JemmettFox

Crucial insight from the Croner-i in-house team of tax writers

Foreword

Welcome to Jemmett Fox's Autumn Budget 2021 Summary.

In this Budget, the Chancellor made some serious spending commitments with, apparently, real term rises for every government department.

A lot of this had been heavily trailed in the press (much to the chagrin of the Commons Speaker) and arguably the most significant tax announcement – the Health and Social Care Levy – was made back in September.

But an upbeat Mr Sunak did take some additional steps toward his professed aim of a simpler and fairer tax system even if on closer inspection the emphasis is more on the latter than the former.

The overall impact was neatly summarised by Paul Johnson, Director of the Institute for Fiscal Studies:

> "The Government is now planning to spend more on public services, and to have a more generous system of universal credit, than it was intending pre-pandemic. The increases in universal credit for those in paid work are occurring alongside increases in the national living wage. This means that the Budget and Spending Review are much more similar to Gordon Brown's than to George Osborne's. To help fund the spending increases, the Chancellor confirmed big tax rises: this year has seen the biggest set of tax-raising measures since 1993. It now looks like a large part of those tax rises is to be spent rather than being entirely used to reduce borrowing as originally announced."

Paul Robbins ACA, CTA

Paul Robbins is the content and innovation manager for Croner-i Tax.

After graduating, Paul worked in the tax departments of two large firms now absorbed into the Big 4 before joining Croner-i as a tax technical writer specialising in corporates.

At Croner-i he has held various publishing posts whilst also managing the team of in-house tax writers and being lead technical editor on a number of core titles. He is now responsible for the quality and development of the Croner-i tax portfolio.

In this Report, with the focus on revenue-raising rather than spending measures, Croner-i's in-house team of tax experts sets out the Budget provisions under the following categories:

- Overview
- Personal Tax
- Employment Taxes
- Business and Corporation Tax
- Capital Gains Tax
- Property Taxes
- VAT
- Customs and Excise Duties
- Administration and Compliance

Remember, you can keep track of all the Budget measures as they become law via our tax news services, commentaries and source material databases.

Overview

Stephen Relf
MPhil, FCA, CTA

Stephen specialises in the tax affairs of owner-managed businesses. Before joining Croner-i, Stephen was Head of the Technical Team at the Chartered Institute of Taxation (CIOT) and before that he worked in practice, for PwC, and in industry, for Northern Rock.

Stephen has served as chair of the CIOT's Working Together committee and was a member of the advisory committee set up to assist the Office of Tax Simplification with their review of income tax and NICs.

As Lead Technical Writer Stephen helps lead the team of writers.

Encouraged by better than expected growth, borrowing and employment figures, the Chancellor set a boosterish tone as he delivered his three-year spending review alongside the Autumn Budget.

It was more 'spend' than 'tax' on the day as the speech was relatively light on new tax measures, with the main highlights being the welcome extension of the £1m annual investment allowance and a shake-up of some reliefs and duties, including the R&D tax reliefs. Perhaps we shouldn't be too surprised: 2021 will go down as a record-breaking year for tax-raising measures with the increase in the rate of corporation tax and the freezing of allowances and thresholds announced in March, and the introduction of the new Health and Social Care Levy announced in September.

So, will businesses share the Chancellor's optimism? The changes to business rates will help but faced with tax, wage and energy price rises, along with labour shortages and supply chain issues, many may feel left out in the cold as they struggle to bounce back from the disruption caused by the pandemic.

A summary of the main announcements is provided below with more detail on the tax measures in the following sections. The next date for the diary is 4 November when the draft Finance Bill will be published.

The economy

There is good and bad news here.

Starting with the good news, the Office for Budget Responsibility (OBR) has revised up its growth forecasts, to 6.5% for 2021, 6% for 2022 and 2.1% for 2023, and revised down its forecasts for unemployment with the result that around 2m fewer people will be unemployed compared to previous estimates. With tax receipts holding up better than expected, public sector net borrowing in 2021–22 is expected to be some £50.9bn lower than anticipated at the Budget in March.

The bad news is that inflation is expected to peak at around 5%, impacting on living standards. To ease the burden on low-earners, the Government will increase the rate of the national living wage (to £9.50 per hour from April 2022) and will reduce the taper rate in Universal Credit from 63% to 55%.

A new fiscal framework will be published with a view to ensuring that the public finances remain on a sustainable path over the medium term.

Public services

In a marked break from the politics of austerity, the Chancellor announced that total departmental spending will increase in real terms by 3.8% a year on average over this Parliament. This takes into account a raft of spending measures across health, education, local government, housing and the courts. The spending review places a renewed emphasis on ensuring that taxpayers' money is spent wisely and is focused on the areas that make the most difference to people's daily lives.

Investing in growth

The Government has announced a range of measures as it looks to invest in innovation, infrastructure and skills. These include closing in on the target to invest 2.4% of GDP in R&D by 2027, committing £30bn to the green industrial revolution in the UK and launching a new UK Shared Prosperity Fund as part of its 'levelling-up' agenda.

Taxes and duties

The **annual investment allowance (AIA)**, which is currently set at £1m per annum, was due to fall to £200,000 from 1 January 2022. The Chancellor has announced that the temporary increase will be extended, with the AIA remaining at £1m up to 31 March 2023. This should encourage businesses to invest in plant and machinery and go some way to simplifying capital allowances computations.

As part of its strategy for the UK to be a 'science superpower', the Government will reform the **R&D tax reliefs**. This follows on from the consultation exercise earlier this year and will involve expanding the reliefs to bring in data and cloud computing costs, refocusing the reliefs on innovation in the UK and protecting the reliefs against abuse.

Following the UK's exit from the EU, the Government will abolish **cross-border group relief**.

The supporting documents confirmed that **basis period reform** for sole traders and partners will go ahead, with 2023-24 being the transition year before full implementation in 2024-25. This will have a significant impact on some individuals, accelerating, and in some circumstances increasing, tax payments. Thankfully, the rules will be reworked to address some of the issues identified during the consultation process; however, there will still be a significant tax hit for affected taxpayers as this measure is expected to increase the Government's coffers by £1.7bn up to and including 2026-27.

In light of the increase in the rate of corporation tax from 19% to 25%, the **bank corporation tax surcharge** will be set at 3% from April 2023. The new combined rate of 28% will ensure that banks pay tax at a higher rate than other companies, while ensuring that the UK remains competitive in the financial services market.

The Chancellor confirmed that the **residential property developer tax** will be introduced from April 2022, and announced that it will be set at 4% on profits exceeding £25m. The new tax is expected to bring in over £200m a year.

