TAX
FACULTY

BUDGET 2014

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BUDGET REPORT 2014

The Chancellor of the Exchequer delivered his 2014 Budget on 19 March 2014.

This is a summary of the announcements about tax and related matters. It has been prepared by the ICAEW Tax Faculty team, with an overview by Frank Haskew, and edited by Jane Moore.

The Budget announcements and publications can be found on the GOV.UK website at Budget 2014.

The main Budget documents are the Red Book, which summarises the Budget announcements and policy decisions, and the Overview of Tax Legislation and Rates, which contains detailed tax information including Tax Information and Impact Notes (TIINs) on all the Budget and Finance Bill measures.

This year's Finance Bill (FB) will be published on 27 March 2014.

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Budget overview

A Budget to start the general election campaign?

This was the Chancellor's fifth Budget and, with the general election just over a year away, will be the last one which is likely to be implemented in full before the election. Mr Osborne is an astute politician and it was always likely that he would use this opportunity to light the 2015 election touch paper. He sought to light it while still keeping the UK's budget deficit under control.

Throughout his tenure there have always been two clouds on the Chancellor's horizon – the need for growth and the need to tame the budget deficit. In respect of the first, the picture is one of improvement. Growth proved elusive in his first Budgets and estimates always appeared to be too optimistic. We now have the opposite effect – growth has gathered some momentum and previous estimates have been revised upwards. However, given the inherent uncertainties some caution is understandable and desirable. It remains to be seen whether the growth is sufficiently broadly based. Critics argue that UK growth is too dependent on house prices and consumption rather than manufacturing and exporting, a concern that Mr Osborne shares. Further, growth remains vulnerable to external events. Forecasting growth is never going to be an exact science but, by and large, the economy at least appears to be on a reasonable track.

The other cloud is the budget deficit. The UK has been running budget deficits for many years now and the overall amount of the deficit is currently over one *trillion* pounds. The Chancellor has made it his mission to try and get the budget back into balance but it is proving a harder task than he envisaged when he first took up his post. The conventional wisdom is that, aside from fiscal tightening and spending cuts, increased growth is the panacea to reduce or eliminate budget deficits. This is helping, but the Chancellor acknowledged that growth itself isn't enough. The forecast deficits are better than they were but the budget is still not expected to get back into balance until 2017/18 – a timescale that is sufficiently far into the future to bring the risk that events in the meantime will knock it off course. However, jam tomorrow has been a consistent feature of the UK's fiscal performance since the early years of this century, which tends to confirm the Chancellor's worry that the UK's deficit is a structural rather than cyclical problem.

All of this puts the Chancellor in a difficult position. At this stage in the electoral cycle a chancellor will usually be looking to give out some pre-election sweeteners, but these are more easily funded if you have a budget surplus to play with rather than a yawning deficit that in actual terms gets bigger by the day.

So, what did he have to say? The Chancellor has become a good performer on the day and this Budget was no exception. It was an assured performance reminiscent of those delivered by Mr Brown when he carried all before him. He was again at pains to emphasise that the UK has a structural budget deficit. He therefore presented a broadly neutral budget in overall terms, resisting any attempts to spend money he did not have on tax cuts. The Chancellor continued with the policy outlined in the last Budget to focus more attention on reducing spending, proposing measures to cap the overall size of the welfare budget and for further savings in existing budgets. This tightening of existing expenditure plans exceeded an overall reduction in tax revenues to give an overall fiscal consolidation (ie, less spending than originally planned) in the next five years of about £150m, a net £30m a year overall reduction – which barely registers on the scale when you compare it to annual receipts of about £650bn.

The Chancellor again stressed his support for business with a variety of targeted measures to boost growth and investment. The single biggest incentive was a doubling of the annual investment allowance from £250,000 to £500,000 for expenditure incurred between 1 or 6 April 2014 and 31 December 2015. For those with long memories, in effect you can claim 100% first year allowances on the first £500,000 of your capital expenditure on plant and machinery. This will be welcome for many SMEs.

The really surprising, and politically populist, announcements related to savings and pensions. In respect of savings, his proposals to increase the limits for ISAs and abolish distinctions between cash and share-based savings will be welcomed by many, as will the announcement of new NS&I bonds with higher interest rates. Savers have been particularly hard hit by a long period of low interest rates and poor annuity returns, so these changes are likely to go down well with pensioners and savers.

His real surprise was with the radical announcement about how monies from defined contribution pensions can be accessed. The Chancellor will sweep away the existing restrictive rules that require you to purchase an annuity or use income drawdown or face a 55% tax charge on unauthorised withdrawals. Instead, you will be able to draw from your pension subject to any amounts being taxable at marginal rates, although taxpayers will still be able to access a tax-free lump sum as now.

On the face of it, this looks a radical and welcome development, freeing up the ability of pensioners to take what they want when they want from their pension savings. Quite how this will translate into ensuring that they don't spend the entire pension and become a burden on the State is unclear, and the measure will apparently increase tax receipts by £5bn over the next five years. The message is clear – we will make it easier for you to access your pension, but you will have to pay income tax on any amounts withdrawn.

The war on tax avoidance continues. A raft of further measures were proposed, some new and others following earlier consultation. The Chancellor will proceed with the measures against the designers and users of tax avoidance schemes by requiring the tax in dispute to be paid up front rather than after cases are settled in the courts. These measures are estimated to bring in nearly £4bn over five years, but if past experience is a guide to the future these estimates may well prove to be optimistic. HMRC will also have further resources to focus its compliance work and there will be further consultation on how tax debts can be collected from those who owe tax but have not paid it.

In summary, given the limited room for manoeuvre and the next election looming over the horizon, this was always going to be a more political budget. The overall fiscal position and outlook continues to improve, with growth and employment rising. The budget deficit is starting to reduce but achieving a balanced budget remains a five-year aspiration. In spite of the pressure to do so, the Chancellor resisted the temptation to go for pre-election giveaways with money he does not have. Instead, he showed his reforming zeal by making some unexpected announcements that should change the landscape for pensions and savings for the better.

Rates and allowances

There are comprehensive tables of rates, allowances and thresholds in Annex B of the Overview of Tax Legislation and Rates. These give details for 2014/15 and also 2015/16 in some cases. They cover all the main taxes and duties, NICs and tax credits.

Personal tax rates and allowances

The standard income tax personal allowance will increase to £10,500 for tax year 2015/16. This allowance is available to those born after 5 April 1948.

The income tax basic rate band for 2015/16 will be £31,785.

We already knew that the personal allowance for 2014/15 will be £10,000 and the basic rate band will be £31,865.

