencement date for the new CFC rules. (Finance Bill 2013)

2.107 World wide debt cap rules – As announced on 11 December 2012, with effect from that date, changes to the debt cap rules will revise the way in which the group treasury company election operates. (Finance Bill 2013) (7)

2.108 Corporation tax: deferral of exit charges – As announced on 11 December 2012, the Government will introduce legislation to enable companies to opt for deferred payment arrangements in respect of exit charges. (Finance Bill 2013)

2.109 Manufactured payments – As announced on 15 September 2011 and consulted on during 2012, legislation will be introduced to simplify the rules for manufactured payments and make them less vulnerable to avoidance. The new rules will have effect from 1 January 2014. (Finance Bill 2013)

2.110 Corporation tax simplification: foreign currency assets and chargeable gains – As announced at Budget 2012 and following consultation over the summer, the Government is introducing legislation requiring relevant companies to compute their chargeable gains and losses on disposals of ships, aircraft, shares and interests in shares in their functional currency. This measure has effect from a day appointed by Treasury order, shortly after Royal Assent. (Finance Bill 2013)

2.111 Review of loan relationships and derivative contracts legislation – The Government will consult on a package of proposals to modernise the corporation tax rules governing the taxation of corporate debt, with a view to legislating in Finance Bill 2014 and Finance Bill 2015. This will include measures both to clarify and strengthen the structure of the legislative regime and to update aspects of the detailed rules. (Finance Bill 2014 and Finance Bill 2015)

2.112 Loans to participators (wider reform) – The Government will consult on options to reform the structure and operation of the tax charge on loans from close companies to make the rules fairer and simpler.

2.113 Chief constables' exemption from corporation tax – As set out in a Written Ministerial Statement published on 17 January 2013, the Government will amend the Corporation Tax Act 2010 to exempt chief constables and the Commissioner of Police of the Metropolis from corporation tax, with effect from 16 January 2012 and 22 November 2012 respectively. (Finance Bill 2013)

Taxation of the financial services sector

2.114 Bank Levy rate – As announced at Autumn Statement 2012, the Government will legislate in Finance Bill 2013 to set the full rate of the Bank Levy at 0.130 per cent from 1 January 2013. From 1 January 2014, the Government will legislate in Finance Bill 2013 to set the full rate of the Bank Levy at 0.142 per cent. (Finance Bill 2013) (40)

2.115 Corporation tax and foreign banks levies – As announced at Autumn Statement 2012, the Government will legislate in Finance Bill 2013 to ensure that, from 1 January 2013, foreign bank levies paid by a foreign banking group trading in the UK cannot be claimed as a deduction against UK corporation tax and income tax. Transitional arrangements will also make clear that a claim to double taxation relief in respect of a foreign bank levy will prevent that foreign bank levy from being deducted against corporation tax and income tax. (Finance Bill 2013)

2.116 Tax treatment of regulatory capital – As announced on 26 October 2012, legislation will be introduced in Finance Bill 2013 to clarify that the coupon on Tier 2 debt capital which is already in issue, or yet to be issued, will be deductible for the purposes of a bank computing its profits for corporation tax purposes. (Finance Bill 2013)

2.117 In addition, the Government will legislate to clarify that banks' Additional Tier 1 debt capital instruments already in issue or yet to be issued will be similarly deductible for the purposes of a bank computing its profits for corporation tax purposes.

2.118 Tax treatment of building societies' capital instruments – Following consultation, regulations have been made so that the tax treatment of new Basel III compliant building society capital instruments 'Core Capital Deferred Shares' will be the same as equivalent share capital from 1 March 2013. (8)

2.119 Life insurance: time apportionment relief – The Government will introduce legislation in order to provide greater alignment between the treatment of life insurance policies issued by insurers inside and outside the UK, while ensuring that the rules provide a more appropriate reduction to chargeable event gains. (Finance Bill 2013)

2.120 Life Insurance Qualifying Policies – The Government will limit the premiums that can be paid into Qualifying Policies to £3,600 a year from 6 April 2013, with transitional arrangements for policies issued before that date. (Finance Bill 2013)

2.121 Stamp tax on shares: growth markets – Following consultation, the Government will abolish stamp tax on shares in companies quoted on growth markets such as the Alternative Investment Market and the ISDX Growth Market. (Finance Bill 2014) (31)

2.122 Investment Trust amendments – The Government will address two unintended consequences of previous changes to the tax rules for investment trust companies. One change will be made through secondary legislation, the other in Finance Bill 2013. (Finance Bill 2013)

2.123 Offshore Funds (Tax) Regulations: amendments – The Government will make changes to address issues in the operation of the Offshore Funds (Tax) Regulations 2009. Regulations will be introduced to close an avoidance loophole with effect from today. Further Regulations to help ensure that investors in offshore reporting funds are taxed on the correct proportionate share of income will be published in draft form for comment.

Investment management package

2.124 Investment management marketing and regulation – The Government will introduce a marketing strategy to promote the UK as a centre of fund management and domicile, and will also act to improve the process whereby new funds are authorised in the UK. The Government will also make changes to limited partnerships to more effectively accommodate their use for private equity investments. These follow on from previously announced policies, including the launch of authorised contractual schemes and the establishment of an Islamic Finance Taskforce.

