HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Esther McVey MP and Graham Stringer MP
Chairs of the Finance Bill Public Bill Committee
House of Commons
London
SW1A 0AA

15 May 2023

Dear Esther and Graham,

SPRING FINANCE BILL 2023: GOVERNMENT AMENDMENTS

I am writing to inform you of proposed Government amendments to the Finance Bill, which have been tabled ahead of the Public Bill Committee.

Clause 29 and Schedule 2: Estates in administration and trusts (amendment 4)

Clause 29 and Schedule 2 introduce an income tax 'de minimis amount' for trusts, which generally removes trusts from income tax when they have income up to £500. To prevent fragmentation, the £500 amount is reduced proportionally by the number of related trusts, but not so as to reduce the amount below £100.

Amendment 4 provides that registered pension schemes and certain superannuation funds and occupational pension schemes are excluded from being a related trust. This helps simplify the rule and aligns it with a similar anti-fragmentation rule used for the purposes of the CGT annual exempt amount for trusts, which excludes these funds.

Clause 34 and Schedule 3: Corporate interest restriction (amendment 5)

Paragraph 28 of Schedule 3 of Finance Bill 2023 makes changes to the definition of "insurance company" under the corporate interest restriction rules, because – as currently framed – it only includes insurance companies regulated in the UK. The policy intent is that it should include all insurance companies, wherever in the world they are regulated.

To achieve this, paragraph 28 of Schedule 3 of the Bill as originally drafted simply looked to remove the statutory definition of an insurance company. However, since publishing the Bill, concerns have been raised by the insurance sector.

Amendment 5 therefore keeps and expands the definition of an insurance company, to ensure that overseas insurance companies are brought into its scope. This ensures that the legislation has the desired effect and reflects discussions with the sector. The amendment provides clarity and delivers the original policy intent.

Clause 41: Separated spouses and civil partners (amendments 6 and 7)

Amendment 6 is a technical amendment ensuring that the clause works as intended by correcting an issue with time limits. The intention is that where a divorce agreement has not been entered into, spouses and civil partners be given up to three full tax years in which to transfer assets between themselves on a no gain no loss basis. The clause as worded does not give three full tax years, rather it gives a day short (i.e. two years and 364 days). This amendment corrects this.

Amendment 7 makes clear that agreements that are entered into by spouses and civil partners after they have ceased to be married or civil partners qualify for no gain no loss basis.

Clause 42: Carried interest (amendment 8)

Amendment 8 ensures that the elective accruals basis for carried interest, as provided for by clause 42, works in situations where the timing of the receipt of fund profits by investors impacts the amount of carried interest due.

Making an election under the provisions in clause 42 will enable individuals to bring forward their UK taxing point for carried interest, so that they can more easily access double taxation relief in other jurisdictions where it is due. The election requires a calculation based on a hypothetical situation in which investment profits arise to investors in the relevant tax year. However, it has been brought to the government's attention that this unintentionally changes the amount of deemed carried interest for fund arrangements in which a larger amount of carried interest is due if the fund profits arise to investors earlier. This amendment makes sure that the calculation reflects the timing of prior distributions to investors, so that individuals can obtain full relief for the double taxation they have suffered.

Clause 324 and Schedule 22: Reform of HGV road user levy (amendments 9 and 10)

Amendments 9 and 10 address a minor legislative error to ensure that Vehicle Excise Duty for rigid HGVs pulling trailers continues to apply as intended following the introduction of the new reformed HGV levy from August 2023, as announced at Spring Budget 2023. Where VED was partly set in relation to the vehicle weight bands of the previous HGV levy, these amendments specify the same weight bands independently of the new reformed levy. As a result, the VED due for HGVs pulling trailers does not change, in line with the Government's policy intention.

I am copying this letter to the other members of the Public Bill Committee and am depositing a copy of this letter in the Library of the House. The corresponding Explanatory Notes are available on the Spring Finance Bill 2023 GOV.UK webpage: https://www.gov.uk/government/collections/spring-finance-bill-2023.

Yours sincerely,

Victoria Atkins

VICTORIA ATKINS MP