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Chartered Accountants



AUTUMN STATEMENT REPORT 2015

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INTRODUCTION

George Osborne's third economic statement of 2015 (and the fourth within 365 days) lacked the big surprises and headline grabbing announcements we've recently come to expect from these occasions.

In a combined Spending Review and Autumn Statement, changes to government departmental budgets dominated the Chancellor's speech.

Day-to-day spending of government departments will fall by an average of 0.8% a year in real terms.

The transport (37%), energy (22%) and business (17%) departments are facing the largest cuts. The core administration budget for culture, media and sport will fall by 20% but there will be increased funding for the Arts Council and sport.

NHS spending in England will increase from £101 billion in 2015/16 to £120 billion by 2020/21, including £6 billion next year. It is also expected to make £22 billion in efficiency savings in the next 5 years.

The economic news was largely positive. The combined effect of better tax receipts and lower debt interest has resulted in a £27 billion improvement in public finances compared to July.

The government will borrow £8 billion less than forecast and aims to have a budget surplus of £10.1 billion by 2020.

GDP is forecast to grow by 2.4% this year and has been revised up from July to 2.4% in 2016 and 2.5% in 2017.

Apart from the economic update, the Chancellor did announce some measures that will affect businesses and individuals. The following report summarises the announcements made by Chancellor George Osborne during the 2015 Autumn Statement on Wednesday 25 November 2015.



Important information:

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future. The information in this report is based upon our understanding of the Chancellor's 2015 Autumn Statement, in respect of which specific implementation details may change when the final legislation and supporting documentation are published.

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. You should not make any investment decisions based upon its content. ISA and pensions eligibility depend on personal circumstances. The value of investments can fall as well as rise and you may not get back the full amount you originally invested.

Whilst considerable care has been taken to ensure that the information contained within this document is accurate and up-to-date, no warranty is given as to the accuracy or completeness of any information.

All tax tables include numbers, rates and allowances only. None of the usual qualifying notes are included in this report.



AT A GLANCE

Measures announced in Autumn Statement 2015 include:

BUSINESS

DIGITAL TAX ACCOUNTS

Every business and self-employed individual will have their own digital tax account by the end of the decade.

SMALL BUSINESS RATE RELIEF

The small business rate relief scheme used by around 600,000 businesses will be extended for a year.

APPRENTICESHIP LEVY

A levy of 0.5% of an employer's wage bill will be introduced in April 2017. Each employer will have a £15,000 allowance to offset the levy.

COMPANY CARS

The diesel supplement on company cars will not be abolished until April 2021.

TAX EVASION

The government has committed an additional £800 million to combat tax evasion and non-compliance.

PERSONAL

TAX CREDITS

The tax credit taper rate and thresholds will remain unchanged.

STATE PENSION

The new single tier state pension will be set at £155.65 a week from next year.

CAPITAL GAINS TAX

Capital gains tax will be due 30 days after the disposal of any residential property liable to capital gains tax from April 2019.

HOUSING BENEFIT

Housing benefit for new social tenants will be capped at the same level as the private sector.

STAMP DUTY

Stamp duty rates on additional properties such as buy-to-lets and second homes will be raised 3%.

CHILDCARE

Parents of children aged 3-4 will be able to get 30 hours of free childcare a week from 2017 if they work over 16 hours a week.

LONDON HELP TO BUY

People in London with a 5% deposit can get an interest-free loan worth up to 40% of a newly-built home.

OTHER

WALES

Legislation will be scheduled to allow the devolution of income tax in Wales to be introduced without a referendum.

SANITARY PRODUCTS

The £15 million currently raised from the VAT charged on sanitary products will fund women's health and support charities.

STUDENT NURSES

Direct funding for student nurses will be replaced with loans for new students.

PART-TIME STUDENTS

Part-time students will be able to apply to receive maintenance loans from April 2018.