For those born before 6 April 1948, the age-related allowances are being phased out and have been frozen since 2012/13. The allowances are £10,500 for those born after 5 April 1938 and before 6 April 1948, and £10,660 for those born before 6 April 1938.

Transferable personal allowance
From April 2015, a spouse or civil partner will be entitled to transfer up to £1,000 of their personal allowance to their spouse or civil partner. This was announced last year.

New in this Budget is the announcement that for 2015/16, the amount which can be transferred will be increased to £1,050.

The allowance can only be transferred where neither the transferor nor transferee is liable to income tax above the basic rate for a tax year.

Personal allowances for non-residents
The government intends to consult on whether and how the personal allowance could be restricted to UK residents and those living overseas who have strong economic connections in the UK.

Starting rate for savings income
From 6 April 2015 the starting rate of tax for savings income (such as bank or building society interest) will be reduced from 10% to 0% per cent and the maximum amount of taxable savings income that can be eligible for this starting rate will be increased from £2,880 to £5,000.

The government has published a policy paper The starting rate of tax for savings which gives more details of how this will work.

Taken together with the new personal allowance for 2015/16 of £10,500, this means that most savers will not be liable for tax until their total taxable income exceeds £15,500. This figure may be higher for people born before 6 April 1938 or those entitled to married couple's allowance or blind person's allowance.

An individual's income sources are taxed in the order: non-savings income, then savings income and then dividend income. This is relevant because we have several rates of income tax which are applied to different sources of income, not just the 20%, 40% and 45% headline rates.

Illustration
In 2014/15, Bill aged 70 has a state pension of £8,000 and savings income from a bank of £4,000. This is received net of 20% tax (ie the tax deducted is £1,000).

	Non-savings income	Savings income (gross)
	£	£
Income	8,000	5,000
Less age allowance	8,000	2,500
Taxable	nil	2,500
Income tax on savings at 10%		250

Bill must make a tax reclaim for £1,000 less £250 = £750.

Generally, savings income is taxed at source, with the bank or building society deducting income tax at the basic rate of 20%. If the account holder is a non-taxpayer, they either have to reclaim the tax overpaid or take action so that they receive their interest gross by registering with their bank or building society. They do this by completing a form R85. The R85 and its helpsheet are published by HMRC, but the form must then be submitted to the bank.

It is vital that a taxpayer with an R85 in place keeps track of the level of their income as the year progresses, because if their income exceeds the level at which no tax is payable, they must tell their bank.

The problems arise for people like Bill who have savings income which is only partly taxable. The form R85 is only used where no tax is payable on savings income and not if only some tax is payable on it. Such people have to reclaim any overpaid tax.

From 2015/16, Bill's position will be easier as he will be able to fill in an R85, none of his £5,000 will be taxable and he won't have to make a tax reclaim.

The other group of taxpayers most likely to benefit will be students, but only if they have any savings of course.

Personal and employment taxes

Company car tax

The appropriate percentage of list price subject to tax will increase by 2% for cars emitting more than 75 grammes of carbon dioxide per kilometre (gCO_2/km), to a maximum of 37%, in 2017/18 and 2018/19.

In 2017/18 there will be a 4% differential between the 0–50 and 51–75 gCO_2/km bands and between the 51–75 and 76–94 gCO_2/km bands. In 2018/19 this differential will reduce to 3%.

The differential will reduce further to 2% in 2019/20 in line with the Budget 2013 announcement.

The government remains committed to reviewing incentives for ultra low emission vehicles at Budget 2016, to inform decisions on company car tax from 2020/21 onwards.

Legislation will be in FB 2015.

Fuel benefit charge

The fuel benefit charge multipliers for both company cars and vans will increase in line with inflation for 2015/16. The increase will be based on the September 2014 RPI figure.

We already knew that the car fuel and van fuel benefit figures for 2014/15 will be £21,700 and £581.

Van benefit charge

The VBC will increase in line with inflation for 2015/16. The increase will be based on the September 2014 RPI figure.

We already knew that the van benefit for 2014/15 is £3,090.

Van benefit charge: zero emission vans

Legislation will be introduced in FB 2015 to extend VBC support for zero emission vans to 5 April 2020 on a tapered basis. In 2015/16 the van benefit charge rate paid by zero emission vans will be 20% of the rate paid by conventionally fuelled vans, increasing to 40% in 2016/17, 60% in 2017/18, 80% in 2018/19 and 90% in 2019/20, with the rates equalised in 2020/21.

The government will review van benefit charge support for zero emission vans at Budget 2016.

OTS review of employee benefits and expenses

In response to the Office of Tax Simplification (OTS) report on employee benefits and expenses published on 29 January 2014, the government will consult on a package of four simplifications

based on the OTS recommendations, with a view to introducing legislation in FB 2015. The package consists of the following:

- abolishing the threshold for the taxation of benefits-in-kind for those employees who earn less than £8,500, with action to mitigate the effects on any vulnerable groups disadvantaged by the reforms;
- introducing a statutory exemption for trivial benefits;
- introducing a system of voluntary payrolling for benefits-in-kind; and
- replacing the expenses dispensation regime with a reimbursed expenses exemption.

The government also confirms its intention to review the rules underlying the tax treatment of travel and subsistence expenses and, in addition, will issue a separate call for evidence on remuneration practices and patterns to inform any future reforms.

Tax-free childcare
The government will start to roll out the new Tax-Free Childcare scheme from autumn 2015, the scheme.

The scheme provides 20% support in the form of vouchers which can be used to pay for childcare. The maximum support has been increased to £10,000 per year for each child, ie it worth up to £2,000 per child each year.

It will available to all eligible families with children under 12, which is an improvement on the initial proposal to make it available to younger children first and gradually bring in older children (up to the age of 12).

The government has also announced that all families eligible for universal credit will benefit from support for childcare at 85%.

The current scheme of employer-supported childcare will continue for those already in the scheme but no new members will be allowed to join. Existing participants will be able to choose whether they want to stay in or move to the new scheme.

Income tax exemption: Glasgow Grand Prix
An income tax exemption will apply for non-UK resident competitors at the Glasgow Grand Prix athletics competition between 5 July and 14 July 2014.

Artificial use of dual contracts
Where the duties of a single employment are artificially divided between a UK and an overseas contract, the overseas employment income will in future be taxed on the arising basis where tax payable on the overseas contract is not at a rate broadly comparable to UK tax rates.

Anti-avoidance measures to prevent artificial use of dual contracts by non-UK domiciliaries, enabling them to shelter earnings from UK tax using the remittance basis rules, were announced in the Autumn Statement and draft legislation was published in January 2014. We had serious reservations about the draft legislation as expressed in TAXREP 14/14.

