

## Budget 22 June 2010:

### Excise Duties and Environmental Taxes

This overview highlights announcements made by the Chancellor about excise duties and environmental taxes.

### Main Announcements

#### Aviation Taxation - per plane duty

The Government will explore changes to aviation tax, including switching from a per-passenger to a per-plane duty. Major changes will be subject to consultation.

### Other Announcements

#### Landfill tax - Lower rating criteria

The Government has announced that legislation will provide for publication and review of new qualifying criteria for the lower rate of landfill tax. The Treasury will take account of these criteria in future when listing materials qualifying for the lower rate of tax in an Order.

The wastes qualifying for the lower rate are set out in a Treasury Order and this Order has not been amended since the tax's introduction in 1996. At Budget March 2010, it was announced that new environmental criteria for lower rating would be published later this year, replacing the criterion that lower rated waste must be inactive or inert. Legislation to be introduced in Parliament in the autumn will provide for the publication of the new criteria. It will mean that the Commissioners of HM Revenue and Customs must publish the criteria to apply when the Treasury determine what material is lower-rated; and the Treasury must have regard to these criteria when listing in an Order the materials that qualify for the lower rate of tax for any disposals made or after 1 April 2011.

In practice, the scope of the rate will be broadly unchanged. However, if minor changes to the Order are required as a result of the introduction of these criteria, the Treasury will lay a revised Order in the spring of 2011, to come into force on 1 April 2011. As well as updating the wastes listed to reflect the new criteria, any revised Order would update terminology to reflect regulatory developments since 1996.

#### Landfill Tax - standard rate

The Government has announced that the standard rate of landfill tax will increase by £8 per tonne each year on 1 April from 2011 to 2014.

It also confirms that there will be a floor so that the standard rate will not fall below £80 per tonne between 2014 and 2020.

### **Aggregates levy – Northern Ireland Credit Scheme**

The Government intends to extend the Aggregates Levy Credit Scheme in Northern Ireland for ten years, from 1 April 2011. Legislation will be introduced as soon as possible after the summer recess.

The Aggregates Levy Credit Scheme in Northern Ireland entitles registered quarry operators there that have been issued with a valid aggregates levy credit certificate by the Department of Environment to an 80 per cent credit from the levy if they meet specific conditions. State aid approval for the current Scheme expires at 1 April 2011. The Government is announcing at Budget that it intends to extend the scheme in Northern Ireland for a further ten years, subject to approval by the European Commission under the *Community Guidelines on State Aid for Environmental Protection*. Legislation in Finance Bill will enable the Government to extend the duration of the Scheme to 1 April 2021.

### **Fair Fuel Stabiliser**

The Chancellor has asked the Office for Budget Responsibility to undertake an assessment over the summer of the effect of oil price fluctuations on the public finances. Informed by this assessment the Government will examine options for the design of a fair fuel stabiliser.

### **Fuel Duty Rural discount**

The Government, reflecting the coalition commitment to investigate measures to help with fuel costs in remote rural areas, is considering the case for introducing a fuel duty discount in remote rural areas including possible pilot schemes in Scotland.

### **Climate Change Levy Reform**

The Government has announced that, in that autumn, it will publish proposals to reform the climate change levy in order to provide more certainty and support to the carbon price. Subject to consultation, the Government will bring forward relevant legislation in Finance Bill 2011.

### **Landline Duty**

The duty on Landlines (Local loops) announced in the Pre-Budget Report 2009 will not proceed.

### **Cider duty increase - reversal**

The 10% above inflation increase in cider duty announced at the March 2010 Budget is being reversed so that cider duty increases match those of other alcohol products. The Finance Act 2010 Part 1 lists the changes to rates and announced the cider rate reduction with effect from 30 June 2010.

### **Review of alcohol taxation to address problem drinking**

This measure confirms the Government's commitment to review alcohol taxation and pricing. The taxation measures will be announced in the autumn. As part of the review of alcohol taxation and pricing a Treasury order will be made to amend the definition of cider, to introduce a minimum apple or pear juice content to ensure that cheap, high-strength ciders made with little apple or pear juice pay duty at the more appropriate made-wine rate.

### **Reform of Lottery Duty to a "gross profits" based tax**

The National Lottery pays duty which is currently "stakes based" at 12% of the ticket value. This is a proposal to shift the basis of taxation onto the operators "gross profit" (i.e. stakes received minus prizes paid out).

### **Tobacco Products Duty: Long Cigarettes**

This measure changes the way long cigarettes are treated for duty purposes. Where cigarettes are longer than 8cm (excluding tip), each additional 3cm (or part thereof) is treated as another cigarette for duty purposes. For example a cigarette 12cm in length would be treated as three cigarettes. This is a technical change which is designed to stop a tax avoidance method. The change will come into force on and after 1 January 2011.