tax guide 2023-24

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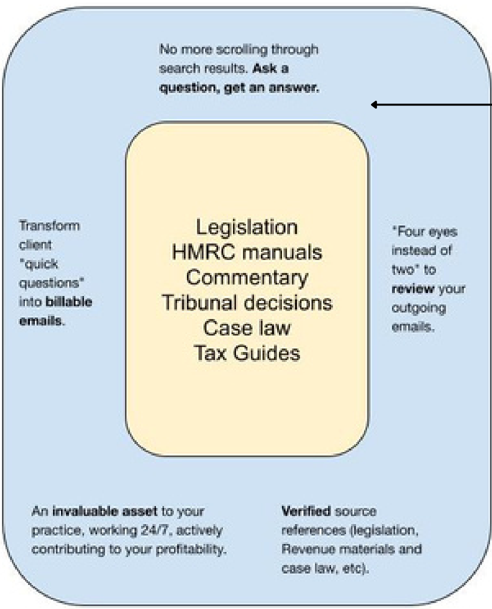

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REFERENCES

All references in the parts relating to income tax, corporation tax and capital gains tax are to the appropriate section in:

- National Insurance Contributions Act 2014
- Taxation (International and Other Provisions) Act 2010
- Corporation Tax Act 2010
- Corporation Tax Act 2009
- Income Tax Act 2007
- Income Tax (Trading and Other Income) Act 2005
- Commissioners for Revenue and Customs Act 2005
- Income Tax (Earnings and Pensions) Act 2003
- Tax Credits Act 2002
- Capital Allowances Act 2001
- Value Added Tax Act 1994
- Social Security Contributions and Benefits Act 1992
- Social Security Contributions and Benefits (Northern Ireland) Act 1992
- Taxation of Chargeable Gains Act 1992
- Income and Corporation Taxes Act 1988
- Inheritance Tax Act 1984
- Taxes Management Act 1970

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INCOME TAX

Charge to tax

Tax year

Income tax is charged by the annual Finance Act on income arising in a tax year (6 April to the following 5 April). For example, the 2023–24 tax year runs from 06.04.2023 to 05.04.2024.

ITA 2007 s 4.

Individuals and non-corporate persons

The income of individuals, trustees and personal representatives is liable to income tax. However, the income of a company is not liable to income tax if it falls within the charge to corporation tax.

ITA 2007 s 5.

Residence

UK resident individuals

If resident and domiciled in the UK, you are liable to UK income tax on your worldwide income.

You are regarded as **UK resident** if you are deemed to be UK resident under the Statutory Residence Test (SRT).

FA 2013 s 218 and Sch 45.

Non-UK resident individuals

If you are not UK resident, you are taxed on your UK source income.

If you are a resident of a country that has a tax treaty with the UK, you may be eligible for exemption or relief from tax in the other country on your UK source income. Careful consideration of the specific tax treaty is required in such instances.

You cannot be UK tax resident if you spend less than 16 days in the UK during a tax year.

Non-domiciled individuals

An individual who is resident but not domiciled in the UK (a **non-dom**) can elect to be taxed on the remittance basis. The workings of the remittance basis are complex, but generally, under the remittance basis you are liable to tax in the UK on all your UK income and gains in a tax year, as well as foreign income and gains (to the extent they are remitted to the UK). Use of the remittance basis is optional where an individual is eligible to claim it.

ITA 2007 ss 809A–809Z10.

If you make such an election, you typically forfeit your entitlement to the annual personal allowance for income tax and annual exempt amount for capital gains tax purposes.

You may also need to pay an annual **remittance basis charge** (**RBC**). Since 06.04.2017, there are two levels of RBC:

- £30,000, if you have been UK resident for at least seven of the previous nine tax years immediately before the relevant tax year,
- £60,000, if you have been UK resident for at least 12 of the previous 14 tax years immediately before the relevant tax year.

Deemed domicile

Since 06.04.2017, an individual is deemed to be domiciled in the UK (and so unable to claim the remittance basis of taxation) if they meet either Condition A or Condition B.

Condition A. If you were born in the UK and the UK is your domicile of origin, you will automatically be deemed domicile in the UK while you are UK resident.

Condition B. This condition is met where you have been UK resident for at least 15 of the 20 years immediately before the relevant tax year.

Income tax band, rates and allowances

Personal allowance

You pay income tax on earnings in excess of your personal allowance which depends on your age and income:

Year	£	£	£	£	£
	Personal allowance	Married couple allowance (max)	Married couple allowance (min)	Blind person's allowance	Marriage allowance
2023-24	12,570	10,375	4,010	2,870	1,260
2022-23	12,570	9,415	3,640	2,600	1,260
2021-22	12,570	9,125	3,530	2,520	1,260
2020-21	12,500	9,075	3,510	2,500	1,250
2019-20	12,500	8,915	3,450	2,450	1,250
2018-19	11,850	8,695	3,360	2,390	1,185
2017-18	11,500	8,445	3,220	2,320	1,150
2016-17	11,000	8,355	3,220	2,290	1,100

The personal allowance is reduced by £1 for every £2 exceeding £100,000 of "adjusted net income". This is irrespective of age or date of birth.

Married couple's allowance (MCA)

The MCA is available to those married or in a civil partnership, where one of the couple was born before 06.04.1935. The MCA is a tax reducer, meaning that a deduction is given against the amount of tax payable, at 10% of the MCA. For marriages and civil partnerships since 05.12.2005, the income of the highest earner is used to work out MCA. For marriages prior to this date, the husband's income was used.

As with the personal allowance, there is a restriction on the amount of MCA available where adjusted net income exceeds a certain threshold (£34,600 in 2023-24). This means, in 2023-24, the amount of MCA is reduced by £1 for every £2 exceeding £34,600.

However (unlike the personal allowance, which can be completely eroded where income is sufficiently high) there is a minimum amount of MCA (£4,010 in 2023-24).

In practice, this means the MCA can reduce your tax bill between £401 and £1,037.50 in 2023-24. It is possible for the MCA to be transferred wholly or partly to the other partner.

Marriage allowance (MA)

The MA, which is different to the MCA, is another tax reducer, which allows you to transfer a portion of your personal allowance (£1,260 in 2023-24) to your spouse or civil partner. The recipient is eligible to a tax reduction of 20% of the allowance (up to £252 in 2023-24).

The MA is available where:

- you are married or in a civil partnership,
- one spouse/civil partner's income is below the personal allowance,
- the other spouse/civil partner pays income tax at no higher than the basic rate (in Scotland, the higher earning partner must pay the starter, basic or intermediate rate to qualify).

If you qualify for the MA and MCA, you must pick one: you cannot claim both at the same time. Generally, the MCA is more beneficial.

Income tax rates

For 2023-24 the rates of income tax are as follows:

- The basic rate is 20%.
- The higher rate is 40%.
- The additional rate is 45%.

The rate bands are:

	basic rate band (£)	higher rate band (£)	additional rate band (£)
2023-24	0-37,700	37,701-125,140	Over 125,140
2022-23	0-37,700	37,701-150,000	Over 150,000
2021-22	0-37,500	37,501- 150,000	Over 150,000
2020-21	0-37,500	37,501- 150,000	Over 150,000
2019-20	0-37,500	37,501- 150,000	Over 150,000
2018-19	0-34,500	34,501-150,000	Over 150,000
2017-18	0-33,500	33,501- 150,000	Over 150,000
2016-17	0-32,000	32,001- 150,000	Over 150,000
2015-16	0-31,785	31,786- 150,000	Over 150,000
2014-15	0-31,865	31,866- 150,000	Over 150,000
2013-14	0-32,010	32,011- 150,000	Over 150,000

Savings tax rates

Starting rate for savings

You may be able to receive up to £5,000 of savings income without paying tax. However, the starting rate for savings is reduced by your income. In 2023-24, if your other income is £17,570 or more, you are not eligible for the starting rate for savings. If your other income is less than £17,570, every £1 of other income above the personal allowance of £12,570 reduces the starting rate for savings by £1, until it is fully eroded

Savings income tax rates

Once the starting rate for savings is utilised/fully eroded by your other income, savings income is subject to tax at the following rates (although see the interaction with the personal savings allowance below):

- The basic rate is 20%.
- The higher rate is 40%.
- The additional rate is 45%.

Personal savings allowance (PSA): If you are a basic rate taxpayer, you receive a PSA of £1,000. Higher rate taxpayers receive a PSA of £500, while additional rate taxpayers have no PSA. Savings income within the PSA is taxed at 0%.

Dividend tax rates

You receive a dividend allowance each tax year (£1,000 in 2023-24). You do not pay tax on any dividends within your dividend allowance.

For the 2023-24 tax year, dividends received above the dividend allowance are taxed at the following rates:

- The basic rate is 8.75% (2021-22: 7.5%),
- The higher rate is 33.75% (2021-22: 32.5%),
- The additional rate is 39.35% (2021-22: 38.1%).

High income child benefit charge

For 2023-24 the weekly rate of child benefit is:

- £24.00 for the first child and
- £15.90 for each subsequent child.

The High Income Child Benefit Charge (HICBC) applies if you or your partner have an individual adjusted net income over £50,000 and you/your partner receives Child Benefit.

The charge is 1% of a family's child benefit for every £100 of income over £50,000 per year. Where an individual's income exceeds £60,000 the HICBC will equal the total amount of child benefit.

If you need to pay HICBC, whoever has the higher income should submit a self-assessment tax return. If you do not want to pay HICBC, you can opt out of child benefit payments.

Exemptions

Main exemptions

The main exemptions from income tax are:

- Trading allowance. A tax exemption of up to £1,000 per year for individuals with trading income.
- Property allowance. A tax exemption of up to £1,000 per year for individuals with income from land or property.
- Rent-a-room. Rent of up to £7,500 per year from letting a room in your home is exempt. See ITTOIA 2005 s 791.
- Individual savings accounts (ISA). Interest and dividends earned by an ISA are exempt. You can save up to £20,000 per annum in an ISA and £9,000 per annum in a junior ISA.

- Child trust fund (CTF). Income earned by a CTF is exempt. You can subscribe up to £9,000 per annum to a CTF. Note the CTF scheme closed in 2011. You cannot have a junior ISA as well as a CTF.
- A SAYE scheme allows you to buy shares with your savings for a fixed price. You can save up to £500 a month under the scheme. At the end of the savings contract (3 or 5 years) the savings are used to buy shares. The advantages are:
  - the interest and any bonus at the end of the scheme is tax-free,
  - you don't pay Income Tax or NICs on the difference between what you pay for the shares and what they're worth (though some Capital Gains Tax may arise on sale).
- Winnings from betting, lotteries and premium bonds are exempt.
- For a list of common exempt state benefits, see **State benefits**.

Devolved income

Scotland

Scottish taxpayers pay Scottish Income Tax (SIT).

SIT applies to income that is not savings or dividend income. Scottish taxpayers receive the standard personal allowance (£12,570 in 2023-24, which, as noted above, can be reduced for high income individuals).

The rates of SIT for 2023-24 are as follows:

Non-savings, non-dividend income (£)	rate band name	Scottish tax rate
0-2,162	starter rate	19%
2,163-13,118	basic rate	20%
13,119-31,092	intermediate rate	21%
31,093-125,140	higher rate	41%
125,140+	top rate	46%

The tax bands for CGT purposes are those which apply to the rest of the UK (see **Capital Gains Tax**).

SIT is administered by HMRC.

Wales

Welsh taxpayers pay the Welsh rates of income tax (WRIT).

The WRIT means that the UK government reduces each of the three income tax rates (i.e., the basic, higher and additional income tax rates) by 10% for Welsh taxpayers. The Welsh government then decides whether to set the Welsh rates at 10% (to retain parity) or to set different rates.

WRIT applies to income that is not savings or dividend income. Welsh taxpayers receive the standard personal allowance (£12,570 in 2023-24, which can be reduced for high income individuals).

For 2023-24, the tax rates and bands for Welsh taxpayers are as follows:

Non-savings, non-dividend income (£)	rate band name	tax rate
0-37,700	basic rate	20%
37,701-125,140	higher rate	40%
125,140+	additional rate	45%

WRIT is administered by HMRC.

Types of income

Employment income

The question of whether someone is self-employed or an employee for tax purposes is based on a number of factors which have been derived from case law and practice over a number of years.

In general, if self-employed you claim more deductions than an employee, providing more opportunity to reduce your tax bill. You can also claim capital allowances. On the other hand, you are exposed to greater risk if your business does not succeed.

The following summarises some key differences between employment and self-employment:

Nature of contract: a self-employed person is engaged under a contract for services; an employee is engaged under a contract of service.

Nature of relationship: a self-employed person is an independent contractor in business on his own account; an employee is engaged under a “master-servant” relationship.

Degree of control over work: a self-employed person controls how the work is done; an employer has control over how an employee’s work is to be done.

Links to organisation: a self-employed person is not part of the organisation he works for; an employee is "part and parcel" of the organisation he works for.

Equipment and tools: a self-employed person provides his own equipment and tools; an employee uses his employer’s equipment and tools.

Right to substitution: a self-employed person hires his own helpers and can provide a substitute if he cannot be present; an employee works with fellow employees and cannot provide a substitute for himself.

Financial risk: a self-employed person bears the cost of workmanship that is defective or late, and profits from work completed satisfactorily; an employee bears no risk.

Earnings: a self-employed person’s earnings may be irregular; an employee receives a regular wage or salary.

Benefits: a contractual entitlement to sick pay, holiday pay, etc is often indicative of an employment relationship.

Insurance: a self-employed person provides his own cover; an employee is covered by his employer’s insurance.

It is also worth mentioning that there must first be mutuality of obligation before you can determine if a contract (for services or of service) exists at all. At its most basic, mutuality of obligation requires the engager to pay a wage or other remuneration, while the worker must be obliged to provide his own work or skill. This test is commonly explored in case law.

Deductible expenditure

From a tax point of view:

A self-employed person is entitled to deduct expenditure incurred wholly and exclusively for the purposes of the trade or profession.

ITTOIA 2005 s 34.

An employee is only entitled to deduct expenditure incurred wholly, exclusively and necessarily in the performance of the duties of the employment.

ITEPA 2003 s 336.

The words "necessarily" and "in the performance" make this a very difficult test to satisfy. For example:

- In Elderkin v Hindmarsh [1998] STC 267, a taxpayer who was required to travel throughout the UK inspecting pipes was denied a deduction for overnight hotel expenses on the basis that the expenditure was not incurred "in the performance" of his duties. He was not inspecting pipes while sleeping in his hotel bedroom.
- In Smith v Abbott [1994] BTC 66, several journalists claimed they were entitled to deduct the cost of reading rival newspapers. Relief was refused on the grounds that the journalists did not read the newspapers while performing their duties (i.e., writing); they read them while preparing to do their duties.

Other matters

Payment of tax: a self-employed person reports their income and expenses and pays income tax through the self-assessment system; an employee typically does not submit a self-assessment tax return (though there are exceptions) and has their tax collected through PAYE.

Records: a self-employed person must comply with various record-keeping requirements.

Protection: a self-employed person does not have the same rights and responsibilities as an employee (who has employment rights, such as statutory sick pay, statutory maternity, paternity, adoption pay, statutory redundancy pay etc).

Different to employment law: Keep in mind that the definition of an employee for tax purposes does not align with the definition of an employee for employment law purposes.

BUSINESS INCOME

Although the world, and business structures, have evolved significantly since the introduction of income tax in 1799, income tax case law refers to the concept of "trade" in taxing business profits. Because a trade also includes "an adventure in the nature of trade", profits from once-off transactions have the potential to be taxed as income.

The badges of trade

Because of the confusion that has lingered over what constitutes a trade, and the difficulty in distinguishing whether a profit is derived from the realisation of an investment or from a trading venture, a Royal Commission was set up in 1954 to report on what were the essential features of trading. While the Commission identified six "badges of trade", over the years and through case law HMRC have come to recognise nine badges of trade, summarised as follows:

- Profit seeking motive: An intention to turn a profit is an indicator of trading (but is not conclusive on its own). In the case of shares, although they may be purchased with the intention of making a profit, as they are inherently investments in nature, it is only in very rare circumstances that someone who buys and sells shares would be carrying on a trade.

- Nature of the asset: Some assets are generally realised by way of trade, whereas others may be purchased for other reasons, such as for personal use.
- Time between purchase and sale: quick purchase and sale is an indicator of trading. Property bought as an investment is usually held for several years. For example, the fruit trader does not hold on to his apples for very long, because they will rot.
- The frequency or number of transactions: The fruit trader does not buy and sell one apple. He needs to buy and sell a large number to make a profit.
- Changes to the asset: The fruit trader does not leave his apples under the stall table where no one can see them. He arranges his apples in a tempting display.
- The way the sale was carried out: If the sale was made in a way typical of trading organisations, this points to a trade. However, the sale of an asset to raise cash for emergency reasons (for example, hospital costs) may indicate that the transaction was not envisaged as a trading venture, but an emergency sale of an investment.
- Existence of similar trading transactions or interests: A transaction similar to that of an existing trade is an indicator of trading. For example, an antiques dealer who buys and sells an original painting on his own account is more likely to be trading than a farmer who purchases the same artwork.
- Source of finance: If money was borrowed to buy the asset, with those funds only able to be repaid by the asset's sale, this is an indicator of trading.
- Method of acquisition: inherited assets are less likely to be the subject of a trade (though it's not impossible).

Property income

Income generated from land and buildings within the UK is considered property income, and is typically taxed as a UK property business.

It is also possible for a UK resident taxpayer to have an overseas property business, which has an identical definition as that of a UK property business, save that the land from which income arises is located outside the UK. An overseas property business is considered a separate business and is taxed separately to a UK property business.

ITTOIA 2005, s 264-265.

Broadly, you are entitled to deduct expenses incurred wholly and exclusively during the course of the letting business. However, there are some exceptions. Capital expenditure (for example, on building an extension to a residential property) is only deductible for CGT purposes when you dispose of the property. In specific cases (typically where a property is not residential) capital allowances may be available, depending on the expense.

Allowable expenses include:

- council taxes and business rates,
- maintenance,
- repairs,
- decorations,
- insurance,
- management costs,
- advertising (for tenants),
- replacing single glazed windows with double glazed,
- any capital allowances to which you are entitled.

Private expenses are not deductible.

From 2017-2018, there has been a gradual restriction on the extent to which interest and other finance costs incurred on loans to buy residential let property can be deducted when computing the profit/loss of a rental business. Since 06.04.2020, no deduction for such costs has been allowed.

Instead, you can claim a deduction at the basic rate of 20% against your income tax liability (regardless of your own marginal tax rate). Broadly, this tax reducer is based on 20% of the lower of:

- the amount of qualifying finance costs,
- total property business profits in the tax year,
- adjusted total income.

ITTOIA 2005, s 272A - 274.

Losses arising in a property business are usually carried forward for offset against future rental profits.

If UK tax is due on rental income from an overseas property, you can deduct expenses and allowances in the same manner as applies to income generated by a UK property. Tax treaty relief may be available in respect of any foreign tax paid.

Note that different rules apply where you carry on a Furnished Holiday Lettings (FHL) business.

Benefit in kind (BIK)

As an employee, you may receive benefits from your employment, such as a car, payment of your private bills (for example, life insurance, medical insurance), or low / interest-free loans, to name a few.

While certain benefits are provided tax-free (e.g., workplace parking, a mobile phone) you are typically liable to income tax on benefits, with any taxed owed accounted for via PAYE. Depending on the nature of the benefit, NIC may also be payable by either you or your employer.

Company cars

If you use a company car for private purposes (including commuting) tax will be due on the value of the benefit.

There are two types of car test:

NEDC - New European Driving Cycle

WLTP - Worldwide Harmonised Light Vehicle Test Procedure

The appropriate percentage below is applied to the car's list price (excluding vehicle excise duty and first registration fee). For 2023-24, the percentages are aligned. The value of the car can be reduced where it is held part-time, or the employee makes payments towards the car's cost.

This table refers to petrol and hybrid powered cars for the 2023-24 tax year.

CO_2 emissions (g/km)	Electric range miles	NEDC rates for cars registered pre 6/4/2020 (% of list price taxed)	WLTP rates for cars registered after 5/4/2020 (% of list price taxed)
0		2	2
1-50	130 and above	2	2
1-50	70-129	5	5
1-50	40-69	8	8
1-50	30-39	12	12

CO2 emissions (g/km)	Electric range miles	NEDC rates for cars registered pre 6/4/2020 (% of list price taxed)	WLTP rates for cars registered after 5/4/2020 (% of list price taxed)
1-50	less than 30	14	14
51-54		15	15
55-69		16	16
60-64		17	17
65-69		18	18
70-74		19	19
75-79		20	20
80-84		21	21
85-89		22	22
90-94		23	23
95-99		24	24
100-104		25	25
105-109		26	26
110-114		27	27
115-119		28	28
120-124		29	29
125-129		30	30
130-134		31	31
135-139		32	32
140-144		33	33
145-149		34	34
150-154		35	35
155-159		36	36
160 or more		37	37

A 4% diesel supplement (up to a maximum of 37%) applies to diesel cars that do not meet Euro 6d emission standards.

Car fuel benefit

You calculate the BIK on car fuel by applying the car benefit percentage to the car fuel benefit charge multiplier of £27,800 for 2023-24.

If you pay in full for fuel used for private journeys no car fuel benefit arises.

State benefits

Taxable state benefits

The most common state benefits that are taxable include:

- Bereavement Allowance,
- Carer's Allowance,
- Contribution-based Employment and Support Allowance (ESA),
- Incapacity Benefit (from 29th week),
- Jobseeker's Allowance (JSA),
- Pensions paid by the Industrial Death Benefit scheme,
- State pension,
- Widowed Parent's Allowance.

Tax-Free state benefits

The most common state benefits that are tax-free include:

- Attendance Allowance,
- Bereavement support payment,
- Child Benefit (income-based),
- Child Tax Credit,
- Disability Living Allowance (DLA),
- Free TV licence for over-75s,
- Guardian's Allowance,
- Housing Benefit,
- Income Support (note different rules apply if you are involved in a strike),
- Income-related Employment and Support Allowance (ESA),
- Industrial Injuries Benefit,
- Lump-sum bereavement payments,
- Maternity Allowance,
- Pension Credit,
- Personal Independence Payment (PIP),
- Severe Disablement Allowance,
- Universal Credit,
- War Widow's Pension,
- Winter Fuel Payments and Christmas Bonus,
- Working Tax Credit.

A few key exempt benefits are discussed in further detail below, but a summary of the various benefit and pension rates for 2023-24 can be found at: tinyurl.com/BenefitPensionRates2324.