2.125 Investment Management Exemption – The Government will consult on minor changes to the White List of permitted investment transactions.

2.126 Extension of s.363A Taxation (International and Other Provisions) Act 2010 (TIOPA) – The Government will consult on proposals to widen the scope of s.363A of TIOPA to provide certainty that locating fund management activities of certain offshore non Undertakings for Collective Investments in Transferrable Securities funds will not lead to a risk of that fund being deemed to be tax resident. (Finance Bill 2014)

2.127 Withholding tax rules on interest distributions from bond funds – The Government will consult on a proposal to remove the requirement to withhold tax on interest distributions on UK domiciled bond funds when sold via reputable intermediaries and marketed only to non-UK investors.

2.128 Schedule 19 – The Government will abolish the stamp duty reserve tax charge in Schedule 19 Finance Act 1999 on surrenders of units in collective investment schemes from 1 April 2014. (Finance Bill 2014) (30)

Oil and gas taxes

2.129 Shale gas – The Government will introduce a new field allowance for shale gas and extend the Ring Fence Expenditure Supplement for shale gas projects from 6 to 10 years. The Government will consult on the detail of these measures, including whether they should be extended to other forms of unconventional onshore gas. (Finance Bill 2014)

2.130 The Government will produce technical planning guidance on shale gas by July 2013 to provide clarity around planning for shale gas during the important exploration phase for the industry. As the shale gas industry develops, the Government will ensure an effective planning system is in place and by the end of the year will produce guidance for the industry to ensure that the planning system is properly aligned with the licensing regime and regulatory regimes, principally: health and safety, and environmental protection. The Government will keep under review whether the largest shale gas projects should have the option to apply to the major infrastructure regime.

2.131 The Government will develop proposals by summer 2013 to ensure that local communities will benefit from shale gas projects in their area.

2.132 Budget 2013 announces the scope, responsibilities and objectives of The Office for Unconventional Gas and Oil.

2.133 Carbon Capture and Storage (CCS) – The Government intends to take forward two CCS projects to the detailing planning and design stage of the competition. This represents the next step in the £1 billion CCS commercialisation programme.

2.134 Decommissioning certainty – The Government will enter into contracts (decommissioning relief deeds) with companies operating in the UK and UK Continental Shelf, to provide certainty on the relief they will receive when decommissioning assets. A model decommissioning relief deed will be published alongside Finance Bill 2013 and placed in the House of Commons Library. The first contracts with industry are expected to be signed later in the year. To support the introduction of decommissioning relief deeds the Government will introduce measures in Finance Bill 2013 to:

- extend the availability of decommissioning relief for onshore terminals of offshore installations;
- allow HMRC to release taxpayer information where this is necessary to support operation of decommissioning relief deeds;
- amend the subsidy rules for decommissioning security settlements to allow for post-tax securitisation; and
- limit decommissioning relief between connecting parties. (Finance Bill 2013)

2.135 Decommissioning security arrangements – The Government will remove IHT charges for property held in decommissioning security settlements. (Finance Bill 2013)

Other business taxes

2.136 Simpler income tax: cash basis – As announced at Budget 2012, the Government will introduce a new cash basis for small, unincorporated businesses to calculate their income tax from April 2013. Businesses with annual receipts up to £79,000 will be eligible and will be able to continue to use the cash basis until receipts reach £158,000. (Finance Bill 2013) (d)

2.137 Simpler income tax: simplified expenses – All unincorporated businesses will be eligible to use flat rates to calculate certain business expenses, rather than having to calculate their actual business usage, from April 2013. (Finance Bill 2013)

2.138 OTS review of partnerships – The Government will ask the OTS to carry out a review of ways to simplify the taxation of partnerships. This will include an initial scoping exercise to identify which areas are most complex for taxpayers. Further details will be provided by the OTS shortly.

Indirect taxes

Alcohol duties

2.139 Alcohol duty rates – The general beer duty rate will be reduced by 2 per cent from 25 March 2013. Duty rates on low strength beer will be reduced by 6 per cent and on high strength beer by 0.75 per cent in total from 25 March 2013. All beer duty rates will then increase by the Retail Prices Index (RPI) thereafter. As announced at the March Budget 2010, wine, spirits, and cider duty rates will increase by 2 per cent above RPI from 25 March 2013. (Finance Bill 2013) (44)

Tobacco duties

2.140 Tobacco duty rates – As announced at the March Budget 2010, duty rates on tobacco products will increase by 2 per cent above RPI. These changes will come into effect from 6pm on 20 March 2013. (Finance Bill 2013)

2.141 Tax treatment of herbal smoking products – As announced at Budget 2012, and following consultation on implementation, the Government will make legally available tobacco-free (herbal) smoking products liable to tobacco products duty. The change will come into effect on 1 January 2014. (Finance Bill 2013)

Gambling duties

2.142 Gaming duty revalorisation – The Government will increase gaming duty bands in line with RPI for accounting periods starting on or after 1 April 2013. (Finance Bill 2013)

2.143 Combined bingo – The Government will relax the current bingo duty arrangements for combined bingo involving non-UK participants. This change will come into effect for accounting periods that begin on or after the date that the Finance Bill 2013 receives Royal Assent. (Finance Bill 2013)