Some of our concerns should be addressed in the revised draft legislation, as we understand:

- Changes will be made to reflect concerns that the original draft caught arrangements that were not set up for tax avoidance.
- Charges will not arise on nominal directorships if the individual (or their associates) own or control less than 5% of the company’s ordinary share capital.
- No income tax charge will arise on income related to employment duties performed before 2014/15.
- Account will be taken of employments held for legal or regulatory reasons.

- The threshold for the comparative tax rate in the country where tax has been paid will be reduced to 65% from the original proposal of 75%. Income from each overseas employment will be considered independently.

Our initial view remains – we do not understand why this additional legislation is required.

Pensions

Major changes to pensions regime

The measures announced in the Budget amount to a radical change for pensions. The Chancellor in his speech suggested that this was the greatest change to the pension regime since it was introduced in the 1920s.

The rationale behind the change is set out in the Foreword to the consultation document published on Budget day Freedom and choice in pensions:

> 'Our next priority is to change the way that people in retirement can access their pension savings. The current system effectively forces the majority of individuals with defined contribution savings to buy an annuity. But times have changed, and a new solution is needed.
>
> 'As the nature of retirement changes, annuities are no longer the right product for everyone. People are living longer and their needs are becoming more varied. Our reforms to the State Pension and the triple lock guarantee give certainty to pensioners on what they will receive from the state. The introduction of Automatic Enrolment will dramatically increase the amount of pension savings. The landscape has completely changed.
>
> 'Moreover, the annuities market is currently not working in the best interests of all consumers. It is neither competitive nor innovative and some consumers are getting a poor deal. It is time for a bold, modern and progressive reform. This government backs savers and wants to give them the freedom and choice to get the best deal possible.'

The changes take effect from 27 March 2014 for defined contribution schemes. There will be consultation on defined benefit schemes.

- There were several changes announced, the headline grabber being it would no longer be necessary to buy an annuity giving the individual the power to manage their own pension payments if they so choose. In conjunction with the removal of the requirement to buy an annuity there will be a relaxation of the rules governing drawdown and commutation and lower tax charges on withdrawals above the limits.
- Drawdown of pension funds can either be capped or flexible. Capped drawdown is currently restricted to 120% of the basis amount (the equivalent annuity); this limit will be increased to 150%. Under flexible drawdown there is no cap provided the individual has other income of £20,000; this income threshold will be reduced to £12,000.
- Where an individual over age 60 has total pension rights under all registered pension schemes of less than £18,000 a trivial lump sum commutation can be paid of the full amount. The limit of £18,000 will be increased to £30,000.
- Currently up to two pension pots with a value less than £2,000 can be taken as a lump sum; the limit will be increased to £10,000 and will apply to three pension pots.
- In future full withdrawals of the pension pot will be taxed at the marginal rates of the pensioner rather than at the flat rate of 55% as at present and there will be consultation with regards to the 55% rate applied to certain pensions on the death of the pensioner.

To help pensioners decide the best options for their retirement funds the government will introduce a new guarantee that everyone who retires with a defined contribution pension will be offered free and impartial face-to-face guidance on their choices at the point of retirement.

Pension liberation
Pension liberation is a growing problem that the Tax Faculty has drawn attention to in the past in news articles. A number of promoters have set up schemes to specifically target members of bona fide pension schemes encouraging them to transfer their pension fund on the basis that they can then withdraw their entire fund from the pension regime. The promoter takes a fee and pays out the balance without mentioning the 55% tax charge that will ultimately become payable by the individual. Alternatively the promoter may make unauthorised investments that then disappear into the ether.

Under the current law HMRC must register a scheme unless the application contains incorrect information or a false declaration and can only withdraw a registration in limited circumstances. This has allowed the creation of schemes that are used for the sole purpose of liberating pensions.

New legislation will be introduced to widen the circumstances in which HMRC may refuse to register a scheme to include where HMRC does not think that the scheme administrator is a fit and proper person and that the scheme has been established for purposes other than providing pension benefits. HMRC will be given more information powers in connection with new applications to register schemes, enabling it to enquire into whether a scheme administrator is a fit and proper person. Similar changes will be made regarding the circumstances relating to deregistration of a scheme.

A further change is that where an independent trustee is appointed by the court or the Pension Regulator, tax liabilities on events arising before their appointment will not flow through to them but will remain with the previous scheme administrator and failing that the sponsoring employer or the member.

The final change proposed is in connection with surrenders of pension funds where currently a surrender of rights under a registered pension scheme to fund the making of an authorised surplus payment, for example to another scheme, cannot be treated as an unauthorised payment. In future it could be treated as an unauthorised payment. This change will prevent authorised surpluses being artificially created as a potential means of liberation.

This tightening up of the rules is welcome.

Savings and investment

ISAs
From 1 July 2014 the Individual Savings Account (ISA) regulations will be greatly simplified and the medium re-launched under the new name of New ISA (NISA). All existing ISAs will become NISAs on that date.

Until now an investor could invest up to the ISA limit (£11,520 for 2013/14) in stocks and shares although up to half this total could be invested in a cash ISA deposit account instead (£5,760 for 2013/14). Many people utilise just the cash savings total and do not purchase any shares or unit trusts.

From 1 July 2014 the investor will be able to invest in any combination of cash or shares up to a total of £15,000. This means that for the first time subscribers can use the annual maximum wholly for a cash account. The government accepts this may mean a shift in the composition of savings portfolios towards cash deposits.

Under NISA the investor will have the new right of transferring their investment of shares into cash. As before, administratively any such transfer should be between providers and the investor should not withdraw funds from a stocks and shares ISA in order to themselves deposit it in a cash ISA. In addition NISAs will be able to invest in a wider range of securities.

The Chancellor's Autumn Statement in December 2013 had announced that the 2014/15 ISA annual limits would be £11,880 of which £5,940 could be in a cash deposit. These limits will apply between 6 April 2014 and 30 June 2014.

Finally, from 1 July 2014 the annual limit for investment in a Junior ISA or Child Trust Fund will be increased from £3,720 for 2013/14 to £3,840 from 6 April 2014 and to £4,000 from 1 July 2014.

Premium bonds
From 1 August 2014 the £30,000 maximum holding will be increased to £40,000 and a second £1m top prize introduced.

The maximum holding will be increased again to £50,000 in 2015/16.

Pensioner bonds
A range of fixed rate bonds for those aged 65 and over will be introduced in January 2015 by National Savings & Investments, with a maximum holding of £10,000 per person. The interest rates to be paid will be announced in the December 2014 Autumn Statement but are currently expected to be 2.8% gross for the one-year year bond and 4% gross for the three-year bond.

Increase in limits under employee share schemes
Legislation will be introduced in FB 2014 to increase the maximum value of shares that employees can acquire under all-employee share incentive plans (SIP) from 6 April 2014.

