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PART. A

1989 BUDGET RESOLUTIONS

15-3-89

THIS FOLDER HAS BEEN
REGISTERED ON THE
REGISTRY SYSTEM

BUDGET

RESOLUTIONS

1989 6

473. P.T.A.



Inland Revenue

Policy Division
Somerset House

Handwritten signature

Prayers (vi) -

FROM: MISS R A DYALL

DATE: 4 JULY 1988

- 1. MR ISAAC *We need to reassure people for the changes that are coming here, quite soon, and to put them in a positive light.*
- 2. FINANCIAL SECRETARY *(let) 4.7*

INDEPENDENT TAXATION: PUBLICITY

1. We are beginning to plan the publicity we shall need over the next two years about the change to Independent Taxation. It is not too early to start thinking about this as

- the first phase comes in April 1989 when there will be a larger-than-usual issue of tax returns to married men, (including about 1 million who are elderly), to gather the information we need to set up the new system;
- the lead times for producing certain types of printed material are very long.
- if we are going to consult some of the representative organisations, as we suggest below, we need therefore to start talking to them fairly soon.

2. Publicity in the spring of 1989 will focus on preparing people for the returns issue, explaining why it is necessary and the importance of completing and sending back the returns. We

- cc **Chancellor**
 Chief Secretary
 Paymaster General
 Economic Secretary
 Mr Scholar
 Mr Culpin
 Mr Gilhooly
 Mr Gieve
 Mr Cropper
 Mr Tyrie

- Mr Isaac
 Mr Lewis
 Mr Mace
 Mr J C Jones
 Mr Tharby
 Mr Youngs
 Ms McFarlane
 Mr Newlyn
 Mr Williams
 Miss Dyall
 PS/IR

want to handle this as sensitively as possible, particularly for the large numbers of (always anxious) elderly taxpayers. We want to do everything that we can to ensure that people know what is happening, what they have to do, when and why. In broad outline, our present plans are for

- a press release, which might (if you are willing) include a Ministerial statement setting all this in a positive context, as a further major step forward to the benefits of Independent Taxation in April 1990;
- we could expect this press release to be carried in the serious papers and technical press, and we could be reasonably confident of making arrangements with the professional bodies to ensure that the same message goes down through their channels to their members;
- perhaps more important, our Press Office could use the press release as a lead-in to encourage journalists to publish articles about the changes and the returns issue in the more popular papers (for example, in columns like Money Mail and in magazines for the elderly);
- a poster campaign: we would arrange for posters about the returns issue to be displayed in post offices where elderly taxpayers would be likely to see them when collecting their pensions. Other possible outlets are Citizens Advice Bureaux and Age Concern day centres.
- a special "user friendly" covering note to be sent out with the tax return explaining briefly and simply why returns are being issued to taxpayers who would not normally get one, and explaining where they can get help, if necessary, and further information;
- an explanatory leaflet about Independent Taxation in popular style which would be available to anyone who wished to know more about the new system at that stage.

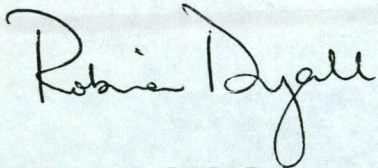
For a rather special exercise of this kind, we think that it might be helpful to talk to Age Concern and The National Association of Citizens Advice Bureaux, to see if they have any comments on this approach and any suggestions to make.

3. In the public's perception the special returns issue will be the first step towards the implementation of Independent Taxation. We want to present it in a positive way and to point to the benefits Independent Taxation will bring, particularly for the elderly. Ministers could also help in getting this message across and we hope there will be other opportunities later on for using speeches, and perhaps visits to Inland Revenue offices, to keep Independent Taxation in the news.

4. The second phase of the publicity effort would come in the months leading up to the change to Independent Taxation in April 1990 when we shall be concentrating on making married taxpayers generally, and particularly women, aware of the change and informing them about what it involves. We also have to consider the needs of tax advisers for more detailed and technical information about Independent Taxation. A number of professional bodies have already indicated their willingness to help in disseminating information and we should like to take up their offers where this would be practicable and appropriate.

5. Our ideas for this second phase are only tentative at present. A lot more detailed planning will be required to devise a comprehensive and effective programme. However we attach a very broad outline of our timetable indicating the main periods of activity. It will of course be subject to change as our planning progresses but we will keep you in touch with developments. We are making separate arrangements to ensure that we coordinate this exercise with others which will be going on in parallel, for example publicity for the changes in the tax treatment of maintenance payments which will take place in April next year.

6. As I have said we feel our publicity is more likely to be effective if we are able to consult representative bodies and other outside organisations with relevant experience, contacts, or expertise. It would therefore be helpful at this very early stage if you would confirm that you are willing for us to go ahead on this basis.

A handwritten signature in cursive script that reads "Robin Dyall". The signature is written in dark ink and is positioned above the typed name.

MISS R A DYALL

POSSIBLE TIMETABLE FOR PUBLICITY ON INDEPENDENT TAXATION

PHASE 1

- MARCH/APRIL 1989 Poster campaign about the issue of returns, in Post Offices and other outlets
- MARCH/APRIL 1989 Press release about returns issue as first step to Independent Taxation. Articles about the new system in the press. Information supplied to journalists by Inland Revenue Press Office
- APRIL 1989 Issue of returns with special explanatory insert. Staff at local offices available to help recipients with any problems
- Explanatory leaflet available describing Independent Taxation and answering basic questions about the new system.

Review Phase 1 to see what lessons can be learned for Phase 2

PHASE 2

- OCTOBER 1989
- MARCH 1990 Publicity for the new system in the months leading up to the change in the press and on radio
- More explanatory leaflets available
- JANUARY 1990 Issue of PAYE codes for 1990-91 reflecting the new structure of allowances
- APRIL 1990 Special publicity when the new system goes live on 6 April
- Specific publicity about the duplicate issue of returns to some husbands and wives

Review Phase 2

POSSIBLE PHASE 3

- MARCH/APRIL 1991 Publicity for the first full (but still selective) issue of returns to married women



FROM: JEREMY J HEYWOOD

DATE: 20 July 1988

PS/CHANCELLOR

cc Mr Culpin
Mr Gilhocly
Mr Gieve
Mr Cropper
Mr Tyrie
Miss Dyall - IR
PS/IR

INDEPENDENT TAXATION: PUBLICITY

The Financial Secretary discussed Miss Dyall's note of 4 July with officials.

2. The Financial Secretary is broadly content with the approach the Revenue are proposing. He has asked to see the poster mock-ups by early September (they need to be finalised by October). He has also asked the Revenue to consider whether outside publicity consultants might be useful.

3. The Financial Secretary thinks that it would be very sensible for the Revenue to consult with outside organisations such as Age Concern.

4. The Financial Secretary's next major speaking opportunity will be on 26 October at the Highflyers' Conference.

JEREMY HEYWOOD
Private Secretary



Inland Revenue

Personal Tax Division
Somerset House

*Post let to SH
no vouchers, top copy
only, specimens.*

FROM: B A MACE
DATE: 7 OCTOBER 1988

*1 PPS 07
Prof*

FINANCIAL SECRETARY

Behind

INDEPENDENT TAXATION: PUBLICITY

*Ther: 26
12/10*

1. Miss Dyall's note of 4 July outlined our plans for publicity for Independent Taxation. This note brings you up to date with developments during the summer. We also thought you would like to see some publicity material we have prepared which needs to go to the printers very shortly.

2. You will recall that the first phase in our publicity campaign is focused on the annual issue of tax returns in April 1989. Over 1 million extra returns will be issued to (mainly elderly) married men who would not normally receive one, to obtain information necessary to set up the new system. As described in paragraph 2 of Miss Dyall's note we are planning a very full programme of publicity next spring. In particular we are producing

- a covering note to be included with the extra tax returns explaining why they have been sent and where help and further information are available;

cc Chancellor
Mr Scholar
Mr Culpin
Mr Gilhooly
Mr Gieve
Mr Cropper
Mr Tyrrie

Mr Painter
Mr Lewis
Mr Mace
Mr J C Jones
Mr A O'Brien
Mr Tharby
Mr Youngs
Ms McFarlane
Mr Halliday
Mr Williams
Miss Dyall (or)
PS/IR

- an explanatory leaflet in popular style about how Independent Taxation will affect married people (IR80);
- a similar leaflet for those aged 65 and over explaining aspects of the new system which are of particular interest to the elderly (IR81).

Covering note

3. The covering note (copy attached - top copy only) will be printed on a single sheet of paper. The issue of returns is done automatically and the return form, guidance notes and any extra insert of this kind are put in envelopes by machine. To a very large extent this dictates the form which the insert has to take.

Leaflets

4. The leaflets will be in the standard format of our popular leaflets about various aspects of income tax and in the same question and answer style. They will have distinctive covers with a coloured "flash" across the bottom which will be common to all leaflets about Independent Taxation. These leaflets will be available in tax offices and tax enquiry centres from March 1989 so that they can help to answer questions which may arise when tax returns are issued. They are mentioned in the covering note which is going out with the extra returns. I attach (top copy only) copies of the final drafts of the leaflets together with pasted-up versions of a slightly earlier draft which may help you to visualise more clearly how the final editions will appear. I also attach the coloured artwork for the covers of these leaflets. (Our designers will need this back in due course).

5. There will be a third leaflet in the series (IR82) for couples where the husband transfers his married couple's allowance to his wife under Independent Taxation. The leaflet also describes the transitional relief (which protects couples from a drop in allowances on the change to Independent Taxation where the husband sets all or most of his married man's allowance against his wife's income in 1989-90). I attach (top copy only) a copy of the latest draft of this leaflet which we hope to bring out at about the same time as the others. Although it is less immediately relevant for the April 1989 issue of tax returns it deals with an aspect of Independent Taxation - the transitional relief - about which the taxpayers affected will naturally be concerned and which is complex for our local office staff to explain. There is a reference to it in the general leaflet for married couples.

Consultation

6. Before the summer Recess you agreed that we should consult Age Concern and the National Association of Citizens Advice Bureaux (NACAB) about our publicity plans. A meeting with representatives from both organisations was held in August. They made a number of constructive suggestions about the work we had already done and gave us one or two other possible ideas to consider. It was encouraging that they felt our planning was very much on the right lines.

7. Age Concern and NACAB have seen both the covering note for the 1989 return and the draft leaflets on Independent Taxation IR80 and IR81. The texts reflect the comments we have had from them. They feel that this material should be helpful in reassuring and informing those who have to complete returns about the effect of the new system. (The leaflets will of course also be available to the public generally.)

Posters

8. We are still working on possible designs for posters announcing the special returns issue, which will be displayed in Post Offices and other locations in March/April 1989. We shall be letting you see these in a few weeks time.

Printing of covering note and leaflets

9. We have to get the final version of the covering note and leaflets to the printers very shortly. It would therefore be helpful to know as soon as possible whether you have any comments on the work we have done so far.

B A Mace.

B A MACE



Inland Revenue

Personal Tax Division
Somerset House

FROM: B A MACE

DATE: 27 JANUARY 1989

FINANCIAL SECRETARY

*Re para 7,
I am planning
to make info.
(drafts) no
obj. to
sp. m.*

INDEPENDENT TAXATION: PUBLICITY

1. Miss Dyall's note of 4 July outlined our plans for publicity about Independent Taxation. This note (drafted by Miss Dyall before she left this work) reviews the progress which has been made since last Summer and explains in more detail what we shall be doing over the next few months. It also makes some proposals about the part Ministers might play in the publicity campaign and puts forward some points for decision.

2. The first phase of our publicity effort comes in the Spring of this year when tax returns are issued. This year the return forms will specifically ask for information about the split of income and reliefs between husband and wife which we need to set up Independent Taxation. In order to cover all those likely to be affected we will issue about 1 million more returns than we usually do (mainly to elderly married men). To prepare the public for this there will be a poster campaign in Post Offices and other outlets. We are also issuing some new popular leaflets to provide more information about Independent Taxation and how it will affect married couples in different circumstances.

cc Chancellor
Chief Secretary
Paymaster General
Economic Secretary
Mr Scholar
Mr Culpin
Mr Gilhooly
Mr Gieve
Miss Wallace
Mrs Chaplin
Mr Tyrie
Mr Call

Chairman
Mr Painter
Mr Lewis
Mr Mace
Mr J C Jones
Mr Tharby
Mr Leverington
Ms McFarlane
Mr Wardle
Miss Dyall
Mr Stevenson
PS/IR
MR. Bush

Leaflets

3. The new leaflets are:

IR80: Independent Taxation - A guide for
Married Couples

IR81: Independent Taxation - A guide for
Pensioners

IR82: Independent Taxation - A guide for
Husbands on a low income.

Texts of these leaflets and a mock-up of the common cover design (which provides a link between them) were sent to you under cover of my note of 7 October. Following some further work on both the text and design to take on board your comments the leaflets have been sent to the printers. Supplies of IR80 and IR81 will be distributed to tax offices over a period from the end of January to early March. IR82, which took longer to complete, will be a little later but all offices should have copies by 20 March. We have also produced a very short leaflet (IR86) explaining how mortgage interest relief operates under Independent Taxation.

Poster campaign

4. You approved the design for the poster in November. This will be displayed in Crown Post Offices and tax offices from 13 March and in other outlets such as sub-post offices, libraries, Age Concern day centres and Citizens Advice Bureaux from around the same date. Apart from announcing the special issue of tax returns and the reasons for it the poster also directs people to their tax office for any help they may need and more information about Independent Taxation. This is why the two main Independent Taxation leaflets have to be available in tax offices at the time the poster first goes on display.

Press publicity for leaflets

5. We intend to publicise the availability of the leaflets by issuing a press release, and have been considering the most appropriate timing. We did look at the possibility of an early announcement but rejected it for the following reasons

- i. There is no event in February/early March which could be used as a peg on which to hang an announcement;
- ii. The earlier the date the greater the risk that some tax offices would not have supplies of the leaflets when callers asked for them;
- iii. We do not normally make announcements in the immediate pre-Budget period, not least because our resources are fully stretched on preparing Budget publicity;
- iv. An early announcement would distance the publicity for the leaflets from the poster campaign and the issue of the tax returns.

6. By contrast, we feel there could be positive advantages in a Budget week announcement

- i. It would fit in with the start of the poster campaign on 13 March;
- ii. There might be opportunities in the Budget debates for a Ministerial announcement;
- iii. The press release could be issued as part of the Budget Day package. This could secure more press publicity than we might otherwise get - the one-line summaries of Budget Day announcements which many newspapers produce are ideal for the simple message that leaflets are now available;

- iv. It would be closer to the actual issue of tax returns in early April.

A Ministerial Announcement

7. You may wish to consider, with the Chancellor, whether, if there were an appropriate context, it might just be possible to work in a reference to the new leaflets in the Budget Speech. If, for example, the Speech were to include a section reviewing the Government's record on tax reform, including Independent Taxation, or looking forward to the introduction of Independent Taxation, which would then only be a year away, this might provide an opportunity for mentioning the leaflets. We recognise the pressure on space in the Speech and that this could in any case be finally decided only at a much later stage when the general shape of the Speech has been established and competing demands considered. But it is a possibility which you might like to bear in mind. Our proposal to issue our press release as part of the Budget Day pack does not of course turn on whether there is a reference in the Speech itself.

8. Your speech during the Budget debates and/or any speaking engagements you may have accepted between the Budget and mid-April might provide a further opportunity to publicise the leaflets, explain the special issue of tax returns this year and the part it plays in the preparations for Independent Taxation. This would create a bridge between the Budget Day publicity, the poster campaign and the further publicity we hope to get when the returns are actually issued. It would be helpful if your office could let us know well in advance of any engagements you have at which you might be willing to talk about Independent Taxation.

Press publicity for returns issue

9. We shall have a second press release in early April when the extra tax returns are actually issued. This will allow us to explain more fully than is possible on the poster the reasons for the special issue and the importance for the taxpayers involved of completing the returns correctly and sending them back promptly.

It will also provide another opportunity to mention the availability of the leaflets. We should be able to get considerable press publicity. Newspapers often run articles at the turn of the tax year reminding people of points to consider in filling in tax returns - allowances and reliefs to claim, elections to make and so on. This special issue will provide them with a new angle on this theme and also encourage them to look forward and consider the implications of Independent Taxation.

Magazines

10. We have had to adopt a different approach where magazines are concerned, particularly those published monthly, because the contents of each issue are determined some time in advance. Over the last few weeks our Press Office has been establishing contact with magazines, including specialist magazines aimed at elderly people or women, encouraging them to run articles about Independent Taxation and the special issue of tax returns in their March or April editions. This work is establishing some useful contacts which we will be able to build on in later phases of the publicity campaign. Recently it resulted in the first "cover story" on Independent Taxation (see copy attached). We understand that this has resulted in so much interest that the magazine is planning a further article in May or June.

Covering note with returns

11. We hope that through newspaper and magazine articles we will get the message about the special issue of tax returns to potential recipients who may not see the posters. However all taxpayers who do receive a tax return because of Independent Taxation will get a note with it which explains why it has been issued and directs them to tax offices for any help they may need and further information in the form of the new leaflets. This note was attached to my submission of 7 October.

Members of Parliament

12. All Members of Parliament will have constituents affected by the special returns issue and this is likely to lead to some correspondence and/or enquiries at surgeries. In these circumstances we suggest that it would be helpful if you were to write to all MPs when the Press Release on the returns issue comes out in early April to explain what is happening, and why, and enclosing copies of the press release, the earlier press release on the leaflets and a copy of each of the new leaflets. This could head off criticism which might arise from misunderstandings about the purpose of the additional tax returns. If you agree with this proposal we will provide a draft letter to MPs for you to consider.

Other letters

13. When Independent Taxation was announced in last year's Budget you wrote to the Ministerial Group on Women's Issues and the Equal Opportunities Commission (EOC) about the Government's proposals. We do not think it is necessary for you to write to members of the Ministerial Group on this occasion. All the extra returns this year will be issued to married men to complete on behalf of themselves and their wives so (although this itself might be a subject for criticism) there is not the same direct interest for the Ministerial Group. In any case all Ministers on this Group would get a letter as MPs if you decide to write to MPs generally. There is a stronger case for writing to the EOC although a letter could be sent at official level if you would prefer not to write yourself. We shall be writing in a similar way to various representative bodies and individuals with whom we have special contacts, such as Age Concern and the National Association of Citizens Advice Bureaux whom we have consulted on publicity matters.

Public Awareness

14. This first phase of our publicity campaign is focused specifically on the special issue of tax returns and is designed

to enable us to complete that operation as smoothly as possible by giving the public advance notice, explaining the reasons why we need the extra returns and offering help and more information to those who want it. However we hope that the additional publicity for Independent Taxation which it will generate will also raise public awareness of the change, when it will take place and, in broad terms, what it will mean for married couples.

