

BUDGET 2013/14

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guidance on the budget
for Indirect Taxes



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Budget 2013 — indirect taxes overview

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This guidance note provides an overview of the indirect tax changes that were announced by the Chancellor, George Osborne, in the [Budget](#) on 20 March 2013. For announcements regarding VAT please see the [Budget 2013 — VAT overview](#) guidance note for more information.

Alcohol duties

Alcohol duty rates with effect from 25 March 2013:

- the general duty rate applied to beer will be reduced by 2%
- the duty rate for low strength beer will be reduced by 6%
- the duty rate for high strength beer will be reduced by 0.75%
- the duty rate for wine, spirits and cider will increase by 2% above the retail Price Index (RPI) (announced in 2010 Budget)

All beer duty rates will increase by the Retail Prices Index thereafter.

[Budget report](#), 1.176

It should be noted that the decrease in the duty applicable to beer has already raised concerns within the industry and some parties consider that the Government has in fact broken the law as it has increased the duty due on other alcoholic beverages. Therefore it will be interesting to see whether the duty reduction that will be applied to beer will be challenged in the courts.

Tobacco duties

The Budget Statement only re-confirmed the change announced in the 2010 and 2012 Budget. The changes announced were:

- with effect from 6pm on 20 March 2013 the duty rate applied to tobacco products has been increased by 2% above RPI
- herbal smoking products that are legally available within the UK will be liable to tobacco products duty with effect from 1 January 2014

[Budget report](#), 2.140

Gambling duties

- gaming duty revalorisation — the gaming duty bands will be increased in line with the RPI for accounting periods that commence on or after 1 April 2013
- combined bingo — the current bingo duty arrangements for combined bingo involving non-UK participants will be relaxed and non-UK players will be able to participate. The change will come into effect from the date that Finance Bill 2013 receives Royal Assent

[Budget report](#), 2.142

Fuel duties

- fuel duty — the fuel duty increase of 1.89 pence per litre that was due to come into effect on 1 September 2013 has been cancelled
- minor fuel duty rates — in 2015/16 the duty differential between the main fuel and compressed natural gas duty rates will be maintained. The duty differential for liquefied petroleum gas will be reduced by the equivalent of 1 pence per litre

[Budget report](#) , 2.144

Other transport related taxes

Vehicle Excise Duty (VED)

Measure	Details
bands and rates	with effect from 1 April 2013, the VED rates will increase in line with the RPI, with the exception of the VED rate for heavy goods vehicles which will be frozen for 2013/14. The Government confirmed that it has no intention of amending the existing structure of VED for cars and vans during this parliamentary period.
disabled drivers exemption	with effect from 8 April 2013, the existing VED exemption will be extended to cover disabled drivers who are receiving the enhanced mobility PIP. In addition, a 50% VED discount will be given to individuals receiving the standard monthly PIP.
classic vehicles exemption	from 1 April 2014 a vehicle that was manufactured before 1 January 1974 will be exempted from paying VED.
heavy goods vehicles	heavy goods vehicles — with effect from 1 April 2014, the VED rates for vehicles within the HGV User Levy Scheme will be reduced and restructured. Please see the attached copy of the HMRC publication 'Overview of tax legislation and rates' for more information. Click here to view pdf
Reduced Pollution Certificates (RPC)	the existing RPC VED discounts that are available for Euro VI vehicles is due to expire on 31 December 2016. The RPC discounts will be replaced with a grant for Euro IV-VI vehicles within the HGV User Levy Scheme from 1 April 2014 to 31 December 2016. The Department of Transport will be issuing details of the grants shortly. The RPC discounts for Euro I-III vehicles within the HGV Users Levy Scheme will be terminated with effect from 1 April 2014 and for all other Euro II-III vehicles with effect from 1 April 2016.
tax disc display waiver	in order to reduce administration costs, off road declarations will be on an indefinite basis. The period of grace will also be extended to 14 days, if the relevant tax has been paid, where the tax disc has not been displayed in the vehicle

[Budget report](#) , 2.146

Other transport tax changes

Company car tax (CCT) — ultra low emission vehicles — two new CCT bands will be introduced with effect from 1 April 2015. The new bands are:

- 0–50 grams / kilometre of carbon dioxide. These cars will be liable to CCT at a rate of 5% of the list price in 2015 / 16 and 7% in 2016/17, and
- 51–75 grams / kilometre of carbon dioxide. These cars will be liable to CCT at a rate of 9% in 2015 / 16 and 11% in 2016/17.

In 2017/18 there will be 3% differential between the two bands listed above. In 2018/19 and 2019/20 there will be a 2% differential between the two bands listed above.

In future years the CCT rates will be announced by the Government three years in advance and any incentive offered on ultra low emission vehicles (ULEV) will be reviewed to taken into consideration any market developments in this area.

- fuel benefit charge (FBC) — with effect from 6 April 2014 the FBC multiplier will increase by the RPI for cars and vans
- van benefit charge (VBC) — this will be frozen at £3,000 in 2013 / 14 and then it will only increase by the RPI with effect from 6 April 2014. The VBC will be announced twelve months in advance going forward

[Budget report](#) , 2.152

Air passenger duty (APD)

- the APD rates for 2014/15 will raise in line with the RPI with effect from 1 April 2014 as laid down in the HMRC publication 'Overview of tax legislation and rates' (a copy of which can be found via the link above). The Government did announce that it currently does not intend to vary the amount of APD due based on levels of congestion at airports.
- annual accounting scheme — HMRC is to be given the power to require businesses that operate business jets to make payments of account in respect of APD if HMRC considers that this is necessary for revenue protection purposes

[Budget report](#) , 2.157

Carbon taxes

- carbon reduction commitment — schools — English state schools will be exempted from the carbon reduction commitment with effect from 1 April 2014. The costs associated with this measure will be funded by a reduction in the Resource DEL expenditure for equivalent departments.

Climate change levy (CCL)

- the CCL rates will increase in line with the RPI with effect from 1 April 2014
- exemptions for metallurgical and mineralogical processes — with effect from 1 April 2014 an exemption from CCL will be introduced for energy used in these two processes. A consultation

will be issued by the Government and draft legislation will be issued at the time of the 2013 Autumn Statement.

Carbon price floor (CPF)

- the 2015/16 carbon price support rates will be set to the equivalent of £18.08 per tonne of carbon dioxide in line with the carbon price floor stated in Budget 2011. The Government announced that it will continue to provide support to energy intensive industries to assist with the indirect cost of CPF in 2015/16
- Northern Ireland — electricity generators in Northern Ireland will be exempt from the CPF with effect from 1 April 2013

[Budget report](#) , 2.159

Waste and other environmental taxes

- aggregates levy — the levy will remain £2.00 per tonne in 2013/14
- landfill tax — the standard rate of landfill tax will increase to £80 per tonne with effect from 1 April 2014. The lower rate of landfill tax will remain unchanged at £2.50 per tonne in 2014/15
- landfill communities fund — the value of this fund in 2013/14 will remain unchanged. As a result the contribution required by landfill operators will be amended to 6.8%.

[Budget report](#) , 2.165

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