

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) 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.

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

WAYS AND MEANS 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 on VAT.

2. **Rates of tobacco products duty**

Provides for the 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 16 March 2005.

3. **Rate of duty on beer**

Provides for an increase in the rate of excise duty charged on beer to take effect at midnight on 20 March 2005.

4. **Rates of duty on wine and made-wine**

Provides for an increase in the rate of excise duty charged on still wine and made wine to take effect at midnight on 20 March 2005.

5. **Hydrocarbon oil etc duties (rates and rebates)**

Authorises the Finance Bill to provide 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.

6. **Vehicle excise duty (rates)**

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 midnight on 16 March 2005 in relation to licences issued for a period beginning on or after 1 April 2005.

7. **Value added tax (goods subject to warehousing regime)**

Authorises the Finance Bill to make provision for value added tax purposes in connection with goods that are subject to a warehousing regime.

8. **Value added tax (fuel for private use)**

Provides, on a day to be appointed, for the basis of the fuel scale charge to be amended to include a fuel scale charge system based on CO₂ emissions of a vehicle.

9. Value added tax (overstated or overpaid amounts)

Provides for the extension of the defence of unjust enrichment by HM Customs and Excise to all claims made by businesses with effect from 23 March 2005 for a credit of VAT where tax has been overcharged and over accounted for in error.

10. Value added tax (gas and electricity supplied by persons outside UK)

Provides for an amendment to be made to the Value Added Tax Act 1994 to bring natural gas and electricity within the scope of valuation rules applicable in cases where the customer is liable to account for the VAT on the supply. This is to take effect from 17 March 2005.

11. Income tax (charge and rates for 2005-06)

Provides for income tax to be charged for 2005-06 and sets the rates of tax at 10, 22 and 40 per cent.

12. Income tax (personal allowances for those aged 65 or more)

Provides that in 2005-06 the personal allowance for someone aged 65 to 74 should be £7090 and that for someone aged 75 years or more it should be £7220.

13. Corporation tax (charge and rate for 2006)

Authorises the Finance Bill to provide for corporation tax to be charged for the financial year 2006 (the year beginning 1 April 2006) at a rate of 30 per cent.

14. Corporation tax (small companies' rate and fraction for 2005)

Provides for the small companies' rate of corporation tax for the financial year 2005 (the year beginning 1 April 2005) to be 19 per cent and for the fraction used in calculating marginal relief to be eleven four-hundredths.

15. Corporation tax (starting rate and fraction for 2005)

Provides for the starting rate of corporation tax for the financial year 2005 (the year beginning 1 April 2005) to be 0 per cent and for the fraction used in calculating marginal relief to be nineteen four-hundredths.

16. Corporation tax (non-corporate distribution rate for 2005)

Authorises the Finance Bill to provide for corporation tax to be charged for the financial year 2005 (the year beginning 1 April 2005) at a rate of 19 per cent.

17. Armed forces pensions and compensation schemes

Authorises the Finance Bill to provide that recipients of benefits payable under new Armed Forces pension and compensation schemes operational from 6 April 2005 will be in the same tax position as those receiving pension and attributable benefits under the existing Armed Forces pension scheme. In

addition, exempts from a charge to income tax lump sum in-service compensation payments to be paid under the new Armed Forces compensation scheme.

18. Donations to charity by individuals

Provides for the amendment of an exemption from the Gift Aid rules in section 25 Finance Act 1990.

19. Employee securities

Authorises the Finance Bill to amend the legislation in the Income Tax (Earnings and Pensions) Act 2003 relating to employment related securities with effect from 2 December 2004, in order to put a stop to certain schemes used to manipulate employment related securities for the purpose of avoiding or reducing the payment of tax and National Insurance Contributions.

20. Scientific research organisations

Authorises the Finance Bill to make provision for amendments to the Income and Corporation Taxes Act 1988, and the Income Tax (Trading and Other Income) Act 2005, relating to the conditions for the tax exemption for scientific research organisations, and the tax deductions available to companies and individuals for certain payments to such organisations.

21. Unit trusts and open-ended investment companies

Authorises the Finance Bill to provide for the taxation of unit holders in authorised unit trust schemes and shareholders in open-ended investment companies

22. Alternative finance arrangements

Authorises the Finance Bill to make provision, for the purposes of income tax, corporation tax and capital gains tax, about finance arrangements which constitute an alternative to transactions involving the payment of interest.

