



CHANCELLOR OF THE EXCHEQUER'S APPEARANCE BEFORE SELECT COMMITTEE ON 30 MARCH 2006

The Home Computing Initiative: Briefing from the Finance & Leasing Association (FLA)

Introduction

FLA is the principal representative of the asset, consumer and motor finance sector in the UK. FLA members provided £26.8 billion of new finance in 2005 to the business sector and UK public services, representing almost 30% of all fixed capital investment in the UK in 2005 (excluding real property).

Summary

This brief provides some background on the announcement that the Government was abolishing the Home Computing Initiatives (HCI) tax relief with effect from 6 April and suggests some questions to be put to the Chancellor.

Suggested questions

- (i) What estimate was done of the effects on possible users – employers and employees – before making the decision to abolish the HCI tax relief?
- (ii) Was the DTI, which runs the schemes and reportedly planned to use it itself, consulted about the decision? If not why not?
- (iii) Why was business not consulted, either directly or through representative bodies?
- (iv) Why has business not been given adequate notice of the decision? 6 April gives no time to employers, manufacturers, finance providers and others to prepare. Large number of schemes in the pipeline have been stymied by announcement.

Background

The Home Computing Initiative (HCI) is a worthwhile scheme aimed at encouraging access to IT by employees. It works by exempting the loan of computers and telecoms to employees by employers from the legislation on the taxation of the benefits in kind. Re-launched in 2004, the scheme is growing in use. It helps promote computer literacy and home-working, especially by staff with family responsibilities.



Without warning, HMRC announced the abolition of the exemption in press notices on Budget Day. They said Ministers wanted to focus on more disadvantaged users of IT.

FLA members are affected because they often finance the equipment loaned. IT leasing is a billion £ industry. A number of members have reported to the FLA that they have transactions in the pipeline which will be hit by this announcement. Manufacturers and employers will also be hit.

DTI runs this scheme and have a dedicated website. On Friday it still made no mention of the Budget announcement. The FT on Saturday said that DTI itself was in the process of starting a scheme for its staff, which would be caught. This does not suggest joined up government.

The Chancellor may cite abuse of the scheme as a justification eg the loan of I-pods. The latter may of course have a genuine commercial use in some industries. Where they do not, the answer is to bring in targeted restrictions, not abolish the whole scheme.

Finance & Leasing Association
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