Finance (No.2) Bill 2010

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On 30 September the Government published its second Finance Bill of the current session. The main purpose of the Bill is to enact a series of technical tax measures inherited from the previous Labour government announced in the Budget on 24 March 2010. The timing of the 2010 General Election saw the Labour Government introduce a shortened Bill to ensure its passage before the Dissolution of the House, with the intention of introducing a second Bill after the election. In its first Budget on 22 June the Coalition Government announced it would introduce one short Finance Bill before the summer recess to implement its key priorities, and a second Bill in the autumn to clear these inherited measures.[1] To this end, draft legislation was published on the Treasury's website on 12 July.

The Bill is published on the Parliament website,[2] while explanatory notes and Lobby notes are available from the Treasury's site.[3] There has been very little comment on the Bill, which is unsurprising given its highly technical nature. The Bill received a second reading on 11 October.[4]

This note sets out the chronology of events that has lead to the Bill, and gives a checklist of its contents with references to when they were originally announced.

Contents

1 *Budget 2010* HC 61 June 2010 para 2.118
2 http://services.parliament.uk/bills/2010-11/financeno2.html
3 http://www.hm-treasury.gov.uk/finance_bill_no2_2010.htm
4 HC Deb 11 October 2010 cc50-126. On this occasion the House gave the Bill a second reading without a division.

1 Introduction

It is common practice for the Government of the day to present its tax proposals for the coming year in a Budget statement in March and enact them in a single Finance Bill, presented a few days after the statement, receiving Royal Assent by the time of the summer recess. However, if a General Election falls in May, this timetable is upset, and usually a shortened Bill has been passed quickly before the Dissolution, with a second Bill being presented after the election, whether the incumbent party has been returned to power or not. To explain why this happens, it is necessary to give a short description of the way Parliament scrutinises and approves of tax measures.[5]

Many tax measures in the annual Budget will apply from the start of the tax year, which is 6 April – and some will apply immediately from Budget day, such as increases in excise duties on alcohol or tobacco. The *Provisional Collection of Taxes Act (PCTA) 1968* provides the tax authorities with an *interim* authority to apply these measures, but sets three important deadlines for the Government to obtain Parliamentary approval.

First, tax changes may come into effect immediately provided they are validated by a single motion put to the House after the Budget speech. Second, within ten sitting days Parliament must approve a series of individual Ways and Means Resolutions, for any provision imposing a new tax, renewing an ‘annual tax’, increasing or widening the burden of an existing tax, or for other provisions that need to be in operation before the Finance Bill is enacted. Third, Parliament is given a limited amount of time to pass the Finance Bill to give *permanent* legal effect to the Resolutions: for a Budget in March the deadline is 5 August; the Bill has to have its second reading within 30 sitting days of the resolution, though a prorogation or dissolution invalidates the resolution.

Both income tax and corporation tax are ‘annual taxes’ as the authority to levy them expires at the end of the tax year. Provision is also made under *PCTA 1968* that annual taxes may continue to be collected after the date of expiry, if the House approves a resolution to this effect within a month. So, in the case of the March 2010 Budget, one of the Ways & Means Resolutions passed at the end of the Budget debates on 30 March set the charge to income tax for 2010-11.[6] However, it would insufficient for the House to have *only* approved a Budget resolution to set the charge to tax before the Election, because these resolutions would be invalidated by Parliament’s being dissolved. As a consequence the Labour Government had to have a Finance Bill that dealt at least with this issue passed by 5 May.

As noted, following the March Budget, the House approved the series of Budget resolutions on 30 March, and the Finance Bill was published the following day. The Bill was about half the length of its predecessor in 2009.[7] While the Budget report summarises the Government’s tax plans, details of all the individual measures it aims to include in the Finance Bill are set out in a series of Budget notes issued by HM Revenue & Customs. In the Budget Notes for this Budget, the department indicated whether a measure would be included in the forthcoming Finance Bill, or a second Finance Bill, ‘to be introduced as soon

5 A much more detailed description of this procedure is given in a second Library note: *The Budget and the annual Finance Bill*, SN/BT/813, 14 September 2010.

