



# Finance Act 2008

## 2008 CHAPTER 9

### PART 1

#### CHARGES, RATES, ALLOWANCES, RELIEFS ETC

##### *Income tax*

#### **1 Charge and main rates for 2008-09**

- (1) Income tax is charged for the tax year 2008-09.
- (2) For that tax year—
  - (a) the basic rate is 20%, and
  - (b) the higher rate is 40%.

#### **2 Personal allowance for those aged under 65**

- (1) For the tax year 2008-09 the amount specified in—
  - (a) section 35 of ITA 2007, and
  - (b) section 257(1) of ICTA,(personal allowance for those aged under 65) is replaced with “£6,035”.
- (2) Accordingly—
  - (a) section 57 of ITA 2007, so far as relating to the amount specified in section 35 of that Act, and
  - (b) section 257C of ICTA, so far as relating to the amount specified in section 257(1) of that Act,(indexation) do not apply for the tax year 2008-09.
- (3) This section does not require a change to be made in the amounts deductible or repayable under PAYE regulations before 7 September 2008.

---

*Status: This is the original version (as it was originally enacted).*

---

### **3 Personal allowances for those aged 65 and over**

- (1) For the tax year 2008-09—
- (a) the amount specified in section 36(1) of ITA 2007 and section 257(2) of ICTA (personal allowance for those aged 65 to 74) is replaced with “£9,030”, and
  - (b) the amount specified in section 37(1) of ITA 2007 and section 257(3) of ICTA (personal allowance for those aged 75 and over) is replaced with “£9,180”.
- (2) Accordingly—
- (a) section 57 of ITA 2007, so far as relating to the amounts specified in sections 36(1) and 37(1) of that Act, and
  - (b) section 257C of ICTA, so far as relating to the amounts specified in section 257(2) and (3) of that Act,
- (indexation) do not apply for the tax year 2008-09.

### **4 Basic rate limit**

- (1) In section 10 of ITA 2007 (income charged at main rates: individuals), for subsection (5) substitute—
- “(5) The basic rate limit is £34,800.”
- (2) The amendment made by subsection (1) has effect for the tax year 2008-09 and subsequent tax years.
- (3) But until 7 September 2008 for the purpose of ascertaining the amounts deductible or repayable under PAYE regulations it may be assumed that the figure specified in section 10(5) of ITA 2007 for the tax year 2008-09 is £36,000.

### **5 Abolition of starting and savings rates and creation of starting rate for savings**

- (1) Section 6 of ITA 2007 (rates at which income tax is charged) is amended as follows.
- (2) In subsection (1), omit paragraph (a).
- (3) In subsection (2), omit “starting rate,”.
- (4) In subsection (3), for paragraph (a) substitute—
- “(a) section 7 (starting rate for savings),”.
- (5) Accordingly, in the heading omit “**starting rate**,”.
- (6) The amendments made by this section have effect for the tax year 2008-09 and subsequent tax years.
- (7) Schedule 1 contains provision in connection with—
- (a) the abolition of the starting rate and the savings rate, and
  - (b) the creation of the starting rate for savings.

### *Corporation tax*

### **6 Charge and main rates for financial year 2009**

- (1) Corporation tax is charged for the financial year 2009.

- (2) For that year the rate of corporation tax is—
  - (a) 28% on profits of companies other than ring fence profits, and
  - (b) 30% on ring fence profits of companies.
- (3) In subsection (2) “ring fence profits” has the same meaning as in Chapter 5 of Part 12 of ICTA (see section 502(1) and (1A)).

## **7 Small companies' rates and fractions for financial year 2008 etc**

- (1) For the financial year 2008 the small companies' rate is—
  - (a) 21% on profits of companies other than ring fence profits, and
  - (b) 19% on ring fence profits of companies.
- (2) For the financial year 2008 the fraction mentioned in section 13(2) of ICTA is—
  - (a)  $\frac{7}{400}$ ths in relation to profits of companies other than ring fence profits (“the standard fraction”), and
  - (b)  $\frac{11}{400}$ ths in relation to ring fence profits of companies (“the ring fence fraction”).
- (3) Subsections (3) to (7) of section 3 of FA 2007 (operation of section 13(2) of ICTA in relation to company profits consisting of both ring fence profits and other profits) apply in relation to profits of a company for an accounting period any part of which falls in the financial year 2008, or any subsequent financial year, as in relation to those for an accounting period any part of which falls in the financial year 2007.
- (4) In this section “ring fence profits” has the same meaning as in Chapter 5 of Part 12 of ICTA (see section 502(1) and (1A)).