The individual limits under SIP will be increased to:

- £3,600 on the 'free' shares companies can award to employees; and,
- £1,800 on the 'partnership' shares employees can purchase.

Following consultation, the legislation has been extended to enable further adjustments of SIP limits to be made by Treasury Order.

This change will have effect from Royal Assent to FB 2014.

OTS review of tax-advantaged share schemes
Legislation will be introduced in FB 2014 to give effect to OTS proposals to simplify the tax rules and administrative processes for employee share schemes.

The main changes are:

- the switch from HMRC approval of tax-advantaged schemes to self-certification by businesses: and
- online filing of all employee share scheme returns and information, for both tax advantaged schemes and non-tax-advantaged arrangements that provide employment-related securities.

In addition, a number of technical changes have been made to the rules for tax-advantaged schemes to clarify the legislation, including modification of the purpose test that schemes must meet.

Following consultation, the legislation has been revised to include several minor technical modifications, including in relation to the declaration required from companies when self-certifying or notifying alterations to schemes; the requirements upon share incentive plan (SIP) trustees; Save as You Earn and company share option plan (CSOP) option exercise rights; the tax chargeable in certain circumstances where SIP shares are forfeited; and the general requirements in relation to CSOP options.

These changes will have effect from 6 April 2014

OTS review of unapproved share schemes
Legislation in FB 2014, together with secondary legislation, will implement simplification measures recommended by the OTS for the taxation of employment-related securities.

Following consultation, the legislation has been revised to enable corporation tax (CT) relief to be available in a range of circumstances where companies employ or host internationally mobile employees (IMEs), to correct an anomaly in relation to employer contributions to overseas pensions schemes and to provide other minor and technical updates.

Many of these changes will have effect from 6 April 2014 or from Royal Assent to FB 2014.

However, following feedback from stakeholders, measures to simplify the income tax, National Insurance contributions and CT rules for IMEs will have effect from 6 April 2015, and will apply to events after that date in relation to any employment-related securities.

Seed enterprise investment scheme
We are very pleased that tax relief under the Seed Enterprise Investment Scheme (SEIS), which has been steadily attracting more interest from investors, is to be extended without time limit. It had been intended that it would end in April 2015.

The SEIS is available for investments made after 5 April 2012. The relief for investors is:

- Income tax relief of 50% of the cost of the shares up to £100,000.
- 100% CGT reinvestment relief for gains on disposals in 2012/13 reinvested in that year. Finance Act (FA) 2013 extended CGT reinvestment relief for gains realised on disposals in 2013/14 that are invested through SEIS in 2013/14 or 2014/15 although the extension of the relief is only for half the qualifying reinvested amount.

The CGT reinvestment relief will now be made permanent, so that relief will now be available for reinvestment of gains accruing to individuals in 2014/15 and subsequent years.

Section 257A, Income Tax Act 2007 currently provides for SEIS relief to be available in respect of shares issued on or after 6 April 2012 and before 6 April 2017.

Section 150G and Sch 5BB, Taxation of Chargeable Gains Act 1992 provides the CGT relief for reinvestment in SEIS shares. Condition A at para 1(2)(a), Sch 5BB currently holds that the relief is limited to gains accruing to the SEIS investor in 2012/13 or 2013/14.

As the relief becomes a permanent feature of the tax system, we urge investors to be careful as the conditions for the relief are complicated and it is easy to make mistakes. HMRC publishes cautionary notes on its website warning investors to, for example, make sure they actually pay for the shares they buy and don't leave the debt outstanding.

VCT scheme changes
As announced in Budget 2013, legislation will be introduced to restrict individuals' entitlement to venture capital trust (VCT) income tax relief where investments are conditionally linked in any way to a VCT share buy-back, or have been made within six months of a disposal of shares in the same VCT.

Legislation will also be introduced in FB 2014 to ensure that, notwithstanding the general time limits for making assessments to recover tax, HMRC can withdraw tax relief in all cases if VCT shares are disposed of within five years of acquisition. These changes will have effect from 6 April 2014.

From the date of Royal Assent to FB 2014, investors will be able to subscribe for shares in a VCT via a nominee.

Business tax

Annual investment allowance

We have described the constantly changing level of the annual investment allowance (AIA) as something of a tax yo-yo since it was first introduced.

The latest increase, announced in the Budget, is to £500,000. This will apply to all qualifying investments by companies made on or after 1 April 2014 (6 April 2014 for income tax). The calculations for businesses with expenditure approaching the limits are likely to be complex.

From 1 January 2016, the rate will revert to £25,000 unless overtaken by subsequent announcements.

In overview:

Annual investment allowance	Rate (per annum)
1 or 6 April 2008 to April 2010	£50,000
1 or 6 April 2010 to April 2012	£100,000
1 or 6 April 2012 to 31 December 2012	£25,000
1 January 2013 to 31 March 2014/5 April 2014	£250,000
1 or 6 April 2014 to 31 December 2015	£500,000
1 January 2016 onwards	£25,000

This measure is designed to stimulate business investment in the economy by providing an extended time-limited incentive for businesses to invest in plant or machinery. We presume this will also cover investment in fixtures.

This will of course be welcomed by those larger businesses with money to spend, although at the smaller end, it is unlikely to make a great deal of difference.

Class 2 NICs: simplification

The government intends to go ahead with its plans to simplify the administrative process for the self-employed by using self assessment to collect Class 2 NICs alongside income tax and Class 4 NICs.

This follows consultation to which we responded as TAXREP 54/13. A summary of responses was published in December 2013.

The change will apply April 2016. As far as we have seen so far, there has been nothing more detailed published to explain how this will work in practice. We anticipate further consultation will be needed, particularly about how to deal with exemptions.

Construction industry scheme

The government will consult in summer 2014 on options to improve the operation of the construction industry scheme (CIS) for smaller businesses and to introduce mandatory online filing for contractors. The government will also hold discussions with industry on revisions to

reporting obligations and improvements in registration for joint ventures. We are very pleased that the discussions we have been having with Ministers and with HMRC have been fruitful in opening up this debate.

We can expect to see a formal consultation document published towards the end of May 2014 with roundtable events to discuss proposals running from the middle of June to the middle of July. This will be an opportunity to look at the operation of CIS and in particular whether barriers to attaining gross payment status can be removed. We understand this might mean fewer compliance tests and a lower turnover threshold for partnership/multi-director cases. There may also be scope to remove reporting obligations for large businesses and registration for international joint ventures.

Please let us know if you would like to get involved in these activities as part of the ICAEW response by emailing anita.monteith@icaew.com.

