



HM Revenue  
& Customs



HM Treasury

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# Overview of Tax Legislation and Rates

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18 March 2015

## Introduction

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This document sets out the detail of each tax policy measure announced at Budget 2015. It is intended for tax practitioners and others with an interest in tax policy changes, especially those who will be involved in consultations both on the policy and on draft legislation. The information is set out as follows:

**Section 1** provides detail on all tax measures to be legislated in Finance Bill 2015, or that will otherwise come into effect in 2015-16. This includes confirmation of previously announced policy changes and explains where changes, if any, have been made following consultation on the draft legislation. It also sets out new measures announced at Budget 2015 where they will be in Finance Bill 2015 or secondary legislation.

**Section 2** provides details of proposed tax changes announced at Budget 2015 (or earlier) which will be legislated in a future Finance Bill, programme bills or secondary legislation.

The government has decided to defer a number of measures previously announced for Finance Bill 2015 to a future Finance Bill, in recognition of the accelerated Parliamentary process that Finance Bill 2015 will be subject to. The government intends that measures deferred to a future bill will be legislated at the earliest opportunity in the new Parliament.

**Annex A** includes all Tax Information and Impact Notes published at Budget 2014.

**Annex B** provides tables of tax rates and allowances.

Finance Bill 2015 will be published on 24 March 2015.

## 1. Finance Bill 2015

This section summarises tax changes legislated in Finance Bill 2015 or in other legislation coming into effect for 2015-16.

Most of the legislation in Finance Bill 2015 was exposed in draft for consultation at Autumn Statement 2014. The paragraphs in this section indicate where changes have been made following consultation. Where clauses are unchanged, or only subject to minor technical amendments they are listed at the end of the section.

### Income tax

**1.1. Personal allowance and basic rate limit 2016-17 and 2017-18.** As announced at Budget, legislation will be introduced in Finance Bill 2015 to increase the income tax personal allowance to £10,800 for 2016-17 and £11,000 for 2017-18.

The higher personal allowance for those born before 6 April 1938 will be removed with effect from 2016-17, so that everyone regardless of their age, is entitled to the same personal allowance.

The basic rate limit for 2016-17 and 2017-18 will increase by indexation so that most higher rate taxpayers will get the full benefit of the increases. Legislation will be introduced in Finance Bill 2015 to increase the basic rate limit to £31,900 for 2016-17 and £32,300 for 2017-18.

Taken together, these changes will increase the higher rate threshold above which individuals pay income tax at 40% to £42,700 for 2016-17 and £43,300 for 2017-18.

A [Tax Information and Impact Note](#) for this measure is available at Annex A.

**1.2. Van benefit charge for zero emission vans.** As announced at Budget 2014, legislation will be introduced in Finance Bill 2015 to increase the current van benefit charge of £nil for vans which do not emit CO<sub>2</sub> (zero emission vans), beginning in 2015-16. The van benefit charge for zero emission vans will be 20% of the value of the van benefit charge for vans which emit CO<sub>2</sub> in 2015-16, 40% in 2016-17, 60% in 2017-18, 80% in 2018-19 and 90% in 2019-20. From 2020-21, there will be a single van benefit charge applying to all vans.

**1.3. Statutory exemption for trivial benefits in kind.** As announced at Autumn Statement 2014, legislation will be introduced *in Finance Bill 2015*<sup>1</sup> to provide a statutory exemption from tax for qualifying trivial benefits in kind (BiKs) costing £50 or less. Following technical consultation on the draft legislation, an annual cap of £300 will be introduced for office holders of close companies, and employees who are family members of those office holders. Those affected by this cap will be able to receive a maximum of £300 worth of trivial benefits in kind each year exempt from tax. Corresponding legislation will also be introduced for National Insurance contributions purposes. These changes will have effect from 6 April 2015.

**1.4. Investment managers – disguised fee income.** As announced at Autumn Statement 2014, legislation will be introduced in Finance Bill 2015 to ensure that all sums which arise to investment fund managers for their services are charged to income tax. It will affect sums which arise to managers who have entered into arrangements involving partnerships or other transparent vehicles, but not sums linked to performance, often described as carried interest, nor returns which are exclusively from investments by partners. Following consultation, the legislation has been revised to better reflect industry practice on performance related returns, to restrict the charge on non-UK residents to UK duties, and to ensure that the rules apply to investment trust managers. The changes will take effect in respect of sums arising on or after 6 April 2015, whenever the fund was set up or the arrangements were entered into.

**1.5. Qualifying expenses payments – exemptions.** As announced at Autumn Statement 2014, legislation will be introduced in Finance Bill 2015 to exempt from tax certain expenses payments and benefits in kind provided to employees. The legislation will apply where employees would have been eligible for tax relief if they had incurred and met the cost of the expenses or benefits themselves. This exemption replaces the rules that require employers to either apply to HMRC for an agreement known as a ‘dispensation’ so that they can provide expenses and benefits free of tax and National Insurance contributions, or to report such expenses and benefits to HMRC. However the exemption will not apply where expenses are paid as part of a salary sacrifice arrangement. Following consultation, the legislation has been revised ensure that the exemption cannot be used in conjunction with other arrangements that seek to replace salary with expenses. These changes will have effect from 6 April 2016.

**1.6. Exemption from withholding tax for private placements.** As announced at Autumn Statement 2014 legislation will be introduced in Finance Bill 2015 to enable regulations to be made providing an exemption from the duty to deduct income tax from interest paid on unlisted securities known as qualifying private placements. Following consultation, the primary legislation has been revised to remove a condition relating to the minimum term of the security. The power to make regulations will have effect from Royal Assent, and the regulations will be laid later in 2015.

**1.7. Venture capital schemes – renewable energy.** As announced at Autumn Statement 2014, legislation will be introduced in Finance Bill 2015 to exclude investments in companies that benefit substantially from subsidies for the generation of renewable energy from the tax-advantaged venture capital schemes, the Enterprise Investment Scheme (EIS), Seed Enterprise Investment Scheme (SEIS) and Venture Capital Trusts (VCTs), from 6 April 2015, unless the company is a qualifying community energy organisation. Following consultation, the legislation has been revised to ensure that investments in companies receiving foreign subsidies similar to contracts for difference will be excluded from the schemes from 6 April 2015.

As announced at Autumn Statement 2014 legislation will be introduced in Finance Bill 2015 to extend eligibility for social Investment Tax Relief (SITR) to qualifying community energy organisations. The annual investment limit of £5 million will apply to money raised under EIS, SEIS, VCTs and Social Investment Tax Relief (SITR).

Budget 2015 announced the transitional provisions for community energy organisations moving from the tax-advantaged venture capital schemes to SITR. Provisions to exclude all community energy organisations from EIS, SEIS and VCT will take effect 6 months after the confirmation of state aid approval for the expansion of SITR. Qualifying community energy organisations will be able to use SITR from that date. Co-operatives and other non-qualifying organisations that benefit substantially from subsidies for the generation of renewable energy will no longer be eligible for tax-advantaged investment under the schemes once the transition period has elapsed.

**1.8. Amendments to rules for Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT).** As announced at Budget legislation will be introduced in *Finance Bill 2015*<sup>1</sup> to amend the rules for the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT).

**1.9. Flood defence relief.** As announced at Autumn Statement 2014, legislation will be introduced in Finance Bill 2015 to ensure that contributions by both companies and unincorporated businesses to partnership funding schemes for flood defences will be deductible for both income tax and corporation tax purposes. The legislation will apply to contributions made on or after 1 January 2015, and relief is available both for monetary contributions and for the cost of the contribution of services. Following consultation, the list of exceptions to what is a "disqualifying benefit" has been expanded.

**1.10. Landlord's energy saving allowance (LESA).** LESA will not be extended beyond 31 March 2015 for corporate landlords or beyond 5 April 2015 for unincorporated landlords of let residential properties.

**1.11. Capital allowances – connected parties sale and leaseback.** As announced on 26 February 2015, legislation will be introduced in Finance Bill 2015 to clarify the effect of the capital allowances anti-avoidance rules for certain types of transactions. The legislation will be effective from 26 February 2015. A [Tax Information and Impact Note](#) for this measure is available at Annex A.

## **Corporation tax**

**1.12. Corporation tax – rates.** Legislation will be introduced in Finance Bill 2015 to charge corporation tax and set the main rate at 20% for the financial year 2016.

**1.13. Corporation tax loss refresh prevention.** As announced at Budget 2015 legislation will be introduced in Finance Bill 2015 to protect the exchequer against contrived arrangements to increase access to carried-forward corporation tax reliefs. The change affects arrangements that create profits to use the carried-forward relief whilst also creating newer and more versatile relief ('refreshing' the loss). The new rules are not intended to affect normal tax planning around mainly commercial transactions and apply from 18 March 2015. A [Tax Information and Impact Note](#) is available at Annex A.

**1.14. Bank loss relief restriction.** As announced at Autumn Statement 2014, legislation will be introduced in Finance Bill 2015 to restrict the proportion of banks' annual taxable profit that can be offset by carried-forward losses to 50%. Following the technical consultation the government has decided to include an allowance of £25 million for groups headed by a Building Society. This allowance will reduce the carried forward reliefs that are subject to the restriction. A Tax Information and Impact Note for this measure was published at Autumn Statement 2014.

**1.15. High-end television tax relief.** As announced at Budget 2015 legislation will be introduced in Finance Bill 2015 to reduce the minimum UK spend requirement from 25% to 10%. Changes will also be made to the cultural test to bring this in line with similar changes made to the film cultural test. A [Tax Information and Impact Note](#) for this measure is available at Annex A.

**1.16. Children's television tax relief.** As announced at Autumn Statement 2014, legislation will be introduced in Finance Bill 2015 to provide a tax relief for the producers of children's television programmes. Following consultation, the draft legislation has been revised to include children's game shows and competitions. The relief will have effect from 1 April 2015.

**1.17. Film tax relief – increase of rate for all films to 25%.** As announced at Budget 2015 legislation will be introduced in Finance Bill 2015 to increase the rate of payable tax credit to 25% for all films. The changes will have effect from 1 April 2015 or date of approval by the European Commission, if later. [A Tax Information and Impact Note](#) for this measure is available at Annex A.

**1.18. Research and development tax credits – qualifying expenditure.** As announced at Autumn Statement 2014, legislation will be included in Finance Bill 2015 to restrict expenditure in respect of consumable items that qualifies for R&D tax credits where a company sells the products of its R&D activity as part of its normal business. The revised definition of qualifying consumable items makes it clear that the cost of materials incorporated in such products that are then sold will not be eligible for the relief. This ensures that R&D tax credits remain well targeted in incentivising R&D investment. Draft legislation was published for consultation in December 2014. Following consultation the legislation clarifies that the restriction will not apply where the product of the R&D is transferred as waste, or where it is transferred but no consideration is received.

## **Oil and gas taxation**

**1.19. UK oil and gas fiscal regime – investment allowance.** Autumn Statement 2014 announced that a new investment allowance will be introduced for oil and gas companies operating a ring fence trade in the UK or UK Continental Shelf to support investment and simplify the existing system of offshore field allowances.

Following consultation, the government has decided the allowance will remove an amount equal to 62.5% of investment expenditure incurred by a company in relation to a field from its adjusted ring fence profits for the purposes of the supplementary charge. The allowance will apply to the investment expenditure a company incurs on or after 1 April 2015, and will be available for projects in both new and existing fields. The current off-shore field allowances will not be available from 1 April 2015, but transitional arrangements will be put in place for companies currently developing projects. A response to the consultation will be published shortly after Budget 2015. A [Tax Information and Impact Note](#) for this measure is available at Annex A.

**1.20. UK oil and gas fiscal regime – cluster area allowance.** As announced at Autumn Statement 2014, legislation will be introduced in Finance Bill 2015 to introduce a cluster area allowance for oil and gas companies operating a ring fence trade on the UK Continental Shelf, to promote investment in high pressure high temperature cluster areas. Following consultation, the legislation has been revised to introduce a power to extend the definition of qualifying expenditure in the future by secondary legislation, and to introduce a restriction for expenditure incurred on the acquisition of a licence interest. The allowance will have effect from 3 December 2014.

**1.21. Rate reduction for supplementary charge.** As announced at Budget 2015, Finance Bill 2015 will include legislation to reduce the rate of supplementary charge from 32% to 20% to encourage additional investment and drive higher production. The reduction will be backdated to 1 January 2015. A [Tax Information and Impact Note](#) for this measure is available at Annex A.

**1.22. Petroleum revenue tax – rate reduction.** As announced at Budget 2015, legislation will be introduced in Finance Bill 2015 to reduce the rate of petroleum revenue tax from 50% to 35% to drive investment in more mature fields and critical infrastructure. The reduction will have effect in respect of chargeable periods ending after 31 December 2015. A [Tax Information and Impact Note](#) for this measure is available at Annex A.

## **VAT**

**1.23. VAT refunds for charities providing palliative care.** As announced at Autumn Statement 2014, the government will refund to charities providing palliative care the VAT they incur. Finance Bill 2015 will include legislation to provide for refunds of the VAT these bodies incur on or after 1 April 2015 in relation to their non-business activities. A [Tax Information and Impact Note](#) is available at Annex A.

**1.24. VAT – threshold revalorisation.** Legislation will be introduced by Statutory Instrument to increase the VAT registration threshold from £81,000 to £82,000 and deregistration threshold from £79,000 to £80,000.

**1.25. Deductible VAT relating to foreign branches.** Regulations will be introduced so that supplies made by foreign branches will no longer be taken into account when working out how much VAT incurred on overhead costs can be deducted in the UK. This will affect partly exempt businesses, and they will have to implement the change from the beginning of their next partial exemption tax year falling on or after 1 August 2015. A [Tax Information and Impact Note](#) is available at Annex A.

**1.26. VAT refunds to medical courier charities.** As announced at Budget 2015, legislation will be included in Finance Bill 2015 to introduce a new VAT refund scheme for blood bike charities. It will enable these charities to reclaim the VAT incurred on the purchase of goods and services. A [Tax Information and Impact Note](#) is included in Annex A.

### **Excise duties**

**1.27. Alcohol duty rates.** As announced at Budget 2015, legislation will be introduced in Finance Bill 2015 to reduce the following alcohol duty rates by 2%.

- spirits;
- sparkling cider and perry not exceeding 5.5% alcohol by volume (abv);
- still cider and perry not exceeding 7.5% abv;
- beer between 2.8% and 7.5% abv; and
- wine and made-wine exceeding 22% abv.

The legislation will also reduce the duty rate for low strength beer (less than 2.8% abv) by 6%, overall duty rate for high strength beer (above 7.5% abv) by 0.75% and for still cider and perry exceeding 7.5% abv by 1.3%.

This will reduce the price of a typical bottle of spirits by 18 pence, a typical litre of cider by 1 penny, and a typical pint of beer by 1 penny.

These changes will take effect from 23 March 2015.

The duty rates on wine and made wine not exceeding 22% abv and sparkling cider of a strength exceeding 5.5% abv have been frozen. A [Tax Information and Impact Note](#) for this measure is available at Annex A. The rates are set out in Annex B.

**1.28. Alcohol wholesalers.** As announced at Autumn Statement 2014, legislation will be introduced in Finance Bill 2015 to require all UK based wholesalers that sell or arrange a sale of alcohol at or after an excise duty point to be approved by HMRC. It will also make provision to allow the Commissioners of HMRC to make secondary legislation regulating the approval and registration of approved persons.

Following consultation, the legislation has been revised to clarify procedures for new criminal offences for trading without approval and buying from an unapproved wholesaler. A Tax Impact and Information Note has been published alongside legislation. The requirement to be approved will take effect from 1 January 2016. The scheme will be introduced in full from 1 April 2017.



**1.29. Tobacco duty rates** Legislation will be introduced in Finance Bill 2015 to increase the duty rates for all tobacco products by 2% above the rate of inflation, based on the Retail Price Index (RPI), from 6pm on 18 March 2015. The rates are set out in Annex B.

**1.30. Gaming duty.** Legislation will be introduced in Finance Bill 2015 to raise the gross gaming yield (GGY) bandings for gaming duty in line with inflation (based on RPI). The revised GGY bandings used to calculate gaming duty must be used for accounting periods starting on or after 1 April 2015. The GGY bandings are published in Annex B.

**1.31. Climate change levy (CCL) main rates.** Legislation will be introduced in Finance Bill 2015 to increase the main rates of CCL in line with RPI from 1 April 2016. The main rates of CCL are set out in Annex B.

**1.32. Landfill tax rates.** Legislation will be introduced in Finance Bill 2015 to increase the standard and lower rates of landfill tax in line with RPI, rounded to the nearest 5 pence, from 1 April 2016. The rates of landfill tax are set out in Annex B.

**1.33. Value of landfill communities fund.** A statutory instrument laid on 18 March 2015 will set the potential value of the landfill communities fund (LCF) for 2015-16 at £59.4 million of claimable landfill tax credit. This will be achieved by amending the maximum credit that landfill site operators may claim against their annual landfill tax liability for LCF contributions made to environmental bodies from 5.1% to 5.7% from 1 April 2015.

**1.34. Landfill tax loss on ignition testing.** As announced at Autumn Statement 2014, legislation will be introduced in Finance Bill 2015 to introduce a loss on ignition testing regime from 1 April 2015. Two statutory instruments and tertiary legislation setting out the technical specifications were published in draft in February and will come into force at the same time. A Tax Information and Impact Note was published on 10 December 2014.

**1.35. Vehicle Excise Duty (VED) rates for cars, vans, motorcycles and motorcycle trade licences.** Legislation will be introduced in Finance Bill 2015 to increase VED rates in line with the Retail Price Index (RPI) with effect from 1 April 2015. Details of the VED rate changes are published in Annex B.

**1.36. Heavy Goods Vehicle (HGV) VED and Road User Levy.** The government will freeze rates of VED for HGVs in 2015-16, which includes all rates linked to the basic goods rate. Road user levy rates will also be frozen in 2015-16.

**1.37. Vehicle Excise Duty (VED) 40 year rolling classic vehicle exemption.** Legislation will be included in Finance Bill 2015 to extend by one year the cut-off date from which classic vehicles are exempt from VED. This change will have effect from 1 April 2016.

## **Capital gains tax**

**1.38. Capital gains tax – entrepreneurs’ relief and associated disposals.** As announced at Budget 2015, legislation will be introduced in Finance Bill 2015 to prevent claims to entrepreneurs’ relief in respect of gains on disposals of privately-held assets used in a business unless they are associated with a significant material disposal, that is to say a disposal of at least a 5% shareholding in the company or of at least a 5% share in the assets of the partnership carrying on the business. These changes have effect for disposals on or after 18 March 2015. A [Tax Information and Impact Note](#) is available at Annex A.

**1.39. Capital gains tax – entrepreneurs’ relief, joint ventures and partnerships.** As announced at Budget 2015, legislation will be introduced in Finance Bill 2015 to prevent claims to entrepreneurs’ relief in respect of gains on shares in certain companies which invest in joint venture companies, or which are members of partnerships. The new rule will deny relief where the investing company has no trade (or no relevant trade) of its own. These changes have effect for disposals on or after 18 March 2015. A [Tax Information and Impact Note](#) is available at Annex A.

**1.40. Capital gains tax – wasting assets exemption.** Legislation will be introduced in Finance Bill 2015 clarifying that the CGT exemption for certain wasting assets is only available where qualifying assets have been used in the seller’s own business. These changes will have effect from 1 April 2015 for corporation tax and 6 April 2015 for CGT. A [Tax Information and Impact Note](#) for this measure is available at Annex A.