Fuel duties

2.144 Fuel duty – The 1.89 pence per litre fuel duty increase that was due to take effect on 1 September 2013 will be cancelled. (43)

2.145 Minor fuel duty rates – In 2015-16 the duty differential between the main rate of fuel duty and the rate for compressed natural gas will be maintained, and the duty differential for liquefied petroleum gas will be reduced by the equivalent of 1 penny per litre. (Future finance bill)

Other transport taxes

2.146 VED rates and bands – From 1 April 2013 VED rates will increase in line with RPI, apart from VED rates for heavy goods vehicles (HGVs) which will be frozen in 2013-14. (Finance Bill 2013). The Government has no plans to make significant reforms to the structure of VED for cars and vans in this Parliament. (58)

2.147 VED: disabled drivers exemption – From 8 April 2013 the Government will extend the current VED exemption for disabled drivers to individuals receiving the enhanced mobility

PIP. The Government will also introduce a new 50 per cent VED discount for individuals receiving the standard mobility PIP. (Finance Bill 2013) (16)

2.148 VED: classic vehicle exemption – The Government will extend the cut off date from which classic vehicles are exempt from VED by one year. From 1 April 2014 a vehicle manufactured before 1 January 1974 will be exempt from paying VED. (Finance Bill 2014)

2.149 VED: HGVs – From 1 April 2014, the Government will reduce and re-structure VED rates for HGVs within the HGV Road User Levy scheme, as set out in *Overview of tax legislation and rates.* (Finance Bill 2014) (11)

2.150 VED: Reduced Pollution Certificates (RPCs) – RPC VED discounts for Euro VI vehicles are due to expire on 31 December 2016. The Government will replace RPC VED discounts with grants for Euro IV-VI vehicles within the HGV Road User Levy scheme, from 1 April 2014 to 31 December 2016. Details of the grants will be announced shortly by the Department for Transport. The Government will end RPC VED discounts for Euro I-III vehicles within the HGV Road User Levy scheme from 1 April 2014, and for all other Euro I-III vehicles from 1 April 2016. (Finance Bill 2014)

2.151 VED: tax disc display waiver – To reduce tax administration costs, the Government will put off-the-road declarations onto an indefinite basis. The Government will also extend the grace period to 14 days, following the payment of tax, on the non-display of the tax disc in a vehicle. (Finance Bill 2013)

2.152 Company Car Tax (CCT): ultra low emission vehicles (ULEVs) – From April 2015, two new CCT bands will be introduced at 0-50 grams/kilometre of carbon dioxide (g/km CO_2) and 51-75 g/km CO_2. (Finance Bill 2013)

2.153 The appropriate percentage of the list price subject to tax for the 0-50 g/km CO_2 band will be 5 per cent in 2015-16, and 7 per cent in 2016-17. The appropriate percentage of the list price subject to tax for the 51-75 g/km CO_2 band will be 9 per cent in 2015-16 and 11 per cent in 2016-17. In 2017-18 there will be a 3 percentage point differential between the 0-50 and 51-75 g/km CO_2 bands, and between the 51-75 and 76-94 g/km CO_2 band. In 2018-19 and 2019-20 there will be a 2 percentage point differential between the 0-50 and 51-75 g/km CO_2 bands and between the 51-75 and 76-94 g/km CO_2 bands. (Finance Bill 2013 and future finance bills) (57)

2.154 In future years CCT rates will be announced three years in advance. The Government will review these incentives for ULEVs in light of market developments at Budget 2016, to inform decisions on CCT from 2020-21 onwards.

2.155 Fuel benefit charge (FBC) – From 6 April 2014 the FBC multiplier will increase by RPI for both cars and vans.

2.156 Van benefit charge (VBC) – The Government will freeze the VBC at £3,000 in 2013-14 and will increase it by the RPI only from 6 April 2014. The Government commits to pre-announcing the VBC one year ahead.

2.157 Air Passenger Duty (APD) rates – As announced at Budget 2012, APD rates for 2013-14 will rise in line with the RPI from 1 April 2013. (Finance Bill 2013) Budget 2013 announces that APD rates for 2014-15 will rise in line with RPI from 1 April 2014, as set out in *Overview of tax legislation and rates*. (Finance Bill 2014) The Government has no plans to vary APD rates by levels of airport congestion.

2.158 APD: annual accounting scheme – The Government will give HMRC the power to require operators of business jets to make payments of APD on account, should HMRC consider this is necessary to protect revenue. (Finance Bill 2013)

Carbon Taxes

2.159 Climate change levy (CCL) rates – CCL rates will increase in line with RPI from 1 April 2014. (Finance Bill 2013)

2.160 Carbon price floor (CPF) rates – The Government will set 2015-16 carbon price support rates equivalent to £18.08 per tonne of carbon dioxide in line with the carbon price floor set out at Budget 2011. The Government will continue to provide support to energy-intensive industries to compensate for the indirect cost of the CPF in 2015-16. Further details will be announced at the next spending round. (Finance Bill 2013)

2.161 CPF: Northern Ireland – The Government will exempt electricity generators in Northern Ireland from the carbon price floor from 1 April 2013. (Finance Bill 2013) (3)

