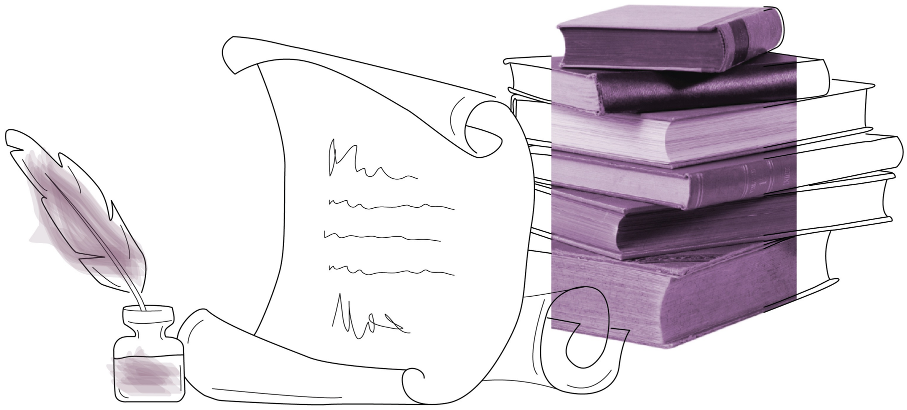
Budget Summary 2015



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Administration of Tax

- **Digital Tax Accounts**
  The Government will abolish the tax return for millions of individuals and small businesses through the introduction of digital tax accounts. A roadmap setting out the policy and administrative changes will be published later this year. In addition, the Government will consult on a new payment process to support the use of digital tax accounts that allow tax and National Insurance contributions to be collected outside of PAYE and self-assessment. This will be legislated for in the next Parliament.

- **Direct Recovery of Debts due to HMRC from Debtors' Bank and Building Society Accounts**
  HMRC will be able to collect payment of tax and duties directly from credit balances in debtors' bank and building society accounts, including ISAs, without first having to apply to the courts. HMRC say they will only take action against debtors who owe over £1,000 of tax or tax credits. They will always leave a minimum (aggregate) of £5,000 across debtors' accounts, and will only put a hold on funds up to the value of the debt. Secondary legislation to be published shortly will set out details of the process and safeguards for taxpayers. The Government intends to legislate this measure in a future Finance Bill.

- **HMRC Tax Enquiries – Closure Rules**
  The Government has consulted on a proposal to introduce a new power, enabling HMRC to refer matters to the tax tribunal with a view to achieving early resolution of one or more aspects of a tax enquiry, whilst leaving other aspects of the tax enquiry open. The Government is currently considering the consultation responses.

Personal Taxation

- **Basic Personal Allowance and Transferable Allowance for 2015/16**
  The personal allowance for those born after 5 April 1938 will be £10,600 for 2015/16. As a corollary, the transferable allowance for married couples and civil partners (10% of the personal allowance) will be £1,060. The higher rate threshold (i.e. the aggregate of the personal allowance and the basic rate limit) will be £42,385.

- **Personal Allowance and Basic Rate Limit for 2016/17 and 2017/18**
  The personal allowance will be £10,800 and £11,000 for 2016/17 and 2017/18 respectively. As a consequence there will no longer be a separate age-related allowance for 2016/17 onwards. The basic rate limit will be £31,900 for 2016/17 and £32,300 for 2017/18. The combined effect is that the higher rate threshold will be £42,700 in 2016/17 and £43,300 in 2017/18.

- **Charge for using Remittance Basis**
  An individual not domiciled in the UK who chooses to be taxed on the remittance basis on overseas income and chargeable gains must pay an additional tax charge. This is currently £30,000 if the individual has been UK resident in at least 7 of the 9 preceding tax years or £50,000 if he has been UK resident in at least 12 of the 14 preceding years. For 2015/16 onwards the £50,000 charge is to increase to £60,000. The £30,000 charge will remain unchanged. The additional charge will be increased to a new level of £90,000 if the individual has been UK resident in at least 17 of the 20 preceding tax years.

- **Bad Debt Relief on Peer-to-peer Lending**
  Individuals who make loans through peer-to-peer (P2P) platforms will be able to offset bad debts arising against the interest they receive from P2P loans when calculating their taxable income. These changes will have effect for loans made from 6 April 2015, but the legislation will be in a future Finance Bill.

- **Personal Savings Allowance**
  It is proposed that a new Personal Savings Allowance will be introduced from 6 April 2016. For a basic rate taxpayer, this will exempt from income tax the first £1,000 of savings income, such as bank and building society interest. For a higher rate taxpayer, only the first £500 will be exempted. The Personal Savings Allowance will not be available to additional rate taxpayers. At the same time, the deduction of basic rate tax at source from interest paid by banks and building societies will be abolished for all savers.

