

## **Notes on Finance Bill 2017 Resolutions**

### **1. Amendment of the law**

Authorises the Finance Bill to contain those provisions which do not impose or increase a tax charge, in particular provisions that give relief from tax or which deal with tax administration. It also restricts the scope for amendments to VAT.

### **2. Income tax (charge)**

Provides for income tax to be charged for the 2017-18 tax year.

### **3. Income tax (main rates)**

Provides for the main rates of income tax for the 2017-18 tax year.

### **4. Income tax (default and savings rates)**

Provides for the default rates and savings rates of income tax for 2017-18.

### **5. Income tax (savings rate limit)**

Provides for the starting rate limit for savings for 2017-18 and subsequent years at £5,000. This does not override the effect of the indexation provisions in section 21 Income Taxes Act 2007, for the tax year 2018-19 and subsequent tax years.

### **6. Corporation tax (charge for financial year 2018)**

Provides for corporation tax to be charged for the financial year 2018.

### **7. Public sector off-payroll workers**

This resolution moves responsibility for deciding if the intermediary rules for engagements in the public sector apply, from an individual worker's personal services company (PSC) to the public sector body, agency or third party paying them. This resolution also makes that organisation responsible for deducting and paying associated employment taxes and National Insurance Contributions to HMRC. This resolution has effect from 6 April 2017.

### **8. Optional remuneration arrangements**

Provides for when a benefit in kind is provided through an optional remuneration arrangement. It introduces new sections 69A and 69B within Part 3 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) and consequential changes to the charging provisions within Part 3. Section 69A sets out that such arrangements occur when the right to earnings, or future earnings, otherwise taxed under Chapter 1 of Part 3 of ITEPA are given up in exchange for a benefit. Section 69B defines the amount foregone. Further, the majority of exemptions within Parts 3 and 4 are revoked when part of optional remuneration arrangements. The amendments will take effect from 6 April 2017.

### **9. Taxable benefits (making good)**

Authorises the Finance Bill to make provision about making good the cost of taxable benefits.

### **10. Taxable benefits (assets made available without transfer)**

Provides for a clarification of the law to ensure that the statutory provisions for calculating the tax charge on the cost of a taxable benefit subject to the residual charge (asset made available without transfer) in Chapter 10 of Part 3 of the Income Tax (Earnings and Pensions Act) 2003 are amended. The amendments have effect for the tax year 2017-18 and subsequent tax years.

**11. Pensions**

Authorises the Finance Bill to make provision about the taxation of pensions.

**12. Pensions (offshore transfers)**

Provides for a tax charge on overseas pension transfers involving qualifying recognised overseas pension schemes requested on or after 9 March 2017 except where after the transfer both the individual and the pension savings are in the same country, both are within the European Economic Area or the pension scheme receiving the transfer is provided by the individual's employer, to take effect from 9 March 2017. This resolution also provides for additional UK tax charges to apply to payments out of overseas pension schemes that have had UK tax relief, to take effect from 6 April 2017.

**13. Trade and property business profits**

Authorises the Finance Bill to make provision about the calculation of profits of trades, professions, vocations and property businesses for the purposes of income tax.

**14. Deduction of income tax at source**

Provides for removal of the requirement for tax to be deducted at source from interest distributions of open-ended investment companies, authorised unit trusts and investment trust companies, and from interest on peer to peer loans paid on or after 6 April 2017.

**15. Gains from contracts for life insurance etc.**

Authorises the Finance Bill to make provision amending Chapter 9 of Part 4 of the Income Tax (Trading and Other Income) Act 2005.

**16. Venture capital trusts (exchange of non-qualifying shares and securities)**

Authorises the Finance Bill to make provision amending section 330 of the Income Tax Act 2007.

**17. Social investment tax relief**

Authorises the Finance Bill to make provision about social investment tax relief.

**18. The 'no disqualifying arrangements requirement'**

Authorises the Finance Bill to make provision about the 'no disqualifying arrangements requirement' for the purposes of the enterprise investment scheme, the seed investment scheme and venture capital trusts.

**19. Business investment relief**

Authorises the Finance Bill to make provision about business investment relief in Chapter A1 of Part 14 of the Income Tax Act 2007.

**20. Corporation tax relief for losses etc**

Authorises the Finance Bill to make provision about corporation tax relief for losses, deficits, expenses and other amounts.

**21. Corporate interest restriction**

Authorises the Finance Bill to make provision about the amounts that may be brought into account for the purposes of corporation tax in respect of interest and other financing costs.

**22. Profits arising from the exploitation of patents**

Authorises the Finance Bill to provide for amendments to Part 8A of the Corporation Tax Act 2010.