6 No 2 of the 50 Ways and Means Resolutions presented on this occasion (HC Deb 30 March 2010 c740).

7 HC Deb 30 March 2010 c90WS. The Bill had 73 clauses, 22 schedules, and 167 pages; *Finance Act 2009* has 127 sections, 61 schedules, and 450 pages.

as possible in the next Parliament' – though it did not say precisely how the choice had been made. One practitioner writing in the technical journal *Taxation* commented, "the general idea seems to be that legislation on which there has already been consultation (even if it is being amended) will be in the first bill, as will all the giveaways and some of the anti-avoidance provisions, with only a smaller number of more complex provisions held back for the second bill."[8]

On 6 April the then Prime Minister, Gordon Brown, announced that, as widely anticipated, the election would be held on 6 May, with the Dissolution on 12 April. The following day the House approved a Business Motion, which provided for the Finance Bill to be considered in all its stages that day, as part of a two day wash-up procedure: the Bill was debated, and approved, in its entirety in three hours that day without division.[9] Introducing the Bill on its second reading, the then Financial Secretary, Stephen Timms, explained that the Bill was "focused on the key Budget measures." On the decision to include provisions in this Bill, rather than a second Bill after the election, the Minister simply said, "some two thirds of the measures in the Bill have been aired for comment and consultation already."[10]

To secure Opposition support for the Bill's passage, four changes were made to the Bill. Three measures were removed:

- The introduction of a new duty on landlines (clause 23 & schedule 2).
- Provision to allow HMRC to require a financial security from employers where amounts due under PAYE or NICs obligations are seriously at risk (clause 58).
- The withdrawal of the furnished holiday lettings rules (clause 65 & schedule 21).

One clause was amended:

- In the Budget the Government had announced that the rate of duty on cider would rise by 10% in real terms from 29 March, though the rates of duty on other alcoholic drinks would rise by only 2% in real terms. Clause 9 of the Bill was amended to limit this increase to 2%, from 30 June 2010.

The Financial Secretary told the House that all three measures that the Government had agreed not to include would "all be in the second Finance Bill at the start of the new Parliament." In addition, provision would be made in this second Bill to reverse the amendment made to the cider duty rate. This provision was one of only 3 clauses to be debated briefly, after the second reading debate.[11] At this juncture, the Financial Secretary stated that the Government would "legislate to confirm the originally planned increases in a second Finance Bill, just after the election."

Of course, this was overturned by the outcome of the General Election, and the establishment of the Conservative-Liberal Democrat Coalition Government on 11 May. In their Election manifesto the Conservatives had proposed "an emergency Budget within 50

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8 "The Darling budget for May", *Taxation*, 25 March 2010
9 HC Deb 7 April 2010 cc 1058-1105
10 HC Deb 7 April 2010 c1058
11 HC Deb 7 April 2010 cc 1102-4

days of taking office",[12] and the Chancellor, George Osborne, presented the new Government's first Budget on 22 June.[13]

In the Budget report, the Government stated that it would introduce two Finance Bills in 2010: the first, in a matter of days, limited to its key priorities (such as raising the standard rate of VAT to 20%), the second, in the autumn, "given the exceptional circumstances this year, and in order to clear inherited measures in a manner consistent with proper Parliamentary scrutiny. The Bill would be published in draft form in July.[14]

Although HM Revenue & Customs have often published individual draft clauses to be included in a future Finance Bill, many tax practitioners have argued that far too little of the annual Bill is released in draft form, and the timetable for Parliamentary scrutiny for tax legislation is too short to avoid mistakes being made. Alongside the June Budget the Government published a paper on its approach to tax policy, proposing that in future nearly all of the Finance Bill would be realised in draft three months before formal publication, subject to certain exceptions.[15]

In the June Budget the Government confirmed would not reintroduce the four measures removed from the Labour Government's Finance Bill before the 2010 Election.[16] The proposal for a landline duty, and the second-stage increase in cider duty would not be implemented. The foreign holiday letting rules would be kept, though the Government would consult on amending their scope, and it would also consult on the proposal for employers providing financial security where PAYE & NICs were at serious risk.[17]