### *Capital gains tax*

## **8 Rate etc**

- (1) In TCGA 1992, for section 4 substitute—

### **“4 Rate of capital gains tax**

The rate of capital gains tax is 18%.”

- (2) Schedule 2 contains further provision for and in connection with the reform of capital gains tax.
- (3) The amendment made by subsection (1) has effect for the tax year 2008-09 and subsequent tax years.

## **9 Entrepreneurs' relief**

Schedule 3 contains provision for and in connection with entrepreneurs' relief.

*Status: This is the original version (as it was originally enacted).*

### *Inheritance tax*

#### **10 Transfer of unused nil-rate band etc**

Schedule 4 contains provisions about the transfer of unused nil-rate band between spouses and civil partners for the purposes of the charge to inheritance tax etc.

### *Alcohol and tobacco*

#### **11 Rates of alcoholic liquor duty**

- (1) ALDA 1979 is amended as follows.
- (2) In section 5 (rate of duty on spirits), for “£19.56” substitute “£21.35”.
- (3) In section 36(1AA)(a) (standard rate of duty on beer), for “£13.71” substitute “£14.96”.
- (4) In section 62(1A) (rates of duty on cider)—
  - (a) in paragraph (a) (rate of duty per hectolitre in the case of sparkling cider of a strength exceeding 5.5 per cent), for “£172.33” substitute “£188.10”,
  - (b) in paragraph (b) (rate of duty per hectolitre in the case of cider of a strength exceeding 7.5 per cent which is not sparkling cider), for “£39.73” substitute “£43.37”, and
  - (c) in paragraph (c) (rate of duty per hectolitre in any other case), for “£26.48” substitute “£28.90”.
- (5) For the table in Schedule 1 substitute—

“TABLE OF RATES OF DUTY ON WINE AND MADE-WINE

#### **PART 1**

#### WINE OR MADE-WINE OF A STRENGTH NOT EXCEEDING 22 PER CENT

<i>Description of wine or made-wine</i>	<i>Rates of duty per hectolitre</i> £
Wine or made-wine of a strength not exceeding 4 per cent	59.87
Wine or made-wine of a strength exceeding 4 per cent but not exceeding 5.5 per cent	82.32
Wine or made-wine of a strength exceeding 5.5 per cent but not exceeding 15 per cent and not being sparkling	194.28
Sparkling wine or sparkling made-wine of a strength exceeding 5.5 per cent but less than 8.5 per cent	188.10

*Status: This is the original version (as it was originally enacted).*

<i>Description of wine or made-wine</i>	<i>Rates of duty per hectolitre</i>
	£
Sparkling wine or sparkling made-wine of a strength of 8.5 per cent or of a strength exceeding 8.5 per cent but not exceeding 15 per cent	248.85
Wine or made-wine of a strength exceeding 15 per cent but not exceeding 22 per cent	259.02

## PART 2

### WINE OR MADE-WINE OF A STRENGTH EXCEEDING 22 PER CENT

<i>Description of wine or made-wine</i>	<i>Rates of duty per litre of alcohol in the wine or made-wine</i>
	£
Wine or made-wine of a strength exceeding 22 per cent	21.35”.

(6) The amendments made by this section are treated as having come into force on 17 March 2008.

## 12 Rates of tobacco products duty

(1) For the table in Schedule 1 to TPDA 1979 substitute—

“TABLE

1. Cigarettes	An amount equal to 22 per cent of the retail price plus £112.07 per thousand cigarettes
2. Cigars	£163.22 per kilogram
3. Hand-rolling tobacco	£117.32 per kilogram
4. Other smoking tobacco and chewing tobacco	£71.76 per kilogram”.

