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Global Tax Alert

UK publishes Winter Finance Bill and consultations: Business tax measures

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Executive summary

On 1 December 2017, the United Kingdom (UK) Government published the Winter Finance Bill, being the first Bill in a new legislative timetable that should see it enacted (and become *Finance Act 2018*) before the start of the next tax year in April 2018.

2017 has been a particularly busy year for UK Finance Bills. The final Bill in the "old" timetable was published in March (and enacted in April), but most of its provisions were withdrawn due to the snap General Election and reintroduced in the Autumn Finance Bill in September (which was enacted in November). The 1 December Bill is therefore the third to be published this calendar year.

Which is not to say it is particularly small. With 192 pages it covers 48 measures, and brings the total amount of Finance Bill legislation introduced this year to a record of over 1,000 pages.

The official title of the Bill is also confusing. With the announcement of a two-year parliamentary session earlier this year (in order to reduce parliamentary administration to prepare for Brexit), the Finance Bill published on 1 December is officially Finance (No 2) Bill 2017-19 (the Autumn Finance Bill having officially been the first Finance Bill of 2017-19), though the Autumn Budget documents refer to it as Finance Bill 2017-18. For ease, this Alert will continue to refer to it as the Winter Finance Bill.

Building a better working world

It is important to note that the provisions within the Winter Finance Bill have been previously announced, and a table below summarizes the measures, including non-business tax measures. In addition, 1 December saw the publication of 7 new consultations and responses to 11 previous consultations, also noted in this Alert.

Detailed discussion

Winter Finance Bill

Many of the Bill measures were announced in the Autumn Budget.[1] In addition, some of the legislation was published in draft in September.[2]

However, for some measures the legislation published on 1 December is being seen for the first time (or has been revised), and some key aspects of those are highlighted below.

Business tax

Corporate interest restriction

The Bill introduces the measures announced in the Budget, which include aligning the definition of "group" more closely with accounting standards where assets are held for resale and to prevent unrelated businesses being grouped by investment managers, removing the research and development (R&D) expenditure credit from group-EBITDA,[3] amending certain aspects of the public infrastructure rules (including to require the election to be made before the end of the period rather than before the start) and requiring companies to amend their tax returns where an interest restriction return amends their tax position.

In addition, the Bill includes some small amendments, including ones to clarify what should be included in the definition of group-interest and to update other legislative provisions that still refer to the now repealed worldwide debt cap rules. It also introduces a new penalty for failing to amend a company tax return within the time limits.

The published legislation clarifies the commencement dates for the measures announced in the Budget, with amendments relating to hedging of financial income or expense amounts for financial trades, and to the public infrastructure rules regarding the use of conduit companies to avoid a limitation of relief, applying to periods of account beginning on or after 1 January 2018. However, it appears that all groups, even those not impacted by these provisions, will need to consider deemed periods of account for interest restriction purposes where their actual period straddles 1 January 2018.

The other amendments are, in general, treated as having had effect from the start of the rules, although elections can be made to defer to 1 January 2018 the changes relating to the impact of removing the R&D expenditure credit or defining the group where there are investment managers.

Anti-hybrids

The Bill includes a number of changes to the anti-hybrid mismatch rules, in line with the Budget announcements.

The majority of the amendments are made as clarification to the position rather than as a reflection of policy change. Given that these rules are still recently enacted and are complicated in their approach and application, amendments are to be expected and will be positive to the extent that they reduce uncertainty for taxpayers.

Measures applying from 1 January 2017 broadly act to clarify interpretation including: ensuring that withholding tax is not a relevant tax, that a counteraction under the rules for hybrid payees should properly reflect only the extent to which the payee is considered a hybrid by its investors, that capital taxes may in some circumstances be taken into account, bringing the operation of the imported mismatch rules into line with the other counteracting provisions, and to take into account certain accounting adjustments.

