



UK Budget 2010 Summary

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1 Individuals

1.1 Capital Gains Tax - Rates and Entrepreneurs' Relief

From 23 June 2010 there will be two main rates of capital gains tax (CGT), 18 per cent and 28 per cent, in place of the single rate of 18 per cent for all gains. The rate paid by individuals will depend upon the amount of their total taxable income. Gains qualifying for entrepreneurs' relief will be taxed at a rate of 10 per cent, and the lifetime limit of gains qualifying for entrepreneurs' relief will be raised to £5 million (from the previous figure of £2 million). Gains of trustees or personal representatives of deceased persons will be charged at 28 per cent.

1.2 Changes to the personal allowance, basic rate limit and upper earnings limit for NIC

Legislation will be introduced to provide for the following income tax and National Insurance Contributions (NICs) changes for the tax year 2011-12:

- the personal allowance for those aged under 65 will be increased by £1,000 to £7,475;
- the basic rate limit will be reduced so that higher rate taxpayers do not benefit from the increase in the personal allowance. The exact figure will be confirmed when September's Retail Prices Index (RPI) is known;
- the alignment of the Upper Earnings/Profits Limit (UEL/UPL) with the higher rate threshold (the total of the personal allowance for those aged under 65 and the basic rate limit) will be maintained by reducing the UEL/UPL; and
- the secondary threshold, which is the point at which employers start to pay Class 1 NICs, is to be increased by an extra £21 per week above indexation.

Taken together, these measures reduce the tax liability for those on lower incomes and have no impact on most higher rate taxpayers who are employees or self employed and will help employers.

1.3 Main Changes to Tax Credits and Child Benefit

- The Government will reduce tax credit eligibility for families with household income above £40,000 from April 2011 and make further changes in 2012-13;
- The Government has announced the removal of a number of elements from the Tax Credits system including the baby element (6 April 2011) and the age 50+ element (6 April 2012);
- The Government will use the Consumer Price Index (CPI) to uprate all of those elements of tax credits due to be uprated by RPI from April 2011. The child element of the Child Tax Credit will increase by £150 above CPI in 2011-12 and £60 above CPI in 2012-13. The rate of Child Benefit will remain at current levels until April 2014, which will help fund increases in the child element of the Child Tax Credit;
- The backdating provisions have been shortened to one month with effect from 6 April 2012 from the current 93 days and amendments will also be made to the income disregard for income increases from 6 April.

1.4 Health in Pregnancy Grant - Ending of entitlement

The Health in Pregnancy Grant is a £190 one-off payment to all expectant mothers that is made irrespective of income. The Government considers the universal Grant to be a poor use of limited public funds and it will be abolished from 1 January 2011. Women who reach the 25th week of pregnancy before 1 January 2011 will still be entitled to the grant providing they satisfy the conditions of the grant.

1.5 Taxation of non-domiciled individuals

The Chancellor has announced that the Government will review the taxation of non-domiciled individuals. This reiterates a statement made previously in the Coalition Agreement.

1.6 Changes to the rules on the deduction of income tax at source

These rules are likely to affect Individuals and other non-corporates that make payments of interest, patent royalties or other annual payments which require tax to be deducted at source. Companies making these payments are unaffected.

This change will provide HMRC with a power to make regulations to amend when and how a person should report income tax deducted from certain payments.

2 Businesses

2.1 Bank Levy

The Government will introduce a levy based on banks' balance sheets from 1 January 2011, intended to encourage banks to move to less risky funding profiles.

Final details will be published later this year, following consultation.

2.2 Corporation Tax - Rates

The Chancellor has announced that:

- legislation will be introduced to cut the main rate of corporation tax (CT) to 27 per cent for the Financial Year (FY) commencing 1 April 2011;
- the small profits rate of corporation tax for FY 2011 will be 20 per cent. This will be legislated in Finance Bill 2011; and
- there will be further cuts in the main rate in future years: 26 per cent in 2012-13, 25 per cent in 2013-14, 24 per cent in 2014-15.