15. In the autumn of last year we did an informal poll at four of our mobile advice centres to get some impression of what proportion of the public had heard of Independent Taxation and knew anything about it. The poll has no statistical significance as the sample was not selected scientifically but even with these qualifications the results are of some interest. Of those questioned, about

50% had heard of Independent Taxation

20% had some understanding of the general concept
but only

13% had any grasp of the detail and in most cases
this was very slight. Only

15% knew the date of the change.

These were very much the results we expected, but we shall be taking further informal soundings when the first phase of publicity is over to see whether there has been an increase in public awareness of Independent Taxation. One encouraging feature is that the public seem to be relaxed about the change. Less than 5% expressed any concern about its consequences.

Summary

16. The annex to this note summarises the timetable of events in this first phase of publicity. At this stage it would be helpful

if you could

- i. confirm that you are generally content with the programme we have outlined;
- ii. let us have your views on our suggestions for Ministerial involvement, particularly a Budget week announcement about the new leaflets.

Points for decision are

- iii. Are you willing to write to all MPs early in April about the special issue of returns for Independent Taxation? (If so we can let you have a draft letter to consider.)
- iv. Do you also wish to write to the Equal Opportunities Commission?

Drafts of the two press releases will be sent to you for approval in due course in the normal way.

PW

for B A MACE

PUBLICITY TIMETABLE

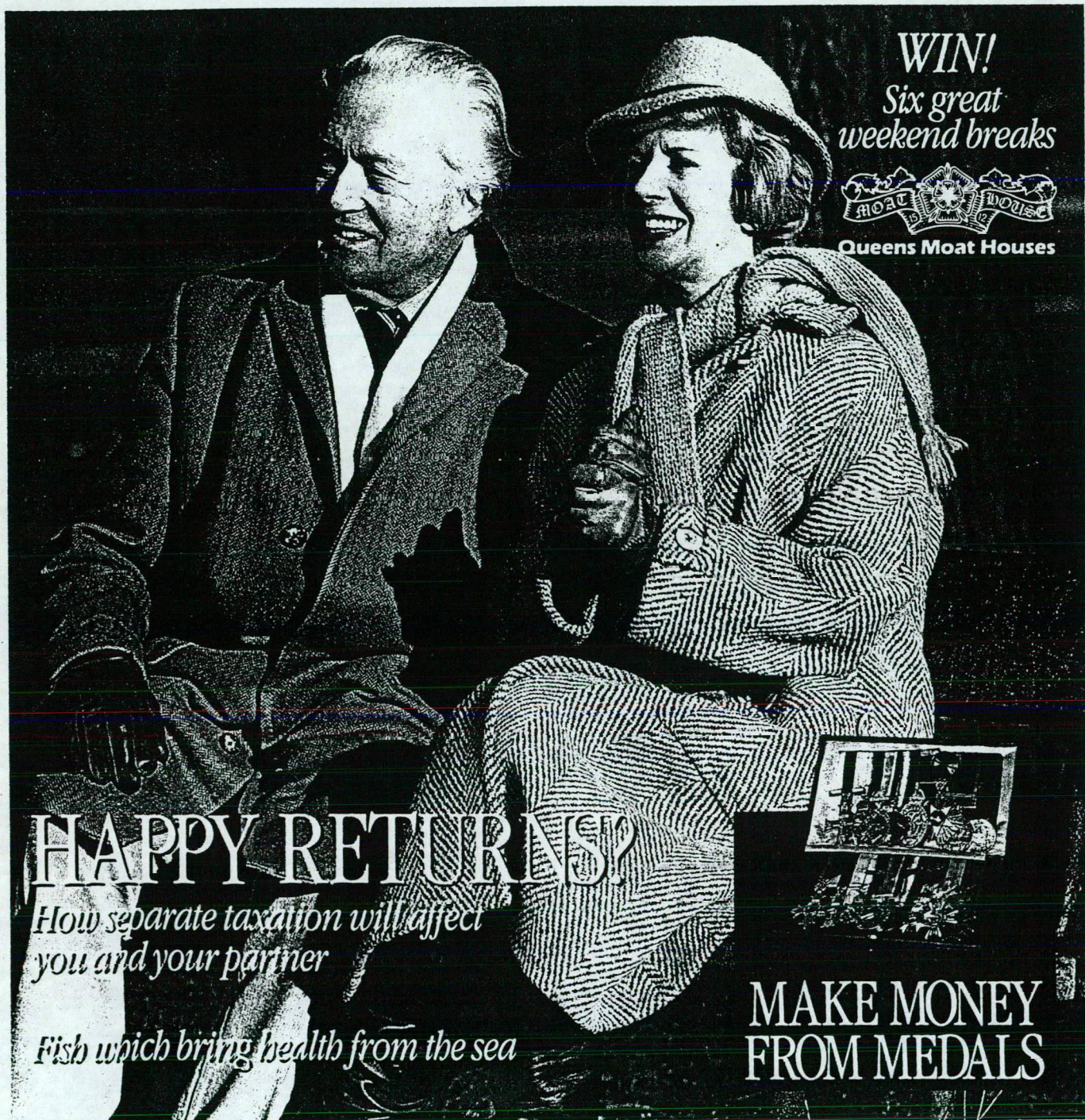
| | |
|----------------------------|---|
| End-January to early March | Leaflets IR80 and IR81 distributed to tax offices. |
| End-February | Poster distributed to Post Offices, tax offices and other outlets. |
| 13 March | Poster campaign begins. |
| 14 March | Press Release announcing availability of leaflets in tax offices. |
| 20 March | IR82 available in all tax offices. |
| Mid-March to Mid-April | Speech explaining special issue of tax returns and mentioning leaflets on Independent Taxation. |
| c. 5 April | Press Release announcing special issue of tax returns. Ministerial letter to MPs about special issue of tax returns enclosing leaflets. Similar letter to EOC. Inland Revenue letters to representative bodies and other contacts. |
| 6 - 28 April | Tax returns issued. Those issued on account of Independent Taxation enclosing special note explaining why. |
| 7 April | IR86 available in all tax offices. |

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January 1989 £1.20

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Money, homes, health and leisure for the over 50s



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weekend breaks

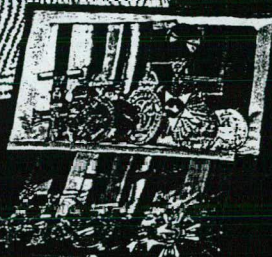


Queens Moat Houses

HAPPY RETURNS?

*How separate taxation will affect
you and your partner*

Fish which bring health from the sea



MAKE MONEY
FROM MEDALS

EQUALITY BEGINS AT HOME!

A WIFE'S income is, for tax purposes, regarded as her husband's. But all this will change in 1990 for, from April 6 next year, all taxpayers - husbands and wives - will be taxed independently. Each will have to make their own tax return, account for their own tax, receive a personal allowance, and have their own band of income, taxed at basic rate.

Under the new independent taxation system, husbands and wives will each take responsibility for their own tax affairs and for paying the tax due on their own income.

If it is necessary for either the husband or wife to complete a tax return they will enter only their own details, thereby ensuring that both husband and wife have complete privacy and indepen-

dence in their tax affairs.

The new personal allowance is intended to equate to the single person's allowance. Currently the single person's allowance is £2,605 for people under 65 and £3,180 for people over 65 with a gross annual income of less than £10,600.

For people over 65, the personal allowance will revert

*BIM FAZACKARLEY, personal
tax manager with chartered
accountants Grant Thornton,
looks at the 1990 tax changes and
how they will affect you*

to £2,605 on a sliding scale where the income exceeds £10,600 for each individual. The value of the allowances will not be determined finally until 1990.

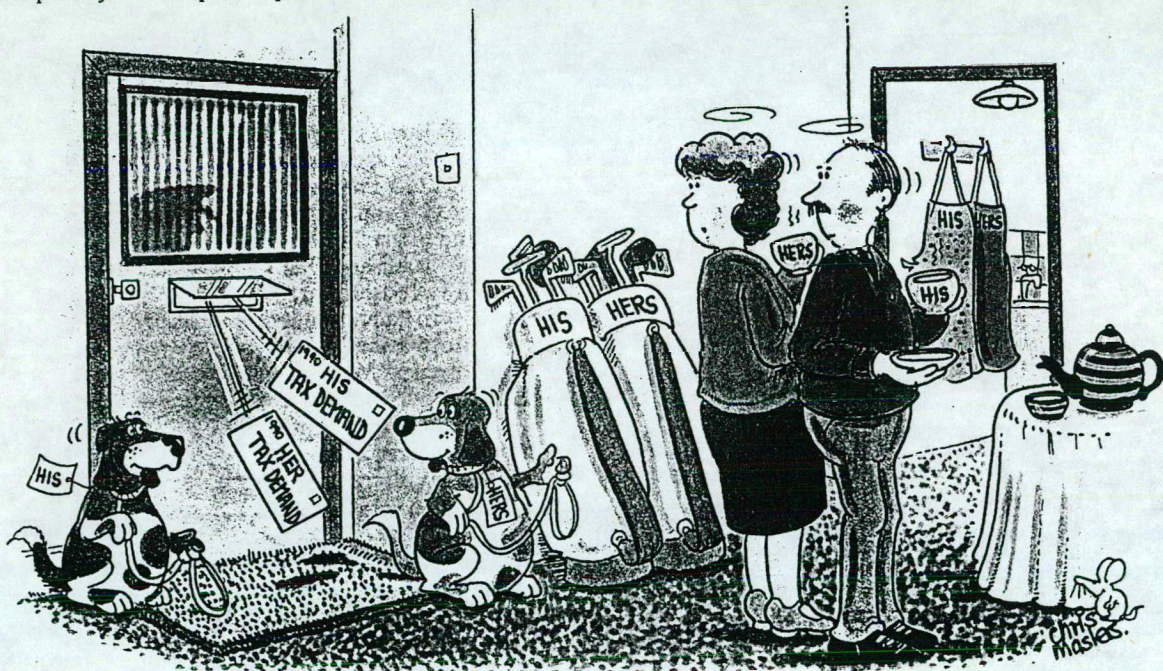
In addition to the new personal allowance, married couples will be entitled to further relief called the married couple's allowance. This will be based on a

difference between the married man's allowance and the single person's allowance. Currently that difference is £1,490 for people under 65 and £1,855 for those over 65, again with a gross income below £10,600.

It is intended that this allowance will go in the first instance to the husband, thereby ensuring that there is no reduction in his tax allowances as a result of the change to the new system.

If the husband does not have sufficient income to make full use of the allowance, he will be able to transfer any unused proportion to his wife. But only the married couple's allowance will be transferable between husband and wife, not the new personal allowance.

If, therefore, the wife has



Example 1: for a person over 65 years using current allowance values:-

| | Under Current System | |
|--------------------|----------------------|-------|
| | Husband | Wife |
| Income | £ 9,000 | £ 500 |
| Personal Allowance | 5,035 | - |
| Taxable Income | 3,965 | 500 |
| Tax Due | £1,116.25 | |

Under new system husband transfers assets before April 1990 to wife to produce £3,000 worth of income:-

| | Husband | Wife |
|----------------------------|----------|---------|
| Income | £ 6,000 | £ 3,500 |
| Personal Allowance | 3,180 | 3,180 |
| Married Couple's Allowance | 1,855 | - |
| Taxable Income | 965 | 320 |
| Tax Due | £ 241.25 | £ 80 |

The transfer results in savings in tax and an increase in the spendable income of £795.

table one

your personal income needs are considered. A professional adviser would be able to determine this.

Under the new system the general rule will be that husband and wife will each be taxed on the income to which he or she is entitled. The Inland Revenue intend to implement special provisions which will apply to income derived from assets which are held jointly, for example interest from bank or building society investment accounts.

The special provisions will ensure that the husband and wife are each normally taxed on half the joint income. If the couple, however, do not own the asset in equal shares, they can make a declaration to the Inland Revenue that each partner be taxed on the portion of the income to which he or she is entitled.

One important point to note, particularly for retired people receiving the state pension, is that any old age pension currently payable to the wife by virtue of her

husband's contributions - and therefore taxable on him as part of his income under the current system - will from April 1990 be treated as part of the wife's taxable income.

This will have a significant effect on the wife's overall taxable income position and should be taken into account in determining whether any balance of her personal allowance is available to go against investment income.

In parallel with the changes for the Income Tax Independent Taxation system, the Inland Revenue intend to introduce a new system for the taxing of capital gains of husbands and wives.

Under the present system, the capital gains of a husband and wife are added together and taxed as the husband's. The couple share only one annual capital gains exemption between them, currently £5,000.

From 6 April 1990, under the new system, a husband and wife will be taxed independently on their capital gains and each will be entitled to a separate annual exemption. It is currently proposed that each will receive £5,000.

The present legislation, under which transfers between husband and wife are generally exempt from inheritance tax, will continue unaltered when the new income tax and capital gains tax independent taxation systems are operating.

Many wives will, for the first time in their lives, from April 1990 be completing their own Tax Returns. While many will rely on their husbands to assist them in the completion of these returns, they will have to sign them and will be legally responsible for the contents.

Any one who is uncertain about completing Returns should seek professional advice from Accountants or the Inland Revenue, via the local H M Inspector of Taxes Office. **C**

Example 2: assuming tax is due at 25%:-

| | Under Current System | |
|------------------------------|----------------------|---------|
| | Husband | Wife |
| Capital Gains | £ 7,500 | £ 5,500 |
| Joint Gains | £13,000 | |
| Annual Exemption | (5,000) | |
| Chargeable Gains | £8,000 | |
| Tax Due | £2,000 | |
| | Under New System | |
| | Husband | Wife |
| Capital Gains | 7,500 | 5,500 |
| Annual Exemptions | (5,000) | (5,000) |
| Chargeable Gains | £ 2,500 | £ 500 |
| Tax Due | £ 625 | £ 125 |
| You would save £1,250 | | |

table two

insufficient income to utilise her new personal allowance, plus any proportion of the new married couple's allowance that may be transferable from her husband, it is worth considering the transfer of suitable investments from husband to wife, before April 1990, to take advantage of the full personal allowances available.

If the transfer of assets is made this will not affect a married couple's income position after April 1990, other than to produce more income by paying less tax. But if you consider reinvesting monies rather than the transfer of assets, seek the advice of a registered investment adviser or your accountant.

It is imperative when considering reinvestment that the best investments to suit

BUDGET SECRET

Thank you for the advice on the no. of resolutions

2. 5 votes an hour is, I suppose an hour session with 4 votes an hour session. We can't do 65 votes is probably absolutely top

FROM: N I MACPHERSON
DATE: 1 March 1989

PS/CHANCELLOR (Mr A C S Allan)

cc: Mr Culpin

BUDGET RESOLUTIONS

I have spoken further to Christopher Jenkins.

2. The chances of an overrun on the Monday night are extremely remote. Voting on the Resolutions would start at 10 pm. For a day to be lost, it would have to continue until 2.30 pm on the Tuesday, i.e. 16½ hours. On the assumption of 5 votes an hour, there would have to be over 80 resolutions for there to be difficulties. Last year there were 49 resolutions. We do not know yet how many there will be this year. [By way of precedent, the Opposition forced votes on all 57 amendments to a Bill in March 1971. Voting started at midnight and finished at 11.40 am].

3. If Ministers still want to hold over some resolutions to Tuesday, they could but

- (i) the resolutions on Tuesday could be debated, unlike those on Monday which Standing Order 50 precludes from being debated;
- (ii) there would be technical problems relating to exempt business. The votes could not take place as first business of the day, but would have to take place after 10 pm.

3. 4 votes. 3(ii) is no problem as 3(ii) is. (Surplus, etc) to be taken on this night. Mr

** PJ. 1/13/89
sent to P. J. Macpherson*

Nick Macpherson



FROM: A C S ALLAN
DATE: 2 March 1989

MR MACPHERSON

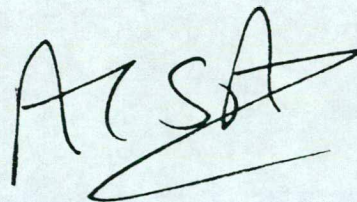
cc Mr Culpin

BUDGET RESOLUTIONS

The Chancellor was grateful for your minute of 1 March. He would like further advice on the likely number of resolutions as soon as possible.

2. Five votes an hour is, he suspects, optimistic. Four Votes an hour would be a safer assumption, in which case 65 resolutions is probably absolutely top weight.

3. He did not feel that the fact that if some resolutions were held over to Tuesday they would have to take place after 10.00pm was a problem. But the fact that they could be debated certainly is. This would mean that "surplus" resolutions would have to be taken on Wednesday night not Tuesday night.

A handwritten signature in black ink, appearing to read 'A C S Allan', with a long horizontal stroke extending to the right.

A C S ALLAN

BUDGET CONFIDENTIAL

ppp

FROM: N I MACPHERSON
DATE: 2 March 1989

MR A C S ALLAN

cc: Mr Culpin

BUDGET RESOLUTIONS

My latest intelligence is there are likely to be around 50 resolutions. I will be circulating the first draft on Friday.

2. My minute of yesterday may have been less than clear. Whether the "surplus" resolutions are taken on Tuesday or Wednesday or any subsequent day, they could almost certainly be debated.

was clear.

Nick Macpherson

N I MACPHERSON

P82 = 13 hrs

10 pm

11 am

*That's the point
What time
how long for WSA,
not given.*

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BUDGET SECRET

- 1. **MR GILHOOLY**
- 2. **CHANCELLOR**

I agree

FROM: N I MACPHERSON
DATE: 3 March 1989

- cc:
- Chief Secretary
 - Financial Secretary
 - Paymaster General
 - Economic Secretary
 - Sir Peter Middleton
 - Mr Scholar
 - Mr Culpin
 - Miss Hay
 - Mr Michie
 - Mrs Chaplin
 - Mr Call
 - Mr Tyrie

- Mr Denton) IR } critical attachment
- Ms French) C&E }

As usual, pages and pages on indirect taxes & minimized on direct taxes

1 agree

3/3

I am sure who has done v. well. No new

Parliamentary Counsel

1984 - 1985

Resolution 1 (c)

no words in clause 8-12, all v. clear

add v. clear

no more resolutions

is not how

Parliament

is needed

BUDGET RESOLUTIONS

I attach a copy of the first draft of the Resolutions.

2. At present, there are 51, including the two procedural resolutions. The dropping of the VAT deregulation starters has yet to be taken on board and will probably cut the number of Resolutions by two. But this will be offset by the inclusion of two extra Resolutions if Schedule E receipts goes ahead. Parliamentary Counsel has already gone to some lengths in amalgamating resolutions. He may be able to cut the number down by a further two if desired, but this would reduce the time he could devote to the Finance Bill proper.

3. The Amendment to the Law Resolution is in its usual form, except that it permits amendments on the refunds of VAT paid by mistake (Resolution 1 b). This is a technical change relating to Starter 36 - Right to repayment of VAT.

