Finance (No. 1) Bill 2023

EXPLANATORY NOTES

The Budget report and sheets shall act as the explanatory notes to the bill, and will be published separately.

EUROPEAN CONVENTION ON HUMAN RIGHTS

Secretary /u/WineRedPsy has made the following statement under section 19(1)(a) of the Human Rights Act 1998:

In my view the provisions of the Finance (No. 1) Bill are compatible with the Convention rights.

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Grant certain duties, to alter other duties, and to amend the law relating to the national debt and the public revenue, and to make further provision in connection with finance; and for connected purposes.

Most Gracious Sovereign

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E, Your Majesty's most dutiful and loyal subjects, the Commons of the United Kingdom in Parliament assembled, towards raising the necessary supplies to defray Your Majesty's public expenses, and making an addition to the public revenue, have freely and voluntarily resolved to give and to grant unto Your Majesty the several duties hereinafter mentioned; and do therefore most humbly beseech Your Majesty that it may be enacted, and be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1. **General provisions**
    - **a.** Taxes continue to be charged as per the Finance (No. 2) Act 2022 and prior finance acts, including income tax, land value tax, corporation tax and value added tax, unless otherwise specified herein.
    - **b.** Spending, regulation and fiscal policy is carried out as per the budget report and sheets, including price caps and directives for public bodies with sheets holding precedence in the event of contradictions.
    - **c.** Temporary tax measures set out in the Finance(Emergency) act 2022 extending into the 2023-24 fiscal year shall be upheld for the period.
2. **Nationalisation**
    - **a.** Telecommunications Infrastructure Nationalisation Act 2022 comes into force with this act and the nationalisation is actioned immediately. Compensation is issued as gilts to be partially redeemed as per the budget sheets.
    - **b.** Heathrow airport is nationalised and compensation issued outright as per the budget sheets.
3. **Child benefits**
    - **a.** Child benefits shall be issued to each household in the fom of £135 monthly per member under 18.

b. "£499 child crate voucher" is omitted from the Baby Box Act 2022 and "a copy of 'The Very Hungry Caterpillar' by Eric Carle" replaced with "a children's book from a selection provided by the Secretary of State".

4. **New taxes**

Exit tax and share repurchase surcharge is levied as per the budget sheets and report

5. **Non-dom status**

The 15 year limit on non-domicile resident status is reduced to 3 years.

6. **De minimi threshold**

1) The Taxation of Chargeable Gains Act 1992 is amended as follows:

2) Section 1K, paragraph 2 is amended to read:

(2) The annual exempt amount for a tax year is £2,500.

3) Section 1L is subsequently omitted.

4) In section 8C of the Taxes Management Act 1970, in subsection (1)(b), for "four times that annual exempt amount" substitute "£50,000"

5) In consequence of the amendments made by this section in section 287(4) of the Taxation of Chargeable Gains Act 1992, omit "1L(2) or",

7. **Indexing CGT to income tax bands**

1) The Taxation of Chargeable Gains Act 1992 is amended as follows

2) Section 1H is replaced with the following:

1) This section makes provision about the rates at which capital gains tax is charged.

2) If capital gains exceed the annual exempt amount specified under Section 3 (2), and when added to the receipt of income tax and dividends earned, does not exceed the basic rate limit (as specified under the Income Tax Act 2007), then the rate of capital gains tax in respect of gains accruing to the individual in the year is equal to the basic rate of income tax .

3) If, when added to the receipt of income tax and dividends earned, capital gains exceed the basic rate limit, but falls under the medium rate limit, then the receipt of gains occurring to the individual between the basic rate limit and the medium rate limit in the year is charged at the rate of capital gains tax equal to the medium rate of income tax.

4) If, when added to the receipt of income tax and dividends earned, capital gains exceed the medium rate limit, but falls under the higher rate limit, then the receipt of gains occurring to the individual between the medium rate limit and the higher rate limit in the year is charged at the rate of capital gains tax equal to the higher rate of income tax.