There will be a package of measures to reform **tonnage tax**, including a reduction in the lock-in period for tonnage tax participants from ten to eight years. The Government hopes that the changes will encourage firms to base their headquarters in the UK.

Theatres, orchestras, museums and galleries will benefit from temporary rate uplifts to the **creative industry tax reliefs**.

In a welcome development, the Government will extend the payment window for **CGT on residential properties** from 30 days to 60 days, effective from 27 October 2021.

The Government will simplify the **alcohol duty regime**, reducing the number of main rates from 15 to 6. Alcohol will be taxed in a progressive manner, with lower rates for low-strength products, and there will be a new relief for small producers of products below 8.5% alcohol by volume. To support the hospitality industry, the Government will cut duty rates on draught beer and cider by 5% and freeze duty rates of beer, wine, cider and spirits.

Approximately 9m passengers will pay less **air passenger duty (APD)** in 2023–24 as a result of a 50% reduction in domestic APD. Also, the number of international distance bands will be increased from two to three to ensure that those who fly furthest incur the greatest level of duty.

Business rates

Following an in-depth review, the Government intends to make business rates 'fairer, more responsive and more supportive of investment'.

In addition, the Government will introduce a new temporary relief for up to 400,000 retail, hospitality and leisure properties, and freeze the business rates multiplier for all ratepayers, as part of a package of measures which will save businesses £7bn over the next five years.

Personal tax

Income tax charge and rates

Legislation to be included in Finance Bill 2021–22 will set the following income tax rates for 2022–23:

• the main rates applicable to non-savings, non-dividend income of taxpayers in England, Wales and Northern Ireland;

• the savings rates that will apply to savings income of all UK taxpayers; and

• the default rates, mainly applicable to trustees and non-residents.

The policy paper published on 27 October 2021 confirms that these will all remain at the same levels as 2021–22. The income tax bands to which the basic, higher and additional rates apply were set in advance by FA 2021. Income tax rates and thresholds on non-savings, non-dividend income of Scottish taxpayers are set by the Scottish Parliament. For Welsh taxpayers, UK rates are reduced by 10% and the Welsh rates of income tax set by the Welsh Parliament (Senedd) on non-savings, non-dividend income are then added.

Starting rate for savings

The 0% band for the starting rate for savings income will remain at £5,000 for 2022-23 applicable to the whole of the UK.

Other personal tax measures

ISAs and child tax funds

The 2022–23 annual subscription limit for adult and junior ISAs and child tax funds will remain unchanged, at £20,000, £9,000 and £9,000 respectively.

Household Support Fund payments

Payments made through the Household Support Fund (and similar schemes in the devolved administrations) will be exempt from income tax. This will be enacted by Statutory Instrument in spring 2022 (and no income tax on payments made from October 2021 to the date of enactment will be collected meanwhile).

Zigurds Kronbergs BSc ARCS MA ACA FCCA

Zigurds joined Croner-i in June 2019, after many years of contributing to Croner publications as a freelance author. During his 40-year career in tax, after some years in the profession in London and Edinburgh, he has variously been Technical Editor of Simon's Taxes and Tax Technical Officer for the Association of Chartered Certified Accountants, before a 19-year association with BDO (first as a tax writer for BDO Stoy Hayward and then as the BDO global network's first International Tax Services Coordinator, based in Brussels), while continuing as a freelance tax writer. He combines his work with Croner with his ongoing role as European Tax Coordinator for Moore Stephens Europe.

At Croner-i, Zigurds is responsible for commentary on stamp taxes, national insurance contributions, capital allowances and transfer pricing.

Stephanie Webber ACA, CTA

Following a career in tax training, Stephanie joined the CCH in-house writing team in the mid-1990s. After several years back in practice, where her main focus was owner-managed businesses and high net worth individuals. followed by a career break in France, she spent a number of years doing freelance writing work before joining Croner-i in 2018.

She writes in-depth and quick overview commentary on capital gains tax, inheritance tax and trusts and pensions as well as preparing case reports for tribunal and court decisions in her commentary areas. She is also involved in writing new modules and updating existing ones for Navigate Tax.

Rates of income tax applicable to dividend income

The rates of income tax applicable to dividend income will be increased by 1.25% from 6 April 2022. This means that the ordinary, upper and additional rate will become 8.75%, 33.75% and 39.35% respectively. The dividend allowance will remain at £2,000.

The dividend trust rate will also increase by 1.25% to 39.35% to remain in line with the additional rate. The rate of tax applicable to loans to participators and on the dividend income of the estates of deceased persons will also increase by 1.25%.

Pensions tax

Legislation will be introduced to affect the following pensions changes:

•increase of normal minimum pension age;

•correction to public service pension reforms; and

•extension of Scheme Pays reporting and payment deadlines.

It has also been announced that from 2025–26 a system will be introduced to make top-up payments, in respect of contributions made in 2024–25 and subsequent years, directly to low earners using the net-pay arrangements for pension savings, to correct a long-standing anomaly.

In addition, the earnings element of the 'triple lock' used to uprate the state pension and pension credit has been temporarily suspended for 2021–22. Instead they will be increased by the higher of the Consumer Prices Index (CPI) and 2.5%.

Increase of normal minimum pension age

Legislation will be included in Finance Bill 2021–22 to increase the earliest age at which most pension savers may access their pension savings from 55 to 57, effective from 6 April 2028. Members of uniformed-services pension schemes (e.g. the armed forces, firefighters, police) will retain the current normal minimum pension age (NMPA) of 55. Members of registered pension schemes existing at 5 April 2023 who are entitled to benefits from an age under 57 will under certain conditions be able to protect access at that age (or 55, if higher) beyond 5 April 2028.

Public service pension reform remedy

Technical amendments will be made by Statutory Instrument to supplement reforms being made in the Public Service Pensions and Judicial Offices Bill to redress the instances of age discrimination identified in the 2015 public-service pension reforms as a result of the McCloud case and relate to compensation affected individuals may receive.

Scheme Pays reporting

The annual allowance limits the 'pension inputs' that may be made by or on behalf of a member of a registered pension scheme(s) to £40,000 per year (reduced to £4,000 for money-purchase benefits if a member has already flexibly accessed benefits). Pension inputs above the limit give rise to the annual allowance tax charge. This is normally the individual member's liability but in certain circumstances, the individual may ask the scheme to bear the liability, in return for an actuarially calculated reduction in the value of the individual's pension pot. This is known as 'Scheme Pays'.

Legislation will be introduced, to take effect from 6 April 2022, extending Scheme Pays reporting and payment deadlines to require the pension scheme to settle an annual allowance charge of £2,000 or more from a previous tax year within deadlines set by reference to when the administrator is notified of the charge rather than by reference to the end of the tax year.