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4. Resolutions 8 to 12 which relate to the ECJ judgement contain clauses in square brackets. These are designed to exclude amendments to the Finance Bill proposing intermediate rates of VAT on the goods in question. They do not prevent amendments zero rating the relevant goods; such amendments would still be in order. Intermediate rate amendments were excluded in 1984 and 1985, the last time there were major VAT extensions, but traditionally have been allowed. Parliamentary Counsel is inclined to return to the traditional practice, since the restrictions in brackets do not stop amendments per se - it will still be possible to have an infinite number of zero rating amendments (e.g. zero rate size 7½ protective helmets) - and add to the length of the Resolutions.

5. It would be helpful to know if you are content with

- (a) the number of Resolutions;
- (b) Parliamentary Counsel's advice to drop the clauses in brackets in Resolutions 8 to 12.

I would also be grateful for any other comments on the Resolutions by close on Monday 6 March. A further draft will be circulated on Wednesday 8 March.

Nick Macpherson

N I MACPHERSON

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B U D G E T C O N F I D E N T I A L



[Handwritten signature]

FROM: S M A JAMES
DATE: 6 March 1989

PS/CHANCELLOR

cc: PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
Sir P Middleton
Mr Scholar
Mr Culpin
Mr Gilhooly
Mr MacPherson
Miss Hay
Mrs Chaplin
Mr Tyrie
Mr Call

Ms French - C&E

BUDGET RESOLUTIONS

The Economic Secretary has seen Mr MacPherson's minute of 3 March.

2. He has commented that Resolution 1d seems to preclude reliefs defined by recipients (eg charities). If this is not the case what does it preclude?

3. The Economic Secretary thinks it would be helpful if the bracketed clauses in the ECJ resolutions could be retained.

[Handwritten signature]

S M A JAMES
PRIVATE SECRETARY



FROM: A C S ALLAN
DATE: 6 March 1989

ps

MR MACPHERSON

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Mr Scholar
Mr Culpin
Mr Gilhooly
Miss Hay
Mr Michie
Mrs Chaplin
Mr Call
Mr Tyrie

Mr Denton - IR
Miss French - C&E

Mr Jenkins - Parly Counsel

BUDGET RESOLUTIONS

The Chancellor was most grateful for your minute of 3 March.

2. He is most grateful to Parliamentary Counsel, who has done very well in amalgamating Resolutions. The Chancellor sees no need to bother about a further amalgamation.

3. However, he would rather repeat the 1984 and 1985 procedure to exclude intermediate rate amendments on VAT. He takes it that to do so, Resolution 1(c) is not enough, and that the words in square brackets in Resolutions 8-12, which add very little to the total length of these Resolutions (the real horror being Resolution 8), are needed.

ACSA

A C S ALLAN

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FROM: N I MACPHERSON
DATE: 8 March 1989

1. MR GILHOOLY *8/3*
2. PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Mr Scholar
Mr Culpin
Miss Hay
Mr Michie
Mrs Chaplin
Mr Call
Mr Tyrie

Mr Jenkins - OPC)
Mr Denton - IR) without
Ms French - C&E) attachment

BUDGET RESOLUTIONS

I attach a copy of the second draft of the Resolutions, which now number ~~to~~ 50, down one from the previous draft.

2. Parliamentary Counsel confirms that Resolution 1(c) is not enough to exclude intermediate rate amendments on VAT. The square brackets have therefore been removed from the relevant clauses in Resolutions 8 to 12.

3. Parliamentary Counsel also confirms that Resolution 1(d) is not designed to preclude reliefs defined by recipients, e.g. charities. Rather it is designed to rule out amendments relieving particular categories of goods or services, in so far as amendments are not ruled out by paragraphs a to c: an example might be an amendment deferring tax on a particular category, for example hats.

Nick Macpherson

N I MACPHERSON

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**RESOLUTIONS TO BE MOVED BY
THE CHANCELLOR OF THE
EXCHEQUER**

14th MARCH 1989

SECOND PRINT

Mr Chancellor of the Exchequer

PROVISIONAL COLLECTION OF TAXES: That, pursuant to section 5 of the Provisional Collection of Taxes Act 1968, provisional statutory effect shall be given to the following motions:—

- (a) Hydrocarbon oil (motion No. 2);
- (b) Vehicles excise duty (rates) (motion No. 5);
- (c) Special machines (vehicles excise duty and hydrocarbon oil) (motion No. 7).



ARRANGEMENT OF WAYS AND MEANS RESOLUTIONS

1. Amendment of the law.
2. Hydrocarbon oil.
3. Beer (original gravity).
4. Production of made-wine.
5. Vehicles excise duty (rates).
6. Vehicles excise duty (assignment of registration marks).
7. Special machines (vehicles excise duty and hydrocarbon oil).
8. Value added tax (buildings and land: zero-rating and exemption etc).
9. Value added tax (zero-rating: sewerage services, water, fuel and power).
10. Value added tax (zero-rating: news services).
11. Value added tax (zero-rating: protective boots and helmets).
12. Value added tax (buildings and land: general).
13. Value added tax (self-supplies).
14. Car tax (relief for vehicles leased to handicapped).
15. Customs and excise duties, value added tax and car tax (members of visiting forces, international organisations, etc.).
16. Income tax (charge and rates for 1989–90).
17. Income tax (age allowance).
18. Income tax (operative date of indexation for PAYE).
19. Relief for interest (limit for 1989–90).
20. Corporation tax (charge and rate for financial year 1989).
21. Corporation tax (small companies).
22. Schedule E.
23. Benefits in kind (cars).
24. Calculation of profits or gains.
25. Charities.
26. Profit-related pay.
27. Profit sharing schemes (increase of maximum share appropriation).
28. Retirement benefits schemes.
29. Personal pension schemes.
30. Collective investment schemes.
31. Offshore funds.
32. Insurance companies and friendly societies.
33. Premiums trust funds.
34. Regulations about underwriters etc.
35. Securities.
36. Groups of companies and changes in the ownership of companies.
37. Close companies.
38. Settlements.
39. Double taxation (tax credits).
40. Capital allowances.
41. Capital gains (annual exempt amount).
42. Capital gains (gifts etc.).
43. Non-residents.
44. Dual resident companies.
45. Non-resident companies (non-payment of tax).
46. Exploration and exploitation assets.
47. Capital gains (re-basing to 1982 etc.).
48. Inheritance tax.
49. Broadcasting: additional payments by programme contractors.
50. Relief from tax (incidental and consequential charges).



1. Amendment of the law

That it is expedient to amend the law with respect to the National Debt and the public revenue and to make further provision in connection with finance; but this Resolution does not extend to the making of any amendment with respect to value added tax so as to provide—

- (a) for zero-rating or exempting any supply;
- (b) for refunding any amount of tax, otherwise than in a case where the amount has been paid by reason of a mistake;
- (c) for varying the rate of that tax otherwise than in relation to all supplies and importations; or
- (d) for relief other than relief applying to goods of whatever description or services of whatever description.



2. Hydrocarbon oil

That, as from 6 o'clock in the evening of 14th March 1989, the Hydrocarbon Oil Duties Act 1979 shall have effect with the amendments set out below.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

(1) In section 6—

(a) in subsection (1), after “(2)” there shall be inserted “, (2A)”, and

(b) the following subsection shall be inserted after subsection (2)—

“(2A) The rate of duty for petrol which—

(a) has an anti-knock value below that specified as the minimum for 4 star petrol in the British Standard Specification BS 4040:1988, and

(b) is neither unleaded petrol (within the meaning of section 13A below) nor aviation gasoline,

shall be £0.2122 a litre.”

(2) In section 13A, for “£0.0202” there shall be substituted “£0.0272”.

(3) In Part I of Schedule 3, in paragraph 10A, after the word “Amending” there shall be inserted the words “the description of petrol falling within subsection (2A) of section 6 of this Act or” and for the words “section 6 of this Act” there shall be substituted the words “that section”.

3. Beer (original gravity)

That provision may be made amending section 3(5) of the Alcoholic Liquor Duties Act 1979.

4. Production of made-wine

That section 55 of the Alcoholic Liquor Duties Act 1979 may be amended by provisions relating to the blending or other mixing of made-wines or of made-wines and wines.



5. Vehicles excise duty (rates)

That the Vehicles (Excise) Act 1971 ("the 1971 Act") and the Vehicles (Excise) Act (Northern Ireland) 1972 ("the 1972 Act") shall have effect, in relation to licences taken out after 14th March 1989, with the amendments set out below.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

(1) For the words—

- (a) "in the second column of" in paragraph 1 of Schedule 2 to the 1971 Act (rates of duty on hackney carriages), and
- (b) "in column 2 of" in paragraph 1 of Schedule 2 to the 1972 Act,

there shall be substituted the words "in relation to its seating capacity in the Table in"; and for the Table in Part II of each of those Schedules there shall be substituted the Table set out below.

RATES OF DUTY ON HACKNEY CARRIAGES

| Seating capacity | Rate of duty |
|------------------|--------------|
| | £ |
| Under 9 | 100 |
| 9 to 16 | 130 |
| 17 to 35 | 200 |
| 36 to 60 | 300 |
| Over 60 | 450 |

(2) In Part II of Schedule 4 to the 1971 Act for Tables A, A(1) and A(2) (rates for rigid goods vehicles having plated gross weight exceeding 12 tonnes) there shall be substituted the Tables set out below.

TABLE A

RATES OF DUTY ON RIGID GOODS VEHICLES EXCEEDING 12 TONNES PLATED GROSS WEIGHT

GENERAL RATES

| Plated gross weight of vehicle | | Rate of duty | | |
|--------------------------------|----------------------|-------------------------|---------------------------|----------------------------------|
| (1) Exceeding | (2) Not exceeding | (3) Two axle vehicle | (4) Three axle vehicle | (5) Four or more axle vehicle |
| tonnes | tonnes | £ | £ | £ |
| 12 | 13 | 450 | 340 | 340 |
| 13 | 14 | 630 | 340 | 340 |
| 14 | 15 | 810 | 340 | 340 |
| 15 | 17 | 1,230 | 340 | 340 |
| 17 | 19 | — | 600 | 340 |
| 19 | 21 | — | 800 | 340 |
| 21 | 23 | — | 1,100 | 490 |
| 23 | 25 | — | 1,980 | 760 |
| 25 | 27 | — | — | 1,220 |
| 27 | 29 | — | — | 1,790 |
| 29 | 30.49 | — | — | 2,780 |



TABLE A(1)

RATES OF DUTY ON RIGID GOODS VEHICLES EXCEEDING 12 TONNES PLATED GROSS WEIGHT

RATES FOR FARMERS' GOODS VEHICLES

| Plated gross weight of vehicle | | Rate of duty | | |
|--------------------------------|-------------------------|----------------------------|------------------------------|-------------------------------------|
| (1) Exceeding | (2) Not exceeding | (3) Two axle vehicle | (4) Three axle vehicle | (5) Four or more axle vehicle |
| tonnes | tonnes | £ | £ | £ |
| 12 | 13 | 270 | 205 | 205 |
| 13 | 14 | 380 | 205 | 205 |
| 14 | 15 | 490 | 205 | 205 |
| 15 | 17 | 740 | 205 | 205 |
| 17 | 19 | — | 360 | 205 |
| 19 | 21 | — | 480 | 205 |
| 21 | 23 | — | 660 | 295 |
| 23 | 25 | — | 1,190 | 460 |
| 25 | 27 | — | — | 735 |
| 27 | 29 | — | — | 1,075 |
| 29 | 30·49 | — | — | 1,670 |

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BUDGET SECRET—BUDGET LIST ONLY

TABLE A(2)

RATES OF DUTY ON RIGID GOODS VEHICLES EXCEEDING 12 TONNES PLATED GROSS WEIGHT

RATES FOR SHOWMEN'S GOODS VEHICLES

| Plated gross weight of vehicle | | Rate of duty | | |
|--------------------------------|----------------------|-------------------------|---------------------------|----------------------------------|
| (1) Exceeding | (2) Not exceeding | (3) Two axle vehicle | (4) Three axle vehicle | (5) Four or more axle vehicle |
| tonnes | tonnes | £ | £. | £ |
| 12 | 13 | 115. | 90 | 90 |
| 13 | 14 | 160 | 90 | 90 |
| 14 | 15 | 205 | 90 | 90 |
| 15 | 17 | 310 | 90 | 90 |
| 17 | 19 | — | 150 | 90 |
| 19 | 21 | — | 200 | 90 |
| 21 | 23 | — | 275 | 125 |
| 23 | 25 | — | 495 | 190 |
| 25 | 27 | — | — | 305 |
| 27 | 29 | — | — | 450 |
| 29 | 30.49 | — | — | 695 |

(3) The Tables set out above shall also be substituted for Tables A, A(1) and A(2) in Part II of Schedule 4 to the 1972 Act, but modified for that purpose by the substitution for any reference to a plated gross weight of a reference to a relevant maximum weight.

(4) In paragraph 2 of Schedule 4A to the 1971 Act and the 1972 Act (rates of duty for vehicles carrying or drawing exceptional loads) for “£1,600” there shall be substituted “£3,100”.

(5) In—

(a) subsection (5) of section 16 of the 1971 Act (rates of duty for trade licences), including that subsection as set out in paragraph 12 of Part I of Schedule 7 to that Act, and

(b) subsection (6) of section 16 of the 1972 Act, including that subsection as set out in paragraph 12 of Part I of Schedule 9 to that Act, for “£85” and “£17” there shall be substituted “£100” and “£20” respectively.

6. Vehicles excise duty (assignment of registration marks)

That provision may be made—

(a) for the payment of sums, payable into the Consolidated Fund, in respect of the acquisition of rights relating to the assignment of registration marks under the Vehicles (Excise) Act 1971 or the Vehicles (Excise) Act (Northern Ireland) 1972; and

(b) for the payment of charges under section 12(1) of the Finance Act 1976 in connection with the assignment of registration marks in pursuance of rights so relating.



7. Special machines (vehicles excise duty and hydrocarbon oil)

That the Vehicles (Excise) Act 1971 ("the 1971 Act") and the Vehicles (Excise) Act (Northern Ireland) 1972 ("the 1972 Act") shall have effect, in relation to licences taken out after 14th March 1989, with the amendments set out in paragraphs (1) to (3) below; and the Hydrocarbon Oil Duties Act 1979 ("the 1979 Act") shall have effect, as from 15th March 1989, with the amendment set out in paragraph (4) below.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

(1) In Part I of Schedule 3 to the 1971 Act and the 1972 Act (annual rates of duty on tractors etc.)—

(a) after paragraph 1 there shall be inserted—

“ 1A. In this Schedule “special machine”, means—

- (a) a tractor;
- (b) an agricultural engine;
- (c) a digging machine;
- (d) a mobile crane;
- (e) a works truck; or
- (f) a mowing machine.”;

(b) for paragraph 2 there shall be substituted—

“ 2. In this Schedule “tractor” means a vehicle which is either—

- (a) an agricultural tractor or
- (b) a tractor (other than an agricultural tractor) that is—
 - (i) designed and constructed primarily for use otherwise than on roads, and
 - (ii) incapable by reason of its construction of exceeding a speed of twenty-five miles per hour on the level under its own power.”;

(c) in paragraph 3(b), for the words “neither carries nor hauls any load than” there shall be substituted the words “does not carry any load except”;

(d) in paragraph 4(b), for the words “neither carries nor hauls any load than” there shall be substituted the words “does not carry any load except”;

(e) paragraph 5A shall be omitted; and

(f) in paragraph 6, for the words from “(other than” to “8 below)” there shall be substituted the words “(other than a special machine, a recovery vehicle or a vehicle to which Schedule 4A to this Act applies)”.

(2) In Part II of Schedule 3 to the 1971 Act and the 1972 Act, in column 1, for paragraph 1 there shall be substituted—

“ 1. Special machines.”

(3) In Part I of Schedule 4 to the 1971 Act and the 1972 Act (annual rates of duty on goods vehicles)—

(a) in paragraph 11, for paragraphs (b) and (c) there shall be substituted—

- “(b) a special machine within the meaning of Schedule 3 to this Act;
- (c) a recovery vehicle within the meaning of that Schedule; or”;

(b) paragraphs 12 and 13 shall be omitted; and

(c) in paragraph 15(1), the definitions of “agricultural machine”, “fisherman’s tractor”, “mobile crane”, “recovery vehicle” and “works truck” shall be omitted.

(4) In paragraph 2 of Schedule 1 to the 1979 Act (vehicles which are not road vehicles within the meaning of that Act), for sub-paragraph (b) there shall be substituted—

“(b) a special machine within the meaning of Schedule 3 to that Act;”.



8. Value added tax (buildings and land: zero-rating and exemption etc)

That—

(1) For Group 8 of Schedule 5 to the Value Added Tax Act 1983 there shall be substituted—

“GROUP 8—CONSTRUCTION OF DWELLINGS, ETC.

Item No.

1. The grant by a person constructing a building—

(a) designed as a dwelling or number of dwellings; or

(b) intended for use solely for a relevant residential purpose or a relevant charitable purpose,

of a major interest in, or in any part of, the building or its site.

2. The supply in the course of the construction of—

(a) a building designed as a dwelling or number of dwellings or intended for use solely for a relevant residential purpose or a relevant charitable purpose; or

(b) any civil engineering work necessary for the development of a permanent park for residential caravans,

of any services other than the services of an architect, surveyor or any person acting as consultant or in a supervisory capacity.

3. The supply to a person of—

(a) materials; or

(b) builder's hardware, sanitary ware or other articles of a kind ordinarily installed by builders as fixtures,

by a supplier who also supplies to the same person services within item 2 of this Group or Group 8A below which include the use of the materials or the installation of the articles.

Notes:

(1) “Grant” includes assignment.

(2) “Dwelling” includes a garage constructed at the same time as a dwelling for occupation together with it.

(3) Use for a relevant residential purpose means use as—

(a) a home or other institution providing residential accommodation for children;

(b) a home or other institution providing residential accommodation with personal care for persons in need of personal care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder;

(c) a hospice;

(d) residential accommodation for students or school pupils;

(e) residential accommodation for members of any of the armed forces;

(f) a monastery, nunnery or similar establishment; or

(g) an institution which is the sole or main residence of at least 90 per cent of its residents,

except use as a hospital, a prison or similar institution or an hotel, inn or similar establishment.

(4) Use for a relevant charitable purpose means use by a charity otherwise than in the course or furtherance of a business.

(5) Where part of a building is designed as a dwelling or number of dwellings or intended for use solely for a residential purpose or a relevant charitable purpose (and part is not)—

(a) a grant or other supply relating only to the part so designed or intended for such use (or its site) shall be treated as relating to a building so designed or intended for such use;

(b) a grant or other supply relating only to the part neither so designed nor intended for such use (or its site) shall not be so treated; and

(c) in the case of any other grant, or other supply relating to, or to any part of, the building (or its site), an apportionment shall be made to determine the extent to which it is to be so treated.



