



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

Carolyn Harris MP
Christine Jardine MP
Clive Efford MP
Sir Roger Gale MP
Chairs of the Finance Bill Public Bill Committee
House of Commons
London
SW1A 0AA

23 January 2026

Dear Carolyn, Christine, Clive and Roger,

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

Proposed Government amendments to the Finance Bill 25-26

Clause 13: Enterprise Management Incentives

The government announced in the Budget that the Enterprise Management Incentives (EMI) scheme would be expanded. The changes are included in the current Finance Bill. The need for a further consequential amendment has since been identified. This concerns the Business Asset Disposal Relief (BADR) legislation in Taxation of Chargeable Gains Act 1992 (TCGA 1992).

Amendments 37 and 38 will update the reference in the BADR legislation to align with the EMI maximum holding period expansion provided by Clause 13 of the Finance Bill, which currently only amends the EMI rules in the Income Tax (Earnings and Pensions) Act 2003. This technical amendment to TCGA 1992 will ensure that the benefit of one of the changes to the EMI scheme will also apply for the purposes of BADR.



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Clause 15: Venture Capital Trusts

Clause 15 introduces changes to the Venture Capital Trust (VCT) scheme by increasing the annual, lifetime, and gross assets limits for qualifying companies, while also reducing the VCT Income Tax relief rate for individual investors. However, the existing drafting creates uncertainty by referring to 'the company' in the annual limit provisions, whereas other related provisions use 'the relevant company'. This inconsistency risks confusion in interpretation and application of the limits. Amendments 3 and 4 address this issue by ensuring that both the annual and lifetime limits consistently refer to 'the relevant company'.

Clause 24: Umbrella Companies

Clause 24 introduces joint and several PAYE liability for businesses that use umbrella companies, making them responsible for ensuring the compliance of the umbrella companies that they choose to use when engaging workers.

Several technical amendments are required to ensure that clause 24 functions as intended:

- Amendments 6, 7, and 8 ensure that HMRC can recover underpayments of tax from businesses who are jointly and severally liable under clause 24 because they are one of multiple businesses in a labour supply chain that purport to be umbrella companies. This aligns the recovery of underpayments of tax from these businesses with the recovery from other businesses who are jointly and severally liable under clause 24.

The government is tabling a further amendment to provide for HMRC making a disclosure to a business that is jointly and severally liable under clause 24 about the umbrella company that they are using or have used to engage workers. A disclosure made to a jointly and severally liable business will support them to manage their labour supply chains and to engage with HMRC's compliance processes. This amendment will put beyond doubt the circumstances in which HMRC can make such a disclosure:



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- Amendment 5 introduces a legal gateway providing for HMRC to make a disclosure to a business that is, or may be, jointly and severally liable under clause 24, about an umbrella company that has been or is being used by the business and their associated joint and several liability with this umbrella company. The amendment also establishes safeguards to prevent the onward dissemination of this information by the recipient.

Clauses 25, 26 and 27: Loan Charge Review

Clause 25 provides HMT with the power to establish the loan charge settlement scheme. At Budget, the Government announced that that promoters of avoidance schemes will not be able to access the generous settlement terms.

Amendments 9 and 10 make provision for HMRC to exclude individuals who acted as directors, shadow directors or controlling minds behind corporate promoters of tax avoidance schemes. It inserts a definition of shadow director for the purpose of this amendment. This amendment will ensure that HMRC can prevent the controlling minds behind promoter companies from inappropriately accessing the settlement opportunity, in line with the Government's announcement at the Budget.

Amendment 11 clarifies that where an employer still exists, they can enter into a settlement on behalf of their employees who used disguised remuneration schemes.

The changes delivered by this clause represent a fair outcome for individuals with loan charge liabilities and is the final chance to resolve this issue through settlement.

Clause 47 and Schedule 6: Transfer Pricing Reform

Clause 47 will simplify the UK's transfer pricing rules, which protect our tax base by ensuring that transactions between UK companies and related parties are priced appropriately.



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Amendment 20 ensures the consistent use of terminology in respect of financial transactions. Certain statutory definitions have been repealed and relevant terms replaced to clarify the subject matter of the legislation. The amendment ensures this change in terminology is applied consistently throughout the legislation.

Clause 50 and Schedule 8: Pillar 2

Clause 50 and Schedule 8 amend legislation relating to an internationally agreed global minimum tax in the UK, known as "Pillar 2". Pillar 2 addresses aggressive tax planning by large multinational enterprises with revenues over €750 million by ensuring that they will pay a minimum 15% effective tax rate on their profits in every jurisdiction in which they operate.

Amendments 21, 22, 23 and 24 make technical corrections and additions to ensure the Bill delivers the intended outcomes. In more detail, the amendments:

- correct statutory references to ensure that interest rates can be set for late payment and repayment of Pillar 2 taxes.
- introduce a temporary extension to the deadline for making elections in respect of accounting periods ending before 31 December 2025. This will give taxpayers more time to bed in their new filing software.

Clause 100 and Schedule 23: Aggregates Levy

Clause 100 introduces Schedule 23 which makes amendments to aggregates levy legislation in preparation for its replacement in Scotland with Scottish aggregates tax.