2.3 Change in corporation tax rates: Impact on Deferred Tax

The change in corporation tax rates will have an effect on deferred tax assets and liabilities included in the accounts. There will be a similar effect arising from the reduction in the small companies' rate.

These provisions will affect Companies reporting deferred taxes for UK taxable entities in their financial statements under most accounting systems including UK Generally Accepted Accounting Principles ('UK GAAP'), US Generally Accepted Accounting Principles ('US GAAP') and International Financial Reporting Standards (IFRS).

Under both UK GAAP and IFRS, the changes will arise for balance sheet dates falling on or after substantive enactment of the Finance Bill 2010 which is generally understood to be following the third reading in the House of Commons. For US GAAP filers, the changes will apply to balance sheets falling on or after the date of Royal Assent.

Under IFRS, International Accounting Standard 12 'Income Taxes', states that deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Similar rules exist within UK GAAP.

Therefore to the extent that the phased rates are included in the Finance Bill 2010, deferred tax calculations will require detailed scheduling of reversals of deferred tax assets and liabilities to enable the appropriate tax rate to be applied.

The rate changes will reduce the value of deferred tax assets and liabilities held on the balance sheet and impact the effective tax rate for the period in which the first balance

sheet falls following the substantive enactment (or enactment for US GAAP purposes) but will also considerably increase the complexity of the calculation.

2.4 Capital Allowances: Plant and Machinery - Rate Changes

The Government has announced that the rates of writing-down allowances (WDAs) for new and unrelieved expenditure on plant and machinery will be reduced:

- from 20 per cent to 18 per cent per annum for expenditure in the main rate pool; and
- from 10 per cent to 8 per cent per annum for expenditure in the special rate pool.

Expenditure on long life assets, thermal insulation, integral features and cars with emissions of 160g/km or more (in the case of cars purchased on or after April 2009) is allocated to the special rate pool.

These rate changes will take effect from 1 April 2012 (for corporation tax) or 6 April 2012 (for income tax).

For businesses whose chargeable period spans 1 April (corporation tax) or 6 April 2011 (income tax) there will be a hybrid rate for unrelieved expenditure in any pool, including single asset pools. There will be two hybrid rates, one for expenditure previously relieved at 20 per cent and the second for expenditure previously relieved at 10 per cent.

2.5 Annual Investment Allowance - Changes to allowance

The annual Investment Allowance (AIA) allows most businesses, regardless of size, to reduce their taxable profits by the full amount of their annual capital expenditure on most plant or machinery (apart from cars) up to a maximum amount, which is currently £100,000 a year.

The maximum amount of the AIA will be reduced to £25,000 a year with effect from April 2012. Details of the transitional provisions will be published in good time before the reduction takes effect.

2.6 Worldwide Debt Cap Rules: Changes

The “worldwide debt cap” was introduced last year to guard against excessive debt funding of UK companies. The legislation, which restricts relief for UK financing costs where these exceed the financing costs of the worldwide group.

As a result of consultation with businesses and their advisers on the practical application of the debt cap, a number of changes have been identified that either ensure the rules work as originally intended or meet concerns expressed by representatives of particular industries. The Government will legislate for this measure in a Finance Bill to be introduced as soon as possible after the summer recess.

The debt cap legislation as a whole applies to periods of account of the worldwide group beginning on or after 1 January 2010, and with one exception, the changes will apply

from that date. The exception is the extension of the scope of “relevant assets” and “relevant liabilities” for the gateway test, where groups may elect for the change to apply only prospectively.

This measure will make fourteen separate changes. One group of changes ensures that, where a UK figure is being compared with a worldwide figure, the same amount is included in both figures in respect of the same borrowing. The following changes fall within this group:

- in the “gateway test” (which filters out groups from the main debt cap rules), the UK measure of debt is to be adjusted where a mismatch would otherwise occur;
- regulation-making powers are included that will enable similar mismatches, arising in connection with the main debt cap rules, to be resolved through secondary legislation; and
- the mismatch that may arise where borrowing is carried out by a partnership will be corrected.