- **Individual Savings Accounts (ISAs)**
  Regulations will be introduced in Autumn 2015 to enable a cash ISA investor to withdraw money from his ISA and pay it back in again during the same tax year without the second transaction counting towards his ISA subscription limit for that year. Regulations will also be introduced to extend the list of qualifying investments for ISAs and Child Trust Funds.

- **Help to Buy ISAs**
  This proposed scheme for first-time home buyers will provide a bonus to each person who has saved into a Help to Buy Individual Savings Account. The bonus will be paid at the time the savings are used to purchase a home. For every £200 saved, the Government will provide a £50 bonus up to a maximum of £3,000 on £12,000 of savings. Accounts are expected to be available through banks and building societies from Autumn 2015. Savers will be able to make an initial deposit of £1,000 and a monthly saving of up to £200. The bonus will be available on home purchases of up to £450,000 in London and up to £250,000 elsewhere in the UK.

- **Annual Tax on Enveloped Dwellings (ATED)**
  The 2015/16 ATED annual charges will be as follows:

Property Value	Annual Charge 2015/16
£1,000,0001 - £2,000,000	£7,000
£2,000,001 - £5,000,000	£23,350
£5,000,001 - £10,000,00	£54,450
£10,000,001 - £20,000,000	£109,050
>£20,000,000	£218,200

Employment Taxation

- **Abolition of the £8,500 Threshold for Benefits in Kind**
  The £8,500 earnings threshold that determines whether employees pay income tax on all of their benefits in kind and expenses, and whether employers pay Class 1A National Insurance contributions (NICs), is to be abolished for 2016/17 onwards. Currently, an employee in so-called "lower-paid employment" (i.e. whose earnings for the tax year are less than £8,500) pays tax only on certain employee benefits, e.g. living accommodation, vouchers and credit-tokens. The abolition of the threshold will mean all employees will be taxed on their benefits and expenses in the same way. The employer's NICs treatment will follow the income tax treatment. New exemptions will be introduced to cover benefits for ministers of religion earning less than £8,500 and for employees who are carers; the latter will cover board and lodging on a reasonable scale that is provided in the home of the person being cared for.

- **Statutory Exemption for Trivial Benefits in Kind**
  A statutory exemption is to be introduced for 2015/16 onwards that will allow employers to identify and treat certain low value benefits provided to employees or former employees as trivial. These benefits will then be exempt from income tax and Class 1A National Insurance contributions and will not need to be reported to HMRC. A benefit will be trivial if it meets all the following conditions:

  - the benefit is not cash or a cash voucher;
  - the cost of providing it does not exceed £50;
  - the benefit is not provided under salary sacrifice arrangements or any other contractual obligation; and
  - it is not provided in recognition of particular services performed, or to be performed, by the employee.

- **Employee Expenses: Dispensations**
  The current system, whereby an employer can apply to HMRC for dispensation to pay expenses free of tax in certain circumstances, will be scrapped from 2016/17 onwards. Instead, expenses paid by employees will automatically be exempt in any case, where the they would have been eligible for a deduction had they incurred and paid the equivalent expense themselves. I.e. the expenses do not need to be subject to a dispensation or declared on a P11D if they would ultimately not be chargeable to tax. The exemption will also allow the employee to be paid a scale rate rather than be reimbursed the actual expense he has incurred, meaning the employee does not need to retain the receipt. This can either be a rate set by HMRC or a rate that the employer has agreed with HMRC. The exemption will also apply to benefits in kind provided by employers in respect of expenses incurred by their employees.

- **Collection of Tax on Benefits and Expenses through Voluntary Payrolling**
  Legislation is to be introduced to allow HMRC to make changes to the PAYE Regulations to provide for voluntary payrolling of certain benefits in kind. The intention is that employers will be able to opt to payroll benefits for cars, car fuel, medical insurance and gym membership for 2016/17 onwards. Where employers do so, they will not have to make a return on Form P11D for these benefits. Instead, they will report the value of the benefits through Real Time Information, and that value will count as PAYE income liable to deduction using the PAYE Tax Tables. The amended Regulations will determine the value to be placed on the benefit for this purpose.

- **NICs for the Self-Employed**
  Class 2 contributions will be abolished in the next Parliament. Class 4 contributions will be reformed to introduce a new contributory benefit test. The Government intends to consult on the proposals later in 2015.

Business Tax

- **Farmers' Averaging**
  The period over which self-employed farmers can average their profits for income tax purposes is to be increased from 2 to 5 years with effect from 6 April 2016.

- **Simplified Expenses: Partnerships**
  The government will amend the simplified expenses regime introduced in FA 2013 to ensure that partnerships can fully access the provisions in respect of the use of a home and where business premises are also a home.

