FINANCIAL SECRETARY TO THE TREASURY
HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Rt Hon Mel Stride
Chair of the Treasury Select Committee
House of Commons
London
SW1A 0AA

23 June 2020

Dear Mel

FINANCE BILL: GOVERNMENT AMENDMENTS

I am writing to inform you of amendments which the Government intends to table at Report stage of the Finance Bill.

Taxation of COVID-19 grant schemes

These provisions are split into two parts. The <u>first</u> confirms that grants made under the Self-Employment Income Support Scheme, Coronavirus Job Retention Scheme and similar COVID-19-related business grants in England and the devolved administrations are subject to tax. Although the tax status of these grants is already well understood, these provisions will put beyond legal doubt that when a business or individual within the scope of Income or Corporation Tax receives such a grant, they should add the value of the grant to their business income for tax purposes in the normal way. The clause also includes a delegated power specifically to add or remove further grant schemes through a statutory instrument to ensure that the Government continues to have the flexibility to respond to the pandemic.

The <u>second</u> only relates to the SEISS and CJRS and places a 100% tax charge on any overpaid grants. This does not impose an additional charge, but allows HMRC to recover overpayments and engages their usual compliance powers. This is needed because HMRC's existing powers are not otherwise adequate to deal with these new grant schemes. It also allows HMRC to charge a tax-geared penalty in cases of deliberate non-compliance.

Amendment to section 135 Finance Act 2008 – disapplication of interest and surcharges on liabilities deferred due to Covid-19

Section 135 FA 2008 provides that no interest or surcharge applies to payments due to HMRC deferred as a result of a disaster or emergency of national significance specified by HM Treasury in an Order. This amendment will enable HM Treasury to define the specific liabilities deferred due to the COVID-19 pandemic. The Chancellor announced on 20 March that businesses will have the option to defer VAT payments due between 20 March and 30 June 2020 to 31 March 2021, and individuals to defer Self-Assessment payments on account due on 31 July 2020 to 31 January 2021. The legislation, and the relief, will apply retrospectively back to 20 March 2020 to support the implementation of the announcement when the Order is made. The retrospective effect of this amendment is wholly to the benefit of taxpayers who pay VAT and Self-Assessment.

COVID-19 related changes to protected pension age

This new clause introduces provisions to waive certain HMRC rules temporarily, in order to mitigate potential pensions tax impacts for people who return to work in the public sector due to COVID-19.

Some people – those who held this right on 5 April 2006 – have a right under their pension scheme rules to take their pension at an age less than 55 without a tax charge. They lose this right if they retire and return to work, unless (1) there is a six month gap in employment or (2) they are returning to a materially different job, there is a 31 day gap between retiring and returning to work and their pension is capable of being abated. This clause will temporarily suspend these rules where individuals are returning to work as part of the Government's response to COVID-19. This covers those who work in the Police and Fire Services.

This measure will ensure these returners retain their protected pension age and remove any tax reasons for these pensions to be abated, providing certainty in that regard for these returners. As a result, the clause will also ensure that public sector staff associations have sufficient confidence to assure members that their pensions in payment will be unaffected by returning to work.

Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS): Interaction with the Future Fund

This new clause modifies the EIS and SEIS legislation, so that individuals who have made EIS or SEIS investments prior to making a Future Fund loan investment in the same company will not lose relief on those existing investments when the Future Fund loan converts to shares or is repaid.

12 month suspension of the HGV Road User Levy

This new clause suspends the HGV Road User Levy for 12 months from 1 August 2020. It does so by ensuring that when registered keepers of HGVs renew their VED licence, they do not pay the HGV Road User Levy at the same time. It also contains provision for non-UK hauliers who have paid the levy within the suspension period to obtain a rebate. This is part of the Government's response to COVID-19.

Refund of higher rate of Stamp Duty Land Tax

This new clause seeks to allow people to receive a refund of the additional three percent higher rate of Stamp Duty Land Tax where exceptional circumstances prevented the sale of the previous main residence during the three year window within which a sale must ordinarily take place. This amendment applies to those whose refund window ended on or after 1 January 2020.

In general, purchasers in England and Northern Ireland buying their first property, replacing a main residence or buying an additional property worth less than £40,000 will not be subject to the higher rates. However, a higher rate of Stamp Duty Land Tax is charged on purchases of additional dwellings. This rate is three percentage points higher than would otherwise apply. If an individual sells their previous main residence within three years of purchasing a new main residence, a refund of this additional higher rate may be claimed.

In most cases three years is, and remains, sufficient time to sell a property in order to receive a refund. But where exceptional circumstances beyond the taxpayer's control have prevented a sale, including disruption caused by COVID-19, this new clause will mean that HMRC will be able to grant a refund if a previous main residence is sold as soon as possible after the exceptional circumstances cease to apply.

Changes to the Statutory Residence Test

This amendment will temporarily amend the statutory residence test to ensure that any period(s) between 1 March and 1 June 2020 spent in the UK by individuals who worked on coronavirus disease-related activities in specified sectors will not count towards the residence test.

The Government took this action to ensure that highly skilled individuals from across the world were not discouraged from coming to the UK and helping with the response to this unprecedented health emergency.

I am copying this letter to other members of the Treasury Select Committee, the Finance Bill Public Bill Committee and Shadow Treasury ministers. I am also depositing a copy of this letter in the Library of the House.

The corresponding ENs and TIINs for these Government amendments will also be made available on the Finance Bill 2020 GOV.UK webpage after the amendments have been tabled and published on the order paper.

I would be very happy to have a follow-up conversation with you and Parliamentary colleagues about these new amendments, if that would be useful.

Jesse

RT HON JESSE NORMAN MP