(2) The amendment made by subsection (1) is treated as having come into force at 6pm on 12 March 2008.

### *Fuel duties*

## 13 Rates and rebates: simplification

(1) HODA 1979 is amended as follows.

(2) In section 1 (hydrocarbon oil), omit—  
(a) subsections (3A) and (3B),

---

*Status: This is the original version (as it was originally enacted).*

---

- (b) in subsection (3C), “; and petrol is “leaded petrol” if it is not unleaded petrol”, and
  - (c) subsections (6) and (7).
- (3) In section 6 (hydrocarbon oil: rates of duty), for subsection (1A) substitute—
- “(1A) The rates are—
- (a) £0.5035 a litre in the case of unleaded petrol,
  - (b) £0.6007 a litre in the case of light oil other than unleaded petrol, and
  - (c) £0.5035 a litre in the case of heavy oil.”
- (4) In section 6AB(5) (duty on bioblend), omit the words from “of the description” to the end.
- (5) In section 11(1) (rebate on heavy oil), omit—
- (a) in paragraph (b), “which is not ultra low sulphur diesel”, and
  - (b) paragraph (ba).
- (6) In section 13AA(6) (restrictions on use of rebated kerosene), omit “which is not ultra low sulphur diesel or sulphur-free diesel”.
- (7) Omit section 13A (rebate on unleaded petrol).
- (8) In section 20AAA(4)(a) (mixing of rebated oil), for “section 6(1A)(d)” substitute “section 6A(1A)(c)”.
- (9) In section 27(1) (interpretation)—
- (a) in the definition of “rebate”, omit “13A,”,
  - (b) omit the definitions of “sulphur-free diesel”, “sulphur-free petrol”, “ultra low sulphur diesel” and “ultra low sulphur petrol”, and
  - (c) for “and “leaded petrol” have” substitute “has”.
- (10) In Article 21(7) of the Renewable Transport Fuel Obligations Order 2007 ([S.I.2007/3072](#)), for “sulphur-free petrol” substitute “unleaded petrol”.
- (11) In consequence of this section, omit—
- (a) in FA 1987, section 1(2) and (3),
  - (b) in FA 1997, section 7(5)(a) and (b) and (8)(b),
  - (c) in FA 2000, section 5(3),
  - (d) in FA 2001, section 2(1), and
  - (e) in FA 2004, section 7(2), (5) to (7) and (8)(a).
- (12) The amendments made by this section are treated as having come into force on 1 April 2008.

## 14 Biodiesel and bioblend

Schedule 5 contains provision about biodiesel and bioblend.

## 15 Rates and rebates: increase from 1 October 2008

- (1) HODA 1979 is amended as follows.
- (2) In section 6(1A) (main rates)—

- (a) in paragraph (a) (unleaded petrol), for “£0.5035” substitute “£0.5235”,
  - (b) in paragraph (b) (light oil other than unleaded petrol), for “£0.6007” substitute “£0.6207”, and
  - (c) in paragraph (c), (heavy oil), for “£0.5035” substitute “£0.5235”.
- (3) In section 6AA(3) (rate of duty on biodiesel), for “£0.3035” substitute “£0.3235”.
- (4) In section 6AD(3) (rate of duty on bioethanol), for “£0.3035” substitute “£0.3235”.
- (5) In section 8(3) (road fuel gas)—
- (a) in paragraph (a) (natural road fuel gas), for “£0.1370” substitute “£0.1660”, and
  - (b) in paragraph (b) (other road fuel gas), for “£0.1649” substitute “£0.2077”.
- (6) In section 11(1) (rebate on heavy oil)—
- (a) in paragraph (a) (fuel oil), for “£0.0929” substitute “£0.0966”, and
  - (b) in paragraph (b) (gas oil), for “£0.0969” substitute “£0.1007”.
- (7) In section 14(1) (rebate on light oil for use as furnace fuel), for “£0.0929” substitute “£0.0966”.
- (8) In section 14A(2) (rebate on certain biodiesel), for “£0.0969” substitute “£0.1007”.
- (9) The amendments made by this section come into force on 1 October 2008.