TUITION FEE LOANS

Tuition fee loans will be available for those studying higher skills in further education as well as postgraduates.

MOTOR INSURANCE

Reforms to the compensation of minor motor accidents will potentially mean savings for consumers of around £40-50 a year.

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Autumn Statement 2015**



BUSINESS ANNOUNCEMENTS

APPRENTICESHIP LEVY

From April 2017, an apprenticeship levy set at a rate of 0.5% of an employer's wage bill and payable through PAYE will be introduced. Each employer will receive an allowance of £15,000 to offset against their levy payment.

As a result, the levy should only be paid on a wage bill in excess of £3 million. Less than 2% of UK employers should pay the levy.

DIGITAL TAX ACCOUNTS

The government emphasised its commitment to the introduction of digital tax accounts. Most businesses, self-employed people and landlords will be required to keep track of their tax affairs digitally and update HMRC at least quarterly via their digital tax account.

The government will publish its plans to transform the tax system shortly and will consult on the details in 2016.

SMALL BUSINESS RATE RELIEF

The doubling of the small business rate relief will be extended for another year from 1 April 2016.

EMPLOYMENT INTERMEDIARIES AND TAX RELIEF FOR TRAVEL AND SUBSISTENCE

Following the consultation announced at Summer Budget 2015, the government will legislate to restrict tax relief for travel and subsistence expenses for workers engaged through an employment intermediary such as an umbrella company or personal service company.

The relief will be restricted for individuals working through personal service companies where the intermediaries legislation applies. This change will take effect from 6 April 2016.

COMPANY CAR TAX DIESEL SUPPLEMENT

Contrary to previous announcements, the 3 percentage point differential between diesel cars and petrol cars will now be retained until April 2021.

EMPLOYEE SHARE SCHEMES

A number of technical changes will be made in an attempt to streamline and simplify aspects of the tax rules surrounding tax-advantaged and non-tax-advantaged employee share schemes.

The changes are intended to provide more consistency, including clarifying the tax treatment of internationally mobile employees of certain employment related securities and share options.

EXTENDING AVERAGING FOR FARMERS

From April 2016, the averaging period for self-employed farmers will be extended from 2 years to 5 years, with the farmers having the option of either averaging period.

APPRENTICESHIP LEVY

LEVY:
0.5%



ALLOWANCE:
£15,000

VENTURE CAPITAL SCHEMES

With effect from 30 November 2015, the provision of reserve energy generating capacity and the generation of renewable energy benefiting from other government support by community energy organisations will no longer be qualifying activities under the Enterprise Investment Scheme, Venture Capital Trusts or the Seed Enterprise Investment Scheme. From 6 April 2016, the government will exclude all remaining energy generation from the schemes.

RESTITUTION INTEREST

A special 45% rate of corporation tax on income is to be applied to restitution interest.

CORPORATION TAX

No changes were announced but changes may be introduced in Budget 2016.

If no changes are announced rates will be as follows:

Financial year to	31 March 2017	31 March 2016
Taxable profits		
All profits	20%	20%
Loans to participators rate	25%	25%

Loans to participators, trustees of charitable trusts

Legislation will be introduced to ensure a tax charge is not applied to loans or advances made by close companies to charity trustees for charitable purposes. The rules will apply to qualifying loans or advances made on or after 25 November 2015.

Related party rules, partnerships and transfers of intangible assets

Revisions have been made to make it clear that transfers of intangible assets to a partnership with companies as members will not circumvent the intangible fixed asset commencement rules that would otherwise apply to those corporate members.

Capital allowances and leasing anti-avoidance

Legislation will be introduced in Finance Bill 2016 to tackle tax avoidance in relation to both the manipulation of disposals to create excess capital allowances and the receipt of consideration in a non-taxable form in return for agreeing to take over tax deductible lease payments.

Firstly, the measure will prevent a person using an artificially low disposal value for capital allowances purposes on the disposal of plant and machinery where tax advantage is one of the main purposes of the arrangements which include that disposal.