Also effective from 1 January 2017 is an amendment to the legislation concerning double deduction mismatches to take into account transactions between an investor and a hybrid entity that does not give a deduction for the investor but creates income for the payee. The amendment does not go so far as to amend the definition of dual inclusion income, instead introducing a new concept of "259ID income" applying only where the payment is made in consequence of a receipt by the investor.

Measures applying from 1 January 2018 include:

- Regimes charging tax at a nil rate will be treated the same as regimes that do not charge corporation taxes for the anti-hybrid rules
- The rules regarding multinational companies have been clarified so that, when assessing whether there has been a mismatch, it is clear that the comparison should be made against what would have sbeen taxed if received by the company where it is tax resident

Partnerships

The legislative amendments in the Bill to clarify certain aspects relating to the taxation of partnerships are generally in line with the draft legislation published for consultation on 13 September 2017. However, the previous proposals to align the allocation of taxable partnership profits with a partner's share of total commercial profits have been removed. The mechanical application of those proposals, which only applied to income and did not apply to capital gains, could have resulted in partners being allocated taxable profits which did not reflect commercial profit allocations and the removal should prevent such inconsistencies.

Some minor additions have also been included to amend the digital reporting provisions, inserted into the *Taxes Management Act 1970 by Finance (No 2) Act 2017*, to reflect these partnership amendments.

Property tax

One significant announcement in the Autumn Budget was the proposal to bring capital gains by nonresidents on the disposal of UK commercial property within the scope of UK tax, as well as disposals of shareholdings in "property rich" companies, but this will not be legislated until 2019.

Indirect tax

Extension of joint and several liability on online marketplaces

The Bill extends the existing joint and several liability provisions for online marketplaces from the date of Royal Assent, including a provision that an online marketplace can now be held jointly and severally liable for Value Added Tax (VAT) payable by any person selling goods through the online marketplace who fails to comply with any requirement imposed by UK VAT law. The online marketplace can avoid being held jointly and severally liable if it removes the business from its marketplace within a specified period.

New consultations

Several new consultations were published on 1 December, including the following:

Withholding tax on royalties

The Government is looking to extend the royalty rules introduced in *Finance Act 2016* so that payments for the exploitation of intellectual property (IP) or certain other rights in the UK that are made to connected parties will be subject to appropriate taxation. It is intended that the rules will apply where the recipient is in a low or no tax jurisdiction, however as currently proposed the rules will apply when the payment is made to a jurisdiction with which the UK does not have a double tax agreement, or has a double tax agreement but that agreement does not contain a non-discrimination article. The consultation of 1 December makes it clear that, while this measure will predominantly affect digital businesses, it may also affect groups operating in other sectors.

The consultation provides a simplified example of the arrangements the Government wishes to target. In that example A and B are connected companies with no UK taxable presence. A pays a royalty for exploitation of IP under a license entered into with B. This IP is exploited by A to make sales in the UK.

Under existing legislation, the royalty payment would not have a source in the UK because the payment is not made by a UK resident entity, nor in connection with a permanent establishment (PE or avoided PE) in the UK. This is notwithstanding the fact the payment is made for exploitation of those rights in the UK.

The proposed measure would apply to such arrangements by creating an income tax liability on the UK-element of the payment to B, which A would be required to report and pay to HM Revenue & Customs (HMRC).

The proposal is an extension of the *Finance Act 2016* rules in that:

- Payments made between connected parties for exploitation of IP, or certain other rights, in the UK will be treated as having a source in the UK for the purposes of withholding tax (WHT)
- The measure will apply regardless of which group company makes sales into the UK
- The payments caught by the measure will be wider than those within the existing royalty definition but will not include services
- A liability will arise regardless of whether the payer has a taxable presence in the UK
- There will be anti-abuse rules including anti-forestalling provisions

The consultation considers reporting requirements and mechanisms to avoid double tax. It suggests that details of royalty payments for exploiting rights in the UK made to connected parties might need to be reported even where no WHT in fact arises due to the existence of a treaty and even if he payer has no taxable presence in the UK.