2 Presentation of Bill, 2nd Reading & Committee stage

The Coalition Government's first Finance Bill, containing just 11 clauses, was published on 1 July, and after its second reading, was scrutinised by a Committee of the Whole House over 3 days of debate, before receiving Royal Assent on 27 July.[18] Draft legislation for the Government's second Finance Bill was published on the Treasury's site on 12 July: responses were invited by 3 September.[19] There has been next to no discussion of the draft Bill in the press. For its part, the Chartered Institute of Taxation (CIOT) issued a formal response to 8 of the 32 draft provisions;[20] the Tax Faculty of the Institute of Chartered Accountants (ICAEW) published a response with comments on 5 clauses.[21]

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12 *Invitation to join the Government of Britain: the Conservative Manifesto*, April 2010 p7

13 The date was announced on 17 May (HM Treasury press notice 03/10, *Chancellor announces date of emergency Budget* ,17 May 2010).

14 *Budget 2010* HC 61 June 2010 para 2.118. The Budget report itemises these measures in section 2b (pp 54-60); this section of the report is available at: http://www.hm-treasury.gov.uk/d/junebudget_chapter2.pdf

15 ie, straightforward changes to rates, allowances and thresholds; revenue protection measures; and areas where forestalling presents a significant risk (HM Treasury, *Tax policy making: a new approach*, June 2010 para 2.11).

16 HC 61 June 2010 paras 2.85, 2.95,

17 HC 61 June 2010 paras 2.98, 2.112. The Treasury published a consultation on the first of these measures on 27 July; details are at: http://www.hm-treasury.gov.uk/consult_holiday_lettings.htm

18 The Committee considered the Bill on 12,13 & 15 July & gave the Bill its Third Reading on 20 July 2010.

19 http://www.hm-treasury.gov.uk/finance_bill_autumn_consult.htm

20 These are available on the CIOT site at: http://www.tax.org.uk/tax-policy/public-submissions/2010/index

21 ICAEW (Tax Faculty), *Autumn Finance Bill : TaxRep 35/10*, 14 September 2010

On 15 September the House approved the series of Ways & Means Resolutions to underpin the Bill. On this occasion the Exchequer Secretary, David Gauke, set out the genesis of the Bill, and noted that some minor changes would be made to the Bill in light of the responses the Treasury had received:

> The first Finance Bill introduced by this Government legislated for the key measures in our emergency Budget. The Government needed to take quick and decisive action to reassure the country and the markets that we would not allow debt to spiral out of control. However, there remain a number of minor and technical measures that we inherited from the previous Government, which must be legislated for before 2011. The resolutions before us today form the foundation for such a Bill. It is perhaps worth pointing out that, alongside the Budget, I set out a proposed new approach to tax policy making that we have been discussing with interested parties over the summer.
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> As part of this new approach to making tax policy, the Government are committed to being more transparent and to improving the scrutiny of tax legislation. As a first step towards that, we published all the legislation that will be included in the Bill in draft for consultation on 12 July. Representative bodies described that as a "welcome move" and the consultation has received more than 40 comments, leading to a number of technical changes to the legislation. That approach provides additional scrutiny, which we believe is essential in demonstrating that the Government are genuinely listening to how the tax system can be improved.[22]

Speaking for the Opposition, Stephen Timms welcomed the consultation process and did not oppose any of the resolutions, though he was critical of the fact that this would be the Government's *second* Finance Bill in the year:

> There is still no good reason for this year's post-election finance legislation being split into two Bills other than the Government's wanting to get key measures on to the statute book before all the Government Members realised fully what was going on-before, for example, they had the change to read the Institute for Fiscal Studies' Budget assessment, published last month, which stated that the Budget was "clearly regressive", or the analysis published by the TUC just a few days ago, which underlined the same point.[23]

Speaking for the SNP Stewart Hosie was critical that the House would be considering a third Finance Bill in the one year:

> My difficulty is that there will be two full years between 2009 and 2011 before we get a full Finance Bill. That Bill is important in terms of scrutiny because it consolidates and brings together all the tax and duty measures in a single Bill and gives Parliament the opportunity to consider in the round the comprehensive impact of all these measures together rather than doing so piecemeal, which is what is being done here, notwithstanding the technical reasons behind that … I hope that the Minister can give us some assurance that once we have got past this limited No. 3 Finance Bill, future Finance Bills will not be delivered in this way and will once again be full and comprehensive.[24]

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22 HC Deb 15 September 2010 c906
23 *op.cit.* c907
24 *op.cit.* cc907-8

In response to these points, Mr Gauke said the following:

> The intention is to return to the usual one annual Finance Bill; that is probably enough for most Members of the House - … In response to the comments of the shadow Minister, I should say that it was important that the Government took decisive action and implemented the measures. Indeed, one reason for the fall in long-term interest rates in recent months might be that the Government have been determined to take decisive action and have demonstrated that by passing legislation to enable us to do so. It is right that we should take further time this year to go through some of the technical measures, and that is exactly what we will do with the Bill.[25]

After these brief exchanges the resolutions were approved without a vote.

Following this, the *Finance (No 2) Bill 2010* was published on 30 September, and the House gave the Bill a second reading on 11 October. On this occasion the Exchequer Secretary stated that the Government had received 60 responses in all to its draft legislation, and that "nine clauses have been modified as a result." In conclusion Mr Gauke suggested that this was "a simple, straightforward Bill that eases burdens on individuals, businesses and HM Revenue and Customs [and] it is one that the previous Government all but enacted themselves."[26]

Unsurprisingly most of the debate was focused on the wider issues of the economy, and the Government's approach to reducing the public deficit. Speaking for the Opposition, Angela Eagle, did not oppose any particular provisions in the Bill, though she questioned the rationale for having had a Budget so quickly after the Election, and introducing two Bills in the one Session. She went on to suggest several omissions from the Bill, including "increasing the resources which will allow HMRC to build on its already excellent work to tackle the tax gap" and "the creation of a tax relief for the video games industry."[27] In the March 2010 Budget the Labour Government had proposed a new tax relief for the UK video games industry "following consultation on design" and "subject to state aid approval" at an estimated annual cost of £50m[28] - but in his June 2010 Budget speech the Chancellor, George Osborne, announced that the new Government would *not* proceed with this "poorly targeted" relief.[29]

At the close of the debate, the House gave the Bill a second reading without a division.

The fact that the Bill's provisions do not give rise to any major policy differences was indicated by the House referring the *entire* Bill for scrutiny by Public Bill Committee rather than, as is normal practice with Finance Bills, selecting the most contentious clauses for debate on the floor of the House.[30]

The Bill was considered in Committee over five sittings on 19 October (2 sittings), 26 October (2 sittings) and 28 October. Three Government amendments were made to the Bill: two amendments to provisions in schedule 5 (*Financing costs and income of group companies*),

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25 *op.cit.* cc 908-9
26 HC Deb 11 October 2010 c52, c53
27 op.cit. c63, c62
28 HC 451 March 2010 p130 (para A.74), p120 (Table A1 : item 4). Estimate for 2012/13.
29 HC Deb 22 June 2010 c175
30 HC Deb 11 October 2010 c126

and one to clause 14 (*Film tax credit: unused losses*);[31] the first two were required to ensure the schedule operated as intended, the third was to correct a typographical error in the published Bill – none of them proved controversial.[32]

The Opposition tabled a number of probing amendments over the Committee stage though in the event these were either withdrawn or not called. In addition it tabled one new clause on which the Committee divided: this was to amend the existing definition of an 'incapacitated person' in tax law – specifically s118 of the *Taxes Management Act 1970*. The definition dates at least as far back as 1880, and, as Chris Leslie argued for the Opposition, is both "highly insulting and derogatory" and "in many ways inaccurate and outdated", as it defines an incapacitated person as "any infant, person of unsound mind, lunatic, idiot or insane person."[33] Mr Leslie argued that this should be replaced by the definition used in the *Mental Capacity Act 2005*, something for which the Low Incomes Tax Reform Group (LITRG), for one, has long campaigned.[34]