## **16 Fuel for aircraft and boats, heating oil and fuel for certain engines**

- (1) In section 6(1A) of HODA 1979 (main rates)—
- (a) after paragraph (a) insert—
    - “(aa) £0.3103 a litre in the case of aviation gasoline,” and
  - (b) in paragraph (b), after “petrol” insert “or aviation gasoline”.
- (2) The amendments made by subsection (1) come into force on 1 November 2008.
- (3) Schedule 6 contains—
- (a) in Part 1, provision consequential on subsection (1) and provision about fuel used for private pleasure-flying or private pleasure craft, and
  - (b) in Part 2, provision about certain heavy oil used for heating or as fuel for certain engines.

### *Environmental taxes and duties*

## **17 Rates of vehicle excise duty**

- (1) Schedule 1 to VERA 1994 (annual rates of duty) is amended as follows.
- (2) In paragraph 1 (general)—
- (a) in sub-paragraph (2) (vehicle not covered elsewhere in Schedule otherwise than with engine cylinder capacity not exceeding 1,549cc), for “£180” substitute “£185”, and
  - (b) in sub-paragraph (2A) (vehicle not covered elsewhere in Schedule with engine cylinder capacity not exceeding 1,549cc), for “£115” substitute “£120”.

*Status: This is the original version (as it was originally enacted).*

(3) In paragraph 1B (graduated rates for light passenger vehicles), for the table substitute—

“TABLE

<i>CO<sub>2</sub> emissions figure</i>		<i>Rate</i>	
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>	<i>(4)</i>
<i>Exceeding</i>	<i>Not exceeding</i>	<i>Reduced rate</i>	<i>Standard rate</i>
<i>g/km</i>	<i>g/km</i>	<i>£</i>	<i>£</i>
100	120	15	35
120	150	100	120
150	165	125	45
165	185	150	170
185	225	195	210
225	—	385	400”

The table has effect in relation to vehicles first registered before 23 March 2006 as if—

- (a) in column (3), in the last row, “195” were substituted for “385”, and  
 (b) in column (4), in the last row, “210” were substituted for “400”.

(4) In paragraph 1J (light goods vehicles)—

- (a) in sub-paragraph (a) (vehicle which is not lower-emission van), for “£175” substitute “£180”, and  
 (b) in sub-paragraph (b) (lower-emission van), for “£115” substitute “£120”.

(5) In paragraph 2(1) (motorcycles)—

- (a) in paragraph (b) (motorbicycle and engine’s cylinder capacity more than 150cc but not more than 400cc), for “£32” substitute “£33”,  
 (b) in paragraph (c) (motorbicycle and engine’s cylinder capacity more than 400cc but not more than 600cc), for “£47” substitute “£48”, and  
 (c) in paragraph (d) (any other case), for “£64” substitute “£66”.

(6) The amendments made by this section have effect in relation to licences taken out on or after 13 March 2008.

## 18 Standard rate of landfill tax

(1) In section 42(1)(a) and (2) of FA 1996 (amount of landfill tax), for “£32” substitute “£40”.

(2) The amendments made by subsection (1) come into force on 1 April 2009 and have effect in relation to disposals made (or treated as made) on or after that date.

## 19 Rates of climate change levy

(1) In Schedule 6 to FA 2000 (climate change levy), for the table in paragraph 42(1) substitute—



“TABLE

<i>Taxable commodity supplied</i>	<i>Rate at which levy payable if supply is not a reduced-rate supply</i>
Electricity	£0.00470 per kilowatt hour
Gas supplied by a gas utility or any gas supplied in a gaseous state that is of a kind supplied by a gas utility	£0.00164 per kilowatt hour
Any petroleum gas, or other gaseous hydrocarbon, supplied in a liquid state	£0.01050 per kilogram
Any other taxable commodity	£0.01281 per kilogram”.

- (2) The amendment made by subsection (1) has effect in relation to supplies treated as taking place on or after 1 April 2009.

**20 Rate of aggregates levy**

- (1) In section 16(4) of FA 2001 (rate of aggregates levy), for “£1.95” substitute “£2”.
- (2) The amendment made by subsection (1) has effect in relation to aggregate subjected to commercial exploitation on or after 1 April 2009.