Other proposed amendments specifically affect securitisation companies. Companies within the special corporation tax regime for securitisation companies introduced by Finance Act 2005 will be excluded from the main debt cap rules, including exclusion of their financing expenses when computing the worldwide group’s cost of finance (the “available amount”). In addition, there will be a power to make regulations that would allow a company involved in capital market arrangements to transfer any additional tax liability as a result of the debt cap to another company in the group.

The other changes that are being made are as follows:

- the assets and liabilities of companies that are taken into account for the “gateway test” will include long-term arrangements that have the economic effect of loans;
- a minor expansion of the definition of “financial instrument” when determining whether a financial services group is excluded from the debt cap;
- preventing groups from allocating a debt cap disallowance to a dual resident investing company;
- including guarantee fees in the financing income of a company;
- correcting a drafting error relating to group treasury companies;
- distributions made by industrial and provident societies will be excluded from the financing expenses of such companies;
- exclusion of interest paid to a non-departmental public body;
- clarifying the meaning of “ancillary expenses” in the definition of the available amount; and
- introducing two restrictions on entities that can be the “ultimate parent” of a group of companies.

2.7 Capital Distributions

This measure will clarify the corporation tax (CT) treatment of certain distributions received by UK companies.

Distributions within the definition in Part 23 of the Corporation Tax Act (CTA) 2010 will not be prevented from falling within the distribution exemption regime for companies introduced in Finance Act (FA) 2009 by virtue only of being “of a capital nature”.

The Government will legislate for this measure in a Finance Bill to be introduced as soon as possible after the summer recess.

The legislation will have retrospective effect, but companies will be able to elect for the legislation not to apply retrospectively.

FA 2009 introduced Part 9A of CTA 2009, which extended the scope of exemption from CT for distributions received by UK companies. Distributions other than capital distributions paid by UK resident companies (UK distributions) have been exempt distributions for many years. The legislation in Part 9A extended the exemption to foreign distributions but excluded distributions of a capital nature.

Until recently, established practice has been to treat UK distributions as being of an income nature subject only to some specific exceptions. Clarification of the law made by the Income Tax (Trading and Other Income) Act 2005 made this treatment impossible to sustain. This development went unnoticed, and HM Revenue & Customs (HMRC) did not change its practice until after the introduction of the exemption regime in FA 2009.

The measure will ensure that distributions within the definition in Part 23 of CTA 2010 will not be prevented from falling within the exemption regime solely because they are of a capital nature.

The existing rule that limits the application of the distribution exemption regime to distributions of an income nature will be removed. This change will have effect for all distributions made on or after 1 July 2009.

The new legislation will also make clear that distributions made out of reserves arising from a reduction in capital are distributions within the definition in Part 23 of CTA 2010. This change will have full retrospective effect for distributions by UK-resident companies, and will apply to distributions made on or after 1 July 2009 by non-UK resident companies.

Recipient companies will be able to opt for the retrospective effects of this legislation not to apply.

The definition of distribution in Part 23 of CTA 2010 also applies for certain income tax purposes. In consequence, the clarification in relation to distributions from reserves arising from capital reductions will have effect for income tax purposes where the distributing company is UK-resident. However, the application of this clarification for income tax purposes will only have effect in respect of distributions made on or after 22 June 2010.

2.8 Research and Development

These rules are likely to affect companies that are small or medium enterprises (SMEs) claiming enhanced tax relief for expenditure on research and development (R&D). For the purpose of the R&D relief, the SME thresholds are higher than those set out by the European Commission (500 employees, annual turnover of €100 million and balance sheet total of €86 million rather than 500, €50 million and €43 million respectively).

This measure will abolish the condition requiring that any intellectual property deriving from the R&D to which the expenditure is attributable be owned by the company making the claim.

The change will have effect for any expenditure incurred by a SME company on R&D in an accounting period ending on or after 9 December 2009.