- **VAT Registration Thresholds**
  With effect from 1 April 2015, the VAT registration threshold will be increased from £81,000 to £82,000. The deregistration threshold will be increased from £79,000 to £80,000. The registration and deregistration thresholds for acquisitions from other EU member states will be increased from £81,000 to £82,000.

Capital Gains Tax

- **Non-UK Residents and UK Residential Property**
  Capital gains tax will be charged on gains accruing to non-UK resident persons on disposals of UK residential property made on or after 6 April 2015. Tax will be due for payment within 30 days of the property being conveyed, unless the person has a current self- assessment record with HMRC, when payment will be at the normal due date for the tax year in which the disposal is made.

  In addition, private residence relief (PRR) will be restricted where a property is located in a jurisdiction in which a taxpayer is not resident. In these circumstances, the property will only be capable of being regarded as the person's main residence for PRR purposes for a tax year where the person meets a 90-day test for time spent in the property over the year. This will affect:

  - non-UK resident individuals;
  - non-UK resident trusts;
  - personal representatives of a deceased person who was non-UK resident; and
  - non-UK resident companies controlled by five or fewer persons, except where the company itself, or at least one of the controlling persons, is a 'qualifying institutional investor'.
    It will also affect some UK resident individuals disposing of properties overseas or who spend part of a tax year abroad.

- **Entrepreneurs' Relief on Deferred Gains**
  Finance Act 2015 will allow gains that are eligible for entrepreneurs' relief (ER), but which are instead deferred into investments that qualify for the Enterprise Investment Scheme (EIS) or Social Investment Tax Relief (SITR), to remain eligible for ER when the gain is realised. This will benefit qualifying gains on disposals that would be eligible for ER but are deferred into EIS or SITR on or after 3 December 2014.

- **Entrepreneurs' Relief for Disposals of Goodwill**
  Legislation in Finance Bill 2015 will prevent entrepreneurs' relief from being available on disposals of goodwill on or after 3 December 2014 to a close limited company to which the seller is related. The relief may still be claimed by partners in a firm who do not hold or acquire any stake in the successor company.

- **Restricting Entrepreneurs' Relief on Associated Disposals**
  The rules relating to entrepreneurs' relief on associated disposals are to be amended. For disposals on or after 18 March 2015, in order to qualify for the relief on a disposal of a privately-owned asset, the claimant must reduce his participation in the business by also disposing of a minimum 5% of the shares of the company carrying on the business, or (where the business is carried on in partnership) of a minimum 5% share in the assets of the partnership carrying on the business.

- **Entrepreneurs' Relief, Joint Ventures and Partnerships**
  Legislation is to be introduced to ensure that those who benefit from entrepreneurs' relief have a 5% directly-held shareholding in a genuine trading company. For disposals on or after 18 March 2015, the definitions of a 'trading company' and 'the holding company of a trading group' do not take account of activities carried on by joint venture companies which a company is invested in, or of partnerships of which a company is a member. Therefore a company would need to have a significant trade of its own in order to be considered as a trading company.

- **Exemption for Certain Wasting Assets**
  Legislation will be introduced to make it clear that the capital gains tax wasting asset exemption applies only if the person selling the asset has used it as plant in their own business as opposed to its being used as plant in another person's business. This change will have effect for gains accruing on and after 1 April 2015 for corporation tax purposes and 6 April 2015 for CGT purposes.

- **Threshold amount for ATED-related Capital Gains Tax**
  Legislation will be introduced in Finance Bill 2015 to reduce the threshold amount for consideration received on a disposal of residential property, above which an Annual Tax on Enveloped Dwellings (ATED)-related gain may accrue. The threshold will fall from £2m to £1m for disposals on or after 6 April 2015, and then to £500,000 for disposals on or after 6 April 2016.

Pensions

- **Reduction in Lifetime Allowance**
  It is intended to introduce legislation in the next Parliament to reduce the pension lifetime allowance from 6 April 2016 from £1.25m to £1m, accompanied by fixed and individual protection arrangements. From 2018 the allowance will rise in line with the consumer prices index.

- **Annuity Flexibility**
  It is intended to introduce legislation in a future Finance Bill, to be effective from April 2016, to allow those already in receipt of an annuity to sell to a third party and take the proceeds directly or draw them down over a number of years. Income tax would be at the individual's marginal rate.

- **Taxation of Inherited Annuities**
  From 6 April 2015, beneficiaries of individuals who die under the age of 75 with a joint life or guaranteed term annuity will be able to receive any future payments from such policies tax-free where no payments have been made to the beneficiary before 6 April 2015. The tax rules will also be changed to allow joint life annuities to be paid to any beneficiary. Where the individual was over 75, the beneficiary will pay their marginal rate of income tax.