Employment taxes

Taxable benefits

Company car fuel benefit

The taxable benefit of free fuel provided for use in a company car is calculated using the same percentage as is used for calculating the company car charge (dependent upon the CO2 emissions of the vehicle). The percentage is applied to a fixed taxable benefit multiplier. From 6 April 2022, the multiplier is increased by £700, from £24,600 to £25,300.

Company car benefit

As originally announced in Budget 2020, company car tax rates will increase by 1% in 2022-23 and will then remain frozen for a further 2 years, until 2024-25. For full table of rates see the next two pages.

Company vans and van fuel benefit

The taxable benefit of a company van made available for private use is a fixed scale charge. From 6 April 2022, the scale charge is increased by £100 from £3,500 to £3,600.

Similarly, the taxable benefit of private fuel provided for use in a company van is a fixed scale charge. From 6 April 2022, this scale charge is increased by £19 from £669 to £688.

Increased power to vary taxable benefits and expenses

Over the period of the Covid-19 pandemic, the Government has introduced a number of easements in respect of taxable benefits and expenses – for example exempting employer-provided coronavirus testing, relaxing the requirements to claim relief for working from home, and for qualifying journeys in respect of the cycle to work scheme, amongst others.

These measures each required separate new legal provisions, including both primary and secondary legislation, making the process cumbersome and in some cases resulting in delayed implementation. To resolve this issue in future, HM Treasury will be granted power (via ministerial direction) to make temporary regulations (lasting for a maximum of two tax years) in the event of a disaster or national emergency.

Martin Jackson
ATT

Martin joined Croner-i having spent the previous 15 years as an adviser and team leader with the Tax & Payroll Advice Lines in our sister company, Croner Taxwise. A former National Insurance Inspector, Martin also spent nine years with the Institute of Payroll and Pensions Management (now the Chartered Institute of Payroll Professionals) as Training, Consultancy and Helpline Manager, where he had represented employers on a variety of government consultation committees. Although advising across all direct taxes, Martin is primarily an Employment Tax specialist. He is a member of the Association of Taxation Technicians.

The power only extends to requirements in respect of taxable benefits, exemptions and allowable deductions, and can only be used to provide additional relief – it cannot be used to increase or create a tax charge.

Employment taxes

Cars registered before 6 April 2020(1)

CO_2 (g/km)	Electric range (miles)	2021-22 (%)	2022-23 (%)	2023-24 (%)	2024-25 (%)
0	n/a	1	2	2	2
1-50	>130	2	2	2	2
1-50	70-129	5	5	5	5
1-50	40-69	8	8	8	8
1-50	30-39	12	12	12	12
1-50	<30	14	14	14	14
51-54		15	15	15	15
55-59		16	16	16	16
60-64		17	17	17	17
65-69		18	18	18	18
70-74		19	19	19	19
75-79		20	20	20	20
80-84		21	21	21	21
85-89		22	22	22	22
90-94		23	23	23	23
95-99		24	24	24	24
100-104		25	25	25	25
105-109		26	26	26	26
110-114		27	27	27	27
115-119		28	28	28	28
120-124		29	29	29	29
125-129		30	30	30	30
130-134		31	31	31	31
135-139		32	32	32	32
140-144		33	33	33	33
145-149		34	34	34	34
150-154		35	35	35	35
155-159		36	36	36	36
160+		37	37	37	37

(1) Add 4% for diesels up to a maximum of 37% (unless RDE2 compliant). The 4% diesel supplement does not apply to diesel plug-in hybrids irrespective of RDE2 compliance.

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Employment taxes

Cars registered on or after 6 April 2020(1):

CO2 (g/km)	Electric range (miles)	2021-22 (%)	2022-23 (%)	2023-24 (%)	2024-25 (%)
0	N/A	1	2	2	2
1-50	>130	1	2	2	2
1-50	70-129	4	5	5	5
1-50	40-69	7	8	8	8
1-50	30-39	11	12	12	12
1-50	<30	13	14	14	14
51-54		14	15	15	15
55-59		15	16	16	16
60-64		16	17	17	17
65-69		17	18	18	18
70-74		18	19	19	19
75-79		19	20	20	20
80-84		20	21	21	21
85-89		21	22	22	22
90-94		22	23	23	23
95-99		23	24	24	24
100-104		24	25	25	25
105-109		25	26	26	26
110-114		26	27	27	27
115-119		27	28	27	27
120-124		28	29	29	29
125-129		29	30	30	30
130-134		30	31	31	31
135-139		31	32	32	32
140-144		32	33	33	33
145-149		33	34	34	34
150-154		34	35	35	35
155-159		35	36	36	36
160-164		36	37	37	37
165-169		37	37	37	37
170+		37	37	37	37

(1) Add 4% for diesels up to a maximum of 37% (unless RDE2 compliant). The 4% diesel supplement does not apply to diesel plug-in hybrids irrespective of RDE2 compliance.

National minimum wage/National living wage

It was announced that the Government has accepted the recommendations of the Low Pay Commission in full, and accordingly these new rates will apply from 1 April 2022:

Period	Workers aged 23 plus	Workers aged at least 21 but under 23	Workers aged at least 18 but under 21	Workers aged under 18	Apprentices aged under 19 or in the first year of apprenticeship
	£	£	£	£	£
From 1 April 2022	9.50	9.18	6.83	4.81	4.81
From 1 April 2021	8.91	8.36	6.56	4.62	4.30

The maximum permitted daily and weekly rates of accommodation offset in relation to the national minimum wage are as follows:

	Daily offset	Weekly offset
Period	£	£
From 1 April 2022	8.70	60.90
From 1 April 2021	8.36	58.52

National insurance contributions rates and thresholds

National insurance thresholds for Class 1 and the rates of Class 2 and 3 contributions will be increased by statutory instrument for 2022-23, in line with the increase in the Consumer Prices Index (CPI).

The annual upper profits limit (for Class 4 NICs) and upper earnings limit (for Class 1 NICs) will be maintained at the 2021-22 level (£50,270), in line with the income tax higher rate threshold and will remain frozen until 2025-26. The Employment allowance remains at £4,000 per annum.