2.162 CCL: exemptions for metallurgical and mineralogical processes – The Government will introduce exemptions from the climate change levy for energy used in metallurgical and mineralogical processes from 1 April 2014. The Government will seek views from industry on these exemptions and will publish draft legislation at the time of Autumn Statement 2013. (Finance Bill 2014)

2.163 CPF: technical changes – As announced at Autumn Statement 2012, technical changes to the carbon price floor will be made to reduce administrative burdens. (Finance Bill 2013) (14)

2.164 Carbon Reduction Commitment: schools – The Government will exclude English state schools from the Carbon Reduction Commitment from April 2014. The cost of this measure in 2014-15 will be funded by a reduction in Resource DEL expenditure for relevant departments. (1)

Waste and other environmental taxes

2.165 Aggregates levy – The aggregates levy rate will remain at £2.00 per tonne in 2013-2014. (59)

2.166 Landfill tax rates – The Government will increase the standard rate of landfill tax by £8 per tonne to £80 per tonne from 1 April 2014. The lower rate of landfill tax will remain frozen at £2.50 per tonne in 2014-15. (Finance Bill 2013)

2.167 Enhanced capital allowances: energy-saving and water-efficient technologies – The list of designated energy-saving and water-efficient technologies qualifying for enhanced capital allowances will be updated during summer 2013, subject to state aids approval. (60)

2.168 Capital allowances: railway assets and ships – Legislation will be introduced in Finance Bill 2013 to remove the general exclusion to first year allowances for expenditure incurred on railway assets and ships. These changes will have effect from 1 April 2013. (Finance Bill 2013)

2.169 Capital allowances for energy-saving plant and machinery in Northern Ireland – Legislation will be introduced in Finance Bill 2013 to ensure that expenditure on plant and machinery in Northern Ireland that qualifies for both first-year allowances for energy-saving technologies and the renewable heat incentive is treated in the same way as the rest of the UK. Further details will be published in *Overview of tax legislation and rates*. The legislation will also apply to any future Feed-In Tariff scheme that may be introduced in Northern Ireland. (Finance Bill 2013) (61)

2.170 Landfill communities fund – The value of the landfill communities fund for 2013-14 will remain unchanged at £78.1 million. As a result, the cap on contributions by landfill operators will be amended to 6.8 per cent. Future decisions on the value of the fund will take into account the level of unspent funds held by environmental bodies.

2.171 Coalition commitment to increase the proportion of revenue from environmental taxes – Measures announced at this Budget will result in the proportion of revenue from environmental taxes increasing from 0.5 per cent to 0.8 per cent over this Parliament, in accordance with the Coalition commitment.

VAT measures

2.172 VAT: refunds for NHS bodies – As announced at Budget 2012, following changes introduced by the Health and Social Care Act 2012, the Government will legislate in Finance Bill 2013 to exempt the following NHS bodies from corporation tax and include them within the Section 41 VAT Refund Scheme:

- the NHS Commissioning Board;
- clinical commissioning groups;
- the National Institute for Health and Care Excellence; and
- the Health and Social Care Information Centre. (Finance Bill 2013)

2.173 Following changes proposed by the Care and Support Bill, the Government will also legislate in Finance Bill 2014 to include the following bodies within the Section 41 VAT Refund Scheme:

- the Health Research Authority; and
- Health Education England. (Finance Bill 2014)

2.174 VAT: charitable buildings – As announced at Budget 2012, the Government will withdraw charitable buildings from the scope of the VAT reduced rate for the supply and installation of energy-saving materials, with effect from 1 August 2013. (Finance Bill 2013)

2.175 VAT: amendment to road fuel scale charges (RFSCs) – As announced at Budget 2012, the Government will amend the law relating to VAT RFSCs, bringing long standing concessions into law, withdrawing a concession relating to partially exempt businesses and simplifying the annual revalorisation.

2.176 VAT: revalorisation of RFSCs – The annual adjustment to the VAT RFSCs in line with current fuel prices will take effect from 1 May 2013.

2.177 VAT: changes to the place of supply rules and introduction of the Mini One Stop Shop – The Government will legislate to change the rules for the taxation of intra-EU business to consumer supplies of telecommunications, broadcasting and e-services. From 1 January 2015 these services will be taxed in the member state in which the consumer is located, ensuring these are taxed fairly and helping to protect revenue. (Finance Bill 2014)

2.178 To support these changes, the Government will also legislate for the introduction of a Mini One Stop Shop from 1 January 2015. This will give businesses the option of registering in just the UK and accounting for VAT due in other member states using a single return. (Finance Bill 2014)

2.179 VAT: revalorisation of registration and deregistration thresholds – From 1 April 2013 the VAT registration threshold will be increased from £77,000 to £79,000 and the deregistration threshold from £75,000 to £77,000.

2.180 VAT: Changes to zero-rating of exports from the UK – The Government will introduce amendments to secondary legislation in autumn 2013 to extend zero-rating to sales of goods to businesses that are registered for VAT but not established in the UK, where those businesses export the goods to a non-EU destination.