The enhanced tax relief for R&D is in Part 13 of the Corporation Tax Act 2009 (CTA). Currently, sections 1052 and 1053 of CTA require, among other conditions, that any intellectual property created as a result of the expenditure to which the R&D is attributable is, or will be, vested in the company.

Sections 1071 and 1072 of CTA apply the same condition where a company which is a SME applies under the rules for large companies, because the expenditure is excluded from the SME relief by virtue of being subsidised. This condition will be removed.

2.9 Consortium Relief

These changes are likely to affect Companies who are members of corporate consortia.

This measure will amend the “link company” aspects of consortium relief and add a further test to the rules which determine the amount of a consortium’s losses that may be claimed by its members.

The changes to the legislation have effect for accounting periods commencing on or after the date that the legislation is published.

Consortium relief rules allow, in certain circumstances, a member of a consortium to transfer its share of the consortium’s unused losses to another member of its group. This is commonly known as the “link company rule” and the member that makes the transfer is known as the “link company”. Under current rules, the link company must be UK resident. This measure extends the rules to allow any company established within the European Economic Area to be a link company.

Currently, the maximum amount of losses that may be claimed from a consortium company is determined by the lowest result from three tests:

- i. the percentage of ordinary share capital held;
- ii. the percentage of profits to which the company is entitled; and
- iii. the percentage of assets to which the company would be entitled on a winding up.

This measure adds an additional test based on the proportion of voting rights and the extent of control the member holds in the consortium.

2.10 Corporation Tax Reform

The Government understands the importance of the whole corporate tax system to business and will set out a more detailed programme for reform in the autumn. This will allow it to take a considered approach to implementing tax reforms and to listen to the needs of business through greater consultation.

The Government will provide greater certainty for business by committing to principles for corporate tax reforms. In particular, it intends to develop its view that in general a broad tax base, a low rate and a more territorial approach will improve competitiveness. It will establish a business forum, chaired by the Exchequer Secretary, to consult with multinational businesses on the UK's tax competitiveness, including the long-term aims of reform of the corporate tax system.

2.11 Corporation Tax - CFC and foreign branch reform

The Budget announcements include confirmation of the Government's intention to reform the Controlled Foreign Company (CFC) regime. Consultation will take place over the summer on interim improvements to be legislated in spring 2011 to make the current rules easier to operate and where possible increase competitiveness.

Wider reform will be legislated in spring 2012 allowing time to consider carefully how to make the rules more competitive, to enhance long-term stability, and provide adequate protection of the UK tax base.

The Government has also stated that it will move to a more territorial basis for taxing the profits of foreign branches, and will consult in summer 2010 on options for retaining foreign branch loss relief as part of this, reforming the rules in 2011.

2.12 EMI Scheme changes

This is likely to affect companies wishing to offer share options to their employees under Enterprise Management Incentives (EMI).

This measure will amend the requirement that a company granting qualifying EMI options to its employees must operate "wholly or mainly" in the UK. A company granting EMI options will now be required instead to have a "permanent establishment" in the UK.

The change will have effect in respect of EMI options granted on or after the date that the legislation receives Royal Assent.

Paragraphs 13 to 15 of Schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 require that, in the case of a single company granting EMI options to its employees, that company must carry on a trade "wholly or mainly" in the UK or, in the case of a parent company, at least one company in the group must be carrying on a "qualifying trade" (within the meaning of the legislation) "wholly or mainly" in the UK.

To ensure EMI complies with EU State aid guidelines, the present rule will be amended. In future, a company wishing to grant EMI options must have a "permanent establishment" in the UK. Alternatively in the case of a parent company, at least one company in the group that is carrying on a "qualifying trade" within the meaning of the legislation must have a "permanent establishment" in the UK.

2.13 Venture Capital Schemes

These provisions will affect investors under the Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) schemes; companies receiving investment under the schemes; and VCTs themselves.

This measure will make the final four changes to the EIS and VCT schemes agreed with the European Commission as a condition for their approval by the Commission as approved State aids.