Class 1 NICs

Weekly Class 1 limits	2021-22	2022-23
Lower earnings limit	£120	£123
Primary threshold	£184	£190
Secondary threshold	£170	£175
Upper earnings limit	£967	£967
Upper secondary threshold for under 21s (UST)	£967	£967
Apprentice upper threshold for under 25s (AUST)	£967	£967
Veterans upper threshold	£967	£967
Freeport upper threshold	n/a	£481

Class 2 NICs

Rate	2021-22	2022-23
Small Profits Threshold (annual)	£6,515	£6,725
Class 2 rate (weekly)	£3.05	£3.15
Share fishermen (weekly)	£3.70	£3.80
Volunteer development workers (weekly)	£6.00	£6.15

Class 3 NICs

Rate	2021-22	2022-23
Class 3 rate (weekly)	£15.40	£15.85

Class 4 NICs

	2021-22	2022-23
Lower Profits Limit (annual)	£9,568	£9,880
Upper Profits Limit (annual)	£50,270	£50,270

Health and social care levy

From April 2022, national insurance contributions (Class 1 and 4) for working age employees, self-employed people and employers will increase by 1.25%, applicable throughout the UK. As announced on 7 September 2021, this will be known as the Health and Social Care levy. It will be formally separated from the NICs system from April 2023 (and NICs will return to their 2021-22 levels).

Class 1 NICs

These rates apply to employees and apprentices:

	2021-22	2022-23
Up to the Lower Earnings Limit	0%	0%
Primary Threshold to Upper Earnings Limit	12%	13.25%
Above Upper Earnings Limit	2%	3.25%

Married women's reduced rate:.

	2021-22	2022-23
Up to the Lower Earnings Limit	0%	0%
Primary Threshold to Upper Earnings Limit	5.85%	7.1%
Above Upper Earnings Limit	2%	3.25%

These rates apply to employers:

	2021-22	2022-23
Below Secondary Threshold	0%	0%
Below Upper Secondary Threshold (for employees under 21)	0%	0%
Below Apprentice Upper Secondary Threshold (for apprentices under 25)	0%	0%
Above Secondary Threshold/UST/AUST	13.8%	15.05%

Class 4 NICs

	2021-22	2022-23
Below Lower Profits Limit	0%	0%
Lower Profits Limit to Upper Profits Limit	9%	10.25%
Above Upper Earnings Limit	2%	3.25%

Business and Corporation tax

Income tax on trading income

Basis period reform

Further to the Government's recent consultation, Finance Bill 2021–22 will amend ITTOIA 2005, Pt. 2 to remove references to basis periods and provide for the profits of a tax year to be the profits arising in that year. The current rules requiring apportionment of profits to basis periods will instead require apportionment of profits to tax years. The changes will take effect for tax year 2024–25 with a transition year in 2023–24 where the basis period will be the 12 months from the end of the 2022–23 basis period, plus a transition component running from the end of this 12-month period to 5 April 2024. Overlap profits will be relieved in full in 2023–24 and not carried forward into the new tax year basis. For businesses with higher taxable profits in 2023–24 because of the change in basis, the transitional adjustment will be spread over five years. Businesses will be able to elect out of spreading and accelerate the charge by treating additional amounts as arising in the tax year.

The draft legislation published on 20 July 2021 will be revised to reduce the impact of transition profits on allowances and benefits, alongside other changes.

Paul Davies MA (Cantab) FCA

Paul qualified as a Chartered Accountant and specialised in corporation tax with Price Waterhouse before moving to Northern Rock plc as Head of Tax. There he spent 16 years managing the bank's tax planning, compliance and risk management activities in addition to numerous special projects including the conversion of the former building society to plc status; successful litigation before the special commissioners; and advising on the restructuring of the bank following the 2008 financial crisis. More lately Paul managed the global tax affairs of a venture capital-backed hi-tech communications company. A former North-East tax adviser of the year, Paul writes in-depth corporation tax content for Croner-i including company reconstructions; distributions; company losses; chargeable gains; close companies and groups of companies.

Glyn Fullelove ACA, CTA

Glyn Fullelove is a chartered accountant and chartered tax adviser. He has worked in tax for over 30 years.

Glyn qualified with Arthur Andersen and was a partner and Head of International Tax for Robson Rhodes before moving into commerce in 1998. He then spent most of the next twenty years in Head of Tax roles in UK based quoted multi-national companies, most recently, until September 2018, with FTSE 100 group Informa PLC.

Glyn joined Croner-i in July 2020 after a period as a freelance tax writer and trainer. He chaired the Chartered Institute of Taxation's Technical committee from May 2016 to May 2019 and was President of the Institute from May 2019 to November 2020. In January 2021 he was appointed an Independent Advisor to HMRC's Professional Standards Committee

Corporation tax

Rate of tax

There are no changes to the rates of corporation tax announced at the Budget in March 2021. The main rate of corporation tax will remain as follows:

• financial year commencing 1 April 2021 – 19%

• financial year commencing 1 April 2022 – 19%

• financial year commencing 1 April 2023 – 25%

From 1 April 2023:

• the main rate will only apply to companies and groups with profits over £250,000 p.a.;

• the small profits rate of corporation tax for companies with profits below £50,000 p.a. will be 19%;

• marginal relief will be reintroduced for companies with profits between £50,000 p.a. and £250,000 p.a. to smooth the transition between the small profits rate and the main rate;

•the small profits rate will not apply to close investment-holding companies.

These measures have already been enacted in Finance Act 2021.

Capital allowances

Annual investment allowance

Finance Bill 2021–22 will extend the temporary £1m level of the annual investment allowance until 31 March 2023.

Vehicle taxation: vehicle emission certification

Finance Bill 2021–22 will amend capital allowances, company car tax and vehicle excise duty legislation so that the tax system continues to function as intended where vehicles have been certified through the new comprehensive vehicle type approval scheme due to be introduced in 2022. For capital allowances, the legislation will also confirm the applicable carbon dioxide emissions figure to be used as that arising from the Worldwide Harmonised Light Vehicle Test Procedure.

For capital allowances and company car tax, the measures will apply retrospectively from Royal Assent of Finance Bill 2021–22.

Research and development tax credits

The Chancellor announced in his speech that the R&D tax credit regime would be reformed. The scope of the regime will be extended to include expenditure on data and cloud computing costs. However, the regime will be refocused towards innovation carried on in the UK – relief for expenditure on activity taking place overseas is to be restricted. Little detail on this was given on Budget Day, and it appears plans for these changes, and plans to restrict abuse of the system and improve compliance will be announced later in the autumn.

Cross-border group relief

Finance Bill 2021–22 is to repeal the cross-border group relief rules contained in CTA 2010, Pt. 5, Ch. 3 and make related changes to rules applying to losses of EEA-resident companies trading in the UK through permanent establishments. The changes apply from 27 October 2021.

Banking surcharge

Finance Bill 2021–22 will change the rate of the banking surcharge to 3% and increase the surcharge allowance from £25m to £100m to provide greater support for challenger banks. This measure will apply from 1 April 2023.

Creative industry reliefs

Museum and galleries tax relief: extension of sunset clause

Finance Bill 2021–22 will extend the sunset clause for museums and galleries exhibition tax relief for a further two years until 31 March 2024.

