

NOTES ON BUDGET RESOLUTIONS

The following note describes the purpose of each of the Budget Resolutions. The number next to each resolution corresponds to its number on the Order Paper.

Specific **Ways and Means Resolutions** (resolutions 2 – 66) are needed for each provision imposing a new tax, renewing an annual tax, or increasing or widening the burden of an existing tax.

Procedure Resolutions (shown at the end of this note) are needed for provisions which would otherwise be beyond the scope of the Finance Bill, including provisions intended to have effect from a future year.

WAYS AND MEANS RESOLUTIONS

1. Amendment of the law

Authorises the Finance Bill to contain those provisions which do not impose or increase a tax charge, in particular provisions that give relief from tax or which deal with tax administration. It also restricts the scope for amendments on VAT.

2. Rates of tobacco products duty

Provides for the rates of duty set out in the Table in Schedule 1 to the Tobacco Products Duty Act 1979 to be increased from 6 pm on 22 March 2006.

3. Rate of duty on beer

Provides for an increase in the rate of excise duty charged on beer to take effect at midnight on 26 March 2006.

4. Rates of duty on wine and made-wine

Provides for an increase in the rate of excise duty charged on still wine and made-wine to take effect at midnight on 26 March 2006.

5. Hydrocarbon oil etc (rates and rebates)

Authorises the Finance Bill to provide for changes in the rates of duty and rates of rebate on hydrocarbon oils and rates of duty on road fuel gases, biofuels and other fuel substitutes.

6. Hydrocarbon oil etc (road vehicles)

Authorises the Finance Bill to make provision enabling amendment of the definition of “road vehicle” in the Hydrocarbon Oil Duties Act 1979.

7. Amusement machine licence duty

Authorises the Finance Bill to provide for amendments to the Betting and Gaming Duties Act 1981 relating to amusement machine licence duty.

8. Vehicle excise duty (rates)

Provides for changes in the rates of vehicle excise duty for vehicles by amendment of the Vehicle Excise and Registration Act 1994. Changes to rates take effect after 22 March 2006.

9. Value added tax (gaming machines)

Authorises the Finance Bill to provide for updating of the definition of gaming machines for VAT valuation purposes in line with that used for VAT liability purposes in Group 4 of Schedule 9 to the Value Added Tax Act 1994.

10. Value added tax (buildings and land)

Authorises the Finance Bill to make provision for, and in connection with, conferring power on the Treasury to substitute a new Schedule 10 to the Value Added Tax Act 1994 for the purpose of rewriting the Schedule with amendments and to amend Group 1 of Schedule 9 to that Act.

11. Value added tax (works of art, antiques, etc)

Authorises the Finance Bill to provide for amendment of Section 21 of the Value Added Tax Act 1994 in relation to works of art, antiques, collections and collector's pieces.

12. Value added tax (missing trader intra-community fraud)

Authorises the Finance Bill to provide for supplies of certain goods, of a kind used in missing trader intra-community (MTIC) fraud, purchased by a business, to be included in its taxable turnover for the purposes of determining whether it has to register for value added tax. It also authorises the Bill to provide for a change of accounting procedure whereby a VAT-registered purchaser of such goods must account for and pay the VAT on the supply rather than the seller.

13. Value added tax (face-value vouchers)

Authorises the Finance Bill to provide for the amendment of Schedule 10A to the Value Added Tax Act 1994. The amendment will allow the Treasury to amend paragraph 3 of Schedule 10A by affirmative resolution order to specify circumstances in which credit vouchers are not to be disregarded for VAT purposes.

14. Income tax (charge and rates for 2006-07)

Provides for income tax to be charged for 2006-07 and sets the rates of tax at 10, 22 and 40 per cent.

15. Corporation tax (charge and rate for 2007)

Authorises the Finance Bill to provide for corporation tax to be charged for the financial year 2007 (the year beginning 1 April 2007) at a rate of 30 per cent.

16. Corporation tax (small companies' rate and fraction for 2006)

Authorises the Finance Bill to provide for the small companies' rate of corporation tax for the financial year 2006 (the year beginning 1 April 2006) to be 19 per cent and for the fraction used in calculating marginal relief to be eleven four-hundredths.

17. Corporation tax (starting rate and non-corporate distribution rate)

Authorises the Finance Bill to provide for the starting rate of corporation tax, marginal starting rate relief and the non-corporate distribution rate to be abolished.