**1.41. Capital gains tax – entrepreneurs’ relief on goodwill.** As announced at Autumn Statement 2014, legislation will be introduced in Finance Bill 2015 to prevent claims to entrepreneurs’ relief in respect of gains on business goodwill, where the goodwill has been disposed of to a limited company which is related to the claimant. Following consultation, the legislation has been revised to allow entrepreneurs’ relief to be claimed by partners in a firm who do not hold or acquire any stake in the successor company. These changes affect transfers on or after 3 December 2014.

## **Inheritance Tax**

**1.42. Inheritance tax exemption for emergency service personnel.** As announced at Autumn Statement 2014, Finance Bill 2015 will include legislation to extend the existing inheritance tax exemption for members of the armed services whose death is caused or hastened by injury on active service to members of the emergency services and humanitarian aid workers. Legislation was published in draft on 10 December 2014. Following consultation on the draft legislation, the government has clarified that the legislation provides an exemption for serving and former police officers and service personnel targeted because of their status. The revised legislation will be effective for all deaths on or after 19 March 2014..

## **Charities**

**1.43. Status for tax purposes of certain bodies.** Legislation will be introduced in Finance Bill 2015 to ensure that certain bodies continue to be treated as charities for tax purposes. A [Tax Information and Information Note](#) is available at Annex A.

## **Tax administration**

**1.44. Implementation of the UK's automatic exchange of information agreement.** As announced at Budget 2015, a statutory instrument will be made in March 2015 to implement the automatic exchange of information agreement. A [Tax Information and Impact Note](#) is available at Annex A.

## **Working tax credits**

**1.45. Strengthen self-employed test for Working Tax Credit – work being carried out should be on a commercial basis with a view to realising a profit.** As announced at Autumn Statement 2014, regulations will be introduced to tighten the eligibility conditions for those claiming Working Tax Credit on the basis of self-employment, to prevent bogus self-employment and abuse of the tax credits system - while allowing HMRC to continue to support those who are genuinely self-employed. These include a new test to ensure that work being undertaken is 'genuine and effective', and a requirement that anyone claiming Working Tax Credit as self-employed registers with HMRC and provides their Unique Tax Reference.

Following further consideration, the new test will be based on the principle of self-employment needing to be "commercial" and "profitable" or working towards profitability for it to qualify. This test provides alignment of the principles already established in case law with the self-employment test for income tax and the self-employment definitions used for both Tax Free Childcare and Universal Credit. The test will apply to the working hours used to qualify for working tax credits as a self-employed claimant, which can vary between 16 and 30 hours depending on the circumstances of the claimant.

## **Other taxes**

**1.46. Diverted Profits Tax (DPT).** As announced at Autumn Statement 2014, legislation will be introduced in Finance Bill 2015 for a new tax on diverted profits from 1 April 2015. Following consultation, the legislation has been revised to narrow the notification requirement. There have also been changes to clarify rules for giving credit for tax paid, the operation of the conditions under which a charge can arise, specific exclusions and the application of DPT to companies subject to the oil and gas regime.

**1.47. Bank levy rate increase.** As announced at Budget 2015 legislation will be introduced in Finance Bill 2015 to increase the rate of the bank levy to 0.21 % from 1 April 2015. A proportionate increase to 0.105% will be made to the half rate, also with effect from 1 April 2015. A [Tax Information and Impact Note](#) for this measure is available at Annex A.

## **Measures unchanged following consultation**

This section lists those measures where draft legislation has been published for consultation and no changes were made as a result, or minor technical amendments have been made to the final legislation to be introduced in Finance Bill 2015. Note that in recognition of the accelerated parliamentary process that Finance Bill 2015 was subject to legislation in respect of three measures on the list below, Tax exemption for travel expenses of members of local authorities, Consortium relief – ‘link company’ rules and Fuel duty incentives for aqua methanol, together with Statutory exemption for trivial benefits in kind (paragraph 1.3) and Amendments to rules for Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT), (paragraph 1.8) were deferred from the Finance Bill before introduction. The intention is to legislate in a future Finance Bill.

See footnote 1.

### **Income tax**

- Personal allowance 2015-16
- Blind persons allowance, married couples allowance and income limit for 2015-16
- Income tax miscellaneous loss relief
- Employee benefits and expenses – Real time collection of tax through voluntary payrolling
- Employee benefits and expenses – Abolition of the £8,500 threshold for benefits in kind
- Bereavement support payment – exemption from income tax
- Lump sums provided under Armed Forces Early Departure Scheme
- Taxation of resident non-domiciles – remittance basis charge
- *Tax exemption for travel expenses of members of local authorities*<sup>1</sup>
- Gift aid digital – role of intermediaries
- Venture Capital Schemes – Social Investment Tax Relief
- Enhanced capital allowances for zero emission vans

### **Corporate tax**

- Bank loss-relief restriction
- Tax treatment of credit loss allowances
- Special purpose share schemes (commonly known as ‘B share schemes’)
- *Consortium relief – ‘link company’ rules*<sup>1</sup>
- Late paid interest
- Accelerated payments and group relief
- Restricting relief for internally-generated goodwill transfers between related parties
- Oil and Gas – high pressure high temperature cluster area allowance
- Oil and Gas – extension of accounting periods for Ring Fence Expenditure Supplement
- R&D rate changes

### **VAT and excise duties**

- Air Passenger Duty Child Exemption
- Tobacco anti-forestalling restrictions

- Aggregates levy – credits in Northern Ireland (NI)
- Refunds of VAT – refunds for search and rescue charities and air ambulance charities
- VAT – refunds to Highways Agency
- *Fuel duty incentives for aqua methanol*<sup>1</sup>
- Registration of alcohol wholesalers
- Carbon price floor – exclusion for combined heat and power

### **Stamp duty, capital gains tax, inheritance tax**

- Stamp duty land tax – alternative property finance reliefs
- Stamp duty land tax treatment – Multiple Dwelling Relief of shared ownership properties
- Capital gains tax – entrepreneurs' relief and deferred gains
- Capital gains tax on disposals of residential property – non-residents and private residence relief
- Annual tax on enveloped dwellings (ATED) – increase in charges
- Capital gains tax on ATED related gains
- ATED – reducing the administrative burden
- Inheritance tax – exemption for medals and other awards

### **Tax administration and compliance**

- Country-by-country reporting
- Disclosure of Tax Avoidance Schemes regime changes
- Employment intermediaries – penalties
- Enhanced civil penalties for offshore tax evasion

### **Pensions**

- Extending death relaxation to annuities

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<sup>1</sup> In recognition of the accelerated parliamentary process that Finance Bill 2015 was subject to, the legislation in respect of this measure was deferred from the Finance Bill before introduction. The intention is to legislate in a future Finance Bill.

## 2. Future tax changes

This section summarises tax changes announced at Budget 2015 where the change will be legislated in a future Finance Bill or other future legislative vehicle.

### Income tax

**2.1. Personal Savings Allowance.** As announced at Budget 2015, legislation will be introduced in a future Finance Bill to apply a Personal Savings Allowance, such as bank and building society interest. The Personal Savings Allowance will apply for up to £1,000 of a basic rate taxpayer's savings income, and up to £500 of a higher rate taxpayer's savings income each year. The Personal Savings Allowance will not be available for additional rate taxpayers. These changes will have effect from 6 April 2016 and the Personal Savings Allowance will be in addition to the tax advantages currently available to savers from Individual Savings Accounts. In the lead-up to these changes, the government will discuss implementation issues with the savings and investment industry, and other interested groups.

**2.2. Company car taxation (CCT).** Legislation will be introduced in a future Finance Bill to increase the appropriate percentage of the list price of company cars subject to tax by 3 percentage points for cars emitting more than 75 grams of carbon dioxide per kilometre (gCO<sub>2</sub>/km), to a maximum of 37%.

The 3 percentage point differential between the 0-50 and 51-75 gCO<sub>2</sub>/km bands and between the 51-75 and 76-94 gCO<sub>2</sub>/km bands will remain. The appropriate percentage for the 0-50 and 51-75 gCO<sub>2</sub>/km bands will, therefore, also increase by 3 percentage points.

These changes will have effect from 2019-20.

**2.3. Ultra low emission vehicles.** The government remains committed to reviewing incentives for Ultra Low Emission Vehicles in light of market developments at Budget 2016, to inform decisions on CCT from 2020-21 onwards.

**2.4. Van benefit charge (VBC).** Regulations will be introduced to increase the VBC in line with inflation with effect from 6 April 2016. The increase will be based on the September 2015 RPI figure. The change will be introduced by secondary legislation later in 2015, in time for the usual tax code exercise in January 2016.

**2.5. Fuel benefit charge (FBC).** Regulations will be introduced to increase the FBC multipliers for both company cars and vans in line with RPI with effect from 6 April 2016. The changes will be introduced by secondary legislation later in 2015, in time for the usual tax code exercise in January 2016.

**2.6. Sporting testimonials.** The government intends to preserve the current treatment of payments made from sporting testimonials while it considers representations made to the recent call for evidence on extra statutory concessions.

**2.7. Bad debt relief on peer-to-peer lending.** As announced at Autumn Statement 2014, new legislation will be introduced to allow individuals who make loans through peer-to-peer (P2P) platforms to offset bad debts arising against the interest they receive from P2P loans when calculating their taxable income. These changes will have effect for loans made from 6 April 2015. Legislation will be included in a future Finance Bill and the government will publish draft legislation in 2015. A technical note will be published shortly after Budget.

**2.8. Annuity flexibility.** The government believes people who have already bought an annuity should be able to enjoy the same flexibilities as those retiring from April 2015. The government will therefore change the tax rules in a future Finance Bill to have effect from April 2016 to allow people who are already receiving income from an annuity to sell that income to a third party as and when they choose. The government has therefore today published a consultation on how best to remove the barriers to the creation of a secondary market in annuities.

**2.9. Gift Aid Small Donations Scheme.** As announced at Budget 2015 secondary legislation will be introduced to increase the maximum annual donation amount which can be claimed through the scheme to £8000 allowing charities and Community Amateur Sports Clubs to claim Gift Aid style top-up payment of up to £2000 a year with effect from 6 April 2016.

**2.10. Individual Savings Accounts (ISAs) and Child Trust Funds – Extending eligibility.** As announced at Budget 2015, regulations will be introduced to extend the list of qualifying investments for ISAs and Child Trust Funds to include listed bonds issued by Co-operative Societies and Community Benefit Societies and SME securities that are admitted to trading on a recognised stock exchange, with effect from 1 July 2015. The government will also consult during Summer 2015 on further extending this list of qualifying investments to include debt securities (as announced at Autumn Statement 2014) and equity securities offered via crowd funding platforms.

**2.11. Individual Savings Accounts (ISAs) – Making ISAs more flexible.** As announced at Budget 2015, regulations will be introduced in Autumn 2015, following consultation on technical detail, to enable ISA savers to withdraw and replace money from their cash ISA without it counting towards their annual ISA subscription limit for that year.

**2.12. Social Venture Capital Trusts.** The government will set the rate of income tax relief for investment in Social Venture Capital Trusts (Social VCT) at 30%, subject to state aid clearance. Investors will pay no tax on dividends received from a Social VCT or capital gains tax on disposals of shares in Social VCTs. Social VCTs will have the same excluded activities as the social investment tax relief (SITR). Legislation will be included in a future Finance Bill.

**2.13. Farmers averaging.** As announced at Budget 2015, the government will extend the period over which self-employed farmers can average their profits for income tax purposes from 2 years to 5. The government will hold a consultation later in 2015 on the detailed design and implementation of the extension. This measure will come into effect from 6 April 2016 and be legislated for in a future Finance Bill.

**2.14. Enhanced capital allowances – energy saving and water efficient technologies.** These schemes will be updated:

- To adopt the Waste Heat to Electricity sub-technology, and
- To remove the Packaged Chillers sub-technology.

In addition, the qualifying criteria for some sub-technologies in both schemes will be amended. The government intends to make these changes by Treasury Order in summer 2015, subject to State aid approval.

### **Corporation tax**

**2.15. Tax treatment of banks' compensation payments.** As announced at Budget 2015, the government will make banks' customer compensation expenses non-deductible for corporation tax purposes. The government will consult on the detailed design of the change and how it can be appropriately targeted. The change will be legislated in a future Finance Bill.

**2.16. Orchestra tax relief.** As announced at Autumn Statement 2014, legislation will be introduced in a future Finance Bill for a new relief for orchestras. The relief will have effect from 1 April 2016.

### **Excise duties**

**2.17. Tobacco duty– tackling the illicit trade.** The government is fully committed to tackling the illicit trade in tobacco to protect public finances and support health objectives. On 24 March, HMRC and the UK Border Force will be publishing a refreshed strategy to address this fraud and the criminality behind it. This will focus on four themes:

- Creating a hostile environment for illicit global trade,
- Undermining the profitability at all points in the supply chain,
- Getting tougher on those involved through sanctions, and
- Changing the public perception that this is a crime that has little impact beyond those directly involved.

The package of measures to tackle illicit tobacco includes:

- Establishment of a cross-government ministerial group to oversee future evolution of the strategy,
- Plans to introduce a registration scheme for users and dealers in raw tobacco with appropriate enforcement sanctions,
- An informal targeted consultation on sanctions and
- Commissioning of academic research to provide evidence to galvanise action on the international stage.



**2.18. Tobacco levy.** The government will continue the recent consultation on whether to introduce a tobacco levy through further informal discussion with stakeholders.

### **Environmental taxes**

**2.19. Air passenger duty rates for 2016-17.** Legislation will be introduced in Finance Bill 2016 to increase air passenger duty rates in line with RPI from 1 April 2016.

**2.20. Carbon price support rates.** Budget 2014 announced carbon price support (CPS) rate per tonne of carbon dioxide (tCO<sub>2</sub>) will be capped at a maximum of £18 from 2016-17 until 2019-20. This effectively freezes the CPS rates for each of the individual taxable commodities across this period at around 2015-16 levels. Budget 2015 confirmed that these CPS commodity rates for 2017-18 will be the same as in 2016-17. It also announced the indicative CPS rates for 2018-19 and 2019-20, at the same levels as 2016-17.

**2.21. Landfill Communities Fund – proposals for reform.** The government will consult on proposals aimed at ensuring the Landfill Communities Fund is spent on community projects as quickly and efficiently as possible.

### **Capital gains tax**

**2.22. Capital gains tax – entrepreneurs' relief and academics.** As announced at Budget 2015, the government will consult on the capital gains tax treatment of gains made by academics on disposals of shares in 'spin-out' companies. Any necessary legislation will be introduced in a future Finance Bill.

### **Stamp duty**

**2.23. Application of Stamp Duty Land Tax on certain authorised property funds.** As announced at Autumn Statement 2014, the government intends to introduce a seeding relief for property authorised investment funds and co-ownership authorised contractual schemes (CoACSs) and intends to make changes to the SDLT treatment of CoACSs investing in property so that SDLT does not arise on the transactions in units, subject to the resolution of potential avoidance issues. Any changes will be legislated for in a future Finance Bill.

### **Inheritance tax**

**2.24. Inheritance tax (IHT) online.** As part of the introduction of the new IHT digital service HMRC will publish draft regulations to facilitate the use of electronic communications shortly after Budget

**2.25. Inheritance tax and trusts.** As announced at Autumn Statement, legislation will provide new rules about adding property to trusts on the same day, to target inheritance tax avoidance through the use of multiple trusts. Legislation was published in draft on 10 December 2014. This will be legislated in a future Finance bill. Following consultation on the draft legislation, the government has made changes to the legislation so that the new rules apply only when property is added to more than one relevant property trust on the same day. Stakeholders were also concerned that small same day additions by the settlor to a number of trusts for say, trustee fees, would result in the property in those other trusts being aggregated and brought into the 10 year charge calculation. The revised legislation therefore provides that where the value of the addition is £5000 or less there will not be a same day addition. The period of grace for not applying the new rules about additions to existing trusts to a will executed before 10 December 2014 has been extended by 12 months. The exclusion will now be limited to deaths before 6 April 2017. The calculation of trust charges will be simplified by removing the requirement to include non-relevant property in the computation. Changes are also being made in certain areas of the relevant property trust legislation to close a gap and ease the effects of the legislation elsewhere.

### **Tax administration and compliance**

**2.26. Making taxes easier.** The government will abolish the tax return for millions of individuals and small business through the introduction of digital tax accounts. A roadmap setting out the policy and administrative changes will be published later this year. In addition, the government will consult on a new payment process to support the use of digital tax accounts which allow tax and National Insurance contributions to be collected outside of Pay As You Earn and Self-Assessment, this will be legislated in the next Parliament.

**2.27. New disclosure facility.** As announced at Budget 2015 a new time limited disclosure facility that will run after the existing facilities close, with tougher terms than existing facilities, including penalties of at least 30% and no guarantee around criminal investigation.

**2.28. Tackling offshore evasion – requiring financial intermediaries and tax advisors to notify their customers.** As announced at Budget 2015 the government will take a power to legislate to require financial intermediaries, and tax advisers, to notify their UK resident customers with UK or overseas accounts to explain the full impact of the Common Reporting Standard, the opportunities to disclose and the penalties they could face for non-disclosure.

**2.29. Shortening of the Liechtenstein Disclosure Facility.** As announced at Budget 2015, the government will shorten the disclosure period of the Liechtenstein Disclosure Facility, changing the end date from April 2016 to December 2015.

**2.30. Shortening of the Crown Dependencies Disclosure Facilities.** As announced at Budget 2015, the government will shorten the disclosure period of the Crown Dependencies Disclosure Facility, changing the end date from September 2016 to December 2015.

**2.31. HMRC Tax Enquiries – closure rules.** As announced at Autumn Statement 2014, the government consulted between 15 December 2014 and 12 March 2015 on a proposal to introduce a new power, enabling HMRC to refer matters to the tax tribunal with a view to achieving early resolution of one or more aspects of a tax enquiry, whilst leaving other aspects of the tax enquiry open. The government are currently considering the consultation responses.

**2.32. New Measures for Serial Avoiders.** As announced at Budget 2015 and following the consultation Strengthening Sanctions for Tax Avoidance which closed on 12 March, legislation will be introduced in a future Finance Bill to introduce tougher measures for those who persistently enter into tax avoidance schemes which fail (serial avoiders). This will include a special reporting requirement and a surcharge on such serial avoiders whose latest tax return is inaccurate as a result of a further failed avoidance scheme. The government will look to restrict access to reliefs for the small hard core of people who have a record of trying to abuse them through avoidance schemes that don't work. The government also intends to develop further measures so that those who continue to use schemes that fail would be named. Legislation will be introduced in due course that will widen the current scope of the Promoters of Tax Avoidance Schemes regime by bringing in promoters whose schemes regularly fail.

**2.33. Penalties for the GAAR.** As announced at Budget 2015 and following the consultation Strengthening Sanctions for Tax Avoidance which closed on 12 March, legislation will be introduced in a future Finance Bill that will increase the deterrent effect of the General Anti-Abuse Rule (GAAR), by introducing a specific, tax-g geared penalty that applies to cases tackled by the GAAR.

**2.34. Direct recovery of debts.** As announced at Autumn Statement 2014, legislation will be introduced to enable tax and tax credit debts due to HMRC to be removed from debtors' accounts in credit. This follows announcement at Budget 2014 and consultation last year. Draft legislation was published on 10 December 2014 for consultation.

The government intends to legislate this measure in a future Finance Bill.

## **Pensions**

**2.35. Pensions – lifetime allowance.** Legislation will be introduced in a future Finance Bill to reduce the pensions Lifetime Allowance to £1 million, with effect from 6 April 2016. Transitional protection will be introduced alongside the reduction in the Lifetime Allowance to ensure the change is not retrospective and protect savers who think they may be affected. These protections will have the same effect as those introduced for previous changes to the Lifetime Allowance. The Government will work with industry to ensure that these protections are implemented in the simplest way possible. The Government also announced that the Lifetime Allowance will be increased in line with Consumer Prices Index from 2018-19 onwards.