Theatre, orchestra, and museums and galleries exhibition tax reliefs

Finance Bill 2021–22 will temporarily increase the headline rates of relief for the following creative reliefs as set out below:

Theatre tax relief and museums and galleries exhibition tax relief

• Non-touring (27 October 2021 to 31 March 2023) – 45% (formerly 20%)

• Non-touring (1 April 2023 to 31 March 2024) – 30%

• Non-touring (From 1 April 2024) – 20%

• Touring (27 October 2021 to 31 March 2023) – 50% (formerly 25%)

• Touring (1 April 2023 to 31 March 2024) – 35%

• Touring (From 1 April 2024) – 25% for Theatre Tax Relief; 0% for Museums & Galleries

Orchestra tax relief

• Expenditure from 27 October to 31 March 2023 – 50% (formerly 25%)

• Expenditure from 1 April 2023 to 31 March 2024 – 35%

• Expenditure from 1 April 2024 – 25%

Finance Bill 2021–22 will also implement anti-avoidance changes to better target these reliefs and ensure they are safeguarded from abuse. These changes will apply to companies entering into productions from 1 April 2022.

Switching between film tax relief and high-end TV relief during production

Finance Bill 2021–22 will allow film production companies to claim film tax relief for films that were initially intended to be released in cinemas, but which are instead put on streaming services, as long as they meet the criteria for high-end TV tax relief. This will ensure that relief is not lost should a company decide to change its distribution method during production. It will apply to any new film commencing production on or after 1 April 2022, and to ongoing productions that have not completed principal photography by that date.

Asset holding companies

Finance Bill 2021–22 will introduce a regime for the taxation of qualifying asset holding companies (QAHCs). The regime will cover the taxation of QAHCs as well as payments made by QAHCs including changes to the remittance basis. The measure, originally announced in December 2020, will apply from 1 April 2022. The draft legislation published on 20 July 2021 has been amended following input from stakeholders.

Accounting changes for insurance contracts

A new accounting standard, IFRS 17, is being introduced. This measure gives the Government power to issue regulations such that the impact of an insurance company transitioning to IFRS 17 can be spread over several years for tax purposes.

Hybrids and other mismatches

The Government confirmed that a measure announced in July 2021 will be included in the next Finance Bill. The measure clarifies that transparent entities, constituted outside the UK, where all the entity's profits are taxable in the hands of the members of the entity, will be treated as partnerships for the purposes of the rules covering deduction/non-inclusion mismatches where the payee is a hybrid entity.

Tonnage tax

The tonnage tax regime allows shipping companies to be taxed on the basis of the tonnage of their fleets, rather than on a conventional taxable profits basis. The regime is elective and the Government intends to increase the flexibility of the election regime. Various restrictions and requirements included in the current regime to meet EU State Aid rules will be eliminated, and the regime refocused on UK flagged ships. Other administrative changes will also be made.

Uncertain tax positions

It has been confirmed that the requirement to notify an uncertain tax position (UTP) will be included in the forthcoming Finance Bill and will come into effect for returns due to be filed on or after 1 April 2022. A key change is that a UTP will now only be determined according to two criteria:

• whether provision has been made in a company's accounts for a tax position taken in a return; and

• whether a tax position taken in a return is not in accordance with HMRC's known position.

The controversial 'substantial possibility test' is not now included, but the Government remain committed to exploring whether it can be introduced at a later stage.

CT loss relief: adoption of IFRS 16

Finance Bill 2021–22 will amend loss relief rules to ensure they continue to work as intended for companies adopting IFRS 16 Leases. The changes apply retrospectively from 1 January 2019.

Corporate redomiciliation consultation

The Government has also announced a consultation on the introduction of a UK redomiciliation regime which would allow companies to redomicile, and therefore relocate to the UK. The intention is that redomiciliation would enable a foreign-incorporated company to change its place of incorporation to the UK while maintaining its legal identity as a corporate body. It is hoped that this would give companies maximum continuity over business operations and substantially reduce administrative complexity compared to other routes of relocating to and incorporating in the UK.

The consultation will seek views on:

• the advantages of enabling companies to redomicile;

• the level of demand that exists, among which types of companies and sectors;

• the appropriate checks and entry criteria;

• the merits of establishing an outward redomiciliation regime; and

•the tax implications associated with the introduction of a redomiciliation regime.

Diverted profits tax

Two, largely administrative, announcements were made in respect of DPT dealing with:

• the implementation of Mutual Agreement Procedure decisions; and

• the interaction with corporation tax enquiries.

Mutual agreement procedure (MAP) decisions relating to the diverted profits tax

A small number of international groups subject to DPT have sought relief under a tax treaty using the MAP of that treaty. It is the Government's (and HMRC's) position that DPT is not covered by tax treaties. However, situations appear to have arisen where under a MAP, the UK and another treaty state have agreed the appropriate course of action is to adjust DPT, presumably to avoid double taxation of income, and this new measure will allow that to take place.

Diverted profits tax - interaction with corporation tax (CT) closure notices

In a recent First-tier Tribunal case, HMRC were instructed to issue closure notices in regard to a corporation tax enquiry prior to the expiry of a DPT review period (such period runs for 30 days plus 15 months after the issue of a DPT charging notice). This measure will prevent closure notices being issued until the DPT review period expires. In the case in question the taxpayer wanted closure notices to be issued, but this measure will also stop HMRC closing CT enquiries before companies have determined whether they wish to adjust their CT returns to avoid or reduce a DPT charge.

On-line sales tax

Within its final report on the Business Rates Review, the Treasury has confirmed that an on-line sales tax (OST) remains under consideration. The Treasury notes that such a tax, levied at 1% or 2% could not be a full replacement for business rates, but it could potentially be part of the overall landscape for taxing retail businesses, and any revenue raised from OST would be used to reduce business rates for retailers. A consultation on an OST will be launched shortly.

Capital gains tax

Annual exemption and rates of tax

The annual exempt amount for individuals and personal representatives remains £12,300 for 2022–23 and the annual exempt amount for most trustees also remains unchanged at £6,150. There have been no changes to rates of capital gains tax.

Dormant assets scheme

Where an asset, such as a bank account, has not been used for many years and the provider cannot trace the owner, the Dormant Assets Scheme allows the provider to transfer funds to the scheme which then manages the funds, retaining sufficient to meet any reclaims and distributing the rest to social and environmental initiatives. An expansion of the scheme was announced in 2021, one consequence of which will be that certain assets have to be monetised before being transferred into the scheme. The measure announced in the budget will ensure that the CGT charge does not arise when the asset is liquidated (which occurs before the owner has been identified) but instead accrues when the proceeds are reclaimed and received by the individual to whom the asset belongs.