Universal credit (UC)

Universal credit (UC) is replacing the following:

- Child Tax Credit,
- Housing Benefit,
- Income Support,
- Income-based Jobseeker's Allowance (JSA),
- Income-related Employment and Support Allowance (ESA),
- Working Tax Credit.

If you are currently claiming tax credits, they will end if you or your partner makes a claim for UC (even if that claim is not approved), you have a change of circumstances that will bring your tax credits to an end, or you receive a Migration Notice.

To claim UC, you must live in the UK, be 18 or over (subject to some exceptions), be under state pension age, and have £16,000 or less in savings. Claims for UC may also be made in certain instances where you're in full-time education.

The amount of UC you receive depends on a variety of factors. Broadly speaking, it is based on a standard allowance, plus any extra amounts you are eligible for, less any applicable deductions.

HMRC have links to various benefit calculators to help you understand what benefits are available, see: www.gov.uk/benefits-calculators.

Working tax credit (WTC)

The **working tax credit** (**WTC**) (TCA 2002 ss 10-11) is available to both employees and the self-employed on low incomes. Factors such as age, the number of hours worked per week, whether you have a disability, and whether you are responsible for any children influence the amount you receive.

No new claims can be made for WTC: it is only available where you already receive tax credits (such as the Child Tax Credit). New applicants must apply for Universal Credit.

The amount you receive under the WTC scheme is the sum of the following elements for which you qualify:

Elements	(£)
Basic element	2,280
Couple and lone parent element	2,340
30 hour element	950
Disabled worker element	3,685
Severe disability element	1,595
Childcare element	
Maximum eligible cost for one child	175 per week
Maximum eligible cost for two or more children	300 per week
Percentage of eligible costs covered	70%

The childcare element ceases from 1 September following the child's 15th birthday (16th birthday in the case of a disabled child).

Child tax credits (CTC)

You may be entitled to claim for the Child tax credit (CTC) (TCA 2002 ss 8-9) for children for whom you're responsible. CTC usually stops on 31 August after the child turns 16, however it can continue for children under 20 in approved education or training.

No new claims can be made for CTC: it is only available where you already receive the Working Tax Credit. New applicants must apply for Universal Credit.

Payments under the CTC scheme are composed of several elements:

Element	Yearly amount
The basic amount/family element	Up to £545
For each child/the child element	Up to £3,235
For each disabled child	Up to £3,905 on top of the child element
For each severely disabled child	Up to £1,575 on top of the child and the disabled child element

The child element is generally available for up to two children, where one or more children were born on or after 6 April 2017.

Whether the family element is paid depends on when your child/children are born.

Reliefs

Pensions

Higher or additional rate taxpayers can claim tax relief on pension contributions where their pension provider claims relief at source. In such cases, relief is given by extending the basic rate band.

You can contribute up to £60,000 (the annual allowance) to your pension scheme per tax year. Contributions above this amount are subject to the annual allowance charge. It is possible to carry over any unused annual allowance from the previous three tax years (note that between 2016-17 and 2022-23, the amount of annual allowance was £40,000).

In 2023-24, the annual allowance is tapered where you have both 'threshold income' over £200,000 and 'adjusted income' over £260,000. These thresholds were different in earlier tax years. Where an annual allowance is reduced, the minimum tapered annual allowance is £10,000 in 2023-24 (£4,000 in 2022-23).

In 2023-24 the standard lifetime allowance (LTA) is £1,073,100.

Following changes to the taxation of pensions announced at the 2023 Spring Budget, from 06.04.2023, the lifetime allowance charge does not apply (with the lifetime allowance itself to be removed entirely in due course).

From 06.04.2023, the amount of tax-free lump sum that can be withdrawn is 25% of your pension pot, up to a maximum of 25% of your available lifetime allowance (i.e. £268,275 based on a standard LTA). Those with pension protection may have a higher protected amount.

Certain payments made on or after 06.04.2023, which would previously have been subject to the lifetime allowance charge, are now charged to income tax at your marginal rate.

F (No 2) A 2023 ss 18-19.

Enterprise investment scheme (EIS)

The EIS scheme allows an unquoted company to raise equity investment from new shareholders.

An individual investor gets income tax relief at 30% on an investment of up to £1 million in any one year (£2 million if at least £1 million is invested in knowledge-intensive companies). If the investor's tax liability is not high enough to absorb the full amount of relief, then the excess must be forgone. It is also possible for the investor to carry back some or all of the investment to the preceding year, subject to maximum relief limits.

Income tax relief can be withdrawn for the investor in particular circumstances, for example if they dispose of their shares within three years of investment.

For the CGT implications of the EIS, see **Capital Gains Tax**.

ITA 2017 s 156-257.

Seed enterprise investment scheme (SEIS)

The SEIS allows smaller, unquoted companies to raise equity investment from shareholders.

The company must carry on a new trading venture – this excludes any activity previously carried on as part of another trade. The activity must also qualify under the EIS (thus excluding property development, retail, hotels, and farming etc.).

For 2023-24, the company must not have gross assets over £350,000 when the shares are issued and have less than 25 full-time equivalent employees.

An individual investor gets income tax relief at 50% on an investment of up to £200k in any one year. If the investor's tax liability is not high enough to absorb the full amount of relief, then the excess must be forgone. From 2013/14, it is also possible for an investor to treat some or all of the shares as issued in the previous year, subject to maximum relief limits.

Income tax relief can be withdrawn for the investor in particular circumstances, for example if they dispose of their shares within three years of investment.

For the CGT implications of the SEIS, see **Capital Gains Tax**.

ITA 2007 s 257A-257HJ.

Venture capital trust (VCT)

A VCT is a fund, usually operated through a quoted company, which invests in ‘‘high risk” unquoted companies.

An individual investor:

- gets income tax relief at 30% on an investment of up to £200k in any one year.
- is exempt from income tax on dividends receivable.

Relief is only available in the tax year of investment.

To qualify for income tax relief the investor must hold the shares for a minimum of five years.

For the CGT implications of the VCT, see **Capital Gains Tax**.

ITA 2007 s 258-332.

Community investment tax relief (CITR)

The CITR scheme gives tax relief to investors in enterprises in disadvantaged areas. To get the relief, the investment must be made in an accredited Community Development Finance Institution (CDFIs).

An individual investor gets income tax relief at 5% of the amount of the investment per tax year, spread over five years (25% in total), with relief starting in the tax year in which the investment is made.

If the investor's tax liability is not high enough to absorb the full amount of relief, then the unused relief is lost. From 06.04.2013, unused excess relief may be carried forward and used within a later period (within the five-year spreading window), provided the investor has a sufficiently high tax liability. Any unused relief at the end of the five-year period is lost.

ITA 2007 s 333-382.

Gifts to charities

If you donate to a charity or CASC through Gift Aid, the charity can claim an additional 25p on every £1 given. So, a gift of £10 through Gift Aid is worth £12.50 to the charity. Certain requirements must be met to qualify for gift aid. If you are a higher or additional rate taxpayer, further relief above the basic rate is given by way of extending the basic rate band.

If you contribute to a charity through a Payroll Giving scheme the donation will be deducted before income tax, i.e. you get income tax relief (but not NIC relief) at your marginal rate of tax.

Losses

General income set-off

This relief, commonly known as "sideways loss relief", allows you to offset a trading loss against general income.

The claim is very flexible, with the loss able to be deducted against the person's net income:

- for the loss-making year,
- for the previous tax year, or
- for both tax years.

A sideways loss relief claim is "all or nothing", ie., the loss must be used in full in a specified tax year (or until all your available net income in that tax year has been relieved). This can lead to the loss of your personal allowance in a tax year.

There are some restrictions on when the relief is available.

Relief must be claimed within 12 months of the 31 January following the end of the tax year in which the loss arose.

ITA 2007 s 64–70.

Early trade loss relief

This allows you to offset any loss incurred within the first four tax years of trading against your general net income arising in the three tax years prior to the loss making year. The loss must be used against income arising in earlier years first. As with a sideways loss relief claim, an early trade loss relief claim is "all or nothing".

There are some restrictions on when the relief is available.

Relief must be claimed within 12 months of the 31 January following the end of the tax year in which the loss arose.

ITA 2007 s 72-74.

Carry forward loss relief

This allows you to carry forward a trading loss for offset against profits of the same trade in a later tax year, noting the loss must be used in the next tax year a profit arises. Any subsequent unused balance is carried forward in a similar way until the loss is used up.

A claim must be made within four years after the end of the year of assessment to which the claim relates.

ITA 2007 s 83–88.

Terminal loss relief

If you permanently cease to carry on a trade in a tax year and make a “terminal loss” (as defined) you may claim terminal loss relief against your profits of the same trade in the final tax year and three previous tax years, with priority given to later years (i.e. the relief must be applied to the latest year first).

A claim must be made within four years after the end of the year of assessment to which the claim relates.

ITA 2007 ss 89–94.

Self assessment

Pay and file

Certain taxpayers, such as self-employed individuals, landlords and investors, and employees earning over £150,000 per year (see Agent Update 108) must complete a tax return and pay any tax due through the self-assessment system. You must:

- notify HMRC of your obligation to file by 5 October following the tax year (penalties may apply where you do not),
- file an income tax return on or before 31 October following the tax year, but this date is extended to the following 31 January if you file online, and
- pay the tax due.

If you pay tax on account, you make your first payment on account by 31 January during the tax year, your second payment on account by 31 July following the tax year, with a balancing payment of any remaining tax by 31 January following the tax year.

If you do not pay tax on account, the deadline for payment is 31 January following the tax year.

Payments on account do not include any amounts owed towards capital gains tax.

From the date your return is received, HMRC have nine months to correct any obvious omissions or errors. You have the right to reject any of these amendments within 30 days of them being made. If an error is not corrected within this nine-month period it cannot be corrected by HMRC unless a formal enquiry is opened into the return (see ‘Enquiry’ below).

If you wish to amend your tax return, you may do so up to 12 months from the 31 January filing deadline (assuming the return was lodged online).

TMA 1970 ss 7–9.

Penalty for late filing

There is an automatic penalty of £100 if your tax return is up to three months late.

If it’s more than three months late, there are daily penalties of £10 per day for up to 90 days (ie., up to £900).

If it’s six months late, there is a further penalty of 5% of the tax due (or £300, whichever is higher).

If it’s 12 months late, there is a second further penalty of the higher of 5% of the tax due or £300, unless you are held to be deliberately withholding information that would enable HMRC to assess the tax due.

If it's 12 months late and you are held to be deliberately withholding information that would enable HMRC to assess the tax due, the penalty is:

- 100% of tax due, if the behaviour is deliberate and concealed, or
- 70% of tax due, if the behaviour is deliberate but not concealed.

HMRC may cancel a late filing penalty if you have a reasonable excuse for the delay in filing.

FA 2009 s 106, Sch 55.

Penalty for late payment

Where payment is 30 days late, the penalty is 5% of the tax outstanding.

Where payment is 6 months late, the penalty is a further 5% of the tax outstanding.

Where payment is 12 months late, the penalty is a further, additional 5% of the tax outstanding.

Note that if you are unable to pay in full, HMRC operate a time to pay policy, which may let you clear the tax due by instalments.

FA 2009 Sch 56.

Late payment interest

Interest is charged on unpaid tax from the date it became due.

TMA 1970 ss 86–92.

Penalty for inaccuracy

HMRC can impose a tax-geared penalty if you submit a tax return that contains an inaccuracy. The amount of penalty is based on the amount of potential lost revenue, with the penalty percentage dependent on your behaviour and whether the disclosure was prompted or unprompted.

Type of behaviour	Unprompted disclosure	Prompted disclosure
Reasonable care	No penalty	No penalty
Careless	0% to 30%	15% to 30%
Deliberate	20% to 70%	35% to 70%
Deliberate and concealed	30% to 100%	50% to 100%

For further information see HMRC's compliance check sheet CC/FS7a.

FA 2007 s 97 and Sch 24.

Records

Assuming an on time return lodgment, you must keep all records relevant to your return for 22 months following the end of the relevant tax year (TMA 1970 s 12B).

If you run a business or let property this period is extended to 5 years after the 31 January filing deadline for the relevant tax year.

If HMRC have commenced an enquiry into a tax return, you must keep the records until the enquiry has been completed and a closure notice issued (if this date is later than the above time limits).

Penalties apply for failing to meet record keeping requirements.

HMRC powers

Information

In certain circumstances, HMRC can issue a taxpayer an information notice, requiring them to provide information or produce documents reasonably required for the purpose of checking the taxpayer's tax position.

HMRC can also obtain information from third parties (for example, a supplier) and check such information against your records.

FA 2008 Sch 36.

Right of inspection

HMRC can inspect your business premises, assets and documents.

HMRC do not have the right to enter or inspect any part of those premises used solely as a private dwelling.

Enquiry

Assuming the return has been filed on time, HMRC can, within one year of the date on which a return was filed, open an enquiry into the return.

You may be able to amend your return once an enquiry has begun. While the amendment does not change the enquiry period for the return, a separate enquiry window will apply to the amendment.

You can apply to the tribunal to close a prolonged enquiry. On completion of the enquiry, HMRC issue a closure notice, and you can appeal against anything you disagree with in the closure notice within 30 days.

Discovery

Once the one-year enquiry window has expired, HMRC can make a discovery assessment if:

- an amount of income tax or CGT ought to have been assessed but has not been, or
- an assessment to tax is or has become insufficient, or
- any relief which has been given is or has become excessive.

Broadly, HMRC may raise such assessments:

- up to four years after the end of the relevant tax year (the normal time limit),
- up to six years after the end of the relevant tax year in cases of carelessness, or
- up to 20 years after the relevant tax year in cases of deliberate behaviour.

TMA 1970 s 29.

Dishonest agents

Dishonest conduct is when an individual acting as a tax agent does something dishonest with a view to bringing about a loss of tax. "Dishonest conduct" is not negligence, nor does it relate to poor quality work by a tax agent.

HMRC can:

- issue a dishonest conduct notice to a tax agent,
- require access to the working papers of a tax agent who has received a dishonest conduct notice,
- impose a civil penalty of between £5,000 and £50,000 on a tax agent for dishonest conduct,
- publish details of penalised tax agents (where the penalty is more than £5,000).

FA 2012 Sch 38.

Appeals

You generally have a right to appeal against an income tax assessment or penalty issued by HMRC. To be valid, the appeal must usually be made within 30 days of the date of HMRC's letter.

HMRC may accept a late appeal if satisfied as to the grounds for the delay.

HMRC will consider the appeal and either amend or confirm its initial decision. If HMRC retain its initial decision, you may be offered a review, where the decision is reviewed by a HMRC officer who was not involved in the original decision.

You can either accept the offer of a review, or appeal directly to the first tier tribunal.

Most tax cases progress no further than the first tier tribunal, although for more complex cases further appeals may be heard by the upper tribunal, Court of Appeal, and finally the Supreme Court.

Note that, in complex cases, appeals may also bypass the first tier tribunal and proceed directly to the upper tribunal.

Also keep in mind HMRC's alternative dispute resolution (ADR) procedure. This is where an independent HMRC representative (the facilitator) will try to broker an agreement between you and the HMRC officer who is dealing with your case.

NATIONAL INSURANCE CONTRIBUTIONS

Charge to tax

National Insurance Contributions (NICs) are compulsory social contribution payments designed to fund social expenditure, in particular old age pensions and unemployment benefits. NICs apply to most earned income and benefits in kind.

There are four main classes:

- Class 1 (employee contributions and employer contributions),
- Class 2 (self-employed flat rate),
- Class 3 (voluntary),
- Class 4 (self-employed).

For 2023-24, an **employee** pays:

- No NICs on earnings below the **lower earnings limit** (£123 per week, £533 per month £6,396 per year).
- No NICs on earnings between the **lower earnings limit** and the **primary threshold** (£242 per week, £1,048 per month, £12,570 per year).
- Class 1 NICs on earnings above the primary threshold, up to and including the **upper earnings limit.** Between 6 April 2023 and 5 January 2024, the main rate of Class 1 NICs is 12%. This reduces to 10% between 06.01.2024 and 05.04.2024 (as per announcements in the 2023 Autumn Statement).
- 2% NICs on earnings above the **upper earnings limit** (£967 per week, £4,189 per month, £50,270 per year).

Other notes:

- Where an employee has earnings above the lower earnings limit and below the primary threshold, no NIC is payable. However, the employee will be treated as having paid NICs for the purposes of protecting their entitlement to certain state benefits.

SSCBA 1992 s 5, 6, 6A, 8.

An **employer** pays NICs at the **secondary rate** (13.8%) on all earnings above the **secondary threshold** (£175 per week, £758 per month, £9,100 per year).

SSCBA 1992 s 9.

A different secondary threshold - the upper secondary threshold applies to certain employees, as follows:

- Upper secondary threshold – applies to employees under 21,
- Apprentice upper secondary threshold – applies to certain apprentices under 25,
- Freeports upper secondary threshold,
- Investment zones upper secondary threshold,
- Veterans upper secondary threshold.

For 2023-24, the rates of the upper, apprentice and veteran secondary threshold are £967 per week, £4,189 per month, £50,270 per year. The rates of the freeport and investment zones upper secondary threshold are £481 per week, £2,083 per month, and £25,000 per year.

SSCBA 1992 s 9A, 9B; National Insurance Contributions Act 2022.

Classes and rates

CLASS 1

Employee and employer contributions

The NIC category letter helps employers work out how much NIC is to be contributed.
Most employees have category letter A. Employees can find their category letter on their payslip.

Category letter - employee group

A: All employees apart from those in groups listed below.
B: Married women and widows entitled to pay reduced National Insurance.
C: Employees over the State Pension age.
F: Freeport - all employees, except for category I, L, and S.
H: Apprentice under 25.
I: Freeport - married women and widows reduced rate.
J: Employees who can defer National Insurance because they're already paying it in another job.
L: Freeport - deferment.
M: Employees under 21.
S: Freeport - state pensioner.
V: Veteran.
Z: Employees under 21 who can defer National Insurance because they're already paying it in another job.
X: Employees who do not have to pay National Insurance, e.g. under 16.

Employee (primary) contribution rates 2023-24:

Category letter	Earnings above lower limit up to primary threshold	Earnings above primary threshold up to and including upper earnings limit	Earnings above primary threshold up to and including upper earnings limit (06.01.2024 – 05.04.2024)	Balance of earnings above upper earnings limit
A	0%	12%	10%	2%
B	0%	5.85%	3.85%	2%
C	nil	nil	nil	Nil
F	0	12%	10%	2%
H	0%	12%	10%	2%
I	0%	5.85%	3.85%	2%
J	0%	2%	2%	2%
L	0%	2%	2%	2%
M	0%	12%	10%	2%
S	nil	nil	nil	nil
V	0%	12%	10%	2%
Z	0%	2%	2%	2%

Employer (secondary) contribution rates 2023-24:

Category letter	Earnings at or above lower earnings limit up to and including secondary threshold	Earnings above secondary threshold up to and including Freeport upper secondary threshold	Earnings above Freeport upper secondary threshold up to and including upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans	Balance of earnings above upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans
A	0%	13.8%	13.8%	13.8%
B	0%	13.8%	13.8%	13.8%
C	0%	13.8%	13.8%	13.8%
F	0%	0%	13.8%	13.8%
H	0%	0%	0%	13.8%

Category letter	Earnings at or above lower earnings limit up to and including secondary threshold	Earnings above secondary threshold up to and including Freeport upper secondary threshold	Earnings above Freeport upper secondary threshold up to and including upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans	Balance of earnings above upper earnings limit, upper secondary thresholds for under 21s, apprentices and veterans
I	0%	0%	13.8%	13.8%
J	0%	13.8%	13.8%	13.8%
L	0%	0%	13.8%	13.8%
M	0%	0%	0%	13.8%
S	0%	0%	13.8%	13.8%
V	0%	0%	0%	13.8%
Z	0%	0%	0%	13.8%

Employment allowance (EA)

The EA can only be used by qualifying employers against their liability to employer secondary Class 1 NIC (ie., the EA cannot be used against the employer's Class 1A or Class 1B NIC liability).

The EA is generally available to private sector businesses and charities (including community amateur sports clubs) where their Class 1 NIC liabilities were less than £100,000 in the previous tax year.

There are exclusions. For example, the EA is not available in instances where a company has only one employee paid above the Class 1 NIC secondary threshold, and that employee is also a director of the company.

The amount of EA in 2023-24 is £5,000.

Class 1A

For 2023-24, Class 1A contributions are due, at 13.8%, on taxable benefits provided to employees: Class 1A is broadly applied to the cash equivalent of the benefit received, and is typically payable by employers. Since 06.04.2020, Class 1A is also due on the following:

- A termination award paid to an employee in excess of £30,000, and
- A sporting testimonial payment in excess of £100,000 paid by an independent committee.

SSCBA 1992 s 10.

Class 1B

Employers pay Class 1B National Insurance if they have a PAYE Settlement Agreement (PSA). This allows an employer to make one annual payment to cover all the tax and National Insurance due on small or irregular taxable expenses or benefits for employees.

The rate for 2023-24 is 13.8%.

SSCBA 1992 s 10A.

Class 2 and class 4

Self-employed

In 2023-24, you typically pay two types of National Insurance if you're self-employed:

- Class 2. For 2023-24, Class 2 NIC is due where self-employed profits exceed the lower profits limit of £12,570. The rate is £3.45 a week. If your profits from self-employment are between the small profits threshold (£6,725 in 2023-24) and the lower profits limit, you no longer pay Class 2 NIC, although you will continue to build NIC credits on profits between the two thresholds. If your profits are below the small profits threshold, you can opt to pay voluntary Class 2 NICs.
- Class 4. For 2023-24, Class 4 NIC is due where self-employed profits exceed the lower profits limit of £12,570. For profits between the lower profits limit and upper profits limit of £50,270, the rate is 9%. For profits over the upper profits limit, the rate is 2%.

Note that the 2023 Autumn Statement announced that, from 06.04.2024, self-employed individuals with profits above £12,570 will no longer be required to pay Class 2, but will continue to receive access to contributory benefits (including the State Pension). Additionally, from 06.04.2024 the main rate of Class 4 NIC will reduce to 8%.

SSCBA 1992 s 11.

Class 3

Voluntary contributions

You may be able to pay Class 3 voluntary National Insurance to fill gaps in your contributions record to qualify for benefits like the State Pension. The rate for the tax year 2023-24 is £17.45 per week.

SSCBA 1992 s 13.

Exemptions

You are exempt from paying NICs if:

- You are aged under 16.
- You have reached the UK State pension age.

The State Pension Age is currently 66 for both men and women. However, the SPA will rise to 68 over time and be dependent on your date of birth.