The consultation runs until 23 February 2018, with draft legislation promised for summer 2018. The changes are intended to have effect from April 2019. A separate Alert summarizes the proposal in more detail.

Making Tax Digital: further consultation on interest harmonization and sanctions for late payment

This consultation seeks views on:

- Late payment interest and repayment interest, with the aim of bringing interest paid by and to HMRC for VAT into line with similar rules for income tax self-assessment (ITSA) and corporation tax (CT), enabling a common set of rules to apply across these regimes.
- Late payment penalties, with the aim of introducing a new model for charging penalties on payments made late by taxpayers, helping to address the current diverse late payment penalty models, promote positive behavioral change, and facilitate the opportunity to apply the same model across other regimes at some point in the future.

In relation to interest harmonization, the main changes proposed are in relation to VAT, aligning the rules with those for ITSA and CT. This would replace the current default surcharge and default interest regimes with late payment interest charged for the period between the proper due date and when the payment is received. It would also replace repayment supplement on amounts repayable with repayment interest reflecting the length of time that repayment has taken to be made.

In relation to late payment penalties it is proposed that late payment penalties would be levied on a hybrid basis to include: a "penalty charge" element (charged at 5% of the tax due which would be payable after 30 days); and a second element charged in an "interest" type calculation (for tax remaining unpaid 30 days after the due date). No penalty charge element would be due if the amount was paid within 15 days of the due date, and the penalty would be halved if that payment was made from day 16 to day 30.

The proposals fit in with the Office of Tax Simplification's recent recommendation that HMRC should review options to reduce the uncertainty caused by the VAT suspended penalty rules. If these proposals are ultimately implemented, it would result in a significant departure from the current VAT penalty and interest regimes and businesses may wish to consider responding to the consultation by the closing date of 2 March 2018.

Lease accounting

The Government has published a consultation document to set out and discuss the proposed legislative changes dealing with the new lease accounting standard, International Financial Reporting Standard (IFRS) 16. As announced in the Budget, the Government has decided to maintain the current system of lease taxation by making legislative changes so that the income and corporation tax rules for leased assets continue to operate as they do currently. The previous discussion document issued in August 2016 limited its consideration to leased plant and machinery, whereas this consultation document also covers property leases.

Important legislative changes proposed in the consultation include the repeal of section 53 *Finance Act 2011* for accounting periods commencing on or after 1 January 2019. Section 53 was introduced as a temporary measure and allowed businesses to continue to apply the existing tax treatment to leasing transactions even where the accounting standard has changed. It would have negated the effect of IFRS 16 for tax purposes.

The consultation document proposes that all lessors, and lessees applying Financial Reporting Standard (FRS) 102, should continue to use the tax provisions as they currently stand. This is possible since lessors and FRS 102 lessees will maintain the distinction between operating leases and finance leases.

Changes are proposed to the existing legislation to ensure that the rules continue to have the same effect for lessees applying IFRS 16. Broadly, the changes require IFRS 16 lessees to apply the existing tax treatment for "finance leases" to all leases. Additionally, lessees under non-long funding leases that adopt IFRS 16 should be entitled to apply Statement of Practice 3/91 such that they take a deduction for amounts of depreciation and interest as they are accrued in the accounts.

Certain changes are proposed to the long funding lease rules. These include:

- Simplifying the definition of a short lease such that plant or machinery leases of seven years or less should fall outside the long funding lease rules.

- Changing the quantum of qualifying capital expenditure under a long funding operating lease for a lessee applying IFRS 16 to an amount equal to the present value of the minimum lease payments under the lease rather than the market value of the asset. On adoption of IFRS 16, lessees will be treated as making a deemed disposal of their existing long funding operating leases and deemed entry into a new lease.

Significant accounting transitional adjustments may arise on the adoption of IFRS 16. The tax effect of any transitional adjustments will need to be determined and brought into account in the first period of account of the new basis. The consultation closes on 28 February 2018.