23. Film production etc

Authorises the Finance Bill to provide (including with retrospective effect) for changes to the film tax reliefs to prevent tax avoidance linked with the production and acquisition of films, and to extend the relief for low budget films to March 2006.

24. Partnerships (income tax)

Authorises the Finance Bill to provide (including with retrospective effect) for changes to the rules for the taxation of individual members of partnerships and limited liability partnerships to prevent tax avoidance.

25. Accounting practice

Authorises the Finance Bill to make provision (including with retrospective effect) with respect to matters connected with accounting practice.

26. Securitisation companies

Provides for regulations to be made (including with retrospective effect) establishing a new corporation tax regime for companies issuing debt as part of a securitisation arrangement and other companies involved in the securitisation.

27. Double taxation relief

Authorises the Finance Bill to amend the double taxation relief legislation (including provision for retrospective effect) in order to close down known avoidance schemes including ones that were notified under the avoidance disclosure rules. Some of the proposals were announced at PBR and apply from 2 December 2004.

28. Corporation tax (counteracting tax arbitrage)

Authorises a new rule to prevent exploitation of the differences in tax treatment that can arise within or between tax codes, including with retrospective effect.

29. Controlled foreign companies

Authorises the Finance Bill to provide (including with retrospective effect) for an amendment to the controlled foreign company rules to prevent manipulation of the method used to identify those subsidiaries that are subject to a lower level of taxation.

30. Annual payments for consideration

Authorises the Finance Bill to amend the legislation dealing with annual payments for non-taxable consideration in order to close down known avoidance schemes that were notified under the avoidance disclosure rules. The proposals were announced at PBR and apply from 2 December 2004.

31. Provision not at arm's length

Authorises the Finance Bill to make amendments to the scope of transfer pricing rules, including with retrospective effect.

32. Intangible fixed assets

Authorises the Finance Bill to provide for amendments to be made to Schedule 29 to the Finance Act 2002. These amendments will modify the scope of the definition of a related party, modify the rules treating transfers between companies and related parties at market value, and modify the classes of assets for which rollover relief for chargeable gains on business assets can be

claimed by companies, and enable further amendments to these classes to be made for the purposes of Schedule 29 by Treasury order.

33. Insurance companies

Authorises the Finance Bill to introduce changes (including with retrospective effect) to the rules for calculating the profits of life insurance companies.

34. Chargeable gains

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

35. Charges on income

Authorises the Finance Bill to make changes to the rules for charges on income for the purposes of corporation tax.

36. Rent factoring

Authorises the Finance Bill to make changes, including changes that have retrospective effect, to the rules for rent factoring. The change is to remove the exception whereby the rules do not apply if the rent factoring agreement is for a period exceeding 15 years.

37. Loan relationships etc

Authorises the Finance Bill to provide for changes, including changes having retrospective effect, to the rules that apply to the taxation of loan relationships.

38. Manufactured interest

Authorises the Finance Bill to make changes to the rules that apply to the taxation of manufactured interest.

39. Capital redemption policies

Authorises the Finance Bill to make provision, including retrospective provision, in relation to capital redemption policies.

40. Strips of interest-bearing corporate securities

Authorises the Finance Bill to make provisions, including provision which has retrospective effect, in relation to assets which represent the right to, or secure, the payment of one or more payments remaining to be made under a security.

41. Derivative contracts

Authorises the Finance Bill to make changes, including changes that have retrospective effect, to the rules that apply to the taxation of derivative contracts.

42. Annuities and other annual payments

Authorises the Finance Bill to make provision in relation to assets which represent the right to, or secure, the payment of one or more payments remaining to be made under an annuity or other obligation to make annual payments.

43. Tonnage tax

Authorises the Finance Bill to make changes to the scope of Tonnage Tax to ensure continued compliance with European Community guidelines on state aid to the maritime industry.

44. The United Kingdom Atomic Energy Authority

Authorises the Finance Bill to provide for the removal of exemptions and other provisions in relation to the United Kingdom Atomic Energy Authority consequential on the Energy Act 2004.

45. Stamp duty land tax

Authorises the Finance Bill to provide for amendment of the legislation relating to Stamp Duty Land Tax in Part 4 of the Finance Act 2003.

46. Stamp duty land tax (miscellaneous amendments)

Provides for various amendments to the legislation relating to Stamp Duty Land Tax to have effect from the day after Budget Day.

