UK Budget Bulletin

18 March 2015

Introduction

The Chancellor's Budget Statement this afternoon contained a number of matters of real and immediate importance. It did however also contain details regarding measures which are either deferred or still under consideration and repeated some other measures which have been announced before.

Some brief notes follow on matters which may be of interest. Further and better particulars will be contained in the March Tax Bulletin in a few days.

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Budget Highlights: 18 March 2015

Income Tax Rates: 2015/16	Up to £31,785 20% Over £31,785 40% Over £150,000 45%
Personal Allowance: 2015/16	£10,600 (following year £10,800)

Corporation Tax:

All profits of companies will be chargeable at a flat rate of 20%.

New rules are being introduced to limit the ability to set off losses which arise by reason of certain avoidance arrangements.

Inheritance Tax:

Despite the widespread press reports regarding a special relief for private residences, little was said about inheritance tax. The rates, exemptions and thresholds remain the same.

An earlier announcement regarding the rules about adding property to trusts on the same day has been revised to include a period of grace so it will not apply to deaths before 6 April 2017.

HMRC will be reviewing the operation of Deeds of Variation later in the year.

Capital Gains Tax:

Exempt amount £11,100 (Trusts £5,550)

The exemption for wasting assets is being changed following the recent case of a Reynolds painting at Castle Howard which was defined as a wasting asset. It had been lent by the owner to another person to be used in its business. The rules are being revised so that the particular wasting asset definition applies only if the person selling the asset has used it as plant in their own business - which will have the effect of bringing such assets fully into charge to capital gains tax.

Entrepreneurs Relief:

There are four proposed changes to entrepreneurs relief:

(a) The previous suggestion that entrepreneurs relief will be denied in respect of gains on goodwill transferred to a limited company has been slightly revised to allow the relief to be claimed by partners in a firm who do not hold or acquire any stake in the transferee company.

(b) Entrepreneurs relief is being restricted to trading companies and holding companies of a trading group to exclude activities carried on by a joint venture company or partnership of which the company is a member. The idea is that a company must have a significant trade of Its own if the shares are to be eligible for relief.

(c) There is a change to the ability to claim entrepreneurs relief on associated disposals – that is an asset owned and used in a business by a shareholder or partner in the business where the asset is are disposed of as part of a withdrawal from participation in the business. In future, the individual must reduce his participation in the business by disposing of at least 5% of the shares in the company or 5% of the assets of the partnership, as well as disposing of the asset concerned.

(d) Further consideration is being given to entrepreneurs relief on the gains made by academics on the disposal of shares in spin out companies

Capital Gains Tax : Non Residents

Some further details (but not very many) have been published regarding the charge to capital gains tax which will apply to non residents who sell UK residential properties after 5 April 2015. The rates are now clear – 28% for everybody except companies who will pay 20% (and get indexation relief). This only applies to close companies - open companies will not be subject to the charge.

There is no indication of any value threshold so it is assumed that it applies to property of any value.

There is no reference to any exemptions for let property similar to ATED or SDLT.

There is little transparency regarding the collection of this tax. Apparently the non resident must report the disposal on a tax return and pay the tax within 30 days.

The private residence relief will be available for non residents who nominate the UK property as their main residence and who stay overnight at the property at least 90 nights each year.

The gain chargeable to tax is only the increase in value beyond that at 6 April 2015. If a non resident sells the property they only pay tax on the increase in value from 5 April 2015. If the non resident becomes UK resident and then sells the property the whole of the gain (including the entire gain arising before they became resident) will be taxable. This is apparently to ensure fairness.

To the extent that any part of the gain is subject to ATED related capital gains tax, that will take priority – and of course that would bring the gain into charge from 6 April 2013.

Corporation Tax : **TV Tax Relief**	There will be an increase in the availability of television relief reducing the minimum spending requirement from 25% to 10% of the total production costs relating to activities in the UK.
Sporting Testimonials:	The recently announced change of practice by HMRC on the taxation of sporting testimonials received some serious flak. As a result of these "representations" the change of practice seems to have been put on hold.
Domicile:	The Budget papers confirm that from April 2015 the non dom charge will be increased to £90,000 for those who have been resident in the UK for at least 17 of the last 20 years. The charge for those who have been resident in the UK for at least 12 out of the last14 years will increase to £60,000.
Personal Savings Allowance:	From April 2016 there will be a personal savings allowance of £1,000 for basic rate taxpayers and £500 for higher rate taxpayers to exclude savings income from tax completely up to these limits. It will not apply to anybody paying tax at the 45% rate.
Compliance:	The Chancellor said that he would be introducing a new criminal offence for those who evade tax and those who help them do so. Many people will wonder why because these are already criminal offences. However, no further details of these proposals were contained within the Budget papers.
New Disclosure Facility:	There will be a new disclosure facility which will start after the existing facilities close with tougher terms Including penalties of at least 30% and no guarantee of no criminal prosecution. The LDF and the Crown Dependencies Disclosure Facilities are being terminated in December 2015.
Diverted Profits Tax:	The Diverted Profits Tax announced in December to impose a new tax on profits of multinationals from 1 April 2015 is confirmed. No further details have been provided to bring any clarity to the extremely vague proposals already published.
ATED:	No changes are made to the rules relating to ATED other than to confirm the previously published increase in the scale of charges.

Class 2 NIC:	It is proposed to abolish Class 2 National Insurance Contributions which are payable by the self employed. I do not think we should get excited about this. It Is almost certain that Class 4 contributions will be increased correspondingly.
Pension Schemes:	The lifetime limit is being reduced to £1 million from 6 April 2016 – but then it is going to be indexed upwards from 6 April 2018.

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