- 23. Trading profits taxable at the Northern Ireland rate**  
Authorises the Finance Bill to make provision about the charge to corporation tax at the Northern Ireland rate on trading profits.
- 24. Chargeable gains**  
Authorises the Finance Bill to make provision amending the Taxation of Chargeable Gains Act 1992.
- 25. Domicile**  
Authorises the Finance Bill to make provision for tax purposes: a.) deeming individuals to be domiciled in the United Kingdom, and b.) in relation to settlements with a settlor domiciled outside the United Kingdom at any time.
- 26. Value of certain benefits**  
Authorises the Finance Bill to make provision about the value of benefits for the purpose of Chapter 2 of Part 13 of the Income Tax Act 2007 as well as Chapter 5 of Part 5 of the Income Tax (Trading and Other Income) Act 2005.
- 27. Inheritance tax (overseas property)**  
Authorises the Finance Bill to make provision for inheritance tax purposes about overseas assets with value attributable to residential property in the United Kingdom.
- 28. Employee shareholder shares**  
Authorises the Finance Bill to make provision (including provision having retrospective effect) about the treatment for tax purposes of employee shareholder shares.
- 29. Employment income provided through third parties**  
Provides for changes to the employment income through third parties rules of the Income Tax (Earnings and Pensions) Act 2003, the introduction of section 554OA of the same Act, and amendments to paragraph 59 of Schedule 2 to the Finance Act 2011, to take effect from 6 April 2017.
- 30. Disguised remuneration schemes**  
Authorises the Finance Bill to provide for amendments to sections 38 and 866 of the Income Tax (Trading and Other Income) Act 2005 and section 1290 of the Corporation Tax Act 2009. Authorises the Finance Bill to provide for the income tax treatment of benefits arising in pursuance of an arrangement in connection with a trade.
- 31. Transactions in land in the United Kingdom**  
Authorises the Finance Bill to make provision in relation to the amendments made by sections 76 to 80 of the Finance Act 2016.
- 32. Co-ownership authorised contractual schemes**  
Authorises the Finance Bill to make provision about co-ownership authorised contractual schemes.
- 33. VAT (zero-rating of adapted motor vehicles etc)**  
Provides for changes to legislation which allows zero-rate VAT to be charged on motor vehicles purchased by disabled wheelchair and stretcher users.
- 34. Insurance premium tax (standard rate)**  
Provides for an increase in the standard rate of Insurance Premium Tax (IPT) from 10% to 12% with effect from 1 June 2017 using new implementation arrangements.

- 35. Insurance premium tax (anti-forestalling provision)**  
Provides for the existing Insurance Premium Tax (IPT) anti-forestalling rules in Part III of Finance Act 1994 to be replaced with new rules with effect from the 8 March 2017, reflecting changed implementation arrangements.
- 36. Landfill tax**  
Authorises the Finance Bill to make provision about landfill tax.
- 37. Air passenger duty (rates for 2017)**  
Provides for changes to the rates of air passenger duty, set out in section 30 of the Finance Act 1994, for destinations in Band B in relation to the carriage of passengers on or after 1 April 2017.
- 38. Air passenger duty (rates for later years)**  
Authorises the Finance Bill to make provision about the rates of air passenger duty.
- 39. Vehicle excise duty (rates for light passenger vehicles etc)**  
Provides for changes to certain rates of vehicle excise duty applying to light passenger vehicles (cars), light goods vehicles (vans), motorcycles and motorcycle trade licenses in relation to licenses taken out after 1 April 2017.
- 40. Alcoholic liquor duties (rates)**  
Provides for changes to the rates of excise duty contained in the Alcoholic Liquor Duties Act 1979 with effect from 13 March 2017. Provides for an increase in the rates of excise duty charged on all alcohol and alcoholic beverages.
- 41. Remote gaming duty**  
Authorises the Finance Bill to make provision about remote gaming duty.
- 42. Tobacco products duty (rates)**  
Provides for changes to the rates of duty on tobacco products, set out in the Table in Schedule 1 to the Tobacco Duty Act 1979, to come into force at 6pm on 8 March 2017.
- 43. Tobacco products duty (minimum excise duty)**  
Provides for the introduction of a Minimum Excise Tax on cigarettes, set out in the table in Schedule 1 to the Tobacco Products Duty Act 1979, which comes into force at the start of 20 May 2017.
- 44. Soft drinks industry levy**  
Authorises the Finance Bill to provide for a new tax to be charged in respect of soft drinks containing added sugar.
- 45. Promoters of tax avoidance schemes (threshold conditions etc)**  
Provides for amendments to be made to the Promoters of Tax Avoidance Schemes (POTAS) legislation in Schedule 34 and Schedule 34A to the Finance Act 2014. The changes will have effect from 8 March 2017.
- 46. Incidental provision etc**  
Authorises the Finance Bill to make provision for incidental or consequential charges to any duty or tax (including charges having retrospective effect) that may arise from provision designed in general to afford relief from taxation. Also authorises the Finance Bill to make any incidental, consequential or supplementary provision relating to any provision authorised by any of the preceding resolutions.