You can check your SPA using the State Pension Calculator (www.gov.uk/state-pension-age).

CORPORATION TAX

Charge to tax

Accounting period

A company pays corporation tax on its income and gains, i.e., its profits.

CTA 2009 s 2–8.

Corporation tax is charged for each financial year, e.g., the financial year 2023-24 which commenced on 01.04.2023 and ends 31.03.2024.

Assessments to CT are made by reference to an accounting period, and where an accounting period straddles two financial years, the profit is apportioned accordingly, to be charged at the appropriate rates.

CTA 2009 s 9-12.

Residence

UK-resident company

A company is UK resident for tax purposes if it is incorporated in the UK, or if the company's central management and control of its business is in the UK.

A UK-resident company is chargeable to corporation tax on its worldwide profits.

CTA 2009 s 13-18.

Corporation tax rates

Rates

From 01.04.2017 to 31.03.2023 there was a single main rate of corporation tax for all companies (except those subject to a ring fence trade). This rate was **19%**.

From 01.04.2023, there is a main rate of **25%** for companies with profits over £250,000, and a 19% small profits rate for companies with profits under £50,000.

Companies with profits between £50,000 and £250,000 will pay tax at the main rate of 25%, with marginal relief applied (see HMRC guidance for further information on marginal relief).

The standard fraction is 3/200.

CTA 2010 s 3; FA 2021 s 6-7.

Ring fence companies

These are companies that derive profits from oil extraction activities or oil rights in the UK and on the UK continental shelf. The ring fence prevents taxable profits from such activities being reduced by losses from other activities or by excessive interest payments.

For periods from 01.04.2023, a ring fence company pays 30% on profits over £250,000, while a small ring fence company with profits under £50,000 pays a rate of 19%.

Marginal relief is available for ring fence companies with profits between £50,000 and £250,000. The ring fence fraction is 11/400.

Patent box

The patent box regime allows companies to apply a lower rate of corporation tax to profits from qualifying patent interests:

Since 01.04.2017, the effective patent box rate has been 10%.

CTA 2010 s 357A-357GE.

Diverted profits tax (DPT)

DPT applies to profits arising from 01.04.2015. It is a specific measure, broadly designed to prevent the diversion of profits from the UK by large groups that either:

- avoid creating a UK permanent establishment that would bring a foreign company into the charge of UK CT, or
- enter into transactions or use entities which lack economic substance to exploit tax mismatches.

From 01.04.2023, the rate of DPT is increased to 31% (and remains at 55% in cases concerning ring-fence profits in the oil sector).

FA 2015 s 77-116.

Multinational and domestic top-up tax

These measures reflect the UK's adoption of the OECD's Pillar 2. The top-up taxes are effective for in-scope groups' accounting periods beginning on or after 31 December 2023.

The multinational top-up tax applies to a "responsible member" of a qualifying multinational group with global annual revenue exceeding €750 million in at least two of the previous four accounting periods.

A multinational top-up tax is charged where a UK parent member has an interest in entities located in a non-UK jurisdiction, and the group's profits arising in that jurisdiction are taxed below 15%. Note that as the tax is a top-up tax, no additional tax arises in respect of jurisdictions where the group's profits are taxed at 15% or more.

The domestic top-up tax applies to a "qualifying entity" (broadly, an entity that is located in the UK and either has revenues or is part of a group that has revenues exceeding €750 million in at least two of the previous four accounting periods).

A domestic top-up tax can tax UK members within a domestic or multinational enterprise group and is charged when the group's profits arising in the UK are taxed below 15%.

F (No. 2) A 2023 Pt 3, Pt 4, Sch 14-18.

Reliefs

Research and development relief (R&D)

Very broadly, qualifying R & D involves work that is part of a specific project to make an advance in science or technology. For accounting periods beginning on or after 01.04.2023 qualifying expenditure is expanded to include the costs of datasets and cloud computing.

In 2023-24, relief for qualifying research and development (R & D) expenditure is given differently, depending on whether a company is considered an SME or large.

R & D relief for SMEs

For R & D relief purposes, an SME is a company with:

- Fewer than 500 staff, and either
- A turnover under €100 million or a balance sheet total under €86 million.

For expenditure on or after 01.04.2023, an SME can deduct an additional 86% of its qualifying R & D costs (ie., a total deduction of 186%).

In certain cases, eg., where an SME has made a loss after deducting the additional R & D expenditure relief, the SME can also claim a tax credit worth up to 10% of the surrenderable loss. Note that loss-making R&D intensive SMEs (SME companies for which qualifying expenditure constitutes at least 40% of total expenditure) can access a 14.5% tax credit rate.

From 01.04.2021, the amount of credit is capped at £20,000 plus 300% of the total PAYE and NIC liability for the period. There are exemptions from the cap in specific situations.

R & D relief for large companies

The R & D expenditure credit (RDEC) is the only way a large company can claim relief for qualifying R & D expenditure. SMEs may also claim RDEC in certain cases where they have been subcontracted to do R & D work by a large company.

The rate of RDEC is 20% for 2023-24.

Claims for R&D relief (whether for SMEs or large companies) should be made in a corporation tax return, within two years after the end of the accounting period the qualifying expenditure relates to.

Additional requirements

For accounting periods beginning on or after 01.04.2023, a claim notification form should be submitted if you're claiming R & D tax relief or expenditure credit for the first time, or your last claim was made more than three years before the last date of the claim notification period.

From 08.08.2023, you must also complete and submit an additional information form to HMRC to support your claim for R & D tax relief or expenditure credit.

Reform

From 01.04.2024, the R & D SME and RDEC schemes will merge. The rate under the merged scheme will be implemented at the current RDEC rate of 20%. The notional tax rate applied to loss-makers in the merged scheme will be 19%.

The SME intensive scheme will also continue from 01.04.2024, with the intensity threshold reduced to 30%.

CTA 2009 s 1039–1142B; F (No. 2) A 2023 s 10, Sch 1.

Film tax relief

Film Tax Relief (FTR) is available to a film production company (FPC) where the film meets the following conditions:

- is a British qualifying film,
- intended for theatrical release,
- reaches a minimum UK spend requirement of 10%.

Under FTR, an additional deduction can be claimed to reduce profits or increase a loss. The additional deduction is the lower of either 80% of total core expenditure or the amount of UK core expenditure.

If you make a loss, some or all of the loss can be surrendered for a payable tax credit at 25%.

Following consultation, film tax relief is being replaced by the new Audio-Visual Expenditure Credit (AVEC). Films are eligible for a credit rate of 34%.

Companies claiming for productions under FTR will be able to claim under AVEC for expenditure incurred from 01.01.2024. New productions must be claimed under AVEC from 01.04.2025, and all productions must claim under AVEC from 01.04.2027. FTR will cease on 01.04.2027.

CTA 2009 s 1180–1216; FB 2024, Cl 3, Sch 2.

High-end television tax relief

A TV production company can claim High-end Television Tax Relief (HETV) if the following conditions are met:

- the programme is certified as British by the British Film Institute,
- the programme is intended for broadcast to the general public (includes streaming),
- the programme is a drama, comedy or documentary lasting 30 minutes or more – programmes commissioned together are treated as one programme,
- at least 10% of the total core costs relate to activities in the UK,
- the average core costs are at least £1 million per hour of slot length.

Where eligible, an additional deduction can be claimed to reduce profits or increase a loss. The additional deduction is the lower of either 80% of total core expenditure or the amount of UK core expenditure.

If you make a loss, some or all of the loss can be surrendered for a payable tax credit at 25%.

High-end Television Tax Relief does not apply to programmes that are:

- advertisements / promotional programmes,
- news, current affairs or discussion programmes,
- quiz or game shows, panel shows, variety shows, or similar programmes,
- programmes which include an element of competition or contest,
- live event broadcasts,
- produced for training.

Following consultation, HETV is being replaced by the new Audio-Visual Expenditure Credit (AVEC). High-end TV is eligible for a credit rate of 34%.

Companies will be able to claim under AVEC for expenditure incurred from 01.01.2024. New programmes must be claimed under AVEC from 01.04.2025, and all programmes must claim under AVEC from 01.04.2027. HETV will cease on 01.04.2027.

CTA 2009 s 1216A–1216EC; FB 2024, Cl 3, Sch 2.

Video games tax relief

To qualify for Video Games Tax Relief (VGTR) the video game must:

- be certified as British,
- be intended for supply to the general public, and
- have at least 25% of core expenditure incurred on goods or services provided from within the UK or European Economic Area (EEA).

Where eligible, an additional deduction can be claimed to reduce profits or increase a loss. The additional deduction is the lower of either 80% of total core expenditure or the amount of core expenditure on goods or services that are provided from the UK and EEA.

If you make a loss, some or all of the loss can be surrendered for a payable tax credit at 25%.

Following consultation, VGTR is being replaced by the new Video Games Expenditure Credit (VGEC). VGEC is eligible for a credit rate of 34%.

Companies will be able to claim under VGEC for expenditure incurred from 01.01.2024. New games must be claimed under VGEC from 01.04.2025, and all games must claim under VGEC from 01.04.2027.

CTA 2009 s 1217A–1217EC; FB 2024, Cl 3, Sch 2.

Theatre tax relief

A qualifying theatrical production means:

- a dramatic production (play, opera, musical, or other dramatic piece) that tells a story, where performances are live and the performers give their performances wholly or mainly through playing roles, or
- a ballet.

There are exclusions, eg., where the performance includes a competition.

To qualify for the relief, all or a high proportion of the performances must be for paying members of the general public or provided for educational purposes.

At least 25% of core costs must also be incurred on goods or services provided from within the UK or European Economic Area (EEA).

Where eligible, an additional deduction can be claimed to reduce profits or increase a loss. The additional deduction is the lower of either 80% of total core expenditure or the amount of core expenditure on goods or services that are provided from the UK or EEA.

If you make a loss, some or all of the loss can be surrendered for a payable tax credit.

Between 27.10.2021 and 31.03.2025, the rate of relief is 45% for non-touring productions, and 50% for touring productions.

These rates will taper down from 01.04.2025 to 30%/35% for non-touring/touring productions respectively, before returning to original levels of 20%/25% from 01.04.2026.

CTA 2009 s 1217F–1217OB; FA 2022 s 19.

Orchestra tax relief (OTR)

A company can qualify for OTR if it's a qualifying orchestral production company putting on a qualifying orchestral concert.

The concert should be intended to be performed live for the paying public or for educational purposes, and at least 25% of core costs must be incurred on goods or services provided from within the UK or European Economic Area (EEA).

There are exclusions (e.g. performances including a competition).

Where eligible, an additional deduction can be claimed to reduce profits or increase a loss. The additional deduction is the lower of either 80% of total core expenditure or the amount of core expenditure on goods or services that are provided from the UK or EEA.

If you make a loss, some or all of the loss can be surrendered for a payable tax credit.

Between 27.10.2021 and 31.03.2025, the rate of relief is 50%.

This rate will taper down from 01.04.2025 to 35%, before returning to the original 25% rate from 01.04.2026.

CTA 2009 s 1217P-1217U; FA 2022 s 19.

Museums and galleries exhibition tax relief (MGETR)

A qualifying production company can claim MGETR where it puts on a qualifying exhibition, which must have at least 25% of its core costs incurred on goods or services provided from within the UK or European Economic Area (EEA).

There are exclusions, such as exhibitions that are organised in connection with a competition.

Where eligible, an additional deduction can be claimed to reduce profits or increase a loss. The additional deduction is the lower of either 80% of total core expenditure or the amount of core expenditure on goods or services that are provided from the UK or EEA.

If you make a loss, some or all of the loss can be surrendered for a payable tax credit.

Between 27.10.2021 to 31.03.2025, there is an increased rate of 45% for non-touring productions, and 50% for touring productions.

These rates will reduce between 01.04.2025 and 31.03.2026 to 30%/35% for non-touring/touring productions respectively, with MGETR scheduled to sunset after 31.03.2026.

CTA 2009 s 1218ZA-1218ZFA; FA 2022 s 21.

Self assessment

Filing date

A company must file statutory annual accounts as well as a company tax return (CT600).

The filing deadline for annual accounts to be delivered to Companies House depends on the type of company:

- A private limited company should file its annual accounts online with Companies House within nine months of its financial year end.
- A public company should file its annual accounts online with Companies House within six months of its financial year end.

A company, regardless of whether it is private or public, should lodge its corporation tax return online with HMRC. Generally, lodgement should be made within 12 months after the end of the company's accounting period. A set of statutory accounts should be attached to the return, formatted in iXBRL.

FA 1998 Sch 18.

Payment

A company with taxable profits of up to £1.5m must pay any corporation tax due within 9 months and one day after the end of its accounting period.

A company that is large (ie., taxable profits between £1.5m and £20m) typically pays its corporation tax in four equal instalments (there are exceptions). Assuming a 12-month accounting period, the instalments are due as follows:

- 6 months and 13 days after the first day of the accounting period,
- 3 months after the first instalment,
- 3 months after the second instalment,
- 3 months and 14 days after the last day of the accounting period.

A company that is very large (ie., taxable profits of more than £20 million) also pays its corporation tax by instalments, with the dates for payment dependent on the length of the company's accounting period.

For a very large company with a 12-month accounting period, corporation tax is paid in four equal instalments, due as follows:

- 2 months and 13 days after the first day of the accounting period,
- 3 months after the first instalment,
- 3 months after the second instalment,
- 3 months after the third instalment.

Accounts and records

A company must keep proper records to back up the details in its tax return.

Generally, records must be kept for six years from the end of the last company financial year to which the records relate.

Certain records (eg., for machinery with a useful life of more than six years) should be kept for a longer period. This includes instances where HMRC has initiated a compliance check into a company tax return.

FA 1998 s 117; FA 2013 s 162.

Interest

Interest on unpaid tax is charged from the date it was due until the date on which it is paid.

Interest on tax paid in advance

HMRC will typically pay interest if tax has been paid early (credit interest) or if you pay more than the company owes (repayment interest). Such amounts are taxable.

HMRC powers

For the majority of companies, once a company has filed its corporation tax return HMRC typically has one year from the date the return was made to open an enquiry. This is provided that the return was made on time. If the return was not made on time then the time period within which HMRC can open an enquiry is extended.

The company is also entitled to amend its corporation tax return within one year of the statutory filing date. The company is entitled to do this even when HMRC are enquiring into the return; however, any amendments will not become effective until the enquiry has been completed.

Appeals

See INCOME TAX: Appeals

CAPITAL ALLOWANCES

In computing the tax due on your business profits (whether as an individual or as a company), you do not get any allowance for depreciation of business assets. Instead, you may get a capital allowance until the cost of the asset has been fully allowed for tax purposes. Depending on the capital allowance, relief may be available in full in one chargeable period, or over several chargeable periods.

Plant and machinery

Capital allowances may only be claimed on qualifying items of plant and machinery. Generally speaking, plant and machinery includes the following:

- items used in your business,
- costs of demolishing plant and machinery,
- integral features,
- certain fixtures (which are subject to their own set of rules),
- alterations to a building to install plant and machinery.

The following items are not considered plant and machinery for capital allowance purposes:

- leased assets (unless you have a hire purchase contract or long funding lease),
- buildings, including doors, gates, shutters, mains water and gas systems,
- land,
- structures, e.g., bridges, roads, docks,
- items used only for business entertainment, e.g., a yacht.

Certain structures and buildings are eligible for the structures and buildings allowance – discussed below.

Annual investment allowance

The AIA is a 100% capital allowance available for the costs of plant and machinery up to a maximum of £1 million per annum for qualifying expenditure incurred on or after 01.01.2019.

The amount of AIA is adjusted where an accounting period is more or less than 12 months.

CAA 2001 s 51A.

Writing down allowance

Where the AIA or First-year allowance (see below) is unavailable, an annual writing down allowance (WDA) is available, as follows:

- Main pool assets: 18%
- Special rate assets: 6%
- Single asset pools: 18% or 6%, depending on the pooled item.

The amount of WDA is adjusted where an accounting period is more or less than 12 months.

The main rate of 18% is used for all plant and machinery, unless the asset needs to be allocated to the special rate pool or single asset pool.

Special rate pool

This applies to integral features, cars with CO_2 emissions over a particular threshold (see 'Cars' below), long-life assets, thermal insulation, and solar panels.

Integral features are:

- lifts, escalators and moving walkways,
- space and water heating systems,
- air-conditioning and air cooling systems,
- hot and cold water systems (but not toilet and kitchen facilities),
- electrical systems, including lighting systems,
- external solar shading.

Single asset pool

You may have one or more separate pools for single assets that either have a short life (short life asset pools) or where, as a sole trader or in partnership, you use a qualifying piece of plant of equipment for both private and business purposes.

Short life assets: This is an optional set of rules. However, it is possible to treat an asset (excluding cars, leased assets, items used for both personal/business use, and special rate items) as a short life asset, where (broadly speaking) the asset is expected to have a useful life of up to eight years. In such cases, the asset is allocated to a single asset pool with tax relief given over the asset's useful life. There are specific timeframes within which companies or individuals can elect to treat an asset as a short life asset. An SLA election is irrevocable.

CAA 2001 s 83 - 89.

Private use assets: Where you're a sole trader or in a partnership and use an asset outside of your business (e.g., there is both private and business use of an asset) that asset must be allocated to a separate pool. The asset is then given a writing down allowance at 18% or 6% as applicable, with a restriction applied so that the amount of capital allowances claimed reflects the amount of business use.

First-year allowance (FYA)

First-year allowances (FYA) do not count towards your AIA limit.

Where available FYA is given, at 100%, on the following, which must be new and unused:

- cars with zero CO_2 emissions,
- equipment for electric vehicle charging points,
- plant and machinery for gas refuelling stations, e.g. storage tanks, pumps,
- gas, biogas and hydrogen refuelling equipment,
- zero-emission goods vehicles,
- plant and machinery used in a Freeport tax site (companies only).

CAA 2001 s 39-51.

Full expensing

Under full expensing, companies can claim a 100% First Year Allowance on qualifying new main rate planet and machinery. There is no cap on the amount of expenditure that can qualify for full expensing.

Full expensing is only available where:

- the claimant is a company subject to corporation tax,
- the plant and machinery is new and unused (i.e. not second-hand),
- the plant and machinery is not a car, given to the company as a gift, or bought to lease to someone else.

While qualifying special rate expenditure isn't eligible for the 100% FYA, it can qualify for relief at 50%.

If a company later sells an asset on which it has claimed full expensing, special disposal rules apply. Where 100% FYA has been claimed, the company is required to bring in an immediate balancing charge, equal to 100% of the disposal value.

Where the 50% FYA has been claimed, the balancing charge is equal to 50% of the disposal value, with the remaining balance of 50% treated in the normal way (i.e. deducted from the special rate pool balance).

Full expensing replaced the super deduction, which was available between 01.04.2021 and 31.03.2023.

Initially, full expensing was introduced as a temporary measure, to run from 01.04.2023 until 31.03.2026. However, the 2023 Autumn Statement announced that full expensing would be made a permanent measure.

F (No. 2) A 2023 s 7.

Cars

The amount of capital allowances available for a car depends on its CO2 emissions. For cars bought from April 2021, the position is as follows:

- New and unused cars with zero emissions (or where the car is electric): 100% FYA.
- Cars with emissions of 50g/km or less (or where electric car is second hand): 18% main rate allowance.
- New or second hand car with CO2 emissions over 50g/km: 6% special rate allowance.

Note that cars are expressly prohibited from accessing the 100% AIA.

Research and development allowance (RDA)

RDA, formerly known as the scientific research allowance, gives 100% relief for capital expenditure (qualifying expenditure) on research and development (R & D) incurred by a trader.

The R & D must be related to the trade, and RDA is only available to traders (i.e., it is not available to those carrying on a profession or vocation).

A balancing charge arises if an asset representing qualifying expenditure is sold, demolished or destroyed, but there is no balancing charge if the use of the asset changes.

CAA 2001 s 437-451.

Structures and buildings allowance (SBA)

The SBA is a capital allowance available for the costs of constructing or acquiring new structures and buildings incurred on or after 29.10.2018.

In addition, the structure must:

- be used for a qualifying activity,
- have an allowance statement,
- not have been used as a residence the first time it was used or during the period being claimed.

From 2020-21, the rate of relief is 3% of qualifying expenditure, with the allowance period being 33 and one third years from the allowance period start date (being the later of the date the structure is first used for a non-residential purpose or the date the qualifying expenditure is incurred).

An enhanced 10% SBA deduction is available over ten years on qualifying Freeport expenditure, where certain conditions are met.

CAA 2001 s 270AA-270IH.

CAPITAL GAINS TAX (CGT)

Charge to tax

Chargeable gains

CGT arises when an individual or non-corporate person makes a chargeable gain in a tax year. Note that companies within the charge to corporation tax pay CT on chargeable gains.

An asset means property in any form, whether situated in the UK or not, including intangible property.

Disposal

A gain is the profit that arises when you sell or transfer (make a disposal of) an asset.

A disposal includes:

- a part disposal,
- deriving a capital sum from an asset (though see TCGA 1992 s 23),
- the entire loss or destruction of an asset.

TCGA 1992 s 21, 22, 23, 24.

Residence

Resident individuals

If you are UK resident and domiciled for a tax year, you are generally liable to UK CGT tax on your worldwide gains.

TCGA 1992 s 1A.

Non-domiciled individuals

If you are resident but not domiciled in the UK (a non-dom),and claim the remittance basis, you are liable to UK CGT on UK gains and proceeds of foreign gains remitted into the UK.

TCGA 1992 Sch 1.

Non-UK-resident individuals

If you are not UK resident, you are only taxed on certain UK source gains. For example, assets used by a trade carried on in the UK via a branch or agency, or a direct or indirect disposal of an interest in UK land.

TCGA 1992 s 1A to 1D.

Temporary non-residence

Broadly, if you become non-resident, and:

- while abroad you dispose of assets acquired while in the UK,
- you return to the UK within five years of moving abroad,
- you were a UK resident for either the whole or a part of at least four of the seven tax years before you moved abroad,

the gains you made while non-resident are taxed when you return.

TCGA 1992 s 1M to 1N.

CGT rates

Annual exempt amount (AEA)

For 2023-24, the first £6,000 of gains realised in a tax year are exempt. This threshold is available to individuals, personal representatives of a deceased estate, and trustees for disabled people.

The threshold drops to £3,000 for most other trustees.

The AEA is not typically available to non-doms who claim the remittance basis of taxation.

Rates

	gains from residential property	other gains
Higher rate taxpayers	28%	20%
Basic rate taxpayers	18%	10%

Trustees or personal representatives of someone who has died pay CGT at 20%, or 28% for disposals of residential property.