This measure will take effect when the Dormant Assets Bill becomes law.

Time limit for payment on property disposals

Where an individual, trustees or personal representatives dispose of UK land and completion of the disposal takes place on or after 27 October 2021, the time limit for delivery of a CGT return and payment of tax is increased to 60 days (previously 30 days) following completion of the disposal. (The reporting requirement applies to UK residents who dispose of UK residential property and to non-residents who make direct or indirect disposals of UK land).

Stephanie Webber ACA, CTA

Following a career in tax training, Stephanie joined the CCH in-house writing team in the mid-1990s.

After several years back in practice, where her main focus was owner-managed businesses and high net worth individuals. followed by a career break in France, she spent a number of years doing freelance writing work before joining Croner-i in 2018.

She writes in-depth and quick overview commentary on capital gains tax, inheritance tax and trusts and pensions as well as preparing case reports for tribunal and court decisions in her commentary areas. She is also involved in writing new modules and updating existing ones for the Tax Workflow service.

The necessary legislation will be introduced in Finance Bill 2021–22 and will also clarify that, for UK residents where the gain relates to mixed-use property, only the residential property portion of the gains has to be returned and paid.

Property taxes

Zigurds Kronbergs BSc ARCS MA ACA FCCA

Zigurds joined Croner-i in June 2019, after many years of contributing to Croner publications as a freelance author. During his 40-year career in tax, after some years in the profession in London and Edinburgh, he has variously been Technical Editor of Simon's Taxes and Tax Technical Officer for the Association of Chartered Certified Accountants, before a 19-year association with BDO (first as a tax writer for BDO Stoy Hayward and then as the BDO global network's first International Tax Services Coordinator, based in Brussels), while continuing as a freelance tax writer. He combines his work with Croner with his ongoing role as European Tax Coordinator for Moore Stephens Europe.

At Croner-i, Zigurds is responsible for commentary on stamp taxes, national insurance contributions, capital allowances and transfer pricing.

Taxation of securitisations

Enabling legislation is to be introduced to allow HM Treasury to make changes to stamp duty and stamp duty reserve tax (SDRT) in relation to securitisation and index-linked securities arrangements by Statutory Instrument. It will have effect from the date of Royal Assent to the Finance Bill 2021-22.

This follows consultation earlier in the year on reform of the way securitisation companies are taxed with the broad aim of maintaining the UK as a leading financial services centre.

ATED rates for 2022-23

The rates of annual tax on enveloped dwellings (ATED) to apply in the year beginning 1 April 2022 have been announced. They are shown below, alongside the 2021-22 rates.

Taxable value of the property	Charge for 2021–22	Charge for 2022–23
£500,001–£1,000,000	£3,700	£3,800
£1,000,001–£2,000,000	£7,500	£7,700
£2,000,001–£5,000,000	£25,300	£26,050
£5,000,001–£10,000,000	£59,100	£60,900
£10,000,001–£20,000,000	£118,600	£122,250
Over £20,000,000	£237,400	£244,750

Residential property developer tax

The Chancellor announced that the rate of the new tax (RPDT), to take effect from 1 April 2022, will be 4%, charged on profits from residential-property development activities in excess of £25m derived in accounting periods ending after 31 March 2022.

The tax will apply to companies with profits arising from the development of UK residential property but in a group of companies only where the group's profits from that activity exceed £25m per year. The allowance will be shared among property-development companies in the group. The tax will share accounting periods and reporting with corporation tax. RPDT will not be deductible when computing taxable profits for corporation tax.

What constitutes 'development' will be widely defined to include:

• dealing in or designing residential property;

• seeking planning permission for residential property construction;

• construction or adaptation of residential property;

• marketing or managing residential property.

Legislation for the tax was published in draft form earlier in the year but as now enhanced will appear in the Finance Bill 2021-22.

Only companies subject to UK corporation tax will be liable to RPDT.

Real estate investment trusts (REITs)

Measures have been announced intending to enhance the attractiveness of the REIT regime, through removing administrative burdens and constraints.

The changes will:

• remove the requirement for REIT shares to be admitted to trading on a recognised stock exchange in cases where institutional investors hold at least 70% of the ordinary share capital in the REIT;

• amend the definition of an overseas equivalent of a UK REIT so that the overseas entity itself needs to meet the equivalence test. Currently it is the overseas regime to which it is subject which needs to meet the test;

• remove the 'holders of excessive rights' charge where property income distributions (PIDs) are paid to investors entitled to gross payment;

• amend the rules requiring that at least 75% of a REIT's profits and assets relate to property rental business (the 'balance of business test'). Non-rental profits arising because a REIT has to comply with certain planning obligations will be disregarded. Amendments will ensure items currently specified as excluded from the profits part of the test are disregarded in all parts of the test;

• introduce a new simplified balance-of-business test. If group accounts for a period show that property-rental business profits and assets comprise at least 80% of group totals, a REIT will not have to prepare the additional statements which would be required to meet the full test.

Business rates

A number of measures have been announced to reduce the burden of business rates in England, without radically reforming the system. They include:

• freezing the business-rates multiplier at the current level of 49.9p (small-business multiplier) and 51.2p (standard multiplier) for the year to 31 March 2023

• introducing a new temporary 50% business-rates relief for the year to 31 March 2023 for eligible retail, hospitality and leisure properties, capped at £110,000 per business

• introducing a 100% improvement relief for occupiers who make eligible improvements to an existing business property which increase its rateable value

• introducing a targeted exemption for use of eligible plant and machinery for onsite renewable energy generation and storage, and a 100% relief for eligible heat networks, for two years from 1 April 2023

• increasing the frequency of revaluations from every five years to every three

• extending transitional relief for small and medium-sized businesses, and the supporting small business scheme, for a further year. This will restrict bill increases to 15% for small properties (up to a rateable value of £20,000 or £28,000 in Greater London) and 25% for medium properties (up to a rateable value of £100,000)

English local authorities will be fully compensated for the loss of income as a result of these measures.

VAT

Implementation of VAT rules in free zones

A new VAT exit charge will be introduced to prevent businesses, that might otherwise seek to locate in a free zone solely to avoid irrecoverable VAT, from gaining an unintended tax advantage.

The new charge will apply where:

• goods that have benefitted from a zero-rated supply are put into free circulation without any qualifying onward supply being made within three months; or

• a person receives a zero-rated free zone supply of goods in respect of which there is a breach of the rules relating to the free zone customs procedure.

Consequential amendments

Additional amendments will also be introduced so that provisions relating to previous free zone legislation no longer have effect and to ensure the warehousing regime rules and the free zone rules are mutually exclusive.