18. Group relief (corporation tax)

Authorises the Finance Bill to provide for changes (including changes having retrospective effect) for the purposes of corporation tax in relation to group relief.

19. Tax relief for R&D expenditure of small or medium-sized companies

Authorises the Finance Bill to provide for changes to the rules for claiming relief under Schedule 20 to the Finance Act 2000 (tax relief for expenditure on research and development).

20. Tax relief for R&D expenditure of large companies etc

Authorises the Finance Bill to provide for new rules for claiming relief under Schedule 12 to the Finance Act 2002 (tax relief for expenditure on research and development).

21. Tax relief for expenditure on vaccine research etc

Authorises the Finance Bill to provide for changes to the rules for claiming relief under Schedule 13 to the Finance Act 2002 (tax relief for expenditure on vaccine research).

22. Films and sound recordings

Authorises the Finance Bill to provide for the introduction of the new films tax relief and for putting an existing extra-statutory concession concerning sound recordings on a statutory basis.

23. Charities (relief on income tax and corporation tax)

Authorises the Finance Bill to provide for the restriction of tax relief where a charity incurs non-charitable expenditure, and for a charity to receive tax relief where only part of a trade carried on by it is charitable. These amendments will apply to chargeable periods commencing on or after 22 March 2006. It also authorises the Bill to provide for the restriction of income tax and corporation tax relief for charities, in respect of transactions carried out on or after 22 March 2006, where a charity participates in certain transactions with its substantial donors.

24. Gift aid (payments by companies)

Authorises the Finance Bill to provide for the amendment of legislation granting tax relief on donations of money to charity by companies. The amendments will ensure that a payment by a company that is wholly owned by one or more charities is treated as a qualifying donation not a distribution, and will extend restrictions on the level of benefits that can be received in consequence of making the donation. The amendments will take effect from 1 April 2006.

25. Income tax (mobile telephones)

Provides for an amendment of the exemption that applies to mobile telephones made available to employees for private use. Only one mobile telephone number can be made available to an employee (excluding members of the employee's family or household) for private use and be exempt from a tax charge. It also provides that no tax will be due to the extent that a non-cash or credit-token voucher facilitates the private use of a mobile telephone that would otherwise be exempt from a tax charge.

26. Income tax (computer equipment)

Provides for the repeal of the exemption for computer equipment made available by employers to employees for private use with effect from 6 April 2006.

27. Chargeable gains

Authorises the Finance Bill to provide (including with retrospective effect) for amendments to be made to, or in connection with, various provisions of the Taxation of Chargeable Gains Act 1992.

28. Income tax (interest relief: film partnership)

Authorises the Finance Bill to provide for the restriction of interest relief for certain types of loans where the individual uses the loan to buy into a partnership carrying on a trade of exploiting films or other recordings and authorises the restriction to apply retrospectively.

29. Transfers of income arising from securities

Authorises the Finance Bill to provide for amendments, including amendments that have retrospective effect, to Section 730 of the Income and Corporation Taxes Act 1988.

30. Stock lending

Authorises the Finance Bill to provide for changes, including changes that have retrospective effect, for the purpose of income tax and corporation tax in relation to stock lending arrangements, and for and in connection with treating arrangements which are not stock lending arrangements as if they were such arrangements.

31. Loan relationships etc

Authorises the Finance Bill to provide for changes for the purposes of corporation tax in relation to loan relationships, and other relationships where a company stands, or is to be treated as standing, in the position of creditor or debtor in relation to a debt.

32. Derivative contracts

Authorises the Finance Bill to provide for changes for the purposes of corporation tax in relation to derivative contracts.

33. Intangible fixed assets

Authorises the Finance Bill to provide for changes, including changes having retrospective effect, to the rules that apply to the taxation of intangible fixed assets.

34. Controlled foreign companies

Provides for companies which became non-resident in the UK as a result of the operation of a double taxation treaty before 1 April 2002 to fall within the controlled foreign companies legislation.

35. Transfer of assets abroad

Authorises the Finance Bill to make provision for amendments to be made to the anti-avoidance legislation on transfer of assets abroad. These changes will in particular restate the test allowing exemption from an income tax charge in cases not involving a tax avoidance purpose, and will take effect from 5 December 2005.

36. Income tax (benefits received by former owner of property)

Authorises the Finance Bill to provide for amendments to the Finance Act 2004 relating to the charge to income tax on benefits received by the former owner of property, with effect from 5 December 2005.