BUDGET SECRET—BUDGET LIST ONLY

(6) Where all or part of a building is intended for use solely for a relevant residential purpose or a relevant charitable purpose—

- (a) a supply relating to the building (or any part of it) shall not be taken for the purposes of item 2 or 3 as relating to a building intended for such use unless it is made to a person who intends to use the building (or part) for such a purpose; and
- (b) a grant or other supply relating to the building (or any part of it) shall not be taken as relating to a building intended for such use unless before it is made the person to whom it is made has given to the person making it a certificate in such form as may be specified in a notice published by the Commissioners stating that the grant or other supply (or a specified part of it) so relates.

(7) The grant of an interest in, or in part of, a building designed as a dwelling or number of dwellings is not within item 1 if—

- (a) the interest granted is such that the grantee will not be entitled to reside in the building, or part, throughout the year; or
- (b) residence there throughout the year will be prevented by the terms of a covenant, statutory planning consent or similar permission.

(8) Where the major interest referred to in item 1 is a tenancy or lease—

- (a) if a premium is payable, the grant falls within that item only to the extent that it is made for consideration in the form of the premium; and
- (b) if a premium is not payable, the grant falls within that item only to the extent that it is made for consideration in the form of the first payment of rent due under the tenancy or lease.

(9) Where the benefit of the consideration for the grant of a major interest as described in item 1 accrues to the person constructing the building but that person is not the person making the grant, he shall for the purposes of that item be treated as the person making the grant.

(10) The reference in item 2 to the construction of a building or work does not include a reference to—

- (a) the conversion, reconstruction, alteration or enlargement of an existing building or work; or
- (b) any extension or annexation to an existing building which provides for internal access to the existing building or of which the separate use, letting or disposal is prevented by the terms of any covenant, statutory planning consent or similar permission;

and the reference in item 1 to a person constructing a building shall be construed accordingly.

(11) A caravan is not a residential caravan if residence in it throughout the year is prevented by the terms of a covenant, statutory planning consent or similar permission.

(12) Item 2 does not include the supply of services described in paragraph 1(1) or 5(3) of Schedule 2 to this Act.

(13) The goods referred to in item 3 do not include—

- (a) finished or prefabricated furniture, other than furniture designed to be fitted in kitchens;
- (b) materials for the construction of fitted furniture, other than kitchen furniture;
- (c) domestic electrical or gas appliances, other than those designed to provide space heating or water heating or both; or
- (d) carpets or carpeting material.

(14) Section 16(3) of this Act does not apply to goods forming part of a description of supply in this Group.”

(2) In item 1 of Group 8A of that Schedule, for the word “granting” there shall be substituted the word “grant”.

(3) In Note (1) to that Group, for the words “a building which” there shall be substituted the words “a building which is designed to remain as or become a dwelling or number of dwellings or is intended for use solely for a relevant residential purpose or a relevant charitable purpose after the reconstruction or alteration and which, in either case,”.

(4) After that Note there shall be inserted—

“(1A) Notes (1) to (8) to Group 8 above apply in relation to this Group as they apply in relation to that Group.”

BUDGET SECRET—BUDGET LIST ONLY

(5) After Note (6) to that Group there shall be inserted—

“(6A) For the purposes of item 2 the construction of a building separate from, but in the curtilage of, a protected building does not constitute an alteration of the protected building.”

(6) The following Note shall be substituted for Note (7) to that Group—

“(7) Item 2 does not include the supply of services described in paragraph 1(1) or 5(3) of Schedule 2 to this Act.”

(7) In Group 11 of that Schedule, for paragraph (b) of the Note there shall be substituted—

“(b) the supply of accommodation in a caravan or houseboat.”

(8) For Group 1 of Schedule 6 to the Value Added Tax Act 1983 there shall be substituted—

“GROUP 1—LAND

Item No.

1. The grant of any interest in or right over land or of any licence to occupy land, other than—

(a) the grant of the fee simple in—

(i) a building which has not been completed and which is neither designed as a dwelling or number of dwellings nor intended for use solely for a relevant residential purpose or a relevant charitable purpose;

(ii) a new building which is neither designed as a dwelling or number of dwellings nor intended for use solely for a relevant residential purpose or a relevant charitable purpose after the grant;

(iii) a civil engineering work which has not been completed;

(iv) a new civil engineering work;

(b) the grant of any interest, right or licence consisting of a right to take game or fish;

(c) the provision in an hotel, inn, boarding house or similar establishment of sleeping accommodation or of accommodation in rooms which are provided in conjunction with sleeping accommodation or for the purpose of a supply of catering;

(d) the provision of holiday accommodation in a house, flat, caravan, houseboat or tent;

(e) the provision of seasonal pitches for caravans, and the grant of facilities at caravan parks to persons for whom such pitches are provided;

(f) the provision of pitches for tents or of camping facilities;

(g) the grant of facilities for parking a vehicle;

(h) the grant of any right to fell and remove standing timber;

(i) the grant of facilities for housing, or storage of, an aircraft or for mooring, or storage of, a ship, boat or other vessel;

(j) the grant of any right to occupy a box, seat or other accommodation at a sports ground, theatre, concert hall or other place of entertainment; and

(k) the grant of facilities for playing any sport or participating in any physical recreation.

Notes:

(1) “Grant” includes an assignment, other than an assignment of an interest made to the person to whom a surrender of the interest could be made.

(2) A building shall be taken to be completed when an architect issues a certificate of practical completion in relation to it or it is first fully occupied, whichever happens first; and a civil engineering work shall be taken to be completed when an engineer issues a certificate of completion in relation to it or it is first fully used, whichever happens first.

(3) Notes (2) to (6) to Group 8 of Schedule 5 to this Act apply in relation to this Group as they apply in relation to that Group.

(4) A building or civil engineering work is new if it was completed less than three years before the grant.

(5) Subject to Note (6), the grant of the fee simple in a building or work completed before 1st April 1989 is not excluded from this Group by paragraph (a)(ii) or (iv).

(6) Note (5) does not apply where the grant is the first grant of the fee simple made on or after 1st April 1989 and the building was not fully occupied, or the work not fully used, before that date.

(7) Where a grant of an interest in, right over or licence to occupy land includes a valuable right to take game or fish, an apportionment shall be made to determine the supply falling outside this Group by virtue of paragraph (b).



(8) "Similar establishment" includes premises in which there is provided furnished sleeping accommodation, whether with or without the provision of board or facilities for the preparation of food, which are used by or held out as being suitable for use by visitors or travellers.

(9) "Houseboat" includes a houseboat within the meaning of Group 11 of Schedule 5 to this Act.

(10) "Holiday accommodation" includes any accommodation advertised or held out as such.

(11) A seasonal pitch is a pitch—

(a) which is provided for a period of less than a year; or

(b) which is provided for a year or a period longer than a year but which the person to whom it is provided is prevented by the terms of any covenant, statutory planning consent or similar permission from occupying by living in a caravan at all times throughout the period for which the pitch is provided.

(12) "Mooring" includes anchoring or berthing.

(13) Paragraph (k) shall not apply where the grant of the facilities is for—

(a) a continuous period of use exceeding twenty-four hours; or

(b) a series of ten or more periods, whether or not exceeding twenty-four hours in total, where the following conditions are satisfied—

(i) each period is in respect of the same activity carried on at the same place;

(ii) the interval between each period is not less than one day and not more than fourteen days;

(iii) consideration is payable by reference to the whole series and is evidenced by written agreement;

(iv) the grantee has exclusive use of the facilities; and

(v) the grantee is a school, a club, an association or an organisation representing affiliated clubs or constituent associations."

(9) In consequence of the amendment made by paragraph (8) of this Resolution, in paragraph 9(1) of Schedule 4 to the Value Added Tax Act 1983 for "(a)" there shall be substituted "(c)".

(10) The following section shall be inserted in the Value Added Tax Act 1983 after section 35—
"Buildings and land.

35A. Schedule 6A to this Act shall have effect with respect to buildings and land."

(11) The following Schedule shall be inserted in the Value Added Tax Act 1983 after Schedule 6—

**"SCHEDULE 6A
BUILDINGS AND LAND**

1.—(1) In this paragraph "relevant zero-rated supply" means a grant or other supply taking place on or after 1st April 1989 which—

(a) relates to a building intended for use solely for a relevant residential purpose or a relevant charitable purpose or part of such a building; and

(b) is zero-rated, in whole or in part, by virtue of Group 8 of Schedule 5 to this Act.

(2) Sub-paragraph (3) below applies where—

(a) one or more relevant zero-rated supplies relating to a building (or part of a building) have been made to any person;

(b) within the period of ten years beginning with the day on which the building is completed, the person grants an interest in, right over or licence to occupy the building or any part of it (or the building or any part of it including, consisting of or forming part of the part to which the relevant zero-rated supply or supplies related); and

(c) after the grant the whole or any part of the building, or of the part to which the building, or of the part to which the grant relates, (or the whole of the building or of the part to which the grant relates, or any part of it including, consisting of or forming part of the part to which the relevant zero-rated supply or supplies related) is not intended for use solely for a relevant residential purpose or a relevant charitable purpose.

(3) Where this sub-paragraph applies, to the extent that the grant relates to so much of the building as—

(a) by reason of its intended use gave rise to the relevant zero-rated supply or supplies; and



(b) is not intended for use solely for a relevant residential purpose or a relevant charitable purpose after the grant,
it shall be taken to be a taxable supply in the course or furtherance of a business which is not zero-rated by virtue of Group 8 of Schedule 5 to this Act (if it would not otherwise be such a supply).

(4) Sub-paragraph (5) below applies where—

(a) one or more relevant zero-rated supplies relating to a building (or part of a building) have been made to any person; and

(b) within the period of ten years beginning with the day on which the building is completed, the person uses the building or any part of it (or the building or any part of it including, consisting of or forming part of the part to which the relevant zero-rated supply or supplies related) for a purpose which is neither a relevant residential purpose nor a relevant charitable purpose.

(5) Where this sub-paragraph applies, his interest in, right over or licence to occupy so much of the building as—

(a) by reason of its intended use gave rise to the relevant zero-rated supply or supplies; and

(b) is used otherwise than for a relevant residential purpose or a relevant charitable purpose,

shall be treated for the purposes of this Act as supplied to him for the purpose of a business carried on by him and supplied by him in the course or furtherance of the business when he first uses it for a purpose which is neither a relevant residential purpose nor a relevant charitable purpose.

(6) Where sub-paragraph (5) above applies—

(a) the supply shall be taken to be a taxable supply which is not zero-rated by virtue of Group 8 of Schedule 5 to this Act (if it would not otherwise be such a supply); and

(b) the value of the supply shall be such that the amount of tax chargeable on it is equal to the amount of the tax which would have been chargeable on the relevant zero-rated supply (or, where there was more than one such supply, the aggregate amount which would have been chargeable on them) had so much of the building as is mentioned in sub-paragraph (5) above not been intended for use solely for a relevant residential purpose or a relevant charitable purpose.

2. The Notes to Group 8 of Schedule 5 to this Act apply in relation to this Schedule as they apply in relation to that Group but subject to any appropriate modifications.”

(12) In section 48 of the Value Added Tax Act 1983, after the definition of “Commissioners” there shall be inserted—

““fee simple”, in relation to Scotland, means—

(a) the estate or interest of the proprietor of the dominium utile, or

(b) in the case of land not held on feudal tenure, the estate or interest of the owner;”

(13) In Schedule 1 (registration) to the Value Added Tax Act 1983—

(a) in paragraph 1 there shall be added at the end—

“(6) Where, apart from this sub-paragraph, an interest in, right over or licence to occupy any land would under sub-paragraph (5) above be disregarded for the purposes of sub-paragraph (1) above, it shall not be if it is supplied on a taxable supply which is not zero-rated,” and

(b) in paragraph 2 there shall be added at the end—

“(4) where, apart from this sub-paragraph, an interest in, right over or licence to occupy any land would under sub-paragraph (3) above be disregarded for the purposes of sub-paragraph (1) above, it shall not be if it is supplied on a taxable supply which is not zero-rated.”

(14) Subject to paragraphs (16) to (19) of this Resolution, the amendments made by paragraphs (1) to (9) of this Resolution shall have effect in relation to grants, assignments and other supplies made on or after 1st April 1989.

(15) The remainder of this Resolution shall come into force on 1st April 1989.

BUDGET SECRET—BUDGET LIST ONLY



BUDGET SECRET—BUDGET LIST ONLY

(16) Subject to paragraph (18) of this Resolution, the amendments made by paragraphs (1) to (6) of this Resolution shall not have effect in relation to a grant, assignment or other supply where—

- (a) it is made in pursuance of a legally binding obligation to make it which was incurred before 21st June 1988, and
- (b) if the Commissioners so require (whether before or after it is made), it is proved to their satisfaction by the production of documents made before that date that it is so made.

(17) Subject to paragraph (18) of this Resolution, the amendments made by paragraphs (1) to (6) of this Resolution shall not have effect in relation to a grant or assignment of an interest in, or in any part of, a building or its site where—

- (a) the person making the grant or assignment was under a legally binding obligation incurred before 21st June 1988 to construct (or reconstruct) the building or to construct any development of which it forms part (other than an obligation to receive services or goods in the course of the construction or reconstruction),
- (b) if the Commissioners so require (whether before or after the grant or assignment is made), it is proved to their satisfaction by the production of documents made before that date that he was under that obligation, and
- (c) planning permission for the construction (or reconstruction) of the building was granted before 21st June 1988.

(18) Where the grant or assignment is of a tenancy or lease—

- (a) if a premium is payable, paragraph (16) or (17) of this Resolution shall apply only to the extent that it is made for consideration in the form of the premium; and
- (b) if a premium is not payable, paragraph (16) or (17) of this Resolution shall apply only to the extent that it is made for consideration in the form of the first payment of rent due under the tenancy or lease.

(19) The amendments made by paragraphs (1) to (6) of this Resolution shall not have effect in relation to a supply relating to a building or civil engineering work where—

- (a) the supply is made to the person constructing the building or work (or reconstructing the building),
- (b) that person was under a legally binding obligation incurred before 21st June 1988 to construct the building or work (or to reconstruct the building) or to construct any development of which it forms part (other than an obligation to receive services or goods in the course of the construction or reconstruction),
- (c) if the Commissioners so require (whether before or after the supply is made), it is proved to their satisfaction by the production of documents made before that date that he was under that obligation,
- (d) planning permission for the construction of the building or work (or the reconstruction of the building) was granted before 21st June 1988, and
- (e) before the supply takes place the person constructing the building or work (or reconstructing the building) has given to the person making the supply a certificate in such form as may be specified in a notice published by the Commissioners stating that the supply is zero-rated (in whole or to the extent specified in the certificate) by virtue of this sub-paragraph.

(20) Where a grant, assignment or other supply is zero-rated by virtue of paragraph (16), (17) or (19) of this Resolution, it is not a relevant zero-rated supply for the purposes of paragraph 1 of Schedule 6A to the Value Added Tax Act 1983.

(21) This Resolution shall be construed as one with the Value Added Tax Act 1983.

This Resolution shall not authorise the making of amendments that would make value added tax chargeable at a rate other than either nil or the rate specified in section 9 of the Value Added Tax Act 1983.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.



9. Value added tax (zero-rating: sewerage services, water, fuel and power)

That provision may be made restricting Groups 2 and 7 of Schedule 5 to the Value Added Tax Act 1983.

This Resolution shall not authorise the making of amendments that would make value added tax chargeable at a rate other than either nil or the rate specified in section 9 of the Value Added Tax Act 1983.

10. Value added tax (zero-rating: news services)

That, in relation to supplies made on or after 1st April 1989, Schedule 5 to the Value Added Tax Act 1983 shall have effect with the omission of Group 6.

This Resolution shall not authorise the making of amendments that would make value added tax chargeable at a rate other than either nil or the rate specified in section 9 of the Value Added Tax Act 1983.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

11. Value added tax (zero-rating: protective boots and helmets)

That—

(1) In relation to supplies made on or after 1st April 1989, Group 17 of Schedule 5 to the Value Added Tax Act 1983 shall have effect with the amendments mentioned in paragraphs (2) and (3) of this Resolution.

(2) In item 2 there shall be inserted at the beginning the words “The supply to a person for use otherwise than by employees of his of”.

(3) In Note (5) there shall be inserted at the end the words “, but, in the case of goods comprised in item 2, only if the goods are for use otherwise than by employees of the person to whom the services are supplied.”

This Resolution shall not authorise the making of amendments that would make value added tax chargeable at a rate other than either nil or the rate specified in section 9 of the Value Added Tax Act 1983.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

12. Value added tax (buildings and land: general)

That the enactments relating to value added tax may be amended by provisions about buildings and land.

This Resolution shall not authorise the making of amendments that would make value added tax chargeable at a rate other than either nil or the rate specified in section 9 of the Value Added Tax Act 1983.



13. Value added tax (self-supplies)

That provision may be made amending the Value Added Tax Act 1983 in relation to input tax on supplies which, under or by virtue of that Act, a person is treated as making to himself.

14. Car tax (relief for vehicles leased to handicapped)

After section 5 of the Car Tax Act 1983 there shall be inserted, as from 1st April 1989, the following section—

“Relief where vehicle leased to the handicapped.

5A.—(1) This section applies where—

- (a) a person registered under this Act sends out from any premises of his in the United Kingdom a chargeable vehicle made or imported by him, and,
- (b) at the time when he sends it out he holds a certificate of the person to whom it is sent (“the lessor”) that the lessor intends to supply the vehicle to another in such circumstances that the supply will be a zero-rated supply by virtue of item 12 of Group 14 (letting on hire of motor vehicles to the handicapped) of Schedule 5 to the Value Added Tax Act 1983.

(2) Tax on the vehicle—

- (a) shall not be payable by the registered person, but
- (b) if, within the period of three years beginning with that time, the lessor supplies the vehicle in any circumstances other than those mentioned in subsection (1) (b) above, shall be payable by the lessor and shall become due and payable at the time of the supply.

(3) In this section—

“certificate” means a certificate in a form for the time being approved by the Commissioners, and

“supply” has the same meaning as in the Value Added Tax Act 1983.”

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

15. Customs and excise duties, value added tax and car tax
(members of visiting forces, international organisations, etc.)

That provision may be made, in connection with duties of customs and excise, value added tax and car tax, about—

- (a) any person who, for the purposes of any provision of the Visiting Forces Act 1952, is a member of a visiting force or of a civilian component of such a force or a dependant of such a member,
- (b) a headquarters, a member of a headquarters or a dependant of such a member (those expressions having the meaning given by the International Headquarters and Defence Organisations Act 1964),
- (c) any person on whom any privileges or immunities are conferred in pursuance of the provisions set out in Schedule 1 to the Diplomatic Privileges Act 1964,
- (d) the Commonwealth Secretariat and any person on whom any privileges or immunities are conferred by Part II of the Schedule to the Commonwealth Secretariat Act 1966,
- (e) any person on whom any privileges or immunities are conferred in pursuance of the provisions set out in Schedule 1 to the Consular Relations Act 1968 or are or may be conferred under section 12 of that Act,
- (f) any organisation specified in an Order in Council under section 1 of the International Organisations Act 1968 and any person connected with such an organisation on whom any of the privileges or immunities set out in Part II or Part III of Schedule 1 to that Act are or may be conferred under that section,
- (g) persons enjoying a status similar to any of those mentioned in the preceding paragraphs.