TCGA 1992 s 1H to 1I.

Business asset disposal relief (formerly entrepreneurs relief)

A 10% CGT rate applies if you sell all or part of your business, or if you sell shares in your trading company (or holding company of a trading group). Among other conditions, you should have owned the business (or held qualifying shares) for at least two years prior to disposal or the date the business ceased.

There is a lifetime limit on qualifying gains, which is £1 million from 11.03.2020.

TCGA 1992 ss 169H-169SA.

Investors' relief

Gains qualifying for investors' relief are taxed at a concessional 10% CGT rate. Applies to qualifying shares issued on or after 17.03.2016 that are disposed of on or after 06.04.2019, provided the shares have been owned for at least three years prior to disposal. A lifetime limit of £10 million applies.

TCGA 1992 ss 169VA-169VY.

Exemptions

The main exemptions from CGT are:

- Gambling and lottery prizes: betting winnings and lottery prizes are exempt.
- Compensation: Compensation or damages for any wrong or injury suffered by an individual in his person or profession is exempt.
- Chattels: A gain arising on the disposal of a chattel is exempt if the proceeds do not exceed £6,000. The exemption may not apply where there is a piecemeal disposal of articles that form part of a set.

TCGA 1992 s 51(1)-(2); 252; 262.

Other exemptions:

- gifts to charities,

- gifts of works of art,
- compensation for deprivation of foreign assets,
- foreign currency for personal expenditure.

TCGA 1992 s 252; 258; 268B; 269.

Reliefs

Private residence relief

A gain on the disposal of your main residence (together with its garden or grounds of up to half a hectare) is exempt, provided it was occupied as your main residence throughout the period of ownership.

You are deemed to have occupied the house for the final 9 months of ownership even if you live elsewhere. This final period exemption is extended to 36 months where an individual or their spouse is a disabled person or long-term resident in a care home.

There are other instances when an individual is deemed to occupy the property for CGT purposes – refer to the legislation for further information.

TCGA 1992 s 222–226B.

Roll-over relief

You can defer CGT by reinvesting proceeds arising from the sale of a qualifying business asset (for example, a building that is occupied and used in a trade) into a qualifying replacement asset.

Acquisition of the replacement asset must take place within a period starting one year before and ending three years after the disposal of the original asset.

TCGA 1992 ss 152–164.

Gift hold-over relief

This is another form of deferral relief. It can be available in instances where you transfer business assets for free or below market value. It is only available where the donor is an individual or trustee of a settlement.

There are a few different categories of assets that qualify for hold-over relief, including:

- assets used in a trade, profession or vocation;
- shares or securities of a trading company,
- settled property,
- agricultural property.

Where hold-over relief concerns shares or securities, those shares/securities should be of a trading company, or the holding company of a trading group. In addition, the shares/securities should generally not be listed on a recognised stock exchange, or the company should be the donor’s personal company.

Note relief is also available under TCGA 1992 s 260 (Gifts on which inheritance tax is chargeable).

TCGA 1992 s 165-169G; s 260.

EIS shares

Disposal relief: no CGT arises on disposal of Enterprise Investment Scheme shares provided the shares were held for three years and you received full income tax relief on the whole subscription for the EIS shares, with none of that income tax relief having been withdrawn.

Deferral relief: if you dispose of an asset and make a gain, you may be able to access deferral relief, which defers the gain where you subscribe for and are issued qualifying EIS shares. Those EIS shares must be issued to you between one year before, and three years after, the date of the disposal for which you're claiming relief. The deferred gain is charged when a chargeable event occurs (e.g., you dispose of your EIS shares).

In order to receive deferral relief in full, note that the amount invested must at least equal the chargeable gain.

TCGA 1992 ss 150A-150D.

SEIS shares

Disposal relief: no CGT arises on disposal of Seed Enterprise Investment Scheme shares provided the shares were held for three years and you received full income tax relief on the whole subscription for the SEIS shares, with none of that income tax relief having been withdrawn.

Re-investment relief: if you dispose of an asset and make a gain and reinvest all or part of the amount of the gain in shares that qualify for SEIS relief, then up to 50% of the gain can be exempt from CGT, up to a limit of £100,000 (i.e. 50% of the £200,000 annual limit). You cannot access re-investment relief unless you also receive SEIS income tax relief.

TCGA 1992 ss 150E-150G.

VCT shares

No CGT arises on disposal of Venture Capital Trust shares provided the shares sold were not acquired in excess of the permitted maximum for any year of assessment.

Disposals of VCT shares do not give rise to an allowable loss.

TCGA 1992 s 151A-151B.

Gifts of pre-eminent objects

Available to both individuals and companies who donate pre-eminent objects to the nation. A pre-eminent object includes ‘‘any picture, print, book, manuscript, work of art, scientific object or other thing that the relevant Minister is satisfied is pre-eminent for its national, scientific historic or artistic interest, or any collection or group of pictures, prints, books, manuscripts, works of art, scientific objects or other things if the relevant Minister is satisfied that the collection or group, taken as a whole, is pre-eminent for its national, scientific, historic or artistic interest.”

Applications for the relief are made to the Arts Council. An expert panel will consider whether the object is pre-eminent.

Any gain arising on the gift of the object should be exempt for CGT, corporation tax and IHT purposes.

Further relief is available under the scheme, with a tax credit given as a percentage of the object's agreed fair value.

Individuals can receive a tax credit of 30%. The reduction can be spread across a maximum of five tax years, beginning in the tax year in which the offer is registered by the Arts Council. Typically, the reduction is applied to income tax liabilities in priority to CGT liabilities.

Companies receive a tax credit of 20%, which applies in the accounting period in which the offer was registered by the Arts Council (ie., spreading is not available).

FA 2012 s 49, Sch 14.

Losses

The following applies to allowable capital losses arising on an arm's length disposal to a third party.

Current year loss relief

Allowable capital losses arising in a tax year are offset against any other gains arising in the tax year in priority to your annual exempt amount (ie., it can mean the annual exempt amount is wasted).

TCGA 1992 ss 15–16.

Carry forward loss relief

If your allowable capital losses exceed your chargeable gains during a particular tax year, you can carry forward the excess losses for set-off against chargeable gains arising in future years.

Note that capital losses cannot, except in very limited instances, be carried back.

Trade loss as CGT loss

Where relevant conditions are met, you can opt to treat a trade loss as a CGT loss.

TCGA 1992 s 261B.

Note that capital losses need to be claimed to be utilised. Typically, this is done through a self assessment tax return.

Losses on loans to traders

You may be entitled to claim an allowable capital loss if you act as a lender or guarantor on a loan to a trader that cannot be repaid, provided:

- the loan was used wholly for trade purposes,
- a loan amount has become irrecoverable,
- the borrower and lender/guarantor were not spouses/civil partners, either when the loan was originally made or subsequently.

Trade in this context also includes a profession or vocation, but excludes money lending.

TCGA 1992 s 253.

Negligible value claim

You can make a negligible value claim if an asset you own has become worthless / worth next to nothing. Such a claim allows you to realise a loss.

HMRC publish a list of shares and securities in companies previously quoted on the London Stock Exchange that have been accepted as being of negligible value.

TCGA 1992 s 24.

Self assessment

The income tax self-assessment payment and lodgment dates also broadly apply for CGT.

If you make a reportable chargeable gain in a tax year, you must:

notify HMRC of your obligation to file by 5 October following the tax year end,

report the disposal in your self-assessment tax return on or before 31 October following the tax year end. This date is extended to the 31 January following the tax year end if you file online (although note the additional reporting requirements for certain UK land and property disposals, discussed below).

Reporting disposals of UK land and property

There are additional reporting and payment requirements if you dispose of UK property or land.

UK residents

If you have sold or disposed of UK residential property, you must report the disposal and pay any CGT due within 60 days of completion of sale (where the completion date was on or after 27.10.2021). Note that, for UK residents, you only need to report the disposal where tax is due on the gain (eg., a disposal of a fully CGT-exempt main residence does not give rise to this reporting requirement).

UK non-residents

Non-residents should report and pay any non-resident CGT due on disposals of:

- residential UK property or land,
- non-residential UK property or land,
- mixed use UK property or land,
- rights to assets that derive at least 75% of their value from UK land.

Unlike UK residents, non-residents must report the disposal even if they have no tax to pay, or if they make a loss.

The deadline to report the disposal and pay any non-resident CGT due is also 60 days from date of completion (where the completion date was on or after 27.10.2021).

Both UK resident and non-resident individuals can use the Capital Gains Tax on UK property account to report and pay any tax due on UK property disposals. Paper reporting forms are also available.

Subject to limited exceptions, this reporting requirement for both residents and non-residents still arises even if you file a self-assessment tax return.

Failure to report the relevant disposal / pay the CGT due on time can lead to interest and penalties.

Paying CGT

Except where CGT is due to be paid on a disposal of UK land or property (see above), CGT is due on or before 31 January following the tax year end.

Although it is not often used, taxpayers also have the option to report gains on assets (excluding gains on residential property) using the ‘real time’ Capital Gains Tax service.

If using the real time service, you must report the disposal by 31 December following the tax year the disposal arose, with payment due by 31 January following the tax year end. Note that, if you are registered for self-assessment, you will still need to include the details of the disposal in your tax return.

HMRC powers

See INCOME TAX: HMRC powers.

Appeals

See INCOME TAX: Appeals.

VALUE ADDED TAX

Charge to tax

A **taxable person** is a person:

- who makes a taxable supply, i.e., a supply of goods or services, within the UK, for consideration, in the course or furtherance of business, and
- whose turnover exceeds the annual VAT registration limit (£85,000 since 01.04.2015).

In other words, a person who should be registered for VAT.

VATA 1994 s 3.

Supply of goods

Meaning of supply of goods

A supply of goods means the transfer of the whole property in goods.

VATA 1994 Sch 4 para 1.

Place of supply of goods

If the supply of any goods does not involve their removal from or to the UK they shall be treated as supplied in the UK.

VATA 1994 s 7.

Supply of services

Meaning of supply of services

A supply of services includes anything that is not a supply of goods but which is done for a consideration, i.e., payment in some form.

VATA 1994 s 5(2)(b).

Place of supply of services

The place of supply depends on whether the customer is a business (B2B service) or a consumer (B2C service):

- Generally, for B2C services, the place of supply is the supplier’s place of belonging.
- Generally, for B2B services, the place of supply is where the customer belongs.

VATA 1994 s 9.

Registration

Registration limit

You must register for VAT if:

- your total VAT taxable turnover for the last 12 months exceeded the registration limit (currently £85,000)
- you expect your turnover to exceed £85,000 in the next 30 days.

Different registration rules apply to non-UK based businesses.

VATA 1994 Sch 1-3A.

Voluntary registration

A business is entitled to voluntarily register for VAT, provided it can show that it will be making taxable supplies. You may decide to do this so that you can lower costs by reclaiming VAT on business expenses.

De-registration

Your business is entitled to deregister from VAT if you expect your VAT taxable turnover in the coming 12 months will be less than the de-registration threshold (£83,000).

You will have to compulsorily deregister if your business ceases to make taxable supplies or stops trading.

VAT rates

Standard rate

Supplies which are not:

- exempt,
- zero-rated, or
- chargeable at the reduced rate (5%),

are by default chargeable at the standard rate of 20%.

VATA 1994 s 2.

Zero rate

Supplies chargeable to VAT at the zero rate are:

- certain foods,
- books,
- brochures,
- leaflets,
- pamphlets,
- children’s painting and picture books,
- maps and charts,
- magazines,
- newspapers,
- printed or copied music,
- publications (some publication items are standard-rated e.g. exercise books, letterheads, posters),
- babywear,
- children’s clothes and footwear,
- cycle helmets and motorcycle helmets that meet safety standards,
- protective boots and helmets for industrial use,
- advertising services for charities,

- certain goods sold at charitable fundraising events,
- charity shops that sell donated goods,
- building services for disabled people,
- equipment for blind or partially sighted people,
- equipment for disabled people,
- magnetic tape adapted to record speech for blind people and the apparatus to make or play such tape,
- dispensing of prescriptions by a registered pharmacist,
- women's sanitary products (to include reusable period underwear from 01.01.2024),
- incontinence products,
- low vision aids,
- emptying of domestic cesspools, septic tanks or similar,
- sewerage services supplied to domestic or industrial customers,
- water supplied to households (water supplied to industrial customers is standard-rated),
- ship repairs and maintenance,
- shipbuilding where gross tonnage is 15 tons or more,
- substantial reconstructions to protected buildings that are buildings used as a dwelling:
  - for a relevant residential purpose, or
  - for a relevant charitable purpose,
- installation of bathrooms, lavatories, constructing ramps in the homes of people with a disability,
- widening doorways or passageways in the homes of people with a disability,
- construction and first freehold or long leasehold sale of a new building for a relevant charitable purpose,
- construction and first freehold or long leasehold sale of a new building for relevant residential purposes,
- construction and first freehold or long leasehold sale of new domestic buildings,
- first freehold or long leasehold sale of a commercial building converted into a dwelling(s),
- first freehold or long leasehold sale of buildings converted for relevant residential purposes,
- first freehold or long leasehold sale of buildings converted for relevant charitable purposes,
- sale or long lease of a new dwelling with a garage or parking space,
- aircraft repair and maintenance,
- passenger transport in a vehicle, boat or aircraft that carries not less than ten passengers,
- aircraft repair and maintenance,
- the sale or charter of airships,
- the sale or charter of civil aeroplanes (gliders and hot air balloons are standard-rated),
- the sale or charter of helicopters, and
- the sale or letting-out on hire of houseboats (holiday accommodation let in a moored houseboat is standard-rated).

VATA 1994 s 30 and Sch 8.

Reduced rate

The goods and services chargeable to VAT at the reduced rate of 5% include:

- supplies of domestic fuel or power,

- grant-funded installation or connection of heating equipment, security goods and gas supplies,
- carrycots with restraint straps,
- children's car seats, including booster seats and booster cushions,
- renovation of a dwelling that has been empty for at least two years,
- contraceptive products,
- welfare advice or information,
- installation of mobility aids for the elderly,
- smoking cessation products (e.g. nicotine patches and gum),
- caravans (more than 7m long or more than 2.55m wide) which are neither designed nor manufactured for continuous year-round occupation, and
- cable-suspended passenger transport systems.

VATA 1994 s 29A and Sch 7A.

Exempt activities

VAT is not charged on the following supplies:

- physical education and sports activities,
- betting and gaming (incl. pool betting and games of chance),
- bingo even if it is played remotely (e.g. on the internet, telephone, TV or radio),
- lottery ticket sales,
- online lotto games,
- commissions on lottery ticket sales,
- antiques, works of art or similar (as assets of historic houses), which are:
  - sold by private treaty to public collections, or
  - used to settle a tax or estate duty debt with HMRC
- admission charges by charities,
- sponsored charitable events,
- burial or cremation of dead people,
- burials at sea,
- funeral plans written under contracts of insurance,
- care or medical treatment provided by a qualifying institution (e.g. a hospital, hospice or nursing home),
- health services provided by health professionals (e.g. registered doctors, dentists, opticians, pharmacists),
- education, vocational training and other connected services provided by an eligible body, such as: school, college, or university,
- any grant or licence to occupy land on which incidental parking takes place,
- garages/parking spaces let with dwellings (under short-hold tenancy agreements) for permanent residential use (garages or facilities specially designed for parking are standard-rated),
- any grant, or licence, to occupy land or buildings,
- houseboat moorings,
- parking spaces or garages supplied with houseboat moorings,
- public postal services provided by Royal Mail under a universal service obligation,
- financial services including:

    - issuing money,
    - transferring money,
    - receiving money,
    - dealing with money,
    - dealing with securities for money,
    - dealing with orders for the payment of money,
- granting credit such as loans,
- the management of credit by the person who has granted it,
- providing the facility of instalment credit finance (e.g. hire purchase),
- providing qualifying financial intermediary services,
- issuing, transferring or dealing with a security (incl. shares and bonds),
- the operation of a current, deposit or savings account,
- managing a qualifying special investment fund,
- financial services supplied separately but with other goods or services,
- financial services supplied as part of a single supply with other goods or services (only exempt if the financial service is the principal element of the supply),
- gold investment coins,
- friendly society subscriptions for the provision of insurance,
- insurance and reinsurance transactions,
- insurance brokers and agents acting in an intermediary capacity,
- insurance supplied as part of a single supply with other goods or services (where insurance is the principal element of the supply),
- admission charges by public authorities or eligible cultural bodies to certain cultural events (e.g. visits to museums, art exhibitions, zoos and performances).

VATA 1994 s 31 and Sch 9.

VAT calculation

Value of supply

VAT is charged on the value of a supply, i.e., the full consideration receivable for the supply.

VATA 1994 s 19 and Sch 6.

VAT liability

You calculate your VAT liability for a VAT period by deducting your purchases VAT (input tax) from your sales VAT (output tax) for that period.

VATA 1994 s 24-25.

VAT systems

The VAT fraction

If, as a retailer, you only sell goods on which one particular rate of VAT applies then you can calculate the VAT portion of any VAT-inclusive goods or services by using the VAT fraction.

The VAT fraction is 1/6 for the standard rate and 1/21 for the reduced rate.

VAT schemes

The traditional method of accounting for VAT is often unsuited to certain types of businesses.

There are a number of alternative VAT accounting systems which such businesses can implement to simplify the process.

Cash accounting

A business with annual VAT taxable turnover of £1.35 million or less can use the cash accounting scheme.

Under the scheme the business will still have to issue invoices, however, it doesn't have to account for output tax until it actually receives payment.

This may help to ease cash flow. However, the downside of the system is that you cannot recover input tax until you have actually paid suppliers.

HMRC reserve the right to prohibit a business from using the cash accounting scheme. The scheme applies to the vast majority of transactions but some are excluded, such as:

- items sold on 6 or more months credit (i.e. payment isn't due in full within 6 months of the invoice date),
- goods and services invoiced in advance of their supply, and
- hire purchase and similar transactions.

The business will also have to stop using cash accounting if the value of its VAT taxable supplies goes above £1.6 million in any one-year period.

VAT Regulations 1995 regulations 56-65.

Annual accounting

Just like cash accounting your business is entitled to start using the annual accounting scheme if your annual VAT taxable turnover is £1.35 million or less.

Your business can remain in the scheme until your VAT taxable turnover reaches more than £1.6 million at the end of the annual accounting year. Under the scheme your business will be required to make an annual VAT return. Advance payments are made towards your VAT bill during the accounting period, followed by a final balancing payment when the VAT return is submitted.

VAT Regulations 1995 regulations 49-56.

The flat rate scheme

Under the flat rate scheme you charge the appropriate rate of VAT on any supplies that you make, however, you assess your VAT liability by simply applying a fixed percentage to your business' VAT inclusive turnover. This percentage is set by HMRC according to your business' primary activity.

A list can be found at: www.gov.uk/vat-flat-rate-scheme/how-much-you-pay. If you are in your first year as a VAT-registered business you are able to receive a 1% discount on the rate. If you are classed as a limited cost business, you pay a higher rate of 16.5%.

Your business is not entitled to make separate claims to recover the input tax it paid on purchases, except for purchases of certain capital assets which cost over £2,000.

This scheme is designed for small businesses. To be eligible for the flat rate scheme your business must have an annual VAT taxable turnover (excl. VAT) of £150,000 or less. Your business can remain in the scheme until, on the anniversary date of joining the scheme, your turnover in the past 12 months exceeds £230,000 (including VAT) or turnover is expected to be at this level in the next 12 months. You must also leave the scheme if you expect your total income in the next 30 days to exceed £230,000 (including VAT).

VATA 1994 s 26B.

Margin scheme

VAT margin schemes operate to tax the difference between what you have paid for an item and what you sold it for, with VAT at 16.67% (one-sixth) charged on the difference. The types of goods that may be bought and sold under the margin schemes include:

- second-hand goods,
- collectors' items and works of art, and
- antiques.

A margin scheme cannot be used for any item you bought for which you were charged VAT, nor for items such as precious metals or stones, or investment gold.

To use the schemes, a business must be registered for VAT and meet all relevant record-keeping, accounting and invoicing requirements. The purchase invoice for the goods must not show VAT separately, and in addition the business should not issue an invoice which shows VAT separately for the sale of the goods.

Keep in mind that different rules can apply for items such as second-hand vehicles, and that different rules are also in place for auctioneers, agents, and if you buy and sell goods between Northern Ireland and the EU.

VATA 1994 s 50A.

Special schemes for retailers

In situations where it would be onerous for a retailer to keep VAT records for every separate transaction – because of the scale and nature of the business – it is possible to adopt a special scheme to compute the output tax.

Three types of these schemes are available:

- apportionment,
- direct calculation, and
- point of sale.

In order to qualify for these schemes it must be unreasonable for the business to compute its VAT liability in the normal way. If the business' annual turnover exceeds £130 million then it will have to arrange an individual scheme with HMRC.

Self assessment

VAT period

Unless your business is within the Annual Accounting Scheme (see above) you ordinarily submit VAT returns and make payments to HMRC quarterly (although you may be able to file monthly returns where you are a regular repayment trader).

The VAT return must be filed and paid within one month and seven days of the end of the VAT period.

Subject to very few exceptions, VAT returns should be filed online, using accounting software that is compatible with the requirements of Making Tax Digital for VAT. Broadly, MTD for VAT requires a business to use compatible software to keep digital VAT records and file VAT returns.

Taxable amount

To assess your VAT liability you must deduct your input tax from your output tax (e.g. output tax – input tax = net tax liability).

If there is any excess (i.e your output tax is more than your input tax) then it must be paid over to HMRC. If the reverse situation applies and your input tax was greater than your output tax then you will be entitled to a VAT refund from HMRC.

VAT becomes a business cost if you are unable to recoup your input tax, for example, if you are not registered for VAT at all.

VATA 1994 ss 24-25.

Payment on account

If your VAT liability exceeds £2.3 million in any period of 12 months or less you must make payments on account by the last working day of the second and third months of each VAT quarter, together with a balancing payment when the return is filed.

HMRC powers

Records

You must keep VAT records for at least six years (10 years if you use the VAT One Stop Shop Scheme or used the VAT Mini One Stop Shop Scheme).

Records should typically be kept of the following:

- everything bought and sold (including zero-rated, reduced rate, and VAT exempt items),
- copies of invoices issued,
- all invoices received,
- self-billing agreements (where customer prepares the invoice),
- the name, address and VAT number of any self-billing suppliers,
- debit or credit notes.
- any goods given away or taken from stock for private use.

Note that certain VAT records must now be kept digitally, in line with the requirements of Making Tax Digital for VAT.