2.181 VAT: treatment of refunds made by manufacturers – The Government will legislate to allow manufacturers to reduce their VAT payments to take account of refunds they make directly to final consumers. There will be a consultation during 2013 to gain a better understanding of industry practices, with a view to legislation in Finance Bill 2014. (Finance Bill 2014)

2.182 VAT: review of the VAT Retail Export Scheme (tax free shopping) – The Government will consult on options for re-designing the Retail Export Scheme to make it easier to use and understand, reduce the scope for error, improve compliance and protect revenue.

2.183 VAT: extension of the education exemption to for-profit providers of higher education – At Budget 2012 the Government announced a review of the VAT treatment of university degree level education. Responses to the subsequent consultation on whether to extend the existing exemption to commercial entities supplying such education identified a number of issues with the options proposed. The Government has listened to those who have responded and as a result will look to develop alternative options, including possible changes to the exemption for further education and will consult on these later in the year.

2.184 VAT: withdrawal of the exemption for business supplies of research between eligible bodies – In December 2012 the Government issued a consultation on the withdrawal of the VAT exemption for business research supplied by one eligible body to another. Subject to the outcome of the consultation, the Government intends to introduce secondary legislation withdrawing the exemption, with effect from 1 August 2013.

Property taxes

2.185 Annual Tax on Enveloped Dwellings – As announced at Budget 2012 and following consultation, the Government will introduce an annual charge on residential properties valued at over £2 million owned by certain non-natural persons, such as companies. Reliefs will apply for genuine commercial businesses and other limited categories. The charge, to be called the Annual Tax on Enveloped Dwellings, will take effect from 1 April 2013. (Finance Bill 2013) (v) (4)

2.186 Stamp Duty Land Tax (SDLT) rates – As announced in December 2012, the Government will introduce further reliefs to the 15 per cent rate of SDLT which applies to residential properties valued at over £2 million purchased by certain non-natural persons. These will take effect from the date on which Finance Bill 2013 receives Royal Assent. (Finance Bill 2013) (v)

2.187 SDLT: reform of transfer of rights rules – As announced at Budget 2012 and following consultation, the Government will reform SDLT rules for "transfers of rights" with effect from the date on which Finance Bill 2013 receives Royal Assent. (Finance Bill 2013)

2.188 SDLT: avoidance – The Government will introduce legislation in Finance Bill 2013 to put beyond doubt that certain SDLT avoidance schemes that abuse the transfer of rights rules do not work. These changes will have retrospective effect to 21 March 2012. (Finance Bill 2013) (52)

2.189 SDLT: leases simplification – As announced at Budget 2012 and following consultation, the Government will simplify the SDLT rules that apply to certain non-standard lease transactions. The changes will have effect from the date on which Finance Bill 2013 receives Royal Assent. (Finance Bill 2013)

2.190 Real Estate Investment Trusts (REITs) – As announced in December 2012, the Government will legislate to allow a UK REIT to treat income from another UK REIT as income of its tax exempt property rental business. (Finance Bill 2013) The Government is further considering the case for REITs being included within the definition of "institutional investor".

Avoidance and evasion

2.191 High-risk areas of the tax code: taxation of unauthorised unit trusts – As announced at Budget 2011, the Government is undertaking a programme of work to improve areas of legislation that have been subject to repeated attempts at tax avoidance. Finance Bill 2013 will provide powers to enable secondary legislation to be introduced to reform the taxation of unauthorised unit trusts. The reforms will remove avoidance opportunities while simplifying the rules and reducing administrative burdens for exempt investors. (Finance Bill 2013)

2.192 IR35 – As announced at Autumn Statement 2012, the Government will make a small amendment to the existing IR35 provisions to equalise the tax and NICs treatment of office holders, and put beyond doubt that the legislation applies to office holders for tax purposes. (Finance Bill 2013)

2.193 IHT: limiting the deduction of liabilities – The Government will legislate to close an IHT loophole that allows a deduction from the value of an estate for an outstanding debt regardless of whether or not the debts are paid after death, or how the borrowed funds have been used. (Finance Bill 2013) (50)

2.194 Close company loans to participators – The Government will close three loopholes used to attempt to avoid the tax charge on loans from close companies to individuals with a share or interest in the company. This measure will have effect from 20 March 2013. (Finance Bill 2013) (49)

2.195 Transfer of assets abroad and gains on assets held by foreign companies – As announced on 5 December 2011, the Government will amend anti-avoidance legislation designed to protect the UK tax base. New exemptions from the regimes will have retrospective effect from 6 April 2012 but, exceptionally, in respect of the chargeable gains changes, a taxpayer may elect for the new rules to apply from 6 April 2013. Other changes to the transfer of assets abroad regime will take effect from 6 April 2013. (Finance Bill 2013) (12)

2.196 International agreements to improve tax compliance – The Government will include legislation in Finance Bill 2013 to implement the UK-US Agreement to Improve International Tax Compliance and to Implement FATCA. (Finance Bill 2013) Final Regulations will be issued shortly. The Isle of Man, Guernsey and Jersey have agreed to enter into similar automatic exchange agreements with the UK. HMRC has set up disclosure facilities with the Isle of Man, Guernsey and Jersey to allow investors to come forward and regularise their past tax affairs in advance of information being automatically exchanged. (45)

2.197 Offshore evasion strategy – HMRC's new centre of excellence on offshore evasion has published a new offshore evasion strategy.

