



HM TREASURY

# Notes on Budget Resolutions

March 2011



## 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 – 51) 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 Resolution** (also shown at the end of this note) is 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)**

Provides for income tax to be charged for 2011-12 and provides that the basic rate is 20 per cent, the higher rate is 40 per cent and that the additional rate is 50 per cent.

## **3. Income tax (basic rate limit)**

Provides for the income tax basic rate limit to be set at £35,000 for 2011-12 and for the disapplication of indexation provisions for the income tax basic rate limit for that tax year.

## **4. Income tax (personal allowance for those aged under 65)**

Provides for the income tax personal allowance for individuals aged under 65 to be set at £7,475 for 2011-12 and for the disapplication of indexation provisions for the personal allowance for that tax year.

## **5. Corporation tax (main rate for financial year 2011)**

Provides for references to 27 per cent in section 2(2)(a) of Finance Act 2010 (corporation tax main rate on non ring-fence profits) to be replaced by 26 per cent, with effect from 1 April 2011.

## **6. Corporation tax (charge and main rate for financial year 2012)**

Authorises the Finance Bill to provide for corporation tax to be charged for the financial year 2012 (the year beginning 1 April 2012) and for that year the rate of corporation tax to be 30 per cent on ring fence profits, and 25 per cent on other profits of companies.

## **7. Corporation tax (small profits rate and fractions for financial year 2011)**

Authorises the Finance Bill to provide for the small profits rate of corporation tax for the financial year 2011 (the year beginning 1 April 2011) to be 19 per cent on ring fence profits of companies and 20 per cent on all other profits of companies; and for the marginal relief ring fence fraction to be eleven four-hundredths and for the marginal relief standard fraction for other profits to be three two-hundredths.

## **8. Increase in rate of supplementary charge**

Provides for the supplementary charge, in respect of a ring fence trade, to be 32 per cent in relation to accounting periods beginning on or after 24 March 2011. Also provides for a "straddling period" for accounting periods which overlap that date.

## **9. Capital allowances**

Authorises the Finance Bill to provide for changes to be made in respect of capital allowances, including provision having retrospective effect.

## **10. Alcoholic liquor duties (rates)**

Provides for changes in the rates of excise duty charged on spirits, beer, wine and made wine and sparkling and still cider and perry to take effect from 28 March 2011.

## **11. High strength beer duty**

Authorises the Finance Bill to make provision for and in connection with a new duty of excise on high strength beer.

## **12. 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 Products Duty Act 1979 to come into force at 6 pm on 23 March 2011.

## **13. Amusement machine licence duty (rates)**

Provides for the gaming machine licence duty provisions in the Betting and Gaming Duties Act 1981 to be amended with effect for applications received after 4 pm on 25 March 2011.

## **14. Fuel duty (rates from 23 march 2011)**

Provides for changes to the rates of duty and rebates in the Hydrocarbon Oil Duties Act 1979 from 6pm on 23 March 2011.

## **15. Fuel duty (rates from January 2012)**

Authorises the Finance Bill to provide for changes to the rates of duty and rebates in the Hydrocarbon Oil Duties 1979 from 1 January 2012.

## **16. Vehicle excise duty (rates on 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 etc..

## **17. Vehicle excise duty (certain goods vehicles without road-friendly suspension)**

Provides for changes to certain rates of vehicle excise duty applying to certain goods vehicles without road-friendly suspension.

## **18. Climate change levy (rates)**

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

## **19. Aggregates levy (rate)**

Provides for the repeal of Section 16 of the Finance Act 2010 and accordingly provides that section 20 of the Finance Act 2008 (increase in rate of aggregates levy from 1 April 2009) continues to have effect in relation to aggregate subjected to commercial exploitation on or after 1 April 2011.

## **20. Landfill tax (standard rate)**

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

## **21. Employment income provided through third parties**

Authorises the Finance Bill to provide for changes including with retrospective effect, to the tax rules in relation to arrangements concerned with the provision of rewards or recognition or loans in connection with current, past or prospective employments.

## **22. Gifts and other disposals to charities and sports clubs**

Authorises the Finance Bill to provide for legislation in relation to gifts and other disposals to charities or community amateur sports clubs.

## **23. Amounts not fully recognised for accounting purposes**

Authorises the Finance Bill to provide for amendments to corporation tax legislation on loan relationships and derivative contracts where amounts are not fully recognised for accounting purposes, including provisions having retrospective effect.

## **24. Loan relationships involving connected debtor and creditor**

Authorises the Finance Bill to provide for amendment to sections 418 (loan relationships treated differently by connected debtor and creditor) and 419 (Section 418: supplementary) of the Corporation Tax Act 2009 including provision having retrospective effect.

## **25. Group mismatch schemes**

Authorises the Finance Bill to make provision about group mismatch schemes.

## **26. Chargeable gains**

Authorises the Finance Bill to provide for amendments the Taxation of Chargeable Gains Act 1992.

## **27. Leasing businesses**

Authorises the Finance Bill to make provision about companies that carry on businesses of leasing plant or machinery.

## **28. Investment companies**

Authorises the Finance Bill to provide for amendments to the corporation tax rules about investment companies.

## **29. Reduced childcare relief for higher earners**

Authorises the Finance Bill to provide for reducing the amount of relief available in respect of childcare vouchers or childcare provided by an employer that is available to higher earners.

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

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

### **31. Intangible fixed assets**

Authorises the Finance Bill to provide for the amendment of Part 8 (Intangible Fixed Assets) of the Corporation Tax Act 2009.