The changes generally will have effect on and after a date to be appointed, with the exception of the eligible shares changes for VCTs, which will not affect monies raised by the VCT before that date.

Current law and proposed revisions- VCTs only

The current legislation at section 274 of the Income Tax Act 2007 (ITA) requires the shares making up a VCT's ordinary share capital to be included in the official UK list throughout the relevant accounting period. This will be replaced with a requirement that the shares instead be admitted for trading on any EU regulated market. The effect is that VCTs will be able to be listed on markets throughout the EU/European Economic Area (EEA). The European Commission publishes a list of all regulated markets in the Official Journal of the European Union at least annually, and the list of regulated markets is also available on its website.

Another condition is that at least 30 per cent of the VCT's qualifying holdings is represented throughout the relevant accounting period by holdings of eligible shares. Section 285(3) of ITA defines "eligible shares" for this purpose. The new legislation will increase the eligible shares holdings requirement to 70 per cent, but will also change the definition of "eligible shares" to allow VCTs to include shares which may carry certain preferential rights to dividends.

2.14 Disclosure of Tax Avoidance Schemes

Simplification of capital gains rules for groups of companies.

The government is committed to simplifying the CGT rules for groups of companies. The three changes are:

- i. For capital losses following a change in ownership, streaming will remain but exemptions will now be extended to assets used in a company's business.
- ii. The value shifting provision will be replaced by a new targeted anti-avoidance rule which is motive based. The deprecatory transactions legislations will remain but will now be limited to transactions in the last six years.
- iii. De-grouping charges will now take effect by way of an adjustment to the sales consideration – thus simplifying the interaction with SEE.

3 VAT

3.1 Change to the standard rate of VAT

The standard rate of VAT will increase to 20 per cent on 4 January 2011.

Zero rated supplies, such as basic foodstuffs, children's clothing and books; exempt supplies, such as education and health; and supplies subject to VAT at the reduced 5 per cent rate, such as domestic fuel and power, are not affected by this change.

There are no changes to the Cash Accounting or Annual Accounting Scheme.

3.2 Change to the standard rate of VAT - Anti-Forestalling

Following the increase in the standard rate of VAT from 17.5 per cent to 20 per cent on 4 January 2011 anti-forestalling legislation is included in the Finance Bill 2010 to prevent the 17.5 per cent VAT rate applying to supplies of goods or services provided on or after 4 January 2011, subject to certain conditions.

3.3 VAT Flat Rate Scheme

As a consequence of the increase of the standard rate of VAT from 17.5 per cent to 20 per cent, the Flat Rate Scheme (FRS) sector flat rates have also been recalculated to reflect the increase.

Some of the thresholds applicable to the scheme have also been revised.

3.4 Postal services

From 1 January 2011, the postal services exemption is limited to public postal services by a universal service provider (excluding supplies for which terms have been individually negotiated).

3.5 Aircraft

This measure amends the criteria for the zero-rating of supplies of aircraft and associated supplies, with effect from 1 January 2011. It will change the definition of aircraft that can be supplied at the zero rate from one based on weight and usage to one based on the status of the customer. Supplies of aircraft will be zero-rated only where used by airlines operating for reward primarily on international routes.

4 Enforcement & Compliance

4.1 Anti-Avoidance: Geared Growth and Employment-Related Securities

A consultation is being undertaken during 2010, on the taxation of employment-related shares and securities, where geared growth arrangements are used. The aim of the consultation is to develop proposals to ensure that employment income from employment related securities is subject to income tax and National Insurance Contributions.

4.2 Anti-Avoidance: Employment Income and Pensions Contributions

The Government will be taking action to prevent efforts to avoid tax and National Insurance Contributions (NICs) on earnings provided through the use of trusts and other vehicles, and intends to introduce legislation in due course to take effect from 6 April 2011.

4.3 Review of Powers: Excise Compliance Checks

This measure makes changes to the compliance checking framework for excise duties, covering information and inspection powers, record-keeping rules and time limits. It will amend current legislation covering record-keeping, time limits and information and inspection powers.