Penalties

Late filing

For VAT accounting periods starting on or after 01.01.2023, new VAT penalty rules have been introduced (replacing the VAT default surcharge – see VAT Notice 700/50). The following is adapted from HMRC guidance.

Under the new system, late submission penalties apply on a points-based system. For each return that is filed late (including nil returns), you receive a penalty point.

Your relevant penalty points threshold is based on your accounting period. An accounting period for this purpose is the period for which you need to send a VAT return to HMRC (eg, quarterly).

Once you reach your penalty points threshold, HMRC issues a £200 penalty, with a further £200 penalty applied to each subsequent late submission while you’re at threshold.

Accounting period	Penalty points threshold
Annually	2
Quarterly	4
Monthly	5

The late submission penalty rules do not apply to your first VAT return (for newly-registered VAT businesses), your final VAT return after cancelling your VAT registration, or one-off returns that cover a period other than a month, quarter, or year.

It is possible to remove penalty points. If you have not reached your penalty point threshold, individual points expire automatically, depending on the date the return was due.

Namely, if the deadline for your return was:

- not the last day of a month — a penalty point expires on the last day of the month, 24 months after this,
- the last day of a month — a penalty point expires on the last day of the month, 25 months after this.

If you're at the penalty points threshold, penalty points can only be removed where you meet both condition A (complete a period of compliance) and B (submit all outstanding returns for the previous 24 months).

Late payment

Late payment penalties can apply to any payment of VAT not paid in full by the relevant due date, except for VAT payments on account and instalments under the VAT Annual Accounting Scheme.

Where a payment is more than 15 days late, HMRC will issue a first late payment penalty. Where a payment is 31 or more days overdue, the first late payment penalty increases, and a second late payment penalty is issued.

Payment delay	First late payment penalty	Second late payment penalty
Up to 15 days overdue	Nil	Nil
Between 16 and 30 days overdue	Calculated at 2% on the VAT you owe at day 15	Nil
31 days or more overdue	Calculated at: 2% of what was outstanding at day 15, plus 2% of what is still outstanding at day 30	Calculated at: A daily rate of 4% per year on the outstanding balance Charged everyday from day 31 until the outstanding balance is paid

As a transitional period, HMRC will not charge a first late payment penalty until after 31.12.2023 (provided you pay in full within 30 days of the payment due date or enter into a Time to Pay arrangement).

Interest

HMRC will charge late payment interest from the first day a payment is overdue until you pay in full. The amount is calculated at the Bank of England base rate, plus 2.5%.

Interest on overpaid VAT

Where HMRC delays a repayment on any VAT you are owed, you may be entitled to claim repayment interest. For accounting periods starting on or after 01.01.2023, repayment interest replaces the repayment supplement.

Repayment interest is paid at the Bank of England base rate minus 1% with a minimum rate of 0.5%.

Appeals

For indirect tax appeals, HMRC should offer you the opportunity of a review in their decision letter, which is where the tax decision will be reviewed by an HMRC officer who was not involved in the original decision. Typically, you have 30 days from the date of HMRC's decision to accept the offer.

Alternatively, you can appeal to the tax tribunal.

INHERITANCE TAX

Charge to tax

UK DOMICILED

If you are UK domiciled, inheritance tax (IHT) applies to your estate and any chargeable lifetime transfers you make.

If you are not domiciled in the UK then IHT only applies to your UK estate.

POTENTIALLY EXEMPT TRANSFER (PET)

You can avoid IHT by making a potentially exempt transfer (PET), i.e., by gifting your assets without reservation while you're alive.

Provided you survive seven years from the date of the gift, it is exempt.

If you die within seven years, the gift's value is added back to your estate on death.

IHTA 1984 s 3A.

CHARGEABLE LIFETIME TRANSFER (CLT)

Certain transfers do not qualify as PETs and are immediately chargeable to IHT at 20%, although no IHT may be payable if the amount of CLT falls within any available nil rate band.

A common example of a CLT would be a transfer into a relevant property trust which is not a specified trust (e.g., a discretionary trust).

IHTA 1984 s 3; 94(1); 98.

Rates

THRESHOLD

Transfer value	death rate	Chargeable lifetime transfer
£1 - £325,000	0%	0%
Over £325,000	40%	20%
Reduced rate where 10% or more of estate is left to charity or amateur sports body	36%	

The £325,000 figure is referred to as the IHT threshold or nil rate band (NRB). In theory, IHT is payable on any excess value over the nil rate band.

However, this is subject to the availability of any transferable nil rate band (TNRB), which can transfer the unused amount of a deceased spouse's or civil partner's nil rate band to the surviving spouse.

In addition, there is the residence nil rate band (RNRB), which is available where a deceased and their estate meet the relevant conditions.

Broadly, to be eligible for the RNRB:

- the deceased must have died on or after 06.04.2017,
- the estate includes a residence owned by the deceased,
- the residence is inherited by the deceased's direct descendants.

The amount of RNRB available is the lower of £175,000 and the value of the residence.

The RNRB is tapered for estates worth more than £2 million, with the RNRB reducing by £1 for every £2 that the estate is worth more than £2 million.

IHTA 1984 s 7 and Sch 1; 8A.

PET made within seven years of death: tapering relief

If you die between three and seven years after making the gift, IHT can be reduced as follows:

Time between date of gift and date of death	rate at which IHT charged	effective rate
Between 0 and three years	100%	40%
Over three but less than four years	80%	32%
Over four but less than five years	60%	24%
Over five but less than six years	40%	16%
Over six but less than seven years	20%	8%

Exemptions

Excluded property

IHT does not apply to a lifetime transfer of:

- property situated outside the UK if the beneficiary is non-UK domiciled,
- holdings in an authorised unit trust if the beneficiary is non-UK domiciled,
- shares in open-ended investment companies if the beneficiary is non-UK domiciled,
- Certain savings beneficially owned by persons domiciled in the Channel Islands or Isle of Man,
- decorations which have been awarded for valour or gallant conduct,
- emoluments and tangible movable property owned by members of visiting forces, or by certain staff of allied headquarters,
- certain overseas pensions,
- settled property outside the UK if the settlor was domiciled outside the UK when the property was settled,
- balances on non-sterling accounts with banks or post offices held by individuals not domiciled, resident or ordinarily resident in the UK.

This list is not exhaustive.

IHTA 1984 s 6, Sch A1.

Small gifts: £250

IHT does not apply to small lifetime gifts you make to any one person during the same tax year, provided the total value of such gifts does not exceed £250.

IHTA 1984 s 20.

Annual exemption: £3,000

Annual gifts of up to £3,000 per donor, are exempt. Any unused annual exemption can be carried forward to the next tax year only.

IHTA 1984 s 19.

Wedding gifts

IHT does not apply to gifts in consideration of marriage (or civil partnership) where the donor’s relationship to the donee is:

a parent, provided it does not exceed £5,000,

a grandparent, provided it does not exceed £2,500,

anyone else, provided it does not exceed £1,000.

IHTA 1984 s 22.

Transfers between spouses and civil partners

Transfers made between spouses and civil partners are exempt. But if the transferor is UK domiciled, and their spouse or civil partner is non-UK-domiciled, the exemption is limited to £325,000 less any previous transfers to that partner.

IHTA 1984 s 18.

Other exemptions

IHT does not apply to **maintenance payments** arising from a divorce or dissolution of a civil partnership.

IHTA 1984 s 11.

IHT does not apply to reasonable capital transfers to a **dependent relative**, for example, a parent or parent-in-law, or a relative who is incapacitated as a result of infirmity or old age.

IHT does not apply to gift financed from the **donor’s normal income** which does not affect the donor’s normal standard of living.

IHTA 1984 s 21.

IHT does not apply to gifts:

- to charities and registered amateur community sports clubs,
- of UK land to registered housing associations,
- to political parties (with at least two MPs or one MP with 150,000+ votes given to party candidates),
- for national purposes, e.g., works of art gifted to a museum.

IHTA 1984 s 23; 24A; 24; 25.

Reliefs

Agricultural relief

For 2023-24, this relief applies to agricultural property located in the UK, Channel Islands, Isle of Man or the European Economic Area (EEA) including:

- land or pasture used to grow crops or rear animals,
- farmhouses, cottages or buildings, that are of a character appropriate to the property,

- growing crops when they are transferred along with land,
- stud farms which breed and rear horses (including any land used for grazing associated with those activities),
- land not currently farmed under the habitat scheme,
- land not currently farmed under a crop rotation scheme.

The rate of relief is 100% where:

- immediately before the transfer you had the right to vacant possession of the property, or the right to obtain the property within the next 12 months, or
- you are the landlord of land let before 10.03.1981, which would have qualified for relief if transferred before that date, and there was no possible right to vacant possession between then and the date of current transfer.
- you did not have vacant possession as above because you let the property on a tenancy which began on or after 01.09.1995.

In all other cases relief is at 50%.

IHTA 1984 s 116.

To qualify, the transferor must have:

- owned and occupied the property for the purposes of agriculture throughout the two year period ending with the date of the transfer (if occupied by the owner, a company they control, or their spouse/civil partner), or
- owned and occupied the property throughout the seven year period ending with the date of the transfer (if occupied by someone else).

IHTA 1984 s 117.

Business property relief (BPR)

This relief applies to **relevant business property** and applies at the following rates:

Type of property	relief
A business or interest in a business	100%
Unquoted shares including AIM shares	100%
Controlling stake in a quoted company	50%
Land, buildings, plant or machinery used primarily by the business of a transferor who is a partner or controlling shareholder in that company	50%
Settled land, buildings, plant or machinery used primarily in the business of the transferor where the transferor was beneficially entitled to an interest in possession	50%

IHTA 1984 s 105; 104.

To qualify, the transferor must own the relevant business property for two years immediately preceding the transfer, unless the transferred property replaced earlier property which qualified for BPR.

IHTA 1984 ss 106–107.

Ownership by a transferor’s pre-deceased spouse or civil partner counts as ownership by the transferor for the purposes of this two-year rule.

IHTA 1984 s 108.

Relevant business property does not include a business or company:

- that primarily deals in securities, stocks, shares, land or buildings,
- that primarily deals in making or holding investments,
- that is not carried on for gain,
- that is subject to a contract for sale (there are exceptions), or
- which is being wound up.

Woodlands

Woodlands can qualify for BPR if it is commercially run and managed as a business. Similarly, woodlands can qualify for APR if it supplements agricultural property, for example, through use as game coverts or coppices grown for farm fencing materials.

Woodland will not qualify for APR, if:

- it is used to commercially produce timber, or
- the trees were planted under a grant scheme to take the land out of agricultural use for a period of time.

If APR/BPR is unavailable, you may be eligible for woodlands relief. This means you can elect to exclude woodlands from the value of an estate by agreeing to pay IHT at a later date, when the timber is sold.

The deceased must have been beneficially entitled to the land for the five years preceding death, or have received it as a gift or inheritance.

To qualify, you must make the election within two years of the death.

IHTA 1984 s 125.

IHT is charged after deducting allowable expenses, which include selling and replanting costs, provided the replanting takes place within three years of disposal.

IHTA 1984 s 130.

Quick succession relief (QSR)

This relief is designed to reduce the IHT arising where an estate that is taxable on death includes assets received within the previous five years under a taxable transfer.

The reduction is broadly calculated as follows:

Percentage (per below table) x IHT charge on earlier transfer x (Increase in value of estate / Value of earlier transfer)

Years between transfer and death	relief
Up to one year	100%
Between 1 and 2 years	80%
Between 2 and 3 years	60%
Between 3 and 4 years	40%
Between 4 and 5 years	20%

IHTA 1984 s 141.

Self assessment

Payment of tax

In the case of an inheritance, the executor or personal representative of the deceased pays IHT from the estate.

If there is a shortage of cash because assets have yet to be sold, the executor may borrow to pay the tax. In such a case, he is entitled to be reimbursed from the estate.

Payment of IHT may also, in certain instances, be made by way of instalments.

Payment date

The payment dates for IHT are:

Event giving rise to IHT	deadline
death	end of sixth month after death
CLT between 06.04 and 30.09	30.04 in following year
CLT between 01.10 and 05.04	six months after end of month of transfer

IHTA 1984 s 226.

HMRC can accept property in satisfaction of IHT.

IHTA 1984 s 230–231.

Unpaid tax is subject to interest.

IHTA 1984 s 237; 233.

HMRC powers

See Income Tax: HMRC Powers.

Appeals

See Income Tax: Appeals.

STAMP DUTIES

Charge to tax

Standard stamp duty applies to paper transfers of shares, at a rate of 0.5% rounded up to the nearest £5. Transfers below £1,000 are not taxed.

A rate of 1.5% applies on certain transfers of shares to depository receipt schemes or clearance service systems.

Stamp duty reserve tax (SDRT)

This applies to paperless transfers of shares, at a rate of 0.5%, rounded up to the nearest penny.

A rate of 1.5% is applied where chargeable securities are transferred to a depositary receipt issuer or operator of a clearance service.

Stamp duty land tax (SDLT)

This applies to the transfer of land and buildings in England and Northern Ireland (Land and Buildings Transaction Tax applies in Scotland, while Land Transaction Tax applies in Wales).

The rate applies to the part of the consideration that falls within each rate band (i.e., it is ‘‘stepped”).

Non-residential (or mixed use) property

The following rates apply to freehold sales and transfers, as well as lease premiums:

£0-£150,000: 0%

£150,001-£250,000: 2%

Over £250,000: 5%

Residential property: First-time buyers

22.11.2017 to 07.07.2020

£0-£300,000: 0%

£300,001-£500,000: 5%

If the property costs more than £500,000, the normal rates apply.

08.07.2020 to 30.06.2021 (Covid holiday)

£0-£500,000: 0%

If the property costs more than £500,000, the normal rates apply.

01.07.2021 to 30.09.2021 (Covid holiday extension)

£0--£300,000: 0%

£300,001-£500,000: 5%

If the property costs more than £500,000, the normal rates apply.

01.10.2021 to 22.09.2022

£0-£300,000: 0%

£300,001-£500,000: 5%

If the property costs more than £500,000, the normal apply.

From 23.09.2022

£0-£425,000: 0%
£425,001-£625,000: 5%
If the property costs more than £625,000, the normal rates apply.

Residential property: non-first-time buyers

04.12.2014 to 07.07.2020

£0-£125,000: 0%
£125,001-£250,000: 2%
£250,001-£925,000: 5%
£925,001-£1,500,000: 10%
Over £1,500,000: 12%

08.07.2020 to 30.06.2021 (Covid holiday)

£0-£500,000: 0%
£500,000-£925,000: 5%
£925,001-£1,500,000: 10%
Over £1,500,000: 12%

01.07.2021 to 30.09.2021 (Covid holiday extension)

£0--£250,000: 0%
£250,001-£925,000: 5%
£925,001-£1,500,000: 10%
Over £1,500,000: 12%

01.10.2021 to 22.09.2022

£0-£125,000: 0%
£125,001-£250,000: 2%
£250,001-£925,000: 5%
£925,001-£1,500,000: 10%
Over £1,500,000: 12%

From 23.09.2022

£0-£250,000: 0%
£250,001-£925,000: 5%
£925,001-£1,500,000: 10%
Over £1,500,000: 12%

Second-homes

An additional surcharge of 3% applies where the individual purchaser has an interest in more than one property after purchase, and the new home does not replace the main residence that has been sold.

If you have not sold your old main residence at the date of completion for the new property, the 3% rate will apply. However, if you sell your old main residence within three years of buying the new home, it is possible to apply for a refund of the 3% surcharge. In some cases, a refund may still be available even if the sale takes longer than three years.

Higher rate for companies

Companies pay a 3% surcharge on any residential property purchase if the consideration is £40,000 or more, and the interest they buy is not subject to a lease which has more than 21 years left.

If consideration is greater than £500,000, a 15% surcharge is due on the entire amount. This flat rate applies to companies, mixed member partnerships, and collective investment schemes, unless an exemption applies.

Surcharge for non-UK residents

For freehold residential property, where the consideration is greater than £40,000 and one or more buyers is non-UK resident, an additional 2% surcharge applies, on top of all other residential rates of SDLT.

This surcharge also applies to purchases of a ‘major interest’ in residential leasehold property where:

- The lease premium is £40,000 or more, or the relevant rent is £1,000 or more,
- One or more buyers is non-UK resident,
- The interest being acquired is not a lease with seven years or less to run.

LEVIES

Annual tax on enveloped dwellings (ATED)

This applies where a residential dwelling in the UK is owned through:

- a company,
- a collective investment vehicle (such as a unit trust or an open ended investment company),
- a partnership which includes one, or more, of the above.

The rates are:

Property value (£)	Annual chargeable amount 01.04.2023 - 31.03.2024 (£)
500,001 to 1,000,000	4,150
1,000,001 to 2,000,000	8,450
2,000,001 to 5,000,000	28,650
5,000,001 to 10,000,000	67,050
10,000,001 to 20,000,000	134,550
Over 20,000,000	269,450

If unsure which valuation band your property falls into, you can ask HMRC for a "pre-return banding check".

A dwelling may be part of mixed-use property and includes:

- a property "capable of being a dwelling",
- the dwelling's gardens and grounds and any building within them, unless that building is being used for a purpose covered by a relief.

A dwelling does not include:

- a hotel or guest house,
- a boarding school,
- a hospital or care home,
- a student hall of residence,
- military accommodation,
- a prison.

VALUATIONS

To determine how much ATED to pay, it is necessary to value property using the relevant valuation date. There are set revaluation dates for all properties, which take place every five years after 01.04.2012. Revaluations are required regardless of when the property was acquired. For the chargeable period 01.04.2023 to 31.03.2024, the relevant revaluation date is 01.04.2022 (or the date the property was acquired, if later).

Where a property is mixed use, only the residential part should be valued.

Aggregates levy

This an environmental tax on the commercial exploitation of rock, sand and gravel. It is designed to encourage recycling second-hand materials instead of purchasing freshly excavated aggregate.

The levy is charged at £2.00 per tonne with a proportionate reduction for smaller amounts.

The levy does not apply to material that is more than half:

- clay, soil, vegetables or other organic matter,
- coal, lignite, or slate,
- drill cuttings from seabed oil exploration,
- waste or by-products from an industrial combustion process or the smelting or refining of metal, eg., industrial slag, pulverised fuel ash and used foundry sand.
- The levy does not apply to material that is entirely:
- china clay and ball clay waste,
- processing waste from the separation of coal, lignite or slate from other aggregate after extraction,
- From 01.10.2023, aggregate dug lawfully and unavoidably on the site of any existing or proposed structure, or infrastructure for transport or utilities to build, maintain or improve them but not to obtain the aggregate itself.
- The above lists are not exhaustive.

Climate change levy (CCL)

This aims to lower fuel emissions from businesses. The CCL must be charged when a business supplies electricity, natural gas, liquefied petroleum gas, and coal and lignite to business consumers, use such commodities themselves, or use a commodity to generate electricity.

Type of energy	Rate from 01.04.2024	Rate from 01.04.2023
Electricity (£ per kilowatt hour)	0.00775	0.00775
Natural gas (£ per kilowatt hour)	0.00775	0.00672
Liquefied petroleum gas (£ per kg)	0.02175	0.02175
Any other taxable commodity (£ per kg)	0.06064	0.05258

Percentage discount for holders of a climate change agreement

Type of energy	Rate from 01.04.2024	Rate from 01.04.2023
Electricity	92%	92%
Natural gas	89%	88%
Liquefied petroleum gas	77%	77%
Any other taxable commodity	89%	88%

The carbon price support rate (CPS)

The carbon price support rate (CPS) applies to electricity suppliers and providers of combined heat and power (CHP).

This aims to encourage electricity producers to invest in low carbon technology.

Type of energy	Rate from 01.04.2016 to 31.03.2025
Natural gas (£ per kilowatt hour)	0.00331
Liquefied petroleum gas (£ per kg)	0.05280
Coal and other taxable solid fossil fuels (£ per gigajoule on gross calorific value)	1.54790

Landfill tax

This applies to "landfill", i.e., waste placed in a licensed landfill site in England or Northern Ireland (Scottish Landfill Tax operates in Scotland and Landfill Disposals Tax applies in Wales).

Landfill tax	Rate from 01.04.2024 (£ per tonne)	Rate from 01.04.2023 (£ per tonne)
Standard rate	103.70	102.10
Lower rate	3.30	3.25

The lower rate applies to inert waste – rocks, soils, ceramics, concrete, minerals, ash, etc.

The standard rate applies to all other taxable waste.

The landfill operator must charge VAT on the full charge for waste disposal, including the landfill tax.

The following do not count as landfill activities:

- dredgings – material removed from water,
- quarrying and mining, and quarry filling,
- pet cemeteries.

To encourage the recycling of waste, tax credits are available if waste is sent from landfill to be recycled, incinerated or reused.

Air passenger duty (APD)

Rates

APD rates (FA 1994 s 30) relate to a passenger's class of travel and final destination:

- The reduced rates apply to the lowest class of travel available on the aircraft for seat pitches less than 40 inches.
- The standard rates apply to any other class of travel or where the seat pitch is more than 40 inches.
- The higher rates apply to travel in aircraft of 20 tonnes or more equipped to carry fewer than 19 passengers.

From 01.04.2023, there are four destination bands for APD.

- The first is a domestic band, for destinations in England, Scotland, Wales and Northern Ireland.

- Bands A – C are international bands, based on the distance from London to the destination capital city, as follows:
- • Band A: 0 to 2,000 miles.
- • Band B: 2,001 miles to 5,500 miles.
- • Band C: over 5,500 miles.

A list of band destinations is available on HMRC's website: www.gov.uk/guidance/rates-and-allowances-for-air-passenger-duty.

Flights originating from UK excluding NI and Scottish Highlands and Islands

Rates from 01.04.2023 to 31.03.2024

Destination bands and distance from London (miles)	Reduced rate (£)	Standard rate (£)	Higher rate (£)
Domestic	6.50	13	78
Band A (0 - 2,000 miles)	13	26	78
Band B (2,001 – 5,500 miles)	87	191	574
Band C (over 5,500 miles)	91	200	601

Flights originating from Northern Ireland (NI)

Rates from 01.04.2023 to 31.03.2024

Destination bands and distance from NI (miles)	Reduced rate (£)	Standard rate (£)	Higher rate (£)
Domestic – Direct and Indirect	6.50	13	78
Band A (0 - 2,000 miles) – Direct and Indirect	13	26	78
Band B (2,001 – 5,500 miles) – Indirect	0	0	0
Band B (over 2,000 miles) - Indirect	87	191	574
Band C (over 5,500 miles) - Direct	0	0	0
Band C (over 5,500 miles) - Indirect	91	200	601

FINANCE (No. 2) ACT 2023

An Act to make provision in connection with finance.
[11 July 2023]

PART 1 Income tax, corporation tax and capital gains tax

INCOME TAX CHARGE, RATES ETC

1. Income tax charge for 2023-24.

2. Main rates of income tax for 2023-24. The 20% basic rate, the 40% higher rate, and the 45% additional rate.

These rate apply to "non-savings, non-dividend" income of taxpayers in England and Northern Ireland.