### **32. Foreign permanent establishments**

Authorises the Finance Bill to provide for provision to be made about foreign permanent establishments of UK resident companies.

### **33. Investment trusts**

Authorises the Finance Bill to make provision for investment trusts.

### **34. Furnished holiday lettings**

Authorises the Finance Bill to make provision about furnished holiday lettings.

### **35. Leases and changes to accounting standards**

Authorises the Finance Bill to provide for cases where there is a change in accounting standards in relation to leases, including provision having retrospective effect.

### **36. Companies with small profits**

Authorises the Finance Bill to provide, including retrospectively, for amendments to Part 3 to the Corporation Tax Act (CTA) 2010, corporation tax small profits rate.

### **37. Insurance companies (apportionment)**

Authorises the Finance Bill to provide for the apportionment of amounts (including provision having retrospective effect) under section 432C of the Income and Corporation Taxes Act 1988 (relevant fraction).

### **38. Transfer pricing**

Authorises the Finance Bill to provide for application of OECD principles in relation to transfer pricing rules.

### **39. Pension schemes**

Authorises the Finance Bill to make provision in relation to pension schemes.

### **40. The bank levy**

Authorises the Finance Bill to provide for a bank levy, including provision having retrospective effect.

### **41. Value added tax (business samples)**

Authorises the Finance Bill to make provision for amendments with regard to the treatment of business samples within the Value Added Tax Act 1994.

#### **42. Value added tax (splitting of supplies)**

Authorises the Finance Bill to provide for changes with regard to supplies of goods within Group 3 (books etc.) of Schedule 8 (Zero-Rating) to the Value Added Tax Act 1994.

#### **43. Value added tax (Academies)**

Authorises the Finance Bill to provide for proprietors of academies to recover VAT incurred on purchases made to support their non-business activities (principally the provision of free education).

#### **44. Value added tax (imported goods of low value)**

Authorises the Finance Bill to provide for restricting the relief from value added tax (VAT) that is available in respect of imports of consignments of goods not exceeding a certain value.

#### **45. Climate change levy (production of electricity)**

Authorises the Finance Bill to make provision for and in connection with the climate change levy on supplies of commodities used to generate electricity.

#### **46. Climate change levy (Northern Ireland gas supplies)**

Provides for the removal of the exemption from climate change levy for supplies of gas in Northern Ireland with effect from 1 April 2011 and replaces it with a lower rate for a transitional period, after which the main levy rate for gas will apply.

#### **47. Climate change levy (supplies used in transport)**

Provides for the Treasury to make an order suspending in whole or in part the operation of paragraph 12 of Schedule 6 to the Finance Act 2000 in respect of supplies treated as taking place on or after 1 April 2011. A further order may reinstate in whole or in part paragraph 12 and reinstatement may be retrospective. The power to make a suspending order may not be exercised after 31 March 2012.

#### **48. Climate change levy (supplies used in recycling processes)**

Provides for the Treasury to make an order suspending the operation of paragraph 18A of Schedule 6 to the Finance 2000 in whole or in part in respect of supplies treated as taking place on or after 1 April 2011. A further order may reinstate the operation of paragraph 18A in whole or in part and this reinstatement may be retrospective. The power to make a suspending order may not be exercised later than 31 March 2012.

#### **49. Stamp duty land tax (prevention of avoidance)**

Provides for amendment of the stamp duty land tax rules on sub-sales, alternative property finance and exchanges of land in Part 4 of the Finance Act 2003, with effect from 24 March 2011.

## **50. Specified investments**

Authorises the Finance Bill to provide for changes about specified investments for the purpose of section 22 of the Financial Services and Markets Act 2000 (Regulated activities: the classes of activity and categories of investment), including provisions having retrospective effect.

## **51. National Savings Bank ordinary account interest**

Authorises the Finance Bill to provide for the abolition of the relief from income tax on interest on deposits in National Savings Bank ordinary accounts.

## **52. Relief from tax (incidental and consequential charges)**

Authorises incidental or consequential charges to duty or tax where they arise from provisions designed in general to be relieving of taxation.

### **Procedure (future taxation)**

Authorises the Bill to:

- a. contain provision for corporation tax to be charged for the financial year 2012;
- b. contain provision about indexation of the capital gains tax annual exempt amount to take effect in a future year;
- c. contain provisions for the rates of climate change levy, having effect in a future year;
- d. contain provision for the standard rate of landfill tax in a future year;
- e. contain provision for changes to the taxation of furnished holiday lettings for income tax, corporation tax and capital gains tax purposes for a future year;
- f. contain provision for changes to the company car tax regime with effect from a future year;
- g. contain provision about the lifetime allowance charge;
- h. make a provision for and in connection with the charging of the climate change levy on supplies of commodities used to generate electricity with effect from a future year; and
- i. contain provision giving HMRC a power to collect data with effect from a future year.

### **Procedure (data-gathering powers in connection with certain foreign taxes)**

Authorises the Finance Bill to provide for a new power and for the amendment of an existing power to collect data in connection with certain overseas taxes for the purposes of exchanging information with treaty partners.

**Procedure (mutual assistance in recovery of taxes, duties etc)**

Authorises the Finance Bill to provide for giving effect to Council Directive 2010/24/EU (mutual assistance in recovery of taxes, duties, etc), and any amendments, extensions or replacements of that Directive.

**Finance (money)**

Authorises the Finance Bill to contain provision permitting the Commissioners for Her Majesty's Revenue and Customs to pay for expenditure incurred in preparing for the introduction of a new machine games duty.