

## **NOTES ON BUDGET RESOLUTIONS**

The following note describes the purpose of each of the Budget Resolutions. The number next to each resolution corresponds to its number on the Order Paper.

Specific **Ways and Means Resolutions** (resolutions 2 – 58) are needed for each provision imposing a new tax, renewing an annual tax, increasing or widening the burden of an existing tax or for other provisions that need to be in operation before the Finance Bill is enacted.

**Procedure Resolutions** (shown at the end of this note) are needed for provisions that would otherwise be beyond the scope of the Finance Bill, including provisions intended to have effect from a future year.

**Money Resolutions** (again shown at the end of this note) are needed to authorise the expenditure of public money, as opposed to raising money for public purposes.

## **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 on VAT.

## **2. Income tax (charge and main rates for 2008-09)**

Provides for income tax to be charged for 2008-09 and sets the rates of tax at 20 and 40 per cent.

## **3. Income tax (personal allowances for those aged 65 or over)**

Provides for the income tax personal allowances for 2008-09 for individuals aged 65 to 74 and those aged 75 and over to be increased to £9,030 and £9,180, respectively and the disapplication of indexation provisions.

## **4. Income tax (abolition of starting rate)**

Provides for the abolition of the starting rate of tax for 2008-09.

## **5. Corporation tax (charge and main rates for financial year 2009)**

Authorises the Finance Bill to provide for corporation tax to be charged for the financial year 2009 (the year beginning 1 April 2009) at a rate of 30 per cent for ring fence profits and 28 per cent for all other profits.

## **6. Corporation tax (small companies' rate and fractions for financial year 2008)**

Authorises the Finance Bill to provide for the small companies' rate of corporation tax for the financial year 2008 (the year beginning 1 April 2008) to be 19 per cent on ring fence profits and 21 per cent on all other profits of companies and for the fraction used in calculating marginal relief for ring fence profits to be eleven four-hundredths and the fraction for calculating marginal relief for other profits to be seven four-hundredths.

## **7. Chargeable gains**

Authorises the Finance Bill to provide for amendments to be made to, or in connection with, various provisions of the Taxation of Chargeable Gains Act 1992.

## **8. Rates of duty on alcoholic liquor**

Provides for increases in the rates of excise duty charged on all alcoholic products to take effect from Monday 17 March 2008.

## **9. Rates of tobacco products duty**

Provides for those specific rates of duty set out in the Table in Schedule 1 to the Tobacco Products Duty Act 1979 to be increased from 6 pm on 12 March 2008.

## **10. Fuel duty rates and rebates (simplification)**

Provides for a reduction in the number of rates of duty on hydrocarbon oils and for a resulting reduction in the rates of duty on heavy oil that is not ultra low sulphur diesel or sulphur-free diesel and on unleaded petrol that is not ultra low sulphur petrol or sulphur-free petrol from 1 April 2008, and a consequential amendment to the Renewable Transport Fuel Obligations Order 2007.

## **11. Fuel duty (biodiesel and bioblend)**

Provides for a rebated rate of excise duty on biodiesel and bioblend used other than as fuel for road vehicles; authorises a new power under which the Commissioners may prescribe the purposes for which they may determine the proportion of any substance that is biodiesel or bioblend; and amends section 20A of Hydrocarbon Oil Duties Act 1979 (mixing: adjustment of duty).

Amendments conferring regulation-making powers come into effect on 19 March 2008; the other amendments come into effect on 1 April 2008.

## **12. Fuel duty (other provision)**

Authorises the Finance Bill to amend the Hydrocarbon Oil Duties Act 1979 to provide, from 1 October 2008, for increases in the rates of duty and rates of rebate on hydrocarbon oils and rates of duty on road fuel gases, biofuels and other fuel substitutes; and, from 1 November 2008, for excise duty to be applied to hydrocarbon oils and other fuels used for private pleasure-flying and in pleasure craft, and to waste oil used as fuel.

## **13. Rates of vehicle excise duty**

Provides for changes in the rates of vehicle excise duty by amendment of the Vehicle Excise and Registration Act 1994. Changes to rates take effect from 13 March 2008.

## **14. Standard rate of landfill tax**

Authorises the Finance Bill to provide for the standard rate of landfill tax.