2.198 Offshore employment intermediaries – The Government will consult on strengthening obligations to ensure the correct income tax and NICs are paid by offshore employment intermediaries. This is a result of the review announced at Autumn Statement 2012. (Finance Bill 2014) (46)

2.199 Making overpayment relief EU compliant – As announced in Autumn Statement 2012, the Government will legislate in Finance Bill 2013 to amend the current rules to ensure a consistent time limit for repayment penalties for all overpaid tax. (Finance Bill 2013)

2.200 Data-gathering from merchant acquirers – As announced in Autumn Statement 2012, the Government will legislate in Finance Bill 2013 to amend HMRC's data-gathering powers. (Finance Bill 2013)

2.201 Modernising Customs civil penalties – Following consultation, the Government will legislate in Finance Bill 2014 to modernise Customs civil penalties to bring them into line with other HMRC penalties. (Finance Bill 2014)

2.202 Avoiders Unit – HMRC will go further in tackling tax avoidance by piloting new data to better understand the motivations of individuals engaging in tax avoidance.

2.203 Improving 'Coding Out' – The Government will consult on reforming HMRC's ability to collect debts via a tax debtor's tax code, known as 'Coding Out'. The current limit of £3,000 per year for all tax debtors will be replaced with a graduated scale introducing higher limits for those with higher earnings – or up to £17,000 limit for those earning £90,000 or more. HMRC's information technology (IT) system will also be upgraded to allow splitting of debts across years for 'Coding Out'. (53)

2.204 Increasing the use of charging orders – HMRC will increase its use of charging orders, used to secure a tax debt against a debtor's assets.

2.205 Automated telephony – HMRC will update its telephone system to allow tax debts to be paid via an automated process.

2.206 Better data – HMRC will improve its ability to target resources in collecting tax debt by linking further datasets in the Department's systems.

2.207 Pay As You Earn (PAYE) penalties – As announced at Budget 2012, the Government will update the PAYE penalty regime to take account of the introduction of Real Time Information. (Finance Bill 2013)

2.208 Customs and Excise modernisation: fines on ships – As announced at Budget 2012, the Government will re-value fines on ships to ensure they remain appropriate disincentives. (Finance Bill 2013)

2.209 Customs and Excise modernisation: definition of goods – As announced at Budget 2012, the Government is clarifying the definition of goods under customs legislation. (Finance Bill 2013)

2.210 Customs and Excise modernisation: power to detain excise goods – As announced at Budget 2012, the Government will clarify HMRC's power to detain goods during customs and excise investigations. (Finance Bill 2013)

2.211 Criminal investigation powers – As announced at Budget 2012, the Government will make a minor legislative change allowing HMRC to exercise certain criminal asset recovery powers in-house instead of indirectly via police action. (Finance Bill 2013)

2.212 Self Assessment returns – As announced at Budget 2012, the Government will legislate to enable HMRC to withdraw a notice to file a Self Assessment tax return in appropriate cases. (Finance Bill 2013)

2.213 Using public procurement to deter avoidance and evasion – As announced at Autumn Statement 2012, the Government will publish and implement updated public procurement guidance on 1 April 2013 to require potential government suppliers to declare specified previous occasions of tax non-compliance.

2.214 Withdrawal of relief for payments of patent royalties – As announced at Autumn Statement 2012, the Government will legislate at Finance Bill 2013 to withdraw the relief for payments of patent royalties by individuals at section 448 of the Income Tax Act 2007, with effect from 5 December 2012. (Finance Bill 2013)

2.215 Avoidance schemes involving loan relationships and derivatives – As announced at Autumn Statement 2012, the Government will legislate to close down three corporation tax avoidance schemes involving financial products, with effect from 5 December 2012. (Finance Bill 2013)

2.216 Trade and property business deductions – As announced on 21 December 2012, the Government will introduce targeted anti-avoidance rules to the income tax and corporation tax provisions governing the relationship between rules prohibiting and allowing deductions, with effect from 21 December 2012. (Finance Bill 2013)

2.217 General Anti-Abuse Rule (GAAR) – As announced at Budget 2012, the Government will introduce a GAAR in this year's Finance Bill to tackle abusive tax avoidance schemes. (Finance Bill 2013) (51)

2.218 Corporation tax deductions for employee share acquisitions – This measure amends existing legislation to clarify a company's entitlement to corporation tax deductions for accounting expenses in connection with share options or awards granted to employees. This measure will have effect from 20 March 2013. (Finance Bill 2013)

2.219 Banking Code of Practice – Following consultation the Government will introduce legislation in Finance Bill 2014 to provide for HMRC to publish an annual report, from 2015, on the operation of the Code of Practice on Taxation for Banks. (Finance Bill 2014) This report may include the naming of any bank that HMRC considers not to be complying with the Code. The Government will consult on the governance process around determining non-compliance and the nature of the report to be published by HMRC.

