SQUIRE PATTON BOGGS

UK Autumn Statement Bulletin

3 December 2014

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Introduction

The Chancellor's Autumn Statement this lunchtime contained lots of positive projections for economic growth etc and the borrowing forecasts put us into £4 billion surplus by 2018/19. More significantly (for me!) on the tax front there were some exciting "rabbits out of the hat".

Some brief notes follow on those matters which are of interest. Further and better particulars will be contained in Peter's December Tax Bulletin (when he returns from holiday) which I am sure will be hotly anticipated.

It must be noted that for many of today's announcements the devil will be in the detail so we remain on the edge of our seats until next Wednesday and Legislation Day!

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Autumn Statement Highlights : December 2014

Income Tax Rates: 2015/16

Up to £31,785 20%

Over £31,785 40%

Over £150,000 45%

Personal Allowance: 2015/16

£10,600 (up from the projected £10,500)

There will be no restriction on the entitlement to a personal allowance for non residents until April 2017 while the Government consults on this further.

Non doms:

The Chancellor wants to "preserve non-dom status" yet will make it expensive and attractive only to the super wealthy! There will be an increase in the charge for long-term residents who have been in the UK for 12 out of the last 14 years from £50,000 to £60,000 and a new charging point introduced making those who have been here for 17 of the last 20 years pay £90,000 for the privilege of accessing the remittance basis charge. Didn't see that coming.

The Government is also consulting on making the election to be charged on the remittance basis to compulsorily apply for three years so people cannot elect in and out annually as they do presently.

Stamp Duty Land Tax:

The SDLT residential "slab" system on property purchases has been reformed with effect from today (4 December 2014). SDLT will be payable at each rate on the portion of the purchase price that falls within the particular band. The new residential bands are as follows:

- The portion of the transaction value up to £125,000 is charged at a rate of 0%,
- The portion of the transaction value between £125,001 and £250,000 is charged at a rate of 2%,
- The portion between £250,001 and £925,000 is charged at a rate of 5%,
- The portion between £925,001 and £1,500,000 is charged at a rate of 10%,
- The portion over £1,500,001 is charged at a rate of 12%.

Buyers presently in the process of a purchase may elect for the old regime to apply.

The purchaser of a £5million house will pay SDLT in excess of £500,000 although apparently 98% of buyers will see a reduction in SDLT. Of interest those purchasing the average family home of £275,000 will save £4,500 but roughly 14,000 London properties will now be more expensive to buy (so says Twitter!)

ATED:

It is becoming yet ever more unattractive to hold residential property in an enveloped wrapper vehicle. From 1 April 2015 the ATED charge on residential properties worth more than £2million will increase by 50% above inflation.

For a recap of the raft of recent changes to the residential property regime see my alert here:

http://www.squiresanders.com/update-tax-on-uk-residential-property/

Inheritance Tax and ISAs:

Legislation will be introduced to allow an additional ISA allowance for spouses or civil partners when an ISA saver dies, equal to the value of that saver's ISA holdings on their date of death.

Incorporation:

As of today individuals will not be able to claim Entrepreneur's Relief on the disposal of goodwill associated with "reputation and customer relationships" on the transfer of a business to a related company. Additionally the company will not be able to claim corporation tax relief on the acquisition from a related individual or partnership.

Inheritance Tax and Trusts:

The government has decided not to go ahead with its plan of introducing a Settlement Nil Rate band which was widely understood to be full steam ahead in an effort to combat what is termed *Rysafffe* trust planning.

Diverted Profits Tax:

A new tax to tackle aggressive tax planning by multi-nationals will be introduced at a rate of 25% - this is projected to raise £300million a year from the likes of naughty Starbucks and Google according to forecasts.

There are various other new measures in relation to an increase in R&D credits, business rates and air passenger duty for the kids.

Good job we are raising all these new taxes on earth to pay for the £95million investment going into searching for life (both past and present) on Mars I say!

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