## **15. Rates of climate change levy**

Authorises the Finance Bill to provide for the rates of climate change levy.

## **16. Rate of aggregates levy**

Authorises the Finance Bill to provide for the rate of aggregates levy.

## **17. Carbon reduction trading schemes**

Authorises the Finance Bill to provide for the imposition of certain charges in respect of Carbon Reduction Trading Scheme(s) allowances relating to specified greenhouse gases (that is, allowances under what will be designed as the Carbon Reduction Commitment Scheme).

## **18. Amusement machine licence duty**

Provides for the amusement machine licence duty provisions in the Betting and Gaming Duties Act 1981 to be amended with effect from 14 March 2008.

## **19. Residence**

Authorises the Finance Bill to provide for the residence of individuals in the UK. A number of changes relating to how individuals determine their residence status in the UK are being introduced in the Finance Bill. These will take effect from 6 April 2008.

## **20. Persons not domiciled or not ordinarily resident in the United Kingdom**

Authorises the Finance Bill to provide for amendments to be made to the remittance basis of taxation as it applies to individuals not domiciled or not ordinarily resident in the UK.

## **21. Expenditure on research and development**

Provides for amendments to the research and development and Vaccine Research Relief schemes.

## **22. Venture capital schemes**

Authorises the Finance Bill to provide for changes to the legislation governing the three tax-based venture capital schemes (the corporate venturing scheme, the enterprise investment scheme and venture capital trusts).

## **23. Enterprise management incentives**

Authorises the Finance Bill to provide for amendments to the scope of Enterprise Management Incentives (EMIs), restricting it to companies with less than 250 employees and adding shipbuilding, coal and steel production to the list of excluded activities that do not qualify for EMIs.

## **24. Company gains from investment life insurance contracts**

Authorises the Finance Bill to provide for changes to the taxation of companies which hold life insurance and other similar policies.

## **25. Changes in trading stock**

Authorises the Finance Bill to provide for putting on a statutory basis the existing tax treatment of certain changes in trading stock.

## **26. Investment managers**

Authorises the Finance Bill to provide for amendments to provisions which exempt from tax transactions conducted by investment managers acting on behalf of non-residents.

## **27. Offshore funds**

Authorises the Finance Bill to provide for the taxation of participants in offshore funds.

## **28. Insurance companies etc**

Authorises the Finance Bill to provide for changes to the taxation of life assurance companies, friendly societies and other mutual business.

## **29. Employment-related securities etc**

Provides for amendments to be made to Part 7 of the Income Tax (Earnings and Pensions) Act 2003 (ITEPA), which relates to employment-related securities. The amendments to the computations of the various charges to tax arising under Part 7 of ITEPA, which will have effect where relevant events and transactions occur on or after 12 March 2008, will put beyond doubt that specified references to “amounts that constitute(d) earnings” do not include any earnings which are exempt income under section 8 of ITEPA.

## **30. Relief for employee share acquisition**

Authorises the Finance Bill to provide for amendments to Schedule 23 to the Finance Act 2003. The amendments relate to the corporation tax relief available to companies which provide certain employment-related securities to its employees and put beyond doubt, in relation to awards of such employment-related securities on or after 12 March 2008, that, in quantifying the amount of corporation tax relief available, earnings which are exempt income under section 8 of the Income Tax (Earnings and Pensions) Act 2003 are not taken into account.

## **31. Leases of plant or machinery**

Authorises the Finance Bill to provide for changes to the way in which leases of plant or machinery are taxed and authorises provisions having retrospective effect, enabling those changes to take effect from the day on which they were announced.

### **32. Double taxation relief**

Authorises the Finance Bill to provide for the introduction of amendments to double taxation relief including provisions having retrospective effect. The amendments are necessary to clarify, retrospectively, legislation introduced in 1987, which itself was retrospective, so that there is no doubt that it has effect as intended and, additionally, to prevent tax avoidance through the misuse of Double Taxation Treaties by UK residents, and to ensure that the credit for any foreign tax paid on trade or professional earnings is no more than the UK income tax due in respect of the same earnings.

### **33. Restrictions on trade loss relief for individuals**

Authorises the Finance Bill to provide for the restriction of reliefs for losses made by individuals carrying on trades otherwise than in partnership.

