

## 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 – 64) are needed for each provision imposing a new tax, renewing an annual tax, or increasing or widening the burden of an existing tax.

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

## **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 rates for 2007-08)**

Provides for income tax to be charged for 2007-08 and sets the rates of tax at 10, 22 and 40 per cent.

## **3. Corporation tax (charge and main rates for financial year 2008)**

Authorises the Finance Bill to provide for corporation tax to be charged for the financial year 2008 (the year beginning 1 April 2008) at a rate of 30 per cent on ring fence profits of companies and at a rate of 28 per cent on all other profits of companies.

## **4. Corporation tax (small companies' rate and fractions for financial year 2007)**

Authorises the Finance Bill to provide for the small companies' rate of corporation tax for the financial year 2007 (the year beginning 1 April 2007) to be 19 per cent on ring fence profits of companies and 20 per cent on all other profits and for the fraction used in calculating marginal relief to be eleven four-hundredths for ring fence profits and one-fortieth for all other profits.

## **5. Inheritance tax (rates and bands for year 2010-2011)**

Provides for substitution in the Finance Bill of the Table in Schedule 1 to the Inheritance Tax Act 1984 to set the level of the inheritance tax threshold and rate of tax for chargeable transfers made in the year commencing on 6 April 2010.

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

Provides for changes in the rates of excise duty charged on beer, cider, wine and made-wine, to come into force on Monday 26 March 2007.

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

Provides for those 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 21 March 2007.

## **8. Rates of gaming duty**

Authorises the Finance Bill to provide for amendments to the Finance Act 1997 relating to gaming duty.

## **9. Remote gaming duty**

Authorises the Finance Bill to provide for amendments to the Betting and Gaming Duties Act 1981 relating to the introduction of remote gaming duty.

## **10. Amusement machine licence duty**

Provides for amendments to the Betting and Gaming Duties Act 1981 relating to amusement machine licence duty from 22 March 2007.

## **11. Fuel duty rates and rebates**

Provides for changes 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.

## **12. 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 22 March 2007.

## **13. Rates of air passenger duty**

Provides for changes in the rates of air passenger duty and for payment of duty due before 21 March 2007 from the accounting period ending 28 February 2007 as a result of the changes to be postponed until the next accounting period after the 21 March 2007.

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

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

## **15. Rate of aggregates levy**

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

## **16. Rate of landfill tax (2007)**

Provides for a change to the standard rate of landfill tax from £21 per tonne to £24 per tonne for relevant waste disposals at landfill sites made, or treated as made, on or after 1 April 2007.

## **17. Rates of landfill tax (after 2007)**

Authorises the Finance Bill to provide for the rates of landfill tax to be changed.

## **18. Emissions trading**

Authorises the Finance Bill to provide for HM Treasury to impose certain charges in respect of Community tradeable emissions allowances relating to specified greenhouse gases (that is allowances under what is currently known as the European Union Emissions Trading Scheme).

## **19. Climate change levy (reduced-rate supplies etc)**

Authorises the Finance Bill to provide for amendments to legislation relating to the climate change levy's reduced-rate and exemptions.

## **20. Landfill tax credit (bodies concerned with the environment)**

Provides the legal vires to make regulations enabling the Commissioners for HM Revenue and Customs to specify conditions under which the regulatory body for the Landfill Communities Fund is and remains approved; and the regulatory body to specify conditions under which environmental bodies are and remain approved. This has effect from 22 March 2007.

## **21. Managed service companies (earnings from employment)**

Provides for the income received by individuals providing their services through “managed service companies” if not already treated as such, to be deemed to be employment income and for income tax (PAYE) to be deducted from that deemed employment income. It also authorises provisions for the reliefs due to individuals and managed service companies resulting from the deeming of employment income.

## **22. Managed service companies (other provision)**

Authorises the Finance Bill to provide for the transfer, to specified persons, of income tax (PAYE) debts of “managed service companies” which an officer of HM Revenue and Customs considers should have been deducted by those managed service companies.

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

Authorises the Finance Bill to provide for the restriction of reliefs for losses made by individuals carrying on trades in partnership, including provision with retrospective effect.

### **24. Chargeable gains**

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

### **25. Life policies etc (effect of rebated or reinvested commission)**

Authorises the Finance Bill to provide for an amendment to the chargeable event gain rules for certain life insurance policies, life annuity contracts and capital redemption policies.

### **26. Avoidance involving financial arrangements**

Authorises the Finance Bill to provide for changes (including provision having retrospective effect) to be made in relation to annual payments, settlements, structured finance arrangements, manufactured payments, loan relationships, derivative contracts and lease and finance leasebacks.

### **27. Companies carrying on business of leasing plant or machinery**

Authorises the Finance Bill to provide for changes (including amendments with retrospective effect), for the purposes of corporation tax in relation to companies carrying on a business of leasing plant or machinery. The provisions will make changes to section 343 of the Income and Corporation Taxes Act 1988 and to Schedule 10 to the Finance Act 2006.