16. Income tax (charge and rates for 1989–90)

That income tax shall be charged for the year 1989–90, and—

- (a) the basic rate of tax shall be 25 per cent, and
- (b) the higher rate at which tax is charged in respect of so much of an individual's total income as exceeds the basic rate limit (£20,700) shall be 40 per cent.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

17. Income tax (age allowance)

That—

(1) For the year 1989–90 and subsequent years of assessment, section 257 of the Income and Corporation Taxes Act 1988 shall have effect with the following amendments—

- (a) in subsection (3) (increased allowance for those aged 80 and over) for “80”, wherever occurring, there shall be substituted “75”, and
- (b) in subsection (5) (age allowance withdrawn by two-thirds of amount by which income exceeds a specified limit) for “two-thirds” there shall be substituted “one half”.

(2) This Resolution shall not require any change to be made in the amounts deductible or repayable under section 203 of the Income and Corporation Taxes Act 1988 (pay as you earn) before 18th May 1989.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

18. Income tax (operative date of indexation for PAYE)

That, for the year 1989–90, sections 1(5) and 257(10) of the Income and Corporation Taxes Act 1988 (which specify the date from which indexed changes in the basic rate limit and in allowances are to be brought into account for the purposes of PAYE) shall have effect as if for reference to 5th May there were substituted a reference to 18th May.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

19. Relief for interest (limit for 1989–90)

That, for the year 1989–90, the qualifying maximum defined in section 367(5) of the Income and Corporation Taxes Act 1988 (limit on relief for interest on certain loans) shall be £30,000.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

20. Corporation tax (charge and rate for financial year 1989)

That corporation tax shall be charged for the financial year 1989 at the rate of 35 per cent.

21. Corporation tax (small companies)

That for the financial year 1989—

- (a) the small companies rate shall be 25 per cent,
- (b) the fraction mentioned in section 13(2) of the Income and Corporation Taxes Act 1988 shall be one-fortieth.

22. Schedule E

That provision may be made—

- (a) substituting new Cases for Cases I, II, and III of Schedule E;
- (b) as to the charging of income tax under those Cases;
- (c) as to the meaning of payment for the purposes of PAYE.



23. Benefits in kind (cars)

That—

(1) For the year 1989–90 and subsequent years of assessment, Schedule 6 to the Income and Corporation Taxes Act 1988 (taxation of directors and others in respect of cars) shall have effect with the substitution for Part I (tables of flat rate cash equivalents) of the following—

PART I

TABLES OF FLAT RATE CASH EQUIVALENTS

TABLE A

Cars with an original market value up to £19,250 and having a cylinder capacity

| Cylinder capacity of car in cubic centimetres | Age of car at end of relevant year of assessment | |
|---|--|-----------------|
| | Under 4 years | 4 years or more |
| 1400 or less | £1,400 | £950 |
| More than 1400 but not more than 2000 | £1,850 | £1,250 |
| More than 2000 | £2,950 | £1,950 |

TABLE B

Cars with an original market value up to £19,250 and not having a cylinder capacity

| Original market value of car | Age of car at end of relevant year of assessment | |
|---|--|-----------------|
| | Under 4 years | 4 years or more |
| Less than £6,000 | £1,400 | £950 |
| £6,000 or more but less than £8,500 | £1,850 | £1,250 |
| £8,500 or more but not more than £19,250 | £2,950 | £1,950 |

TABLE C

Cars with an original market value of more than £19,250

| Original market value of car | Age of car at end of relevant year of assessment | |
|---|--|-----------------|
| | Under 4 years | 4 years or more |
| More than £19,250 but not more than £29,000 | £3,850 | £2,600 |
| More than £29,000 | £6,150 | £4,100 |

(2) This Resolution shall not require any change to be made in the amounts deductible or repayable under section 203 of the Income and Corporation Taxes Act 1988 (pay as you earn) before 18th May 1989.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

24. Calculation of profits or gains

That provision may be made as to the calculation of profits or gains—

- (a) for the purposes of Case I or Case II of Schedule D;
- (b) for the purposes of corporation tax.



25. Charities

That, for the year 1989–90 and subsequent years of assessment, section 202(7) of the Income and Corporation Taxes Act 1988 (which limits to £240 the payroll deductions attracting relief) shall have effect with the substitution of “£480” for “£240”.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

26. Profit-related pay

That further provision may be made about profit-related pay.

27. Profit sharing schemes (increase of maximum share appropriation)

That section 187(2) of the Income and Corporation Taxes Act 1988 shall have effect for the year of assessment 1989–90 as if in the definition of “relevant amount” for the words “not less than £1,250 and not more than £5,000” there were substituted the words “not less than £2,000 and not more than £6,000”.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

28. Retirement benefits schemes

That provision may be made about retirement benefits schemes.

29. Personal pension schemes

That provision may be made about personal pension schemes.

30. Collective investment schemes

That charges to income tax, corporation tax and capital gains tax may be imposed by provisions relating to collective investment schemes (including unit trusts) and investors in them.

31. Offshore funds

That charges to income tax and corporation tax may be imposed by provisions relating to investors in offshore funds.

32. Insurance companies and friendly societies

That provision may be made about the taxation of insurance companies and friendly societies, and about policies of life assurances, contracts for life annuities and capital redemption policies.

33. Premiums trust funds

That provision may be made about stock lending by the trustees of premiums trust funds.

34. Regulations about underwriters etc.

That provision may be made amending section 451 of the Income and Corporation Taxes Act 1988 and section 142A of the Capital Gains Tax Act 1979.

35. Securities

That charges to income tax, capital gains tax and corporation tax may be imposed by provisions about securities.

36. Groups of companies and changes in the ownership of companies

That provision may be made—

- (a) in relation to advance corporation tax in connection with groups of companies and changes in the ownership of companies; and
- (b) amending sections 247 and 769 of the Income and Corporation Taxes Act 1988.

37. Close companies

That provision may be made in relation to close companies.

38. Settlements

That provision may be made about income arising under settlements.

39. Double taxation (tax credits)

That provision (including provision having retrospective effect) may be made as to the amount of tax credits paid to persons resident outside the United Kingdom.



40. Capital allowances

That provision may be made about capital allowances.

41. Capital gains (annual exempt amount)

That provision may be made as to the operation of section 5 of the Capital Gains Tax Act 1979 for the year 1989–90.

42. Capital gains (gifts etc.)

That provision may be made about capital gains tax on gifts and other disposals not made under a bargain at arm's length.

43. Non-residents

That charges to capital gains tax and corporation tax may be imposed by provisions relating to persons not resident and not ordinarily resident in the United Kingdom but carrying on or ceasing to carry on an activity in the United Kingdom through a branch or agency.

44. Dual resident companies

That charges to corporation tax may be imposed by provisions relating to companies resident in the United Kingdom and falling to be regarded for the purposes of double taxation relief arrangements as resident in a territory outside the United Kingdom.

45. Non-resident companies (non-payment of tax)

That, in relation to corporation tax payable by a non-resident company on chargeable gains, provision may be made with respect to the payment by other persons of tax not paid by the company.

46. Exploration and exploitation assets

That charges to capital gains tax and corporation tax may be imposed by provisions relating to exploration or exploitation assets.



47. Capital gains (re-basing to 1982 etc.)

That further provision (including provision having retrospective effect) may be made about capital gains and losses accruing on, or attributable to, disposals of assets acquired before 1st April 1982.

48. Inheritance tax

That charges to inheritance tax may be imposed—

- (a) by provisions relating to the variation of dispositions taking effect on death; and
- (b) by provisions relating to the settlement by exempt beneficiaries of claims against the estates of deceased persons.

49. Broadcasting: additional payments by programme contractors

That provision be made with respect to additional payments payable under section 32 of the Broadcasting Act 1981.



50. Relief from tax (incidental and consequential charges)

That it is expedient to authorise any incidental or consequential charges to any duty or tax (including charges having retrospective effect) which may arise from provisions designed in general to afford relief from taxation.

PROCEDURE RESOLUTIONS

PROCEDURE (SUB-CONTRACTORS IN THE CONSTRUCTION INDUSTRY): That notwithstanding anything to the contrary in the practice of the House relating to matters which may be included in Finance Bills, any Finance Bill of the present Session may make provision for the application, in discharging liability for social security contributions, of sums required to be deducted from payments of any description made by way of remuneration for labour used or to be used in construction operations.

PROCEDURE (FUTURE TAXATION): That, notwithstanding anything to the contrary in the practice of the House relating to matters which may be included in Finance Bills, any Finance Bill of the present Session may contain the following provisions taking effect in a future year—

- (a) provisions about value added tax restricting the zero-rating of supplies of sewerage services, water, fuel and power;
- (b) provisions about policies of private medical insurance;
- (c) provisions about persons who are or have been married;
- (d) provisions about the management of tax.

FINANCE BILL [MONEY]: *Queen's Recommendation signified.*

That, for the purposes of any Act resulting from the Finance Bill, it is expedient to authorise—

- (a) the payment out of the National Loans Fund of any expenses incurred by the Treasury in connection with the redemption before maturity of securities held in the Issue Department of the Bank of England;
- (b) the payment into the Consolidated Fund of the surplus standing to the credit of the Redemption Annuities Account immediately before that account is wound up.



SECOND PRINT

8 March 1989

BUDGET SECRET—BUDGET LIST ONLY

BUDGET SECRET—BUDGET LIST ONLY



FROM: J M G TAYLOR
DATE: 9 March 1989

MR MACPHERSON

cc PS/Chief Secretary
PS/Financial Secretary
PS/Paymaster General
PS/Economic Secretary
Sir P Middleton
Mr Scholar
Mr Culpin
Miss Hay
Mr Michie
Mr Gilhooly
Mrs Chaplin
Mr Call
Mr Tyrie

Mr Jenkins - OPC)
Mr Denton - IR)
Ms French - C&E)

BUDGET RESOLUTIONS

The Chancellor was grateful for your note and enclosure of 8 March.

A handwritten signature, likely of J M G Taylor, consisting of stylized initials.

J M G TAYLOR

**BUDGET SECRET
BUDGET LIST ONLY**

NOT TO BE COPIED

BUDGET

FROM: N I MACPHERSON
DATE: 10 March 1989



PS/CHANCELLOR

- cc PS/Chief Secretary
- PS/Financial Secretary
- PS/Paymaster General
- PS/Economic Secretary
- Sir P Middleton
- Mr Scholar
- Mr Culpin
- Mr Gilhooly
- Miss Hay
- Mr Michie

BUDGET RESOLUTIONS

I attach a copy of the last draft of the Resolutions for information.

SECRET

Return

Nick Macpherson

N I MACPHERSON

B.L.O.

SECRET

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**RESOLUTIONS TO BE MOVED BY
THE CHANCELLOR OF THE
EXCHEQUER**

14th MARCH 1989

FIRST PRINT

010

BUDGET SECRET—BUDGET LIST ONLY



BUDGET SECRET—BUDGET LIST ONLY

(2)

Mr Chancellor of the Exchequer

PROVISIONAL COLLECTION OF TAXES: That, pursuant to section 5 of the Provisional Collection of Taxes Act 1968, provisional statutory effect shall be given to the following motions:—

- (a) Hydrocarbon oil (motion No. 2);
- (b) Vehicles excise duty (rates) (motion No. 5);
- (c) Special vehicles (vehicles excise duty and hydrocarbon oil) (motion No. 7); and
- (d) Value added tax (registration) (motion No. 13).

may still need for reverse i limit.



ARRANGEMENT OF WAYS AND MEANS RESOLUTIONS

1. Amendment of the law.
2. Hydrocarbon oil.
3. Beer (original gravity).
4. Production of made-wine.
5. Vehicles excise duty (rates).
6. Vehicles excise duty (assignment of registration marks).
7. Special vehicles (vehicles excise duty and hydrocarbon oil).
8. Value added tax (buildings and land: zero-rating and exemption etc.)
9. Value added tax (zero-rating: sewerage services, water, fuel and power).
10. Value added tax (zero-rating: news services).
11. Value added tax (zero-rating: protective boots and helmets).
12. Value added tax (buildings and land: general).
13. Value added tax (registration).
14. Value added tax (default surcharge).
15. Value added tax (self-supplies).
16. Car tax (relief for vehicles leased to handicapped).
17. Customs and excise duties, value added tax (members of visiting forces, international organisations, etc.).
18. Income tax (charge and rates for 1989-90).
19. Income tax (age allowance).
20. Income tax (operative date of indexation for PAYE).
21. Relief for interest (limit for 1989-90).
22. Corporation tax (charge and rate for financial year 1989).
23. Corporation tax (small companies).
24. Benefits in kind (cars).
25. Charities.
26. Profit-related pay.
27. Profit sharing schemes (increase of maximum share appropriation).
28. Retirement benefits schemes.
29. Personal pension schemes.
30. Collective investment schemes.
31. Offshore funds.
32. Insurance companies and friendly societies.
33. Premiums trust funds.
34. Regulations about underwriters etc.
35. Securities.
36. Groups of companies.
37. Close companies.
38. Settlements.
39. Double taxation (tax credits).
40. Capital allowances.
41. Capital gains (annual exempt amount).
42. Capital gains (gifts etc.).
43. Non-residents.
44. Dual resident companies.
45. Non-resident companies (non-payment of tax).
46. Exploration and exploitation assets.
47. Capital gains (re-basing to 1982 etc.).
48. Inheritance tax.
49. Stamp duty reserve tax.
50. Broadcasting: additional payments by programme contractors.
51. Relief from tax (incidental and consequential charges).



1. Amendment of the law

That it is expedient to amend the law with respect to the National Debt and the public revenue and to make further provision in connection with finance; but this Resolution does not extend to the making of any amendment with respect to value added tax so as to provide—

- (a) for zero-rating or exempting any supply;
- (b) for refunding any amount of tax, otherwise than in a case where the amount has been paid by reason of a mistake;
- (c) for varying the rate of that tax otherwise than in relation to all supplies and importations; or
- (d) for relief other than relief applying to goods of whatever description or services of whatever description.



2. Hydrocarbon oil

That, as from 6 o'clock in the evening of 14th March 1989, the Hydrocarbon Oil Duties Act 1979 shall have effect with the amendments set out below.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

(1) In section 6—

(a) in subsection (1), after “(2)” there shall be inserted “, (2A)”, and

(b) the following subsection shall be inserted after subsection (2)—

“(2A) The rate of duty for petrol which—

(a) has an anti-knock value below that specified as the minimum for 4 star petrol in the British Standard Specification BS 4040:1988, and

(b) is neither unleaded petrol (within the meaning of section 13A below) nor aviation gasoline, shall be £0·2122 a litre.”

(2) In section 13A, for “£0·0202” there shall be substituted “£0·0272”.

(3) In Part I of Schedule 3, in paragraph 10A, after the word “Amending” there shall be inserted the words “the description of petrol falling within subsection (2A) of section 6 of this Act or” and for the words “section 6 of this Act” there shall be substituted the words “that section”.

3. Beer (original gravity)

That provision may be made amending section 3(5) of the Alcoholic Liquor Duties Act 1979 (original gravity of worts).

4. Production of made-wine

That section 55 of the Alcoholic Liquor Duties Act 1979 may be amended by provisions relating to the blending or other mixing of made-wines or of made-wines and wines.



5. Vehicles excise duty (rates)

That the Vehicles (Excise) Act 1971 ("the 1971 Act") and the Vehicles (Excise) Act (Northern Ireland) 1972 ("the 1972 Act") shall have effect, in relation to licences taken out after 14th March 1989, with the amendments set out below.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

(1) For the words—

(a) "in the second column of" in paragraph 1 of Schedule 2 to the 1971 Act (rates of duty on hackney carriages), and

(b) "in column 2 of" in paragraph 1 of Schedule 2 to the 1972 Act,

there shall be substituted the words "in relation to its seating capacity in the Table in"; and for the Table in Part II of each of those Schedules there shall be substituted the Table set out below.

RATES OF DUTY ON HACKNEY CARRIAGES

| Seating capacity | Rate of duty |
|------------------|--------------|
| | £ |
| Under 9 | 100 |
| 9 to 16 | 130 |
| 17 to 35 | 200 |
| 36 to 60 | 300 |
| Over 60 | 450 |

(2) In Part II of Schedule 4 to the 1971 Act for Tables A, A(1) and A(2) (rates for rigid goods vehicles having plated gross weight exceeding 12 tonnes) there shall be substituted the Tables set out below.

TABLE A

RATES OF DUTY ON RIGID GOODS VEHICLES EXCEEDING 12 TONNES PLATED GROSS WEIGHT

GENERAL RATES

| Plated gross weight of vehicle | | Rate of duty | | |
|--------------------------------|----------------------|-------------------------|---------------------------|----------------------------------|
| (1) Exceeding | (2) Not exceeding | (3) Two axle vehicle | (4) Three axle vehicle | (5) Four or more axle vehicle |
| tonnes | tonnes | £ | £ | £ |
| 12 | 13 | 450 | 340 | 340 |
| 13 | 14 | 630 | 340 | 340 |
| 14 | 15 | 810 | 340 | 340 |
| 15 | 17 | 1,230 | 340 | 340 |
| 17 | 19 | — | 600 | 340 |
| 19 | 21 | — | 800 | 340 |
| 21 | 23 | — | 1,000 | 490 |
| 23 | 25 | — | 1,980 | 760 |
| 25 | 27 | — | — | 1,220 |
| 27 | 29 | — | — | 1,790 |
| 29 | 30.49 | — | — | 2,780 |



TABLE A(1)

RATES OF DUTY ON RIGID GOODS VEHICLES EXCEEDING 12 TONNES PLATED GROSS WEIGHT

RATES FOR FARMERS' GOODS VEHICLES

| Plated gross weight of vehicle | | Rate of duty | | |
|--------------------------------|----------------------|-------------------------|---------------------------|----------------------------------|
| (1) Exceeding | (2) Not exceeding | (3) Two axle vehicle | (4) Three axle vehicle | (5) Four or more axle vehicle |
| tonnes | tonnes | £ | £ | £ |
| 12 | 13 | 270 | 205 | 205 |
| 13 | 14 | 380 | 205 | 205 |
| 14 | 15 | 490 | 205 | 205 |
| 15 | 17 | 740 | 205 | 205 |
| 17 | 19 | — | 360 | 205 |
| 19 | 21 | — | 480 | 205 |
| 21 | 23 | — | 660 | 295 |
| 23 | 25 | — | 1,190 | 460 |
| 25 | 27 | — | — | 735 |
| 27 | 29 | — | — | 1,075 |
| 29 | 30.49 | — | — | 1,670 |



TABLE A(2)

RATES OF DUTY ON RIGID GOODS VEHICLES EXCEEDING 12 TONNES PLATED GROSS WEIGHT
RATES FOR SHOWMEN'S GOODS VEHICLES

| Plated gross weight of vehicle | | Rate of duty | | |
|--------------------------------|-------------------------|----------------------------|------------------------------|-------------------------------------|
| (1) Exceeding | (2) Not exceeding | (3) Two axle vehicle | (4) Three axle vehicle | (5) Four or more axle vehicle |
| tonnes | tonnes | £ | £ | £ |
| 12 | 13 | 115 | 90 | 90 |
| 13 | 14 | 160 | 90 | 90 |
| 14 | 15 | 205 | 90 | 90 |
| 15 | 17 | 310 | 90 | 90 |
| 17 | 19 | — | 150 | 90 |
| 19 | 21 | — | 200 | 90 |
| 21 | 23 | — | 275 | 125 |
| 23 | 25 | — | 495 | 190 |
| 25 | 27 | — | — | 305 |
| 27 | 29 | — | — | 450 |
| 29 | 30.49 | — | — | 695 |

(3) The Tables set out above shall also be substituted for Tables A, A(1) and A(2) in Part II of Schedule 4 to the 1972 Act, but modified for that purpose by the substitution for any reference to a plated gross weight of a reference to a relevant maximum weight.