The government has also tabled a motion to transfer Schedule 23 to after Schedule 13. This makes a technical correction to the numbering of the Schedule to ensure that the Schedule is in the right position in relation to the clause in the Bill that introduces the Schedule.



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Amendments 26, 27 and 28 are needed to ensure that the legislation interacts correctly with Scottish Government legislation, so that a credit from aggregates levy is available on aggregates moved to Scotland only in circumstances when Scottish aggregates tax is payable on the movement.

Clause 110: Economic Crime Levy

Clause 110 makes changes to change the rates charged to businesses under the Economic Crime (Anti-Money Laundering) Levy from April 2026. The consequential amendment being made brings the language used in the Economic Crime and Corporate Transparency Act (ECCTA) (2023) into line with the new band names to ensure that ECCTA remains accurate.

Amendment 12 makes a consequential amendment to section 189 of the Economic Crime and Corporate Transparency Act 2023. In subsections (3)(b)(ii) and (11) for “large or very large” there is substituted “in any of bands B to D”.

Clause 138: Vaping Product Duty

Clause 138 makes commencement and transitional provision, to support the introduction of Vaping Products Duty and the Vaping Duty Stamps scheme.

There are two amendments being proposed. Amendment 13 clarifies the drafting to reflect that the requirements to produce and stamp vaping products in accordance with regulations may be brought into force at the same time as the regulations. There is no effect on the substance of the provision.



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Amendment 14 puts beyond doubt (in light of the fact that stamping requirements are to be set out in regulations) that the criminal offences under these schemes can apply to vaping products regardless of the date that they were produced or imported. This reflects the policy intent and is not a change in policy.

Clause 146: Carbon Border Adjustment Mechanism

The Carbon Border Adjustment Mechanism (CBAM) is an environmental measure designed to support decarbonisation and mitigate the risk of carbon leakage. From 1 January 2027, CBAM will place a carbon price on specific industrial goods imported to the UK to ensure they face a comparable carbon price to those produced in the UK.

Clause 146 introduces the methodology for calculating the CBAM tax rate, which is reflective of the sectoral domestic carbon price. Amendment 15 is required to ensure that the CBAM rate functions as intended and that imported CBAM goods face a comparable carbon price to that faced in the UK, were the good produced here. It will clarify that the scheme year in which there were no sectoral emissions should be ignored when determining the baseline free allocation percentage in relation to a CBAM sector.

Clause 224-225: Agent Registration

Clauses 224 and 225 of Finance Bill 2025-26 require that tax advisers meet minimum standards before interacting with HMRC on behalf of a taxpayer, including standards related to underlying anti-avoidance provisions. This will protect taxpayers and raise standards in the tax advice market. These clauses allow HMRC to suspend advisers for twelve months when they have been sanctioned under anti avoidance legislation part of a wider package of measures the government has introduced in the finance bill to clamp down on avoidance promoters.



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Clause 225 includes two pieces of legislation related to infractions from failure to comply with the Disclosure of Tax Avoidance Schemes (DOTAS) and Disclosure of Avoidance Schemes: VAT and Other Indirect Taxes (DASVOIT). These are primarily information gathering regimes and, following discussions with stakeholders, the government has concluded it is not proportionate to treat non-compliance with these regimes differently from non-compliance with other information gathering regimes. Amendments 39 and 40 remove the references to the relevant legislation made in 225(7)(a) and 225(7)(d). The legislation will still allow HMRC to sanction tax advisers who do not promptly pay penalties arising from these infractions or other breaches of anti-avoidance legislation, in line with the approach from other information disclosure regimes.

Further minor amendments will be made to improve the clarity of the legislation, especially regarding whether failing to pay penalties under anti-avoidance provisions will result in an adviser failing to meet registration conditions. There is also an inconsistency in the description of taxes payable to HMRC. Technical amendments 16, 17, 18 and 19 will clarify and correct these points, ensuring the legislation clearly sets out the treatment of anti-avoidance penalties. Amendment 16 corrects an inconsistency in a description of taxes payable to HMRC. Amendment 18 adds a new subsection (1)(da) to clause 225 which provides that a civil penalty relating to an obligation contained in a provision made by or under a tax enactment (such as an obligation in the disclosure of tax avoidance schemes provisions) falls within the definition of "relevant amount" for the purposes of clauses 224 and 225. Amendment 17 consequentially removes "including a relevant anti-avoidance penalty" from the description of civil penalties in 225(1)(d) as they are now covered in 225(1)(da). Amendment 19 widens the list of relevant amounts due to include interest on an amount falling within new subsection (1)(da) of clause 225.

Clause 247 and Schedule 21: Tax Advisor Conduct Provisions



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Clause 247 and Schedule 21 make amendments to Schedule 38 to the Finance Act 2012. These amendments will enhance HMRC's powers to take action against tax advisers who deliberately facilitate non-compliance. Amendment 25 corrects a minor drafting error in Schedule 21 that would simply substitute reference to 'individual' with 'person' to ensure the intended meaning is clear. This has no effect on the substance of the provisions.

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.

Yours sincerely,

**DAN TOMLINSON MP
EXCHEQUER SECRETARY TO THE TREASURY**