### **28. Lloyd's corporate members**

Authorises the Finance Bill to provide for rules in relation to limited company members of the Lloyd's insurance market.

### **29. Employee benefit contributions**

Authorises the Finance Bill to provide for changes to be made about employee benefit contributions.

### **30. Schemes etc designed to increase double taxation relief**

Authorises the Finance Bill to provide for the amending and extending of sections 804ZA to 804ZC of and Schedule 28AB to the Income and Corporation Taxes Act 1988.

### **31. Industrial and agricultural buildings allowances**

Authorises the Finance Bill to make provision for changes to the Industrial Buildings Allowances and the Agricultural Buildings Allowances codes in Parts 3 & 4 of Capital Allowances Act 2001 for the purposes of income and corporation tax and authorises provisions having retrospective effect.

### **32. Insurance companies**

Authorises the Finance Bill to provide for changes, including retrospective changes, to the rules for calculating profits of life insurance companies including: amalgamating 5 categories of business into 1; simplifying transfers of business legislation; providing rules for when to assess profits on the I minus E basis or trading basis; changing the treatment of structural assets; allowing transfer of tax exempt business from friendly societies to life insurance companies; dealing comprehensively with all forms of financing arrangements and other minor and miscellaneous changes.

### **33. Technical provisions made by general insurers**

Authorises the Finance Bill to provide for amendment to the tax treatment of amounts set aside by general insurers to meet claims arising from their general insurance business.

### **34. Friendly societies**

Authorises the Finance Bill to provide for amendments to provisions detailing the maximum benefits payable to members of friendly societies.

### **35. Sale and repurchase of securities**

Authorises the Finance Bill to provide for changes to be made in relation to arrangements for the sale and repurchase of securities.

### **36. Controlled foreign companies**

Authorises the Finance Bill to provide for amendments to the Controlled Foreign Companies rules in the Income and Corporation Taxes Act 1988, to reflect, explicitly, the European Court of Justice (ECJ) judgment in Cadbury Schweppes, and to remove

the public quotation exemption to prevent disclosed avoidance, with effect from 6 December 2006.

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

Authorises the Finance Bill to provide for changes to tax relief for expenditure on research and development.

### **38. Venture capital schemes**

Authorises the Finance Bill to provide for amendments to the Corporate Venturing Scheme, the Enterprise Investment Scheme and Venture Capital Trusts.

### **39. Loss relief on disposal of shares**

Authorises the Finance Bill to provide for amendments to share loss relief in relation to shares issued on or after 6 April 2007.

### **40. Real Estate Investment Trusts**

Provides for the amendment of provisions relating to Part 4 of the Finance Act 2006 (Real Estate Investment Trusts).

### **41. Alternative finance**

Authorises the Finance Bill to provide for the amendment of legislation on alternative finance arrangements to provide equivalent tax treatment for investment bonds that are similar in economic substance to conventional debt securities; and to amend the legislation on profit share agency for clarification purposes.

### **42. Trust gains on contracts for life insurance**

Provides for an amendment to be made to the Income Tax Act 2007 regarding the interaction of trustees' tax pools with payments received by trustees, which are chargeable event gains on certain life assurance policies and which are treated as income in the hands of the trustees.

### **43. Offshore funds**

Authorises the Finance Bill to amend the legislation relating to offshore funds (including having retrospective effect) to change the rules whereby a fund determines whether or not it qualifies as a distributing fund which in turn affects the tax treatment

of a UK investor together with clarifications of certain definitions within that legislation.

#### **44. Securitisation companies**

Authorises the Finance Bill to provide for changes to the relevant legislation on the taxation of securitisation companies, including the power to make regulations.

#### **45. Enterprise management incentives**

Authorises the Finance Bill to provide for a change to Part 7 of the Income Tax (Earnings and Pensions) Act 2003 that deals with enterprise management incentives (EMI) so that parent companies of groups where a subsidiary receives income from intangible assets may continue to qualify for EMI if they carry out certain types of reorganisation which would previously have resulted in loss of qualifying status.

#### **46. Unpaid remuneration and employee benefit contributions**

Authorises the Finance Bill to provide for the amendment of sections 31 and 274 of the Income Tax (Trading and Other Income) Act 2005.

#### **47. Abolition of contributions relief for life assurance premium contributions**

Provides for the removal of tax relief from contributions paid by or on behalf of individuals in respect of premiums under personal term assurance policies. It has effect for contributions under non-occupational registered pension schemes paid on or after 6 April 2007, which would otherwise be relieved at source. It does not however apply where both the insurer received the application for the insurance policy before 14 December 2006 and the policy was made and became held for the purposes of the scheme before 6 April 2007.