**21 Carbon reduction trading scheme: charges for allocations**

- (1) The Treasury may impose charges by providing for carbon reduction trading scheme allowances to be allocated in return for payment.
- (2) The charges may only be imposed by regulations.
- (3) The regulations may make any other provision about allocations of allowances which the Treasury consider appropriate, including (in particular)—
- provision as to the imposition of fees, and as to the making and forfeiting of deposits, in connection with participation in the allocations,
  - provision as to the persons by whom allocations are to be conducted,
  - provision for allocations to be overseen by an independent person appointed by the Treasury,
  - provision for the imposition and recovery of penalties for failure to comply with the terms of a scheme made under subsection (4),
  - provision for and in connection with the recovery of payments due in respect of allowances allocated (including provision as to the imposition and recovery of interest and penalties), and
  - provision conferring rights of appeal against decisions made in allocations, the forfeiting of deposits and the imposition of penalties (including provision specifying the person, court or tribunal to hear and determine appeals).
- (4) The Treasury may make schemes about the conduct and terms of allocations (to have effect subject to any regulations under this section); and schemes may in particular include provision about—
- who may participate in allocations,

---

*Status: This is the original version (as it was originally enacted).*

---

- (b) the allowances to be allocated, and
  - (c) where and when allocations are to take place.
- (5) In this section—
- “carbon reduction trading scheme allowances” means tradeable allowances that—
- (a) are provided for in a relevant trading scheme, and
  - (b) represent the right to carry on a specified amount of activities that consist of the emission of greenhouse gas or that cause or contribute, directly or indirectly, to such emissions;
- “relevant trading scheme” means a trading scheme that—
- (a) is made under Part 3 of the Climate Change Act 2008,
  - (b) applies to persons by reference to their consumption of electricity (whether or not by reference to other matters as well), and
  - (c) applies only to persons who consume electricity—
    - (i) for business or charitable purposes, or
    - (ii) for the performance of functions of a public nature, (whether or not they also consume electricity for other purposes);
- “specified” means specified in the relevant trading scheme.
- (6) Regulations under this section are to be made by statutory instrument.
- (7) A statutory instrument containing the first regulations under this section may not be made unless a draft of the regulations has been laid before, and approved by a resolution of, the House of Commons.
- (8) Any other statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of the House of Commons unless a draft of the regulations has been laid before, and approved by a resolution of, that House.

### *Gambling duties*

## 22 Rates of gaming duty

- (1) For the table in section 11(2) of FA 1997 substitute—

“TABLE

<i>Part of gross gaming yield</i>	<i>Rate</i>
The first £1,911,000	15 per cent
The next £1,317,000	20 per cent
The next £2,307,000	30 per cent
The next £4,869,500	40 per cent
The remainder	50 per cent”.

- (2) The amendment made by subsection (1) has effect in relation to accounting periods beginning on or after 1 April 2008.

*Status: This is the original version (as it was originally enacted).*

### 23 Amusement machine licence duty

(1) In section 23(2) of BGDA 1981 (amount of duty payable on amusement machine licence), for the table substitute—

“TABLE

<i>Months for which licence granted</i>	<i>Category A</i>	<i>Category B1</i>	<i>Category B2</i>	<i>Category B3</i>	<i>Category B4</i>	<i>Category C</i>
	£	£	£	£	£	£
1	455	230	180	180	165	70
2	905	450	355	355	320	135
3	1355	675	535	535	485	200
4	1805	905	710	710	645	265
5	2260	1130	890	890	805	335
6	2710	1355	1065	1065	965	400
7	3160	1580	1245	1245	1125	465
8	3610	1805	1420	1420	1290	530
9	4065	2030	1600	1600	1450	600
10	4515	2260	1775	1775	1610	665
11	4965	2485	1955	1955	1770	730
12	5160	2580	2030	2030	1840	760”.

(2) The amendment made by subsection (1) has effect in relation to cases where the application for the amusement machine licence is received by the Commissioners for Her Majesty’s Revenue and Customs after 4pm on 14 March 2008.