37. Leases of plant or machinery

Authorises the Finance Bill to make provision for changes to the treatment of certain leases of plant and machinery for the purposes of income and corporation tax and authorises provisions having retrospective effect which are required for transitional rules needed to ensure a smooth transition to the new treatment.

38. Corporation tax (companies carrying on leasing business)

Authorises the Finance Bill to make provisions for the purposes of corporation tax in relation to changes in the ownership (by sale or otherwise) of a company that carries on a business of leasing plant or machinery whether on its own account or in a partnership. The provisions will apply to changes that indirectly result in changes in ownership of a company and include transactions with a similar effect to the sale of a company. Also authorises provision to be made for cases where there are changes in the share of the profit or loss a company has in a leasing business that it carries on in a partnership. The resolution authorises these provisions to apply retrospectively.

39. Insurance companies

Authorises the Finance Bill to introduce changes (including with retrospective effect) to the rules in the Corporation Tax Acts for calculating the profits of companies carrying on life assurance business.

40. Income tax (settlements)

Authorises the Finance Bill to provide for amendments to be made to, or in connection with, various provisions of the Tax Acts concerned with settlements.

41. Investment reliefs (limits on value of gross assets of issuers of shares etc)

Provides for the value of gross assets of issuers of shares and securities under the Venture Capital Trusts scheme, the Enterprise Investment Scheme and the Corporate Venturing Scheme to be £7 million before investment rather than £15 million, and £8 million after investment rather than £16 million.

42. Venture capital trusts (relief from income tax)

Authorises the Finance Bill to provide for amendments in Schedule 15B to the Income and Corporation Taxes Act 1988.

43. Venture capital trusts (meaning of "investments")

Authorises the Finance Bill to provide for an amendment to be made in the meaning of "investments" for the purposes of approvals, and withdrawals of approvals, under Section 842AA of the Income and Corporation Taxes Act 1988.

44. Securities and securities options

Provides for strengthening parts of the income tax legislation, with effect from 2 December 2004, relating to options over employment related securities that certain taxpayers have attempted to exploit in order to try to avoid tax and national insurance contributions.

45. PAYE (retrospective notional payments)

Authorises the Finance Bill to make provision for the operation of PAYE on any notional payments from and including 2 December 2004, identified by changes to the income tax legislation, made before the Finance Bill becomes an Act.

46. Alternative Finance

Authorises the Finance Bill to make provision, for the purposes of income tax, corporation tax and capital gains tax, about finance arrangements which constitute an alternative to transactions involving the payment of interest; to allow future amendments to the relevant legislation to be made by Treasury Order; and to treat alternative finance arrangements between employer and employee as loans.

47. Corporation tax (nuclear decommissioning)

Authorises the Finance Bill to provide for amendment of Chapter 1 of Part 1 of the Energy Act 2004.

48. Securitisation companies

Authorises the Finance Bill to provide for changes, including changes that have retrospective effect, to the taxation of securitisation companies.

49. Real Estate Investment Trusts

Authorises the Finance Bill to provide a status for companies which carry on property rental business. That status can provide exemption from tax and impose liabilities on companies with the status and on their shareholders.

50. Oil (market value)

Provides for amendments to be made to the oil taxation legislation to introduce a new basis for determining the market value of oil for non-arm's length transactions.

51. Oil (nominated contracts and blended oil)

Provides for the introduction of a method for allocating liftings of blended oil to different fields. This will remove the current flexibility which companies have to allocate such liftings on the basis of minimising their tax liabilities. It also provides for changes to the nomination scheme to reduce the capacity of companies to utilise forward contracts for tax minimisation purposes.

52. Ring fence trades (rate of supplementary charge)

Provides for temporary statutory effect to the rise in supplementary charge, which took place from 1 January 2006. Section 501A of the Income and Corporation Taxes Act 1988 is amended to raise supplementary charge on oil companies from 10% to 20%.

53. Ring fence trades (exploration expenditure supplement)

Provides for amendments to be made to replace the exploration expenditure supplement with the ring fence expenditure supplement, applying uplift to all unrelieved expenditure from 1 January 2006.

54. Inheritance tax (rate bands for years 2008-09 and 2009-10)

Provides for substitution in the Finance Bill of the Table in Schedule 1 to the Inheritance Tax Act 1984 to set the level of the inheritance tax threshold and

rate of tax for chargeable transfers made in the two years commencing on 6 April 2008.

55. Inheritance tax (rules for trusts etc)

Authorises the Finance Bill to amend the existing provisions of the Inheritance Tax Act 1984 relating to settled property; and to amend the rules in that Act relating to “property subject to a reservation” in connection with cases where a person’s interest in settled property has already ended.

