

10 May 2023

Department of Energy Security and Net Zero

By email: cca@beis.gov.uk

Climate Change Agreements: consultation on extension to 31 March 2027 & further proposals on any potential future scheme

Response by the Chartered Institute of Taxation

1 Executive Summary

- 1.1 The Chartered Institute of Taxation (CIOT) is the leading professional body in the UK for advisers dealing with all aspects of taxation. We are a charity and our primary purpose is to promote education in taxation with a key aim of achieving a more efficient and less complex tax system for all. We draw on the experience of our 19,000 members, and extensive volunteer network, in providing our response.
- 1.2 The extension to the current climate change agreement scheme (CCA) is welcomed.
- 1.3 The opportunity for new entrants to join the CCA scheme is welcomed.
- 1.4 In line with the CIOT's own objectives for the tax system, members would like to see long term certainty for businesses impacted by the CCA scheme. That said, if a new scheme were to be introduced, businesses would require sufficient lead in time to be ready for implementation, so if that were to require a further extension to the current CCA scheme facilitated such lead time, that would be welcomed.

2 About us

- 2.1 The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it –

taxpayers, their advisers and the authorities. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are a non-party-political organisation.

- 2.2 The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.
- 2.3 The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries.
- 2.4 Our members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

3 Introduction

- 3.1 The consultation seeks view on an extension to the [current climate change agreement \(CCA\) scheme](#), as announced in Budget 2023, adding a reporting period between 1 January 2024 to 31 December 2024, that will provide access to reduced climate change levy (CCL) rates from 1 April 2025 to 31 March 2027 to eligible energy intensive businesses that meet energy efficiency improvement targets in the 2024 reporting period. The scheme would be open to new entrants who qualify under the current eligibility criteria.
- 3.2 The scope of the consultation does not include CCL policy or the level of reduction to CCL main rates accessed through participation in the CCA scheme.
- 3.3 The Climate Change Agreements (CCA) scheme is a voluntary scheme that encourages businesses in a wide range of industrial sectors with energy-intensive processes, such as chemicals, paper and ceramics to agricultural businesses such as intensive pig and poultry farming to invest in energy efficiency measures in return for reduced rates of Climate Change Levy (CCL), supporting an energy efficient, low-carbon future.
- 3.4 The first CCA scheme was introduced in 2001, alongside CCL, in recognition of the fact that CCL would increase the cost of energy for energy intensive industry and potentially impact competitiveness in certain sectors. The current scheme started on 1 April 2013 and is currently scheduled to run until 31 March 2025.
- 3.5 Whilst the scope of this consultation is largely outside of our area of expertise, as it is focussed on CCA rather than CCL tax policy, we have enclosed the feedback reported from members only on questions where responses were provided.
- 3.6 Our stated objectives for the tax system include:
 - A legislative process that translates policy intentions into statute accurately and effectively, without unintended consequences.

- Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
- Greater certainty, so businesses and individuals can plan ahead with confidence.
- A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
- Responsive and competent tax administration, with a minimum of bureaucracy.

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4.1 **Question 1: Do you foresee any impacts arising from this two-year extension?**

4.2 Feedback from members supported the extension as they see how important the scheme is for energy intensive businesses. However, we did note that due to the relatively short to medium term period of the scheme extension, members would like to see longer term certainty for businesses so that they can plan accordingly, rather than applying ongoing extensions.

4.3 **Question 4: Do you agree with the dates proposed for new entrant applications?**

4.4 Feedback from members support that there is a date range period for new entrants to join.

4.5 **Question 36: Please provide any comments on the timing of any potential future scheme.**

4.6 As noted in the consultation document, the department is progressing with an extension to the existing scheme and not committing to what may follow the extension to this stage, anticipating reforms would, at the earliest, take effect for targets following the end of 31 December 2024, and with effect on certification for reduced rates of CCL from 1 April 2027, though further consultation would follow.

4.7 As noted in 4.2, members would like to see longer term certainty for businesses so that they can plan accordingly, rather than applying ongoing extensions, though if a new proposed scheme were to replace the current scheme, businesses would need sufficient time to prepare for change, in which case a suitable extension to the existing scheme (if required) would be preferable in order to allow time to be ready for the replacement.

5 **Acknowledgement of submission**

5.1 We would be grateful if you could acknowledge safe receipt of this submission, and ensure that the Chartered Institute of Taxation is included in the List of Respondents when any outcome of the consultation is published.

The Chartered Institute of Taxation

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