4.4 Arrears of Tax: Additional Revenue and Cashflow

Following a successful pilot exercise in 2009-10, HMRC will use Debt Collection Agencies during 2010-11 to provide it with additional capacity to pursue and collect tax debts.

As part of HMRC's debt strategy all debts are risk assessed and in-house resources are focused first on the highest risk and highest value debts.

This additional capacity will accelerate the collection of lower value tax debts and generate an additional £140million from debts that might otherwise be written off.

5 Pensions, Savings, Trusts and Charities

5.1 Capital Gains Tax - Rates and Entrepreneurs' Relief

Gains of trustees or personal representatives of deceased persons will be charged at 28 per cent. From 23 June 2010.

5.2 Pensions - Annual Allowance

The Government has announced it is considering restricting pensions tax relief from 6 April 2011, by reforming the existing pension savings allowances, principally by significantly reducing the annual allowance. The Government will discuss the changes with interested parties but provisional analysis has suggested that the level of a reformed annual allowance may be in the region of £30,000 to £45,000.

The reformed allowances would replace the high income excess relief charge, which currently is due to come into force on 6 April 2011. Legislation will be brought in to allow the high income excess relief charge legislation to be repealed.

5.3 Child Trust Fund - Restriction of government contributions

The Government announced on 24 May 2010 that it intends to reduce and then stop all government contributions to Child Trust Funds. Subject to legislation, the Government intends to reduce government contributions at birth, and to stop government contributions at age 7, from August 2010. The Government also intends for HMRC to stop issuing new Child Trust Fund vouchers from 1 January 2011. There is no immediate effect on Child Trust Funds. Legislation is required to implement the Government's intentions and until that legislation is in place Child Trust Funds will continue as usual.

5.4 Saving Gateway

The Government has announced that the Saving Gateway is not affordable given the need to reduce the deficit. It will, therefore, not be introduced in July 2010.

6 Employers

6.1 Regional Employer NICs Holiday for New Businesses

The Government will shortly announce details of a scheme to help new businesses in targeted areas of the UK that need it most. During a three year qualifying period, new businesses which start up in these areas will get a substantial reduction in their employer National Insurance Contributions (NICs).

Within the qualifying period, these employers will not have to pay the first £5,000 of Class 1 employer NICs due in the first twelve months of employment. This will apply for each of the first 10 employees hired in the first year of business.

Subject to meeting the necessary legal requirements, the scheme is intended to start no later than September 2010. Any new business set up from 22 June which meets the criteria set out in the forthcoming announcement will benefit from the scheme.'

6.2 PAYE - Review

The Pay As You Earn (PAYE) system is a fundamental part of the UK tax system. The Government wishes to explore how it could be improved in order to reduce costs and make the system easier for employers and HMRC to administer. As an initial step, the Government intends to consult with employers and payroll providers in the summer on mechanisms that could support more frequent or real time PAYE data.

7 **Furnished Holiday Lettings**

The furnished holiday lettings rules (FHL) will not be withdrawn from 6 April 2010 (1 April 2010 for companies).

Since 22 April 2009 (Budget 2009), HM Revenue & Customs (HMRC) has applied the current FHL rules to UK taxpayers with qualifying holiday lettings situated elsewhere in the European Economic Area (EEA). Such businesses can currently choose whether to be taxed under the FHL rules or under the normal rules for property businesses. These arrangements will continue to apply for the tax year 2010-11.

The Government will publish a public consultation over the summer about plans to change the tax treatment of furnished holiday lettings from April 2011. The consultation will specifically look at a proposal which would:

- ensure the FHL rules apply equally to properties in the EEA;
- increase the number of days that qualifying properties have to be available for, and actually let as, commercial holiday letting; and
- change the way in which FHL loss relief is given.

Full details about the proposed changes will be published over the summer.

Draft legislation will be published in the autumn, with a view to inclusion within Finance Bill 2011.

8 Excise Duties and Environmental Taxes

8.1 Aviation Taxation - per plane duty

The Government will explore changes to aviation tax, including switching from a per-passenger to a per-plane duty. Major changes will be subject to consultation.