5) If, when added to the receipt of income tax and dividends earned, capital gains exceed the higher rate limit, then the receipt of gains occurring to the individual exceeding the higher rate limit in the year is charged at the rate of capital gains tax equal to the additional rate of income tax.

6) In Scotland, Wales and Northern Ireland, the assessment of rate of capital gains tax on receipt of gains as through income tax rates as set by section 6 (1), 10 and 11 of Income Tax Act 2007 (as opposed to the Scottish Income Tax, Welsh Income Tax and Northern Irish Income Tax respectively)

7) For the purpose of this Act, the receipt of gains shall be calculated based on the difference of the value received on disposal and the value on original purchase, adjusted by a rate-of-return allowance per year from the purchase.

8) The rate-of-return allowance (RRA) for assets for each year from purchase up to April 2023 shall be set at 4%.

9) The subsequent RRA shall be based on the annualised 10 year government bond yields for the year.

3) Section 1I is omitted in its entirety

8. Amending CPT upon death to include a RRA

1) The Taxation of Chargeable Gains Act 1992 is amended as follows

2) Section 62, paragraph 1 (a) is amended to read:

(a) shall be deemed to be acquired on their death by the personal representatives or other person on whom they devolve for a consideration equal to their market value at the time of purchase by the deceased, adjusted by a rate-of-return allowance of 4% of original market value per year since purchase prior to April 2023, and a rate-of return allowance based on the annualised 10 year government bond yields for the year, and

3) Section 63 [Death: application of law in Scotland], paragraph 2 is amended to read:

2) on the death of any such liferenter the person (if any) who, on the death of the liferenter, becomes entitled to possession of the property as fiar shall be deemed to have acquired all the assets forming part of the property at the date of the deceased's death for a consideration equal to their market value at the time of purchase by the deceased, adjusted by a rate-of-return allowance of 4% of original market value per year since purchase prior to April 2023, and a rate-of return allowance based on the annualised 10 year government bond yields for the year.

4) Section 64 [Death: application of law in Northern Ireland], paragraph 2 is amended to read:

2) A person who acquires property in fee simple absolute or fee tail in possession as a consequence of the deceased's death shall be deemed to have acquired all the assets forming part of the property at the date of the deceased's death for a consideration equal to their market value at the time of purchase by the deceased, adjusted by a rate-of-return allowance of 4% of original market value per year since purchase prior to April 2023, and a rate-of return allowance based on the annualised 10 year government bond yields for the year.

9. Removal of Entrepreneurs' relief and Investors' Relief

1) The Taxation of Chargeable Gains Act 1992 is amended as follows

2) Omit in Part V, headings Chapter 3, Chapter 3A and Chapter 4 and their associated sections

3) Omit in Part V, heading Chapter 5 and its associated sections

10. Removal of exemption of Capital Gains Tax relief on sale of Primary residence

1) The Taxation of Chargeable Gains Act 1992 is amended as follows:

2) Omit Sections 222 to 226B inclusive.

3) Insert a new section, Section 226C as follows:

Section 226C: Base of private residence for the purposes of CGT

1) For the purpose of gains chargeable under this act, a primary residence value for the purposes of value of original purchase under Section 1H shall be taken from the value it had on 1st April 2000, if the residence had been acquired prior to 1st April 2000.

2) The date of purchase, should a primary residence had been acquired prior to the 1st April 2000, for the purposes of this Act, shall be taken as 1st April 2000.

3) Section 1H shall apply for any private residences disposed of from the commencement of this section, and shall not affect any gains realised prior to its commencement.

4) If a private residence is purchased after 1st April 2000, either before commencement of this section or after, the value of original purchase shall be calculated as the value at the time of purchase by the current owner.

5) For the purposes of this section: “private residence” means:

(a) a dwelling-house or part of a dwelling-house which is, at the point of sale, their only or main residence, or
(b) land which they have for their own occupation and enjoyment with that residence as its garden or grounds up to the permitted area.

11. Dividend taxation alignment

1) The Income Tax Act 2007 is amended as follows.

2) In Section 8, paragraph 1 is amended to read:

(1) The dividend ordinary rate is equal to that of the basic rate of income tax.