Secondly, the measure will bring into tax as income, if not already so taxed, any consideration received by a person, or connected person, for agreeing to take over payments under a lease for which the person can claim tax deductions.

Northern Ireland rate of corporation tax

The government remains committed to the devolution of corporation tax powers to the Northern Ireland Assembly, subject to the Northern Ireland Executive demonstrating that its finances have been put on a sustainable footing and that the range of commitments entered into in the Stormont House Agreement have been met.

The Northern Ireland parties have now indicated that they wish to pursue the implementation of a new Northern Ireland rate of 12.5% in April 2018.

TAX EVASION AND COMPLIANCE

A number of new measures will be introduced by the government to tackle tax evasion. The government will remove the need to prove intent for the most serious cases of failing to declare offshore income and gains.

Civil penalties will be increased for deliberate offshore tax evasion including the introduction of a new penalty linked to the value of the asset on which tax was evaded and increased public naming of tax evaders.

GENERAL TAX AVOIDANCE

The government will introduce several new measures to reduce tax avoidance. The measures include a 60% penalty of the tax due which will be charged in all cases successfully tackled by the general anti-abuse rule, as well as tough measures for those who persistently enter into tax avoidance schemes and abuse reliefs, by imposing restrictions on them accessing certain tax reliefs for a period.



PERSONAL ANNOUNCEMENTS

INCOME TAX

The personal allowance for 2016/17 increases by £400 to £11,000. The marriage allowance increases by £40 to £1,100.

If no further changes are announced the rates and allowances will be as follows:

Bands of taxable income	2015/16	2016/17
	% of income/£ per year	
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting rate for savings income	0%	0%
Dividend ordinary rate – for dividends otherwise taxable at the basic rate (effective rate with tax credit)*	10% (0%)	7.5%
Dividend upper rate – for dividends otherwise taxable at the higher rate (effective rate with tax credit)*	32.5% (25%)	32.5%
Dividend additional rate – for dividends otherwise taxable at the additional rate (effective rate with tax credit)*	37.5% (30.6%)	38.1%
Starting rate limit (savings income)	£5,000	£5,000
Basic rate band	£0-31,785	£0-32,000
Higher rate band	£31,786-£150,000	£32,001-150,000
Additional rate band	Over £150,000	Over £150,000

*From April 2016 the dividend tax credit will be abolished and replaced with a new £5,000 tax-free dividend allowance.

TAX CREDITS

The forthcoming reduction in tax credits will be cancelled meaning that the tax credit taper rate and thresholds remain unchanged.

Tax credits will still be phased out as universal tax credit becomes the primary benefit vehicle. The income rise disregard will be £2,500.

There are no further proposed changes to the universal credit taper, or to the work allowances beyond those that passed through parliament.

SAVINGS

Tax-free saving accounts	2015/16	2016/17
	£ a year	£ a year
Individual Savings Account (ISA) subscription limit	15,240	15,240
Junior ISA subscription limit	4,080	4,080
Child Trust Fund subscription limit	4,080	4,080

EXTENDING THE RANGE OF PERMITTED INVESTMENTS

ISA investments will be eligible for crowdfunded debt securities issued by companies in the future. It is intended to introduce legislation that will permit such investments from autumn 2016.



PROPERTY

STAMP DUTY LAND TAX

From 1 April 2016 those purchasing additional properties such as buy-to-let properties and second homes will pay an extra 3% in stamp duty land tax (SDLT). The money raised will be used to help those planning to buy their first home.

The higher rates will not apply to the purchase of caravans, mobile homes or houseboats, or to corporate funds making significant investments in residential property.

SDLT FILING AND PAYMENT PROCESS

The government will consult in 2016 on changes to the SDLT filing and payment process, including a reduction in the filing and payment window from 30 days to 14 days. These changes are expected to come into force in 2017/18.

