

**EXPLANATORY MEMORANDUM TO
THE GENERAL COMMISSIONERS (JURISDICTION AND PROCEDURE)
(AMENDMENT) REGULATIONS 2005**

2005 No.340

1. This Explanatory Memorandum has been prepared by the Department for Constitutional Affairs and is laid before Parliament by Command of Her Majesty.

2. Description

- 2.1 These Regulations enable the General Commissioners of Income Tax to hear Child Trust Fund appeals against Inland Revenue decisions under regulations made under section 13 of the Child Trust Funds Act 2004 or (subject to a transitional arrangement – see paragraph 4.4, below) appeals under section 22 of that Act. They also provide for further appeals by way of case stated from decisions of the General Commissioners of Income Tax in relation to appeals to them from Inland Revenue decisions under the enactments relating to Stamp Duty Land Tax.

3. Matters of Special Interest to the Joint Committee on Statutory Instruments

- 3.1 None.

4. Legislative Background

- 4.1 The Child Trust Funds Bill received Royal Assent on 13 May 2004 and became the Child Trust Funds Act 2004 (the Child Trust Funds Act).
- 4.2 The Child Trust Funds Act gives power for regulations to be made in connection with various aspects of the CTF. The first use of these powers was for The Child Trust Funds Regulations 2004 (S.I. 2004 No. 1450), which make provision for CTF accounts under the Child Trust Funds Act. They were made and laid before Parliament on 27 May 2004 and came into force on 1 January 2005 for some introductory provisions, but will mainly do so on the day the Child Trust Funds Act is brought into force on 6 April 2005.
- 4.3 Further sets of Child Trust Funds regulations have since been made (aside from the Child Trust Funds Act Commencement Orders):
 - the Child Trust Funds (Amendment) Regulations 2004 (S.I. 2004 No. 2676) - the second set of regulations made under the Child Trust Funds Act -, which supplement and amend the main CTF Regulations, including providing for early access to Child Trust Fund accounts for terminally ill children;
 - the Child Trust Funds (Insurance Companies) Regulations 2004 (S.I. 2004 No. 2680) - made under powers in section 333B of the Income and Corporation Taxes Act 1988 as extended to CTF business by section 14 of the Child Trust Funds Act - which provide for the exemption from corporation tax of income

and gains that arise to an insurance company providing child trust funds, so far as it relates to the company's CTF business;

- the Child Trust Funds (Amendment No 2) Regulations 2004 (S.I. 2004 No. 3382) which provide for the role of the Official Solicitor and in Scotland the Accountant of Court in managing the CTF accounts of those looked after children (children in care) who have no one with parental responsibility; and
- the Child Trust Funds (Non-tax Appeals) Regulations 2005 (S.I. 2005 No. 191), Treasury regulations drafted by the Inland Revenue, which were laid on 7 February in exercise of the powers conferred by sections 23(1), 24(5) and 28(1) to (4) of the Child Trust Funds Act. These Regulations will modify relevant parts of the Social Security Act 1998 and the Northern Ireland counterpart order. They follow closely the Tax Credits (Appeals) Regulations 2002 (S.I. 2002 No. 2926).

4.4 Following on from the making of the Child Trust Funds (Non-tax Appeals) Regulations 2005, further regulations, all dealing with CTF appeals, have now been laid before Parliament:

- the Child Trust Funds (Appeals) Regulations 2005, draft affirmative Regulations drafted by the Department for Work and Pensions and laid on 9 February, will allow appeals tribunals in the Appeals Service to hear CTF appeals under section 22 of the Child Trust Funds Act 2004 (non-tax appeals). These follow closely the Social Security and Child Support (Decisions and Appeals) Regulations 1999 (S.I. 1999 No. 991). As the Child Trust Fund is an 'excepted matter' under the Northern Ireland Act 1998, draft mirror affirmative Regulations for Northern Ireland – the Child Trust Funds (Appeals) (Northern Ireland) Regulations 2005 – have been drafted by the Inland Revenue and were laid on 9 February;
- the Social Security Commissioners (Procedure) (Child Trust Funds) Regulations 2005, draft affirmative Regulations drafted by the Department for Constitutional Affairs and laid on 9 February, will allow the Office of the Social Security and Child Support Commissioners to hear onward CTF non-tax appeals from Appeals Service appeals tribunals. This is a transitory arrangement, as set out in section 24 of the Child Trust Funds Act, which will apply until a day appointed by the Treasury by Order, which will not be until the tax tribunals are reformed – a planned Courts and Tribunals Bill will propose wide-scale reforms to the whole tribunals system and will include the modernisation of the tax appeals system within the framework of a new Tribunals Service. This transitory arrangement applies to both the Child Trust Funds (Appeals) Regulations, above, and these regulations. Both sets of regulations are being made under the Social Security Act 1998 as applied and modified by the Treasury's Regulations; and
- The General Commissioners (Jurisdiction and Procedure) (Amendment) Regulations 2005 ("the 2005 Regulations"), which are the subject of this Memorandum and which are subject to the negative procedure, will enable the

General Commissioners of Income Tax to hear CTF tax appeals under regulations made under section 13 and (following the transitional period) appeals under section 22, respectively, of the Child Trust Funds Act 2004. Section 13 of the Child Trust Funds Act 2004 provides for regulation making powers in connection with the giving of relief from income tax and capital gains tax in respect of investments under Child Trust Funds. Section 22 of the same Act provides for rights of appeal under the Act itself. Linked regulations are the Special Commissioners (Jurisdiction and Procedure) (Amendment) Regulations 2005 (S.I. 2005 No. ...), which are subject to the negative procedure.

4.5 The 2005 Regulations also provide for further appeals by way of case stated from decisions of the General Commissioners of Income Tax in relation to Stamp Duty Land Tax. Stamp Duty Land Tax was introduced, following consultation, in Part 4 of the Finance Act 2003. Stamp Duty Land Tax, with a few transitional exceptions, applies to land transactions completed after 1 December 2003 and replaces the old stamping of documents with a self-assessed tax return in respect of a land transaction. The Inland Revenue has powers to make enquiries into returns and other matters. The Inland Revenue's powers are based on income tax self-assessment. Purchasers have a right to appeal against Inland Revenue decisions and the appeals will be to the existing tax tribunals the General and Special Commissioners of Income Tax.