2.220 Corporate 'loss buying' – The Government will introduce targeted anti-abuse rules, with immediate effect, to prevent companies entering into arrangements with unconnected third parties where the potential to create corporate losses are bought and then relieved against profits unconnected from the activity from which they arose. (Finance Bill 2013) (48)

2.221 Lifting the Lid on Tax Avoidance: next steps – As announced on 11 December 2012 legislation is being introduced in Finance Bill 2013 to improve the information collected under the Disclosure of Tax Avoidance Schemes regime. Regulations will be made later on in 2013. (Finance Bill 2013)

2.222 Review of two areas of partnership tax rules where tax is being lost – Following on from the announcement made at Autumn Statement 2012 to review partnerships as a high risk area of the tax code, this measure confirms consultation on legislation to counter the use of limited liability partnerships to disguise employment relationships and the artificial allocation of profit/loss to secure tax advantages. (Finance Bill 2014) (47)

2.223 Loopholes involving corporation tax loss relief rules – The Government will close down three loopholes, with immediate effect, within the corporation tax loss relief rules, which have enabled companies to access relief for losses either more quickly or in ways contrary to the underlying principles of the legislation. (Finance Bill 2013) (48)

2.224 Penalties in avoidance cases – This measure announces a consultation on a penalties-based approach to taxpayers who fail to settle with HMRC in circumstances where an avoidance scheme has been defeated in another party's litigation through the courts. (Finance Bill 2014) (55)

2.225 Compliance progress report – This measure announces the publication of a report highlighting the Government's successes in tackling tax avoidance and evasion and its strategy going forward.

2.226 Enhanced information powers for tax avoidance schemes – Following on from the announcement made at Autumn Statement 2012, the Government will consult, after Budget 2013, on new powers to take tougher action against high risk promoters of tax avoidance schemes, including new information and penalty powers, and the possible use of 'naming and shaming'. (54)

Tax administration

2.227 UK-Switzerland agreement: remittance basis – Legislation will be introduced to ensure that the policy objectives behind the original agreement are delivered in full. The changes took effect from the date that the agreement came into force, which was 1 January 2013. (Finance Bill 2013)

2.228 Technical assistance to developing countries – Budget 2013 announces £3 million funding a year from DfID for a long-term programme of capacity building by HMRC to support developing countries' tax and customs administrations through a new Developing Countries Capacity Building Unit. The first partnership will be with South African Revenue Service, to support tax capacity of other revenue authorities in the region.

2.229 Memorandum of Understanding on Royal Taxation – The Memorandum of Understanding about how Her Majesty The Queen and His Royal Highness the Prince of Wales pay tax voluntarily on income that would otherwise not be taxable has been revised. Without making any material change, the text now takes account of the Sovereign Grant Act 2011.

Supply-side reform of the economy

Infrastructure

2.230 Infrastructure delivery – The Government will reform its approach to infrastructure delivery, including creating an enhanced central cadre of commercial specialists in Infrastructure UK who will be deployed into infrastructure projects across government, and by summer 2013 establishing new infrastructure capacity plans for key government departments.

2.231 Infrastructure strategy – The Government will consider options for making more use of independent expertise in further developing its infrastructure strategy, ensuring that investors have the confidence to make long-term decisions on infrastructure.

2.232 Communications infrastructure – The Government will look to introduce further financial incentives on public sector spectrum holdings to ensure that spectrum is more efficiently managed and used.

2.233 UK Guarantees Scheme – As part of the UK Guarantees Scheme, the Government has approved a guarantee of up to £75 million which will help raise finance for the partial conversion of the Drax coal-fired power station to biomass.

Deregulation

2.234 Red Tape Challenge: aviation regulation – The Government will scrap or improve 58 per cent of active aviation regulations that were identified under the Red Tape Challenge. The Civil Aviation Authority will update its IT systems to make it simpler for consumers, pilots and the aviation industry to use. The Government is also working with European partners towards a proportionate and risk-based approach to aviation regulation.

2.235 Red Tape Challenge: maritime regulation – The Government will scrap or improve nearly two thirds of the maritime regulations identified by the Red Tape Challenge. The Government is also introducing a new system to speed up the implementation of international maritime agreements into UK law.

2.236 Second phase of the Red Tape Challenge – The Government will launch a second phase of the Red Tape Challenge in summer 2013. This will look at areas such as infrastructure, key stages in the growth of companies, and business activities where negotiating the system is overly complex, through a series of short reviews.

2.237 Reforming appeals of economic regulator decisions – The Government will reform the regulatory and competition appeals framework to support more streamlined regulatory decision-making, while providing appropriate rights of appeal. By summer 2013, the Government will consult on reforms, including:

- the grounds on which other regulatory appeals and appeals of competition decisions can be brought, to make them clearer and more consistent;
- streamlined processes and strengthened governance arrangements for the Competition Appeal Tribunal (CAT) and Competition Service, and a full review of the CAT's rules;
- bringing greater consistency across sectors, for instance, on which appeal body hears each type of appeal;
- reducing opportunities to game the system, for instance by presenting new evidence during appeals; and
- introducing fast-track procedures to achieve quicker judgments in simple cases.

2.238 Infrastructure charges and conditions – The Government has asked economic regulators to develop a coordinated and streamlined approach to charging and conditions on new infrastructure where it crosses existing infrastructure. The economic regulators have agreed to investigate this.

2.239 Fees for regulation – In the 2015-16 Spending Round, the Government will drive efficiency and reduce fees through additional budgeting controls placed on regulators, without reducing the effectiveness of regulatory enforcement.