ANNUAL TAX ON ENVELOPED DWELLINGS

The reliefs available from the annual tax on enveloped dwellings and the 15% higher rate of SDLT are to be extended to equity release schemes (home reversion plans), property development activities and properties occupied by employees from 1 April 2016.

LONDON HELP TO BUY

A new Help to Buy equity loan scheme for London will provide buyers with 40% of the home value from early 2016, instead of the 20% the current scheme provides.

AUTHORISED PROPERTY FUNDS

A seeding relief is to be introduced for Property Authorised Investment Funds and Co-ownership Authorised Contractual Schemes (CoACSs). Changes will be made to the SDLT treatment of CoACSs investing in property so that SDLT does not arise on the transactions in units.

There will be a defined seeding period of 18 months, a 3 year clawback mechanism and a portfolio test of 100 residential properties and £100 million value, or 10 non-residential properties and £100 million value. These changes will take effect when Finance Bill 2016 receives royal assent.





INHERITANCE TAX

RATES, BANDS AND EXEMPTIONS

No major changes were announced but changes may be introduced in Budget 2016.

If no changes are announced rates and exemptions will be as follows:

Transfers on or within 7 years before death		
	2016/17	2015/16
Standard exemption	£325,000	£325,000
Combined threshold maximum for married couples and civil partners	£650,000	£650,000
Rate of tax on balance	40%	40%
Chargeable lifetime transfers	20%	20%
Reduced rate	36%	36%

INHERITANCE TAX AND UNDRAWN PENSION FUNDS IN DRAWDOWN PENSIONS

The government will legislate to ensure a charge to inheritance tax (IHT) will not arise when a pension scheme member designates funds for drawdown but does not draw all of the funds before death. This will be backdated to apply to deaths on or after 6 April 2011.

DEEDS OF VARIATION

Following the review announced at Budget 2015, the government will not introduce new restrictions on how deeds of variation can be used for tax purposes but will continue to monitor their use.

TAX ADVANTAGES DURING THE ADMINISTRATION OF AN ESTATE

The government will legislate to allow the ISA savings of a deceased person to continue to benefit from tax advantages during the administration of their estate.

EXEMPTION FOR COMPENSATION AND EX-GRATIA PAYMENTS

The government will legislate Extra Statutory Concession F20, which gives an IHT exemption in respect of certain compensation and ex-gratia payments for World War II claims.

The legislation will include payments made under a recently created compensation scheme known as the Child Survivor Fund. The legislation will apply to deaths on or after 1 January 2015.

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about inheritance tax



PENSIONS

STATE PENSION

The basic state pension will increase by £3.35 to £119.30 a week. The starting rate for the new single tier pension will be £155.65 per week and will start in April 2016.

AUTOMATIC ENROLMENT MINIMUM CONTRIBUTION RATES

The government will delay the next 2 scheduled increases in automatic enrolment minimum contribution rates by 6 months each. This will align these changes with the start of the tax year.

UPDATING OF PENSION CREDIT

The single rate of the standard minimum guarantee will rise in line with earnings by £4.40 to £155.60 per week, and the couple rate will rise by £6.70 to £237.55 per week.

The savings credit threshold will rise to £133.82 for a single pensioner and to £212.97 for a couple. This will reduce the single rate of the savings credit maximum by £1.75 to £13.07 and the couple rate by £2.68 to £14.75.

PENSIONS TAX RELIEF CONSULTATION

In Summer Budget 2015, a consultation on the system of pensions tax relief was launched. This process is ongoing and is expected to be concluded and a response published at Budget 2016.

SECONDARY MARKET FOR ANNUITIES

The government will remove the barriers to creating a secondary market for annuities, allowing individuals to sell their annuity income stream. There will be a consultation document this December.

BRIDGING PENSIONS

Following the introduction of a single tier pension from 6 April 2016, legislation will be introduced in the Finance Bill 2016 to enable the pension tax rules on bridging pensions to be aligned with Department for Work and Pensions legislation.