Business premises renovation allowance
From 1 April 2014 for businesses within the charge to corporation tax, 6 April 2014 for income tax, the rules governing what expenditure qualifies for the business premises renovation allowance (BPRA) will change. The proposed changes were first announced last summer and the Tax Faculty responded in TAXREP 51/13. Draft FB clauses were published on 10 December 2013.

Following the changes, relief will only be available for the actual costs of construction and building work, and for certain specified activities such as architectural and surveying services. The legislation will also provide that additional associated but unspecified activities (such as project management services) qualify for relief, limited to 5% of the actual costs as newly specified.

In addition:

- A rule will be introduced preventing claims to BPRA being made if another form of state aid has or will be received. Following consultation, the proposal to limit qualifying plant and machinery to integral features has been widened to cover additional listed items.
- The rule preventing expenditure incurred on buildings qualifying for relief before they have been unused for a year will be clarified.
- Where expenditure is paid in advance and tax relief claimed immediately, the works to which that expenditure relates must be completed within 36 months or that relief will be withdrawn. The draft FB 2014 clauses had intended to limit this to 24 months, so the extra time is welcome.
- The period in which balancing adjustments must be made if certain events occur will be reduced from seven to five years, which will again be welcome.

Expenditure incurred before 1 (or 6) April 2017 qualifies.

Capital allowances: mineral extraction
The government will extend the scope of qualifying expenditure on mineral exploration and access to include expenditure on seeking planning permission and permits where permission and permits are granted.

The change will mean that successful planning permission costs will be treated as expenditure on mineral exploration and access rather than as expenditure on acquiring a mineral asset. It will apply to qualifying expenditure a company incurs on or after Royal Assent of FB 2014.

Enterprise zones: enhanced capital allowances
The 100% enhanced capital allowances available for expenditure by companies in enterprise zones is to be extended to 31 March 2020.

Enhanced capital allowances: energy-saving and water-efficient technologies
The lists of technologies and products covered by the energy-saving and water-efficient enhanced capital allowances (ECA) schemes have been updated.

These schemes allow 100% of the cost of an investment in qualifying plant and machinery to be written off against the taxable profits of the period in which the investment is made.

Company tax

Bank levy
For almost the first time there was no change to the bank levy which will remain at 0.156% as it has been since 1 January 2014.

A number of changes to the bank levy are being introduced in FB 2014 following consultation over the summer of 2013. A further consultation is to be launched on 27 March 2014 into the merits of a new charging mechanism whereby banks would be allocated into different chargeable bands according to their chargeable equity and liabilities and there would be different levy rates for the different bands. The overall level of revenue would be unchanged and this is currently estimated to be £2.7bn in 2014/15 and £2.9bn in 2015/16. If this banding structure is to be put into effect the relevant legislation will be introduced at the report stage of FB 2014 and will apply to chargeable periods commencing on or after 1 January 2015.

About 30 to 40 large banking groups pay the bank levy.

Banking code of practice
The government consulted in the summer of 2013 to introduce a revised code which will be more transparent: there will be an annual report and, in appropriate circumstances, banks will be named if they have not complied with the code.

The annual report is to be introduced from 2015 and it will name those banks that have, as well as those banks that have not, adopted the code of practice. The report may also name any bank that, in HMRC's opinion, is not complying with the revised code.

As at Budget Day, 283 banks have adopted the revised code, up from 264 banks on the day of the Autumn Statement in December 2013.

Corporate debt and derivative contracts
When corporate debt and derivative contracts are transferred within groups of companies no potential gain is crystallised but it does become chargeable if the transferee company leaves the group within six years. From 1 April 2014 the de-grouping provisions will be extended to losses as well as profits.

The government will shortly issue a technical note setting out proposed changes which will aim to make the corporate tax rules simpler for loan relationships and derivative contracts and make them more certain and also more robust against tax avoidance. The intention is that this new regime will be legislated in FA 2015 and take effect for accounting periods beginning on or after 1 January 2016.

R&D tax credit
From 1 April 2014 the rate of research and development (R&D) payable credit for loss-making small and medium-sized enterprises will increase from 11% to 14.5%.

R&D relief gives additional corporation tax relief for expenditure incurred on R&D projects that seek to achieve an advance in science or technology. A distinct scheme exists for SMEs, which

was originally introduced in FA 2000. For a SME with no corporation tax liability a tax credit can be claimed by way of a cash sum paid by HMRC. A SME is a company or organisation with:

- fewer than 500 employees, and
- either annual turnover not exceeding €100m or a balance sheet total not exceeding €86m.

R&D allowances for pre-trading companies
If companies which incur pre-trading expenditure on research and development are sold then the expenditure will not, in the future, be forfeited under the targeted anti-avoidance loss-buying rules.

This will mean that companies which rely on the preliminary capital research and development work of unconnected companies will be able to benefit from the expenditure made on their behalf if they take over the company. The R&D rules will not themselves be changed.

Theatre tax relief
The government will introduce a new corporation tax theatre tax relief at 25% for qualifying touring productions and 20% for other qualifying productions, with effect from 1 September 2014.

Film tax relief
The government will make corporation tax relief available at 25% on the first £20m of qualifying production expenditure, and 20% thereafter, for small and large budget films from April 2014. It will also reduce the minimum UK expenditure requirement from 25% to 10% and will modernise the cultural test.

Video games and high-end TV tax relief
Video games tax relief will be extended to goods and services provided from within the European Economic Area, with a cap on subcontracting of £1m per game, subject to state aid clearance. The legislation will also be clarified so that only those games and television programmes qualifying for relief will be treated as separate trades.

Insurance premium tax
The government will legislate to exempt space satellite insurance from IPT.

Capital taxes

Annual tax on enveloped dwellings
The annual tax on enveloped dwellings (ATED) was introduced with effect from 1 April 2013 and relates to residential properties with a value over £2m held by non-natural persons (NNP) (companies, partnerships with company members and collective investment schemes). It imposes an annual charge ranging from £15,000 to £140,000 based on the value of the property.

Associated measures were the imposition of a 15% stamp duty land tax (SDLT) when a NNP purchased a residential property for over £2m and a capital gains tax charge at 28% on any gain on disposal.

The Budget announced an extension of these charges reducing the starting value of properties affected to those with a value over £500,000.

The 15% SDLT on properties costing over £500,000 purchased by a NNP will apply from 20 March 2014.

The new bands for ATED will be introduced progressively;

- properties with a value over £1m and up to £2m will be liable to an annual charge of £7,000 from 1 April 2015 with the first return due by 1 October 2015 and the first payment due 31 October 2015; and
- properties with a value over £500,000 and up to £1m will be liable to an annual charge of £3,500 from 1 April 2016.