## **National insurance contributions**

**2.36. Abolition of Class 2 National Insurance contributions (NICs).** At Budget 2015 the government announced its intention to abolish Class 2 NICs in the next Parliament and reform Class 4 NICs to introduce a new benefit test. The government will consult on the detail and timing of these reforms later in 2015.

**2.37. Employment intermediaries.** The government will consult on detailed proposals to restrict tax relief for travel and subsistence, for workers engaged through an employment intermediary, such as an umbrella company or a personal service company, and under the supervision, direction and control of the end-user. This follows a discussion paper published shortly after Autumn Statement 2014 on Employment Intermediaries and travel and subsistence relief that furthered the government's understanding of the issues. Any legislative changes would take effect from 6 April 2016 and would be legislated for in a future Finance Bill.

**Measures unchanged from Autumn Statement which will be legislated in a future Finance Bill**

- Income tax – deductions at a fixed rate
- VAT – refunds to certain bodies
- Inheritance tax – new digital service online
- Corporate debt and derivative contracts



# Annex A

## **Tax Information and Impact Notes: Introduction**

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Tax Information and Impact Notes (Tax Information and Impact Notes) are designed to provide a clear statement of changes the Government proposes making to the tax system, including why it proposed the change and what it expects the impacts of the change to be. A Tax Information and Impact Note is published for most tax policy changes at the point at which the policy design is final or near final when legislation is published either in draft at either at Autumn statement, in the finance Bill or via secondary legislation.

The Tax Information and Impact Notes published in this document are for measures that fall into the following categories:

new tax changes announced in Budget 2015 for inclusion in Finance Bill 2015;  
tax changes for inclusion in Finance Bill 2015 for which a Tax Information and Impact Note has previously been published, but where a change in policy or legislation is substantive,

### **Impact of policy changes**

The tax changes contained in this document have been tested against the list of possible impacts used in regulatory impact assessments. Except where specified, the commentary on these is recorded under the “other impacts” section of the Tax Information and Impact Note. Those tests which result in no impact have not been recorded. The full list of these ‘other’ impacts against which each policy has been tested is as follows:

- equality;
- competition;
- small and micro businesses;
- carbon emissions;
- wider environment;
- health;
- sustainable development;
- rural proofing; and
- justice; and privacy.

### **Ministerial sign-off for Tax Information and Impact Notes**

I can confirm that Treasury Ministers have read the attached Tax Information and Impact Notes and are satisfied that, given the available evidence, each represents a reasonable view of the likely costs, benefits and impacts of the measures.



David Gauke MP

Financial Secretary to the Treasury

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## Income tax: personal allowance and basic rate limit for 2016-17 and 2017-18

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### Who is likely to be affected?

Income tax payers, employers and pension providers.

### General description of the measure

The personal allowance will be increased to £10,800 for 2016-17 and £11,000 for 2017-18. The basic rate limit will be increased to £31,900 for 2016-17 and £32,300 for 2017-18. As a result, the higher rate threshold will be £42,700 in 2016-17 and £43,300 in 2017-18.

From 2016-17, there will be one income tax personal allowance regardless of an individual's date of birth.

### Policy objective

The increase to the personal allowance delivers the government's stated objective to support those on low and middle incomes and reward work.

### Background to the measure

This measure was announced at Budget 2015.

The coalition government objective of increasing the personal allowance to £10,000 was achieved one year ahead of schedule in 2014-15. Autumn Statement 2014 announced the personal allowance would be increased to £10,600 for 2015-16. Budget 2015 announced that the personal allowance will increase to £10,800 for 2016-17 and £11,000 2017-18.

The basic rate limit for 2016-17 will be increased to £31,900 for 2016-17 and £32,300 for 2017-18 providing the full gain of the increases to the personal allowance to typical higher rate taxpayers.

Taking into account the changes from this measure, the table below shows the changes to the personal allowance, basic rate limit and higher rate threshold since the start of this Parliament through to 2017-18.

£	2010-11	2011-12	2102-13	2013-14	2014-15	2015-16	2016-17	2017-18
Personal allowance	6,475	7,475	8,105	9,440	10,000	10,600	10,800	11,000
Basic Rate Limit	37,400	35,000	34,370	32,010	31,865	31,785	31,900	32,300
Higher Rate Threshold	43,875	42,475	42,475	41,450	41,865	42,385	42,700	43,300



## **Detailed proposal**

### **Operative date**

This measure will have effect on and after 6 April 2016.

### **Current law**

Section 35 of the Income Tax Act 2007 (ITA) provides the income tax personal allowance for those born after 5 April 1948. Section 36 of ITA provides the income tax personal allowance for those born after 5 April 1938 but before 6 April 1948. Section 37 of ITA provides the income tax personal allowance for those born before 6 April 1938.

For 2015-16, section 2 of the Finance Act 2014 (FA 2014) sets the income tax personal allowance for those born after 5 April 1948 at £10,500. From 2015-16, the allowance for section 35 and section 36 of ITA are the same amount. So, section 2 of FA 2014 also prospectively amends section 35 of ITA so that the allowance is available to people born after 5 April 1938 and removes section 36 from 2015-16.

The amount of the allowance for those born before 6 April 1938 is £10,660 and is included in section 37 of ITA.

Finance Bill 2015 over-rides section 2 of FA 2014 to set the personal allowance for those born after 5 April 1938 to £10,600.

Section 10 of ITA provides the basic rate limit. For 2015-16, section 2 of FA 2014 sets the basic rate limit for 2015-16 at £31,785.

Sections 55A to 55E of ITA provides the transferable tax allowance for married couples and civil partners applicable from 2015-16. Section 55B provides the amount of the transferable allowance. Finance Bill 2015 sets the transferable amount at £1,060 for 2015-16. Finance Bill 2015 prospectively amends section 55B so that from 2016-17, the amount of the transferable allowance is 10% of the personal allowance for those born after 5 April 1938.

### **Proposed revisions**

Legislation will be introduced in Finance Bill 2015 to set the personal allowance for 2016-17 at £10,800 and for 2017-18 at £11,000. Finance Bill 2015 will also remove references to section 37 of ITA so that there is a single personal allowance regardless of an individual's date of birth.

Legislation will also be introduced in Finance Bill 2015 to set the basic rate limit at £31,900 for 2016-17 and £32,300 for 2017-18.

## Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	nil	-960	-1480	-1585	-1680
	<p>These figures are set out in table 2.1 of Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2015.</p>				
<b>Economic impact</b>	<p>This measure will reduce income tax for 29.1 million income tax payers in 2016-17 and 29.6 million in 2017-18, including low and middle income individuals, improving incentives to enter employment and increasing real household disposable incomes. This might feed through to higher consumption or savings in the household sector. Overall employment outcomes will also depend upon other measures announced as well as aggregate labour demand and the performance of the wider economy.</p>				
<b>Impact on individuals, households and families</b>	<p>In 2016-17, this measure will benefit 29.1 million individuals of whom 24.3 million will be basic rate taxpayers and 4.8 million higher rate taxpayers. A typical basic rate taxpayer will have an overall cash gain of £40 and a real terms gain of £34. A typical higher rate will have an overall cash gain of £72 and a real terms gain of £51.</p> <p>In 2017-18, this measure will benefit 29.6 million individuals of whom 24.5 million will be basic rate taxpayers and 5.0 million higher rate taxpayers. A typical basic rate taxpayer will have further overall gains of £40 in cash terms and £12 in real terms. A typical higher rate taxpayer will have further overall gains of £100 in cash terms and £18 in real terms.</p> <p>These above inflation increases will take an additional 247,000 individuals out of income tax altogether in 2016-17 and a total of 341,000 by 2017-18 compared to the position with normal CPI indexation from 2015-16.</p> <p>All taxpayers with income of £121,600 or above in 2016-17 and £122,000 or above in 2017-18 have their personal allowance tapered to zero. Therefore they derive no benefit from the personal allowance increase. 528,000 individuals will have an average loss of £13 in 2016-17, rising to 557,000 with an average loss of £19 in 2017-18, the majority of which have incomes above these levels.</p> <p>Actual gains for individual taxpayers will vary according to individual circumstances.</p> <p>This measure is not expected to impact on family formation, stability or breakdown.</p>				

<b>Equalities impacts</b>	<p>Income tax changes apply regardless of personal circumstances or protected characteristics such as gender, race or disability. Equalities impacts will reflect the composition of the income tax-paying population.</p> <p>From 2016-17, there will be one personal allowance for all individuals regardless of an individual's date of birth.</p> <p>In 2016-17, women are projected to account for 42% of all taxpayers and men 58%.</p> <p>In 2017-18, women are projected to account for 42% of all taxpayers and men 58%.</p> <p>From this measure, 2016-17 estimated impacts are:</p> <p>247,000 individuals are taken out of tax altogether, of which 102,000 (41.2%) are men and 145,000 (58.8%) are women,</p> <p>29.1 million individuals will benefit. Of these, 12.4 million (42.5%) are women and 16.7 million (57.5%) are men.</p> <p>528,000 individuals lose an average of £13, of which 109,000 (20.7%) are women and 419,000 (20.7%) are men. Average losses do not differ significantly by gender</p> <p>2017-18 estimated impacts are:</p> <p>341,000 individuals taken out of tax altogether, of which 144,000 (42.1%) are men and 197,000 (57.9%) are women,</p> <p>29.6 million individuals will benefit. Of which 12.6 million (42.6%) are women and 17.0 million (57.4%) are men.</p> <p>558,000 individuals lose an average of £19, of which 115,000 (20.6%) are women and 442,000 (79.4%) are men. Average losses do not differ significantly by gender.</p>
<b>Impact on business including civil society organisations</b>	<p>Impacts on administrative and compliance cost for businesses, employers, pension providers or civil society organisations will be negligible. An individual's personal allowance is reflected in their PAYE tax code. Any changes to individuals' tax codes are a routine annual event for employers and pension providers. Non-routine changes are handled by HM Revenue &amp; Customs (HMRC).</p>
<b>Operational impact (£m) (HMRC or other)</b>	<p>HMRC will need to make changes to its IT systems to deliver this change, at an estimated cost of £418,000.</p>
<b>Other impacts</b>	<p><u>Small and micro business assessment:</u> the impact on small and micro businesses is expected to be negligible because changes to tax thresholds are a routine annual event. HMRC publishes a PAYE tax calculator on the gov.uk website to help micro businesses to calculate their payroll deductions.</p>

	Other impacts have been considered and none have been identified.
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**Monitoring and evaluation**

HMRC and HM Treasury will seek to assess the cumulative labour market effects of personal allowance increases in the context of other relevant tax and benefit changes.

**Further advice**

If you have any questions about this change, please contact Paul Thomas on 03000 586524 (email: paul.thomas@hmrc.gsi.gov.uk).

# Capital allowances: anti-avoidance rules for plant and machinery

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## Who is likely to be affected?

Businesses entering into connected party transactions and sale and leaseback transactions, where the expenditure is incurred on plant and machinery that has previously been acquired by the business or a connected party without incurring capital expenditure.

## General description of the measure

This measure clarifies the effect of the capital allowances anti-avoidance rules where there are transactions between connected parties or sale and leaseback transactions.

Where a person acquires an item of plant and machinery without incurring capital expenditure, the expenditure qualifying for capital allowances following certain types of transaction will now be restricted to nil unless the plant or machinery was acquired for revenue expenditure or on its manufacture, at an arm's length price. The types of transaction affected are connected party transactions, sale and leaseback transactions, transfer and subsequent hire-purchase or transfer and long funding leaseback transactions.

## Policy objective

This measure protects the Exchequer from loss of tax that could result where assets on which no capital expenditure has been incurred are sold to connected parties or sold and leased back by the owner. This measure supports fairness by ensuring that capital allowances are available only on the genuine cost of plant or machinery in these cases.

## Background to the measure

Proposed sale and leaseback transactions in respect of plant and machinery could create substantial capital allowances on assets that previously entitled the owner to no allowances. The Government announced on 26 February 2015 its intention to remove the opportunity for avoidance in this area.

## Detailed proposal

### Operative date

This measure will take effect:

- for long funding leasebacks where the lease is entered into on or after 26 February 2015,
- for connected party transactions where the sale, hire-purchase or assignment occurs on or after 26 February 2015,
- for transfer and subsequent hire-purchase where the hire-purchase contract is entered into on or after 26 February 2015.

### Current law

The current law relating to these transactions is contained in Part 2 of the Capital Allowances Act 2001 in sections 70DA, 218, 229A and 242.

## **Proposed revisions**

Where a person becomes entitled to claim capital allowances on an item of plant and machinery as a result of a connected party transaction, sale and leaseback, transfer and long funding leaseback or transfer and subsequent hire-purchase, the amount of qualifying expenditure is currently restricted, the restriction is based on the circumstances of the seller or, in certain circumstances, to market value.

This measure introduces a new restriction in certain circumstances where the person disposing of the asset does not bring a disposal value into account.

The new restriction applies where the person disposing of the asset or a person with whom they are or have previously been connected acquired the asset without incurring either capital expenditure or “qualifying revenue expenditure”.

“Qualifying revenue expenditure” is expenditure of a revenue nature that was incurred at an arm’s length price or, where the person who acquired the asset is a manufacturer, has incurred all the normal costs of manufacturing the asset.

Where the new restriction applies, the person acquiring the asset will be treated, for the purposes of plant and machinery allowances, as having no qualifying expenditure.

This new restriction does not apply in cases where the person disposing of the asset (or a person with whom they are or were connected) is deemed to have incurred expenditure for the purpose of plant and machinery allowances, such as where an asset is gifted.

This new restriction does apply in cases where the person disposing of the asset (or a person with whom they are or were connected) is deemed to have no expenditure.

Sections 70DA, 218, 229A and 242 CAA 2001 will be amended to include this new restriction.

Where the person disposing of the asset does not bring a disposal value into account and the new restriction does not apply, the qualifying expenditure will still be restricted according to the capital expenditure of the seller (and any persons connected to the seller) or to market value.

Draft legislation was published on 26 February 2015 and the new restriction takes effect from that day.

## Summary of impacts

<b>Exchequer impact (£m)</b>	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	nil	nil	nil	nil	nil	nil
	<p>This measure is not expected to have an Exchequer impact.</p> <p>This measure supports the Exchequer in its commitment to protect revenue.</p>					
<b>Economic impact</b>	This measure is not expected to have any significant economic impacts.					
<b>Impact on individuals, households and families</b>	<p>There is no impact on individuals because this change effects businesses engaging in complex transactions in respect of business assets</p> <p>The measure is not expected to impact on family formation, stability or breakdown.</p>					
<b>Equalities impacts</b>	There are no equalities impacts of this measure.					
<b>Impact on business including civil society organisations</b>	<p>This measure is expected have no impact on businesses or civil society organisations. It prevents claims where businesses undertake structured transactions in respect of plant and machinery which they acquired without incurring capital expenditure or revenue expenditure in a commercial transaction. These claims are not currently made and so ensuring that such claims cannot be made in future does not impact on businesses.</p>					
<b>Operational impact (£m) (HMRC or other)</b>	It is not anticipated that implementing this change will incur any additional costs / savings for HMRC.					
<b>Other impacts</b>	Other impacts have been considered and none have been identified.					

## Monitoring and evaluation

This policy will be kept under review through communication with taxpayer groups affected by the measure.

## Further advice

If you have any questions about this change, please contact HMRC's Capital Allowances policy team (email: [caguidance.ct&vat@hmrc.gsi.gov.uk](mailto:caguidance.ct&vat@hmrc.gsi.gov.uk)).

# Corporation tax: loss refresh prevention

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## Who is likely to be affected?

Companies in charge to UK corporation tax with carried forward reliefs who enter tax avoidance arrangements to access those reliefs in a new and more versatile form.

## General description of the measure

This measure will prevent companies from obtaining a tax advantage by entering contrived arrangements to convert brought forward reliefs into more versatile in-year deductions.

The measure covers carried forward corporation tax trading losses, non-trading loan relationship deficits, and management expenses.

Where a company enters into arrangements meeting the conditions it will be unable to use these brought forward reliefs against profits created in the relevant company.

## Policy objective

This measure protects the UK Exchequer by ensuring that businesses cannot use artificial and contrived arrangements to circumvent the corporation tax rules around the use of losses.

This measure supports the government's objectives to have a fair tax system for all and to tackle avoidance in the tax system. It levels the playing field between businesses that enter such arrangements to avoid tax and those who keep within the spirit of the law.

## Background to the measure

This measure was announced at Budget 2015.

## Detailed proposal

### Operative date

This measure will have effect for corporation tax in the calculation of companies' taxable profits for accounting periods beginning on or after 18 March 2015.

Any profits of a company with an accounting period straddling 18 March 2015 will be allocated into notional periods falling before and after that date, and the rules will apply to the notional period commencing on 18 March 2015. The apportionment will be proportionate to time or on an otherwise just and reasonable basis.

The measure will apply to arrangements entered into before commencement where these give rise to profits after commencement.

### Current law

UK corporation tax rules require companies to calculate a separate tax profit or loss for each of several activities. For example, trading activity is taxed under Part 3 of the Corporation Tax Act (CTA) 2009 (section 34), income of a property business is charged to tax under Part 4 of that Act (section 209), and loan relationships are charged to tax under Part 5 of that Act (section 299).



Where a loss arises in an activity, it can provide relief from tax either only against income of that activity or more generally against income from all activities; see for example the treatment of trading losses under sections 37 and 45 of CTA 2010.

Within the year that losses arise there is significant versatility in how a loss arising from one activity can be used against profits from another. Continuing the example above: a trade loss of the year may be claimed by the company against profits from any of its activities (see section 37 of CTA 2010) or may be claimed as group relief by other companies in the same group (under Part 5 of CTA 2010).

Where a loss cannot be used in a given year (because the group overall is loss making, so has no capacity to use all the losses), it is confined to the company that generated it and, in most cases, can only be used against future profits of the activity in which it arose (see section 45 of CTA 2010).

### **Proposed revisions**

Legislation will be introduced in Finance Bill 2015 to create a new Part 14B of CTA 2010.

The conditions to be met for the new Part to apply will be:

- a company receives profits from which it can deduct any of the relevant carried forward reliefs, and it is reasonable to assume that the profit would not have arisen to that company but for the arrangement
- the company, or a company connected with it, is entitled to bring a deductible amount into account as a consequence of the arrangement
- the main purpose, or one of the main purposes, of entering the arrangement is to obtain a tax advantage involving both the deduction and the use of the carried forward reliefs

The rule will not apply unless the anticipated value of the tax advantage is the greater than any other expected economic value of the arrangement. This ensures that the measure will not restrict the availability of carried forward reliefs where the arrangement is predominantly commercial.

Where these conditions are met, the legislation will deny relief for:

- trading losses carried forward under section 45 of CTA 2010
- non-trading loan relationship deficits carried forward under section 457 of CTA 2009
- management expenses and qualifying charitable donations treated as management expenses carried forward under section 1223 of CTA 2009
- management expenses arising on the cessation of a property business under section 63 of CTA 2010

The new Part 14B will deny relief only against the profits arising from the arrangement.

The new deductible amount generated from the arrangement will be available according to normal rules.

The targeted anti-avoidance rule applying to arrangements involving banking companies in draft section 269M of Part 7A of CTA 2010 (restrictions on certain deductions made by banking companies) takes precedence over this rule. A draft of Part 7A was published at Autumn Statement 2014 and this will be introduced in Finance Bill 2015.

## Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	+95	+170	+170	+150	+130
	These figures are set out in Table 2.1 of Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2015.				
<b>Economic impact</b>	The measure is not expected to have any significant economic impacts.				
<b>Impact on individuals, households and families</b>	<p>This measure concerns incorporated businesses and has no direct impact on individuals or households.</p> <p>This measure concerns multinational groups of companies and is not expected to impact on family formation, stability or breakdown.</p>				
<b>Equalities impacts</b>	It is not expected that there will be an impact on groups with protected characteristics.				
<b>Impact on business including civil society organisations</b>	This measure will have no impact on business and civil society organisations who are undertaking normal commercial transactions; it will only impact on the small number of businesses that are using avoidance arrangements affected by this measure.				
<b>Operational impact (£m) (HMRC or other)</b>	This measure is not expected to have any significant operational impacts.				
<b>Other impacts</b>	<p><u>Small and micro business assessment</u>: this measure is expected to have no impact on compliant small and micro businesses.</p> <p>Other impacts have been considered and none have been identified.</p>				

## Monitoring and evaluation

The measure will be subject to ongoing monitoring through receipts, information collected in tax returns and disclosure of new anti-avoidance schemes to circumvent the measure.

## Further advice

If you have any questions about this change, please contact James Konya on 03000 544525 (email: james.konya@hmrc.gsi.gov.uk).

# Corporation tax: high-end television tax relief

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## Who is likely to be affected?

Companies within the charge to corporation tax that are directly involved in the production of high-end television or animation.

## General description of the measure

The measure will reduce the minimum UK expenditure requirement for television tax relief from 25% to 10% and will modernise the cultural test, subject to state aid clearance. The reduction in the minimum UK expenditure requirement will also apply to the animation tax relief.

## Policy objective

The measure aims to promote the sustainable production of culturally relevant high-end television productions in the UK.

## Background to the measure

High-end television and animation tax relief were announced at Budget 2012 and introduced on 1 April 2013.

This measure was announced at Budget 2015.

## Detailed proposal

### Operative date

The measure will have effect for qualifying expenditure incurred on and after 1 April 2015, subject to state aid clearance.

### Current law

The television tax relief sets out at Part 15A of the Corporation Tax Act 2009 (CTA) the taxation of television production companies (TPCs) and television tax relief (TTR): spending at least 25 per cent of the total production costs that relate to activities in the UK.

Section 1216CE of CTA sets out one of the qualifications of the expenditure for TTR. UK qualifying production expenditure is defined as expenditure incurred on filming activities (pre-production, principal photography and post production) which take place within the UK, irrespective of the nationality of the persons carrying out the activity.

### Proposed revisions

Subject to state aid clearance, section 1216CE of CTA will be amended so that the minimum UK spending requirement reduces from 25% to 10%.

## Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	-5	-	-	-	-
	<p>These figures are set out in Table 2.1 of Budget 2015 as ‘Creative industries: extend support’, and have been certified by the Office for Budget Responsibility. They represent the combined Exchequer impact of ‘Extend film tax relief to 25% for all expenditure’, ‘Extend high-end tv relief’ and ‘Orchestras relief’. More details can be found in the policy costings document published alongside Budget 2015.</p>				
<b>Economic impact</b>	<p>This measure is expected to have a positive impact on the television industry, but is not expected to have significant wider economic impacts.</p>				
<b>Impact on individuals, households and families</b>	<p>The relief will only be available to television production companies making high-end television and animation programmes, and so is not expected to impact on individuals, households, family formation, stability or breakdown.</p>				
<b>Equalities impacts</b>	<p>The government has carefully considered whether this measure impacts on groups of people sharing protected characteristics differently to other groups, and has not identified any equalities impacts.</p>				
<b>Impact on business including civil society organisations</b>	<p>The tax relief for television production allows qualifying companies to claim a payable tax credit, supporting the production of culturally high-end TV programmes and animation programmes. This measure is expected to have a negligible compliance cost impact on around 50 businesses in the UK that can benefit from the relief.</p> <p>Because this relief is an extension of the existing television relief, it is unlikely that many eligible companies will face one-off and ongoing administrative costs in order to qualify for this relief, as they will already have some knowledge of the existing relief. For companies with no knowledge of any of the creative industry tax reliefs there may be one-off costs associated with familiarisation with new legislation, processes and requirements. The ongoing costs include the costs of calculating and claiming the relief. It is expected that very few companies would fall in this category. On average, it is expected that companies will make one claim per year.</p> <p>This measure is expected to have no impact on civil society organisations.</p>				
<b>Operational impact (£m) (HMRC or other)</b>	<p>The additional costs or savings for HM Revenue &amp; Customs and other government departments (Department for Culture, Media &amp; Sport) in implementing this change are anticipated to be negligible.</p>				

<b>Other impacts</b>	<p><u>Small and micro business assessment</u>: this measure is expected to have no impact on small and micro businesses. This tax relief is of particular benefit to larger television production companies with the necessary resources to reach the minimum spending level for high-end TV programmes.</p> <p>Other impacts have been considered and none have been identified.</p>
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### **Monitoring and evaluation**

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

### **Further advice**

If you have any questions about this change, please contact Kerry Pope on 03000 585740 (email: [kerry.pope@hmrc.gsi.gov.uk](mailto:kerry.pope@hmrc.gsi.gov.uk)).

# Corporation tax: increasing the rate of film tax relief

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## Who is likely to be affected?

Companies within the charge to corporation tax that are directly involved in the production of films.

## General description of the measure

This measure will increase the rate of film tax relief (FTR) to 25% for all qualifying core expenditure, for all eligible film productions. The distinction between limited budget films and all others will be removed.

## Policy objective

This measure is to encourage the production of culturally British films in the UK. Moving to one rate for all expenditure will also contribute towards simplifying the tax system.

## Background to the measure

This measure was announced at Budget 2015.

## Detailed proposal

### Operative date

Subject to state aid approval by the European Commission, the changes will have effect on and after 1 April 2015 or the date of state aid approval, whichever is the later date.

### Current law

FTR currently applies at a rate of 25% for the first £20 million of qualifying core expenditure, and 20% to amounts thereafter, for all eligible film productions. FTR can be claimed on eligible UK production expenditure, up to a maximum of 80% of the total film budget.

For a film to be eligible for relief, it must be certified as British by passing a cultural test administered by the Department for Culture, Media and Sport (DCMS) (though the British Film Institute actually administers the scheme on a day to day basis) or qualifying as an official co-production. In addition, a minimum of 25% of its budget must be spent on UK qualifying production expenditure.

### Proposed revisions

Subject to state aid approval, Part 15 Corporation Tax Act 2009 will be amended as follows:

Section 1200 (3) (a) and (b) sets out the additional deduction (enhancement) that a film production company can claim on its qualifying expenditure. The additional deduction is intended to create a loss which can be surrendered in exchange for a tax credit. The rate of enhancement is dependent on whether a film is a limited budget film (which gets 100% enhancement) or any other film (which gets 80% enhancement). This distinction will be removed to allow for all films to be treated equally and be enhanced by 100%

Section 1202 (3) sets out the rate of the payable credit that a company is entitled to. Until recently, this was based on whether the film was a limited budget film (which got 25% credit) or any other film (which was entitled to a 20% credit). However Finance Act 2014 removed some of this 'cliff edge' by allowing all films up to the 'limited budget' band to claim 25%

credit and 20% credit for the remainder. This distinction will be removed so that all films, regardless of budget, are entitled to a 25% credit.

### Summary of impacts

<b>Exchequer impact (£m)</b>	2015-16	2016-17	2017-18	2018-19	2019-20
	-5	-	-	-	-
	<p>These figures are set out in Table 2.1 of Budget 2015 as 'Creative industries: extend support' and have been certified by the Office for Budget Responsibility. They represent the combined Exchequer impact of 'Extend film tax relief to 25% for all expenditure', 'Extend high-end TV relief' and 'Orchestras relief'. More details can be found in the policy costings document published alongside Budget 2015.</p>				
<b>Economic impact</b>	<p>This measure is expected to have a positive impact on the film industry, but is not expected to have significant wider macroeconomic impacts.</p>				
<b>Impact on individuals, households and families</b>	<p>The relief will only be available to companies producing films and so is not expected to impact on individuals, households or family formation, stability or breakdown.</p>				
<b>Equalities impacts</b>	<p>The government has carefully considered whether this measure impacts on groups of people sharing protected characteristics differently to other groups, and has not identified any equalities impacts.</p>				
<b>Impact on business including civil society organisations</b>	<p>This measure is expected to have a negligible impact on businesses.</p> <p>The tax relief for film production allows qualifying businesses to claim a payable tax credit, supporting the production of culturally British films in the UK. There are around 200 to 300 films a year benefiting from film tax relief.</p> <p>Because this relief is an extension to the existing rate of film tax relief, it is unlikely that many eligible businesses will face one-off and ongoing administrative costs in order to qualify, as they will already have some knowledge of the existing relief. It is expected that a very small number of businesses, with no knowledge of any of the creative industry taxes, may incur negligible one-off costs associated with familiarisation with new legislation, processes and requirements. The negligible ongoing costs include the costs of calculating and claiming the relief. On average, it is expected that businesses will make 2 claims per year.</p> <p>This measure is expected to have no impact on civil society organisations.</p>				
<b>Operational impact (£m) (HMRC or other)</b>	<p>The additional costs or savings for HM Revenue &amp; Customs and other government departments (Department for Culture, Media &amp; Sport) in implementing this change are anticipated to be negligible..</p>				

<b>Other impacts</b>	<u>Small and micro business assessment:</u> This measure is expected to have no impact on small and micro businesses. Films produced with a budget below £20 million already qualify for the tax credit at 25%. Other impacts have been considered and none have been identified.
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### **Monitoring and evaluation**

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

### **Further advice**

If you have any questions about this change, please contact Kerry Pope on 03000 585740 (email: [Kerry.Pope@hmrc.gsi.gov.uk](mailto:Kerry.Pope@hmrc.gsi.gov.uk)).



# **Corporation tax: oil and gas companies: investment allowance, and reduction in supplementary charge Petroleum revenue tax reduction**

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## **Who is likely to be affected?**

Oil and gas companies that operate in the UK or on the UK Continental Shelf (UKCS).

## **General description of the measure**

This package of measures will introduce a new investment allowance to reduce the amount of adjusted ring fence profits subject to the supplementary charge. The portion of profits reduced by the allowance will be dependent on a company's investment expenditure and will be generated at 62.5% of that spend.

Building on the 2% rate cut announced at Autumn Statement 2014 from 32% to 30%, the package further reduces the rate of supplementary charge payable in respect of profits from oil and gas production in the UK and UKCS from 30% to 20%. Additionally, it reduces the rate of Petroleum Revenue Tax (PRT) payable in respect of profits from oil and gas production from 50% to 35%.

## **Policy objective**

This package of measures supports the government's objective of providing the right conditions for business investment to maximise the economic recovery of the UK's oil and gas resources, at a time when the North Sea industry is facing considerable challenges. These measures will encourage investment in the UK and UKCS, leading to increased production of oil and gas, helping to increase the UK's energy security, balance of payments and supporting jobs and supply chain opportunities. The investment allowance will simplify the existing regime of field allowances.

## **Background to the measure**

At Autumn Statement 2014, the government published the conclusions of the HM Treasury review of the oil and gas fiscal regime in "Driving investment: a plan to reform the oil and gas fiscal regime. It announced a reduction in the rate in supplementary charge to 30%, and its intention to consult on a new basin wide investment allowance.

A consultation entitled "Fiscal reform of the UK Continental Shelf: consultation on an investment allowance" was launched on 22 January 2015 and closed on 23 February 2015.

The government's response to this consultation will be published shortly after Budget 2015.

This package of measures was announced at Budget 2015.

## **Detailed proposal**

### **Operative date**

The investment allowance will have effect in respect of investment expenditure incurred on or after 1 April 2015.

The joint reduction in the rate of supplementary charge will have effect on and after 1 January 2015. There are transitional rules for accounting periods beginning before the operative date.

The reduction in the rate of PRT will have effect for all chargeable periods ending after 31 December 2015.

### Current law

Corporation Tax Act (CTA) 2010 Part 8 Chapter 6 section 330 imposes a supplementary charge on a company's adjusted ring fence profits at the rate of 32% (30% from 1 January 2015). Chapters 7 and 8 set out existing oil field and onshore allowances which reduce a company's adjusted ring fence profits subject to the supplementary charge.

Section 1 of Oil Taxation Act 1975 imposes a PRT charge on a participator's assessable profits in respect of a taxable field at the rate of 50%.

### Proposed revisions

Legislation will be introduced in Finance Bill 2015 to amend CTA 2010 to introduce a new investment allowance. The allowance will remove an amount equal to 62.5% of investment expenditure incurred by a company in relation to a field from its adjusted ring fence profits which are subject to the supplementary charge. The existing field allowances at Chapter 7 will be abolished. Transitional arrangements will be put in place for fields already in receipt of a field allowance or close to authorisation. The changes will apply to the qualifying investment expenditure a company incurs in relation a field on or after 1 April 2015, and will be activated by production income from the field.

Legislation will also be introduced in Finance Bill 2015 to amend section 330 of CTA 2010 to reduce the rate of the supplementary charge to 20%, and to amend section 1 of the Oil Taxation Act 1975 to reduce the rate of PRT to 35%.

### Summary of impacts

<b>Exchequer impact (£m)</b>	2015-16	2016-17	2017-18	2018-19	2019-20
	-230	-395	-305	-285	-85
	These figures represent the combined Exchequer impact of 'Oil and gas: investment allowance and 10% cut to supplementary charge', and 'Oil and gas: 15% cut to Petroleum Revenue Tax'. The figures for these measures are set out in Table 2.1 of Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2015.				
<b>Economic impact</b>	This package of measures will increase the post-tax profits for affected companies, making investment into oil and gas projects in the UK and UKCS more attractive and supporting jobs and supply chain opportunities. This investment is expected to increase oil production by around 15%, providing a 0.1% boost to GDP by 2019-20 and helping to increase the UK's energy security and balance of payments.				

<b>Impact on individuals, households and families</b>	<p>There is no impact on individuals or households because these changes affect oil and gas companies only.</p> <p>These measures are not expected to have an impact on family formation, stability or breakdown.</p>
<b>Equalities impacts</b>	<p>The allowance, and decrease in tax rates is considered to have no differential impact on any equality groups.</p>
<b>Impact on business including civil society organisations</b>	<p>There are around 200 companies currently operating on the UK Continental Shelf. The introduction of the investment allowance and the decrease in supplementary charge and PRT will have a positive impact on company post-tax profits within the UK and are designed to support businesses involved in the exploration and production of oil and gas. There will be a small on-going administrative cost to business of generating and activating the allowance. In addition, there are around 80 fields that are already claiming field allowances, and where companies will be expected to track expenditure. The overall administrative costs from this measure are therefore expected to be negligible.</p> <p>This measure will have no impact on civil society organisations.</p>
<b>Operational impact (£m) (HMRC or other)</b>	<p>HM Revenue &amp; Customs will incur some additional costs for implementing the reduction in the rate of SC and PRT and these are estimated to be around £120,000 for IT changes. There may also be some small staffing costs but these are anticipated to be negligible.</p>
<b>Other impacts</b>	<p><u>Sustainable development, wider environment and health</u>: the oil and gas industry is heavily regulated to ensure its activities do not lead to pollution or disturbance to habitat or wildlife, and to ensure the health and wellbeing of its workers. Investment in oil and gas production is needed even as the economy decarbonises; the government estimates that oil and gas will continue to meet 70% of the UK's energy needs out to 2030.</p> <p><u>Small and micro business assessment</u>: this measure is expected to have no impact on small and micro businesses. The change applies only to oil and gas companies operating in the UK.</p> <p>Other impacts have been considered and none have been identified.</p>

## **Monitoring and evaluation**

The measure will be kept under review through regular communication with affected taxpayer groups and the monitoring of tax receipts from and activity in the North Sea oil and gas sector.

## **Further advice**

If you have any questions about these changes, please contact Tony Chanter on 03000 589073 (email: [tony.chanter@hmrc.gsi.gov.uk](mailto:tony.chanter@hmrc.gsi.gov.uk)), or Nicola Garrod on 03000 589251 (email: [nicola.garrod@hmrc.gsi.gov.uk](mailto:nicola.garrod@hmrc.gsi.gov.uk)).

# VAT: refunds for palliative care charities

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## Who is likely to be affected?

This measure will apply to palliative care charities.

## General description of the measure

This measure will introduce a new VAT refund scheme for palliative care charities. It will enable these charities to reclaim the VAT they incur on purchases made to support their non-business activities.

## Policy objective

The government would like to provide financial support for palliative care charities through the introduction of a new refund scheme so that this VAT is no longer a cost.

## Background to the measure

The provision of care by these charities is generally not a business activity for VAT purposes where the cost is met from voluntary donations and public funding, rather than from fees charged. There is no provision under normal VAT rules for palliative care charities to recover the VAT paid on purchases made to support their non-business activities. The VAT charged on purchases for the purpose of their non-business activities is a cost to them.

The measure was announced at Autumn Statement 2014.

## Detailed proposal

### Operative date

This measure will have effect in relation to supplies made, and acquisitions and importations taking place, on or after 1 April 2015.

### Current law

Current law provides for a refund scheme for NHS bodies in section 41(3) of the VAT Act 1994. There is no current provision for refund schemes for palliative care charities.

### Proposed revisions

Legislation will be introduced in Finance Bill 2015 to add new sections 33C and 33D to the Value Added Tax Act 1994 which will allow palliative care charities to claim a refund of VAT incurred for the purpose of their non-business activities. The legislation will define palliative care charities. The term 'charity' will take its meaning from Schedule 6 of the Finance Act 2010.

## Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	-25	-25	-25	-25	-25
	The Office for Budget Responsibility has included these numbers in its forecast.				
<b>Economic impact</b>	This measure is not expected to have any economic impacts.				
<b>Impact on individuals, households and families</b>	<p>This measure is not expected to impact upon individuals and households as it relates to palliative care charities.</p> <p>This measure is not expected to impact on family formation, stability or breakdown.</p>				
<b>Equalities impacts</b>	It is not expected that this measure will impact any particular group sharing protected characteristics differently to any other group.				
<b>Impact on business including civil society organisations</b>	<p>This measure is expected to have no impact on businesses. The government expects around 200 palliative care charities to be affected. These charities are likely to incur negligible administrative costs to reclaim VAT they incur on the purchases of goods and services, imported or acquired as part of their non-business activities. They will benefit from the reclaim of VAT. The scale of the VAT refund will depend on the type and level of expenditure incurred by an eligible charity.</p>				
<b>Operational impact (£m) (HMRC or other)</b>	This measure will have negligible operational impacts.				
<b>Other impacts</b>	<p><u>Small and micro business assessment</u>: this measure is considered to support palliative care charities, enabling them to reclaim VAT on goods and services purchased on non-business activities.</p> <p>Other impacts have been considered and none have been identified.</p>				

## Monitoring and evaluation

The VAT refunds claimed by palliative care charities under sections 33C and 33D will be monitored by a dedicated unit within HM Revenue & Customs and normal audit activity will monitor whether the changes are working as intended.

## Further advice

If you have any questions about this change, please contact Jo Turner on 03000 589470 (email: [jo.turner@hmrc.gsi.gov.uk](mailto:jo.turner@hmrc.gsi.gov.uk)).

# VAT: deductions relating to foreign branches

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## Who is likely to be affected?

Financial institutions such as banks and insurers with establishments both within and outside the UK.