8.2 Landfill tax - Lower rating criteria

The Government has announced that legislation will provide for publication and review of new qualifying criteria for the lower rate of landfill tax. The Treasury will take account of these criteria in future when listing materials qualifying for the lower rate of tax in a Treasury Order.

The wastes qualifying for the lower rate are set out in a Treasury Order and this Order has not been amended since the tax's introduction in 1996. In the March 2010 Budget, it was announced that new environmental criteria for lower rating would be published later this year, replacing the criterion that lower rated waste must be inactive or inert. Legislation to be introduced in Parliament in the autumn will provide for the publication of the new criteria. It will mean that the Commissioners of HM Revenue and Customs must publish the criteria to apply when the Treasury determine what material is lower-rated; and the Treasury must have regard to these criteria when listing in an Order the materials that qualify for the lower rate of tax for any disposals made or after 1 April 2011.

In practice, the scope of the rate will be broadly unchanged. However, if minor changes to the Order are required as a result of the introduction of these criteria, the Treasury will lay a revised Order in the spring of 2011, to come into force on 1 April 2011. As well as updating the wastes listed to reflect the new criteria, any revised Order would update terminology to reflect regulatory developments since 1996.

8.3 Aggregates levy – Northern Ireland Credit Scheme

The Aggregates Levy Credit Scheme in Northern Ireland entitles registered quarry operators there that have been issued with a valid aggregates levy credit certificate by the Department of Environment to an 80 per cent credit from the levy if they meet specific conditions. State aid approval for the current Scheme expires at 1 April 2011. The Government intends to extend the scheme in Northern Ireland for a further ten years, subject to approval by the European Commission under the *Community Guidelines on State Aid for Environmental Protection*. Legislation in Finance Bill will enable the Government to extend the duration of the Scheme to 1 April 2021.

8.4 Fair Fuel Stabiliser

The Chancellor has asked the Office for Budget Responsibility to undertake an assessment over the summer of the effect of oil price fluctuations on the public finances. Informed by this assessment the Government will examine options for the design of a fair fuel stabilizer.

8.5 Fuel Duty Rural discount

The Government, reflecting the coalition commitment to investigate measures to help with fuel costs in remote rural areas, is considering the case for introducing a fuel duty discount in remote rural areas including possible pilot schemes in Scotland.

8.6 Climate Change Levy Reform

The Government has announced that, in that autumn, it will publish proposals to reform the climate change levy in order to provide more certainty and support to the carbon price. Subject to consultation, the Government will bring forward relevant legislation in Finance Bill 2011.

8.7 Landline Duty

The duty on Landlines (Local loops) announced in the Pre-Budget Report 2009 will not proceed.

8.8 Cider duty increase - reversal

The 10% above inflation increase in cider duty announced at the March 2010 Budget is being reversed with effect from 30 June 2010.

8.9 Review of alcohol taxation to address problem drinking

This measure confirms the Government's commitment to review alcohol taxation and pricing. The taxation measures will be announced in the autumn. As part of the review of alcohol taxation and pricing a Treasury order will be made to amend the definition of cider, to introduce a minimum apple or pear juice content to ensure that cheap, high-strength ciders made with little apple or pear juice pay duty at the more appropriate made-wine rate.

8.10 Reform of Lottery Duty to a "gross profits" based tax

The National Lottery pays duty which is currently "stakes based" at 12% of the ticket value. This is a proposal to shift the basis of taxation onto the operators "gross profit" (i.e stakes received minus prizes paid out).

8.11 Tobacco Products Duty: Long Cigarettes

This measure changes the way long cigarettes are treated for duty purposes. Where cigarettes are longer than 8cm (excluding tip), each additional 3cm (or part thereof) is treated as another cigarette for duty purposes. For example a cigarette 12cm in length would be treated as three cigarettes. This is a technical change which is designed to stop a tax avoidance method. The change will come into force on and after 1 January 2011.