Welsh income tax rates, which are added to the reduced UK rates, are set by the Welsh National Assembly. For Welsh taxpayers the main rates are reduced by 10p in the pound.

Scottish income tax rates and thresholds on non-savings, non-dividend income are set by the Scottish Parliament.

3. Default and savings rates of income tax for 2023-24. The 20% default basic rate, the 40% default higher rate and the 45% default additional rate.

The "savings rates" applies to savings income of all UK taxpayers.

The "default rates" applies to non-savings, non-dividend income of taxpayers who are not subject to the main rates of income tax, Welsh rates of income tax or the Scottish rates of income tax.

4. Freezing starting rate limit for savings for 2023-24. For 2023-24, the starting rate limit for savings remains at £5,000.

CORPORATION TAX (CT) CHARGE AND RATES

5. Charge and main rate for financial year 2024. Sets the main rate of CT at 25%, for the financial year beginning 01.04.2024.

6. Standard small profits rate and fraction for financial year 2024. Sets the standard small profit rate of CT at 19% and sets the standard marginal relief fraction at 3/200ths.

CAPITAL ALLOWANCES

7. Temporary full expensing etc for expenditure on plant or machinery. Introduces 100% first-year allowances for main rate expenditure and 50% first-year allowances for special rate expenditure, subject to certain exclusions.

Effective for expenditure incurred on or after 01.04.2023 but before 01.04.2026.

8. Annual investment allowance t(AIA) to remain at £1m. Sets the maximum annual investment allowance ("AIA") at £1m indefinitely. Removes the temporary AIA transitional provisions for chargeable periods straddling 01.04.2023 when the temporary increase to £1,000,000 was due to end.

Effective for qualifying expenditure incurred on or after 01.04.2023.

9. First-year allowance for expenditure on electric vehicle charge points. Extends the availability of the 100% first-year allowance by two years. Effective for qualifying expenditure incurred on or after 01.04.2023.

OTHER RELIEFS RELATING TO BUSINESSES

10. Research and development (R&D). Changes relief to include data licences and cloud computing services, tackle abuse and ensure the legislation operates as intended.

Effective for accounting periods beginning on or after 01.04.2023. The requirement to provide additional information with a claim has effect for claims made on or after 01.08.2023.

11. Profits from patents etc: Amends the Patent Box deduction formula to ensure the formula remains accurate for companies paying the new small profits rate, those with profits of £50,000 or less, from 01.04.2023.

12. Energy (oil and gas) profits levy. Introduces a new investment allowance at a rate of 80% for oil and gas companies for investment in the de-carbonisation of upstream petroleum production activities.

13. Museums and galleries exhibition tax relief (MGETR). Extended to 31.03.2026.

14. Extension of temporary increase in theatre tax credit etc. Extends the temporary increased rates for theatre tax relief (TTR), orchestra tax relief (OTR), and museums and galleries exhibition tax relief (MGETR) to 31.03.2025. The rates were set at 45% (for TTR and MGETR non-touring productions) and 50% (for OTR, and TTR and MGETR touring productions) since 27.10.2021.

From 01.04.2025, the rates of relief drop to 30/ 35% respectively.

From 01.04.2026, the rates will return to 25/20% respectively.

15. Seed enterprise investment scheme (SEIS). Increases the limits that apply to company access and use of the SEIS and the investment amounts on which individual investors can claim tax reliefs.

Reliefs for employees

16. Company Share Option Plan (CSOP) scheme limit. Increases the limit from £30,000 to £60,000, and allows the Treasury to amend the limit in future by regulations.

Removes the "worth having" condition, which stipulates that the majority of the issued shares are of the same class as those included in a CSOP scheme must be either employee-control shares or open market shares. This is unless the shares included in the CSOP scheme are in a company whose ordinary share capital consists of shares of only one class. Effective for share options granted under CSOP schemes on or after 06.04.2023.

17. Enterprise management incentives. Removes the requirement to set out in a share option agreement, the details of any restrictions on the shares that can be acquired. Removes the requirement for a company to declare that an employee who received share options has signed a working time declaration.

Effective in relation to EMI options granted on or after 06.04.2023, as well as EMI options granted before 06.04.2023 which have not yet been exercised.

Pensions

18. Lifetime allowance charge. Will not arise for the tax year 2023-24 or any subsequent tax year. Although the charge will not apply, the concept of the lifetime allowance will remain for the tax year 2023-24.

19. Lump sums to be taxed at marginal rate. Replaces the lifetime allowance charge with an income tax charge at marginal rate for certain payments made by registered pension schemes, or by relieved non-UK pension schemes. Effective for payments made on or after 06.04.2023.

20. Annual allowance increased. Increases the annual allowance to £60,000. Effective on and after 06.04.2023.

21. Money purchase annual allowance. Increased to £10,000 from 06.04.2023.

22. Tapered annual allowance. Increases the adjusted income to £260,000 and increases to £10,000 the minimum amount to which the annual allowance is reduced on a tapered basis.

23. Transitional protections. Disapplies certain rules for those who applied for protection from the lifetime allowance charge before 15.03.2023. Effective from 06.04.2023.

24. Collective money purchase arrangements (CMPs). A CMP scheme may pay periodic income during the winding up period. A CMP scheme can transfer the sums and assets, used to pay periodic income during winding up, to another registered pension scheme so that a drawdown pension may be paid from the new scheme. Any periodic income that (as a result of the death) becomes payable to dependants' is ignored for the purposes of FA 2004 Sch 28 paras 16AA to 16B.

25. Relief relating to net pay arrangements. Requires HMRC to make top-up payments directly to individuals who save into an occupational pension scheme under net pay arrangements.

The top-up payments will only be made to individuals whose total taxable income is below the personal allowance. Effective for the tax year 2024-25.

Social security

26. Payments under Jobs Growth Wales Plus. Provides an income tax exemption for such payments.

27. Power to clarify tax treatment of devolved social security benefits. Provides a power to amend the legislative table of taxable social security payments to add new social security benefits created by devolved administrations. Under it, the UK Government will be able to clarify that certain social security payments are taxable via Statutory Instrument.

Foster carers etc

28. Qualifying care relief (QCR). Increases the annual amount of care income a recipient can receive which is not subjected to income tax. Also provides for the annual amount to increase in subsequent tax years in line with the Consumer Price Index (CPI). Effective 06.04.2023.

Estates in administration and trusts

29. Estates in administration and trusts. Makes technical amendments to ensure, for beneficiaries of estates, that the grossing-up of chargeable estate income operates correctly and that savings income can be used against a person's savings allowance where available. Effective for income tax for 2023-24 onwards and for corporation tax for accounting periods on or after 01.04.2023.

Trusts and estates with income up to a £500 'de minimis amount' do not pay tax on that income as it arises. Beneficiaries of UK estates do not pay tax on estate income treated as paid from income within the personal representatives' de minimis amount.

Removes the default basic rate and dividend ordinary rate of tax that applies to the first £1,000 slice of income of accumulation and discretionary trusts. Effective for income tax for 2024-25 onwards and for corporation tax for accounting periods on or after 01.04.2024.

Provisions relating to insurance

30. Transfer of basic life assurance and general annuity business BLAGAB). Addresses a tax mismatch in the life insurance rules where re-insurance precedes a transfer of BLAGAB. In this situation the clause classifies the re-insured business as BLAGAB in the hands of the re-insurer.

31. Certain re-insurance sums not to count as deemed I-E receipts. Restricts FA 2010 s 92 where substantially all the insurance risks of a book of BLAGAB are assumed by a re-insurer. In such a case, any amounts received under the re-insurance can no longer count as deemed receipts within the life tax calculation (known as the I-E basis).

32. Insurers in difficulties: write-down orders for corporation tax purposes. Eliminates Corporation Tax impacts when an insurer's liabilities are written down in accordance with an order made under tFinancial Services and Markets Act 2000 s 377A and upon any subsequent variation or termination of the write-down order.

33. Insurers in difficulties: write-down orders in case of pension schemes. Extends the circumstances in which a pre-06.04.2015 lifetime annuity or dependants' annuity under a registered pension scheme can be reduced without incurring unauthorised payments charges.

Miscellaneous corporation tax matters

34. Corporate interest restriction (CIR). Amendments to ensure the rules work as intended.

35. Investment vehicles. Amends TCGA 1992 Sch 5AAA, the Real Estate Investment Trust (REIT) rules and the Qualifying Asset Holding Companies (QAHC) regime.

International matters

36. Share exchanges involving non-UK close companies. UK tax cannot be avoided on chargeable gains made on the disposal of a UK business, or income received in respect of shares or securities held in a UK business, by exchanging securities in a UK company for securities in a non-UK holding company. Effective for exchanges on or after 17.11.2022.

37. Transfer pricing. New powers will be used to make Regulations that will introduce a requirement for large multinational enterprises operating in the UK to keep and preserve a master file and a local file in a prescribed and standardised format, set out in the OECD's Transfer Pricing Guidelines (TPG).

Effective 01.04.2023 in relation to corporation tax and 06.04.2024 in relation to income tax.

38. Double taxation relief: foreign nominal rates. Restricts extended time limit claims for double taxation relief where the credit is calculated by reference to a foreign nominal rate of tax. Effective 20.07.2022.

Chargeable gains

39. Payments to farmers under the lump sum exit scheme (LSES) etc. Such payments will be treated as capital receipts, rather than income, provided eligibility criteria are met.

40. Contracts completed after ordinary notification period. Modifies the period in which a person must notify HMRC that they are chargeable to capital gains tax or corporation tax, and the time limits for assessing chargeable gains and claiming allowable losses, where an asset is disposed of under an unconditional contract. Effective for transfers entered into on or after 01.04.2023 (corporation tax) or 06.04.2023 (capital gains tax).

41. Separated spouses and civil partners. These will be given up to three full tax years in which to transfer assets between themselves for neither a gain nor a loss when they cease to live together; and an unlimited time if the assets are the subject of a formal divorce agreement. Also changes the rules that apply to the disposal of the former home of a spouse or civil partner who has ceased to live there.

42. Carried interest. Introduces an elective basis of taxation for individuals who are likely to be subject to taxation in a future tax year. The election will allow deemed chargeable gains to accrue to the individual over earlier tax years to align with profits arising within the investment scheme. Effective from 06.04.2023.

43. Disposal of joint interests in land. Changes roll-over relief and private residence relief to ensure that Limited Liability Partnerships and Scottish partnerships which hold title to land are included. Effective for claims made on or after 15.03.2023.

PART 2 Alcohol duty

CHAPTER 1 CHARGE TO ALCOHOL DUTY

Alcoholic products

44. Meaning of “alcoholic product”. Defines the term “alcoholic product”.

45. Alcoholic strength. Sets out how alcoholic strength is to be understood and provides for HMRC to make regulations about how to determine the strength of alcoholic products.

46. Categories of alcoholic products: regulations. Provides for a HM Treasury regulation making power to amend the categories of alcoholic products, and to treat products as a particular type of alcoholic product even if it would otherwise be classed as a different product.

Charge and rates

47. Alcohol duty: charge. Provides for alcohol duty to be charged on alcoholic products.

48. Rates. Explains where the rates of alcohol duty can be found.

49. Excise duty point and payment. Provides for how the excise duty point, the amount of alcohol duty chargeable and how it is to be paid is to be determined.

CHAPTER 2 DRAUGHT RELIEF

50. Qualifying draught products: reduced rates.

51. Alcoholic products qualifying for draught relief. Sets out the eligibility criteria for draught relief.

52. Repackaging qualifying draught products. Defines "repackaging" for the purposes of draught relief and introduces a penalty for repackaging that is not authorised.

53. Repackaging in contravention of section 52(2). Provides assessment and penalty consequences for a person repackaging qualifying draught products in a way not allowed under 52(2).

CHAPTER 3 SMALL PRODUCER RELIEF

Main provisions

54. Small producer relief: discounted rates. Provides for discounted rates to be charged on small producer alcoholic products and explains how the discounted rate is calculated.

55. Small producer alcoholic products. Defines “small producer alcoholic products”.

56. Small production premises. Sets out criteria for determining whether premises used to produce alcoholic products are “small production premises”.

57. “Alcohol production amount” etc. Explains the alcohol production amount used for the purposes of determining eligibility for the duty discount and calculating the duty discount for small producer alcoholic products.

58. Exclusions. Sets out the circumstances, other than not meeting the eligibility conditions, in which alcoholic products are not small producer alcoholic products.

59. Duty discount for small producer alcoholic products. Sets out how to calculate the duty discount used to determine the discounted rate for small producer alcoholic products.

60. Assessments where incorrectly low rate of alcohol duty applied. Allows HMRC to assess alcohol duty that is due in circumstances where the small producer rate has not been applied correctly.

Mergers and demergers

61. Mergers: general provisions. Introduces general provisions for when two small producers become connected to each other.

62. Modified "small production premises" test. Introduces the modified conditions to determine if the premises of two small producers that newly merge are small production premises for the purposes of the discounted duty rates for small producer alcoholic products.

63. Modified duty discount. Provides that the "relevant production amount" used for the small producers in a merger transition year is the adjusted post-merger amount.

64. Adjusted post-merger amount. This is used to determine eligibility and to calculate the discounted rates of duty for small producers that are in a merger transition year.

65. Early termination of merger transition period. Provides for a merger transition period to end early in certain circumstances.

66. Subsequent mergers. Sets out what happens if there is another merger between small producers during a merger transition period that has already started.

67. Simultaneous mergers. Sets out what happens when a small producer merges with two or more small producers at the same time.

68. Demergers. Sets out what happens when a production group demerges.

Interpretation of Chapter 3

69. "Producer", "production premises", "group premises" etc. Definitions.

70. Connected persons. Sets out the test for determining whether or not persons are connected for the purposes of small producer relief.

71. Index of defined expressions. Sets out where expressions for small producer relief are defined or explained.

CHAPTER 4 OTHER RELIEFS AND EXEMPTIONS

General

72. Exemption: production for personal consumption. Exempts alcoholic products produced for own domestic consumption.

73. Research and experiments. Provides for alcohol duty to be remitted or repaid due to research or experiments.

74. Spoilt alcoholic products. Provides that alcohol duty chargeable on alcoholic products may be remitted or repaid where the product is spoilt or unfit for use.

75. Alcoholic ingredients. Provides that alcohol duty may be repaid where an alcoholic product is used in the production of a qualifying food product or beverage.

Spirits

76. Imported medical articles. Provides that alcohol duty is not charged on any spirits contained in imported medical articles.

77. Flavourings. Provides that alcohol duty is not charged on spirits contained in flavourings.

78. Authorised use for certain purposes. Sets out how HMRC may authorise a person to receive spirits without payment of alcohol duty, in certain circumstances and for specified purposes.

79. Imported goods not for human consumption. Provides that HMRC may remit the alcohol duty that would otherwise be chargeable on spirits when they are contained in imported goods not for human consumption.

80. Restrictions on use of certain articles. Provides for a penalty and forfeiture where a person who has secured an exemption or relief of alcohol duty uses the article for an unauthorised use.

Remission and repayment

81. Further provision. Provides that any remission or repayment provided under is subject to any conditions HMRC specify in a notice, regulations or impose in a particular case.

Chapter 5 Regulated activities and approvals

82. Approval requirement: producers. Sets out the requirement for a person to be approved by HMRC to produce alcoholic products and gives some detail of what activities may be included in an approval granted under this clause.

83. Supplementary provision about approvals. Gives further information relating to approvals to produce alcoholic products.

84. Exemption: production for personal consumption. Provides an exemption from the requirement for a person to be approved to produce alcoholic products when the product is produced only for their own consumption, and the products are not spirits.

85. Exemption: research and experiments. Provides that a person does not need an approval to produce alcoholic products when the product is produced only for research into, or experiments in, the production of alcoholic products, and the person complies with requirements set out in a notice or regulations.

86. Mixing alcoholic products. Restricts the mixing of multiple alcoholic products except in certain circumstances.

87. Post-duty point dilution of alcoholic products. Reproduces ALDA 1979 s 55ZA, with minor changes to reflect updated terminology.

88. Alcoholic products regulations. Provides for HMRC to make regulations for the administration and production of alcoholic products, and the calculation and collection of alcohol duty.

89. Penalties and forfeiture. Sets out details of penalties and forfeiture action that may occur for failure to comply with certain provisions.

Chapter 6 Denatured alcohol

90. Denatured alcohol. Re-enacts part of FA 1995, and provides that alcohol duty is not charged on alcohol which has been “denatured” to the satisfaction of HMRC. It also defines the relevant terms and provides regulation-making powers.

91. Licence to manufacture and deal wholesale in denatured alcohol. Reproduces ALDA 1979 s 75, with updated terminology.

92. Regulations relating to denatured alcohol. ReproducesALDA 1979 s 77, updating terminology accordingly.

93. Penalties and forfeiture. Provides for penalty and forfeiture action in circumstances specified for denatured alcohol.

94. Defaults in respect of denatured alcohol: possession of excess alcoholic products. Reproduces, with updated terminology, ALDA 1979 s 78.

95. Defaults in respect of denatured alcohol: supply and use of denatured alcohol. Reproduces ALDA 1979 s 78 with updated terminology.

96. Inspection of premises etc. Updates and reproduces the effect of s.79 of ALDA 1979 s 79.

97. Prohibition of use of denatured alcohol etc as beverage or medicine. Updates and reproduces the ALDA 1979 s 80.

Chapter 7 Wholesaling of controlled alcoholic products

98. Definitions. Defines expressions, and reproduces, with updated terminology, ALDA 1979 s 88A.

99. Further provision relating to definitions. Reproduces, with terminology updates, ALDA 1979 s 88B.

100. Approval to carry on controlled activity. Reproduces, with updated terminology, ALDA 1979 s 88C.

101. The register of approved wholesalers. Reproduces, with terminology updates, ALDA 1979 s 88D.

102. Regulations relating to approval, registration and controlled activities. Reproduces, with terminology updates,ALDA 1979 s 88E.

103. Restriction on buying controlled alcoholic products wholesale. Sets out restrictions on buying controlled alcoholic products wholesale.

104. Offences. Provides for specific offences for the wholesaling of alcoholic products scheme.

105. Penalties. Reproduces, with terminology updates, ALDA 1979 s 88H and Sch 2B.

106. Groups. Reproduces ALDA 1979 s 88J.

107. Index of defined expressions. Reproduces, with terminology updates, ALDA 1979 s 88K.

Chapter 8 Supplementary

108. Reviews and appeals. Updates legislation relating to reviews and appeals, replacing references to ALDA 1979 with applicable sections of the Finance (No 2) Act 2023 (alcohol duty).

109. Forfeiture: supplementary provision. Contains further provisions around forfeiture.

110. Removal of goods: application of CEMA 1979 s 95. Inserts new subsections 1A and 1B.

111. Drawback. Alcoholic product producers can offset an amount of alcohol duty due to them as drawback (i.e. due to them as no longer being payable), against another amount of alcohol duty which is chargeable to the producer.

112. Duty stamps. Reproduces, with updated terminology, ALDA 1979 s 64A and Sch 2A.

Chapter 9 Repeals, further amendments and transitional provisions

Repeals and further amendments

113. Repeals. Provides a list of repealed legislation.

114. Minor and consequential amendments.

Transitional provision

115. Temporary provision: wine. Provides for a temporary period of treating wine between specified strengths at an assumed strength of 12.5% abv.

116. Temporary provision: cider. Provides for a temporary exemption from the duty charge on cider produced by small cider makers who produce less than 70 hectolitres of cider per year.

Chapter 10 Final provisions

117. Interpretation of this Part. Provides an index of terms defined in this Part, along with a reference to where further detail can be found for each term.

118. Regulations: supplementary and general. Provides further details about regulations making powers contained in this Part.

119. Regulations: procedure. Provides further details about the procedure to be used when making regulations under this Part.

120. Commencement. Different sections may come into force at different times, to be determined by appointed day orders made by HMRC.

PART 3 Multinational top-up tax

Chapter 1 Introduction and charge

121. Introduction to multinational top-up tax. Provides an overview of the rest of this Chapter.

122. Chargeable persons. Imposes the charge to multinational top-up tax. It sets out who is chargeable, and the amount of any multinational top-up tax to be charged.

123. Amount charged by reference to "top-up amounts". Provides for the calculation of the amount of multinational top-up tax a chargeable person must pay for an accounting period.

124. How to calculate top-up amounts and attribute them. Various rules for calculating and attributing amounts in relation to the multinational top-up tax are set out in Chapters 3 to 11 of this Part. Those rules cover effective tax rates, covered taxes, the calculation and attribution of profits, and the determination and attribution of top up amounts to responsible members of the group.

125. Administration of multinational top-up tax. Introduces Schedule 14, which makes provision in relation to various tax administration matters, including information returns, assessments and penalties.

Chapter 2 Qualifying multinational groups and their members

Multinational groups

126. Meaning of "multinational group" and "ultimate parent". Definitions.

127. Excluded entities. Defines excluded entities. It also introduces Schedule 15, which sets out the rules for elections.

Responsible members

128. Responsible members. Definition.

Qualifying multinational groups

129. Qualifying multinational groups. Definition.

130. Change in composition of multinational group. Sets out rules to determine when a group that is the result of a merger or acquisition will be in scope of the multinational top-up tax regime.

131. Whether de-merged groups meet the revenue threshold. Sets out rules for whether a group that is the result of a de-merger will be in scope of the multinational top-up tax regime.

Chapter 3 Effective tax rate of members of a multinational group in a territory

132. Effective tax rate. Determines how to calculate the effective tax rate.

Chapter 4 Calculation of adjusted profits of members of a multinational group

Adjusted profits of a member of a multinational group

133. Adjusted profits of a member of a multinational group. Provides an overview of Chapter 4.

134. Underlying profits as determined for statements of ultimate parent. Defines a member's underlying profits.

135. Underlying profits of permanent establishments. Defines the underlying profits of permanent establishments.

136. Underlying profits accounts. Defines "underlying profit accounts".

137. No amounts outside of profit and loss account to be included. Provides for the treatment of amounts other than those in the profit and loss account.

Adjustments of underlying profits

138. Profits adjusted to be before tax. An adjustment should be made to the underlying profits of a member of a multinational group to remove amounts relating to specified taxes ("relevant tax amounts").