The decision to maintain the current system of lease taxation is positive as well as the fact that this consultation addresses the impact of the IFRS 16 changes on property leases. However, the delay in the release of the consultation document (originally planned for summer 2017) is likely to create a tight timeline for a proper consultation and introduction of required legislative amendments prior to the 1 January 2019 commencement date for IFRS 16.

Lease accounting and corporate interest restriction

The Government has published a consultation document setting out three proposals for the interaction of the corporate interest restriction rules and IFRS 16.

As currently constructed the corporate interest restriction (CIR) rules include finance charges under finance leases as tax interest. IFRS 16 however removes the distinction between operating leases and finance leases and adopts an "on balance sheet" model for lessees. Consequently, without any legislative change (other than the repeal of section 53 *Finance Act 2011* which would negate the effect of IFRS 16), tax interest would include finance charges associated with leases which would have previously been classified as operating leases.

The consultation document puts forward three alternatives:

- Option 1: follow the accounts. This would result in a different treatment for lessees depending on whether IFRS 16 or FRS 102 is adopted and could give rise to a different treatment between lessees and lessors
- Option 2: maintain a distinction between operating leases and finance leases, providing lessees with the opportunity to exclude from tax interest the finance charge on leases where they have ascertained that the lessor accounts for the lease as a finance lease. This should remove the mismatches that arise under option 1, but require collaboration between the lessor and the lessee
- Option 3: introduce a distinction between funding leases and non-funding leases. This would be defined in new legislation, which would be adopted by both lessors and lessees with finance charges relating to funding leases being treated as tax interest for the purposes of the CIR rules

Option 3 appears to provide the fairest result, but it is also the most complex proposal. The closing date for comments is 28 February 2018.

Responses to previous consultations

1 December 2017 saw the publication of a number of responses to previous consultations. These included the following:

Making Tax Digital: simplifying late submission and late payments sanctions

The Government has published its response to the Making Tax Digital consultation issued on 20 March 2017 confirming it will take forward a "points-based" model for late submission sanctions and consult further on late payment sanctions, with a view to introducing the changes to late payment and late submission penalties together as a coherent package.

As previously announced, under this model a taxpayer will receive a point every time they fail to provide a submission on time. The published response announces that the penalty threshold will be 2 points for annual submission obligations, 4 points for quarterly submission obligations, and 5 points for monthly submission obligations, with an intention that points will be reset to zero following 2 timely annual submissions, 4 timely quarterly submissions or 6 timely monthly submissions, provided at that stage all relevant outstanding submissions for the previous 24 months have been made. Both points and penalties will be fully appealable.

The points will be calculated separately for each tax a taxpayer is liable for, as well as separately for each business in respect of which a taxpayer may have separate Making Tax Digital for Business (MTDfB) ITSA obligations. For partnerships, points will accrue at partnership rather than at partner level. The ability for taxpayers to elect to change reporting frequency will be accommodated within this model without either penalizing or benefiting those who take up that option.

The first tax for which the new model will be implemented is likely to be the MTDfB VAT obligations in 2020, with subsequent extension to other taxes with regular submission obligations by secondary legislation, following an appropriate notice period. Draft legislation will be published for consultation in summer 2018 together with a technical note.

VAT grouping

This consultation follows recent European case law. As part of the consultation, HMRC reviewed certain aspects of VAT grouping, such as eligibility for membership, the VAT treatment of cross-border supplies involving branches and the interaction between VAT grouping and the cost sharing exemption.

HMRC states that it is clear that UK VAT grouping is valuable to businesses and it will continue to review the scope of VAT grouping. The UK's Brexit negotiations will also be considered to ensure that businesses are not required to make a series of changes.

In the meantime, HMRC will clarify its current approach to VAT grouping and certain types of partnerships through the issue of a policy paper and clearer guidance. A consultation on alternative tests, which could be used to evidence financial, organizational and economic links which currently form part of the eligibility criteria for VAT grouping, may be issued in future. The outcome document also confirms that businesses must determine the correct rules in respect of cross-border supplies following the *Skandia* case and that there is no current intention to review the interaction between VAT grouping and the cost sharing exemption.