(4) In paragraph 2 of Schedule 4A to the 1971 Act and the 1972 Act (rates of duty for vehicles carrying or drawing exceptional loads) for “£1,600” there shall be substituted “£3,100”.

(5) In—

- (a) subsection (5) of section 16 of the 1971 Act (rates of duty for trade licences), including that subsection as set out in paragraph 12 of Part I of Schedule 7 to that Act, and
 - (b) subsection (6) of section 16 of the 1972 Act, including that subsection as set out in paragraph 12 of Part I of Schedule 9 to that Act,
- for “£85” and “£17” there shall be substituted “£100” and “£20” respectively.

6. Vehicles excise duty (assignment of registration marks)

That provision may be made—

- (a) for the payment of sums, payable into the Consolidated Fund, in respect of the acquisition of rights in connection with the assignment of registration marks under the Vehicles (Excise) Act 1971 or the Vehicles (Excise) Act (Northern Ireland) 1972; and
- (b) for the imposition of charges under section 12(1) of the Finance Act 1976 in connection with the assignment of registration marks in accordance with such rights.



7. Special machines (vehicles excise duty and hydrocarbon oil)

That the Vehicles (Excise) Act 1971 ("the 1971 Act") and the Vehicles (Excise) Act (Northern Ireland) 1972 ("the 1972 Act") shall have effect, in relation to licences taken out after 14th March 1989, with the amendments set out in paragraphs (1) to (3) below; and the Hydrocarbon Oil Duties Act 1979 ("the 1979 Act") shall have effect, as from 15th March 1989, with the amendments set out in paragraph (4) below.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

(1) In Part I of Schedule 3 to the 1971 Act and the 1972 Act (annual rates of duty on tractors etc.)—

(a) after paragraph 1 there shall be inserted—

“ 1A. In this Schedule “ special machine ”, means—

- (a) a tractor;
- (b) an agricultural engine;
- (c) a digging machine;
- (d) a mobile crane;
- (e) a works truck; or
- (f) a mowing machine.”;

(b) for paragraph 2 there shall be substituted—

“ 2. In this Schedule “ tractor ” means a vehicle which is either an agricultural tractor or a tractor (other than an agricultural tractor) that is—

- (a) designed and constructed primarily for use otherwise than on roads, and
- (b) incapable by reason of its construction of exceeding a speed of twenty-five miles per hour on the level under its own power.”;

(c) in paragraph 3(b), for the words

“ neither carries nor hauls any load than ” there shall be substituted the words “ does not carry any load except ”;

(d) in paragraph 4(b), for the words

“ neither carries nor hauls any load than ” there shall be substituted the words “ does not carry any load except ”;

(e) paragraph 5A shall be omitted; and

(f) in paragraph 6, for the words from “(other than ” to “ 8 below)” there shall be substituted the words “(other than a special machine, a recovery vehicle or a vehicle to which Schedule 4A to this Act applies)”.

(2) In Part II of Schedule 3 to the 1971 Act and the 1972 Act, in column 1, for paragraph 1 there shall be substituted—

“ 1. Special machines.”

(3) In Part I of Schedule 4 to the 1971 Act and the 1972 Act (annual rates of duty on goods vehicles)—

(a) in paragraph 11, for paragraphs (b) and (c) there shall be substituted—

“ (b) a special machine within the meaning of Schedule 3 to this Act;

(c) a recovery vehicle within the meaning of that Schedule; or ”;

(b) paragraphs 12 and 13 shall be omitted; and

(c) in paragraphs 15(1), the definitions of

“ agricultural machine ”, “ fisherman’s tractor ”, “ mobile crane ”, “ recovery vehicle ” and “ works truck ” shall be omitted.

(4) In paragraph 2 of Schedule 1 to the 1979 Act (vehicles which are not road vehicles within the meaning of that Act), for sub-paragraph (b) there shall be substituted—

“ (b) a special machine within the meaning of Schedule 3 to that Act;”.



BUDGET SECRET—BUDGET LIST ONLY

8. Value added tax (buildings and land: zero-rating and exemption, etc)

That—

(1) For Group 8 of Schedule 5 to the Value Added Tax Act 1983 there shall be substituted—

“GROUP 8—CONSTRUCTION OF DWELLINGS, ETC.

Item No.

1. The grant by a person constructing a building—

- (a) designed as a dwelling or number of dwellings; or
- (b) intended for use solely for a relevant residential purpose or a relevant charitable purpose,

of a major interest in, or in any part of, the building or its site.

2. The supply of any services (other than the services of an architect, surveyor or any person acting as consultant or in a supervisory capacity) in the course of the construction of—

- (a) a building designed as a dwelling or number of dwellings or intended for use solely for a relevant residential purpose or a relevant charitable purpose; or
- (b) any civil engineering work necessary for the development of a permanent park for residential caravans,

where the supply is made to a person intending to occupy the [whole or part of the] building or park on completion.

3. The supply to a person of—

- (a) materials; or
- (b) builder's hardware, sanitary ware or other articles of a kind ordinarily installed by builders as fixtures,

by a supplier who also supplies to the same person services within item 2 of this Group or Group 8A below which include the use of the materials or the installation of the articles.

Notes:

(1) “Grant” includes assignment.

(2) “Dwelling” includes a garage constructed at the same time as a dwelling for occupation together with it.

(3) Use for a relevant residential purpose means use as—

- (a) a home or other institution providing residential accommodation for children;
- (b) a home or other institution providing residential accommodation with personal care for persons in need of personal care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder;
- (c) a hospice;
- (d) residential accommodation for student or school pupils;
- (e) residential accommodation for members of any of the armed forces;
- (f) a monastery; nunnery or similar establishment; or
- (g) an institution which is the sole or main residence of at least 90 per cent of its residents,

except use as a hospital, a prison or similar institution or an hotel, inn or similar establishment.

(4) Use for a relevant charitable purpose means use by a charity otherwise than in the course or furtherance of a business.

(5) Where a building is designed partly as a dwelling or number of dwellings or intended for use partly for a relevant residential purpose or a relevant charitable purpose—

- (a) a grant or other supply relating only to any part or parts of the building designed as a dwelling or number of dwellings or intended for use solely for a relevant residential purpose or a relevant charitable purpose (or the site of any such part or parts) shall be treated as relating to a building so designed or intended for such use;
- (b) a grant or other supply relating both to any such part or parts (or the site of any such part or parts) and to any part or parts neither so designed nor intended for such use (or the site of any such part or parts) shall be so treated only to the extent that it relates to the part or parts so designed or intended for such use; and
- (c) any grant or other supply relating to, or to any part of, the building (or its site) which is not within paragraph (a) or (b) above shall not be so treated.



BUDGET SECRET—BUDGET LIST ONLY

(6) No grant or other supply relating to a building all or part of which is intended for use solely for a relevant residential purpose or a relevant charitable purpose shall be treated as relating to a building intended for such use unless before it is made the person to whom it is made has given to the person making it a certificate in such form as may be specified in a notice published by the Commissioners stating that the grant or other supply (or a specified part of it) so relates.

(7) The grant of an interest in, or in part of, a building designed as a dwelling or number of dwellings is not within item 1 if—

- (a) the interest granted is such that the grantee will not be entitled to reside in the building, or part, throughout the year; or
- (b) resident there throughout the year will be prevented by the terms of a covenant, statutory planning consent or similar permission.

(8) Where the major interest referred to in item 1 is a tenancy—

- (a) if a premium is payable, the grant falls within that item only to the extent that it is made for consideration in the form of the premium; and
- (b) if a premium is not payable, the grant falls within that item only to the extent that it is made for consideration in the form of the first payment of rent due under the tenancy.

(9) Where the benefit of the consideration for the grant of a major interest as described in item 1 accrues to the person constructing the building but that person is not the grantor, he shall for the purposes of that item be treated as the person making the grant.

(10) The reference in item 2 to the construction of a building or work does not include a reference to—

- (a) the conversion, reconstruction, alteration or enlargement of an existing building or work; or
- (b) any extension or annexation to an existing building which provides for internal access to the existing building or of which the separate use, letting or disposal is prevented by the terms of any covenant, statutory planning consent or similar permission;

and the reference in item 1 to a person constructing a building shall be construed accordingly.

(11) A caravan is not a residential caravan if residence in it throughout the year is prevented by the terms of a covenant, statutory planning consent or similar permission.

(12) Item 2 does not include the supply of services described in paragraph 1(1) or 5(3) of Schedule 2 to this Act.

(13) The goods referred to in item 3 do not include—

- (a) finished or prefabricated furniture, other than furniture designed to be fitted in kitchens;
- (b) materials for the construction of fitted furniture, other than kitchen furniture;
- (c) domestic electrical or gas appliances, other than those designed to provide space heating or water heating or both; or
- (d) carpets or carpeting material.

(14) Section 16(3) of this Act does not apply to goods forming part of a description of supply in this Group.”



(2) In item 1 of Group 8A of that Schedule, for the word “granting” there shall be substituted the word “grant”.

(3) For item 2 of that Group there shall be substituted—

“2. The supply of any services (other than the services of an architect, surveyor or any person acting as consultant or in a supervisory capacity) in the course of an approved alteration of a protected building where the supply is made to a person intending to occupy the [whole or part of the] building after the alteration.”

(4) In Note (1) to that Group, for the words “a building which” there shall be substituted the words “a building which is designed to remain as or become a dwelling or number of dwellings or is intended for use solely for a relevant residential purpose or a relevant charitable purpose after the reconstruction or alteration and which, in either case,”.

(5) After that Note there shall be inserted—

“(1A) Notes (1) to (8) to Group 8 above apply in relation to this Group as they apply in relation to that Group.”

(6) After Note (6) to that Group there shall be inserted—

“(6A) For the purposes of item 2 the construction of a building separate from, but in the curtilage of, a protected building does not constitute an alteration of the protected building.”

(7) The following Note shall be substituted for Note (7) to that Group—

“(7) Item 2 does not include the supply of services described in paragraph 1(1) or 5(3) of Schedule 2 to this Act.”

(8) In Group 11 of that Schedule, for paragraph (b) of the Note there shall be substituted—

“(b) the supply of accommodation in a caravan or houseboat.”

(9) For Group 1 of Schedule 6 (exemptions) to the Value Added Tax Act 1983 there shall be substituted—

“GROUP 1—LAND

Item No.

1. The grant of any interest in or right over land or of any licence to occupy land, other—

(a) the grant of the fee simple in—

(i) a building which has not been completed and which is neither designed as a dwelling or number of dwellings nor intended for use solely for a relevant residential purpose or a relevant charitable purpose;

(ii) a new building which is neither designed as a dwelling or number of dwellings nor intended for use solely for a relevant residential purpose or a relevant charitable purpose after the grant;

(iii) land on or under which a civil engineering work which has not been completed is being constructed;

(iv) land on or under which a new civil engineering work has been constructed;

(b) the grant of any interest, right or licence consisting of a right to take game or fish;

(c) the provision in an hotel, inn, boarding house or similar establishment of sleeping accommodation or of accommodation in rooms which are provided in conjunction with sleeping accommodation or for the purpose of a supply of catering;

(d) the provision of holiday accommodation in a house, flat, caravan, houseboat or tent;

(e) the provision of seasonal pitches for caravans, and the grant of facilities at caravan parks to persons for whom such pitches are provided;

(f) the provision of pitches for tents or of camping facilities;

(g) the grant of facilities for parking a vehicle;

(h) the grant of any right to fell and remove standing timber;

(i) the grant of facilities for housing, or storage of, an aircraft or for mooring, or storage of, a ship, boat or other vessel;

(j) the grant of any right to occupy a box, seat or other accommodation at a sports ground, theatre, concert hall or other place of entertainment; and

(k) the grant of facilities for playing any sport or participating in any physical recreation.



Notes:

(1) "Grant" includes an assignment, other than an assignment of an interest made to the person to whom a surrender of the interest could be made.

(2) A building shall be taken to be completed when an architect issues a certificate of practical completion in relation to it or it is first fully occupied, whichever happens first; and a civil engineering work shall be taken to be completed when an engineer issues a certificate of completion in relation to it or it is first fully used, whichever happens first.

(3) Notes (2) to (6) to Group 8 of Schedule 5 to this Act apply in relation to item 1 of this Group as they apply in relation to that Group.

(4) A building or civil engineering work is new if it was completed less than three years before the grant.

(5) Subject to Note (6), the grant of the fee simple in a building completed before 1st April 1989 or land on or under which a civil engineering work completed before that date has been constructed is not excluded from item 1 by paragraph (a)(ii) or (iv).

(6) Note (5) does not apply where the grant is the first grant of the fee simple made on or after 1st April 1989 and the building was not fully occupied, or the work not fully used, before that date.

(7) Where a grant of an interest in, right over or licence to occupy land includes a valuable right to take game or fish, an apportionment shall be made to determine the supply falling outside this Group by virtue of paragraph (b) of item 1.

(8) "Similar establishment" includes premises in which there is provided furnished sleeping accommodation, whether with or without the provision of board or facilities for the preparation of food, which are used by or held out as being suitable for use by visitors or travellers.

(9) "Houseboat" includes a houseboat within the meaning of Group 11 of Schedule 5 to this Act.

(10) "Holiday accommodation" includes any accommodation advertised or held out as such.

(11) A seasonal pitch is a pitch—

(a) which is provided for a period of less than a year; or

(b) which is provided for a year or a period longer than a year but which the person to whom it is provided is prevented by the terms of any covenant, statutory planning consent or similar permission from occupying by living in a caravan at all times throughout the period for which the pitch is provided.

(12) "Mooring" includes anchoring or berthing.

(13) Paragraph (k) shall not apply where the grant of the facilities is for—

(a) a continuous period of use exceeding twenty-four hours; or

(b) a series of ten or more periods, whether or not exceeding twenty-four hours in total, where the following conditions are satisfied—

(i) each period is in respect of the same activity carried on at the same place;

(ii) the interval between each period is not less than one day and not more than fourteen days;

(iii) consideration is payable by reference to the whole series and is evidenced by written agreement;

(iv) the grantee has exclusive use of the facilities; and

(v) the grantee is a school, a club, an association or an organisation representing affiliated clubs or constituent associations."



(10) In consequence of the amendment made by paragraph (9) of this Resolution, in paragraph 9(1) of Schedule 4 to the Value Added Tax Act 1983 for “(a)” there shall be substituted “(c)”.

(11) The following section shall be inserted in the Value Added Tax Act 1983 after section 35—
“ Buildings and land.

35A. Schedule 6A to this Act shall have effect with respect to buildings and land.”

(12) The following Schedule shall be inserted in the Value Added Tax Act 1983 after Schedule 6—

**“ SCHEDULE 6A
BUILDINGS AND LAND**

1.—(1) In this paragraph “ relevant zero-rated supply ” means a grant or other supply taking place on or after 1st April 1989 which—

- (a) relates to a building intended for use solely for a relevant residential purpose or a relevant charitable purpose or part of such a building; and
- (b) is zero-rated, in whole or in part, by virtue of Group 8 of Schedule 5 to this Act.

(2) Sub-paragraph (3) below applies—

(a) where—

(i) one or more relevant zero-rated supplies relating to a building have been made to any person;

(ii) within the period of ten years beginning with the day on which the building is completed, the person grants an interest in, right over or licence to occupy the building or any part of it; and

(iii) the whole or any part of the building, or of the part to which the grant relates, is not intended for use solely for a relevant residential purpose or a relevant charitable purpose after the grant; or

(b) where—

(i) one or more relevant zero-rated supplies relating to a part of a building have been made to any person;

(ii) within the period of ten years beginning with the day on which the building is completed, the person grants an interest in, right over or licence to occupy the building or any part of it including, consisting of or forming part of the part mentioned in sub-paragraph (i) above; and

(iii) the whole of the building or of the part to which the grant relates, or any part of it including, consisting of or forming part of the part mentioned in sub-paragraph (i) above, is not intended for use solely for a relevant residential purpose or a relevant charitable purpose after the grant.

(3) Where this sub-paragraph applies, to the extent that the grant relates to so much of the building as—

(a) by reason of its intended use gave rise to the relevant zero-rated supply or supplies; and

(b) is not intended for use solely for a relevant residential purpose or a relevant charitable purpose after the grant,

it shall be taken to be a taxable supply in the course or furtherance of a business which is not zero-rated by virtue of Group 8 of Schedule 5 to this Act (if it would not otherwise be such a supply).



(4) Sub-paragraph (5) below applies—

(a) where—

(i) one or more relevant zero-rated supplies relating to a building have been made to any person; and

(ii) within the period of ten years beginning with the day on which the building is completed the person uses the building or any part of it for a purpose which is neither a relevant residential purpose nor a relevant charitable purpose the building; or

(b) where—

(i) one or more relevant zero-rated supplies relating to a part of a building have been made to any person; and

(ii) within the period of ten years beginning with the day on which the building is completed the person uses the whole building or any part of it including, consisting of or forming part of the part mentioned in sub-paragraph (i) above for a purpose which is neither a relevant residential purpose nor a relevant charitable purpose.

(5) Where this sub-paragraph applies, his interest in, right over licence to occupy so much of the building as—

(a) by reason of its intended use gave rise to the relevant zero-rated supply or supplies; and

(b) is used otherwise than for a relevant residential purpose or a relevant charitable purpose,

shall be treated for the purposes of this Act as supplied to him for the purpose of a business carried on by him and supplied by him in the course or furtherance of the business when he first uses it for a purpose which is neither a relevant residential purpose nor a relevant charitable purpose.