139. Profits to be adjusted to be profits before intragroup consolidation adjustments. Provides for whether the underlying profits of a member should include the results of intragroup transactions.

140. Profits adjusted to be profits before certain purchase accounting adjustments. Provides for whether the underlying profits of a member should include certain purchase accounting adjustments.

141. General exclusion of dividends. Sets out the general exclusion of dividends.

142. Excluded equity gain or loss. Provides for excluded equity gains to be adjusted.

143. Included revaluation method gain or loss. Provides for underlying profits to be adjusted for included revaluation gains or losses.

144. Adjustments for asymmetric foreign currency income and losses. Sets out adjustments for asymmetric foreign currency losses and gains.

145. Exclusion of expenses for illegal payments, fines and penalties. Sets out an exclusion from underlying profit of expenses for improper or illegal payments, fines, or penalties.

146. Adjustment for changes in accounting policies and prior period errors. Sets out adjustments to the underlying profit for prior period errors and changes in accounting principles.

147. Accrued pension expense. Sets out adjustments to the underlying profit for accrued pension expenses.

148. Treatment of qualifying refundable tax credits. Sets out the treatment of qualified refundable tax credits.

149. Arm's length requirement for certain transactions. Sets out certain adjustments to underlying profit for transactions between members of a multinational group.

150. Transactions between members of a multinational group: differences with accounting for tax. Provides for the treatment of differences in the accounting treatment of certain transactions between members of the same multinational group.

151. Adjustments for companies in distress. Provides rules regarding debt release for members in distress. Profits arising on debt releases will be adjusted out of the underlying profits of the member, under certain conditions.

152. Adjustments where life assurance business carried on. Sets out adjustments to underlying profit for basic life assurance and general annuity businesses.

153. Exclusion of certain insurance reserve movement expense. Excludes certain expenses from the underlying profit of the member of an insurance company.

154. Exclusion of qualifying intra-group financing arrangement expenses. Excludes certain intra-group financing expenses from underlying profit calculations.

155. Qualifying tier one capital. Provides for adjustments to recognise certain amounts in relation to additional tier 1 capital for the purposes of the multinational top-up tax regime.

156. Exclusion of international shipping profits. Excludes international shipping profits from the underlying profits of a member of a multinational group for the purposes of the multinational top-up tax regime.

157. Core international shipping profits. Explains core international shipping profits and how to compute them. It provides that the core international shipping profits are the net of income and costs for the period, and it explains how to identify these amounts.

158. Ancillary international shipping profits. Explains ancillary international shipping profits and how to compute them, for the purposes of multinational top-up tax. It provides that the ancillary international shipping profits are the net of revenue and costs for the period, and it explains how to identify those amounts. This section also specifies that ancillary international shipping profits are capped at 50% of core international shipping profits for each period.

Adjustments only applicable to permanent establishments

159. Permanent establishment income and expense attribution. Provides for the attribution of income and expenses in relation to permanent establishments.

160. Attribution of losses between permanent establishment and main entity. Provides for the attribution of losses between a permanent establishment and the main entity of which it is a part.

Elections to treat certain amounts differently

161. Election to use realisation principle. Multinational groups can elect to calculate certain gains and losses using fair value principles.

162. Election to reflect deductions for stock-based compensation. Groups can make elections in relation to the treatment of stock based compensation in a territory.

163. Election to spread certain capital gains over five years. Provides for an election to spread certain gains over the disposal period and the four previous accounting periods.

164. Election to exclude intra-group transactions. Provides for an election to be made to eliminate the effects of intra-group transactions within the same territory.

165. Election to have excluded equity gains and losses included. Introduces an election to the multinational top-up tax that allows some excluded equity gains or losses to not be excluded. Such gains or losses would then be reflected in the effective tax rate.

166. Election in relation to hedging currency risk in ownership interests. Introduces an election to the multinational top-up tax that allows some gains or losses made as a result of hedging against currency fluctuations to be excluded. Such gains or losses would then be excluded from the effective tax rate computation.

Dealing with transparency and entities subject to qualifying dividend regime

167. Underlying profits of hybrids. Provides that where the profits of a hybrid entity are reflected in the adjusted profits of a group member with an ownership interest in that hybrid, those profits are reallocated to the hybrid entity.

168. Underlying profits of transparent and reverse hybrid entities. Provides for the profits of a flow-through entity to be reallocated, in certain circumstances, to entities which have an ownership interest in it.

169. Certain non tax resident entities to be treated as flow-through entities. Provides for entities which are not tax resident in any territory.

170. Adjustments for ultimate parent that is a flow-through entity. Provides for adjustments to the underlying profits of an ultimate parent that is a flow-through entity.

171. Ultimate parent subject to qualifying dividend regime. Provides for adjustments to underlying profits to take account of distributions under a qualifying dividend regime.

172. Application of section 171 to members in the same territory as the ultimate parent. Extends the application of clause 171 to other group members that are in the same territory as the ultimate parent.

CHAPTER 5 COVERED TAX BALANCE

Amount of covered taxes

173. Covered taxes. Sets out the taxes which are treated as covered taxes.

174. Amount of covered tax balance. Provides rules for determination of the covered tax balance.

175. Amounts excluded from covered tax balance. Specifies the amounts to be excluded from a members qualifying current tax expense.

176. Amounts to be reflected in covered tax balance. provides for certain amounts to be included in a members qualifying current tax expense.

Allocation of covered taxes

177. Permanent establishments. Explains how to allocate taxes to permanent establishments.

178. Reallocation of tax expense. Deals with the allocation of taxes in relation to flow-through entities.

179. Controlled foreign company tax regimes. Provides for the allocation of covered taxes in relation to controlled foreign companies.

180. Blended CFC regimes. Provides for the reallocation of blended CFC taxes in certain circumstances.

181. Distributions from other members of a group. Deals with the allocation of covered taxes in relation to intra-group distributions.

Dealing with deferred tax assets etc

182. Total deferred tax adjustment amount. Determines the total deferred tax adjustment amount for a multinational group member for an accounting period.

183. Qualifying foreign tax credits. Provides for the treatment of certain foreign tax credits.

184. Recaptured deferred tax liabilities. Sets out the treatment of deferred tax liabilities which have not reversed within five years after the end of the first period in which they were taken into account.

185. Inclusion of existing deferred tax assets and liabilities on entry into regime. Provides for the treatment of deferred tax assets and liabilities when an entity is first subject to the multinational top-up tax.

186. Deferred tax assets recorded at less than minimum rate. Provides for the treatment of certain deferred tax assets.

187. Election for losses to be treated as special loss deferred tax assets. Introduces an election to multinational top-up tax that allows for temporary differences to be addressed in a different way. The group may elect to not determine a total deferred tax adjustment amount for the territory, and instead generate a special loss deferred tax asset when there is a loss in the territory. This asset is carried forward and utilised in subsequent periods in which there is a profit in the territory.

188. Further provision about elections under section 187. Explains the nature of the election for losses to be treated as special loss deferred tax assets.

Eligible distribution tax systems: deemed taxes

189. Deemed distribution tax election. Introduces an election into multinational top-up tax that can be made in respect of territories, such as Estonia and Latvia, that have an eligible distribution tax system that has been in force prior to July 2021.

190. Deemed distribution tax amount. Provides that, when a valid deemed distribution election is made, an amount of tax is to be added to the covered tax balance for a territory, in respect of deemed distribution taxes.

191. Reduction of recapture amount. Provides the rules under which the recapture amount, as required for determining the deemed distribution tax amount, is to be reduced.

192. Recalculation where member leaves the group. Provides rules in respect of recapture amounts in previous accounting periods when a member exits the group.

Chapter 6 Calculation of top-up amounts

193. Calculation of top-up amounts. Provides for the calculation of top-up amounts.

194. Total top-up amount for a territory. Sets out the calculation of the total top up amount for a territory.

195. Substance based income exclusion.

196. Eligible payroll costs. Sets out how eligible payroll costs are to be calculated.

197. Eligible tangible asset amount. Sets out how eligible tangible asset amounts are to be calculated.

198. Eligible payroll costs and eligible tangible asset amount: permanent establishments and flow-through entities. Sets out rules for the calculation of eligible payroll costs and eligible tangible asset amounts in relation to permanent establishments and flow-through entities.

199. Election to treat total top-up amount as nil. Introduces what is commonly known as the de minimis exclusion Top-up amount is treated as nil where both revenue and profits for a territory are below the de minimis amount, and the election is made.

Chapter 7 Allocating top-up amounts to responsible members

200. Top-up amounts multiplied by inclusion ratio. Provides for the calculation of the top-up amount attributable to each member of a multinational group.

201. Inclusion ratio. Provides for the calculation of the inclusion ratio.

Chapter 8 Further adjustments

Covered taxes less than nil

202. Covered taxes balance less than nil when members in a territory have a profit. Provides for a negative covered tax balance to be carried forward to future periods in certain scenarios.

203. Additional top-up amounts where covered taxes less than expected. Provides for an increase in top-up amounts for a territory in certain circumstances.

204. Allocation of collective additional amount to members. Explains how to allocate the top-up amounts determined according to section 203 between members of the group.

205. Election to carry forward and reduce collective additional amount. Provides an election to reduce the collective additional amount of a group for a territory by carrying an amount forward to reduce the combined covered tax balance in the next accounting period in which there is no collective loss in that territory.

Additional top-up amounts on recalculations

206. Additional top-up amounts where recalculations required. Provides for recalculations of additional top-up amounts in relation to previous accounting periods.

207. Allocation of collective additional amounts under section 206 to members. Explains how to allocate the top-up amounts determined according to section 206 between members of the group.

Restructuring of groups

208. Member joining or leaving multinational group. Provides rules for restructuring where a member either leaves or joins a group. It outlines the treatment of profits, covered taxes, eligible payroll costs, and deferred tax items.

209. When transfer of controlling interest treated as acquisition of assets and liabilities. Applies where there is an acquisition or disposal of a controlling interest in an entity that is treated as an acquisition or disposal of the underlying assets and liabilities. Provides consistency of treatment regardless of the form in which the transaction takes place.

210. Transfer of assets or liabilities from a member of a multinational group. Provides the rules for recognising the gain or loss on the disposal of assets and liabilities.

211. Transfer of assets or liabilities to a member of a multinational group. Provides the rules which apply when assets or liabilities are transferred to a member of a multinational group.

212. Meaning of "qualifying reorganisation". Defines qualifying reorganisation.

Elections in relation to investment entities

213. Investment entity tax transparency election. Provides for investment entities to make a five-year election to be treated as a tax transparent entity, subject to certain conditions.

214. Taxable distribution method election. Provides for a five-year election to be made for members of a multinational group with direct ownership interests in an investment entity.

215. Undistributed income amount. Specifies how the undistributed income amount is determined for an investment entity.

Other adjustments

216. Election where assets and liabilities adjusted to fair value for tax purposes. Introduces an election that allows a group to apply a fair value treatment to its assets and liabilities.

217. Post filing adjustments of covered taxes. Provides for post filing adjustments for a member of a multinational group where the liability to covered taxes included in an information return has changed.

218. Effect of rate changes to deferred tax expense. Sets out that movements to deferred tax expenses which arise as a result of tax rate changes are to be treated as post-filing adjustments.

219. Adjustment where covered taxes not paid. Deals with the treatment of covered taxes which remain unpaid three years after the end of the period in which they were taken into account.

Chapter 9 Special provision for investment entities, joint venture groups and minority-owned members

Investment entities

220. Top-up amount of investment entity. Sets out the calculation for the top-up amount for investment entities.

221. Substance based income exclusion for investment entity. Provides details for calculating the substance-based income exclusion for investment entities, which is calculated as a percentage mark-up on tangible assets and payroll costs. This reduces exposure to the multilateral top-up tax in territories with substantive activity.

222. Investment entity effective tax rate. Determines how to calculate the effective tax rate for an investment entity.

223. Adjustments. Provides for adjustments to the adjusted profits, substance-based income exclusion, and covered tax balance of an investment entity. An adjustment is to be made when the investment entity is partially owned by a person outside of the group, or when a tax transparency election or taxable distribution method election is in effect.

224. Additional top-up amounts of investment entities. Provides for the determination of additional top-up amounts of investment entities.

225. Attribution of top-up amounts and additional top-up amounts to responsible member. Provides for the attribution of top-up amounts in respect of investment entities.

Joint venture group

226. Joint venture group. Defines JV group, JV parent, and JV subsidiary.

227. Application of Part to JV groups. Members of JV groups are ring-fenced when calculating multinational top-up tax, but are otherwise treated as members of the wider group.

Minority owned members

228. Minority owned members. Provides for the treatment of minority owned members. The regime is applied to these entities separately to other members of the group.

Application to multi-parent groups

229. Multi-parent groups. A multi-parent group consists of multiple consolidated groups that have a particular structure which results in them being treated as a single group with multiple ultimate parents.

It specifies the conditions under which an arrangement is considered to be a multi-parent group, of which there are two types (stapled structure and dual-listed group).

CHAPTER 10 DEFINITIONS ETC

Introduction

230. Meaning of terms and concepts used in this Part. introduces Chapter 10.

Meaning of “entity” etc

231. Meaning of entity. Definitions.

232. Permanent establishments treated as entities. Definitions.

233. Treatment of protected cell companies. Provides for protected cell companies, which are a type of insurance transformer vehicle. Protected cell companies, although single legal entities, are composed of a number of cells. Each cell is economically independent (and bankruptcy remote) from the others.

The companies also include a core component, which does not participate in the investments by the cells, and instead effectively acts as administrator of the company.

234. Governmental, international and non-profit entities. Definitions.

235. Pension funds and pension services entities. Definitions.

236. Investment funds and investment entities. Provides the conditions that must be met for an entity to be treated as an “investment fund”, an “insurance investment entity”, and an “investment entity”.

237. Intermediate and partially-owned parent members. Provides the criteria which determine whether a member of a multinational group is a partially owned parent member or an intermediate parent member.

238. Tax transparency of entities. provides that an entity will be tax transparent in a territory if the territory treats the financial results of the entity as being that of the direct owner, in proportion to their interest in the entity, for tax purposes.

Provision relating to location of entities

239. Location of entities. Primarily, HMRC follows tax residence based on ordinary residence tests. This section provides a series of tie-breaker tests to be applied to entities that are dual resident. If residence changes during the accounting period, the test is to be applied at the beginning of the period.

240. Location of flow-through entities and permanent establishments. Provides the rules for locating flow-through entities and permanent establishments.

241. Pillar Two territories. Provides that the Treasury can specify by regulation those territories that are considered to have implemented an equivalent to the multinational top-up tax, in accordance with the Pillar 2 Model Rules. These territories will be referred to as “Pillar Two territories”.

Ownership of entities

242. Ownership interests and controlling interests. Sets out the conditions under which an entity has an ownership interest or controlling interest in another entity.

243. Calculating percentage ownership interests.Sets out how to determine what percentage of total ownership interests in an entity are held by a specific person. A person may hold both direct and indirect interests, so a rule is required to prevent double counting.

244. Calculating percentage ownership interests of a class. Sets out how to determine what percentage of total ownership interests in an entity are held by a class of entities. A rule is required to prevent double counting where indirect interests are held. This can be necessary when determining whether a certain percentage of an entity is held by a particular type of entity, such as the test in section 236(3) used when assessing whether an entity is an investment entity.

245. Calculating percentage ownership interests: excluded entities. Sets out how to determine what percentage of total ownership interests in an entity are held by qualifying excluded entities. A rule is required to prevent double counting where indirect interests are held. This determination can be necessary when assessing whether an entity meets the criteria to be a qualifying service entity or a qualifying exempt income entity under section 127(7)-(8).

246. Calculating percentage direct and indirect ownership interests. Provides the method for determining the percentage of ownership interest that one entity has in another. It is generally an average of the entitlements to a share of the profits, capital, and reserves.

247. Timing of transfers of interests.

248. Exclusion of indirect interests held through ultimate parent. Provides a rule for determining whether an entity has an indirect ownership interest in a member of a group.

Financial statements and accounting period

249. Consolidated financial statements. Provides the procedure when consolidated financial statements are not produced, or are not produced according to an acceptable financial standard. It provides definitions for “consolidated financial statements”, “authorised accounting standard”, and “material competitive distortion”.

250. Acceptable accounting standards. Details which standards are considered acceptable accounting standards for the purposes of the multinational top-up tax regime. It provides a definition of “UK GAAP” and “acceptable overseas GAAP”.

251. Accounting periods. Defines “accounting period”. It also provides the rules for deemed accounting periods, which apply for any periods for which the ultimate parent does not prepare consolidated financial statements.

Miscellaneous

252. Application to sovereign wealth funds. Sovereign wealth funds are disregarded for the purposes of multinational top-up tax.

253. Disqualified and qualified refundable imputation taxes. Provides the criteria for determining whether a tax that can be refunded or credited is a "qualified" or "disqualified refundable imputation tax".

254. Use of currency. Provides the rule for converting amounts from one currency to another.

255. Pillar Two rules. Definition.

256. Qualifying domestic top-up tax. Defines a qualifying domestic minimum top-up tax (QDMTT). The UK version of this tax is called the "domestic top-up tax".

257. Qualifying undertaxed profits tax (UTPR). Definition. The UTPR is the second tax in the GloBE rules, and it works alongside the IIR as a backstop to ensure that the full amount of the top-up charge is collected and that the minimum effective tax rate of 15% is enforced.

258. Meaning of "connected". Definition.

259. Other definitions.

Chapter 11 General and miscellaneous provision

260. Transitional provision. Introduces Schedule 16.

261. Index of defined expressions. Introduces Schedule 17.

262. Power to amend to ensure consistency with Pillar Two. Introduces the power to make additional regulations by statutory instrument.

263. Regulations. Provides rules about regulations and secondary legislation that may be made in respect of this Part and its Schedules.

264. Multinational top-up tax to apply from 31.12.2023.

PART 4 Domestic top-up tax

Chapter 1 Introduction

265. Introduction to domestic top-up tax (DTT). Introduces this new tax.

266. Qualifying entities. Determines which entities are qualifying for the purposes of DTT.

267. DTT excluded entities. Determines which entities are excluded for the purposes of DTT.

268. Permanent establishments. Definition.

Chapter 2 Charge to domestic top-up tax

269. Chargeable persons. Definitions. Chargeability differs for the DTT because each individual entity is chargeable, whereas for the multinational top-up tax responsible members are chargeable for entities they control.

270. Amount charged. Explains how to calculate how much DTT each chargeable person will be liable to pay.

271. Election to make one member of a group liable for amounts charged. Allows a group to elect for one member to be chargeable to the DTT for the whole group.

Chapter 3 Application of multinational top-up tax provisions

272. Determining top-up amounts of entity that is a member of a group. Sets out how to calculate the top-up amounts for an entity that is a member of a group.

273. Determining top-up amounts of entity that is not a member of a group. Explains how to calculate the top-up amounts for an entity that is not a member of a group. Single entities that are not a member of any group may be in scope of DTT, which is not the case for multinational top-up tax, and this clause makes consequential amendments.

274. Application of section 262. Provides that the DTT regime can be amended to ensure consistency with Pillar 2.

275. Application of Schedule 14. introduces Schedule 18, which applies Schedule 14 for the purposes of the DTT, with certain amendments.

276. Application of transitional provision. Provides for the transitional provision in Schedule 16 to apply for the purposes of the DTT regime.

277. Index of defined expressions. Provides for Schedule 15 to apply to DTT.

278. Commencement. Domestic top-up tax to apply from 31 December 2023.

PART 5 Electricity generator levy

Introduction and charge

279. Charge on exceptional generation receipts.

280. Key concepts. Introduces the concepts of a generating undertaking and a relevant generating station. Exempts power generating stations that are defined by reference to their technology, or the means by which their power is sold. The effect is to limit the application of the levy to those generators who are most likely to have been able to benefit from the increase in wholesale electricity market prices during the energy crisis.

281. Benchmark amount. Provides for adjustment of the benchmark amount by reference to the consumer price index from financial year 25 onwards. The benchmark amount is £75 per MWh until 31.03.2024.

Calculation of exceptional generation receipts

282. Attribution of generation. Sets out the method for determining the amount of an undertaking's generation of electricity that is to be attributed to it for the purpose of the electricity generator levy.

It deals with stations that are not "relevant generating stations", how to treat generation activity undertaken in partnership, and the impacts of generation that is increased or reduced as a consequence of the operation of a balancing mechanism.

283. Generation receipts. Matches receipts of an undertaking from the wholesaling of electricity to the amount of power generated that is attributed to it under section 282. This matching requires the use of fair and reasonable principles by the undertaking to identify revenue that it realises from electricity generated through relevant generating stations after taking account of payments or receipts under financial instruments intended to hedge its exposure to market risk.

In more complex situations, an undertaking will need to take account of the activities of several companies within the group where those companies act as a market interface or have responsibility for managing market risk through hedging sales contracts.

284. Allowable costs. Sets out amounts that can be deducted in calculating a generating undertaking's exceptional receipts at step 4 of section 279 as allowable costs and requires these costs to be subject to a claim in the company's tax return for the period to which they relate.

285. Exceptional generation fuel costs. Sets out the method for calculating whether an undertaking has incurred exceptional generation fuel costs, and if, so the allowable amount of a claim for such costs for the purposes of step 4 in section 279.

286. Exceptional revenue sharing costs. This section sets out the method for calculating whether an undertaking has incurred exceptional revenue sharing costs, and if so, the allowable amount of a claim for such costs for the purposes of step 4 in section 279.

This will be of relevance for certain generators that do not directly incur input costs for their generation fuel, but instead enter into a revenue sharing agreement with a third party that obliges them to share the receipts from generation at a relevant station in consideration of gaining access to a source of fuel. An example is an agreement to process municipal waste at a landfill site, and as part of the arrangement the generator can use the waste in its generating station.

Groups, partnerships and joint ventures

287. Groups. Definition.

288. Lead member of a group and its qualifying periods. Provides for the electricity generator levy liability of a group of companies that form a single undertaking to be reported and administered by a lead member company for a qualifying period that matches its accounting period. Where no member of a group is nominated as the lead company, or otherwise identified in the tests set out, by default the principal member of the group is the lead member.

289. Liability of members of groups. Ensures that where a generating undertaking is a group of companies, the electricity generator levy that the lead member of the undertaking is liable to pay can be recovered from any member of the group.

290. Election for members with significant minority shareholding to pay levy. Provides for an undertaking that is a group to allocate a specific amount of its liability to pay the electricity generator levy to a member of the group other than the nominated company (or the principal member if there is no nominated company) where that member of the group has one or more significant minority shareholders. This requires an election by the undertaking for each qualifying period. The making of an election ensures that the minority shareholder effectively bears its share of the liability from activities of the group company.