## General description of the measure

The measure will result in an amendment to the VAT Regulations 1995 (SI 1995/2518) (the VAT Regulations), and will mean that supplies made by foreign branches can no longer be taken into account when calculating how much VAT incurred on overhead costs can be deducted by partly exempt businesses in the UK.

## Policy objective

This measure will simplify the tax system and make it fairer by mitigating the risk that some partly exempt businesses could artificially increase the amount of input tax that they are entitled to deduct. It also implements a 2013 decision of the Court of Justice of the European Union (CJEU) (*Credit Lyonnais*).

## Background to the measure

Some services, including financial services, are exempt from VAT. This means these services are not taxable for VAT purposes and there is no right to deduct VAT on related costs. A business providing exempt services to customers within the UK and the EU cannot therefore deduct VAT incurred by it on costs related to the provision of these exempt services. However, exempt financial services provided to customers outside the EU are treated as taxable for the purposes of input tax deduction and so the related VAT on costs may be deducted. A business that makes both taxable and exempt supplies has to work out what proportion of VAT on its costs can be deducted. The calculation for this is known as a partial exemption method.

Up to now, UK law has allowed UK partly exempt businesses to recover VAT on overhead costs used to support foreign branches by reference to supplies made by those branches. This does carry the risk that a business could artificially increase the amount of input tax it is entitled to deduct by over-allocating overhead costs to its non-EU foreign branches.

In *Credit Lyonnais* the CJEU found that the VAT Directive could not be interpreted so as to allow a company to take into account the turnover of its EU or non-EU foreign branches when calculating how much input tax it can deduct in the Member State where it has its principal establishment.

Implementing this decision in the UK means that UK businesses will not be able to take into account supplies made by foreign branches when carrying out their partial exemption calculations irrespective of any special method agreed with HM Revenue & Customs (HMRC). This will simplify the calculation for businesses and also mitigate the risk of some businesses manipulating the amount of VAT they can recover.

This measure was announced at Budget 2015.

## Detailed proposal

### Operative date

It is intended that this measure will have effect on and after 1 August 2015 but, where 31 July 2015 falls within the VAT longer period of accounting for a business, it will not have effect until the first day of the next longer period that applies to that business.

### Current law

The VAT Regulations contain the legislation for partial exemption.

- Regulation 99(3) – (7) sets out how the longer period is to be determined
- partly exempt taxpayers must calculate the amount of VAT that they are entitled to recover under Regulation 101 (the standard method) unless the Commissioners agree that they should apply an alternative special method pursuant to Regulation 102 and Regulation 103 (attribution of input tax to foreign and specified supplies)
- Regulation 101(8)(b) provides for deduction of input tax on overheads in relation to foreign branches to be made according to use within the standard method of deduction
- Regulation 102(2) excludes the value of certain supplies from being included in a special method calculation for deducting VAT on overheads
- Regulation 103 provides for a use based calculation for deduction of input tax relating to foreign and specified supplies under a special method

### Proposed revisions

- Regulation 101 will be amended to make it clear that supplies made from establishments outside the UK cannot be taken into account by businesses using the standard method
- Regulation 102(2) will also be amended to exclude supplies made from a foreign establishment from being included in a special method
- changes to Regulation 103 will restrict the use based calculation for foreign and specified supplies to supplies that are made from establishments within the UK
- these amendments will mean that deduction of input tax on overheads used to support activities of the foreign establishments of a business can only be calculated by reference to supplies made by that business's UK establishments

It is intended that the VAT Regulations will be amended by secondary legislation.

### Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	+25	+95	+90	+85	+90
	These figures are set out in Table 2.1 of Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2015.				
Economic impact	The measure is not expected to have any significant economic impacts.				
Impact on individuals, households and families	There is no impact on individuals, households or families because the changes only affect partly exempt businesses.				



<b>Equalities impacts</b>	The measure is not expected to have any impact on any equalities group.
<b>Impact on business including civil society organisations</b>	This measure is expected to have a negligible impact on partly exempt businesses who make supplies from branches outside the UK. There are likely to be one-off costs for approximately 150 banks and insurers who will need to amend current partial exemption calculations. The increased simplicity is expected to create negligible ongoing administrative savings for businesses.
<b>Operational impact (£m) (HMRC or other)</b>	The measure will initially cause an additional administrative burden to HMRC because HMRC compliance officers will have to spend longer assuring partial exemption calculations, but the cost of this will be negligible. The increased simplicity should reduce the overall burden in the longer term.
<b>Other impacts</b>	<u>Small and micro business assessment:</u> the impact on small and micro insurance companies with branches both within the EU and outside is likely to be negligible.  Other impacts have been considered and none have been identified.

### **Monitoring and evaluation**

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

### **Further advice**

If you have any questions about this change, please contact Karen Pittis on 03000 585720 (email: karen.pittis@hmrc.gsi.gov.uk).

# VAT: refunds to medical courier charities

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## Who is likely to be affected?

This measure will apply to medical courier charities (for example blood bikes) whose main purpose is to provide a free, out of hours service to the NHS, transporting urgently needed items, such as blood, platelets, samples for analysis, drugs, patient notes, small medical instruments and donor breast milk.

## General description of the measure

The measure will introduce a new VAT refund scheme for medical courier charities. It will enable these charities to reclaim the VAT incurred on the purchase of goods and services, and the acquisition and importation of goods from outside the UK, used for their non-business activities. Ordinarily VAT can only be recovered on purchases made for a taxable business activity.

## Policy objective

The measure will give medical courier charities broadly the same level of VAT recovery as is presently afforded to the established emergency services.

## Background to the measure

Medical courier charities transport urgently needed blood and other items of a medical nature. The free, out of hours service provided by these charities is generally not a business activity for VAT purposes where the cost is met from voluntary donations and public funding, rather than from fees charged. There is no provision under normal VAT rules for medical courier charities to recover the VAT paid on purchases made to support their non-business activities. This measure will extend the ability to refund VAT incurred on non-business activities to medical courier charities.

The measure was announced at Budget 2015.

## Detailed proposal

### Operative date

This measure will have effect in relation to supplies made, and acquisitions and importations taking place, on or after the 1 April 2015.

### Current law

There are no existing specific provisions in VAT legislation concerning the VAT incurred by medical courier charities on the goods and services they purchase.

## Proposed revisions

Legislation will be introduced in Finance Bill 2015 to add new sections 33C and 33D to the Value Added Tax Act 1994 which will allow medical courier charities to claim a refund of VAT incurred for the purpose of their non-business activities. The legislation will define medical courier charities. The term 'charity' will take its meaning from Schedule 6 of the Finance Act 2010.

## Summary of impacts

<b>Exchequer impact (£m)</b>	2015-16	2016-17	2017-18	2018-19	2019-20
	negligible	negligible	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer.				
<b>Economic impact</b>	This measure is not expected to have any significant economic impacts.				
<b>Impact on individuals, households and families</b>	There is no direct impact upon individuals and households. The measure is not expected to impact on family formation, stability or breakdown.				
<b>Equalities impacts</b>	The measure is expected to have no equalities impact.				
<b>Impact on business including civil society organisations</b>	The measure is expected to have a small positive financial impact on approximately 40 medical courier charities, allowing them to recover the VAT they incur in relation to their non-business activities. The administrative burden on these charities is expected to be negligible. This measure is expected to have no impact on businesses.				
<b>Operational impact (£m) (HMRC or other)</b>	There will be no significant operational impact.				
<b>Other impacts</b>	Other impacts have been considered and none have been identified.				

## Monitoring and evaluation

The VAT refunds claimed by medical courier charities under sections 33C and 33D will be monitored by a dedicated unit within HMRC and normal audit activity will monitor whether the changes are working as intended.

**Further advice**

If you have any questions about this change, please contact Jo Turner on 03000 589470 (email: [jo.turner@hmrc.gsi.gov.uk](mailto:jo.turner@hmrc.gsi.gov.uk)).

# Alcohol duty rates

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## Who is likely to be affected?

Businesses and individuals responsible for accounting for excise duty prior to consumption – for example manufacturers, importers and warehouse keepers – as well as retailers and consumers of alcohol.

## General description of the measure

This measure changes the duty rates on alcohol manufactured in, or imported into, the UK.

## Policy objective

The government is committed to helping pubs, which are important community assets that encourage responsible alcohol consumption.

## Background to the measure

Budget 2013 announced the end of the beer duty escalator. Budget 2014 announced the end of the wine, cider and spirits duty escalators. The public finances assume that all alcohol duties rise by RPI inflation each year.

At Budget 2015 the Chancellor of the Exchequer announced that from 23 March 2015 the:

- tax on a typical pint of low, average and high strength beer will be cut by one penny
- duty rate on lower strength cider will be cut by 2% with an equivalent benefit in cash terms for high strength still cider
- duty rate on spirits and other drinks exceeding 22% alcohol by volume (abv) will be cut by 2%
- duty rates on wine, made-wine and high strength sparkling cider will be frozen in cash terms

## Detailed proposal

### Operative date

The new alcohol duty rates will have effect from 23 March 2015.

### Current law

Alcohol duty rates are set out in the Alcohol Liquor Duties Act 1979. The duty rate(s) for:

- spirits is set out in section 5
- beer are set out in section 36(1AA) and 37(4)
- cider are set out in section 62(1A)
- wine and made-wine are set out in Schedule 1

## Proposed revisions

Legislation will be introduced in Finance Bill 2015 to revise the alcohol duty rates. Sections 5, 36(1AA), 37(4), 62(1A) and Schedule 1 of the Alcohol Liquor Duties Act 1979 will be amended to provide for the relevant alcohol duty rates. The revised rates are:

- duty on spirits and all other drinks exceeding 22% abv: £27.66 per litre of pure alcohol
- duty on beer exceeding 1.2% but not exceeding 2.8% abv: £8.10 per hectolitre for each per cent of alcohol
- general beer duty on beer exceeding 2.8% abv and not produced by small breweries: £18.37 per hectolitre for each per cent of alcohol
- duty on beer exceeding 7.5% abv (and in addition to general beer duty): £5.48 per hectolitre for each per cent of alcohol
- duty on still cider and perry exceeding 1.2% but not exceeding 7.5% abv: £38.87 per hectolitre of product
- duty on still cider and perry exceeding 7.5% but not exceeding 8.5% abv: £58.75 per hectolitre of product
- duty on sparkling cider and perry exceeding 1.2% but not exceeding 5.5% abv: £38.87 per hectolitre of product

## Summary of impacts

<b>Exchequer impact (£m)</b>	2015-16	2016-17	2017-18	2018-19	2019-20
	-185	-175	-185	-185	-190
	These figures represent the combined Exchequer impact of all the alcohol duty changes at Budget 2015. The figures for these measures are set out in Table 2.1 of Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2015.				
<b>Economic impact</b>	The changes to alcohol duty rates are expected to lead to slightly lower inflation.				
<b>Impact on individuals, households and families</b>	<p>There will be a positive financial impact for individuals who consume alcohol. At the current VAT rate, and assuming 100% pass through wherever alcohol is purchased, from 23 March 2015 the tax on a typical:</p> <ul style="list-style-type: none"> <li>• pint of beer will be one penny lower in cash terms and 9 pence lower compared to the previous government's duty plans</li> <li>• bottle of Scotch whisky will be 19 pence lower in cash terms and 70 pence lower compared to the previous government's duty plans</li> <li>• litre of cider will be one penny lower in cash terms and 7 pence lower compared to the previous government's duty plans and</li> <li>• bottle of wine will be unchanged in cash terms and 7 pence lower compared to the previous government's duty plans.</li> </ul> <p>The measure is not expected to impact on family formation, stability or breakdown.</p>				

<b>Equalities impacts</b>	Due to differences in alcohol consumption, any change to alcohol duties will have an equalities impact that reflects consumption trends across the adult population.
<b>Impact on business including civil society organisations</b>	<p>The changes in alcohol duty rates will impose a negligible administrative burden on businesses.</p> <p>Alcohol manufacturers and importers will benefit from lower duty rates than expected. The government expects the benefit will be passed onto consumers.</p> <p>This measure will also help pubs and other retailers of alcohol.</p>
<b>Operational impact (£m) (HMRC or other)</b>	HM Revenue and Customs will incur a negligible one-off cost for changing alcohol duties.
<b>Other impacts</b>	<p><u>Small and micro business assessment</u>: the change to duty rates will impact on businesses irrespective of their size and poses a negligible administrative burden. Small brewers, those producing less than 60,000 hectolitres, pay reduced rates of general beer duty. Small cider makers, those producing less than 70 hectolitres, do not pay any cider duty.</p> <p><u>Health impact assessment</u>: cutting the duty rate on beer, most ciders and spirits, and freezing the duty rate on wine likely to lead to a minor increase in overall alcohol consumption in the UK. The duty on higher strength beer and cider will increase more in relative terms than on lower strength beer and cider, helping to encourage the production and consumption of lower strength products.</p> <p>Other impacts have been considered and none have been identified.</p>

## Monitoring and evaluation

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

## Further advice

If you have any questions about this change, please contact the Excise and Customs Helpline on 03000 200 3700.

# Capital gains tax: restricting entrepreneurs' relief on associated disposals

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## Who is likely to be affected?

Individuals and members of partnerships who sell personal assets used in a business but do not, at the same time, dispose of a significant holding of shares in the company carrying on the business or of a significant share in the assets of the partnership carrying on the business.

## General description of the measure

This measure will mean that entrepreneurs' relief (ER) will not be available to reduce capital gains tax (CGT) on gains which accrue on personal assets used in a business carried on by a company or a partnership, unless they are disposed of in connection with a disposal of at least a 5% shareholding in the company, or a 5% share in the partnership assets.

## Policy objective

ER does not usually apply to the disposal of personal assets used in a company's or a partnership's business. However, 'associated disposal' rules allow ER on these assets when the disposal is associated with a partial or full withdrawal from the business or company. There has been no minimum requirement as to the size of this withdrawal and therefore some people are using these rules to benefit from ER on personal assets when they are not making a meaningful withdrawal.

This measure ensures that at least a 5% stake in the business must be disposed of by a claimant in order to benefit from ER on an associated disposal. This is in line with the policy intention to encourage someone who is significantly withdrawing from a business to sell the personal assets being used to the buyer along with the business.

## Background to the measure

This measure was announced at Budget 2015.

## Detailed proposal

### Operative date

This measure will affect disposals on and after 18 March 2015.

### Current law

The ER provisions are at sections 169H to 169S of the Taxation of Chargeable Gains Act 1992 (TCGA). ER reduces the rate of CGT on the disposal of assets to 10% from the standard 18% or 28%. Section 169K provides special rules which allow ER on assets used in a business but owned privately by a participator (a shareholder or partner) in the business, providing those assets are disposed of as part of a withdrawal for participation in the business.

### Proposed revisions

Legislation will be introduced in Finance Bill 2015 to amend TCGA to ensure that in order for a disposal of a privately-owned asset to qualify for ER, the claimant must reduce their



participation in the business by also disposing of a minimum 5% of the shares of the company carrying on the business, or (where the business is carried on in partnership) of a minimum 5% share in the assets of the partnership carrying on the business.

### Summary of impacts

<b>Exchequer impact (£m)</b>	2015-16	2016-17	2017-18	2018-19	2019-20
	negligible	+45	+45	+45	+45
	These figures are set out in Table 2.1 of Budget 2015 as 'Capital gains tax: contrived ownership arrangements' and have been certified by the Office for Budget Responsibility. They represent the combined Exchequer impact of 'Capital gains tax: entrepreneurs' relief, joint ventures and partnerships' and 'Capital gains tax: restricting entrepreneurs' relief on associated disposals'. More details can be found in the policy costings document published alongside Budget 2015.				
<b>Economic impact</b>	This measure is not expected to have any significant economic impacts.				
<b>Impact on individuals, households and families</b>	Individuals who are either partners in a firm or shareholders in a company may be affected if they dispose of assets which they own and which are used in their firm's or company's business but do not make a meaningful withdrawal from the business.  This measure is not expected to impact on family formation, stability or breakdown.				
<b>Equalities impacts</b>	This measure is not expected to have a significant impact on those with legally protected characteristics. Those affected will broadly reflect the composition of ER claimants.				
<b>Impact on business including civil society organisations</b>	This measure affects disposals made by individuals of assets held in their personal capacity. There is therefore no direct impact on businesses.				
<b>Operational impact (£m) (HMRC or other)</b>	There will be a negligible operational impact on HM Revenue & Customs.				
<b>Other impacts</b>	Other impacts have been considered and none have been identified.				

## **Monitoring and evaluation**

The measure will be monitored through disclosures of new avoidance schemes to circumvent the measure, and through communication with affected taxpayers and practitioners.

## **Further advice**

If you have any questions about this change, please contact Rob Clay on 03000 570649 (email: [rob.clay@hmrc.gsi.gov.uk](mailto:rob.clay@hmrc.gsi.gov.uk)).

# Capital gains tax: entrepreneurs' relief, joint ventures and partnerships

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## Who is likely to be affected?

Individuals who wish to benefit from entrepreneurs' relief (ER) on capital gains tax (CGT) without holding at least a 5% stake directly in a company carrying on a trade.

## General description of the measure

This measure will deny ER on a disposal of shares in a company that is not a trading company in its own right.

## Policy objective

The ER rules around joint ventures have been used to set up structures under which people with only a small indirect stake in the trading company can benefit from ER. This is against the policy intention, which is that individuals must have a significant stake in a genuine trading business in order to benefit from ER.

This measure ensures that those who benefit from ER have a 5% directly-held shareholding in a genuine trading company. It does not affect shareholdings in companies whose investment in a joint venture is part of their own trade.

## Background to the measure

This measure was announced at Budget 2015.

## Detailed proposal

### Operative date

This measure will affect disposals on and after 18 March 2015.

### Current law

The ER provisions are at sections 169H to 169S of the Taxation of Chargeable Gains Act 1992 (TCGA). ER reduces the rate of CGT on the disposal of assets to 10% from the standard 18% or 28%. One of the conditions for ER to be due on shares is that the shares must be in a 'trading company or the holding company of a trading group': the relevant terms are defined at section 165A of TCGA.

### Proposed revisions

Legislation will be introduced in Finance Bill 2015 to amend TCGA so that for ER purposes the definitions of a 'trading company' and 'the holding company of a trading group' do not take account of activities carried on by joint venture companies which a company is invested in, or of partnerships of which a company is a member. Therefore a company would need to have a significant trade of its own in order to be considered as a trading company.

## Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	negligible	+45	+45	+45	+45
	<p>These figures are set out in Table 2.1 of Budget 2015 as 'Capital gains tax: contrived ownership arrangements' and have been certified by the Office for Budget Responsibility. They represent the combined Exchequer impact of 'Capital gains tax: entrepreneurs' relief, joint ventures and partnerships' and 'Capital gains tax: restricting entrepreneurs' relief on associated disposals'. More details can be found in the policy costings document published alongside Budget 2015.</p> <p>This measure supports the Exchequer in its commitment to protect revenue.</p>				
<b>Economic impact</b>	This measure is not expected to have any significant economic impacts.				
<b>Impact on individuals, households and families</b>	<p>Individuals who hold shares in a company which itself holds shares in a joint venture company may be affected if they dispose of their shares, unless the company is a trading company in its own right.</p> <p>This measure is not expected to impact on family formation, stability or breakdown.</p>				
<b>Equalities impacts</b>	This measure is not expected to have a significant impact on those with legally protected characteristics. Those affected will broadly reflect the composition of ER claimants.				
<b>Impact on business including civil society organisations</b>	This measure will have no impact on business and civil society organisations who are undertaking normal commercial transactions; it will only impact on the businesses that are using joint venture rules for tax planning purposes.				
<b>Operational impact (£m) (HMRC or other)</b>	There will be a negligible operational impact on HM Revenue & Customs.				
<b>Other impacts</b>	Other impacts have been considered and none have been identified.				