The Exchequer Secretary resisted the change on the grounds that the new clause was poorly worded – unintentionally excluding children – but more generally that making this change without wider consultation would be unwise:

> As Members will be aware, the Treasury launched at the time of the June Budget a new approach to tax policy making. We wish to avoid the previous experience of making reactive and piecemeal policy announcements that are unexpected and insufficiently thought through. Instead, we believe that appropriate consideration should be given to changes and that opportunities should be provided for those affected to comment and to have certainty about our decisions. Any change to the measures that we are discussing should go through that process, not least to prevent any group of people from being inadvertently moved in or out of any new definition …
>
> Too often, under Governments of both colours, we find, in Finance Bill deliberations, that we are debating clauses that amend measures that were passed only the previous year, or two years ago, because something has come to light. That is why it is very important that we have a consultative and deliberative process in making tax law. I accept that the issue is not entirely new, but it is important that officials and outside bodies, as well as the LITRG, can examine the matter.[35]

Mr Leslie pressed the matter to a vote, noting that he hoped the issue would be reconsidered at the Report stage: however, the Committee opposed the new clause by 9 votes to 7.

The Bill completed its Report stage and Third Reading on 8 November without further changes.[36] At Report stage the Opposition raised a number of issues, including two questions that had been debated at earlier stages of the Bill's scrutiny: the question of tax relief for the video games industry, and the definition of incapacitated persons as currently set out in tax law. On the first of these, the Exchequer Secretary, David Gauke, argued that "without strong evidence of a market failure in the games industry, it is difficult to justify spending [£40-£50m a year] … on such an intervention, particularly given the state of public

31 Details of these amendments were set out in a letter to the Committee by the Exchequer Secretary on 18 October (Commons Deposited paper DEP2010-1838).
32 Public Bill Committee (Finance Bill) 26 October 2010 cc74-76, c85
33 PBC 28 October 2010 c149
34 For example, LITRG press notice, *UK tax laws are insulting to people with mental ill health*, 28 July 2008
35 PBC 28 October 2010 cc150-151
36 HC Deb 8 November 2010 cc39-105

finances."[37] The Minister was more sympathetic to the case made by the Opposition on the second issue, stating that the Government would seek to amend the law in the next couple of years:

> I wish to reiterate to Opposition Members that I welcome this issue having been raised and am willing to take action. That is not an empty promise: I asked my officials to explore quickly what they thought was possible with the Low Incomes Tax Reform Group (LITRG). We now better understand what that group wants to achieve and the complexities involved. My officials are working with LITRG and are willing to listen to it and to others about how best to achieve these objectives. LITRG thought that it should be feasible to change the definition in the next year or two, and I am confident that the Government can work to that timetable in a carefully considered way.[38]

3 The Bill - checklist of clauses

As noted, the *Finance (No 2) Bill 2010* [Bill 72 of 2010/11] was published on 30 September The. The Bill has 33 clauses and 14 schedules, and is comprised of all of the provisions published in draft by the Treasury on 12 July, with one omission (this is discussed below).

The following checklist provides the summary of each measure given in the June 2010 Budget report (HC61), with reference to the relevant Budget notice, as well as the Budget notice issued when the previous Government first announced the measure – whether in March 2010 or December 2009. The cost or yield of the proposal is noted, in those cases where the Budget report gives a figure (Table 2.4 on p55), along with links to other explanatory material which may be of use – such as the responses made to individual draft clauses by the CIOT) or by the ICAEW.