3) In Section 8, insert after paragraph 1 the following:

(1a) The dividend medium rate is equal to that of the medium rate of income tax.

4) In Section 8, paragraph 2 is amended to read:

(2) The dividend higher rate is equal to that of the higher rate of income tax.

5) In Section 8, paragraph 3 is amended to read:

(3) The dividend additional rate is equal to that of the additional rate of income tax.

6) In Section 13, insert after paragraph 1 the following:

(1a) Income tax is charged at the dividend medium rate on an individual's income which—

(a) is dividend income,
(b)would otherwise be charged at the medium rate, and
(c) is not relevant foreign income charged in accordance with section 832 of ITTOIA 2005

7) In Section 13 paragraph 4, insert after each instance of “basic, “ the words “medium, “

8) In Section 13 paragraph 5, insert after each instance of “Scottish”, the words “or Northern Irish”.

9) In section 13A(2) (income charged at the dividend nil rate), for “£2000”, in each place, substitute “£500”.

12. Miscellaneous finance act corrections

1) In the Finance Act 2019; amend Section 6 to read:

1) The Treasury, in reference to the ITA 2007, raise the amount specified within section 10, regarding the basic rate limit; medium rate limit and higher rate limit, with Consumer Prices Index for the period covering the September before and after the beginning of the current Financial Year, for the subsequent Financial Year.

(a) Should a decision be taken to vary the increase the limits specified in this section, the Chancellor of the Exchequer will be required to present a statement alongside the proposed changes, providing reasoning for making varying the limits by a different amount.

13. Consequential amendments due to Northern Ireland (Income Tax Devolution) Act 2022

1) The Income Tax Act 2007 is amended as follows:

2) In Section 10, paragraph 4, insert after "section 11B (income charged at the Welsh basic, higher and additional rates),"

section 11BA (income charged on Northern Irish rates),

3) Insert a new Section, 11BA

11BA: Income charged on Northern Irish rates

1)Income tax is charged at Northern Irish rates on the non-savings income of a Northern Irish taxpayer.

2) For the purposes of this section, "non-savings income" means income which is not savings income.

(3)This section is subject to—

> section 13 (income charged at the dividend ordinary, upper and additional rates: individuals), and

> any provisions of the Income Tax Acts (apart from section 10) which provide for income of an individual to be charged at different rates of income tax in some circumstances.

(4) Section 16 has effect for determining which part of a Northern Irish taxpayer's income consists of savings income.

In section 16, insert a new paragraph, zc, after paragraph zb:

> (zc) which part of a Northern Irish taxpayer's income consists of savings income

Note: makes necessary amendments to the Income Tax Act 2007 in response to the devolution of Income Tax to Northern Ireland

14. Exemption to Tax for compensation paid out by Post Office for historic injustice

1) Compensation paid out to former sub-postmasters working under the Post Office, where they had either been charged or prosecuted between the periods of 2000 to 2013, and upon review have had those charges against them dropped, shall be exempt from income taxation, capital gains tax and lifetime gifts tax for tax year 2023/24 or any subsequent tax year when the payment is made to any such individuals.

2) This section shall not constitute any future exemptions to the return on the compensation paid out that would be subject to taxation under lifetime gifts tax and capital gains tax.

15. Royalty on licences for coal, oil and gas extraction

1) A levy shall be taken on the gross value added by oil,gas and coal extracted on land licensed by the Crown.

2) The value of the levy for tax year 2023/24 shall be 15%.

16. Repeal of business property relief and agricultural property relief on lifetime gifts tax.

1) The Inheritance Tax Act 1984 is amended as follows.

2) Part V Chapter 1 Business Property (Sections 103 to 114) is repealed in its entirety.

3) Part V Chapter 2 Agricultural Property (Section 115 to 124C) is repealed in its entirety.

17. Short title, extent and commencement

a. This Act may be cited as the Finance (No.1) Act 2023.

b. The Act shall extend to England and Wales, Scotland and Northern Ireland.

c. Unless otherwise stated, the provisions of this Act shall commence upon the beginning of the 2023-24 tax year.