## Monitoring and evaluation

The measure will be monitored through disclosures of new avoidance schemes to circumvent the measure, and through communication with affected taxpayers and practitioners.

## Further advice

If you have any questions about this change, please contact Rob Clay on 03000 570649 (email: [rob.clay@hmrc.gsi.gov.uk](mailto:rob.clay@hmrc.gsi.gov.uk)).

# Capital gains tax: exemption for certain wasting assets

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## Who is likely to be affected?

Persons disposing of a wasting asset that was previously loaned to a third party business.

## General description of the measure

The measure makes clear that to qualify for the capital gains tax (CGT) exemption for gains accruing on the disposal of certain wasting assets, an asset must have been used in the business of the person disposing of it.

## Policy objective

The measure improves the fairness of the tax system. By ensuring that an asset must have been used in the owner's business to be eligible for the exemption on its later disposal, it prevents assets, such as works of art, being loaned to and used by another party for a period of time for business purposes simply to qualify for the exemption.

## Background to the measure

Certain wasting assets are exempt from CGT. This includes gains which arise from the disposal of assets used as plant or machinery and where capital allowances could not be claimed.

In a recent court case it was successfully argued that the gain on the disposal of an asset that had appreciated in value was exempt from CGT. This was because the asset had been lent by the owner, before it was sold, to another party to use as plant in its business. It did not matter that the asset had never been used as plant by the owner.

This decision means that it would be relatively easy for other parties to set up similar arrangements to avoid CGT.

This measure was announced at Budget 2015.

## Detailed proposal

### Operative date

The changes will have effect for gains accruing on and after 1 April 2015 for corporation tax purposes and 6 April 2015 for CGT purposes.

## Current law

Section 44 of the Taxation of Chargeable Gains Act 1992 (TCGA) defines a wasting asset as an asset with a predictable life not exceeding 50 years. It brings into this definition all plant and machinery.

Section 45 of TCGA provides that where a wasting asset is tangible movable property any disposal proceeds are exempt from CGT. It excludes from this assets that are plant or machinery that have been used by a business which has, or could have, claimed capital allowances.

## Proposed revisions

Legislation will be introduced in Finance Bill 2015 to amend section 45 TCGA to make clear that the wasting asset exemption applies only if the person selling the asset has used it as plant in their own business.

## Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	nil	negligible	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer. This measure supports the Exchequer in its commitment to protect revenue.				
<b>Economic impact</b>	This measure is not expected to have any significant economic impacts.				
<b>Impact on individuals, households and families</b>	This measure will not have a significant impact on individuals and households. It is designed to impact only on those individuals and businesses that design arrangements to exploit the wasting assets exemption.  The measure is not expected to impact on family formation, stability or breakdown.				
<b>Equalities impacts</b>	This measure is not expected to have an impact on any protected equality group different to any other group.				
<b>Impact on business including civil society organisations</b>	This measure is expected to have a negligible impact on businesses and civil society organisations. It will only impact on those persons who wish to dispose of assets, such as works of art, and where capital allowances were not available. It will prevent such persons entering into arrangements to loan the asset to a business to use as plant in their business simply to exploit the CGT exemption for certain wasting assets. The measure will not impact on a business, such as an open house business, that disposes of qualifying wasting assets that have been used by the business but have not qualified for capital allowances.				
<b>Operational impact (£m) (HMRC or other)</b>	There will be no significant impact on HM Revenue & Customs.				

<b>Other impacts</b>	<p><u>Small and micro business assessment</u>: this measure applies to gains arising from the disposal of assets where arrangements have been entered into to avoid CGT. Generally such arrangements will be entered into by private individuals. Consequently it is expected that the impact on small and micro businesses will be negligible.</p> <p>Other impacts have been considered and none have been identified.</p>
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### **Monitoring and evaluation**

The measure will be monitored through disclosures of new avoidance schemes to circumvent the measure, and through communication with taxpayers and practitioners affected by the measure.

### **Further advice**

If you have any questions about this change, please contact Nick Williams on 03000 585660 (email: [nicholas.williams@hmrc.gsi.gov.uk](mailto:nicholas.williams@hmrc.gsi.gov.uk)).

# Status for tax purposes of certain bodies

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## Who is likely to be affected?

The Commonwealth War Graves Commission (CWGC) and the Imperial War Graves Endowment Fund Trustees.

## General description of the measure

This measure will treat CWGC and the Imperial War Graves Endowment Fund (which provides investment income for CWGC) as charities for tax purposes.

## Policy objective

This measure ensures that the CWGC and Imperial War Graves Endowment Fund Trustees can continue to claim charity tax reliefs that are administered by HM Revenue & Customs (HMRC). This is a technical amendment to the legislation to formalise the position and, in practice, does not deliver a change in historical treatment.

## Background to the measure

The CWGC is responsible for the commemoration and maintenance of the graves of Commonwealth forces who died in the First and Second World Wars. The Commission was established by Royal Charter in 1917 and was set up as a “not for profit” organisation. It operates in 154 countries around the world. The Commission is funded by its 6 member governments – the UK, Canada, South Africa, New Zealand, Australia and India. High Commissioners for those countries are appointed by the member countries to sit on the Commission. The UK Secretary of State for Defence is Chairman.

The CWGC has a separate Endowment Fund (The Imperial War Graves Endowment Fund) which was created by Act of Parliament in 1926.

When the CWGC was created it did not register as a charity but it was entitled to charitable exemptions from tax until the law was changed in 2010.

This amendment is necessary to continue CWGC’s entitlement to claim charity tax reliefs.

## Detailed proposal

### Operative date

The measure will have effect from the date of Royal Assent to Finance Bill 2015.

### Current law

Part 1 of Schedule 6 to Finance Act (FA) 2010 provides the definition of a charity for tax purposes in paragraph 1.

### Proposed revisions

Legislation will be introduced in Finance Bill 2015 to provide that where Part 1 of Schedule 6 to FA 2010 applies “charity” includes both CWGC and the Imperial War Graves Endowment Fund Trustees.



## Summary of impacts

<b>Exchequer impact (£m)</b>	2015-16	2016-17	2017-18	2018-19	2019-20
	nil	nil	nil	nil	nil
	This measure is not expected to have an Exchequer impact.				
<b>Economic impact</b>	This measure is not expected to have any significant economic impacts.				
<b>Impact on individuals, households and families</b>	Individuals who give money to the CWGC would see no change in treatment of their donations.  The measure is not expected to impact on individuals, households and families				
<b>Equalities impacts</b>	This measure is not expected to have any impact on protected groups.				
<b>Impact on business including civil society organisations</b>	This measure is expected to have no impact on businesses or civil society organisations.  This measure is a technical amendment to the legislation to formalise the position of two connected bodies.				
<b>Operational impact (£m) (HMRC or other)</b>	It is not anticipated that implementing this change will incur any additional costs for HMRC.				
<b>Other impacts</b>	Other impacts have been considered and none have been identified.				

## Monitoring and evaluation

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

## Further advice

If you have any questions about this change, please contact Sue Pennicott on 03000 585160 (email: [sue.pennicott@hmrc.gsi.gov.uk](mailto:sue.pennicott@hmrc.gsi.gov.uk)).

# Tax administration: regulations to implement the UK's automatic exchange of information agreements

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## Who is likely to be affected?

- Financial institutions carrying on business in the UK. 'Financial institution' is a defined term and can include companies, trusts, or partnerships, but not individuals
- Holders of financial accounts

## General description of the measure

In compliance with the UK's obligations under the European Union (EU) Revised Directive on Administrative Cooperation (Council Directive 2014/107/EU) (the DAC) to improve international tax compliance, and the UK's obligations under Competent Authority Agreements with non-EU jurisdictions for the Common Reporting Standard (the CRS), HM Treasury is introducing regulations creating due diligence and reporting obligations for UK financial institutions.

The obligations require financial institutions to:

- identify accounts maintained for specified persons, that is, account holders who are tax resident in jurisdictions with which the UK has entered into an agreement to exchange information about a wide range of financial accounts and investments to help tackle tax evasion
- collect and report information in a specified manner on specified persons to HM Revenue and Customs (HMRC)

The regulations also revoke and replace the current implementing regulations for the UK's exchange of information agreement with the United States of America (US), known as FATCA (Foreign Account Tax Compliance Act - automatic exchange of financial account information on US citizens and residents). This consolidates the requirements on automatic exchange of information and corrects minor errors in the current FATCA regulations.

## Policy objective

The UK has been an international leader in implementing automatic exchange of information agreements, including through its G8 Presidency. The agreements are a key part of the government's wider offshore evasion strategy. They will increase the effectiveness of HMRC's compliance activity as well as increasing the deterrent effect for those who attempt to evade UK tax by holding financial assets outside of the UK.

The DAC implements the CRS on automatic exchange of information within the EU.

## Background to the measure

In September 2012 the UK became the first jurisdiction to sign an enhanced automatic tax information exchange agreement with the US to implement the reporting required under US FATCA legislation. In 2013 the UK signed automatic tax information agreements with its Crown Dependencies (Isle of Man, Jersey and Guernsey) and Overseas Territories (Anguilla, Bermuda, the British Virgin Islands, the Cayman Islands, Gibraltar, Montserrat and the Turks and Caicos Islands).

The US agreement and the agreements with the Crown Dependencies and Gibraltar are reciprocal. They impose obligations on UK financial institutions to report financial account

information to HMRC for onward transmission to those territories. HMRC will in turn receive information about UK tax residents with accounts in those territories. The agreements with the remaining Overseas Territories are non-reciprocal since those Territories do not have income taxes. So while the UK will receive information no information will be provided.

In April 2013 the UK announced an initiative for multilateral exchange based on FATCA with France, Germany, Italy and Spain (the G5). The UK also worked closely with the Organisation for Economic Cooperation and Development (OECD) on the development of a new global standard on automatic exchange of financial account information (known as the "Common Reporting Standard" or "CRS"). The CRS is designed to provide maximum consistency with US FATCA in order to minimise the additional costs and burdens to business from the increased reporting requirements. To date, following on from the G5 initiative, over 90 countries have committed to exchange information under the CRS with first reporting in 2017 or 2018.

HMRC published a discussion document setting out its plans for implementing the CRS together with draft regulations in July 2014. A summary of the responses will be published around the time the regulations are laid.

The DAC implements the CRS within the EU. The UK and other Member States are required to implement the DAC via domestic legislation by 31 December 2015.

## **Detailed proposal**

### **Operative date**

The regulations will have effect on and after:

- 1 January 2016 in relation to the DAC and the CRS Competent Authority Agreements and
- 21 days from the date these regulations are laid in relation to the FATCA agreement.

### **Current law**

Current law to implement the FATCA agreement is contained in The International Tax Compliance (United States of America) Regulations 2014 (Statutory Instrument 2014/1506).

There are no current provisions relating to the DAC or CRS.

### **Proposed revisions**

These regulations implement the DAC and the CRS. They define relevant terms, including "reporting financial institution" and "reportable account", and set out obligations placed on reporting financial institutions, including due diligence and reporting requirements. The regulations contain penalty provisions where there is a breach of these obligations, and an anti-avoidance provision that applies in the event that a person enters into arrangements to avoid the obligations. They also set out 'excluded accounts' for DAC and CRS purposes, that is accounts that need not be reported.

The new FATCA provisions correct previous minor errors and, more significantly, remove holding companies and relevant treasury companies from the definition of reporting financial institution consistent with the terms of the UK / US IGA.

## Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	-5	+90	+270	+75	+130
	nil	nil	nil	nil	nil
	<p>The first row represents the Exchequer impact of 'Evasion: common reporting standard'. These figures are set out in Table 2.1 of Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2015.</p> <p>The second row represents the Exchequer impact of the regulations to implement the UK's automatic exchange of information agreements, which is not expected to have an Exchequer impact.</p>				
<b>Economic impact</b>	<p>The measure is not expected to have any significant macroeconomic impacts but will have a positive impact on the efficiency of the tax system through the recovery of evaded UK tax.</p>				
<b>Impact on individuals, households and families</b>	<p>This measure is not expected to impact upon tax compliant individuals, households, or family formation or stability.</p>				
<b>Equalities impacts</b>	<p>There are no impacts on any groups which share a protected characteristic.</p>				
<b>Impact on business including civil society organisations</b>	<p>Both the DAC and CRS were negotiated with the aim of minimising additional burdens and, where possible, reducing existing burdens.</p> <p>It is expected that the new obligations will increase the volume of reporting for some Financial Institutions. Also, around 1,000 entities not in scope for FATCA and CDOT agreements are in scope for CRS. For example there are new obligations in respect to reporting on shares in regularly traded investment trusts.</p> <p>Estimates of compliance costs are shown in the table below, including an estimate of total costs for a five year period at present value. It is estimated there will be an increase in administrative burden to businesses affected of £2 million - £4 million per annum as a result of these new obligations.</p>				

	Cost	Time Period (yrs)
Compliance Costs		
One-off costs	£70m - £209m	N/A
Average annual cost	£2m - £4m	5
Total Cost (PV)	£80m - £227m	N/A
Compliance Benefit		
One off Benefit	N/A	N/A
Average Annual Benefit	N/A	N/A
Total Benefit (PV)	N/A	N/A
Net Benefit (NPV)	-£227m – -£80m	N/A
Impact on Administrative Burdens (including net benefit)		
Increase	Decrease	Net Impact
£2m-£4m	£0	£2m-£4m
This measure will have no impact on civil society organisations.		
<b>Operational impact (£m) (HMRC or other)</b>	There will be additional costs for HMRC in developing IT systems to facilitate reporting, and store and analyse data, estimated at £2 million.	
<b>Other impacts</b>	<p><u>Small and micro business assessment</u>: financial institutions are likely to be impacted irrespective of their size, due to the increased reporting requirements.</p> <p>Other impacts have been considered and none have been identified.</p>	

### Monitoring and evaluation

The measure will be monitored through information collected through the information exchange arrangements, competent authority discussions, tax returns and compliance work undertaken by HMRC.

### Further advice

If you have any questions about this change, please contact Chris Orchard on 03000 514117 (email: [chris.orchard@hmrc.gsi.gov.uk](mailto:chris.orchard@hmrc.gsi.gov.uk)) or Wayne Strangwood on 03000 585493 (email: [wayne.a.strangwood@hmrc.gsi.gov.uk](mailto:wayne.a.strangwood@hmrc.gsi.gov.uk)).

# Bank levy: rate change

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## Who is likely to be affected?

UK banks, banking groups and building societies, foreign banking groups operating in the UK through permanent establishments or subsidiaries, and UK banks and banking sub-groups in non-banking groups.

## General description of the measure

This measure increases the rate of the bank levy to 0.21% from 1 April 2015. A proportionate increase to 0.105% will be made to the half rate, also with effect from 1 April 2015.

## Policy objective

The government has always been clear that the banking sector should make a contribution which reflects the risks they pose to the financial system and the wider economy. This contribution must be balanced against financial stability and banks' ability to lend to the real economy. As banks are now strengthening their balance sheets, improving their capital ratios and returning to profitability, these changes will help to ensure that the banking sector continues to make a fair contribution through the bank levy.

## Background to the measure

The government announced the introduction of the bank levy at Budget 2010 to commence for chargeable periods ending on or after 1 January 2011.

## Detailed proposal

### Operative date

The new rates of bank levy will apply on and after 1 April 2015.

### Current law

The bank levy rates are set out in paragraphs 6 and 7 of Schedule 19 to the Finance Act (FA) 2011 as amended by section 211 of FA 2011, paragraphs 1 to 7 of Schedule 34 to FA 2012, section 202 of FA 2013 and section 119 of FA 2014.

### Proposed revisions

Legislation will be introduced in Finance Bill 2015 to amend paragraphs 6 and 7 of Schedule 19 to FA 2011. For periods falling wholly or partly after 1 April 2015 the rate applying to chargeable equity and long term chargeable liabilities will be increased from 0.078% to 0.105% and the rate for short term chargeable liabilities will be increased from 0.156% to 0.21%.

## Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	+685	+925	+925	+920	+920
	These figures are set out in Table 2.1 of Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2015.				
<b>Economic impact</b>	This measure is not expected to have any significant economic impacts.				
<b>Impact on individuals, households and families</b>	The measure is not expected to impact on family formation, stability or breakdown.				
<b>Equalities impacts</b>	The measure is not expected to have a direct or disproportionate impact on any of the protected equality groups.				
<b>Impact on business including civil society organisations</b>	<p>This measure is expected to have a negligible impact on businesses and civil society organisations.</p> <p>The bank levy currently affects in the region of 30 banking groups and building societies. A change in the rate is expected to cause a negligible difference in terms of additional administrative and compliance costs.</p>				
<b>Operational impact (£m) (HMRC or other)</b>	There will be no significant impacts.				
<b>Other impacts</b>	<p><u>Competition assessment</u>: the scope of the bank levy has been specifically designed to ensure a level playing field for all those affected by it in the UK.</p> <p><u>Small and micro-business assessment</u>: the banks, building societies and banking groups affected by the bank levy are not considered to be small firms, as only institutions with over £20 billion of chargeable liabilities are liable to pay the bank levy.</p> <p>Other impacts have been considered and none have been identified.</p>				

## Monitoring and evaluation

Receipts from the bank levy are being monitored on an ongoing basis.

**Further advice**

If you have any questions about this change, please contact Anthony Fawcett on 03000 585911 (email: [anthony.c.fawcett@hmrc.gsi.gov.uk](mailto:anthony.c.fawcett@hmrc.gsi.gov.uk)) or Hayley Moran on 03000 514795 (email: [hayley.moran@hmrc.gsi.gov.uk](mailto:hayley.moran@hmrc.gsi.gov.uk))





# Annex B

## Rates and Allowances

This annex includes Budget 2015 announcements of main rates and allowances. It also covers all announcements made at Budget 2014 and subsequently.

### PERSONAL TAX AND BENEFITS

<b>Income tax bands of taxable income (£ per year)</b>				
	<b>Tax year 2014-15</b>	<b>Tax year 2015-16</b>	<b>Tax year 2016-17</b>	<b>Tax year 2017-18</b>
Basic rate	£0 – 31,865	£0 – 31,785	£0 – 31,900	£0 – 32,300
Higher rate	£31,866 – 150,000	£31,786 – £150,000	£31,901 – £150,000	£32,301 – £150,000
Additional rate	Over £150,000	Over £150,000	Over £150,000	Over £150,000

<b>Income tax rates</b>		
	<b>Tax year 2014-15</b>	<b>Tax year 2015-16</b>
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Dividend ordinary rate (for dividends otherwise taxable at the basic rate (effective rate with tax credit))	10% (0%)	10% (0%)
Dividend upper rate (for dividends otherwise taxable at the higher rate (effective rate with tax credit))	32.5% (25%)	32.5% (25%)
Dividend additional rate (for dividends otherwise taxable at the additional rate (effective rate with tax credit))	37.5% (30.6%)	37.5% (30.6%)

**Starting rate for savings**

	<b>Tax year 2014-15</b>	<b>Tax year 2015-16</b>	<b>Tax year 2016-17</b>
Starting rate for savings	10%	0%	0%
Starting rate limit for savings	£2,880	£5,000	£5,000

**Special rates for trustees' income**

	<b>Tax year 2013-14</b>	<b>Tax year 2014-15</b>	<b>Tax year 2015-16</b>
Standard rate on first £1,000 of income which would otherwise be taxable at the special rates for trustees	Up to 20%, depends on the type of income	Up to 20%, depends on the type of income	Up to 20%, depends on the type of income
Trust rate	45%	45%	45%
Dividend trust rate	37.5%	37.5%	37.5%

<b><u>Income tax allowances 2014-15 (£ per year)</u></b>	
<b>Personal allowance</b>	
Born after 5 April 1948 <sup>2</sup>	£10,000
Born after 5 April 1938 but before 6 April 1948 <sup>2,3</sup>	£10,500
Born before 6 April 1938 <sup>2,3</sup>	£10,660
Income limit for personal allowance <sup>2</sup>	£100,000
Income limit for personal allowances (born before 6 April 1948) <sup>3</sup>	£27,000
<b><u>Married couple's allowance for those born before 6 April 1935</u></b>	
Maximum amount of married couple's allowance <sup>4, 5, 6</sup>	£8,165
Minimum amount of married couple's allowance <sup>5,6</sup>	£3,140
<b>Blind person's allowance</b>	
Blind person's allowance	£2,230

<sup>2</sup> This allowance is subject to the £100,000 income limit which applies regardless of the individual's date of birth. The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit.