The ATED-related capital gains tax charge will apply to disposals after 6 April 2015 for properties in the over £1m and up to £2m bracket and from 6 April 2016 for properties in the over £500,000 and up to £1m bracket. In both cases it is only gains arising after the date the charge comes into effect that will be liable.

The lowering of the threshold will bring many more NNPs into the regime but a large number will qualify for relief, for example because they are let on a commercial basis but they will still need to file a return to claim the relief. The announcement does recognise that the administration of ATED will need to be simplified and there will be a consultation on how this could be achieved.

For those NNPs who will not qualify for relief the delayed and staged introduction of the ATED charge to lower value properties will allow time for exit plans to be considered.

Capital gains tax: rollover relief
Two changes were announced to the rollover relief rules.

The first measure is simply to include the new farming Basic Payment Scheme within the class of assets eligible for business asset rollover relief. The Basic Payment Scheme is the replacement for the Single Payment Scheme, the principal agricultural subsidy scheme in the EU which will cease in 2014. The Single Payment Scheme and its forerunners are already included in the eligible class of assets for rollover.

The second measure is to correct a drafting error that occurred when parts of the legislation relating to rollover relief were redrafted under the Tax Law Rewrite project. As the legislation was rewritten, it was possible for a company to roll over a gain on a tangible asset into an intangible asset. As a result it was in theory possible to have expenditure relieved twice, once when the rollover relief was claimed and again when the expenditure on the replacement asset was relieved under the intangible fixed assets rules in part 8, Corporation Tax Act 2009 (CTA 2009). It was never intended to change the scope of rollover relief. For any claims made before Budget Day the tax cost of the replacement intangible fixed asset will be adjusted when calculating future debits and credits under the CTA 2009 rules.

CGT: private residence relief
As announced in the Autumn Statement the final period of ownership of a private residence which qualifies for relief will be reduced from 36 months to 18 months from 6 April 2014. There will be exceptions such that some disabled persons and people moving into care homes will continue to have a final exemption period of 36 months.

CGT: gains by non-residents
Also announced in the Autumn Statement was the intention to charge capital gains tax on future gains made by non-UK-residents on the disposal of a residential property. A consultation document on this proposal is anticipated in the near future.

IHT: nil rate band
As previously announced the nil rate band is frozen until at least 2017/18 at £325,000.

IHT: armed forces personnel
The government will consult on a proposal to extend the IHT exemption for armed forces personnel who die on active service to all emergency service personnel who die in the line of duty or whose death is hastened because of injuries sustained in the line of duty.

IHT: pension schemes
There will consultation on a proposal to give equivalent treatment to qualifying non-UK pension schemes (QNUPS) and to UK-registered pension schemes, with the intention of introducing legislation in FB 2015.

IHT: foreign currency bank accounts
In the last Budget legislation was introduced to prevent liabilities from being set off against UK assets liable to IHT where the liability was incurred to acquire excluded property.

However, this left a loophole that allowed foreign currency bank accounts, disregarded for IHT purposes rather than being excluded property, to be ignored when considering liabilities of the estate – meaning the liability could still be deducted from the UK assets. In future a liability will be disallowed as a deduction where the borrowed funds have been deposited into a foreign currency account in a UK bank. These changes will have effect from Royal Assent to FB 2014.

VAT

Thresholds for registration and deregistration
With effect from 1 April 2014:

- The annual taxable turnover threshold, which determines whether a person must be registered for VAT, will be raised from £79,000 to £81,000.
- The taxable turnover threshold which determines whether a person may apply for deregistration will be increased from £77,000 to £79,000.
- The registration and deregistration limits for relevant acquisitions from other EU member states will also be increased from £79,000 to £81,000.

The increase in the annual taxable turnover threshold means that a person will have to apply for registration if:

- at the end of any month, the value of the taxable supplies made in the past 12 months or less has exceeded £81,000; or
- at any time there are reasonable grounds for believing that the value of the taxable supplies to be made in the next 30 days alone will exceed £81,000.

If at the end of any month, a person's taxable turnover in the past 12 months or less exceeds £81,000 but HMRC is satisfied that it will not exceed £79,000 in the next 12 months, that person will not have to be registered.

Fuel scale charges
VAT fuel scale charges are now amended automatically by annual calculations from HMRC under The Value Added Tax (Flat-rate Valuation of Supplies of Fuel for Private Use) Order 2013. The new fuel scale charges to be applied with effect from 1 May 2014 are published in Annex B of Overview of Tax Legislation and Rates.

Changes to the place of supply rules and introduction of a Mini One Stop Shop (MOSS)
As previously announced, the place of supply for intra-EU business to consumer (B2C) supplies of telecommunications, broadcasting and e-services will change from 1 January 2015, from the member state of the supplier to the member state in which the consumer is located.

To support these changes, in the UK a Mini One Stop Shop will be introduced from 1 January 2015. This will give businesses accounting for VAT on these types of supplies in other member states the option of only registering in the UK, using a single return.

The Tax Faculty held a webinar on this topic on 4 February 2014, which can be accessed at icaew.com/en/technical/tax/tax-faculty/tax-webinars/vat-is-changing-in-2015.

Prompt payment discounts
Where a prompt payment discount is offered, VAT has always been chargeable on the discounted price. This will be changed, so that VAT will be accounted for on the actual price paid for goods and services where prompt payment discounts are offered.

The change will come into effect on 1 May 2014 for supplies of telecommunication and broadcasting services to consumers and 1 April 2015 for other goods and services.

Reverse charge for gas and power
The government will introduce a reverse charge for gas and power to prevent missing trader intra-community fraud in relation to those commodities. The change will be introduced following discussion with the relevant industry bodies.

Refunds for health authorities
As announced at Budget 2013, once they have been established by the passage of the Care Bill 2014, the government will legislate to include the Health Research Authority and Health Education England within the VAT Act 1994 (VATA 1994), Section 41 Refund Scheme.

Refunds for public bodies
Combined authorities established under existing legislation will be included within the s33, VATA 1994, VAT Refund Scheme, as will the London Legacy Development Corporation from 2015/16.

Zero rate for adapted motor vehicles
There will be a consultation on reform of the VAT zero rate relief on the supply of motor vehicles adapted for the use of wheelchair users. The aim it to better target the relief, reduce fraud, and ensure that users of lower limb prosthetics can benefit from the relief.

Duties

Alcohol duty rates
From 24 March 2014, the duty rate on general beer will be reduced by 2%. The duty rate on low strength beer will be reduced by 6% and the total duty rate on high strength beer will be reduced by 0.75%. The duty rates on spirits and most ciders will be frozen in cash terms this year. The duty rates on wine and high strength sparkling cider will increase by RPI.