#### **48. Persons by whom registered pension schemes may be established**

Provides for changes following the creation of a new regulated activity of establishing, operating or winding up a personal or stakeholder pension scheme, from 6 April 2007. The provisions in Finance Act 2004 which set out who is eligible to establish a registered pension scheme that is not an occupational scheme are to be amended in the Finance Bill, so that eligibility is based on having permission from the Financial Services Authority to establish a personal or stakeholder pension scheme.

#### **49. Pension schemes etc.**

Authorises the Finance Bill to provide for amendments to the “Pensions Simplification” legislation in Part 4 of the Finance Act 2004. The amendments make

changes to the rules that provide for the payment and taxation of benefits by pension schemes, changes to counter abuse, removal of tax relief on personal term assurance policies, changes to the method of establishing registered pension schemes and changes to the rules relating to the ownership of UK-REITs by investment-regulated pension schemes. Also provides for changes in the Inheritance Act 1984 on matters related to pension schemes.

#### **50. Stamp duty land tax, stamp duty and stamp duty reserve tax**

Authorises the Finance Bill to provide for changes to be made to the law on stamp duty land tax, stamp duty and stamp duty reserve tax.

#### **51. Stamp duty land tax (exempt interests)**

Provides for the interest held by a financial institution as a result of an alternative finance product to be an exempt interest for stamp duty land purposes as regards subsequent dealings in that interest.

#### **52. Value added tax (joint & several liability)**

Authorises the Finance Bill to provide for amendments to be made to section 77A of the Value Added Tax Act 1994 (joint and several liability of traders in supply chain where tax unpaid).

#### **53. Value added tax (deemed supplies in case of certain surrenders)**

Provides for the insertion of the word “surrender” in the deemed supply legislation in order to address a potential loophole. This will ensure parity of the treatment of a surrender of an interest in land for no consideration and the grant of a new interest or assignment (transfer) of an existing interest to another person for no consideration. This will have effect in relation to surrenders on or after 21 March 2007.

#### **54. Value added tax (valuation of deemed supplies)**

Authorises the Finance Bill to provide for HM Revenue and Customs to have power to make new regulations to determine the calculation of the VAT charges arising on non-business use of business assets such as land and buildings and other assets and other assets which are subject to “Lennartz accounting”, in the light of guidance provided by the European Court of Justice.

#### **55. Value added tax (transfers of going concerns)**

Authorises the Finance Bill to provide for the amendment of section 49 of the VAT Act 1994. The amendment will require that the seller of a business that is being

transferred as a going concern must retain the records in most cases, and will confirm that the transfer of a going concern includes the transfer of part of a business which is capable of separate operation.

#### **56. Insurance premium tax (meaning of “premium”)**

Provides for an amendment to the definition of “premium” for insurance premium tax to include amounts received by an insurer which are described as being for a “right to require the insurer to provide cover” from 22 March 2007

#### **57. Petroleum revenue tax**

Authorises the Finance Bill to contain provision to amend any part of the legislation relating to petroleum revenue tax.

#### **58. Amendments connected with the Gambling Act 2005**

Authorises the Finance Bill to provide for amendments to be made in consequence of, or otherwise in connection with, the Gambling Act 2005.

#### **59. Vehicle excise duty (exempt vehicles)**

Authorises the Finance Bill to provide for amendment of the Vehicle Excise and Registration Act 1994 by secondary legislation, to change the descriptions of agricultural vehicles.

#### **60. Limitation period in old actions for mistake of law relating to direct tax**

Authorises the Finance Bill to provide for changes that ensure that the limitation period for recovery of direct tax paid by reason of a mistake of law is six years from the date of payment for actions brought before 8 September 2003.

#### **61. Stock exchanges**

Authorises the Finance Bill to provide for legislation relating to stock exchanges.

#### **62. Mergers Directive**

Authorises the Finance Bill to provide for a power enabling HM Treasury to make regulations for the purpose of complying with European Council Directive No. 90/434/EEC (European Mergers Tax Directive).

### **63. Excise duties: (small consignment relief)**

Authorises the Finance Bill to provide for the revocation of the Excise Duties (Small Non-Commercial Consignments) Relief Regulations 1986, thereby removing the relief from excise duty on non-commercial imports of excise goods, including alcohol and tobacco products which form part of a small consignment.

### **64. 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 contain provisions:

- a) for corporation tax to be charged for the financial year 2008 (the year beginning 1 April 2008), and to make provision for setting the rates of tax for that year;
- b) to provide for the inheritance tax threshold and rate to be set for the year starting on 6 April 2010;
- c) about the rates of climate change levy for leviable supplies made on or after 1 April 2008;
- d) about the rate of aggregates levy for aggregate subject to commercial exploitation made on or after 1 April 2008;
- e) about the rates of landfill tax for relevant waste disposals at landfill sites made, or treated as made, on or after 1 April 2008;
- f) taking effect after the end of the financial year 2007-08, amending section 312 of the Income Tax (Trading and Other Income) Act 2005 to provide further relief for expenditure by landlords on energy-saving items.