291. Qualifying partnerships. The general scheme is to treat each partner as having a proportionate interest in the generating undertaken by the partnership in line with the general treatment of partnerships for corporation tax purposes.

292. Qualifying JVs. Defines a qualifying JV company for the purposes of the electricity generator levy provisions and identifies those participants in a qualifying JV to whom the special rules set out in subsequent clauses apply.

Attribution and surrender of amounts: joint ventures and significant minority shareholders

293. Non-chargeable amounts of joint venture (JV) to be attributed to participants. Provides for participants in a JV company to be charged on any exceptional generation receipts of a JV that are not taxed on that JV. This is the case where the JV company's levy allowance for a qualifying period covers some or all of its own liability to the electricity generator levy. This ensures that generating undertakings with interests in TVs do not indirectly benefit from the use of levy allowances by each JV in which they participate, in addition to their own allowance.

294. Generation acquired and supplied by JV participants. Provides for the attribution of generation by a jJV additionally to a participant in the JV where further exceptional receipts may arise to the participant. This is where a participant receives electricity generated by the JV which it then sells on wholesale terms.

Also ensures that appropriate amounts are brought into account where a participant realises generation receipts in respect of the generation attributed to it, where these amounts have not been taken into account in calculating the liability of JV. Takes account of the pricing of the attributed generation sold by a JV to a participant such that the same receipts are not charged to the levy in both the JV and the participant.

295. Arrangements that reflect receipts (JV participants). Provides for the attribution of generation by a JV additionally to a participant in the JV where further exceptional receipts may arise to the participant. This is where a participant has arrangements designed to hedge its exposure to fluctuations in the wholesale price of electricity generated and sold by the JV undertaking other than to the participant. It provides for an equivalent treatment to that under section 294 (which applies where the participant itself receives power from the JV for onward wholesale supply).

This ensures that appropriate amounts are brought into account where a JV participant realises generation receipts in respect of the generation attributed to the JV, where these amounts have not been taken into account in calculating the JV's liability to the levy. The clause takes account of transactions undertaken by a participant's undertaking such that all of the receipts and other amounts intended to be taken into account as generation receipts are recognised by either the JV or the participant when calculating generation receipts for the purposes of the levy.

296. Generation acquired and supplied by significant minority shareholders. Provides rules for the attribution of generation to a substantial minority shareholder in a company that is a member of a group generating undertaking where further exceptional receipts may arise to the shareholder, or the group of which the shareholder is a member. This is where a such a shareholder receives electricity generated by the group member, or a relevant subsidiary of that member, which it then sells on wholesale terms.

297. Arrangements that reflect receipts (significant minority shareholders). Provides for the attribution of generation by a company that is a member of a group, or a relevant subsidiary, to a significant minority shareholder where further exceptional receipts may arise to the shareholder or group of which the shareholder is a member. This is where a shareholder undertaking has arrangements designed to hedge its exposure to fluctuations in the wholesale price of electricity generated and sold by the group company other than to the shareholder undertaking. It provides for an equivalent treatment to that under section 294 (which applies where the shareholder undertaking itself receives power from the group company for onward wholesale supply).

This ensures that appropriate amounts are brought into account where a significant minority shareholder realises generation receipts in respect of the generation attributed to the group company, or a relevant subsidiary, where these amounts have not been taken into account in calculating the group's liability to the levy. The clause takes account of transactions undertaken by the shareholder's undertaking such that all of the receipts and other amounts intended to be taken into account as generation receipts are recognised by either the group of which the company is a member or the minority shareholder's undertaking when calculating generation receipts for the purposes of the levy.

298. Surrender of shortfalls. Provides a mechanism for the transfer of shortfall amounts between related generating undertakings. This is relevant where there is a participant in a JV undertaking and where there is a significant minority shareholder in a company that is a member of a group generating undertaking. A shortfall amount occurs where an undertaking's generation receipts are below the amount that would be considered exceptional for the purposes of the levy. This is to ensure that, as far as possible, where generation is attributed to both undertakings, any shortfall arising to one undertaking can be set off against exceptional generation receipts of the other undertaking.

299. Amount that may be surrendered and use of that amount. Sets out the maximum amount of a shortfall as calculated under section 298 that a generating undertaking may surrender to, or claim from, a related undertaking in an overlap period and how a surrender is given effect in the calculations of the recipient's liability to the electricity generator levy. It also requires notices of surrender and claim to be made to HMRC.

Treatment of company as transparent as alternative to attribution and surrender

300. Election to treat certain companies as transparent. Introduces an elective alternative treatment under the electricity generator levy for companies to be treated as tax transparent, so will be treated in a similar way to a partnership. The election is available to JV companies and group companies with significant minority shareholders that fulfil conditions relating to their ownership.

301. Effect of company being transparent. Sets out the consequences where a company elects to be treated as transparent for the purposes of the electricity generator levy. The company will be treated in a similar way to a partnership, where the shareholders are treated as if they were partners each entitled to a share of the business carried on by the company equivalent to their proportionate interests in the company. This treatment extends to any wholly owned subsidiaries of the company that is the subject of the election.

Management and administration

302. General application of corporation tax administration. Provides that the general administration rules applying for corporation tax purposes also apply to the electricity generator levy.

303. Company tax returns. Places a duty on the company that is responsible for reporting an undertaking's electricity generators levy liabilities to include details of the various amounts used to compute the liability in a statement as part of its company tax return. It also explains how the electricity generator levy is to be included in a company's calculation of tax payable in a company tax return or amended return.

304. Requirement to provide information about payments. Introduces a requirement for companies making a payment of the electricity generator levy to provide information about that payment to HMRC, so that receipts from the tax can be monitored.

305. Claims to shortfall amounts. Provides an appropriate administrative framework to apply for claims and surrenders of shortfall amounts under the electricity generator levy. It adapts the procedural machinery that applies to group relief claims.

306. Application of TMA 1970 Part 5A of and Instalment Payments Regulations.

Supplemental

307. Application of CTA 2010 Part 5 of for the purposes of determining interests. Provides rules for identifying the equity holders in a company and the amount of profits or assets that are available for distribution to equity holders where these concepts are relevant for the purposes of the electricity generator levy. The rules are based on those in CTA 2010 Part 5 Chapter 6, as modified.

308. Anti-avoidance. A targeted rule which applies for the purposes of the electricity generator levy.

309. Information sharing. Authorises the sharing of information relevant to the levy with HMRC where that information is held by specified bodies.

310. Interaction of electricity generator levy with corporation tax. Provides rules about payments of and in respect of the electricity generator levy.

311. Regulations under this Part. Explains how regulations are to be made.

312. Minor definitions relating to electricity market. Definitions.

313. Definitions in this Part.

PART 6 Other taxes

Stamp duty land tax

314. Transactions funded with the assistance of a public subsidy. Extends the exemption from Stamp Duty Land Tax (SDLT) for certain acquisitions by registered social landlords by adding the Local Government Act 2003 section 31 to the list of qualifying public subsidies listed in Finance Act 2003 section 71.

Value added tax

315. Deposit schemes. introduces rules for VAT accounting for deposit return schemes. When making sales that are within the scope of a relevant deposit scheme, no VAT will be charged in relation to the deposit amount. However, VAT will be accounted for on unreturned deposit amounts by the first seller of a deposit scheme product. The rules for accounting for this VAT will be set out in the Regulations and a VAT Notice.

Import duty

316. Dumping, subsidisation and safeguarding remedies. See Schedule 19. Introduces new provisions relating to the investigation of allegations of dumping, subsidisation, and an unforeseen surge in imports, and allow for the repayment or collection of duties following certain reviews conducted under the trade remedies framework.

317. Rulings as to method of valuation of goods. Provides the legal basis for the issuing of Advance Valuation Rulings (AVRs) by HMRC. Businesses will be able to apply for a legally-binding ruling to specify the method of customs valuation that should be used for the importation of a specified good into the UK.

318. Discharging goods from free-circulation procedure subject to guarantee. Updates legislation permitting HMRC to require financial guarantees to be given for duty amounts payable on imported goods and ensures that decisions to require such guarantees will be subject to review and appeal rights. It will apply in certain cases where the amount of duty payable is not clear from the Customs declaration made for the imported goods. In such cases, HMRC can make release of these goods from Customs import controls conditional upon a financial guarantee to cover any duty that may be payable in respect of the goods.

Fuel duties

319. Excepted machines etc. Makes minor amendments to the Hydrocarbon Oil Duties Act 1979 (HODA) to adjust restrictions on entitlement to use rebated diesel and rebated biofuels for:

- Businesses and individuals who use rebated fuels to provide electricity or heating to premises that are used for both commercial and non-commercial purposes.
- Businesses and individuals using machines or appliances other than vehicles for purposes relating to arboriculture.
- Charities operating lifeboats.

Also amends HODA 1979 s 14B. These measures have effect in relation to any rebated diesel and biofuels, including marked oils, from 15.03.2023.

Tobacco products duty

320. Rates of tobacco products duty. Provides for changes to the rates of excise duty on tobacco products (cigarettes; cigars; hand-rolling tobacco; other smoking tobacco and chewing tobacco; and tobacco for heating) and to the Minimum Excise Tax (MET) on cigarettes. Also provides for changes to the simplified calculation contained within the Travellers' Allowances Order 1994 (TAO), SI 1994/955. These changes are to have effect from 6pm on 15.03.2023.

Soft drinks industry levy

321. Flavour concentrates. Brings into scope of the Soft Drink Industry levy (SDIL) liquid flavour concentrates that are manufactured in or imported into the UK to be used in fountain (dispensing) machines that combine added sugar with the concentrates when the beverage is dispensed. Effective 01.04.2023.

Air passenger duty (APD)

322. New bands and rates. Introduces a new domestic band for flights within the UK and a new ultra-long-haul band (Band C), covering destinations with capitals located more than 5,500 miles from London.

Also provides for the rates of APD for flights to domestic destinations and to destinations to the new Band C, and for changes to the rates of APD for flights to Band B destinations.

323. Northern Ireland rates. Amends the provisions that devolved to the Northern Ireland Assembly the power to set direct long-haul rates of APD. Effective in relation to the carriage of passengers on or after 01.04.2023.

Vehicle taxes

324. Rates of vehicle excise duty. Amends Vehicle Excise and Registration Act 1994 (VERA) Schedule 1. Effective in relation to licences taken out on or after 01.04.2023.

325. Reform of HGV road user levy. See Schedule 22. Amends how the HGV (heavy goods vehicle) road user levy is calculated, and the rates. Removes the requirement to provide a register of HGV levy paid.

326. End of exempt period for HGV road user levy. Changes to the HGV (heavy goods vehicle) road user levy at the end of its current suspension, in August 2023.

Environmental taxes

327. Rates of landfill tax. Increases rates of landfill tax in line with inflation (rounded to the nearest 5 pence). The increased rates apply to any disposal of relevant materials made (or treated as made) at a landfill site in England or Northern Ireland on or after 01.04.2023.

The increased standard rate also applies from the same date to any disposal of relevant materials made (or treated as made) at an unauthorised waste site in England or Northern Ireland. The standard rate will increase to £102.10 per tonne and the lower rate to £3.25 per tonne.

328. Rates of climate change levy. Amends the main rates of Climate Change Levy (CCL) on gas and other taxable commodities and the reduced rate percentages on these commodities paid by participants in the Climate Change Agreement (CCA) scheme, from 01.04.2024.

329. Rate of plastic packaging tax. Changes the rate of plastic packaging tax (PPT) in line with the Consumer Price Index (CPI).

330. Aggregates levy: exemptions and exploitation. Replaces four exemptions for by-product aggregate arising from specific types of construction with a broader and more general one. Restricts an exemption for unmixed aggregate returned to the land at its original site so that it will only apply when returned for a purpose connected with winning aggregate or other minerals. Effective 01.10. 2023.

PART 7 Miscellaneous and final

Freeports and investment zones

331. Designation of sites. See Schedule 23. Extends the power to designate special tax sites to allow designation of such sites in or connected with Investment Zones located in Great Britain.

332. Sunset date for reliefs. Enables sunset dates to be set for the tax reliefs available in special tax sites.

Administration

333. Right to repayment of income tax to be inalienable. Taxpayers will no longer be able to assign their rights to an income tax repayment to a third party.

334. Late payment interest on VAT. Ensures that late payment interest does not apply to instalments payable under the VAT Annual Accounting Scheme. Where HMRC is recovering a payment of VAT, the late payment interest start date is the date from which HMRC paid that amount.

335. Penalties for failure to pay VAT. Ensures late payment penalties do not apply to instalments payable under the VAT annual accounting scheme.

336. VAT credits: repayment interest due where evidence not provided. Amends FA 2009 to remove a restriction on the accrual of repayment interest on VAT paid by HMRC to the taxpayer.

337. Insurance premium tax (IPT): power to make regulations. Enables HMRC to move Insurance Premium Tax (IPT) forms from secondary legislation and into a public notice by way of a statutory instrument. Amends the existing provision for orders and regulations made under FA 1994 Part 3 to permit regulations to refer to a public notice in regard to making notifications or providing information to HMRC, in connection with the administration of IPT.

338. Penalties for failure to make payments of plastic packaging tax (PPT) on time. Ensures all businesses liable for a late payment penalty in respect of PPT are charged the same penalty, however that liability arises.

Management of customs and excise

339. Approval of aerodromes. Enables HMRC to grant approvals to aerodromes for the purposes of customs and excise amend and revoke those approvals. It also requires operators of aerodromes to take reasonable steps to ensure that no aircraft lands or departs in contravention of the Customs and Excise Management Act 1979 (CEMA).

340. Approved aerodromes: consequential amendments. Changes relating to section 339.

341. Temporary approvals etc. Enables HMRC to determine the date a temporary approval ends.

Temporary approvals may be given to a business seeking a review of or appealing against HMRC's decision to revoke certain excise approvals.

Conditionality

342. Licensing authorities: information. Extends tax conditionality. In Scotland this applies to licences to drive taxis and private hire cars, operate a booking office and to be a metal dealer. In Northern Ireland this applies to licences to drive taxis. The amendments will apply where the application for the licence is made on or after 01.04.2023.

343. Section 342: consequential amendments. Amends the Civic Government (Scotland) Act 1982.

This is necessary in order to ensure that tax conditionality does not produce unintended consequences for the operation of the licensing legislation.

Charities and community amateur sports clubs (CASCs)

344. Definition of "charity" restricted to UK charities. Restricts the availability of tax reliefs so that only UK charities can gain access to UK charity tax reliefs. Effective from 15.03.2023; non-UK charities that have already asserted their status will have a transition period until April 2024.

345. Definition of "community amateur sports club" restricted to UK clubs. introduces a restriction on the availability of tax reliefs so that only UK CASCs can gain access to UK charity tax reliefs. Effective 15.03.023. Non-UK CASCs that have already asserted their status will have a transition period until April 2024.

Homes for Ukraine Sponsorship Scheme

346. Exemptions from tax. See Schedule 22. Exempts "thank you" payments made by local authorities to sponsors under the Homes for Ukraine Sponsorship Scheme ('the Scheme"). Also provides for temporary reliefs from the annual tax on enveloped dwellings ("ATED") and stamp duty land tax ("SDLT") in connection with the provision of accommodation under the Scheme.

Office of Tax Simplification

347. Abolition of the Office of Tax Simplification. Omits all existing legislation relating to the Office of Tax Simplification. Effective 23.09.2022.

The dormant assets scheme

348. Pension benefits and inheritance tax. Ensures that payments from an authorised reclaim fund are treated for the purposes of income tax as if they were from the pension asset that was initially transferred. It also ensures that where an asset has been transferred to an authorised reclaim fund and its owner was alive at the time but subsequently dies before the asset has been reclaimed, the owner will be treated for inheritance tax (IHT) purposes as still owning the original asset.

Other

349. Exchange of information. Consolidates existing powers that allow the Treasury to implement the domestic requirements relating to automatic exchange of information between tax authorities. The purpose is to create a general power to allow the Treasury to give effect to existing and future international exchange of information instruments.

350. Payment of unclaimed money in court into the Consolidated Fund. The Court Funds Rules 2011 will be amended to set out the processes for transfer in time for implementation in the financial year 2024-25.

351. Financial sanctions: prohibition on certain payments by HMRC. Prohibits the exercising of certain payment functions of HMRC in respect of persons subject to financial sanctions regulations.

352. Communications data. Provides for the use of abbreviations, for example, the use of "CAA 2001" as an abbreviation for the Capital Allowances Act 2001.

Final

353. Interpretation.

354. Short title.

SCHEDULE 1 — Relief for research and development

Section 10. Changes the research and development (R&D) tax relief for small or medium sized companies (SME tax relief), and R&D Expenditure Credit (RDEC), which is mainly claimed by larger companies, to widen qualifying expenditure to include data licences and cloud computing services, to tackle abuse, and ensure the legislation operates as intended.

Effective for accounting periods beginning on or after 01.04.2023, but the requirement to provide additional information with a claim has effect for claims made on or after 01.08.2023.

SCHEDULE 2 — Estates in administration and trusts

Section 29. Ensures, for beneficiaries of estates, that the grossing-up of chargeable estate income operates correctly and that savings income can be used against a person's savings allowance where available. Effective for income tax for tax year 2023-24 onwards and for corporation tax for accounting periods on or after 01.04.2023.

Trusts and estates with income up to a £500 "de minimis amount" do not pay tax on that income as it arises; and that beneficiaries of UK estates do not pay tax on estate income treated as paid from income within the personal representatives' de minimis amount.

The default basic rate and dividend ordinary rate of tax that applies to the first £1,000 slice of income of accumulation and discretionary trusts is removed. Effective for income tax for 2024-25 onwards and for corporation tax for accounting periods on or after 01.04.2024.

SCHEDULE 3 — Corporate interest restriction etc.

Section 34. Ensures the rules work as intended.

SCHEDULE 4 — Investment vehicles

Section 35. Updates the rules governing the tax treatment of certain investment vehicles.

SCHEDULE 5 — Records relating to transfer pricing

Section 37. Enables regulations to be made in relation to relevant transfer pricing documents. Such regulations will require multinational enterprises operating in the UK to keep and preserve a master file and a local file in a prescribed and standardised format, set out in the OECD's Transfer Pricing Guidelines (TPG).

SCHEDULE 6 — Categories of alcoholic products: interpretation

Section 44. Defines "alcoholic product".

SCHEDULE 7 — Rates of alcohol duty

Section 48. Rates. Explains where the rates of alcohol duty can be found.

SCHEDULE 8 — Qualifying draught products: reduced rates

Section 50. Alcohol duty is charged on qualifying draught products at reduced rates.

SCHEDULE 9 — Small producer alcoholic products: duty discount

Section 59. Sets out how to calculate the duty discount used to determine the discounted rate for small producer alcoholic products.

SCHEDULE 10 — Penalties for contraventions of alcohol wholesaling provisions

Section 105. Penalties.

SCHEDULE 11 — Alcohol duty: reviews and appeals

Section 108. Updates legislation relating to reviews and appeals, replacing references to ALDA 1979 with applicable sections of the Finance (No.2) Act 2023 (alcohol duty).

SCHEDULE 12 — Alcohol duty: duty stamps

Section 112. Reproduces, with updated terminology, ALDA 1979 s 64A and Sch 2A.

SCHEDULE 13 — Alcohol duty: minor and consequential amendments

Section 114. Minor and consequential amendments.

SCHEDULE 14 — Administration of multinational top-up tax

Section 125. Provides for information returns, assessments and penalties.

SCHEDULE 15 — Multinational top-up tax: elections

Section 127. Sets out the rules for elections.

SCHEDULE 16 — Multinational top-up tax: transitional provision

Section 260. Transitional provisions.

SCHEDULE 17 — Index of expressions defined or explained in Parts 3 and 4

Section 261. Provides an index of the expressions defined for the purposes of the multinational top-up tax.

SCHEDULE 18 — Administration of domestic top-up tax

Section 275. Applies Schedule 14 for the purposes of the domestic top-up tax, with certain amendments.

SCHEDULE 19 — Dumping, subsidisation and safeguarding remedies

Section 316. Provides for the investigation of allegations of dumping, subsidisation, and an unforeseen surge in imports, and allow for the repayment or collection of duties following certain reviews conducted under the trade remedies framework.

SCHEDULE 20 — Bilateral safeguarding remedies

SCHEDULE 21 — Soft drinks industry levy: flavour concentrates

Section 321. Taxes liquid flavour concentrates that are manufactured in or imported into the UK to be used in fountain (dispensing) machines that combine added sugar with the concentrates when the beverage is dispensed.

SCHEDULE 22 — Reforms of heavy goods vehicle (HGV) road user levy

Section 325. Changes the rates and how the levy is calculated. Removes the requirement to provide a register of HGV levy paid.

SCHEDULE 23 — Freeports and investment zones: consequential amendments

Sections 331-332. Extend the power to designate special tax sites in or connected with Investment Zones located in Great Britain. Provides sunset date for the tax reliefs available in special tax sites.

SCHEDULE 24 — Homes for Ukraine Sponsorship Scheme: exemptions from tax

Section 346. Exempts "thank you" payments made by local authorities to sponsors under the Homes for Ukraine Sponsorship Scheme ("the Scheme"). Introduces temporary reliefs from the annual tax on enveloped dwellings (ATED) and stamp duty land tax (SDLT) in connection with the provision of accommodation under the Scheme.

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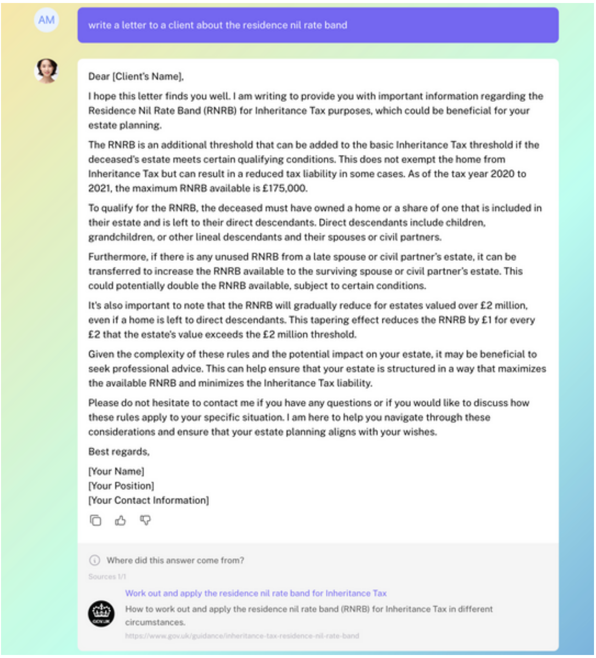

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