4.6 The Stamp Duty Land Tax (Appeals) Regulations 2004 (S.I. 2004 No. 1363) ("the 2004 Regulations") made provision for appeals and other proceedings, which would be determined by both the Special, and General Commissioners respectively in relation to that tax. These regulations amend the General Commissioners (Jurisdiction and Procedure) Regulations 1994 (S.I.1994/1812), in particular regulation 20(1), to provide for further appeals by way of case stated from decisions of the General Commissioners of Income Tax in relation to their adjudication upon matters relating to Stamp Duty Land Tax. This was the intention when the General Commissioners (Jurisdiction and Procedure) Regulations 1994 ("the 1994 Regulations") were amended by the 2004 regulations. This instrument, insofar as it relates to Stamp Duty Land Tax, implements that intention.

4.7 The 1994 Regulations which the 2005 Regulations amend, make provision for the General Commissioners' jurisdiction in relation to appeals and for the procedure to be followed in relation to appeals generally.

4.8 The General Commissioners (Jurisdiction and Procedure) (Amendment) Regulations 2005 do not implement EU legislation.

5. Extent

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 Not Applicable

7. Policy Background

7.1 The CTF is a savings and investment account for children. The Child Trust Funds Act provides for CTF accounts to be opened for all eligible children born on or after 1 September 2002. A child will be eligible if Child Benefit has been awarded for them and they are living in the UK.

7.2 The Government will make contributions to CTF accounts, with an additional payment for children from lower income families. In addition to the Government contributions, the child's family and friends will also be able to subscribe to the account up to an annual limit. The funds will be locked into the account until the child reaches the age of 18.

7.3 In recognition of the role that assets play in creating opportunity, independence and security, the Government is pioneering a universal progressive asset-based welfare policy. The Child Trust Fund is at the heart of this new strand of welfare policy. There are 4 main objectives for the CTF:

- to help people to understand the benefits of saving and investing;
- to encourage parents and children to develop the saving habit and to engage with financial institutions;
- to ensure that in future all children have a financial asset at the start of adult life; and
- to build on financial education.

Around 700 000 children a year will receive a Child Trust Fund account, and public interest in the policy is, therefore, high. There has also been extensive consultation on the Child Trust Fund since April 2001.

7.4 The Tax Credits Act 2002 provides for appeals against decisions made by the Inland Revenue on tax credits to be heard by Appeals Service appeals tribunals, and provides for an onward right of appeal on a point of law to the Social Security Commissioners - both on a transitory basis until the tax tribunals are reformed. Many potential 'non-tax' CTF appeals are likely to involve appeals against tax credit and child benefit awards. It is, therefore, considered sensible for such CTF appeals to follow the approach adopted for tax credits and arrange for them to be dealt with by the Appeals Service, and further appeals by the Social Security Commissioners, until the tax tribunals are reformed. CTF appeals against an assessment of tax will, though, be heard within the normal tax appeals system.

7.5 As stated in paragraph 4.6, above, The Stamp Duty Land Tax (Appeals) Regulations 2004 (S.I. 2004 No. 1363) ("the 2004 Regulations") made provision for appeals and other proceedings, which would be determined by both the Special, and General Commissioners respectively in relation to Stamp Duty Land

Tax. The policy intention was to provide in those Regulations for further Stamp Duty Land Tax appeals by way of case stated from the General Commissioners of Income Tax. This instrument insofar as it relates to Stamp Duty Land Tax now gives effect to that policy intention.

7.6 A consultation exercise has been carried out about the General Commissioners (Jurisdiction and Procedure) (Amendment) Regulations 2005. There no comments about the detail of the regulations.

8. Impact

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies. Full Regulatory Impact Assessments were prepared for the introduction of the Child Trust Funds Bill in November 2003 and for Stamp Duty Land Tax in March 2004 (annexes A and B, respectively).

9. Contact

9.1 Duncan Ruddy at the Department for Constitutional Affairs (telephone:020 7210 0674; email duncan.ruddy@dca.gsi.gov.uk) can answer any queries about the instrument.

REGULATORY IMPACT ASSESSMENT (RIA)
Child Trust Fund
Full Regulatory Impact Assessment

Purpose and intended effect of the measure

The policy objectives

1. The Government believes that an active welfare strategy based on work, income and public services needs to be complemented by a strategy to extend the benefits of saving and asset ownership to all. Savings and assets provide people with security in times of adversity, long-term independence and opportunity and comfort in retirement. The Child Trust Fund (CTF) is designed to strengthen the saving habit of future generations and ensure that all young adults, regardless of family background, have a stock of financial assets when they start their adult life.

Background and introduction

2. For children born from 1 September 2002, the CTF will provide a Government-funded endowment of £250 at birth with an additional £250 for children from lower income families. A standard and higher rate payment will also be made at age seven. Eligibility will be based on an award of child benefit for a child living in the UK.
3. The endowments will be invested with a financial services provider of the parent's choice until the child reaches the age of 18. Where parents do not exercise this choice the Inland Revenue will instruct a provider to set up an account for the child. Providers will be asked if they wish to provide this service and accounts will be allocated on rotation. This means that the Revenue will have a list of providers for these accounts and accounts will be sent to providers by rotating through the list – no other means of selection will be involved.
4. The Revenue-allocated CTF account will be the stakeholder CTF account – an equity-based account where providers will be required to control the extent of risk that the account is exposed to over its life-time.
5. Parents, family and friends will be able to contribute up to £1,200 a year to the account. There will be no tax on income and capital gains generated by the account. The account is owned by the child and opened in their name. Once the child reaches age 18 they may access the fund and they are free to use the assets as they wish. The intention is to accompany the Child Trust Fund with financial education that will encourage young adults to consider carefully the choices they make at this stage.
6. The Financial Services Authority (FSA) will determine the appropriate sales regime for the CTF.

The risk(s) being addressed

7. The CTF will ensure that in future all children have a financial asset at the start of adult life to invest in their futures and build on financial education to help people make better financial choices throughout their lives. It will help people to understand the benefits of saving and investing and encourage parents and children to develop the savings habit and engage with financial institutions.

Options

8. The key features of the CTF outlined in the paper 'Detailed Proposals for the Child Trust Fund' published on 28 October 2003 have been developed during a long period of formal and informal consultation with likely providers of the CTF, trade bodies, the FSA, consumer organisations and other stakeholders.
9. Saving and Assets for All, published in April 2001 sought agreement on broad principles behind the Child Trust Fund. In Delivering Saving and Assets, November 2001 the Government consulted on two proposals for delivering the CTF:
 - open market competition, under which providers would be able to enter the market on satisfaction of a set of entry conditions similar to the way the market for ISAs is managed; and
 - a licensed provider approach, under which provision would be limited to a panel of licensed providers, with licenses issued through competitive tender for a fixed number of years.
10. The Government decided, on balance, in favour of open market provision and announced this in Pre-Budget Report 2002. Existing open market provision with product regulation has succeeded in delivering high quality and efficiently priced products, as evidenced by ISAs and stakeholder pensions. The open market approach will also maximise the scope for a variety of providers and distributors to enter the CTF market – and allow families to build on their existing relationships with national and local firms. The specification of product rules and provision of information and education would further limit the risk that parents are forced into making inappropriate choices.
11. Following a recommendation of the Sandler Review in February 2003 the Government published its proposals for a suite of simple, low cost, risk-controlled 'stakeholder' investment products, to be sold through a simplified sales process. As part of this consultation, the Government sought views on whether explicitly linking the CTF to the other "stakeholder" products would be helpful. Most respondents agreed that there should be some links, with some calling for stakeholder and non-stakeholder versions of the Child Trust Fund. The Government's response to the consultation in July 2003 noted that the Government is committed to making the CTF available within the stakeholder product suite.