#### **47. FUTURE TAXATION**

Authorises the Finance Bill to contain provision (to take effect in a future year):

- a) about the dividend nil rate of income tax;
- b) for corporation tax to be charged for the financial year 2018;
- c) amending Chapter 6 of Part 3 of the Income Tax (Earnings and Pensions) Act 2003 (taxable benefits: cars etc);
- d) about the tax treatment of payments or benefits received in connection with the termination of an employment or a change in the duties in, or earnings from, an employment;
- e) amending sections 703 and 704 of the Income Tax (Earnings and Pensions) Act 2003 (PAYE agreements);
- f) about the application of Chapter 2 of Part 7A of the Income Tax (Earnings and Pensions) Act 2003 in cases where loans are made and rights acquired;
- g) about the income tax treatment of loans, or acquired rights, in cases where there is an arrangement in connection with a trade;
- h) about the rates of air passenger duty;
- i) for and in connection with a new tax to be charged in respect of soft drinks containing added sugar; and
- j) for and in connection with digital reporting and record-keeping for businesses within the charge to income tax and for partnerships.

#### **48. MUSEUMS AND GALLERIES EXHIBITION TAX CREDITS:**

Authorises the Finance Bill to provide for tax credits to be paid to museums and galleries exhibition production companies in respect of expenditure on the production of exhibitions.

#### **49. TOBACCO PRODUCTS MANUFACTURING MACHINERY (LICENSING SCHEMES):**

Authorises the Finance Bill to provide for HM Revenue & Customs to make provision for, or in connection with, a licensing scheme for persons carrying out certain activities in relation to tobacco products manufacturing machinery.

#### **50. THIRD COUNTRY GOODS FULFILMENT BUSINESSES:**

Authorises the Finance Bill to make provision for the approval and registration of persons carrying on a third country goods fulfilment business.

#### **51. PENALTIES FOR ENABLERS OF DEFEATED AVOIDANCE (NATIONAL INSURANCE CONTRIBUTIONS):**

Authorises the Finance Bill to make provision for the purpose of protecting the revenue from losses arising from the use of arrangements relating to National Insurance Contributions.

## Territorial extent and application in the United Kingdom

In the view of HM Government, the Finance Bill 2017 resolutions have differential extent and application in the United Kingdom as shown in the table below. The majority of the resolutions apply to the whole United Kingdom.

The resolutions where there is a differential extent and application appertain to income tax (resolution 3) and landfill tax (resolution 36).

Resolution 3 sets the main rates of income tax for a tax year. Main rates apply to the non-savings, non-dividend income of taxpayers in England, Wales and Northern Ireland. From April 2017 the Scottish Parliament will have the power to set rates for this type of income for taxpayers in Scotland.

Resolution 36 deals with landfill tax. Landfill tax applies in England and Northern Ireland and currently in Wales. Scotland has its own corresponding tax under the competence of the Scottish Parliament, provided by section 80K of the Scotland Act 1998. Wales is expected to introduce its own equivalent of landfill tax from April 2018 under the competence of the National Assembly for Wales, at which time landfill tax will also be disapplied in Wales.

Resolution 37 and 38 deal with air passenger duty. Air passenger duty currently applies across the whole of the UK. The Scottish Parliament does have a power in section 80L of the Scotland Act 1998 to make provision for the taxation of the carriage of passengers from airports in Scotland but that power may only be used to impose a charge on the carriage of passengers boarding aircraft on or after a date that is yet to be appointed by the Treasury.

Resolution number	Extends to E&W and applies to <b>England</b>	Extends to E&W and applies to <b>Wales</b>	Extends and applies to <b>Scotland</b>	Extends and applies to <b>Northern Ireland</b>	Would corresponding provision be within the competence of the <b>National Assembly for Wales?</b>	Would corresponding provision be within the competence of the <b>Scottish Parliament?</b>	Would corresponding provision be within the competence of the <b>Northern Ireland Assembly?</b>	Legislative Consent Motion needed?
Resolutions 1 to 2	Yes	Yes	Yes	Yes	N/A	N/A	N/A	No
Resolution 3	Yes	Yes	No	Yes	N/A	Yes	N/A	No
Resolutions 4 to 35	Yes	Yes	Yes	Yes	N/A	N/A	N/A	No
Resolution 36	Yes	Yes	No	Yes	N/A	Yes	N/A	No
Resolutions 37 to 51	Yes	Yes	Yes	Yes	N/A	N/A	N/A	No

## Minor or consequential effects

None identified