2.240 Guidance for volunteer events – The Government will encourage volunteers to run events by improving the quality of the guidance and publishing it in a single document on www.gov.uk. Confusing guidance has previously deterred volunteers and obstructed events which are valuable to local communities.

Planning

2.241 Judicial review – The Ministry of Justice has consulted on shortening the time limits for bringing a planning judicial review and will set out its plans in spring 2013. The Government will also develop further measures to streamline the process for planning judicial reviews by summer 2013.

2.242 Planning use class – The Government will consult on further flexibilities between use classes to support change of use from certain agricultural and retail uses to residential use to increase responsiveness within the planning system.

2.243 Planning guidance – The Government will publish significantly reduced planning guidance by this summer, in line with Lord Matthew Taylor's recommendations. This will strengthen the focus on using market signals to ensure land is allocated to support development.

2.244 Land auctions feasibility study – DCLG is progressing the public sector land auctions model and will work with HM Treasury to conduct a feasibility study into wider use of the model.

Access to finance

2.245 Business Bank – The Government will:

- publish the Business Bank's first business strategy on 22 March 2013. This will set out an accelerated timetable for how the Business Bank will deploy £1 billion of new capital to improve existing access to small and medium-sized enterprise (SME) support schemes and develop a lasting new institution by the end of 2014 that will expand and diversify UK finance markets so that they serve the needs of SMEs;
- launch a £300 million investment scheme in spring 2013 to help diversify and expand the supply of lending to SMEs and mid-sized businesses;
- provide an additional £50 million for the Business Angel Co-investment Fund for SMEs;
- extend the Enterprise Capital Fund programme to include a £25 million venture capital Catalyst Fund for investment in SMEs; and
- maintain the lenders' guarantee cap at 20 per cent for Enterprise Finance Guarantee loan portfolios for 2013-14.

2.246 Start Up Loans – As announced in January 2013, £30 million additional funding has been given to expand the Start Up Loans scheme in England and increase the age limit to 30, up from 24.

Payment systems

2.247 Regulator for payment systems – The Government will bring the payment systems into a competition-focused regulatory regime. It will formally consult on this shortly after this Budget.

2.248 Card payments for SMEs – The Government has secured a commitment from the payment card industry to reduce the time it takes for credit and debit card payments to reach SMEs' bank accounts by up to three days, by using the Faster Payments System to process payments.

Competition

2.249 Competition recommendations – The Government has renewed its commitment to accept Office of Fair Trading (OFT) and Competition Commission recommendations and will extend this commitment to the Competition and Markets Authority. There will be a presumption that all recommendations will be accepted unless there are strong policy reasons not to do so.

2.250 Fuel price information – In response to OFT recommendations, the Government will work with motorway service areas and other relevant bodies to improve the availability and visibility of motorway fuel price information for motorway users.

2.251 Financial Services Authority review on barriers to entry – In the Banking Reform White Paper, published 14 June 2012, the Government asked the Financial Services Authority (FSA) to conduct a review of regulatory barriers to entry and expansion in UK banking. The FSA will publish its review shortly after Budget.

Sector support

2.252 Industrial Strategy – The Government will provide £1.6 billion to support a range of sectors as part of the Industrial Strategy. From this fund the Government, in partnership with industry, will create an Aerospace Technology Institute. This will provide £2.1 billion of R&D support to the aerospace sector over seven years, with government and industry contributing equal shares. Funding for other sectors will be announced later in 2013. (36)

2.253 Visual effects industry investment – The Technology Strategy Board will launch a new competitive fund of up to £15 million to support the digital content production industry. The Skills Investment Fund will be increased to £8 million, up from £3 million, each year over the next two years, with the Government matching voluntary industry contributions, to support skills development in the UK digital content sectors. In addition, the government will launch a public consultation to consider options to use the tax system to provide further support for the visual effects industry.

2.254 Growth Vouchers – The Government will provide £30 million for an SME Growth Vouchers programme in England to test a variety of approaches to help SMEs overcome barriers to achieving growth. (37)

Procurement

2.255 Small Business Research Initiative (SBRI) – The Government will substantially expand the SBRI among key departments so that the value of contracts through this route increases from £40 million in 2012-13 to over £100 million in 2013-14, representing 0.25 per cent of procurement budgets, and rising to over £200 million in 2014-15, representing 0.5 per cent of procurement budgets.

Other supply-side reforms

2.256 Lord Heseltine's Review – The Government has published a full response to Lord Heseltine's review which reported in October 2012. The response confirms that of his 89 recommendations, 81 have been accepted either in full or in part, 5 have been rejected and 3 will be considered as part of the Spending Round later this year.

2.257 The Government will create a Single Local Growth Fund of growth-related spending, which will be operational by April 2015. Funding will be allocated to Local Enterprise Partnerships on the basis of multi-year strategic plans.

2.258 Richard Review – As announced on 14 March 2013, the Government has launched a consultation on the implementation of the Richard Review of Apprenticeships.

2.259 SME credit database – The Government will investigate options for improving access to SME credit data to make it easier for newer lenders to assess loans to smaller businesses.

2.260 Co-operatives legislation – The Government will consult in summer 2013 on options for raising the limit on individual subscriptions for Withdrawable Share Capital in Industrial and Provident Societies (IPSs) and introducing insolvency procedures for IPSs and credit unions.