### **34. Restrictions on trade loss relief for partners**

Authorises the Finance Bill to provide for the amendment of section 103B(2) of Income Tax Act 2007.

### **35. Financial arrangements avoidance**

Authorises the Finance Bill to provide for amendments to the loan relationships and derivative contracts legislation, together with other specific provisions to close a number of tax avoidance schemes.

### **36. Manufactured payments**

Authorises the Finance Bill to provide for changes to the taxation of manufactured payments.

### **37. Controlled foreign companies**

Authorises the Finance Bill to provide for the introduction of amendments to the Controlled Foreign Companies (CFC) legislation. The amendments are necessary to preserve the effect of the CFC legislation in preventing the artificial diversion of profits from the UK so as to avoid UK tax, and to close a number of disclosed avoidance schemes.

### **38. Intangible fixed assets**

Authorises the Finance Bill to provide for amendment to Schedule 29 to the Finance Act 2002.

### **39. Payments on account of income tax**

Authorises the Finance Bill to provide for the repeal of section 964(5) of the Income Tax Act 2007.

#### **40. Capital allowances**

Authorises the Finance Bill to provide for changes to be made in respect of capital allowances.

#### **41. Pension schemes**

Authorises the Finance Bill to provide for amendments to the legislation relating to pension schemes in the: Finance Act 2004; Inheritance Act 1984; and Income and Corporation Taxes Act 1988. The amendments contain various provisions including provisions which: allow legislation to have retrospective effect; that introduce changes to the administration and taxation of pension schemes; and provide for changes to inheritance tax on matters related to pension schemes.

#### **42. Stamp duty land tax (notification and registration of transactions)**

Provides for a stamp duty land tax notification threshold of £40,000 to apply for most freehold and leasehold transactions. An additional rent threshold of £1,000 will apply to longer leases and shorter leases will be subject to the zero-rate threshold. This measure has effect for any land transaction the effective date of which is on or after 12 March 2008.

#### **43. Stamp duty land tax (charge where consideration includes rent)**

Provides for amendment of paragraph 9 to Schedule 5 to the Finance Act 2003 which prevents the manipulation of lease thresholds in order to minimise or avoid payment of stamp duty land tax. The provisions and changes thereto apply to leases where payment is made by both rent and a premium. This measure has effect for any land transaction the effective date of which is on or after 12 March 2008.

#### **44. Stamp duty land tax (withdrawal of group relief)**

Provides for amendment to the Finance Act 2003 to prevent abuses of reliefs from stamp duty land tax available under paragraph 1 of Schedule 7 to that Act. This measure has effect for any land transaction, the effective date of which is on or after 13 March 2008.

#### **45. Stamp duty (exemption from ad valorem duty for low value transaction)**

Provides for the introduction of a £1,000 consideration threshold beneath which an instrument transferring stock or marketable securities on sale will be exempt from stamp duty. The provision has effect in relation to instruments executed on or after 13 March 2008.

#### **46. Stamp duty (abolition of fixed duty on certain instruments)**

Provides for the abolition of fixed stamp duty charges on certain instruments transferring either stock or marketable securities. The provision has effect in respect of instruments executed on or after 13 March 2008.

#### **47. Expenses of management of investment business**

Authorises the Finance Bill to provide for amendment of section 492 of the Income and Corporation Taxes Act 1988 (treatment of oil extraction activities etc for tax purposes) to ensure that no deduction for the expenses of management of investment business shall be allowed from a company's ring fence profits.

#### **48. Value added tax (time limits for assessments of excess credits etc)**

Provides for extension and clarification of the power to make assessments under sections 73(2) and 80(4A) VAT Act 1994 to recover amounts paid on claims for overpaid and over-declared output VAT and under-claimed input VAT, in general, and claims paid under legislation to be included in Finance Bill 2008, in particular, where it turns out that the payment ought not to have been made.

#### **49. Value added tax (time limits for old claims)**

Provides for a statutory transitional period ending on 31 March 2009 during which businesses which were registered for VAT between 1 April 1973 and 1 May 1997 can make claims for output VAT over declared in accounting periods before 4 December 1996, and input VAT under claimed in accounting periods before 1 May 1997 before the normal three year time limits in section 80(4) VATA 1994 and regulation 29(1A) VAT Regulations 1995 apply absolutely.