Clause 1 (& schedule 1) : Shared lives care
Clause 2 : Payments to special guardians and those in receipt of residence orders
Clause 3 : Qualifying care relief: capital allowances
"Legislation will be in the Finance Bill introduced in the autumn to extend foster care relief to shared lives carers, and to extend the income tax exemption for adopters to guardians, with effect from April 2010. This legislation will also ensure that from 9 December 2009, there will have been no loss of capital gains tax private residence relief where adult placement carers use part of their home exclusively for the accommodation of an adult in care." HC 61 para 2.148

Clause 1 : Shared lives care
- June Budget BN27; PBR 2009 BN22

Clause 2 : Payments to special guardians
- June Budget BN26; March Budget BN37

Clause 3 : Qualifying care relief
- June Budget BN29; PBR 2009 BN27

[37] HC Deb 8 November 2010 c56
[38] HC Deb 8 November 2010 c96

Clause 4 : Seafarers' earnings
"Seafarers earnings deduction will be extended to EU/EEA resident seafarers from April 2011." HC 61 para 2.141
- June Budget BN31; PBR 2009 BN23

Forecast to cost £5m per year from 2011/12.

Clause 5 : (& schedule 2) Venture capital schemes
Clause 6 : Enterprise management incentives
"Legislation will be in the Finance Bill introduced in the autumn to implement changes required as a condition for the State aid approval of the Enterprise Investment Scheme (EIS), Venture Capital Trusts (VCTs) and Enterprise Management Incentives (EMI). The changes will generally have effect from 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." HC 61 para 2.142
Forecast to cost £20m in 2011/12 rising to £30m in 2012/13 and £40m in 2013/14.
- o ICAEW response.

Clause 5 : (& schedule 2) Venture capital schemes
- June Budget BN11; March Budget BN12

Clause 6 : Enterprise management incentives
- June Budget BN10; March Budget BN13

Clause 7 : Settlor to return excess repayment to trustees etc
"From 6 April 2010, where a settlor is liable to income tax on trust income at a lower rate of tax than that paid by the trustees, the settlor must pay this refund back to the trustees. These repayments will be disregarded for inheritance tax purposes." HC 61 para 2.153
- June Budget BN25; March Budget BN30
- o CIOT response & ICAEW response

Clause 8 : Collection of income tax where sum deducted by payer
No mention in Budget report, but a consultation paper had been issued on this change on 5 March 2010. Details were given subsequently in June Budget BN13.

Clause 9 (& schedule 3) : Company distributions
"Legislation will be in the Finance Bill introduced in the autumn to end uncertainty over the treatment of certain company distributions. Following a detailed review of distributions law, it was found that the prevailing practice of treating most distributions as income for corporation tax purposes (and not subject to the chargeable gains rules) was not correct. The legislation will restore previous expectations about the way distributions are taxed." HC 61 para 2.147
- June Budget BN06; March Budget BN05

Clause 10 (& schedule 4) : REITs: stock dividends
"Changes will be made in the Finance Bill introduced in the autumn to allow UK-REITs to issue optional stock dividends as part of their property income distribution requirement."
HC 61 para 2.156
- June Budget BN18; March Budget BN22

Clause 11 (& schedule 5) : Financing costs and income of group companies
"Legislation will be in the Finance Bill introduced in the autumn to make changes to the worldwide debt cap." HC 61 para 2.155

- June Budget BN07; March Budget BN6

Clause 12 (& schedule 6) : Consortium claims for group relief
"Those aspects of corporation tax group relief rules that cover consortium relief will be amended to allow EU and EEA-resident companies engaged in UK consortia to pass on relief for the losses of those consortia to their UK-resident group companies. At the same time, the Government is strengthening rules designed to ensure that access to consortium relief is given only in proper proportion to the member company's involvement in the consortium. Legislation will be in the Finance Bill introduced in the autumn and both changes will have effect from the day on which draft legislation is published." HC 61 para 2.146

- June Budget BN14; March Budget BN14

Clause 13 : R&D relief for SMEs: removal of intellectual property condition
"Legislation will be in the Finance Bill introduced in the autumn to abolish the condition requiring that any intellectual property (IP) deriving from the R&D undertaken by a company which is a small or medium enterprise (SME) be owned by the company making the claim. Legislation will be effective for any expenditure incurred in an accounting period ending on or after 9 December 2009." HC 61 para 2.140