(6) Where sub-paragraph (5) above applies—

(a) the supply shall be taken to be a taxable supply which is not zero-rated by virtue of Group 8 of Schedule 5 to this Act (if it would not otherwise be such a supply); and

(b) the value of the supply shall be such that the amount of tax chargeable on it is equal to the amount of the tax which would have been chargeable on the relevant zero-rated supply (or, where there was more than one such supply, the aggregate amount which would have been chargeable on them) had so much of the building as is mentioned in sub-paragraph (5) above not been intended for use solely for a relevant residential purpose or a relevant charitable purpose.

2. The Notes to Group 8 of Schedule 5 to this Act apply in relation to this Schedule as they apply in relation to that Group but subject to any appropriate modifications.”

(13) In section 48 of the Value Added Tax Act 1983, after the definition of “Commissioners” there shall be inserted—

““fee simple”, in relation to Scotland, means—

(a) the estate or interest of the proprietor of the dominium utile, or

(b) in the case of land not held on feudal tenure, the estate or interest of the owner;”.

(14) Subject to paragraphs (16) to (19) of this Resolution, the amendments made by paragraphs (1) to (10) of this Resolution shall have effect in relation to grants, assignments and other supplies made on or after 1st April 1989.



(15) Paragraphs (11) and (12) of this Resolution shall come into force on 1st April 1989.

(16) Subject to paragraph (18) of this Resolution, the amendments made by paragraphs (1) to (7) of this Resolution shall not have effect in relation to a grant, assignment or other supply where—

- (a) it is made in pursuance of a legally binding obligation to make it which was incurred before 21st June 1988, and
- (b) if the Commissioners so require (whether before or after it is made), it is proved to their satisfaction by the production of documents made before that date that it is so made.

(17) Subject to paragraph (18) of this Resolution, the amendments made by paragraphs (1) to (7) of this Resolution shall not have effect in relation to a grant or assignment of an interest in, or in any part of, a building or its site where—

- (a) the person making the grant or assignment was under a legally binding obligation incurred before 21st June 1988 to construct (or reconstruct) the building or to construct any development of which it forms part,
- (b) if the Commissioners so require (whether before or after the grant is made), it is proved to their satisfaction by the production of documents made before that date that he was under that obligation, and
- (c) planning permission for the construction (or reconstruction) of the building was granted before 21st June 1988.

(18) Where the grant or assignment is of a tenancy—

- (a) if a premium is payable, paragraph (16) or (17) of this Resolution shall apply only to the extent that it is made for consideration in the form of the premium; and
- (b) if a premium is not payable, paragraph (16) or (17) of this Resolution shall apply only to the extent that it is made for consideration in the form of the first payment of rent due under the tenancy.

(19) The amendments made by paragraphs (1) to (7) of this Resolution shall not have effect in relation to a supply relating to a building or civil engineering work where—

- (a) the supply is made to the person constructing the building or work (or reconstructing the building),
- (b) that person was under a legally binding obligation incurred before 21st June 1988 to construct the building or work (or to reconstruct the building) or to construct any development of which it forms part,
- (c) if the Commissioners so require (whether before or after the supply is made), it is proved to their satisfaction by the production of documents made before that date that he was under that obligation,
- (d) planning permission for the construction of the building or work (or the reconstruction of the building) was granted before 21st June 1988, and
- (e) before the supply takes place the person constructing the building or work (or reconstructing the building) has given to the person making the supply a certificate in such form as may be specified in a notice published by the Commissioners stating that the supply is zero-rated (in whole or to the extent specified in the certificate) by virtue of this sub-paragraph.

(20) This Resolution shall be construed as one with the Value Added Tax Act 1983.

[This Resolution shall not authorise the making of amendments that would make value added tax chargeable at a rate other than either nil or the rate specified in section 9 of the Value Added Tax Act 1983.]

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.



9. Value added tax (zero-rating: sewerage services, water, fuel and power)

That provision may be made restricting Groups 2 and 7 of Schedule 5 to the Value Added Tax Act 1983.

[This Resolution shall not authorise the making of amendments that would make value added tax chargeable at a rate other than either nil or the rate specified in section 9 of the Value Added Tax Act 1983.]

10. Value added tax (zero-rating: news services)

That, in relation to supplies made on or after 1st April 1989, Schedule 5 to the Value Added Tax Act 1983 shall have effect with the omission of Group 6.

[This resolution shall not authorise the making of amendments that would make value added tax chargeable at a rate other than either nil or the rate specified in section 9 of the Value Added Tax Act 1983.]

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

11. Value added tax (zero-rating: protective boots and helmets)

That—

(1) In relation to supplies made on or after 1st April 1989, Group 17 of Schedule 5 to the Value Added Tax Act 1983 shall have effect with the amendments mentioned in paragraphs (2) and (3) of this Resolution.

(2) In item 2 there shall be inserted at the beginning the words “The supply to a person for use otherwise than by employees of his of”.

(3) In Note (5) there shall be inserted at the end the words “, but, in the case of goods comprised in item 2, only if the goods are for use otherwise than by employees of the person to whom the services are supplied.”

[This Resolution shall not authorise the making of amendments that would make value added tax chargeable at a rate other than either nil or the rate specified in section 9 of the Value Added Tax Act 1983.]

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

12. Value added tax (buildings and land: general)

That the enactments relating to value added tax may be amended by provisions about buildings and land.

[This Resolution shall not authorise the making of amendments that would make value added tax chargeable at a rate other than either nil or the rate specified in section 9 of the Value Added Tax Act 1983.]



13. Value added tax (registration)

That—

(1) The Value Added Tax Act 1983 shall be amended as follows.

(2) For paragraph 1(1) to (3) of Schedule 1 (registration) there shall be substituted—

“(1) Subject to sub-paragraphs (3) to (5) below, a person who makes taxable supplies but is not registered becomes liable to be registered—

- (a) at the end of any month, if the value of his taxable supplies in the period of one year then ending has exceeded £23,600; or
- (b) at any time, if there are reasonable grounds for believing that the value of his taxable supplies in the period of thirty days then beginning will exceed £23,600.

(2) Where a business carried on by a taxable person is transferred to another person as a going concern and the transferee is not registered at the time of the transfer, then, subject to sub-paragraphs (3) to (5) below, the transferee becomes liable to be registered at that time if—

- (a) the value of his taxable supplies in the period of one year ending at the time of the transfer has exceeded £23,600; or
- (b) there are reasonable grounds for believing that the value of his taxable supplies in the period of thirty days beginning at the time of the transfer will exceed £23,600.

(3) A person does not become liable to be registered by virtue of sub-paragraph (1)(a) or (2)(a) above if the Commissioners are satisfied that the value of his taxable supplies in the period of one year beginning at the time at which, apart from this sub-paragraph, he would become liable to be registered will not exceed £22,600.”

(3) In paragraph 1(4) of Schedule 1 after “(1)(a)” there shall be inserted “or (2)(a)”.

(4) In paragraph 1(5) of Schedule 1 after “sub-paragraph (1)” there shall be inserted “or (2)”.

(5) For paragraphs 3 and 4 of Schedule 1 there shall be substituted—

“3.—(1) A person who becomes liable to be registered by virtue of paragraph 1(1)(a) above shall notify the Commissioners of the liability within thirty days of the end of the relevant month.

(2) The Commissioners shall register any such person (whether or not he so notifies them) with effect from the end of the month following the relevant month or from such earlier date as may be agreed between them and him.

(3) In this paragraph “the relevant month”, in relation to a person who becomes liable to be registered, means the month at the end of which he becomes liable to be registered.

4.—(1) A person who becomes liable to be registered by virtue of paragraph 1(1)(b) above shall notify the Commissioners of the liability before the end of the period by reference to which the liability arises.

(2) The Commissioners shall register any such person (whether or not he so notifies them) with effect from the beginning of the period by reference to which the liability arises.

4A.—(1) A person who becomes liable to be registered by virtue of paragraph 1(2) above shall notify the Commissioners of the liability within thirty days of the time when the business is transferred.

(2) The Commissioners shall register any such person (whether or not he so notifies them) with effect from the time when the business is transferred.

4B. Where a person becomes liable to be registered by virtue of paragraph 1(1)(a) above and by virtue of paragraph 1(1)(b) or 1(2) above at the same time, the Commissioners shall register him in accordance with paragraph 4(2) or 4A(2) above, as the case may be, rather than paragraph 3(2) above.”



(6) Section 33(1A) (registration of transferee of business) shall cease to have effect.

(7) In consequence of the amendment of paragraph 1 of Schedule 1, in section 28(1) (registration of local authorities) for “ 1(a)(ii) ” there shall be substituted “ 1(1)(a) ”.

(8) Paragraphs (2) to (4) above shall have effect where the end of the month or the time referred to in the substituted paragraph 1(1) or the transfer referred to in the substituted paragraph 1(2) occurs after 14th March 1989.

(9) Paragraphs (5) and (6) above shall have effect where the person becomes liable to be registered after 14th March 1989.

(10) The foregoing provisions shall come into force on 15th March 1989.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

14. Value Added Tax (default surcharge)

That—

(1) In section 19(5) of the Finance Act 1985 (specified percentage for default surcharge) for the words from “ and ” at the end of paragraph (b) to the end of the subsection there shall be substituted the words—

“ (c) in relation to the third such period, the specified percentage is 15 per cent.; and

(d) in relation to each such period after the third, the specified percentage is 20 per cent.”

(2) This Resolution shall have effect in relation to any liability to a surcharge arising on or after 1st April 1989.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

15. Value added tax (self-supplies)

That provision may be made amending the Value Added Tax Act 1983 in relation to input tax on supplies which, under or by virtue of that Act, a person is treated as making to himself.



16. Car tax (relief for vehicles leased to handicapped)

After section 5 of the Car Tax Act 1983 there shall be inserted, as from 1st April 1989, the following section—

“ Relief where vehicle leased to the handicapped.

5A.—(1) This section applies where a person registered under this Act sends out from his premises a chargeable vehicle made by him and, at the time when he sends it out—

- (a) he holds a certificate of the person to whom it is sent (“ the lessor ”) that the lessor proposes to supply the vehicle to another in such circumstances that the supply will be a zero-rated supply by virtue of item 12 of Group 14 (letting on hire of motor vehicles to the handicapped) of Schedule 5 to the Value Added Tax Act 1983, and
- (b) the lessor is a person whose business consists predominantly of the provision of motor vehicles to chronically sick or disabled persons.

(2) Tax on the vehicle—

- (a) shall not be payable by the registered person, but
- (b) if, within the period of three years beginning with that time, the lessor supplies the vehicle in any circumstances other than those mentioned in subsection (1) (a) above or appropriates the vehicle to his use, shall be payable by the lessor and shall become due at the time of the supply or appropriation.

(3) [form of certificate and requirement to keep it].

(4) In this section “ supply ” has the same meaning as in the Value Added Tax Act 1983.”

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

17. Customs and excise duties, value added tax and car tax
(members of visiting forces, international organisations, etc.)

That provision may be made, in connection with duties of customs and excise, value added tax and car tax, about—

- (a) any person who, for the purposes of any provision of the Visiting Forces Act 1952, is a member of a visiting force, a member of a civilian component of such a force or a dependant of such a member,
- (b) a headquarters, a member of a headquarters or a dependant of such a member (those expressions having the meaning given by the International Headquarters and Defence Organisations Act 1964),
- (c) any person on whom any privileges or immunities are conferred in pursuance of the provisions set out in Schedule 1 to the Diplomatic Privileges Act 1964,
- (d) the Commonwealth Secretariat and any person on whom any privileges or immunities are conferred by Part II of Schedule 1 to the Commonwealth Secretariat Act 1966,
- (e) any person on whom any privileges or immunities are conferred in pursuance of the provisions set out in Schedule 1 to the Consular Relations Act 1968 or are or may be conferred under section 12 of that Act,
- (f) any organisation specified in an Order in Council under section 1 of the International Organisations Act 1968 and any person connected with such an organisation on whom any of the privileges or immunities set out in Part II or Part III of Schedule 1 to that Act are or may be conferred under that section,
- (g) persons enjoying a status similar to any of those mentioned in the preceding paragraphs.



18. Income tax (charge and rates for 1989–90)

That income tax shall be charged for the year 1989–90, and—

- (a) The basic rate of tax shall be 25 per cent., and
- (b) the higher rate at which tax is charged in respect of so much of an individual's total income as exceeds the basic rate limit (£20,700) shall be 40 per cent.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

19. Income tax (age allowance)

That—

(1) In section 257 of the Taxes Act 1988—

(a) in subsection (3) (increased allowance for those over 80) for “80”, wherever occurring, there shall be substituted “75”, and

(b) in subsection (5) (age allowance withdrawn by two thirds of amount by which income exceeds a specified limit) for “two-thirds” there shall be substituted “one half”.

(2) This Resolution shall not require any change to be made in the amounts deductible or repayable under section 203 of the Income and Corporation Taxes Act 1988 (pay as you earn) before 18th May 1989.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

20. Income tax (operative date of indexation for PAYE)

That, for the year 1989–90, sections 1(5) and 257(10) of the Income and Corporation Taxes Act 1988 (which specify the date from which indexed changes in the basic rate limit and in allowances are to be brought into account for the purposes of PAYE) shall have effect as if for reference to 5th May there were substituted a reference to 18th May.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

21. Relief for interest (limit for 1989–90)

That, for the year 1989–90 the qualifying maximum defined in section 367(5) of the Income and Corporation Taxes Act 1988 (limit on relief for interest on certain loans) shall be £30,000.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

22. Corporation Tax (charge and rate for financial year 1989)

That corporation tax shall be charged for the financial year 1989 at the rate of 35 per cent.



23. Corporation tax (small companies)

That for the financial year 1989—

- (a) the small companies rate shall be 25 per cent,
- (b) the fraction mentioned in section 13(2) of the Income and Corporation Tax Act 1988 shall be one-fortieth

24. Benefits in kind (cars)

That—

(1) For the year 1989–90 and subsequent years of assessment, Schedule 6 to the Income and Corporation Taxes Act 1988 (taxation of directors and others in respect of cars) shall have effect with the substitution for Part I (tables of flat rate cash equivalents) of the following—

PART I

TABLES OF FLAT RATE CASH EQUIVALENTS

TABLE A

Cars with an original market value up to £19,250 and having a cylinder capacity

| Cylinder capacity of car in cubic centimetres | Age of car at end of relevant year of assessment | |
|---|--|-----------------|
| | Under 4 years | 4 years or more |
| 1400 or less | £1,400 | £950 |
| More than 1400 but not more than 2000 | £1,850 | £1,250 |
| More than 2000 | £2,950 | £1,950 |

TABLE B

Cars with an original market value up to £19,250 and not having a cylinder capacity

| Original market value of car | Age of car at end of relevant year of assessment | |
|---|--|-----------------|
| | Under 4 years | 4 years or more |
| Less than £6,000 | £1,400 | £950 |
| £6,000 or more but less than £8,500 | £1,850 | £1,250 |
| £8,500 or more but not more than £19,250 | £2,950 | £1,950 |

TABLE C

Cars with an original market value of more than £19,250

| Original market value of car | Age of car at end of relevant year of assessment | |
|---|--|-----------------|
| | Under 4 years | 4 years or more |
| More than £19,250 but not more than £29,000 | £3,850 | £2,600 |
| More than £29,000 | £6,150 | £4,100 |

(2) This Resolution shall not require any change to be made in the 10 amounts deductible or repayable under section 203 of the Income and Corporation Taxes Act 1988 (pay as you earn) before 18th May 1989.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.



25. Charities

That, for the year 1989–90 and subsequent years of assessment, section 202(7) of the Taxes Act 1988 (which limits to £240 the deductions attracting relief) shall have effect with the substitution of “£480” for “£240”.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

26. Profit-related Pay

That further provision may be made about profit-related pay.

27. Profit sharing schemes (increase of maximum share appropriation)

That section 187(2) of the Taxes Act 1988 shall have effect for the year of assessment 1989–90 as if in the definition of “relevant amount” for the words “not less than £1,250 and not more than £5,000” there were substituted the words “not less than £2,000 and not more than £6,000”.

And it is hereby declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.

28. Retirement benefits schemes

That provision may be made about retirement benefits schemes.

29. Personal pension schemes

That provision may be made about personal pension schemes.

30. Collective investment schemes

That provision may be made about unit trusts and other collective investment schemes and about holders of units in unit trusts.

31. Offshore Funds

That charges to income tax and corporation tax may be imposed by provisions about offshore funds.



32. Insurance companies and friendly societies

That provision may be made about the taxation of insurance companies and friendly societies.

33. Premiums trust funds

That provision may be made about stock lending by the trustees of premiums trust funds.

34. Regulations about underwriters etc.

That provision may be made amending section 451 of the Income and Corporation Taxes Act 1988 and section 142A of the Capital Gains Tax Act 1979.

35. Securities

That charges to income tax, capital gains tax and corporation tax may be imposed by provisions about securities.

36. Groups of companies

That provision may be made—

- (a) in relation to the treatment of groups of companies for purposes of advance corporation tax; and
- (b) amending sections 247 and 769 of the Income and Corporation Taxes Act 1988.

37. Close companies

That provision may be made in relation to close companies.

38. Settlements

That provision may be made about [income arising under certain] settlements.

39. Double taxation (tax credits)

That provision (including provision having retrospective effect) may be made as to the amount of tax credits paid to persons resident outside the United Kingdom.

40. Capital allowances

That provision may be made about capital allowances.



41. Capital gains (annual exempt amount)

That provision may be made as to the operation of section 5 of the Capital Gains Tax Act 1979 for the year 1989–90.

42. Capital gains (gifts etc.)

That provision may be made about capital gains tax on gifts and other disposals not made under a bargain at arm's length.

43. Non-residents

That charges to capital gains tax and corporation tax may be imposed by provisions relating to persons not resident and not ordinarily resident in the United Kingdom but carrying on or ceasing to carry on an activity in the United Kingdom through a branch or agency.

44. Dual resident companies

That charges to corporation tax may be imposed by provisions relating to companies resident in the United Kingdom and falling to be regarded for the purposes of double taxation relief arrangements as resident in a territory outside the United Kingdom.

45. Non-resident companies (non-payment of tax)

That, in relation to corporation tax payable by a non-resident company on chargeable gains, provision may be made with respect to the payment by other persons of tax not paid by the company.

46. Exploration and exploitation assets

That charges to capital gains tax and corporation tax may be imposed by provisions relating to exploration or exploitation assets.



47. Capital gains (re-basing to 1982 etc.)

That further provision (including provision having retrospective effect) may be made about capital gains and losses accruing on, or attributable to, disposals of assets acquired before 1st April 1982.