Business sectors affected

12. The CTF legislation will have most impact on financial services providers. However they are free to decide whether or not they want to offer the CTF in their product range.
13. Other business, charities and the voluntary and community sector are unlikely to be affected by the introduction of the CTF. They may wish to be fully informed however, perhaps with a view to passing this information on to their clients, and information and guidance will be available, on the Inland Revenue website and in leaflets. Some charities may wish to contribute to accounts held by certain children and regulations will be drafted with the aim of allowing them to do that – there will be the opportunity to comment on those draft regulations.

Issues of equity and fairness

14. The CTF will be both universal and progressive. All eligible children born from the implementation date will benefit from the Government endowment, with those from the poorest families receiving the largest amounts.
15. The CTF has been designed to be as inclusive as possible. The legislation aims to extend eligibility to all children living in the UK subject to a Child Benefit claim being in place in respect of them. Special arrangements are being made to fully include children looked after by local authorities.
16. The legislation allows for a range of CTF accounts to be available to made available to provide choice and the development of products that will meet the needs of those savers and investors with particular religious or ethical requirements or of other minority groups.
17. All financial services providers with relevant authorisation from the FSA can choose to enter the market – on satisfaction of a set of entry conditions.

Benefits

18. Approximately 700,000 children each year from September 2002 onwards will benefit from a CTF account. The CTF will support the development of financial capability for these children through interaction with a savings vehicle and receipt of financial information and education throughout their childhood. Alongside the Government contributions, additional voluntary contributions from family and friends will help to strengthen the savings habit and ensure that children start their adult lives with a stock of assets, promoting independence and opportunity. The CTF will encourage engagement with financial institutions for parents and children, supporting the Government's efforts to address financial exclusion.

19. The lock in period of the CTF is considered sufficiently long-term to smooth out any short-term fluctuations in more volatile asset classes. The stakeholder CTF account to be offered by all providers is designed to offer a risk-controlled equity-based investment. This allows CTF owners to benefit from the prospective, though more speculative and risky, long-term performance of equity relative to interest bearing instruments. However parents are not obliged to select a stakeholder CTF account if they wish to save or invest the money in a different way. We anticipate that the market will provide cash-based accounts for those who are risk averse and accounts to meet the needs of those with savings strategies driven by religious considerations.
20. The charge cap, will benefit the consumer by ensuring that the reduction in yield to the consumer from the charges imposed by the firm is at a reasonable level, consistent with allowing efficient firms to make a reasonable return on their capital. Consumers will also benefit from any efficiency gains that are made on a wider industry basis that are driven through the consumer expectation and understanding of charges.
21. There will be no application to claim the CTF. The award of Child Benefit will trigger the award of CTF for all eligible children. The Child Benefit claimant will receive a voucher which parents or guardians can use to open a CTF account with a provider of their choice within a year. Subsequent Government contributions will be made directly into an eligible child's account. The child's family and friends will be able to contribute up to £1,200 a year into the account.
22. Parents and children will also benefit from the Revenue's intention to raise awareness of the CTF through marketing and work with stakeholders to provide tailored information and education resources, including an annual statement issued by firms.
23. There are potential benefits to the savings and investment industry from the introduction of the CTF. It is anticipated that product providers will compete rigorously for the benefits that the CTF might yield. These include cross-selling opportunities to parents and relatives or guardians of the child and the opportunity to gain and retain lifelong customers.
24. The Sandler philosophy of tight product regulation leading to reduced regulation of the sales process could lead to lower up-front marketing and distribution costs. Government will also be launching the CTF with an advertising campaign. This will give firms a head-start on the marketing required to inform the public of the availability and nature of the product.

Costs

Policy costs

25. The cost of the policy is the cost to the Exchequer of the Government endowments. This is set out in paragraph 40 below.

Implementation (compliance) costs

26. A key aim of the design of CTF accounts and the systems needed to support them is to build as much as possible on the systems providers already have in place for ISAs with a view to minimising costs. The Government recognises however that there could be additional compliance costs due to the nature of the CTF as it will allow multiple savers and involves a voucher system.
27. The Government will require CTF firms to make fortnightly returns of CTFs opened, transferred and closed for operational and compliance purposes. They will also be required to make an annual return for statistical purposes. Firms will also be required to provide information on CTF accounts to customers in an annual statement.
28. To offer the CTF firms will need to meet a number of requirements as detailed in the October 2003 publication 'Detailed Proposals for the CTF'. Providers will be required to meet the costs of setting up and administering CTF products, marketing and selling products, required contributions to overheads, and the cost of capital to support the business written, from the revenue derived from the product charges. It is expected that costs will vary significantly company to company according to their current business model, their current level of systems and process efficiency and their chosen route to market.
29. The Government has commissioned independent research into the impact of different charge cap structures and levels. The results of the research indicate that for the market as a whole, the costs of setting up and marketing CTF plans in the first year of operation will be between £130 million and £200 million. The total capital requirement for the industry is expected to be higher due to the losses expected in the early years of many plans. Lower volumes of new business in subsequent years will result in significantly lower annual costs of setting up and selling new CTF plans. Firms will be able to recoup costs through charges. The level of revenues will depend on the charge cap. The Government will ensure that the decision on the charge cap will be evidence-based – set at a level that is good value for savers while also allowing efficient providers to make adequate returns.

Exchequer effect/distributional impacts

30. The cost of the CTF to the Exchequer are estimated as follows:

Cost of initial Government endowments

The following fiscal projections were published in Budget 2003.

2003/4	2004/5	2005/6
£350m	£230m	£235m

The value of the additional endowments at age 7 has not been announced (an issue to be determined in future Budgets).