Requirement to notify HMRC of offshore structures

On 1 December 2017, the Government published a summary of responses to its 2016 consultation which proposed a new legal requirement for intermediaries setting up or promoting complex offshore financial arrangements to notify these to HMRC.

The key message from respondents was that a multilateral, rather than a UK-only, approach was needed. In particular, respondents highlighted the difficulties of the UK enforcing the global reach required for the proposed measures to work as intended.

In light of the developments since the publication of the consultation, including the Bari Declaration by the G7 in May 2017 (calling on the Organisation for Economic Co-operation and Development to consider ways of addressing attempts to circumvent the Common Reporting Standard (CRS)) and the draft legislation published by the European Union in June 2017 (addressing the use of offshore structures and the circumvention of CRS), the response document concludes by confirming that the Government intends to work with international partners on the development of multinational rules.

It therefore appears that, at least for the moment, the proposal for UK-only legislation in this area has been shelved in favor of working with international partners towards implementing a multilateral approach.

Nonresident companies chargeable to income tax and nonresident capital gains tax (NRCGT)

The Government had already confirmed in the Budget that, from 6 April 2020, non-UK resident companies that carry on a UK property business or have other UK property income will be charged to corporation tax, rather than being charged to income tax as at present. A non-UK resident company that has chargeable gains on the disposal of UK residential property will also be charged to corporation tax instead of capital gains tax as at present. The 6 April 2020 commencement date is intended to allow taxpayers time to adjust to the requirements of the new regime.

The response document to the March 2017 consultation provides additional Government comment on the transition from the NRCGT regime and confirmation that the rules will apply to companies of all sizes. It also confirms that unused income tax losses will be imported into the corporation tax regime without requiring the loss to be recomputed under corporation tax principles. However, draft legislation for the new regime will only be published in summer 2018 and will be subject to technical consultation at that stage.

Endnotes

1. See EY Global Tax Alert, *UK 2017 Autumn Budget: Key business tax announcements*, dated 22 November 2017.
2. See EY Global Tax Alert, *UK publishes draft clauses and other Documents under Finance Bill 2018*, dated 15 September 2017.
3. Earnings before interest, taxes, depreciation and amortization.