48. Inheritance tax

That charges to inheritance tax may be imposed—

- (a) by provisions relating to the variation of dispositions taking effect on death; and
- (b) by provisions relating to the settlement by exempt beneficiaries of claims against the estates of deceased persons.

49. Stamp duty reserve tax

That provision may be made about stamp duty reserve tax.

50. Broadcasting: additional payments by programme contractors

That provision be made with respect to additional payments payable under section 32 of the Broadcasting Act 1981.



51. Relief from tax (incidental and consequential charges)

That it is expedient to authorise any incidental or consequential charges to any duty or tax (including charges having retrospective effect) which may arise from provisions designed in general to afford relief from tax.



PROCEDURE RESOLUTION

That, notwithstanding anything to the contrary in the practice of the House relating to matters which may be included in Finance Bills, any Finance Bill of the present Session may contain the following provisions taking effect in a future year—

- (a) provisions about value added tax restricting the zero-rating of supplies of sewerage services, water, fuel and power;
- (b) provisions about policies of private medical insurance;
- (c) provisions about persons who are or have been married;
- (d) provisions about the management of tax.

FINANCE BILL [MONEY]: *Queen's Recommendation signified.*

That, for the purposes of any Act resulting from the Finance Bill, it is expedient to authorise—

- (a) the payment out of the National Loans Fund of any expenses incurred by the Treasury in connection with the redemption before maturity of securities held in the Issue Department of the Bank of England,
- (b) the payment into the Consolidated Fund of the surplus standing to the credit of the Redemption Annuities Account immediately before that account is wound up.



FIRST PRINT

3 March 1989



FROM: ROBERT CULPIN
DATE: 16 March 1989

CHANCELLOR

cc: Chief Secretary
Financial Secretary
Economic Secretary
Paymaster General
Mr Scholar
Mr Gilhooly
Mr Michie
Miss Hay
Mr Macpherson
Mr Dyer
Miss Pollock

*Thanks.
On change.
I was sent to J. Smith
Don't bother with Mr Brown
OK?
AA
Can make available
via Whys' Office*

PS/IR
PS/C&E

NOTES ON THE BUDGET RESOLUTIONS

I attach some explanatory notes on the Budget resolutions, which you might like to make available to the Opposition and others. They are very boring, but should help MPs to see what the resolutions cover.

2. Three questions:

(a) Do you want to send them to Mr Smith, or would you rather the Chief Secretary sent them to Mr Brown?

(b) Do you want to send them to Mr Beith or any other minor Party spokesman? (We see no need.) — ie the Whys' Office will do as routine.

(c) Would you like to make copies available through either the Vote Office or the Whips' Offices? (We recommend the Whips' Offices.)

3. Subject to the answers, I think all you need is a very short covering note of the kind

"You might like to have these factual notes on the Budget resolutions, on which we shall be voting on Monday. I am making further copies available through the Whips' Offices."



ROBERT CULPIN

Rt Hon John Smith QC MP
House of Commons
on.

N-L-

FROM: MISS T A M POLLOCK
DATE: 15 March 1989

1. MR MACPHERSON
2. MR QULPIN
3. PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Paymaster General
Mr Scholar
Mr Gilhooly
Mr Michie
Miss Hay
Mr Dyer

PS/IR
PS/C&E

1989 BUDGET RESOLUTIONS: NOTES FOR THE OPPOSITION

The Chancellor agreed last year that brief notes on Budget resolutions should be made available to the Opposition for the 1989 Budget.

2. We suggest that the notes are sent under cover of a letter to perhaps either Mr John Smith MP or Mr Gordon Brown MP.
3. The notes are now attached for the Chancellor's approval and I should be grateful if you would confirm how he wishes to proceed.



MISS T A M POLLOCK

As is
customary

NOTES ON 1989 BUDGET RESOLUTIONS

Budget Resolutions are required to give effect to Budget measures (under the Provisional Collection of Taxes Act 1968) before the Finance Bill receives Royal Assent. A specific Ways and Means Resolution is required for each provision imposing a new tax, renewing an annual tax, or increasing or widening the burden of an existing tax. The Amendment of the Law Resolution (ALR) covers all provisions not requiring specific Resolutions.

1. Amendment of the law

The ALR gives effect to Budget provisions for reducing taxation, for dealing with the machinery of tax administration, and for amending the law dealing with the National Debt.

~~As is customary~~

It also defines the scope of the Finance Bill debates by:

- (i) allowing Members to move amendments and new clauses not otherwise covered by specific Resolutions;
- (ii) precluding amendments or new clauses likely to have consequences unacceptable in fiscal or administrative terms (e.g. exempting particular goods or services from VAT or varying the rate of tax in respect of particular goods or services).

I'm slightly dubious about highlighting this, but may be OK.

2. Hydrocarbon oil

Reduces the rate of duty on unleaded petrol and increases the duty on petrol below 4 star quality. Changes take effect from 6pm on 14 March 1989.

3. Original gravity of beer

Clarifies the procedure for determining the original gravity (OG) of beer for duty purposes by providing that, where the OG is required to be measured both by the saccharometer and by distillation analysis, brewers should use the measurement giving the greater revenue.

4. Production of made-wine

Provides that made-wines can no longer be blended with other made-wines or wines of different duty strengths after duty has been paid on each of the constituent made-wines or wines. Puts the treatment of made wines on the same footing as wines.

5. Vehicle Excise Duty (rates)

5(1) provides for the reduction in the number of tax bands for "Hackney Carriages" (taxis, buses and coaches) to five from sixty and for increases in the rates of VED. Change applies to licences taken out after 14 March 1989.

5(2) Tables A, A1 and A2 and 5(3) provide for increases of up to 10 per cent (£20-£200) for rigid goods vehicles over 12,000 kgs plated gross vehicle weight.

Table A specifies new rates for "general" rigid goods vehicles

Table A1 specifies new rates for "Farmers" rigid goods vehicles

Table A2 specifies new rates for "Showman's" rigid goods vehicles

Change applies to licences taken out after 14 March 1989.

5(4) provides for an increase in the VED rate from £1,600 to £3,100 for "Special Types" (vehicles used to move abnormal and indivisible loads). Change applies to licences taken out after 14 March 1989.

5(5) provides for increases in the rates for Trade Licences from £85 and £17 to £100 and £20 respectively. Final increase in three phase plan which began in 1986. Change applies to licences taken out after 14 March 1989.

6. Vehicles Excise Duty (assignment of registration marks)

- (a) Provides for payments of sums into the Consolidated Fund in respect of acquisition of rights relating to the assignment of registration marks (under the Vehicles (Excise) Act 1971 and Vehicles (Excise) Act (Northern Ireland) 1972).
- (b) Provides for payment of charges under Section 12(1) of the Finance Act 1976 in relation to the assignment of marks both in pursuance of a right as above and in relation to assignment of marks pursuant of a right of retention of a mark.

7. Special Machines (vehicles excise duty and hydrocarbon oil)

The Resolution provides for amendments to the Vehicles (Excise) Act 1971, the Vehicles (Excise) Act (Northern Ireland) Act 1972 and the Hydrocarbon Oil Duties Act 1979 to introduce a new taxation class to be known as "Special Machines". The formation of the new class will allow 2000 additional vehicles to benefit from the concessionary VED rate. The class will embrace the five existing classes in Schedule 3 (Agricultural machine, Digging machine, Mobile crane, Works truck and Mowing Machine) and will simplify the licensing and use of these vehicles and allow some 2000 extra vehicles to benefit from the rebated fuel provision. Takes effect from 15 March 1989.

7(1)(a) provides for the new tax class "Special Machines" and lists those vehicles it will encompass.

7(1)(b) provides for the definition of "Tractor" previously in Finance Act 1971 to be brought for convenience into Vehicle (Excise) Act, and at same time restrictions on haulage and carriage are removed.

7(1)(c) and (d) provides for the relaxation of the haulage restrictions on use of "Mobile Crane" and "Digging Machine".

7(1)(e) omits "Fisherman tractor" from existing legislation now encompassed in definition of "Tractor".

7(1)(f) is a consequential amendment to amendments outlined above. Effect is to exclude from "General Haulage Vehicle" class "Special Machines", "Recovery Vehicles" and "Special Types".

7(2) provides for group term "Special Machines" to replace existing 6 Classes (Agricultural Machine, Digging Machine, Mobile Crane, Works Truck, Mowing Machine and Fisherman's Tractor). Rate of duty will remain at £16.

7(3)(a). The amendments here are consequential to changes outlined above. Consequence is "Special Machines" and "Recovery Vehicles" are exempt from goods vehicle rate.

7(3)(b) consequential amendment to the removal of restrictions on haulage in relation to what was an "Agricultural Machine" now "Tractor" or "Agricultural Engine" class. Paragraphs 12 and 13 (Schedule 4 of VE Acts) contained very detailed provisions to enable "Agricultural Machines" which did not draw trailers to carry certain goods.

7(3)(c) consequential to new reference to "Special Machines" (in para 11 of Schedule 4); no longer necessary to refer to various definitions.

7(4) consequential to changes outlined above. Previous provision enabled "Agricultural Machines", "Works Trucks" etc to benefit from rebated fuel. New provisions enable all vehicles classified "Special Machines" to benefit from rebated fuel. The effect will be that approximately 2000 tractor types (previously in "General Haulage" class) will now benefit from the relaxation.

8. VAT (buildings and land: zero-rating and exemption, etc)

Standard rate of VAT to be applied with effect from 1 April 1989 to the sale and construction of new buildings and civil engineering works, save that zero rate is retained for new dwellings and certain residential and charitable buildings and civil engineering services in relation to permanent residential caravan parks.

Standard rating is applied with effect from 1 April 1989 to:

- (i) surrenders of interest in land;
- (ii) provision of holiday accommodation in tents;

- (iii) the provision of pitches for tents and seasonal caravans;
- (iv) box, seat or other accommodation at sports grounds, theatres, concert halls or other places of entertainment;
- (v) freehold disposals of fishing and shooting rights.

The provision of a site or space at an exhibition becomes exempt.

Continuing payments under long leases granted by a developer become exempt rather than zero rated.

Also with effect from 1 August 1989 a person who would otherwise make an exempt supply of an interest in a building or land can opt to tax but not for housing and certain other buildings qualifying for zero rate when new.

Tenants whose landlords opt to tax existing leases from 1 August 1989 will pay tax on only half of rent for first year and on full amount in year two. For charities VAT will be phased in over 5 years.

The use of land to build new standard rated buildings or civil engineering works will be taxed on a self-supply basis from 1 August 1989, but the charge will apply only in limited circumstances.

(See also Resolution 12).

9. VAT (zero rating: sewerage services, water, fuel and power)

The following supplies which are made on or after 1 July 1990 will be subject to standard rate VAT:

- (a) Supplies of:
 - (i) services of emptying cesspools, septic tanks and similar receptacles, and
 - (ii) water.

used in connection with the carrying on of business in the industrial activities mentioned in Divisions 1 to 5 of the "Standard Industrial Classification" (1980 Edn).

- (b) Supplies of fuel and power other than supplies for domestic use or for use by a charity for non business purposes. Except that certain quantities and types of deliveries will be automatically zero rated.

10. VAT (zero-rating: news services)

Standard rate value added tax is to be applied to supplies of news services made on or after 1 April 1989.

11. VAT (zero-rating: protective boots and helmets)

Standard rate value added tax is to be applied to supplies made to employers on or after 1 April 1989 of protective boots and helmets which are for use by their employees.

12. VAT (building and land: general)

Provides for such of the amendments concerning buildings and land as are to come into force after Royal Assent. (For convenience these changes are included with those being effected from 1 April 1989 in the summary under resolution 8 above.)

13. VAT (self supplies)

Amends section 15 of the VAT Act 1983 so that Customs and Excise are able to make regulations restricting the recovery of input tax on supplies which a partly exempt business makes to itself (self-supplies). Any regulations will, subject to Parliamentary approval, allow recovery of tax only to the extent allowed by a business's partial exemption method.

14. Car tax (relief for vehicles leased to handicapped)

From 1 April 1989 allows businesses who, provided certain conditions are met, can supply vehicles relieved of VAT to the disabled, also to obtain those vehicles free of car tax from manufacturers who are registered under the Car Tax Act 1983.

15. Customs and Excise duties, VAT and car tax (members of visiting forces, international organisations, etc)

Puts a number of extra statutory concessions on a statutory footing by empowering Customs and Excise, by Order, to provide relief (including by ways of refund) to diplomats, international organisations and visiting forces from tax chargeable on the importation of goods or on the supply of goods and services; and introduces a power to counter the abuse of these reliefs by imposing conditions with sanctions for breaches.

16. Income tax (charge and rates for 1989-90)

Provides for an unchanged basic rate (25 per cent) and higher rate (40 per cent) of income tax.

17. Income tax (age allowance)

Extends the higher level of age allowances currently given to those aged 80 and over to those aged 75 and over; reduces the rate at which age allowance is withdrawn when income exceeds the income limit from £2 of allowances for every additional £3 of income to £1 of allowances for £2 of income.

18. Income tax (operative date of indexation for PAYE)

Fixes the date when the indexed allowances and basic rate limit are to be brought into effect for PAYE.

19. Relief for interest (limit for 1989-90)

Fixes mortgage interest relief limit at £30,000 for 1989-90.

20. Corporation tax (charge and rate for financial year 1989)

Imposes corporation tax at unchanged rate of 35 per cent.

21. Corporation tax (small companies)

Imposes small companies rate of corporation tax for financial year 1989 at unchanged rate of 25 per cent. Unchanged fraction of marginal relief for companies with profits in excess of profits limit for small companies rate.

22. Schedule E

Covers the change in the basis for assessment of employees' and directors' emoluments under Schedule E from earnings for the year to earnings received in the year.

23. Benefits in kind (cars)

Provides for increases in the scale charges for the private use by employees of company cars.

24. Calculation of profits or gains

Covers minor changes to the Schedule D and corporation tax provisions for computing profits and gains - needed to supplement provisions providing for new receipts basis of assessment under Schedule E.

25. Charities

Provides for increase to £480 in annual limit for donations under the payroll giving scheme.

26. Profit-related pay

Covers various changes to the provisions relating to tax relief for profit-related pay.

27. Profit sharing schemes (increase of maximum share appropriation)

Provides for an increase, with effect from the year commencing 6 April 1989, in the value of shares that can be given annually to an employee under an approved profit-sharing scheme.

28. Retirement benefits scheme

Covers proposals to change rules of tax approved occupational pension schemes for members joining on or after 1 June, including ceiling on benefits based on earnings of £60,000; changes in approval requirements for new schemes; and changes in treatment of "excess" AVCs.

29. Personal pension schemes

New contribution limits from 6 April 1989, and ceiling based on earnings of £60,000.

30. Collective investment schemes

Covers new tax regime from 1 January 1990 for authorised unit trusts that come within EC rules for UCITS and covers provisions on switching within umbrella funds.

31. Offshore funds

In conjunction with Resolution 30, covers provisions on switching within offshore umbrella funds.

32. Insurance companies and friendly societies

Covers proposed changes to the corporation tax rules for life assurance companies (and some friendly societies); and also a proposal to charge companies generally holding life assurance policies (and related policies and contracts) to corporation tax on "gains" received (broadly, benefits received less premiums paid).

33. Premium trust funds

Covers new rules treating stock lent by Lloyds members as remaining part of their premium trust funds.

34. Regulations about underwriters etc

Provides for amendments to powers to make regulations about Lloyds administrative arrangements.

35. Securities

Provides for income tax, capital gains tax and corporation tax changes affecting the tax treatment of securities.

36. Groups of companies and changes in the ownership of companies

Covers various changes to the rules concerning advance corporation tax, payment of interest within a group without deducting income tax and loss relief.

37. Close companies

Covers the abolition of close company apportionment and new provisions concerning close investment companies.

38. Settlements

Covers changes in the income tax rules for settlements where the settlor or his or her spouse can benefit.

39. Double taxation (tax credits)

Provides for clarification of UK tax deductible from tax credits given to non-residents under double tax treaties.

40. Capital allowances

Covers minor changes to the capital allowances rules.

41. Capital gains (annual exempt amount)

Enables the CGT annual exemption to be kept at £5,000.

42. Capital gains (gifts etc)

Covers restriction of CGT deferral on gifts to specified types of gifts (mainly of business and heritage assets).

43. Non-residents

Provides for overhaul of capital gains rules for non-residents engaged in UK business activity.

44. Dual resident companies

Provides for some changes to be made to prevent tax avoidance by companies resident in the UK under UK domestic law but regarded as resident in another country for the purposes of a double taxation agreement. Proposals linked with those covered by Resolution 43.

45. Non-resident companies (non-payment of tax)

Permits tax on capital gains of a non-resident company to be collected from directors or other companies in the same group if the non-resident company fails to pay.

46. Exploration and exploitation assets

Provides for overhaul of capital gains rules for non-residents engaged in activities on the UK continental shelf. Proposals linked with those covered by Resolution 43.

47. Capital gains (re-basing to 1982 etc)

Enables minor technical changes to be made to the 1988 provisions for rebasing CGT to 1982.

48. Inheritance tax

Covers new provisions limiting the use by beneficiaries of instruments of variation to redistribute estates with

retrospective effect for inheritance tax and making other related changes from Royal Assent.

49. Broadcasting : additional payments by programme contractors

From 1990 provides that ITV Levy to be in two parts - a levy on net advertising revenue of 10 per cent, and a levy on domestic profits of 25 per cent. Both allow a "free slice" not subject to levy - £15 million on revenue plus the equivalent of the fourth channel subscription and £2 million on profits. The levy on profits to be assessed after allowing for payment of revenue levy. There is to be no levy on profits from overseas sales.

50. Relief from tax (incidental and consequential charges)

Authorises any incidental or consequential charges to tax which may arise from relieving provisions. Inclusion follows normal practice.

Procedure (sub-contractors in the construction industry)

Needed for technical reasons, to support enabling powers to reduce, after consultation, volume of sub-contractor scheme paperwork.

Procedure (future taxation)

Provides for Bill to include the following measures not taking effect until after the 1989-90 financial year:

- a. VAT changes on the rating of supplies of sewerage services, water, fuel and power following ECJ judgement which will take effect in July 1990.
- b. Private medical insurance - new relief for over-60s.
- c. Persons who are or have been married - changes to settlements provisions under Independent Taxation (see also Resolution 38) and uprating to 1989-90 levels the figures for allowances in last year's Independent Taxation provisions.
- d. Taxes management provisions.

Finance Bill: Queens Recommendations signified

For the purposes of any Act resulting from the Finance Bill :

- a. Enables the Government to use National Loans Fund money to acquire gilts held in the Issue Department of the Bank of England for cancellation.
- b. Wind-up of the Redemption Annuities Account and associated Sinking Fund which were established under the Tithe Act 1936. The Annuities Account serves no further purpose following

redemption of 3 per cent Redemption Stock 1986-1996 on
1 October 1988. The surplus to be transferred to the
Consolidated Fund.