47. Stamp duty land tax and stamp duty (thresholds)

Provides for the Stamp Duty Land Tax threshold for land transactions in residential property to be raised from £60,000 to £120,000.

48. Stamp duty land tax and stamp duty (removal of disadvantaged areas relief)

Provides for the removal of disadvantaged areas relief where transactions involve non-residential property, with effect from 17 March 2005.

49. Stamp duty and stamp duty reserve tax (intermediaries)

Authorises the Finance Bill to contain a provision that section 117 of the Finance Act 2002 may be repealed.

50. Inheritance tax (rate bands for next three years)

Authorises the Finance Bill to provide for the inheritance tax threshold and rate to be set for each of the three successive years starting on 6 April 2005.

51. Rate of landfill tax

Provides for an increase to the standard rate of landfill tax from £15 per tonne to £18 per tonne for relevant waste disposals at licensed landfill sites made, or treated as made, on or after 1 April 2005.

52. Pension schemes etc

Authorises the Finance Bill to make provision amending the “Pensions Simplification” legislation in Part 4 of the Finance Act 2004. The amendments contain various provisions that add to and clarify the 2004 legislation, and counter scope for abuse.

53. Pension Protection Fund etc

Authorises the Finance Bill to make provision for the tax treatment of the Board of the Pension Protection Fund, and the two funds under the Board’s control, which were legislated for in Part 2 of the Pensions Act 2004. The provisions will exempt the funds from various tax charges, and relieve tax on payments made into the funds, but also allow tax to be charged in particular circumstances.

54 SEs (stamp duty and stamp duty reserve tax)

Authorises the Finance Bill to amend legislation relating to stamp duty and stamp duty reserve tax in relation to securities issued or raised by a European Company (SE) which has its registered office in the UK, ensuring that SE’s based in the UK are taxed on a similar basis to UK companies, in accordance with the European Company Statute and the European Merger’s Directive.

55. SEs (residence)

Authorises the Finance Bill to amend legislation relating to residence for tax purposes and changes of residence, for SE’s, to ensure that European Companies based in the UK are taxed on a similar basis to UK companies, in accordance with the European Company Statute and the European Merger’s Directive.

56. Civil partnerships etc

Authorises the Finance Bill to provide for the amendment of all primary and secondary tax legislation so that tax charges and reliefs and anti-avoidance rules will apply equally to married couples and civil partners.

57. Reorganisation of water and sewerage services in Northern Ireland

Authorises the Finance Bill to make provision in relation to any transfer from a Northern Ireland department of property, rights and liabilities connected with the provision of water or sewerage services and in relation to certain property, rights and liabilities of a transferee.

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 AND MONEY RESOLUTIONS

PROCEDURE (Lorry road-user charge)

Provides for the Finance Bill to include provision permitting expenditure on and administrative preparation for the lorry road-user charge and a fuel credit in respect of the fuelling of chargeable lorries.

PROCEDURE (EU mutual assistance)

Authorises the Finance Bill to provide for measures implementing the provisions of the EU Directive on Mutual Assistance by the competent authorities of the Member States in the field of taxation, as amended.

PROCEDURE (future taxation)

(a) Authorises the Finance Bill to provide for corporation tax to be charged for the financial year 2006 (the year beginning 1 April 2006), and to make provision for setting the rates of tax for that year.

(b) Authorises the Finance Bill to provide for the taxation of social security lump sums from 6 April 2006.

(c) Authorises the Finance Bill to provide for the amendment of an exemption from the Gift Aid rules in section 25 Finance Act 1990 to take effect from 6 April 2006.

(d) Authorises the Finance Bill to provide for the taxation of authorised unit trust schemes and open-ended investment companies for the financial year 2006 (the year beginning 1 April 2006).

(e) Authorises the Finance Bill to provide for the replacement of the inheritance tax rate table in Schedule 1 to the Inheritance Tax Act 1984 with new tables for the 12 month periods beginning on, respectively, 6 April 2006 and 6 April 2007.

(f) Authorises the Finance Bill to make provisions amending the “Pensions Simplification” legislation in Part 4 of the Finance Act 2004 from 6 April 2006 or later.

FINANCE (money)

(a) Authorises the Finance Bill to provide for the reimbursement of expenditure in connection with the administration of stamp duty land tax.

(b) Provides for the payment of sums for expenditure in connection with preparations for the lorry road-user charge (and the fuel credit) out of money provided by Parliament.