#### **50. Inheritance tax (interests in possession)**

Authorises the Finance Bill to provide for amendments to be made to section 53 of the Inheritance Tax Act 1984, relating to the inheritance tax consequences where an interest in possession comes to an end and is followed by another interest in possession for the same person.

#### **51. Vehicle excise duty (rebates)**

Authorises the Finance Bill to provide for amendments to legislation relating to the entitlement to rebate on unexpired vehicle licences.

#### **52. Climate change levy (coal mine methane)**

Authorises the Finance Bill to provide for coal mine methane to cease to be regarded as a renewable source for climate change levy purposes.

#### **53. Landfill tax credit (withdrawing approval of environmental bodies)**

Provides for a regulation making power enabling the Commissioners of HM Revenue & Customs to withdraw the approval of an environmental body approved under the Landfill Communities Fund. It also provides for a decision of the Commissioners withdrawing an approval to be subject to review and appeal. The provisions have effect from 19th March 2008.

**54. Air passenger duty (standard class travel)**

Authorises the Finance Bill to provide for the definition of standard class of travel, for the purposes of air passenger duty, to be amended.

**55. Alternative property finance**

Provides for amendment to Finance Act 2003 to prevent abuses of reliefs from stamp duty land tax available under sections 71A, 72, 72A and 73 of that Act. This measure has effect for any land transaction the effective date of which is on or after 12 March 2008.

**56. Alternative finance arrangements**

Authorises the Finance Bill to provide for the amendment of Chapter 5 of Part 2 of Finance Act 2005 by order.

**57. Duties (abolition of disregard of fractions of penny)**

Authorises the Finance Bill to provide for the repeal of section 137(4) of the Customs and Excise Management Act 1979.

**58. Relief from tax (incidental and consequential charges)**

Authorises any charge to duty or tax which may arise incidentally or consequentially from provisions of the Bill intended to give relief from taxation.

### **Procedure (Future Taxation)**

Authorises the Finance Bill to:

- a) provide for corporation tax to be charged for the financial year 2009 (the year beginning 1 April 2009), and to make provision for setting the rates of tax for that year;
- b) provide for the standard rate of landfill tax for waste disposals made, or treated as made, on or after 1 April 2009;
- c) provide for the rates of climate change levy for leviable supplies made on or after 1 April 2009;
- d) provide for the rate of aggregates levy for aggregate subject to commercial exploitation on or after 1 April 2009; and
- e) contain provision for the reduction of the lower threshold of company car tax by 5g/km from 135 g/km to 130 g/km from 2010/11 and subsequent years.

### **Procedure (first-year tax credits)**

Authorises the Finance Bill to provide for first-year tax credits to be paid in connection with first-year qualifying expenditure under the Capital Allowances Act 2001.

### **Procedure (information and inspection powers in connection with certain foreign taxes)**

Authorises the Finance Bill to provide for HM Revenue & Customs powers to obtain information and documents and inspect premises in connection with

- a) a tax imposed by another member State which is within the scope of EC Directive 1977 No.77/799/EEC (as amended from time to time);
- b) taxes and duties imposed under the law of a territory outside the United Kingdom which are covered by international tax enforcement arrangements; and
- c) value added tax charged in accordance with the law of a member State other than the United Kingdom.

### **Finance (money)**

Authorises the Finance Bill to provide for

- a) payment by HM Revenue & Customs of a temporary supplement to Gift Aid repayments made by HM Revenue & Customs to charitable bodies for tax purposes and Community Amateur Sports Clubs in respect of qualifying Gift Aid donations made by donors in tax years 2008/09 to 2010/11 inclusive. This is ancillary to the reduction of the basic rate of income tax from 6th April 2008;
- b) payment out of money provided by Parliament of sums incurred by the Commissioners for HM Revenue & Customs in preparing for the introduction of the new aviation duty; and
- c) a power for financial claims concerning the National Loans Fund, Debt Management Account, Consolidated Fund and the Exchange Equalisation Account to be discharged by the making of payments from those accounts.