Alcohol fraud
As announced at Autumn Statement 2013, the government will introduce new measures to reduce the illicit trade in alcohol products, including a registration scheme for alcohol wholesalers that will start to take effect in 2016 and a requirement for traders to take reasonable steps to ensure their customers are legitimate to take effect later in 2014.

Tobacco duty rates
Duty rates on tobacco products will increase by 2% above RPI. These changes will come into effect from 6pm on 19 March 2014.

Annual duty increases of 2% above RPI will continue until the end of the next Parliament to help improve public health.

Minimum excise tax
The government will consult during summer 2014 on whether a minimum excise tax for tobacco could help improve public health.

Tobacco smuggling and revenue protection
The government will consult during summer 2014 on a range of measures to strengthen its response to tobacco smuggling and improve anti-forestalling controls, with a view to legislating in 2015.

Gaming duty rates
Gaming duty bands will be increased in line with RPI for accounting periods starting on or after 1 April 2014.

The rate of bingo duty will reduce to 10% for accounting periods starting on or after 30 June 2014.

Machine games duty
Alongside the work already underway by the Department of Culture, Media and Sport to consider the regulatory treatment of B2 gaming machines, which will report before Easter, the government will create a higher rate of machine games duty at 25% for gaming machines where the charge payable for playing can exceed £5. This change will take effect from 1 March 2015.

Remote gambling taxation
As announced at Budget 2012, the taxation of remote gambling will move to a place of consumption basis. This will take effect from 1 December 2014.

Horserace betting levy
The government will consult shortly on extending the horserace betting levy to offshore bookmakers. Later in 2014 it will go further and consult on wider levy reforms. This consultation will seek views on a range of options which are likely to include developing commercial arrangements, modernising the existing levy and a horserace betting right.

Rural fuel rebate scheme extension
The government has submitted an application to the European Commission for 17 of the most rural areas in mainland UK to receive a 5p per litre (ppl) fuel duty discount.

Fuel duty incentives for methanol
From April 2015, a reduced rate of fuel duty will apply to methanol. The rate will be set at 9.32p per litre. The size of the duty differential between the main rate and methanol will be maintained until March 2024.

Vehicle excise duty
VED rates for cars, motorcycles and the main rates for vans will increase by RPI from 1 April 2014.

The government will introduce a rolling 40-year VED exemption for classic vehicles from 1 April 2014.

As announced at Autumn Statement 2013, to reduce tax administration costs and burdens, the following changes will take effect from 1 October 2014:

- Motorists will be able to pay their VED by direct debit annually, biannually or monthly, should they wish to do so. A 5% surcharge will apply to biannual and monthly payments.
- A paper tax disc will no longer be issued and required to be displayed on a vehicle windscreen.

VED: heavy goods vehicles
As announced at Budget 2013, from 1 April 2014 VED rates for HGVs within the HGV Road User Levy scheme will be reduced and restructured.

Environmental taxes

Air Passenger Duty
APD rates for 2014/15 will rise in line with RPI from 1 April 2014.

From 1 April 2015, the government will reform APD by merging bands B, C and D, and uprating bands A and B by the RPI.

There will also be higher rates for private business jets.

The government will also consult on making greater tax transparency in ticket sales.

Carbon price floor (CPF) reform
The government will limit the difference between the carbon price implied by the CPF and the EU allowance price to £18/tCO2 from 2016/17 to 2019/20. The CPF trajectory will remain unchanged. However, where this leads to a UK-only Carbon Price Support (CPS) rate of more than £18/tCO2, the CPS rate will be capped at £18/tCO2. The CPS rate for 2016/17 will therefore be set at £18/tCO2. The government will review the CPF trajectory for the 2020s, including whether a continued cap on the CPS rate might be necessary, once the direction of reform of the EU Emissions Trading System is clearer.

CPF: exemption for combined heat and power
The government will exempt fuels used to generate good quality electricity by combined heat and power (CHP) plants for onsite purposes from the CPF, from 1 April 2015.

As announced in December 2013, the government will amend the rate for coal and other fossil fuels for 2014/15 and 2015/16. The government will also make kerosene used in electricity generation liable to tax from 1 May 2014.

Climate change agreements: sawmilling
The government will admit the sawmilling sector into the climate change agreement scheme by the end of 2014.

Climate change levy
Climate change levy (CCL) main rates will increase in line with RPI from 1 April 2015.

There will be exemptions from the CCL for energy used in metallurgical and mineralogical processes from 1 April 2014.

Aggregates levy
The aggregates levy rate will remain at £2 per tonne in 2014/15.

As confirmed at Autumn Statement 2013, elements of the aggregates levy that are subject to a formal state aid investigation by the European Commission will be suspended from 1 April 2014. Legislation will make provision for the suspended elements to be reinstated should the Commission decision allow, and to enable revenue received as a result of the suspensions to be repaid where practicable.

Landfill tax rates
The standard and lower rates of landfill tax will increase in line with the RPI, rounded to the nearest 5p, from 1 April 2015. Following industry engagement to address compliance, the government will introduce a loss on ignition testing regime on fines (residual waste from waste processing) from waste transfer stations by April 2015. Only fines below a 10% threshold would be considered eligible for the lower rate. Full proposals will be set out in a consultation document later in 2014.

Landfill communities fund
The value of the landfill communities fund for 2014/15 will be reduced to £71m. As a result, the cap on contributions by landfill operators will be amended to 5.1%. This reduction takes account of progress that environmental bodies have made to address the government's challenge to reduce unspent funds. The saving will be used to fund an equivalent one-off increase to address waste crime. The government intends that environmental bodies' performance against the challenge is published once the final information is available later this year.

Avoidance and evasion

High risk promoters
The government is introducing measures against high risk promoters following a consultation between August and October last year. It is also introducing measures to ensure that users of schemes will have to settle their dispute on receipt of a notice (a 'follower notice') that their case is on the same or substantially the same grounds as a case already decided in the tribunal or court. They will also have to pay the tax in dispute if having received a follower notice they choose not to settle the dispute on receipt of the notice.

Following a further consultation between 24 January and 24 February 2014 the government is also to introduce accelerated payments in relation to schemes for which there has been a DOTAS disclosure or which would be covered by the GAAR.

The detailed 'accelerated payment' proposals are explained in the TIIN as follows:

> 'There will be powers in FB 2014 to enable HMRC to issue a 'Notice to Pay' to any taxpayer for whom there is an open enquiry, or the matter is under appeal, and who has claimed a tax advantage by the use of arrangements that:
>
> - fall to be disclosed under DOTAS, or
> - HMRC counteracts under the GAAR following an opinion of the GAAR Advisory Panel that, in the Panel's opinion, the arrangements are not a reasonable course of action.
>
> 'The notice will require the taxpayer to pay the tax in dispute within 90 days, or a further 30 days where the taxpayer requests that HMRC should reconsider the amount of the payment notice. Where the matter is under appeal, the measure will operate so as to remove any postponement of the disputed tax. Penalties will apply for late payment.'