- June Budget BN08; PBR 2009 BN06

Clause 14 : Film tax credit: unused losses
"Legislation will be in the Finance Bill introduced in the autumn to correct an unintended anomaly affecting the amount of tax credit claimable where films are produced over more than one accounting period. Legislation will be effective for accounting periods ending on or after 9 December 2009." HC 61 para 2.157

- June Budget BN12; PBR 2009 BN7

Clause 15 : Insurance business transfer schemes: non-profit fund transferred assets
"An anti-avoidance rule that applies when a transfer of business sidesteps the rules for non-profit funds with unrecognised profits will be legislated for in the Finance Bill introduced after the Budget. Additionally, legislation will be in the Finance Bill introduced in the autumn to modify the tax rules that apply to Overseas Life Insurance Companies and the application of the transfer of business rules when non-profit business is transferred to a non-EEA country." HC 61 para 2.113

- June 2010 Budget BN15 – first announced here

Clause 16 : Capital gains tax private residence relief: adult placement carers
HC 61 para 2.148 – see related clauses 1-3.

- June Budget BN28; PBR 2009 BN16

Clause 17 : Reinvestment of ring fence assets: acquisition by member of group
"UK oil & gas fiscal regime: Legislation will be in the Finance Bill introduced in the autumn to enable chargeable gains reinvestment relief to apply when a group company makes the reinvestment." HC 61 para 2.144

- June Budget BN9; March Budget BN8; PBR 2009 BN03

Clause 18 (& schedule 7) : First-year allowances on zero-emission goods vehicles
"Legislation will be in the Finance Bill introduced in the autumn for an enhanced capital allowance for zero-carbon goods vehicles. This will apply to vehicles purchased from April 2010, and will be in place for five years." HC 61 para 2.137

- June Budget BN05; March Budget BN42

Clause 19 (& schedule 8) : Non-business use of business assets etc
"Legislation will be in the Finance Bill introduced in the autumn to protect revenues tied up in "Lennartz" schemes in existence at 22 January 2010, where the assets are used partly for business and partly for nonbusiness purposes. From 1 January 2011, the use of Lennartz arrangements for certain assets (land and property, ships and aircraft) used partly for business and partly for private purposes will be withdrawn." HC 61 para 2.162

- June Budget BN42; March Budget BN50
  - CIOT response

Clause 20 : Supplies of gas, heat or cooling
"From 1 January 2011, the scope of the VAT special rules for natural gas (which simplify the VAT treatment for businesses making wholesale supplies of gas) will be adjusted, and the rules (which also apply to electricity) will be extended to include heating and cooling networks." HC para 2.161

- June Budget BN40; March Budget BN47

Clause 21 : Supplies of aircraft etc
"The scope of the zero rate for aircraft will be amended in the Finance Bill introduced in the autumn, from one based on the aircraft's weight and usage to one based on the status of the customer, with the zero rate applying to aircraft bought by airlines operating for reward chiefly on international routes. As a minor change from the previous announcement, this will now take place from 1 January 2011." HC 61 para 2.160

- June Budget BN39; March Budget BN46

Clause 22: Postal services etc
"From 31 January 2011, VAT will be applied at the standard rate to certain postal services provided by the Universal Service Provider (Royal Mail), restricting the exemption to those services which Royal Mail is obliged to provide. The zero rating for passenger transport services will also be updated to reflect the status of the provider of a passenger transport service made in conjunction with postal services." HC 61 para 2.159

- June Budget BN41; March Budget BN48
  - CIOT response

Clause 23 : Long cigarettes
"Technical changes will be made in the Finance Bill introduced in the autumn to the definition of cigarettes to take account of the recently revised EU tobacco directive." HC 61 para 2.97

- June 2010 BN34 – first announced here

Clause 24 : Landfill tax: criteria for determining material to be subject to lower rate
"New qualifying criteria for lower rated wastes will be legislated in the Finance Bill introduced in the autumn, to come into effect on 1 April 2011." HC 61 para 2.129