<sup>3</sup> This allowance is subject to the £27,000 income limit. The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit but is not reduced below £10,000 (unless the £100,000 income limit applies – see footnote 2).

<sup>4</sup> This allowance is subject to the £27,000 income limit. The individual's married couple's allowance is reduced by £1 for every £2 above the limit. That reduction only applies after any reduction to their personal allowance (see footnote 3). The individual's married couple's allowance is never reduced below the minimum amount.

<sup>5</sup> Tax relief for this allowance is given at 10%.

<sup>6</sup> This is the maximum relief for maintenance payments where at least one of the parties was born before 6 April 1935.

<b>Income tax allowances 2015-16 (£ per year)</b>	
<b>Personal allowance</b>	
Born after 5 April 1938 <sup>7</sup>	£10,600
Born before 6 April 1938 <sup>7,8</sup>	£10,660
Income limit for personal allowance <sup>7</sup>	£100,000
Income limit for personal allowances (born before 6 April 1938) <sup>8</sup>	£27,700
<b>Marriage allowance where both born after 5 April 1935</b>	
Marriage allowance <sup>9,10</sup>	£1,060
<b>Married couple's allowance for those born before 6 April 1935</b>	
Maximum amount of married couple's allowance <sup>11,12</sup>	£8,355
Minimum amount of married couple's allowance <sup>11,12, 13</sup>	£3,220
<b>Blind person's allowance</b>	
Blind person's allowance	£2,290

<sup>7</sup> This allowance is subject to the £100,000 income limit which applies regardless of the individual's date of birth. The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit.

<sup>8</sup> This allowance is subject to the £27,700 income limit. The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit but is not reduced below £10,600 (unless the £100,000 income limit applies – see footnote 7).

<sup>9</sup> This transferable allowance is available to married couples and civil partners born after 5 April 1935. A spouse or civil partner who is not liable to income tax; or not liable at the higher or additional rate, can transfer up to this amount of their personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rate.

<sup>10</sup> The relief for this allowance is given at 20%.

<sup>11</sup> This allowance is subject to the £27,700 income limit. The individual's married couple's allowance is reduced by £1 for every £2 above the limit. That reduction only applies after any reduction to their personal allowance (see footnote 8). The individual's married couple's allowance is never reduced below the minimum amount.

<sup>12</sup> The relief for this allowance is given at 10%.

<sup>13</sup> This is the maximum relief for maintenance payments where at least one of the parties was born before 6 April 1935.

<b>Income tax allowances (£ per year)</b>		
	<b>Tax year 2016-17</b>	<b>Tax year 2017-18</b>
<b>Personal allowance</b>		
Personal allowance	£10,800	£11,000
Income limit for personal allowance <sup>14</sup>	£100,000	£100,000
<b>Marriage allowance where both born after 5 April 1935</b>		
Marriage allowance <sup>15, 16</sup>	£1,080	£1,100
<b>Married couple's allowance for those born before 6 April 1935</b>		
Maximum amount of married couple's allowance <sup>17, 18</sup>	See footnote <sup>19</sup>	See footnote <sup>19</sup>
Minimum amount of married couple's allowance <sup>17,18, 20</sup>	See footnote <sup>19</sup>	See footnote <sup>19</sup>
Income limit	See footnote <sup>19</sup>	See footnote <sup>19</sup>
<b>Blind person's allowance</b>		
Blind person's allowance	See footnote <sup>19</sup>	See footnote <sup>19</sup>

<sup>14</sup> This allowance is subject to the £100,000 income limit. The individual's personal allowance is reduced where their income is above this limit. The allowance is reduced by £1 for every £2 above the limit.

<sup>15</sup> This transferable allowance is available to married couples and civil partners where both were born after 5 April 1935. A spouse or civil partner who is not liable to income tax; or not liable at the higher or additional rate, can transfer up to this amount of their personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rate.

<sup>16</sup> The relief for this allowance is given at 20%.

<sup>17</sup> This allowance is subject to the income limit. The individual's married couple's allowance is reduced by £1 for every £2 above the limit. The individual's married couple's allowance is never reduced below the minimum amount.

<sup>18</sup> The relief for this allowance is given at 10%.

<sup>19</sup> These amounts are subject to indexation – the annual increase in CPI and the values will be published in late 2015 and 2016 for the corresponding tax years.

<sup>20</sup> This is the maximum relief for maintenance payments where at least one of the parties was born before 6 April 1935.

<b>Company Car Tax</b>					
<b>2017-18</b>		<b>2018-19</b>		<b>2019-20</b>	
<b>CO<sub>2</sub> emissions, g/km</b>	<b><i>Appropriate percentage of car list price taxed</i></b>	<b>CO<sub>2</sub> emissions, g/km</b>	<b><i>Appropriate percentage of car list price taxed</i></b>	<b>CO<sub>2</sub> emissions, g/km</b>	<b><i>Appropriate percentage of car list price taxed</i></b>
0-50	9	0-50	13	0-50	16
51-75	13	51-75	16	51-75	19
76 to 94	17	76 to 94	19	76 to 94	22
95-99	18	95-99	20	95-99	23
100-104	19	100-104	21	100-104	24
105-109	20	105-109	22	105-109	25
110-114	21	110-114	23	110-114	26
115-119	22	115-119	24	115-119	27
120-124	23	120-124	25	120-124	28
125-129	24	125-129	26	125-129	29
130-134	25	130-134	27	130-134	30
135-139	26	135-139	28	135-139	31
140-144	27	140-144	29	140-144	32
145-149	28	145-149	30	145-149	33
150-154	29	150-154	31	150-154	34
155-159	30	155-159	32	155-159	35
160-164	31	160-164	33	160-164	36
165-169	32	165-169	34	165 and above	37
170-174	33	170-174	35		
175-179	34	175-179	36		
180-184	35	180 and above	37		
185-189	36				
190 and above	37				

## NATIONAL INSURANCE CONTRIBUTIONS (NICs)

<b>Employee and employer rates and thresholds (£ per week)</b>		
<b>Class 1 NICs</b>	<b>Tax year 2014-15</b>	<b>Tax year 2015-16</b>
Lower Earnings Limit (LEL) for Class 1 NICs	£111	£112
Upper Earnings Limit (UEL) for employee's (primary) Class 1 NICs	£805	£815
Upper Accrual Point (UAP)	£770	£770
Primary Threshold	£153	£155
Secondary Threshold	£153	£156
Upper Secondary Threshold	N/A	£815
<b>Employment allowance (per employer)</b>	£2,000 per year	£2,000 per year
<b>Employee's (primary) Class 1 contribution rates</b>		
2014-15 weekly earnings from £153.01 to £805.00	12%	N/A
2014-15 weekly earnings above £805.00	2%	N/A
2015-16 weekly earnings from £155.01 to £815.00	N/A	12%
2015-16 weekly earnings above £815.00	N/A	2%
<b>Employee's contracted-out rebate</b>		
Salary related schemes (COSR) between LEL & UAP	1.4%	1.4%
<b>Married woman's reduced rate for (primary) Class 1 contribution rates</b>		
2014-15 weekly earnings from £153.01 to £805.00	5.85%	N/A
2014-15 weekly earnings above £805.00	2%	N/A
2015-16 weekly earnings from £155.01 to £815.00	N/A	5.85%
2015-16 weekly earnings above £815.00	N/A	2%



<b>Employer's (secondary) Class 1 contribution rates</b>		
2014-15 weekly earnings above £153	13.8%	N/A
2014-15 weekly earnings above £156	N/A	13.8%
<b>Employer's contracted-out rebate</b>		
COSR schemes between LEL and UAP	3.4%	3.4%

<b>Self-employed and other rates and thresholds (£ per week)</b>		
<b>Class 2 NICs</b>	<b>Tax year 2014-15</b>	<b>Tax year 2015-16</b>
Self-employed class 2 NICs	£2.75	£2.80
Small Earnings Exception from Class 2 NICs (annual)/ Small Profits Threshold	£5,885	£5,965
Volunteer development workers Class 2 NICs	£5.55	£5.60
Share fishermen Class 2 NICs	£3.40	£3.45

<b>Other rates and thresholds (£ per week)</b>		
	<b>Tax year 2014-15</b>	<b>Tax year 2015-16</b>
<b>Class 3 NICs</b>		
Voluntary contributions	£13.90	£14.10

<b>Self-employed and other rates and thresholds (£ per year)</b>		
<b>Class 4 NICs</b>	<b>Tax year 2014-15</b>	<b>Tax year 2015-16</b>
2014-15 profits below LPL £7,956	Nil	N/A
2014-15 profits above LPL £7,956 but below UPL £41,865	9%	N/A
2014-15 profits above UPL £41,865	2%	N/A
2015-16 profits below LPL £8,060	N/A	Nil
2015-16 profits above LPL £8,060 but below UPL £42,385	N/A	9%
2015-16 profits above UPL £42,385	N/A	2%

## WORKING AND CHILD TAX CREDITS, CHILD BENEFIT AND GUARDIANS ALLOWANCE

<b><u>Working and child tax credits</u></b>		
<b>£ per year (unless stated)</b>	<b>From April 2014</b>	<b>From April 2015</b>
<b><u>Working tax credit</u></b>		
Basic element	£1,940	£1,960
Couple and lone parent element	£1,990	£2010
30 hour element	£800	£810
Disabled worker element	£2,935	£2,970
Severe disability element	£1,255	£1,275
<b>Childcare element of the working tax credit</b>		
Maximum eligible cost for one child	£175 per week	£175 per week
Maximum eligible cost for two or more children	£300 per week	£300 per week
Percentage of eligible costs covered	70%	70%
<b><u>Child tax credit</u></b>		
Family element	£545	£545
Child element	£2,750	£2,780
Disabled child element	£3,100	£3,140
Severely disabled child element	£1,255	£1,275
<b>Income thresholds and withdrawal rates</b>		
Income threshold	£6,420	£6,420
Withdrawal rate	41%	41%
First threshold for those entitled to child tax credit only	£16,010	£16,105
Income disregard	£5,000	£5,000
Income fall disregard	£2,500	£2,500

<b><u>Child benefit (£ per week)</u></b>		
	<b>From April 2014</b>	<b>From April 2015</b>
Eldest/only child	£20.50	£20.70
Other children	£13.55	£13.70
<b><u>Guardians allowance (£ per week)</u></b>		
Guardians allowance	£16.35	£16.55

## CAPITAL, ASSETS AND PROPERTY

<b>Pensions savings tax relief</b>				
	<b>Tax year 2013-14 allowance limit</b>	<b>Tax year 2014-15 allowance limit</b>	<b>Tax year 2015-16 allowance limit</b>	<b>Tax year 2016-17 allowance limit</b>
Lifetime allowance	£1.5 million	£1.25 million	£1.25 million	£1 million
Annual allowance	£50,000	£40,000	£40,000	£40,000

<b>Individual Savings Account (ISA)</b>			
	<b>6 April 2014 -30 June 2014</b>	<b>1 July 2014 – 5 April 2015</b>	<b>2015-2016</b>
Cash value of ISA limit	£11,880	£15,000	£15,240
- of which maximum cash element	£5,940	£15,000 <sup>21</sup>	N/A
- of which maximum stocks and shares element	£11,880	£15,000	N/A

<b>Junior ISA</b>			
	<b>6 April 2014 -30 June 2014</b>	<b>1 July 2014 – 5 April 2015</b>	<b>2015-16</b>
Cash value of Junior ISA limit	£3,840	£4,000	£4,080

<b><u>Child Trust Fund (CTF)</u></b>		
	<b>2014-15</b>	<b>2015-16</b>
Cash value of CTF limit	£4,000	£4,080

<sup>21</sup> From 1st July 2014 the lower limit on cash savings was removed, and the total annual subscription limit could be allocated in any proportion between a cash and a stocks and shares ISA as decided by the individual.

<b><u>Capital gains tax</u></b>		
	<b>Tax year 2014-15</b>	<b>Tax year 2015-16</b>
Rates for individuals	18% / 28%	18% / 28%
Rates for trustees and personal representatives	28%	28%
Annual exempt amount (AEA) for individuals and personal representatives	£11,000	£11,100
AEA for most trustees	£5,500	£5,550
Rate on gains subject to entrepreneurs' relief	10%	10%
Entrepreneurs' relief lifetime limit of gains	£10,000,000	£10,000,000

<b><u>Inheritance tax</u></b>		
	<b>Tax year 2014-15</b>	<b>Tax year 2015-16</b>
Rate (for estates)	40%	40%
Reduced rate (for estates leaving 10% or more to charity)	36%	36%
Rate (for chargeable lifetime transfers)	20%	20%
Nil rate band limit	£325,000	£325,000

**Stamp Duty Land Tax – residential property**

Property value	Rate until 3 <sup>rd</sup> Dec 2014 (on entire property value) <sup>22</sup>	Property value	Rate after 4 <sup>th</sup> Dec 2014 (on portion of value above threshold)
0 to £125k	0%	0 to £125k	0%
£125k to £250k	1%	£125k to £250k	2%
£250k to £500k	3%	£250k to £925k	5%
£500k to £1m	4%		
£1m to £2m	5%	£925k to £1.5m	10%
£2m+	7%	£1.5m+	12%

**Stamp Duty Land Tax – non-residential or mixed use property**

Property value	Charge for tax year 2014-15	Charge for tax year 2015-16
0 to £150k	0%	0%
£150k to £250k	1%	1%
£250k to £500k	3%	3%
£500k +	4%	4%

<sup>22</sup> Under the transitional arrangements purchasers of residential property who exchanged contracts before 4 December 2014 but complete on or after that date can choose which structure and rates will apply.

**Annual Tax on Enveloped Dwellings**

<b>Property value</b>	<b>Charge for tax year 2014-15</b>	<b>Charge for tax year 2015-16</b>
More than £1m but not more than £2m	£0	£7,000
More than £2m but not more than £5m	£15,400	£23,350
More than £5m but not more than £10m	£35,900	£54,450
More than £10m but not more than £20m	£71,850	£109,050
More than £20m +	£143,750	£218,200

## BUSINESS AND FINANCIAL SERVICES

Corporation tax rates			
Level of profits	Financial year 2013-14	Financial year 2014-15	Financial year 2015-16 <sup>23</sup>
£0 - £300,000: small profits rate	20%	20%	N/A
£300,001 - £1,500,000	Marginal rate	Marginal rate	N/A
Marginal rate fraction	3/400th	1/400th	N/A
£1,500,001 or more: main rate	23%	21%	N/A
All profits: main rate	N/A	N/A	20%
North sea oil and gas ring fence profits <sup>24</sup>	See footnote 24	See footnote 24	See footnote 24

<sup>23</sup> From 1 April 2015, for all profits except North Sea Oil and gas ring fence profits, corporation tax is paid at a single rate of 20%.

<sup>24</sup> For North Sea Oil and gas ring fence profits the main rate is 30% and the small profits rate is 19%. The marginal relief ring fence fraction is 11/400ths.



### **Corporation tax allowances and reliefs**

	<b>Financial year 2013-14</b>	<b>Financial year 2014-15</b>	<b>Financial year 2015-16</b>
Plant and machinery: main rate expenditure	18%	18%	18%
Plant and machinery: special rate expenditure	8%	8%	8%
Annual investment allowance (AIA)	£250,000	£500,000	£500,000 <sup>25</sup>
First year allowances (e.g. for certain energy-saving/water efficient products)	100%	100%	100%
R&D tax credits SME scheme	225%	225%	230%
R&D SME Payable credit	11%	14.5%	14.5%
R&D tax credits Large companies scheme	130%	130%	130%
R&D Expenditure Credit	10%	10%	11%
Patent Box	10%	10%	10%
Film tax relief	25% for films with expenditure below £20m, 20% if expenditure £20m and above.	All films, 25% up to £20m of surrendered loss, 20% thereafter.	25% for all surrendered losses (subject to State aid clearance, otherwise as previous).
Open ended investment companies and authorised unit trusts <sup>26</sup>	See footnote 26	See footnote 26	See footnote 26

<sup>25</sup> It was announced at Budget 2014 that legislation would be included in Finance Bill 2014 to further increase the AIA to £500,000 for a temporary period for qualifying expenditure incurred between April 2014 and December 2015. From 1 January 2016 it reverts to £25,000.

<sup>26</sup> For open ended investment companies and authorised unit trusts the applicable corporation tax rate is 20%.

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

<b>UK oil and gas taxes</b>			
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Petroleum Revenue Tax	50%	50%	35%
Ring Fence Corporation Tax <sup>27</sup>	See footnote 27	See footnote 27	See footnote 27
Supplementary Charge	32%	20%	20%

<b>Business rates</b>		
	<b>Tax year 2014-15</b>	<b>Tax year 2015-16</b>
England standard multiplier	48.2p	49.3p
England small business multiplier <sup>28</sup>	47.1p	48.0p

<sup>27</sup> For North Sea oil and gas ring fence profits the main rate is 30% and the small profits rate is 19%. The marginal relief ring fence fraction is 11/400ths.

<sup>28</sup> Small business multiplier applies to properties with a rateable value of less than £18,000 (or £25,500 in London).

## INDIRECT TAX

Budget 2015 confirmed that alcohol duty rates will change as shown in the table below.

<b><u>Alcohol duty</u></b>		
	<b>Duty rate from 24 March 2014</b>	<b>Duty rate from 23 March 2015</b>
<b>Rate per litre of pure alcohol</b>		
Spirits	£28.22	£27.66
Spirits-based RTDs	£28.22	£27.66
Wine and made-wine: exceeding 22% alcohol by volume (abv)	£28.22	£27.66
<b>Rate per hectolitre per cent of alcohol in the beer</b>		
Beer - lower strength: exceeding 1.2% - not exceeding 2.8% abv.	£8.62	£8.10
Beer – General Beer Duty: exceeding 2.8% - not exceeding 7.5% abv.	£18.74	£18.37
Beer - High strength: exceeding 7.5% - in addition to the General Beer Duty	£18.74 + £5.29	£18.37 + £5.48
<b>Rate per hectolitre of product</b>		
Still cider and perry: exceeding 1.2% - not exceeding 7.5% abv .	£39.66	£38.87
Still cider and perry: exceeding 7.5% - less than 8.5% abv.	£59.52	£58.75
Sparkling cider and perry: exceeding 1.2% - less than 5.5%abv.	£39.66	£38.87
Sparkling cider and perry: exceeding 5.5%abv- less than 8.5%abv.	£264.61	£264.61
Wine and made-wine: exceeding 1.2% - not exceeding 4%abv.	£84.21	£84.21
Wine and made-wine: exceeding 4% - not exceeding 5.5% abv.	£115.80	£115.80
Still wine and made-wine: exceeding 5.5% - not exceeding 15% abv.	£273.31	£273.31
Wine and made-wine: exceeding 15% - not exceeding 22% abv.	£364.37	£364.37
Sparkling wine and made-wine: Exceeding 5.5% - less than 8.5% abv.	£264.61	£264.61
Sparkling wine and made-wine: exceeding 8.5% - not exceeding 15% abv.	£350.07	£350.07

Budget 2015 announced that tobacco duty rates would increase by 2% above inflation. This is in accordance with the March 2014 announcement of increases of 2% above retail price inflation on all tobacco duty rates each year until the end of the next Parliament.