Small Business impacts

31. Some financial services firms would fit the definition of a small firm. However there are no automatic costs associated with the CTF – firms are free to decide whether or not to offer the product.
32. Informal discussion on the draft Partial Regulatory Impact Assessment, including discussion of the CTF product specification and operating procedures took place with 24 financial service providers and representative bodies on 30 July. We are aware that some smaller firms may be unable to achieve economies of scale or access capital markets as readily as their larger competitors, but these have not been raised as issues of particular concern. Any further feedback from prospective product providers would be welcome. Some smaller building societies may not currently have permission to carry on designated investment business and so would be unable to offer the stakeholder CTF account themselves. Comments from this informal consultation have been taken into account in subsequent versions of the RIA.
33. We intend that most returns and claims from firms will be required in electronic form, possibly by internet. We understand from consultation that this will not present any particular difficulty to smaller providers.

Other costs and benefits (public & private sector)

34. Current estimates of the costs for the Revenue of introducing the CTF are as follows:

2003/4	2004/5	2005/6	Ongoing (per annum)
£9m	£44m	£29m	£9m

Special arrangements are needed to include those looked after children who do not have access to the CTF because a Child Benefit claim has not been made in relation to them before. The arrangements will place an information requirement on local authorities and their equivalents in Northern Ireland, Scotland and Wales. The impact is estimated to be negligible.

Unintended consequences

35. No significant unintended consequences of this policy have been identified.

Other impacts

Devolution

36. The Bill extends to England, Wales, Scotland and Northern Ireland. All the measures in the Bill are reserved matters.

Human Rights

37. Lawyers have advised that the provisions of this policy comply with the European Convention on Human Rights.

E-policy

38. Information on CTF is published on the Inland Revenue website and a dedicated website will be developed. It is envisaged that returns to the Inland Revenue by CTF providers will be made via secure internet channels.

Environmental impacts

39. There are no environmental impacts of this policy.

Rural proofing

40. This policy will not have a particular impact on rural communities.

Competition assessment

41. We believe that the CTF will not have significant competition effects. The regulation will create a new market for saving through the Child Trust Fund and may encourage wider saving for children who do not benefit directly from it.
42. The introduction of the CTF may also impact on the general market for children's savings, and the wider UK savings and investment market. The extent of its wider impact depends very much on the size and breadth of the existing market for children's savings. It is difficult to assess how the market share for general children's savings is defined at present as much saving for children may not be explicit. On the evidence available we believe that no firm has more than a 20% share of the explicit children's savings market.
43. There are no automatic costs following regulation as firms are free to decide whether or not to offer the CTF. It is not anticipated that the costs of providing the CTF would be higher for some firms than others. However, there is the possibility that smaller providers may be disadvantaged, as they may not, initially at least be able to benefit from economies of scale, or as readily access capital markets in the same way as their larger competitors.

Securing compliance

44. CTF business processes have been designed to minimise compliance risks. The use of a voucher creates some risk of investor fraud and this will be countered by the use of a unique reference number for all children in respect of whom a child benefit claim is made and a CTF voucher awarded. We will be able to identify duplicate and fake vouchers. The business processes also minimise the need for rework on the part of providers, as no Government payment will be made into a CTF account until the number has been verified.
45. Auditors will monitor provider compliance. Help visits will be available for providers for a period prior to operation of the CTF. Compliance will be encouraged through help and education. Penalties will be charged if necessary

to enforce compliance. The legislation provides for a proportionate penalty regime.

Consultation

46. As detailed in sections 8 – 11 and 42, consultation on CTF has informed and shaped the development of the key features of the CTF.
47. The Partial Regulatory Impact Assessment was published on 28 October 2003.

Monitoring and evaluation

48. A plan will be drawn up to systematically evaluate the CTF against its policy objectives, including a plan for the collection of baseline data needed to carry this out. Annual returns from providers will be used to collect the data needed from them for monitoring and evaluation purposes.

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REGULATORY IMPACT ASSESSMENT

Child Trust Fund

Full Regulatory Impact Assessment

Statement of Ministerial Approval

I have read the regulatory impact assessment and I am satisfied that the benefits justify the costs.

Signed by the responsible Minister:

Ruth Kelly

Financial Secretary

Date

FINAL REGULATORY IMPACT ASSESSMENT (RIA) MODERNISING STAMP DUTY

MARCH 2004

Introduction

1. This final regulatory impact assessment (RIA) considers the costs and benefits of the modernisation of stamp duty. This version updates the previous version published on 16 April 2003 and takes account of changes resulting from the continued consultations concerning duty on the rental element when a new lease is granted ('lease duty') and partnerships.
2. Stamp duty modernisation has the potential to affect directly all individuals or businesses, and their agents, who undertake transactions in certain types of property (predominantly land and buildings). Individual house-buyers, however, should experience little immediate impact from the changes – and a beneficial impact over time as the proposals pave the way for faster conveyancing once electronic systems are introduced.
3. The effects of modernising stamp duty are wide-ranging. Following the publication of the consultation document in April 2002, and the subsequent consultation exercise, the proposals were legislated upon in Finance Act 2003. The new Stamp Duty Land Tax (SDLT) regime was introduced on 1 December 2003. The Government believes that the changes were in proportion to the need, and that the result is a more transparent, consistent and clearly targeted tax.
4. Modifications to the legislation were made by statutory instrument in November 2003 ahead of implementation in response to the ongoing consultation including that on the taxation of leases. These regulations must be re-enacted through the Finance Bill 2004 to make them permanent.

Purpose and Intended Effect

5. Prior to the recent changes, stamp duty was (in broad terms) a tax on documents that transferred property. The objectives of modernisation are:

- **Fairness:** the Government was concerned about the increasing extent to which stamp duty was being avoided. The use of artificial arrangements to avoid stamp duty on commercial property transactions is unfair to the compliant majority, particularly small businesses acquiring premises and individuals purchasing their own homes.
- **e-business:** to create a regime that supports the Government's e-business agenda, and in particular the introduction of electronic conveyancing, which will make the house-buying process simpler, quicker and more efficient.
- **Modernisation:** to create a legal framework for stamp duty in line with more modern taxes, providing a level playing field and creating a charge that is based more on the substance of transactions.