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Winter Finance Bill

Summary of measures and commencement dates

Business tax	Commencement date
Corporation tax for financial year 2019 (clause 2) The charge to corporation tax for financial year 2019	1 April 2019
Corporate interest restriction (clause 24) A number of technical amendments to the recently introduced corporate interest restriction rules	1 April 2017 or 1 January 2018
Double taxation relief (DTR) and permanent establishment losses (clause 30) Restriction of the amount of DTR available to a UK company for foreign tax paid on income of an overseas permanent establishment with losses	22 November 2017
DTR and changes to targeted anti-avoidance (clause 31) Removal of the requirement for HMRC to issue a counteraction notice before the DTR targeted anti-avoidance rule (TAAR) applies and extension of the scope of one of the categories of prescribed schemes to which the DTR TAAR applies	22 November 2017/returns made after 31 March 2018
Hybrid mismatch rules (clause 23) A number of technical amendments to the recently introduced rules targeting hybrid and other mismatches	1 January 2018
Intangible fixed assets: related party step-up schemes (clauses 20 and 21) Targeted changes to arrangements between a company and a related party in respect of intangible fixed assets	22 November 2017
Research and Development (R&D): rate changes (clause 19) Increase in the headline rate of R&D expenditure credit and introduction of the Advanced Clearance Service	1 January 2018
Bank Levy re-scope (clause 33) Changes to the bank levy scope and various simplifications to bank levy compliance	Bank levy scope: 1 January 2021 Other changes: 1 January 2018
Withholding tax (WHT) exemption for debt traded on multilateral trading facility (clause 34) Removal of WHT requirement for interest on debt issued on multilateral trading facilities operated in recognised stock exchanges within the European Economic Area	1 April 2018 (corporation tax), tax year 2018-19 (income tax), interest payments on/after 1 April 2018
Ring fence corporation tax: tariff receipts (clause 22) Amendment of the definition of tariff receipts to bring all tariff receipts within the ring fence irrespective of whether they are charged to petroleum revenue tax	1 January 2018
Capital gains: depreciatory transactions (clause 28) Removal of the time limit for depreciatory transactions	22 November 2017
Capital gains: postponement of gains on branch assets on incorporation (clause 27) Correction of an anomaly under which chargeable gains that have been deferred on the incorporation of a foreign trading branch can be brought back into charge on a subsequent reorganisation, even though the reorganisation itself may be tax exempt	22 November 2017
Partnership taxation: proposals to clarify tax treatment (clause 18) Proposals to clarify the tax treatment of partnerships	Tax year 2018-19 (income tax/ 1 April 2018 (corporation tax)/ returns made after Royal Assent
Exemption for the Education Authority (Northern Ireland) (clause 25) Exemption for the Education Authority (Northern Ireland) from corporation tax	1 April 2015
Base Erosion and Profit Shifting: Multilateral Instrument (MLI) (clause 32) Amendments to the powers by which double taxation arrangements with other territories are given effect in the UK in order to ensure that they give full effect to MLI	Regarded as always having applied
Capital Allowances: Extension of first year tax credits (clause 29) Extension of first year tax credits for energy-efficient and water-saving technologies	1 April 2018

Property taxes	Commencement date
Corporate capital gains indexation allowance (clause 26) Freezing of indexation allowance on corporate capital gains	1 January 2018
Stamp Duty Land Tax (SDLT) relief for first-time buyers (clause 41) Introduction of a new relief from SDLT for first-time buyers of residential property for purchases up to £500,000	22 November 2017
SDLT Higher Rates (clause 40) Introduction of further exceptions from SDLT higher rates for additional residential property purchases and new measures to prevent exploitation of replacement of main residence relief	22 November 2017
Personal tax	**Commencement date**
Income tax for tax year 2018-19 (clauses 3 to 5) The charge to income tax, basic, higher and additional rates of income tax and default and savings tax rates	Tax year 2018-19
Marriage Allowance (clause 6) Changes to allow Marriage Allowance claims behalf of deceased spouses and civil partners	29 November 2017
Offshore trusts: anti-avoidance (clause 35) Additional anti-avoidance provisions for non-doms relating to income and gains arising from offshore trusts	6 April 2018
Venture Capital Schemes (VCTs): risk to capital condition (clause 14) Restriction of relief where purpose of the business is to preserve capital rather than grow	Investments made on and after Royal Assent
Enterprise Investment Scheme (EIS) and VCTs: relevant investments (clause 15) Amendments to ensure that all risk finance investments count towards the lifetime funding limits for companies receiving investments under the EIS and VCT scheme	Investments made on or after 1 December 2017
EIS and VCTs: investments in knowledge-intensive companies (clause 16) Changes to encourage more investment in knowledge intensive companies under the EIS and VCT scheme	6 April 2018
VCTs: effect of anti-abuse provisions on commercial mergers (clause 17) Limitation of the application of an anti-abuse rule relating to mergers of VCTs	VCT subscriptions made on or after 6 April 2014
VCTs: other reforms (clause 17) Further measures specific to VCTs relating to the removal of grandfathering provisions, qualifying investments, and time limits for reinvestment	6 April 2018 or Royal Assent
Capital gains tax: taxation of carried interest (clause 37) Changes to the way individuals receiving carried interest are taxed on capital gains	22 November 2017
Income tax: mileage rates for landlords (clause 36) To allow unincorporated property businesses the option to use a fixed rate deduction for miles travelled by car, motorcycle or goods vehicle for business journeys as an alternative to claims for capital allowances and deductions for expenses incurred	Tax year 2017-18
Pensions: master trust tax registration (clause 13) Introduction of HMRC powers to register and deregister master trust pension scheme and schemes for dormant companies	Various