DEPENDANT SCHEME PENSIONS

Legislation will be introduced in the Finance Bill 2016 to simplify the test that takes place when a dependant's scheme pension is payable.



VAT

SANITARY PRODUCTS

£15 million in VAT is currently collected on the sale of sanitary products. EU rules preclude the government from removing this tax and so instead an annual fund will be established over the life of the current parliament from the VAT collected. This fund will be donated to women's charities.

SIXTH FORM COLLEGES

As part of the government's one-off restructuring of post-16 education and training, sixth form colleges in England will be given the opportunity to become academies, allowing them to recover their non-business VAT costs.

The sixth form colleges will have the option of joining a multi academy trust if they choose to.



CAPITAL GAINS TAX

RATES, BANDS AND RELIEFS

No major changes have been announced – changes may be introduced in Budget 2016.

If no changes are announced rates and exemptions will be as follows:

	2016/17	2015/16
Standard rate	18%	18%
Higher rate	28%	28%
Entrepreneurs' relief - effective rate	10%	10%
Entrepreneurs' relief	£10 million	£10 million
Annual exemption		
- individual	£11,100	£11,100
- settlement(s) (spread over total number)	£5,500	£5,500
Chattels exemption		
(proceeds per item or set)	£6,000	£6,000

CAPITAL GAINS TAX PAYMENT WINDOW

A payment on account of any capital gains tax (CGT) due on the disposal of a residential property will be required within 30 days of the completion of the disposal with effect from April 2019.

In normal circumstances the current payment period is between approximately 10 and 22 months.

NON UK RESIDENTS DISPOSING OF UK RESIDENTIAL PROPERTY

With retrospective effect, from 6 April 2015, CGT computations for non UK residents disposing of UK residential property will be amended to remove a double charge that occurs in some circumstances.

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Autumn Statement 2015**



OTHER ANNOUNCEMENTS

TAX-FREE CHILDCARE

Free childcare entitlement will double from 15 hours to 30 hours a week for working families with 3 and 4 year olds from September 2017. This is worth up to £5,000 per child.

The new rules will also include introducing tax-free childcare from early 2017, providing up to £2,000 a year per child to help working parents with their childcare costs.

This means that a family with 2 children can begin to claim childcare support worth up to £40,000 through free hours and tax-free childcare by the time both children are at school.

The government will lower the upper income limit per parent from £150,000 to £100,000 and increase the minimum income level per parent from the equivalent of 8 hours to 16 hours at the national living wage.

CHILDCARE AND THE IN-WORK RULE

The 30 hours free childcare offer for working parents of 3 and 4 year olds will be extended to help families maintain childcare arrangements and support the transition back to work at the end of their parental leave or period of ill health.

Eligibility has been extended to cases where a parent or their partner is in work and the other parent is disabled or a carer. This also applies where a parent or their partner is taking time away from work on paid sickness or parental leave.

WELSH RATES OF INCOME TAX

The government will legislate to remove the requirement for the Welsh Assembly to hold a referendum in order to implement the Welsh rates of income tax, to reflect the change in the debate in Wales.

HOME ENERGY COSTS

A new obligation that will run for a period of 5 years from April 2017 will be introduced requiring energy suppliers to reduce carbon emissions. The changes are projected to save 24 million households approximately £30 a year.

PART-TIME MAINTENANCE LOANS

The government will introduce a new system of maintenance support for higher education students wishing to study part-time by 2018/19 and will consult on the detail.

LONDON ANNIVERSARY GAMES AND WORLD ATHLETICS AND PARALYMPICS CHAMPIONSHIPS

Non-resident competitors in the 2017 World Athletics and Paralympics Championships and the 2016 London Anniversary Games will be exempt from income tax on their earnings from the event.

30 hours of free
childcare for 3
& 4 year olds





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