Alternative options considered

1. In 2003 there were many calls for the reform to be delayed. The Government decided that delay would cost too much in continued avoidance and that legislative and process changes needed to be made to be implemented by 1 December 2003 as originally planned to prevent delay in introducing electronic registration of title.
2. Avoidance of stamp duty was for many years tackled in a piecemeal way, but with some success. More anti avoidance rules could have been introduced, but as stamp duty does not have an effective compliance regime (for example there is no liable person and no Inland Revenue power to assess and collect stamp duty) changes in the rules could only have a limited effect. Any change to the stamp duty rules would be limited without substantial reform of the compliance system.
3. We considered how the e-business agenda could be satisfied without wholesale modernisation, but stamp duty is a tax on documents and not transactions so attaching an e-business system to existing stamp duty is not possible. We considered how to improve the powers of the Inland Revenue under stamp duty, but any improvement would still be limited to the tax being on documents and not transactions.
4. Stamp duty was enforced through two legal requirements. Firstly, where the document completed a land transfer, legal ownership could not pass until title was registered. Secondly a document is not valid in a UK court unless it is stamped. Stamp Duty Land Tax has a modernised compliance regime and consideration was given to dropping both of these requirements to provide a useful deregulatory benefit.
5. But dropping the link to registration of title would have meant that the costs of collection of tax, traditionally very low under stamp duty, would have risen considerably. The requirement means that for ordinary residential transfers, Stamp Duty Land Tax must be paid on completion. Without that requirement, a small percentage of Land Transaction Returns would be submitted without payment of tax - but collection of possibly thousands of pounds in these cases would be very costly.
6. We have therefore maintained in Stamp Duty Land Tax the link to registration of title through a certification process. On submission of the Land Transaction Return and payment, a certificate is issued which allows the land registry to register title. Once e-business is available for title registration, payment of Stamp Duty Land Tax, filing the Land Transaction Return and registration will be all part of one process. Retaining the link to title registration solely for the commercial sector was considered impractical.

Risks

7. Modernisation addresses the risks that could arise if the tax does not keep up with the development of electronic systems for conveyancing, and if some property transfers are allowed to circumvent the charge.

8. Inevitably, there are risks in bringing in a modernised regime. The intention was to bring in the changes as quickly as possible, subject to ensuring that customers were given sufficient time and opportunity to understand the new rules. The interaction between stamp offices and the land registry bodies will need to be carefully managed during the transition period between stamp duty modernisation and full electronic systems for conveyancing.
9. The Government is convinced, however, that the changes necessary to “e-enable” stamp duty, and to make the tax fairer by improving compliance would be most effective in the context of a full review. Changes to the previous stamp duty regime, rather than a full modernisation, would have risked increasing, not resolving, anomalies. The necessary changes could only be achieved through the fundamental reform of primary legislation.

Key Elements

10. Some of the key elements of the new Stamp Duty Land Tax regime are:

- to limit the scope of the charge to transactions involving the acquisition of an estate, interest or right in or over UK land and buildings;
- the charge to be triggered by completion, or substantial performance of contracts (if earlier than completion);
- a standard notification and payment procedure, suitable for a transaction based self-assessed tax, backed up with appropriate compliance powers and a range of appeal rights in line with those available for other taxes;
- a revised charging structure for new leases;
- the requirement to pay tax in order to register title is maintained, but the validity of documents in court does not depend on Stamp Duty Land Tax being paid.

Benefits

1. The benefits that will arise from meeting the objectives are considerable.

Objective 1: A fairer regime

2. Stamp Duty Land Tax ensures that all relevant transactions are charged. Previously, some larger commercial deals in particular incurred significant professional fees in structuring deals in order to “side-step” the charge.
3. Under the previous regime, customers could choose to submit their documents to any one of eight stamp offices. While around 96% of documents submitted were turned around within 5 days, some took longer – especially during very busy periods. The new process helps to ensure that all customers receive the same level of service and there is less risk of inconsistent treatment, as returns will be handled in a single centre.
4. Customers provide details by completing a Land Transaction Return. Customers do not have to submit the full original documentation of transfers as before, eliminating the problem of delayed return or loss of documents. Removing the need for the submission of original documents reduces administrative time and cost, benefiting both stamp offices and customers.

5. The formal commitment to a five day turnaround remains, but we anticipate that customers will normally be issued with a certificate within three working days and that consistent turnaround targets will be achieved irrespective of changes in transaction volumes. Returns will be handled in a single centre.
6. Previously, documents selected for our limited compliance checks were not stamped until we were satisfied that the stamp duty paid was correct. The new streamlined “process now, check later” regime processes as many transactions as possible at the initial stages. A certificate is then issued provided the customer has submitted the required information and payment. This will ensure that customers do not have to wait for any compliance checks to be completed before they can present their documents to the land registries. The “process now, check later” regime will also highlight cases where Stamp Duty Land Tax may have been overpaid.
7. Stamp Duty Land Tax brings into charge some transactions where stamp duty was not paid on documents simply because there was no obligation to pay duty unless registration of title was required. It also charges tax in some circumstances where the document was exempt from stamping. An example of this is contracts to enter into a land transaction which are chargeable under Stamp Duty Land Tax if they are “substantially performed”, that is where the buyer pays for the property or pays rent or takes possession. But there is a range of circumstances where a land transaction return is not required. These include:
 - Gifts and similar transfers which can be self-certified as exempt (if registration of title is sought)
 - Transactions where in the past they were stamped only to validate documents in law. An example here is short-term tenancy agreements which are valid without any equivalent of “stamping”.
8. Data is not available on the number of documents which could have been stamped if presented but were not. The information available to the Inland Revenue can only be based on documents which were presented.

Objective 2: An e-enabled stamp duty

9. Making the legislative change so that tax applies to land transactions instead of documents enables legislation to be brought in later to facilitate e-registration of title.
10. Conveyancing of property will be speeded up by the introduction of electronic systems. Payment and notification of Stamp Duty Land Tax will be possible through the land registries’ systems in the longer term. Ultimately, this will mean that property transfers can be processed through a single system and single point of contact with Government. In advance of those changes we are developing systems for the electronic submission of Land Transaction Returns over the Internet via the Government Gateway.
11. We anticipate that the proposed notification requirements and new IT systems will enable more effective collection of accurate and timely information about the property market, for use by many Government departments and for release to the public and the property industry.

Objective 3: A more modern, transparent and focused tax

1. Stamp duty was last consolidated in legislation in 1891. This review has provided an opportunity to consolidate and to clarify the charge.
2. The scope of Stamp Duty Land Tax is limited to land and interests in land in the UK, rather than “property” in general. Businesses will therefore benefit from the exclusion of some other categories of property, such as receivables, which were previously chargeable.
3. These changes to scope will remove the wide definition of “property” in the previous regime which caused confusion. Changes to scope will therefore enable a focused charge that is clearly understood and effectively enforced.
4. Stamp duty cannot be enforced as the Inland Revenue do not have statutory power to assess and collect duty. But with Stamp Duty Land Tax, the enforcement regime is copied from the established income and corporation tax self-assessment systems which will enable the Inland Revenue to investigate transactions, assess tax and charge penalties where errors are found, and give taxpayers clear rights and obligations.
5. The Inland Revenue will select returns on a risk assessed basis for enquiry and where returns are selected have to power to find the facts and make changes to the self-assessment, and will allocate sufficient resources to ensure that the tax is applied fairly. Part of the risk assessment will include identifying cases where there are attempts to avoid the tax.
6. The fixed duty of £5 on certain documents not involving a sale has been removed under the new regime. This will be a saving for customers, though where registration of title is required a self-certificate or notification of these transactions may still be required.
7. Previously, a stamp duty payer could only appeal against an adjudication directly to the High Court. We have now introduced a range of appeals in line with those in place for the self-assessment regime.