Employment tax	Commencement date
Disguised remuneration (clauses 11 and 12) Several measures to combat the use of disguised remuneration arrangements, including a close company gateway, information reporting requirements, and clarifying the application of the rules in certain circumstances and from whom liabilities are collected	Various dates including 22 November 2017
Termination payments: foreign service relief (clause 10) Amending foreign service relief to ensure employees who are UK resident in the year of termination are not eligible for foreign service relief on termination payments	Terminations/changes in question on/after 6 April 2018 where payment or benefit received after 13 September 2017
Cars: increasing the diesel supplement (clause 9) Increase of the diesel supplement from 3% to 4%	Tax year 2018-19
Armed Forces: accommodation allowance (clause 8) Income tax exemption for certain allowances for renting or maintaining accommodation in the private market for Armed Forces personnel	To be specified by statutory instrument
Seafarers' Earnings Deduction (clause 7) Extension of Seafarers' Earnings Deduction from income tax to cover Royal Fleet Auxiliary	Royal Assent
Indirect tax	**Commencement date**
Online marketplaces (clause 38) Extension to existing joint and several liability rules to hold online marketplaces jointly and severally liable for the UK VAT liabilities of businesses selling goods through their platforms, and requirement to display valid third party seller VAT numbers	Royal Assent
Refunds to combined authorities, fire and rescue authorities, the Scottish Fire and Rescue Service, and the Scottish Police (clause 39) Inclusion of combined authorities and various emergency services in the current VAT provisions which allow for the recovery of VAT	Royal Assent
Landfill tax reform (clause 42) Changes to the scope of landfill tax	1 April 2018
Vehicle Excise Duty (VED) (clause 44) Increases to VED rates for cars and vans, and motorcycles registered before 1 April 2017 and First Year Rates for cars under the post April 2017 VED system in line with the Retail Price Index	1 April 2018
Company car tax and VED: Carbon dioxide emission regime (clause 48) Confirmation that carbon dioxide figures compatible with current New European Driving Cycle test procedure will be used by HMRC in respect of company car tax and VED	Company car tax: tax year 2017-18. VED: licences taken out on/after 29 November 2017
VED Diesel Supplement (clause 44) Changes to increase the First Year Rate of VED for new diesel cars (that do not meet the Real Driving Emissions Step 2 standards) by one band	Vehicles registered on and after 1 April 2018
Air Passenger Duty (APD) (clause 43) Increases to APD long-haul standard rate to £172 and long-haul higher rate to £515	1 April 2019
Tobacco Duty (clause 45) Increases to tobacco duty rates	22 November 2017
Amendment to the Customs and Excise Management Act 1979 (clause 47) Clarification of stop and search powers that allow HMRC officers to use force to gain access to locked vehicles suspected of containing goods liable to forfeiture	Royal Assent
Customs examination powers: section 24 *Finance Act 1994* (clause 46) Extension of the powers of HMRC officers to examine goods inland, post clearance, where a customs offence is suspected	Royal Assent

Other changes

- Certain changes will be introduced by statutory instrument rather than the Finance Bill, including the following:
  - Increases in personal allowance to £11,850 and basic rate limit to £34,500 for tax year 2018–19
  - Increases in van benefit charge and the van/car fuel benefit for tax year 2018–19
  - Increase in capital gains tax annual exempt amount for tax year 2018–19
  - Increase in annual tax on enveloped dwellings (ATED) annual chargeable amounts from 1 April 2018
  - Increase in pensions lifetime allowance for tax year 2018–19 in line with the Consumer Price Index
  - Capital allowances: updates to energy-saving technology list and extension of 100% first year allowance for zero-emission goods vehicles and gas refuelling equipment

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