The measures will take effect from 3 November 2021.

Northern Ireland second-hand margin scheme interim arrangements

Once a relevant agreement has been reached with the EU, legislative changes will be introduced allowing the use of the VAT margin scheme for sales in Northern Ireland of motor vehicles sourced from Great Britain and first registered prior to 1 January 2021.

Under the Northern Ireland protocol, the VAT margin scheme is not currently available for sales of motor vehicles in Northern Ireland if they were purchased in Great Britain.

The changes will come into effect on a date to be appointed and will have retrospective effect to the end of the transition period.

Angela Bedi

After graduation, Angela joined (then) HMC&E, training as a visiting VAT officer. Three years later she moved to Arthur Andersen to work as a VAT specialist within their tax practice.

Angela then spent ten years working as a Senior VAT Manager in Grant Thornton before setting up her own consultancy business providing specialist advice and training to small and medium sized accountancy clients. During this time, she also developed a specific interest in both the creative and charitable sectors, where she worked as a key adviser to a number of funding and mentoring organisations.

Angela writes in-depth tax commentary for Croner-i on all VAT-related matters.

Second-hand motor vehicle export refund scheme

To support the second-hand motor vehicle industry in Northern Ireland, the Government is introducing a second-hand motor vehicle export refund scheme.

Eligible businesses who remove used motor vehicles from Great Britain for resale in Northern Ireland or the EU may be able to claim a refund in respect of VAT. This means that motor vehicle dealers in Northern Ireland will remain in a similar financial position as those applying the VAT margin scheme elsewhere in the UK.

Legislation outlining the detail of the scheme will be introduced in 2022.

VAT exemption for dental prostheses

The current exemption for dental prostheses supplied by registered dentists and other dental care professionals or dental technicians is to be extended to imports of dental prostheses by those persons to ensure supplies continue to be exempt between Great Britain and Northern Ireland.

Under the Northern Ireland protocol, EU VAT rules apply in relation to goods in Northern Ireland and movements between Great Britain and Northern Ireland are treated as imports. Following the end of the transition period, therefore, VAT was due at the standard rate for dental prostheses supplied between Great Britain and Northern Ireland, potentially increasing prices for patients since the VAT was irrecoverable.

This was an unintended consequence of the Northern Ireland protocol and, to remedy it, the new exemption will apply retrospectively from 1 January 2021.

VAT treatment of fund management fees

The Government is to consult on options to simplify the VAT treatment of fund management fees.

Customs & Excise duties

Customs duty

The Chancellor announced three essentially administrative measures which are designed to ensure that the UK's customs duty regime can be operated more smoothly.

Greater ministerial involvement in the work of the Trade Remedies Authority (TRA)

The TRA is the body responsible for reviewing trade remedies. Also known as trade defence measures, these are additional tariffs or quotas imposed on imported goods to protect domestic industries. While the UK was fully part of the EU customs union, 43 trade defence measures were in operation; these continued to apply from 1 January 2021.

The Government has determined that greater ministerial involvement in the TRA's review of existing and proposed trade remedies will benefit the UK. The measure will allow the Secretary of State for International Trade to 'call in' a transition review and a reconsideration of a transition review. After calling a particular case in, the Secretary of State will be responsible for determining the outcome.

Introduction of public notice powers for on-duty tariff changes

Currently all changes to the UK Global Tariff must be made by legislation. Finance Bill 2021–22 will include measures to enable non-duty changes to be made by public notice.

The aim of the measure is to reduce the amount of secondary legislation because, in the Government's view, it is currently the case that a disproportionate amount of resource is needed to make minor technical amendments or corrections.

Extension of excise duty wrongdoing penalty

The scope of the excise duty wrongdoing penalties will be extended so that they apply to goods held in the free zone customs special procedure and to goods subject to the authorised use procedure. The aim of this change is to ensure that all excise goods held in suspensive arrangements are subject to the same penalty regime.

Sarah Kay BSc (Hons), PhD, CTA

Sarah writes VAT commentary for Croner-i. She trained with Ernst & Young as part of their indirect tax graduate training scheme and qualified as a CTA in 2001.

Since leaving Ernst & Young in 2004 she has worked for specialist VAT Consultancy firms helping a range of businesses to navigate round the increasingly complex VAT regime.

Vehicle excise duty (VED)

• The VED rates for cars, vans, motorcycles and motorcycle trade licences will increase by RPI from 1 April 2022.

• The HGV rates of VED will be frozen for 2022–23 (continuing a freeze which has been in place since 2015).

• In response to the current supply chain difficulties some UK businesses are facing due to the shortage of HGV drivers, the cabotage rules will be relaxed. Cabotage is the transport of goods between two places in the same country by a transport operator from another country for the purposes of hire and reward. Currently, non-UK operators can only make two cabotage journeys within seven days of entering the UK. Until 30 April 2022, unlimited cabotage journeys within 14 days of entering the UK will be permitted. The VED legislation will be amended to ensure that non-UK operators do not become liable to VED as a result of this measure.

• VED rates for motor cars are set according to the vehicle's emission (as are certain capital allowances and company car tax). Until 31 December 2020, vehicle manufacturers could apply for a 'type approval' within the EU which enabled an EU certificate of conformity to be issued. Since 1 January 2021, these certificates have no longer been automatically recognised in Great Britain and manufacturers have had to obtain a provisional GB type approval. During 2022 this provisional GB type approval scheme will be replaced with a comprehensive GB type approval scheme.

HGV road user levy

HGV road user levy will be unchanged in 2022–23 (continuing the freeze which has been in place since 2019).

In addition, the suspension of the levy for UK vehicles whose licence expired on or after 1 August 2020 will be extended. It was due to end on 31 July 2022 but it will apply for a further 12 months from 1 August 2022.

Tobacco duty

Tobacco duty rate

The duty rate on all tobacco products will increase by 2% above RPI inflation, with two exceptions. The tax due on hand-rolling tobacco will increase by 6% above RPI inflation and the minimum excise tax will rise by 3% above RPI. These changes take effect from 6 p.m. on 27 October 2021.

Tobacco track and trace system (TTS)

The TTS has been used to control the manufacture and supply of tobacco products since 2019 using a system of on-pack security markings and scannable technologies. In order to combat duty evasion, the Finance Bill 2021–22 will extend HMRC's powers to introduce tougher sanctions. The new powers will allow HMRC to:

• issue penalties of up to £10,000 for failure to comply with TTS requirements;

• make liable to forfeiture TTS compliant product that is found alongside product that does not comply with TTS requirements;

• exclude retailers from TTS on a temporary or permanent basis;

• extend TTS enforcement powers to trading standards by way of future regulations; and

• make future administrative amendments to TTS regulations.