Legal requirements

8. Gifts and certain other exempt transactions can be registered without making a land transaction return through a self-certificate process.
9. The rule about validity of documents in court has been dropped for land transactions within Stamp Duty Land Tax and that has a useful deregulatory benefit, for example for short leasehold tenancies. But some documents, for example deeds establishing pension fund trusts, still need to be stamped for £5 under the old system if the pension fund is going to hold shares or securities.
10. The opportunity was also taken to remove the requirement in the Companies Act 1985 to have documents stamped when property is transferred in exchange for a share issue. This simplifies the processes at Companies House and for companies.

Consultation

11. The Inland Revenue established a consultative committee structure with delegates from the property sector, banking, the tax and legal professions and other Government departments.

12. Consultation covered the proposals for stamp duty modernisation, as set out in the consultative document *Modernising Stamp Duty on land and buildings in the UK*; the impact of the changes as outlined in this publication, proposals for customer education and publicity; and also the draft legislation published following the 2002 Pre Budget Report.
13. A summary of responses that were received following the consultation exercise in April 2002 was published in November 2002. This can be viewed on the internet at: http://www.inlandrevenue.gov.uk/consult_new/responsesdoc.pdf.

Outcome of Lease Duty Consultation

14. Following the original consultation in 2002, Finance Act 2003 made changes to the structure and level of Stamp Duty Land Tax on the rental element of new leases ("lease duty"). Throughout the consultation process, the Government was keen to have regard to the effect on small and medium-sized enterprises and business start-ups.
15. In particular, the Government wanted a new structure to:
- minimise potential scope for avoidance and reduce distortion,
 - better reflect modern commercial practice, and
 - be more in line with the charge on freehold transfers.
16. Bringing tax fully in line with freehold transfers would mean rates of tax of 1%, 3% and 4% with the same thresholds. But the Government rejected that idea in the proposals published in Finance Act 2003. The fixed 1% rate of tax for leases preserves lower rates of tax for leases than the rates applying to freeholds.
17. A structure which in the Government's view achieves the aims was included in Finance Act 2003. The new charge is based on the sum of the rents received over the term of a lease, discounted to the Net Present Value. However, where that value does not exceed £150,000, the rental element of commercial leases is not subject to a charge. This threshold takes around 60% of commercial leases out of the lease duty charge. The corresponding threshold for residential leases is £60,000, which will take over 90% of residential leases out of charge. This should represent savings to many leaseholders who are currently required to have low value leases stamped.
18. However, the Chancellor made it clear that consultation on the new structure would continue during summer 2003. During the consultation many options were considered and a good deal of valuable information and data was provided by consultees.
19. Thirteen alternative options were considered. They included:
- Reducing the rate of tax for bands under given thresholds,
 - Exempting leases under 35 years from tax,
 - Retaining a tax on average annual rent, and
 - Combinations of the above
20. Only greater exemptions of leases would have had a deregulatory benefit. The other options do not significantly reduce compliance or other costs but would have meant less tax was payable. Having considered all the contributions, the Government modified the structure contained in Finance Act 2003.

21. Previously, leases with a Net Present Value above the relevant threshold were to be charged at 1% of their *entire* value. This is referred to as a 'slab' system, as tax is charged on the entire amount. However, following the consultation, the Government decided that leases would only be charged at 1% of the net present value which exceeds the threshold. This is referred to as a 'slice' system, as tax is only charged on the amount above the threshold.
22. In particular, this change will be of great benefit to small and medium sized businesses. As a result of these changes, commercial leases with a Net Present Value above the £150,000 threshold will benefit from a £1,500 reduction in tax and residential leases with Net Present Value above the £60,000 threshold will benefit from a £600 reduction. This change is estimated to cost the Exchequer £20 million in a full year.
23. The Net Present Value of a lease is calculated by reference to a formula. We have provided guidance and an on-line calculation tool on the Inland Revenue website (available at <http://ldcalculator.inlandrevenue.gov.uk/>) to minimise any costs associated with using the new calculation method.

Consultation on Partnerships

24. A further consultation was launched in October 2003 on the application of Stamp Duty Land Tax to certain partnership transactions involving interests in land. Draft legislation was published to inform the consultation. The Government was keen to provide a 'level playing field' by removing the differential treatment of partnership transactions which existed under the stamp duty regime.
25. Following the consultation, the Government decided that transactions undertaken by partners in partnerships should be treated in a similar manner to transactions undertaken by individuals. A liability to Stamp Duty Land Tax will arise when an interest in land is transferred into a partnership by a partner (or person who becomes a partner), or land is transferred out of a partnership to a partner (or person who was a partner). Liability will be calculated on a proportion of the market value of the land interest transferred at the appropriate rate.
26. It was an option to keep these partnership transactions out of Stamp Duty Land Tax all together. However, they offer significant opportunities for avoidance and keeping them outside the regime would have a significant and increasing exchequer cost.

Implementation Costs

1. There will be some administrative costs both for customers and for the Inland Revenue. These are largely non-recurrent costs associated with adjusting to the changes.

Customer implementation costs

2. The introduction of the new regime has naturally meant imposing some initial start up costs on our customers. Initial compliance costs have arisen by needing to spend time becoming familiar with the details of the new system. At the margins, some customers may wish to engage additional professional advice in order to help clarify the application of the charge.

3. Solicitors using case management systems will need to update their systems to reflect the format of the new notification form. It is difficult to estimate the impact of this as many firms upgrade their entire systems on a fairly regular basis. Solicitors have also incurred some costs associated with training to understand how the new regime works and how they will operate it.
4. Procedures between solicitors and their clients may need to be amended. At the very least, clients will need to be warned that an enquiry may be made into their Land Transaction Return. People may wish to decide in advance whether the client or solicitor will handle such enquiries, and the client may wish to ensure he has sufficient papers in his possession once the transaction is complete to handle an enquiry if he so wishes.
5. With customers who wish to move to electronic systems it is assumed that the associated costs will be subsumed in the general move to electronic communication that they are undertaking rather than a Stamp Duty Land Tax specific charge.
6. Mindful of the need to minimise one-off costs, the Inland Revenue launched a customer education programme in May 2003. This involved the publication of newsletters and bulletins and the placing of articles in the professional press. During October and November 2003, a series of 66 nationwide seminars were held in partnership with the three law societies and the Council for Licensed Conveyancers. These seminars explained the legislative changes and helped to familiarise practitioners with the Land Transaction Return.