In our representations on the accelerated payments proposals, TAXREP 16/14, we wrote:

> 'What is now being proposed is a far reaching overhaul of the legislation to tackle unacceptable tax avoidance and it is very disappointing that there has not been more time to review the detailed proposals. We, and many of those who contacted us, are extremely concerned by the very short period of time in which to respond to the latest proposals. One month is not long enough given their length, complexity and contentious nature.'

The government has defended this new measure in the Budget Red Book as follows:

> 'This new power will remove the cashflow advantage for the taxpayer of holding onto the disputed tax during an avoidance dispute. It will also provide HMRC with additional tool to address a legacy stock of an estimated 65,000 avoidance cases. The new power will only apply to tax avoidance schemes that are disputed by HMRC. The legislation will make it clear that HMRC will only be able to issue an accelerated payment notice where

they have first sent the taxpayer an enquiry notice or issued them with a notice of assessment. It is not a new tax demand and does not make any changes to tax liabilities. If the taxpayer subsequently wins their case in the courts, they will be reimbursed with interest.'

The accelerated payments proposals are by far the most significant in the Budget in terms of revenue raising and are estimated to bring in over £1.2bn in both 2015/16 and 2016/17 before falling away somewhat to £715m and £385m in the two following years.

OECD action plan: BEPS
The government has published a position paper Tackling aggressive tax planning in the global economy emphasising its support for the 15 actions in the OECD action plan which is due for completion by December 2015. The Tax Faculty summarised the base erosion and profit shifting (BEPS) developments in an article in January *TAXline* and has subsequently published updates on this website.

Offshore employment intermediaries
As announced in Budget 2013 and following consultation (to which we responded in TAXREP 36/13), legislation will be introduced in FB 2014 to strengthen obligations to ensure the correct income tax and NICs are paid by offshore employment intermediaries.

These changes will have effect from 6 April 2014.

Onshore employment intermediaries: false self-employment
From 6 April 2014, legislation will come into force to prevent employment intermediaries being used to avoid employment taxes and obligations by disguising employment as self-employment. These proposals will force many agencies and other similar intermediaries to put more of their workers onto the payroll.

Following consultation (to which we responded in TAXREP 4/14) the government published a response document in the week before the Budget and provided detailed guidance of its intentions and when the changes are to be introduced. We covered all the detail in our news item the day before the Budget.

The Government intends to legislate for the revised proposal in forthcoming Bills as follows:

- The tax legislation, together with powers to make regulations for record keeping, returns and penalties will be included in Finance Bill 2014.
- The equivalent National Insurance legislation will be made using existing vires and regulations were made on 13 March.
- Subject to approval by parliament, all the legislation, except the record-keeping, returns and penalties regulations, will come into force on 6 April 2014.
- The regulations for record-keeping, returns and penalties, subject to parliamentary approval will come into force from 6 April 2015.

It is estimated that these changes will bring in more than £400m in each of the next five years.

Avoidance schemes involving the transfer of corporate profits
In the Autumn Statement the government announced it would block deductions for derivative contract payments which have the effect of making a payment, linked to the profits of a company, to another company in the same group. This provision is going to be extended to other arrangements that have the same economic characteristics but don't use derivative contracts.

Administration and HMRC powers

Scottish rate of income tax
A number of technical issues were identified in the May 2012 Technical Note issued by HMRC re the Scottish rate of income tax that will be applied in calculating the overall rates of tax application to the non-savings income of Scottish taxpayers from April 2016 onwards. The technical issues concern the mechanics of gift aid, tax relief for payments into occupational pension schemes and the taxation of income from trusts.

There are going to be new provisions in FB 2014 to amend the structure of the income tax legislation to ensure that the calculation of tax payable in relation to the above issues is clear and can be amended easily if required in the future.

There will also be new legislation to require the National Audit Office (NAO) to report directly to the Scottish Parliament on the amounts identified by HMRC as expenditure on the Scottish rate reimbursed by the Scottish government, the amounts identified as collected in respect of the Scottish rate, and the adequacy of processes for operating the Scottish rate and confirmation that the processes have been complied with.

Tax provisions for major sporting events
Legislation will be introduced in FB 2014 to enable income tax and corporation tax provision to be made in relation to major sporting events by secondary legislation. The power will remove the need to legislate such provisions in a Finance Bill.

HMRC power to take money from the bank accounts
The announcement in para 1.208 of the Red Book, that HMRC will have the power to take money directly from the bank accounts of tax debtors who owe more than £1,000 in tax or tax credits, will be of considerable concern to many taxpayers. This power is unprecedented in the UK and other than a comment that a minimum of £5,000 would be left in debtors' accounts, the announcement contains no details of any judicial or other safeguards that could protect taxpayers. This would be particularly serious for those on low incomes struggling with debt problems.

HMRC has said it will only use this new power where debtors 'have the financial means to pay' and have been contacted multiple times to pay. It will be interesting to know how HMRC will be able to determine whether a debtor has the financial means to pay. Also, many people who are in debt will ignore such demands if they have no money, or they will tend to pay the most pressing debtor at the expense of others, for example to avoid having their electricity disconnected. What steps will be put in place to ensure hardship does not follow such seizure of funds?

It would also appear that long after Crown preference was abolished in bankruptcy proceedings, HMRC is to become a preferential creditor under these new rules. We wonder whether this will encourage those in financial straits to simply hide what cash they do have under the mattress to keep it away from HMRC?

We are expecting a consultation on this proposal.

Recovery of direct tax
The government will modify the limitation period for recovery of direct tax to accord with the Supreme Court ruling in the FII GLO case.

HMRC compliance: targets and resources
The Chancellor said in his speech that he is increasing HMRC's budget to tackle non-compliance. As yet we have no details about the amount or source of this funding.

He has also increased HMRC's compliance yield target by £1.6bn over the coming two financial years to £24.5bn in 2014/15 and £26.3bn in 2015/16 respectively, in line with the compliance yield expected to be generated by measures announced in Budget 2014.

Customs civil penalties
Following consultation, the government will modernise the customs civil penalties regime to bring it in line with other HMRC penalties.

Data sharing
The government will legislate to provide for a controlled release of nonfinancial VAT registration data for specific purposes (principally credit scoring) and to a small number of qualified parties (like credit reference agencies) and will continue to explore options for the public release of a limited subset of VAT registration data as open data.