Gambling duty

The rates of all gambling duties are unchanged with the exception of gaming duty (which is levied on casino games). The gross gaming yield bandings will be increased in line with RPI with effect from 1 April 2022.

Hydrocarbon fuel duty

At the Spring Budget 2021, it was announced that from 1 April 2022 there would be changes to the uses to which rebated diesel and biofuels (also referred to as red diesel or marked oils) could be put. In summary, the aim was to ensure that these fuels could not be used on roads and to restrict non-road use to certain activities. The Autumn Budget 2021 announced that additional legislative changes, mainly of a technical nature, were needed in order for the policy to be fully operational from 1 April 2022.

Hydrocarbon oil duty rates were unchanged (continuing a freeze which has applied since 2011).

Landfill tax

The rates of landfill tax (applicable in England and Northern Ireland; the tax has been devolved to the Scottish Parliament and Welsh Parliament) which will apply from 1 April 2022 were announced at the Spring Budget 2021; the rates applying from 1 April 2023 were announced at the Autumn Budget 2021.

Insurance premium tax

There will be no changes to insurance premium tax as a result of Finance Bill 2021–22 but it will include a measure to move legislation concerning the location of risk for the purposes of the tax from Financial Services and Markets Act 2000 into the insurance premium tax legislation by amending FA 1994, Sch. 7A, para. 8.

Climate change levy

Increases to the main rate of climate change levy applicable to gas and any other taxable commodity (i.e. commodities other than gas, electricity and liquid hydrocarbons) applicable from 1 April 2022 and then 1 April 2023 were announced. The previously announced freeze to the carbon price support rate will continue until 31 March 2024.

Alcohol duty

No immediate changes to the scope or rates of alcohol duty were announced in the Autumn Budget. However, the Chancellor unveiled plans to comprehensively reform the duty and remove the many anomalies and inconsistencies which currently exist within the tax. The overall aim of the proposals is to tax alcohol by reference to its strength and to simplify the administration of the duty.

A consultation exercise on the proposals was announced and its closing date is 30 January 2022.

Air passenger duty

Air passenger duty rates will remain at their current rates and will not be increased from 1 April 2022.

With effect from 1 April 2023 air passenger duty will be reformed. The rates applicable to domestic flights will be reduced and the current Band B (flights of over 2,000 miles) will be split into two, creating a new Band B (flights of 2,001–5,500 miles) and Band C (flights of over 5,500).

Band C, also referred to as the ultra-long haul band, will be subject to much higher rates of air passenger duty than Band B.

Plastic packaging tax

Legislation for this tax, due to take effect from 1 April 2022, was included in Finance Act 2021. It charges manufacturers and importers of plastic packaging containing less than 30% by weight of recycled plastic to a tax of £200 per tonne.

Changes to appear in the Finance Bill 2021-22 and in Statutory Instruments are being made to ensure that the UK complies with international agreements and HMRC have the appropriate framework to administer the tax. Those changes include:

• tax reliefs for persons enjoying immunities and privileges (e.g. visiting forces);

• transferring obligations and entitlements from group members to the group's representative member; and

• amending definitions of unincorporated bodies to ensure consistency

Soft drinks industry levy

The levy was unchanged at the Budget; the standard rate remains 18p per litre and the higher rate remains at 24p per litre.

Aggregates levy

The levy was unchanged at the Budget and remains at £2 per tonne (the rate has been unchanged since 1 April 2009).

Administration and compliance

Discovery assessments

Following a recent Upper Tribunal decision (*R & C Commrs v Wilkes* [2021] BTC 530), legislation will be introduced to clarify that the discovery assessment provisions in TMA 1970, s. 29 can be used to recover tax charges arising on the high income child benefit charge, Gift Aid provisions, and certain pension charges.

These changes will apply retrospectively; however, taxpayers who have previously made an appeal on or before 30 June 2021 will be able to base their appeal on the legislation as currently enacted.

Clamping down on promotors of tax avoidance

Legislation will be introduced as part of Finance Bill 2021–22 to strengthen existing anti-avoidance measures in place to tackle promoters of tax avoidance schemes. The changes will enable HMRC to:

• seek freezing orders to prevent promoters from hiding their assets before paying any penalties charged as a result of them breaching their obligations under the anti-avoidance rules;

• charge significant additional penalties to a UK entity who facilitates the promotion of tax avoidance by offshore promoters;

• present winding-up petitions to the court for companies operating against the public interest; and

• name promoters and the details of the schemes they promote as soon as possible to warn taxpayers of the risks involved.

Laura Burrows
CTA ATT

Laura started her career in tax working in practice advising companies, owner-managed businesses, and high net worth individuals.

Prior to joining Croner-i she spent 11 years as an adviser on the tax advice line at Croner Taxwise assisting with queries covering all areas of direct tax.

She is a member of both the Association of Taxation Technicians and the Chartered Institute of Taxation.

Economic Crime (Anti-Money Laundering) Levy

Finance Bill 2021–22 will introduce a new Economic Crime (Anti-Money Laundering) Levy. The levy will apply to entities that are regulated for anti-money laundering purposes under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (SI 2017/692) and are medium, large or very large based on their UK revenue.

The levy will first be charged on entities that are regulated for the financial year 1 April 2022 to 31 March 2023, and the amount payable determined depending on their size with reference to their UK revenue for period of account ending in that year.

The amount payable will be a fixed fee dependent on the size of the entity, expected to be between £5,000 and £250,000. Final fixed fees will be set out in the final legislation.

Powers to tackle electronic sales suppression

New legislative powers are being introduced to tackle the form of tax evasion known as electronic sales suppression (ESS) and make offences of the possession, making, supplying and promotion of ESS software or hardware.

Under ESS, sales records are deliberately manipulated to hide or reduce the value of individual transactions and therefore the recorded turnover of the business. Businesses undertaking ESS will have to remove the software from their electronic point-of-sale (EPOS) systems and will be liable to penalties.

New legislation is also being introduced to allow HMRC to obtain details of those involved in the supply of ESS software and hardware, including details of ESS software developers' source code and the structure of data within an EPOS system.

Making tax digital (MTD) for income tax self-assessment (ITSA)

As previously announced, MTD for ITSA will now be introduced from 6 April 2024 for sole traders and landlords with income over £10,000. General partners will not be required to join until 6 April 2025.

Office of Tax Simplification (OTS): Board governance

In advance of the publication of the review of the OTS, legislation will be introduced in Finance Bill 2021-22 to increase the independent representation on the OTS board by two members, taking the total overall membership to ten.

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