Inland Revenue costs

7. A new IT system will be required by stamp offices, for use prior to, and ultimately to interface with, the land registries' new electronic systems. This new system will replace manual processes by automating the collection of transaction details and payment. The combined cost of IT and business change in 2003-04 is in the region of £25-£30 million. This figure includes the costs of contingency arrangements including a period of manual form processing. The costs associated with the development, production and distribution of the CD-Rom (see paragraph 67 below) are approximately £1 million.
8. Stamp office staff have undertaken training to familiarise themselves with the revised regime, and with changes to their roles. Current costs for this are in the region of £100,000, although this represents the 'downtime' cost of staff time spent in training, rather than amounts actually spent.
9. The costs of the customer education programme were approximately £80,000. The seminars for practitioners cost approximately £7,500.

Compliance Costs

Residential transactions

10. During 2002, there were estimated to be 1.45 million residential transactions, although not all of these were liable to stamp duty. It is not expected that a modernised duty, at current rates, will significantly increase compliance costs for the average residential purchase, indeed the revised regime is being designed to minimise this possibility. In the medium to long term, the availability of electronic conveyancing and the ability for Stamp Duty Land Tax to be paid electronically may reduce compliance costs.

11. The Inland Revenue does not have an estimate for the compliance costs of stamp duty on solicitors and conveyancers, who previously completed a PD (Particulars Delivered) form. For an average residential property, the total cost of legal fees typically ranges from around £250 to £1,000, but only a very small proportion of this cost will represent time taken in form filling. For commercial property, this proportion is likely to be even smaller.
12. The PD was a one-page form asking 18 questions/sub-questions. By comparison, the 'SDLT1' Land Transaction Return form contains 70 questions spread across six pages. However, we will only request completion of those questions relevant to the transaction, which for most simple transactions will reduce the time spent on the form.
13. We believe that the electronic scanning and capture of information on the form will provide the best service to customers and the most efficient use of resources within the Inland Revenue before e-business solutions are available. To enable all the possible information included in the questions on the old PD form to be collected in this way, it is necessary to cater for different options and for a standardised format of completion. This adds to the length of the form and therefore the time spent on completing it.
14. The bulk of the information within the Land Transaction Return was previously contained within legal documentation that was submitted to the Inland Revenue for stamping. Where the new form does ask for genuinely new information, most of this should not represent a significant additional burden on solicitors and taxpayers because the information will in most cases be readily available.
15. Following feedback from the law societies, the Inland Revenue are developing a CD-Rom containing an 'on-screen' version of the Land Transaction Return. In particular, this will assist those solicitors and conveyancers without specialist case management software by enabling them to complete the Return 'on-screen' rather than in manuscript. Following a user trial, the Inland Revenue will make the CD-Rom available later in the year.
16. In cases where an enquiry is opened, there may be some costs involved in providing the required information. The initial stage of any such enquiry will, however, only involve provision of the documents that were previously required prior to stamping. Compliant residential customers should therefore not experience a significant burden in complying with enquiries - other than perhaps to ensure adequate records are obtained from solicitors.
17. The revised regime will involve a requirement to keep relevant documents for a minimum period of six years. This is in line with the guidance given by the Law Society that advises solicitors to retain documents for at least six years. Responses from interested parties did not indicate that this would be a problem, so it is not envisaged that this will increase costs for customers or their representatives.
18. Under Stamp Duty Land Tax the requirement to keep the documents will fall on the liable person or individual. In residential cases this will be the house purchaser(s). However, in practice, where the purchaser uses an agent, the solicitor will often retain the documents.
19. Overall, we expect there to be a small increase in compliance costs, although this will depend on the extent to which solicitors and others take up electronic conveyancing.

Charities

20. Stamp duty reliefs on transfers or leases to charities are to continue under the revised regime, subject to some new safeguards. The cost of compliance is unlikely to increase significantly for mainstream charities that are proposing to use the land acquired for charitable purposes only.

Businesses

21. It is very difficult to estimate the costs of stamp duty modernisation to a 'typical' business, particularly as the charge is only incurred when property is acquired. It is not thought that significantly increased costs will attach to transfers on which stamp duty would have been paid under the previous regime. Behavioural effects are likely to be as important as direct compliance costs. The following paragraphs identify some areas of potential impact.
22. There will be some costs involved in notifying liability. We do not consider that the provision of the required information will be significantly more onerous than the previous requirements, and as mentioned above, customers will benefit from not having to submit their documents. Special rules assist those who purchase large portfolios of properties and wish to report the transaction as a whole rather than separately for each property.
23. Costs may also arise in complying with Inland Revenue enquiries. As on the residential side, the requirement to keep documents for six years or to produce them in the event of an enquiry should not be onerous. However, commercial transactions are more likely to be complex, and enquiries may be more protracted as a result.
24. A special scheme to allow staged payment of Stamp Duty Land Tax is available for deals where there is further money to be paid after a charge has been triggered, and the amount is uncertain, or its payment is contingent. There are also special rules to provide certainty for annuities and other periodic payments for an indefinite period.
25. The April 2002 consultative document asked for responses to the idea that holders of large property portfolios might opt into a quarterly reporting scheme. There was little enthusiasm for this and so it has not been implemented.
26. Stamp Duty Land Tax will be enforced on deals that would previously have side-stepped the charge to stamp duty. This will have an impact on the margins of gain from such transactions, and we expect a behavioural impact in that some may no longer be found viable. We estimate that in the long run up to 5% of all commercial property deals could be affected in this way. Where the newly enforced charge ultimately falls will be dependent on the relative market power of suppliers and users of commercial property. The impact on prices and on the number of property transactions will be kept under review.

Reliefs under the modernised regime

27. The vast majority of reliefs available under the stamp duty regime continue to be available under Stamp Duty Land Tax regime. Following consultation, some new reliefs were introduced. For example,
- relief for companies who help to ensure an active housing market by buying property when a prospective sale falls through so that a chain of transactions can proceed.