56. Inheritance tax (purchase of interests in foreign trusts)

Authorises the Finance Bill to provide for amendments to the Inheritance Tax Act 1984 relating to the circumstances in which settled property is excluded property, with effect from 5 December 2005.

57. Pension schemes etc

Authorises the Finance Bill to provide for amendments to the “Pensions Simplification” legislation in Part 4 of Finance Act 2004. The amendments contain various provisions that remove anomalies in “Pensions Simplification” legislation, counter scope for abuse by self-directed pension schemes when investing in residential property and other assets such as fine wines, and introduce an anti-avoidance rule for pension commencement lump sums. Also provides for an inheritance tax charge in the Inheritance Tax Act 1984 on registered pension schemes beginning on 6 April 2006.

58. Stamp duty land tax (thresholds)

Provides for the stamp duty land tax threshold for transactions in residential property to be raised from £120,000 to £125,000. This measure has effect for any land transaction the effective date of which is on or after 23 March 2006.

59. Stamp duty (thresholds)

Provides for the stamp duty threshold for transfers on sale (other than a transfer of stock or marketable securities) to be raised from £120,000 to £125,000. This measure has effect for any document executed on or after 23 March 2006. This measure relates only to land transactions which have not been brought within the scope of stamp duty land tax because of the transitional provisions in Schedule 19 to the Finance Act 2003.

60. Stamp duty land tax (leases)

Authorises the Finance Bill to provide for changes to the stamp duty land tax treatment of leases. These changes are part of a package simplifying and clarifying stamp duty land tax legislation.

61. Stamp duty land tax (unit trust schemes)

Provides for (1) the withdrawal of relief under Section 64A Finance Act 2003 (initial transfer of assets to trustees of unit trust scheme) and (2) a stamp duty land tax charge at market value when land is transferred to a unit trust scheme connected with the transferor. These measures have effect, subject to transitional provisions, for any land transaction the effective date of which is on or after 22 March 2006.

62. Stamp duty land tax (alternative finance)

Authorises the Finance Bill to provide for changes to Sections 71A to 73 of the Finance Act 2003. This relates to the extension to corporate bodies of stamp duty land tax relief for alternative property finance.

63. Rate of landfill tax

Provides for an increase to the standard rate of landfill tax from £18 per tonne to £21 per tonne for relevant waste disposals at landfill sites made, or treated as made, on or after 1 April 2006.

64. Climate change levy (rates)

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

65. Climate change levy (abolition of half-rate supplies)

Provides for the ending of the 50% rate of climate change levy (for supplies of leviable energy products to the horticulture sector) from 1 April 2006.

66. Relief from tax (incidental and consequential charges)

Authorises any charge to duty or tax which may arise incidentally or consequentially from provisions of the Bill intended to give relief from taxation.

PROCEDURE AND MONEY RESOLUTIONS

Procedure (evasion of tobacco products duty)

Authorises the Finance Bill to include provision requiring manufacturers of tobacco products not to facilitate smuggling and enabling the imposition of a penalty for failure to comply with that requirement.

Procedure (film tax credits)

Authorises the Finance Bill to provide for the introduction of the new payable tax credits for companies making British films.

Procedure (international tax enforcement arrangements)

Authorises the Finance Bill to include provisions for giving effect to arrangements made with any territory or territories outside the United Kingdom for the exchange of information, assistance in recovery of debts and service of documents relating to the enforcement of taxes imposed under the laws of the United Kingdom or the laws of those territories.

Procedure (future taxation)

Authorises the Finance Bill to contain provisions:

- (a) for corporation tax to be charged for the financial year 2007 (the year beginning 1 April 2007), and to make provision for setting the rates of tax for that year;
- (b) for the reduction of the lower threshold of company car tax by 5g/km from 140g/km to 135g/km from 6 April 2008. It also provides for an additional 10% band for CO₂ emission cars with emissions of 120g/km or less;
- (c) for regulations in respect of income arising from participation in, or the provision of certain services in relation to, the 2012 London Olympic Games and Paralympic Games;
- (d) relating to the residence of trustees, which will take effect in a future year;
- (e) to specify the inheritance tax threshold (as set out in Table 1 in Schedule 1 to the Inheritance Tax Act 1984) for the years 2008-09 and 2009-10;
- (f) to amend the inheritance tax rules for property held in trust;
- (g) about the rates of climate change levy.