- June Budget BN32; March Budget BN54
  - CIOT response

Clause 25 (& schedule 9) : Interest: corporation tax and petroleum revenue tax
"Legislation will be in the Finance Bill introduced in the autumn to complete the harmonisation of interest charged by HMRC across different tax regimes." HC 61 para 2.163

- June Budget BN36; March Budget BN66
  - CIOT response & ICAEW response

Clause 26 (& schedule 10) : Penalties for failure to make returns etc
Clause 27 (& schedule 11) : Penalties for failure to pay tax
"Legislation will be in the Finance Bill introduced in the autumn to complete the modernisation of HMRC's late filing and late payment penalty regimes." HC 61 para 2.165

- June Budget BN37; March Budget BN67
  - CIOT response & ICAEW response

Clause 28 (& schedule 12) : Recovery of overpaid stamp duty land tax and petroleum revenue tax etc
"Legislation will be in the Finance Bill introduced in the autumn to deal with claims to recover overpaid stamp duty land tax and petroleum revenue tax." HC 61 para 2.166

- June Budget BN35; March Budget BN65

Clause 29 (& schedule 13) : Excise duties: compliance checks
"Legislation will be in the Finance Bill introduced in the autumn to modernise compliance checking powers for excise duties." HC 61 para 2.164

- June Budget BN38; March Budget BN69
  - CIOT response

Clause 30 : Pension scheme under section 67 of Pensions Act 2008
"Changes will be made to pensions tax legislation in the Finance Bill introduced in the autumn to enable the National Employment Savings Trust (NEST) to register as a pension scheme for tax purposes. Further legislation will be introduced in Finance Bill 2011 to remove tax charges on late contributions following auto-enrolment and to amend the tax rules on unauthorised borrowing by registered pension schemes." HC 61 para 2.152

- June Budget BN23; March Budget BN35

Clause 31 (& schedule 14) : Asbestos compensation settlements
"Legislation will be in the Finance Bill introduced in the autumn, which will apply retrospectively to 6 April 2006, to help trusts specifically set up to compensate asbestos victims, but which have been unable to access tax efficient structures for the benefit of victims." HC 61 para 2.154

- June Budget BN24; March Budget BN29

Clauses 32 and 33 provide for the use of abbreviated terms in the Bill, and the Bill's short title.

As noted the contents of the entire Bill were published in draft by the Treasury on 12 July, though one of these draft provisions is *not* included in the final Bill. In the Budget report, it was noted that the Government was "seeking EU State aid approval to extend the Aggregates Levy Credit Scheme in Northern Ireland for a further ten years from 31 March 2011" (para 2.131 – see also June 2010 Budget Note BN33), but the legislation to allow for this is not included here.

During the second reading debate on 11 October, the Exchequer Secretary, David Gauke, explained why the provision had been dropped:

> The aggregates levy credit scheme in Northern Ireland was introduced in recognition of the impact of the levy on legitimate businesses as a result of tax evasion on imports from Ireland and illegal quarrying. Over the summer, we consulted on legislation to be included in the Bill to extend the scheme beyond April 2011 to March 2021. Since then, the European General Court has annulled the Commission's state aid approval for the scheme, for the period covering April 2004 to March 2011. In those circumstances, it would not be appropriate to extend the scheme and we therefore decided to remove the clause from the published Bill. However, the Government strongly support the scheme and, if the Commission were to come to a fresh decision that the aid was approvable, legislation to extend it can be introduced in the Finance Bill in 2011.We will continue to work closely with the Commission, the authorities in Northern Ireland and representatives of the quarrying industry to find a solution that provides a level playing field for legitimate quarry operators in Northern Ireland, while maintaining environmental standards.[39]

Further to this, the Government has announced the scheme will be suspended from 1 December 2010, though it is in discussions with the Commission with a view to re-introduce it "at the earliest opportunity."[40]

[39] HC Deb 11 October 2010 c53
[40] HC Deb 26 October 2010 c7WS; HC Deb 1 November 2010 c661W