- relief for sale and lease-back transactions (where a company raises finance by selling a property and leasing it back from the purchaser). If certain conditions are met, the 'lease-back' transaction will not be chargeable.
 - Relief for PFI transactions
28. The introduction of a differential zero rate threshold for residential and non-residential property – both for lease duty and for the main charge – may result in some additional compliance for mixed-use property. However, the structure of the relief whereby the higher threshold is available to any property comprising some element of non-residential use is designed to minimise costs.

Revenue (Exchequer) Effects

29. The modernisation of stamp duty is expected to yield £330 million in 2004-05 rising to £430 million in 2005-06. Overall, the modernisation of stamp duty will be revenue raising through improved compliance and redefinition of the scope of the charge. Revenue is also raised from the change in basis of taxation of leases. There will therefore be a tax cost to some customers.
30. Some transactions which were within stamp duty are no longer liable to Stamp Duty Land Tax. For example the grant of a long lease for a "ground rent". Under stamp duty, leases over 100 years long were liable to duty of 24% of the average annual rent, whereas under Stamp Duty Land Tax, the Net Present Value of the lease will be such that no tax is due. Some customers will therefore benefit by small amounts.

Transitional arrangements

31. The charge under Stamp Duty Land Tax generally only arises in respect of transactions where completion occurs after 1 December 2003 and, broadly, the contract was entered into/varied after Royal Assent of the Finance Act 2003 on 10 July 2003.
32. The following transactions are within the previous stamp duty regime:
- Transactions where contracts were entered into before 17 April 2003 and not subsequently varied, even if completion was after 1 December 2003.
 - All transactions completed before 1 December 2003, irrespective of when the contracts were entered into.

Impact on Small Business

1. Ministers have made a clear commitment to a fair tax system and this has been one of the main drivers behind the modernisation of stamp duty. Therefore we have aimed to ensure that the changes being made would not disproportionately affect small business. We have made a number of changes that will be of particular benefit to small businesses. For example:
- The increase in the 0% band to £150,000 for transactions involving non-residential property will result in a tax saving for a large number of small businesses. In 2002-03 there were approximately 20,000 commercial transactions in the £60,000 to £150,000 range.
 - Small and medium sized enterprises will greatly benefit from the switch to a 'slice' system for lease duty which will ensure that only the net present value of the lease in excess of the threshold will incur a liability, as opposed to the entire lease value.

2. Where a lease is taken out of the charge the businesses involved will make administration savings by not having to notify the Inland Revenue of the transaction. Where that business employs legal help there may also be a reduction in professional fees.
3. We have consulted with a wide variety of businesses and representative bodies including small businesses and those representing small businesses (including the Small Business Service). We used this information to better understand the needs of small businesses and the assistance they required to understand the changes.
4. The Small Business Service is clear that there are benefits to many small firms from a number of the changes introduced; not least the £150,000 threshold introduced for commercial freeholds and new leases. However, they are aware that with respect to the changes to lease duty, the charge to Stamp Duty Land Tax on leases on the Net Present Value of the rent payable under a new lease rather than the average annual rent will mean an increase for some small firms. Though independent research indicates over 60% of small business leases will be exempt from the tax, they remain concerned that for small businesses with significant expenditure on leases (e.g. £50,000 p.a. and 15 years or more) there could be increases in lease duty of three to eight-fold.
5. A potential impact of these increases in lease duty is that some small firms may have to seek shorter leases or be less able or unable to afford rental property at all. It is calculated that around 10% of the additional expected lease duty yield to the exchequer (around £20m p.a.) will be derived from leases with an NPV below £500,000. A more comprehensive Small Firm Impact Test might have more closely identified the extent of this risk. Subsequent monitoring and evaluation of the changes will test for such effects.

Guidance

6. The comprehensive Stamp Duty Land Tax Manual has been published on the Inland Revenue website (http://www.inlandrevenue.gov.uk/so/sdlt_index.htm). The website also contains guidance notes on completing the Land Transaction Return, a Frequently Asked Questions section and links to customer newsletters.

Competition assessment

7. We have undertaken a competition assessment and the competition filter indicated that Stamp Duty Land Tax should not have any significant adverse effects on the competitive processes in the commercial and residential property markets.
8. Avoidance of stamp duty obviously varied between different property investors. At one extreme, if any investors in property depended on avoiding stamp duty in order to be profitable, it is possible that modernisation of stamp duty might induce such investors to seek opportunities elsewhere. Nevertheless, the effect on the overall number of firms should be limited.
9. As stated above, we estimate a reduction in commercial property market transactions of around 5 per cent as a result of modernisation. This effect on liquidity may dampen the price discovery mechanism which could lead to small knock-on effects on competition. But again, the effect is expected to be limited.

10. The new lease duty regime is designed to remove distortions that were inherent in the previous system which affected the choice of lease length. This is consistent with the general Government objective of improving the workings of the leasing market and should have positive effects on competition.

Equality assessment

11. Throughout the development of the legislation we have tried to ensure that equality issues are addressed. For example we have attempted to make sure that the provisions apply equally between transactions under Scottish land law and transactions under the land law in England and Wales. We have stated from the outset that one of the objectives of modernising stamp duty was to shape a fair regime – we are confident that the modernised regime will meet this objective, applying fairly to all without any adverse equality issues.
12. One good example of this is the introduction of a set of reliefs that remove the higher stamp duty charges that used to occur when using certain types of financing arrangements for property purchases. This will be of benefit to individuals taking out so-called 'Islamic mortgages', although the reliefs are not restricted to the Islamic community.

Implementation, Monitoring & Evaluation

13. After consultation with the law societies and other key interested parties, we put in place arrangements to smooth the transition to the new regime and to minimise errors due to misunderstanding or lack of familiarity with the new rules. We have done this by adopting a 'light-touch' approach by looking to process and issue certificates even if the Land Transaction Returns have been completed unsatisfactorily and contain some omissions or errors. We expect that within a short period of time the majority of errors and omissions will be greatly reduced and a high proportion of Land Transaction Returns will be submitted accurately. A formal announcement will be made (at least 4 weeks) in advance of the date on which this arrangement is brought to a close.
14. The evaluation of the reformed regime will be an ongoing process and will largely be carried out by monitoring our performance against project success criteria and delivery of the project's aims and objectives. For example, it will look at how effectively we are using our powers to combat non-compliance and collect the correct amount of tax and will also monitor customer satisfaction levels. Under the new regime, the quality of data provided by our management information systems will be at least as good as, and more quickly delivered than the information provided under the stamp duty regime.
15. A continuing dialogue with our customers is envisaged to address any post-implementation issues that may arise. We plan a formal post implementation review within 3 years. The review will:
- Examine compliance costs for businesses and individuals, solicitors and conveyancers;
 - Review the additional yield and effectiveness of the compliance measures.

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