<b>Tobacco Products</b>				
	<b>From 6pm 19 March 2014</b>	<b>Ad valorem element</b>	<b>From 6pm 18 March 2015</b>	<b>Ad valorem element</b>
Cigarettes	£184.10 per 1000 cigarettes	16.5% of retail price	£189.49 per 1000 cigarettes	16.5% of retail price
Cigars	£229.65/kg	N/A	£236.37/kg	N/A
Hand rolling tobacco	£180.46/kg	N/A	£185.74/kg	N/A
Other smoking tobacco and chewing tobacco	£100.96/kg	N/A	£103.91/kg	N/A

<b><u>Gambling duties</u></b>	<b>Tax year 2014-15</b>	<b>Tax year 2015-16</b>
<b>Bingo duty</b>		
Percentage of bingo promotion profits	10%	10%
<b>General betting duty</b>		
Percentage of 'net stake receipts' for fixed odds bets and totalisator bets on horse or dog races	15%	15%
Percentage of 'net stake receipts' for financial spread bets	3%	3%
Percentage of 'net stake receipts' for all other spread bets	10%	10%
<b>Pool betting duty</b>		
Percentage of net pool betting receipts	15%	15%
<b>Lottery duty</b>		
Percentage of the price paid or payable on taking a ticket or chance in a lottery	12%	12%
<b>Remote gaming duty</b>		
Percentage of remote gaming profits	15%	15%
<b>Machine games duty</b>		
Percentage of the net takings from dutiable machine games with a maximum cost to play not more than 20p and a maximum cash prize not more than £10 (Type 1 machines)	5%	5%
Percentage of net takings from machines which are not Type 1 machines but where the cost to play cannot exceed £5	20%	20%
Percentage of net takings from dutiable machine games where the maximum cost to play can exceed £5 <sup>29</sup>	25%	25%

<sup>29</sup> Machine Games Duty new higher rate effective from 1 March 2015.

**Gaming duty 2014-15**

Tax rate	15%	20%	30%	40%	50%
Gross gaming yield	£2,302,000	£1,587,000	£2,779,000	£5,865,500	Remainder
<b>New figures for accounting periods beginning on or after 1 April 2015</b>					
Tax rate	15%	20%	30%	40%	50%
Gross gaming yield	£2,347,500	£1,618,000	£2,833,500	£5,981,000	Remainder

**Insurance Premium Tax**

	<b>Tax year 2014-15</b>	<b>Tax year 2015-16</b>
Standard rate	6%	6%
Higher rate	20%	20%

Budgets 2014 and 2015 announced that the main rates of climate change levy will increase in line with inflation in 2015-16 and 2016-17 respectively.

<b><u>Climate change levy main rates</u></b>		
<b>Taxable commodity</b>	<b>Rates from 1 April 2015</b>	<b>Rates from 1 April 2016</b>
Electricity	£0.00554 per kilowatt hour	£0.00559 per kilowatt hour
Natural gas	£0.00193 per kilowatt hour	£0.00195 per kilowatt hour
Liquefied petroleum gas	£0.01240 per kilogram	£0.01251 per kilogram
Any other taxable commodity	£0.01512 per kilogram	£0.01526 per kilogram

Budget 2014 announced carbon price support (CPS) rate per tonne of carbon dioxide (tCO<sub>2</sub>) will be capped at a maximum of £18 from 2016-17 until 2019-20. This effectively freezes the CPS rates for each of the individual taxable commodities across this period at around 2015-16 levels. Budget 2015 confirmed that these CPS commodity rates for 2017-18 will be the same as in 2016-17. It also announced the indicative CPS rates for 2018-19 and 2019-20, at the same levels as 2016-17.

<b><u>CPS rates of CCL and fuel duty</u></b>		
	<b>Rate from 1 April 2015</b>	<b>Rate from 1 April 2016</b>
Carbon price equivalent (£ per tonne of carbon dioxide)	18.08	18.00
<b>Supplies of commodity used in electricity generation</b>		
Natural gas (£ per kilowatt hour)	0.00334	0.00331
LPG (£ per kilogram)	0.05307	0.05280
Coal and other taxable solid fossil fuels (£ per gross gigajoule)	1.56860	1.54790
Gas oil; rebated bioblend; and kerosene (£ per litre)	0.04990	0.04916
Fuel oil; other heavy oil; rebated light oil (£ per litre)	0.05730	0.05711

Budget 2015 announced that the rate of aggregates levy will remain at £2.00 per tonne in 2015-16.

<b><u>Aggregates levy</u></b>	
	<b>Rate from 1 April 2015</b>
Commercially exploited taxable aggregate	£2 per tonne

Budgets 2014 and 2015 announced that both the standard and lower rates of landfill tax will increase in line with inflation, rounded to the nearest 5 pence, in 2015-16 and 2016-17.

<b><u>Landfill tax</u></b>		
<b>Waste sent to landfill</b>	<b>Rate from 1 April 2015</b>	<b>Rate from 1 April 2016</b>
Standard rate	£82.60 per tonne	£84.40 per tonne
Lower rate	£2.60 per tonne	£2.65 per tonne



Air passenger duty rates (APD) for 2015-16 were set out at the 2014 Budget. The APD rates for 2016-17 are set out below.

<b>Air Passenger Duty Rates</b> <sup>30, 31</sup>									
<b>Bands</b> (approximate distance in miles from the London)	<b>Reduced rate (lowest class of travel)</b>			<b>Standard rate</b> <sup>32</sup> (other than the lowest class of travel)			<b>Higher rate</b> <sup>33</sup>		
	From 01 April 2014	From 01 April 2015	From 01 April 2016	From 01 April 2014	From 01 April 2015	From 01 April 2016	From 01 April 2014	From 01 April 2015	From 01 April 2016
Band A (0 – 2000 miles)	£13	£13	£13	£26	£26	£26	£52	£78	£78
Band B (2001 – 4000 miles)	£69	£71	£73	£138	£142	£146	£276	£426	£438
Band C (4001 – 6000 miles)	£85			£170			£340		
Band D (over 6000 miles)	£97			£194			£388		

<sup>30</sup>APD applies to all flights aboard aircraft 5.7 tonnes and above.

<sup>31</sup> Rates for direct long-haul flights from Northern Ireland are devolved and set at £0. Direct long haul journeys are those where the first leg of the journey is to a destination outside Band A.

<sup>32</sup> Where a class of travel provides a seat pitch in excess of 1.016 metres (40 inches) the standard rate is the minimum rate that applies.

<sup>33</sup> The higher rate applies to flights on aircraft of 20 tonnes and above, with fewer than 19 seats.

<b>Fuel duty – pound per litre (unless stated)</b>	
	<b>Rates on and after 6pm on 23 March 2011</b>
<b>Light oils</b>	
Unleaded petrol	0.5795
Light oil (other than unleaded petrol or aviation gasoline)	0.6767
Aviation gasoline (Avgas)	0.3770
Light oil delivered to an approved person for use as furnace fuel	0.1070
<b>Heavy oils</b>	
Heavy oil (Diesel)	0.5795
Marked gas oil	0.1114
Fuel oil	0.1070
Heavy oil other than fuel oil, gas oil or kerosene used as fuel.	0.1070
Kerosene to be used as motor fuel off road or in an excepted vehicle	0.1114
<b>Biofuels</b>	
Bio-ethanol	0.5795
Biodiesel	0.5795
Biodiesel for non road use	0.1114
Biodiesel blended with gas oil not for road fuel use	0.1114
<b>Road fuel gases</b>	
Liquefied petroleum gas (LPG)	0.3161£/kg
Road fuel natural gas including biogas	0.2470 £/kg
	<b>Rate on and after 1 April 2015</b>

The changes to VED rates to take effect from 1 April 2015 are set out in the tables below:

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

VED band	CO2 emissions (g/km)	Tax year 2014-15 <sup>34</sup>		Tax year 2015-16 <sup>33</sup>	
		Standard rate <sup>34</sup>	First year rate <sup>34</sup>	Standard rate <sup>34</sup>	First year rate <sup>34</sup>
A	Up to 100	£0	£0	£0	£0
B	101-110	£20	£0	£20	£0
C	111-120	£30	£0	£30	£0
D	121-130	£110	£0	£110	£0
E	131-140	£130	£130	£130	£130
F	141-150	£145	£145	£145	£145
G	151-165	£180	£180	£180	£180
H	166-175	£205	£290	£205	£295
I	176-185	£225	£345	£225	£350
J	186-200	£265	£485	£265	£490
K <sup>35</sup>	201-225	£285	£635	£290	£640
L	226-255	£485	£860	£490	£870
M	Over 255	£500	£1,090	£505	£1,100

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

Engine size	Tax year 2014-15	Tax year 2015-16
1549cc and below	£145	£145
Above 1549cc	£230	£230

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

Vehicle registration date	Tax year 2014-15	Tax year 2015-16
Early Euro 4 and Euro 5 compliant vans	£140	£140
All other vans	£225	£225

<sup>34</sup> Alternative fuel discount: £10 for all cars.

<sup>35</sup> Includes cars emitting over 225g/km registered before 23 March 2006.

**VED bands and rates for motorcycles**

Engine size	Tax year 2014-15	Tax year 2015-16
Not over 150cc	£17	£17
151cc and 400cc	£38	£38
401cc to 600c	£58	£59
Over 600cc	£80	£81

**VED bands and rates for motor tricycles**

Engine size	Tax year 2014-15	Tax year 2015-16
Not over 150cc	£17	£17
All other tricycles	£80	£81

**VED bands and rates for trade licences**

Vehicle type	Tax year 2014-15	Tax year 2015-16
Available for all vehicles	£165	£165
Available only for bicycles and tricycles (weighing no more than 450kg without a sidecar)	£80	£81

The following VED and HGV Road User Levy rates will apply to HGVs of 12 tonnes or more, from 1 April 2015. The band and rate payable can be calculated by using the look up tables that follow the rates tables.

<b><u>VED and levy bands and rates for articulated vehicles and rigid vehicles without trailers</u></b>							
<b>VED band (letter) and rate number)</b>	<b>Total VED and Levy</b>		<b>VED rates</b>		<b>Levy bands</b>	<b>Levy rates</b>	
	<b>12 months</b>	<b>6 months</b>	<b>12 months</b>	<b>6 months</b>		<b>12 months</b>	<b>6 months</b>
<b>A0</b>	£165.00	£90.75	£165.00	£90.75	<b>n/a</b>	£0	£0
<b>B0</b>	£200.00	£110.00	£200.00	£110.00			
<b>A1</b>	£165.00	£91.00	£80.00	£40.00	<b>A</b>	£85	£51
<b>A2</b>	£169.00	£93.00	£84.00	£42.00			
<b>A3</b>	£185.00	£101.00	£100.00	£50.00			
<b>A4</b>	£231.00	£124.00	£146.00	£73.00			
<b>A5</b>	£236.00	£126.50	£151.00	£75.50			
<b>B1</b>	£200.00	£110.50	£95.00	£47.50	<b>B</b>	£105	£63
<b>B2</b>	£210.00	£115.50	£105.00	£52.50			
<b>B3</b>	£230.00	£125.50	£125.00	£62.50			
<b>C1</b>	£450.00	£249.00	£210.00	£105.00	<b>C</b>	£240	£144
<b>C2</b>	£505.00	£276.50	£265.00	£132.50			
<b>C3</b>	£529.00	£288.50	£289.00	£144.50			
<b>D1</b>	£650.00	£360.00	£300.00	£150.00	<b>D</b>	£350	£210
<b>E1</b>	£1,200.00	£664.00	£560.00	£280.00	<b>E</b>	£640	£384
<b>E2</b>	£1,249.00	£688.50	£609.00	£304.50			
<b>F</b>	£1,500.00	£831.00	£690.00	£345.00	<b>F</b>	£810	£486
<b>G</b>	£1,850.00	£1,025.00	£850.00	£425.00	<b>G</b>	£1,000	£600

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

HGV axles	Levy band	Trailer weight category	Total weight of HGV and trailer, not over	VED band (letter) and rate (number)	VED rates		Levy rates	
					12 months	6 months	12 months	6 months
Two	B(T)	4,001-12,000kg	27,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	33,000kg	B(T)3	£295	£147.50		
			36,000kg	B(T)6	£401	£200.50		
			38,000kg	B(T)4	£319	£159.50		
	D(T)	4,001-12,000kg	30,000kg	D(T)1	£365	£182.50	£450	£270
			Over 12,000kg	38,000kg	D(T)4	£430		
		40,000kg		D(T)5	£444	£222		
		40,000kg	D(T)5	£444	£222			
Three	B(T)	4,001-12,000kg	33,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	38,000kg	B(T)3	£295	£147.50		
			40,000kg	B(T)5	£392	£196		
			44,000kg	B(T)3	£295	£147.50		
	C(T)	4,001-12,000kg	35,000kg	C(T)1	£305	£152.50	£310	£186
			Over 12,000kg	38,000kg	C(T)2	£370		
		40,000kg		C(T)3	£392	£196		
		44,000kg	C(T)2	£370	£185			
	D(T)	4,001-10,000kg	33,000kg	D(T)1	£365	£182.50	£450	£270
			36,000kg	D(T)3	£401	£200.50		
		10,001-12,000kg	38,000kg	D(T)1	£365	£182.50		
		Over 12,000kg	44,000kg	D(T)4	£430	£215		
Four	B(T)	4,001-12,000kg	35,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	44,000kg	B(T)3	£295	£147.50		
	C(T)	4,001-12,000kg	37,000kg	C(T)1	£305	£152.50	£310	£186
		Over 12,000kg	44,000kg	C(T)2	£370	£185		
	D(T)	4,001-12,000kg	39,000kg	D(T)1	£365	£182.50	£450	£270
		Over 12,000kg	44,000kg	D(T)4	£430	£215		
	E(T)	4,001-12,000kg	44,000kg	E(T)1	£535	£267.50	£830	£498
		Over 12,000kg	44,000kg	E(T)2	£600	£300		

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

HGV axles	Levy band	Trailer weight category	Total weight of HGV and trailer, not over	VED band (letter) and rate (number)	VED rates		Levy rates	
					12 months	6 months	12 months	6 months
Two	B(T)	4,001-12,000kg	27,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	31,000kg	B(T)3	£295	£147.50		
			33,000kg	B(T)6	£401	£200.50		
			36,000kg	B(T)10	£609	£304.50		
			38,000kg	B(T)7	£444	£222		
	40,000kg	B(T)9	£604	£302				
	D(T)	4,001-12,000kg	30,000kg	D(T)1	£365	£182.50	£450	£270
		Over 12,000kg	33,000kg	D(T)4	£430	£215		
			36,000kg	D(T)8	£609	£304.50		
			38,000kg	D(T)5	£444	£222		
40,000kg			D(T)7	£604	£302			
Three	B(T)	4,001-10,000kg	29,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	31,000kg	B(T)2	£289	£144.50		
			33,000kg	B(T)1	£230	£115		
			36,000kg	B(T)3	£295	£147.50		
			40,000kg	B(T)8	£542	£271		
	C(T)	4,001-10,000kg	31,000kg	C(T)1	£305	£152.50	£310	£186
		Over 12,000kg	33,000kg	C(T)4	£401	£200.50		
			35,000kg	C(T)1	£305	£152.50		
			36,000kg	C(T)2	£370	£185		
			40,000kg	C(T)5	£542	£271		
	D(T)	4,001-10,000kg	31,000kg	D(T)1	£365	£182.50	£450	£270
			33,000kg	D(T)3	£401	£200.50		
			35,000kg	D(T)8	£609	£304.50		
		Over 12,000kg	36,000kg	D(T)1	£365	£182.50		
			37,000kg	D(T)2	£392	£196		
			40,000kg	D(T)6	£542	£271		
Four	B(T)	4,001-12,000kg	35,000kg	B(T)1	£230	£115	£135	£81
		Over 12,000kg	40,000kg	B(T)3	£295	£147.50		
	C(T)	4,001-12,000kg	37,000kg	C(T)1	£305	£152.50	£310	£186
		Over 12,000kg	40,000kg	C(T)2	£370	£185		
	D(T)	4,001-10,000kg	36,000kg	D(T)1	£365	£182.50	£450	£270
			37,000kg	D(T)5	£444	£222		
		Over 12,000kg	39,000kg	D(T)1	£365	£182.50		
	E(T)	4,001-10,000kg	40,000kg	D(T)4	£430	£215	£830	£498
			38,000kg	E(T)1	£535	£267.50		
10,000-12,000kg		40,000kg	E(T)3	£604	£302			
			40,000kg	E(T)1	£535	£267.50		

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

<b><u>Rigid goods vehicle - WITHOUT trailer</u></b>				
Revenue weight of vehicle, kg		2 axles	3 axles	4 or more axles
Over	Not over			
3,500	7,500	A0	A0	A0
7,500	11,999	B0	B0	B0
11,999	14,000	B1	B1	B1
14,000	15,000	B2		
15,000	19,000	D1	B3	
19,000	21,000		C1	
21,000	23,000		C1	
23,000	25,000		C1	
25,000	27,000	D1	D1	
27,000	44,000		E1	

<b><u>Rigid vehicles - WITH trailer</u></b>				
Weight of rigid (not trailer), kg		Two-axled rigid	Three-axled rigid	Four-axled rigid
Over	Not over			
11,999	15,000	B(T)	B(T)	B(T)
15,000	21,000	D(T)		
21,000	23,000	E(T)	C(T)	
23,000	25,000		D(T)	C(T)
25,000	27,000		D(T)	D(T)
27,000	44,000		E(T)	E(T)



**Articulated vehicles – Tractive unit with three or more axes**

Revenue Weight of Vehicle, kg		One or more semi-trailer axes	Two or more semi-trailer axes	Three or more semi-trailer axes
Over	Not over			
3,500	11,999	A0	A0	A0
11,999	25,000	A1	A1	A1
25,000	26,000	A3		
26,000	28,000	A4		
28,000	29,000	C1		
29,000	31,000	C3		
31,000	33,000	E1		
33,000	34,000	E2	D1	C1
34,000	36,000			
36,000	38,000	F	E1	D1
38,000	44,000	G	G	E1

**Articulated vehicles – Tractive unit with two axes**

Revenue Weight of Vehicle, kg		One or more semi-trailer axes	Two or more semi-trailer axes	Three or more semi-trailer axes	
Over	Not over				
3,500	11,999	A0	A0	A0	
11,999	22,000	A1	A1	A1	
22,000	23,000	A2			
23,000	25,000	A5			
25,000	26,000	C2			A3
26,000	28,000				A4
28,000	31,000	D1			D1
31,000	33,000	E1	E1	C1	
33,000	34,000		E2		
34,000	38,000	F	F	E1	
38,000	44,000	G	G	G	

<b><u>VAT</u></b>		
	<b>April 2014-15</b>	<b>April 2015-16</b>
Standard rate	20%	20%
Reduced rate	5%	5%
Zero rate	0%	0%
Exempt	n/a	n/a

<b><u>VAT registration and deregistration thresholds</u></b>		
	<b>From April 2014</b>	<b>From April 2015</b>
VAT registration thresholds	£81,000	£82,000
VAT deregistration threshold	£79,000	£80,000