

Dear Client,

Welcome to a special edition of our tax newsletter highlighting key tax announcements in the Chancellor's Autumn Statement on 3 December 2014.

We hope you enjoy reading the newsletter; remember, we are here to help you so please contact us if you need further information on any of the topics covered.

Best wishes

Tax Partner

PERSONAL ALLOWANCE AND TAX BANDS

The personal allowance for 2015/16 was originally scheduled to increase to £10,500 but it was announced that this will now be £10,600, so the tax free amount will now be £883 per month. If re-elected the Chancellor stated that this would be increased to £12,500 by 2020.

The point at which higher rate tax (40%) becomes payable will be £42,385 for 2015/16, meaning that the basic rate band will be £31,785. The Chancellor "promised" that this threshold would increase to £50,000 by 2020. The 45% rate will continue to apply to taxable income over £150,000.

Remember that the personal allowance is reduced where the taxpayer's adjusted net income exceeds £100,000. The reduction is £1 of allowance for every £2 of excess income, resulting in a marginal tax rate of 60%. For 2015/16 this restriction is even wider than before with the increase in personal allowance to £10,600:

Taxable income	Marginal rate
£100,000 to £121,200	60%
£121,201 to £149,999	40%
£150,000 +	45%

TRANSFER OF PERSONAL ALLOWANCE

As previously announced, 2015/16 sees the introduction of a transferrable personal allowance for married couples and civil partners. As the amount that may be transferred is 10% of the basic personal allowance, this will now be £1,060.

The recipient must not be liable to tax above the basic rate and is eligible to a tax reduction of 20% of the transferred amount, in other words £212.

ISA LIMITS AND CHANGES IN 2015/16

The annual limit for savings in an ISA increases by £240 to £15,240 for 2015/16, but remember that the 50% restriction on cash was removed with effect from 1 July 2014. For Junior ISAs the limit will increase by £80 to £4,080, the same as the Child Trust Fund subscription limit.

There was an important announcement about the treatment of ISA savings on death in the Autumn Statement. It is proposed that the ISA savings will not lose their tax free status on death but, if transferred to the spouse, can be added to their tax free ISA savings.

CORPORATION TAX RATES

Profits	31/3/15 (FY2014)	31/3/16 (FY2015)
First £300,000	20%	20%
Between £300,000 and £1.5m	21.25%	20%
Over £1.5m	21%	20%

As previously announced there will be a single 20% rate of corporation tax regardless of the level of the company's profits from 1 April 2015 onwards.

Although a 20% rate will generally apply to corporate profits from 1 April 2015, a new "diverted profits tax" charge at 25% will apply to profits that are artificially shifted from the UK to an entity in a low tax country.

This is part of a number of measures to counter tax avoidance by multi-national companies. It will be interesting to see if the new measures will bring in additional tax revenue from such companies.

ANNUAL CGT EXEMPTION

This is set to be £11,100 in 2015/16, so is worth a useful £3,108 for higher rate taxpayers for whom the 28% rate applies.

CGT ON NON-RESIDENTS DISPOSING OF UK RESIDENTIAL PROPERTY

Following consultation during Summer 2014, the Government is proceeding with the introduction of a capital gains tax charge from 6 April 2015 on non-residents disposing of UK residential properties. Such individuals will not be able to treat the property as their Principal Private Residence, and thus are potentially exempt, unless there are substantial periods of residence in the property. The proposal is that the individual must spend 90 nights there each year to qualify for the relief, however we await further details.

GOOD NEWS FOR MOST HOMEBUYERS!

Stamp Duty Land Tax (SDLT) has often been referred to as a "slab" tax as there are significant increases in the tax payable at the £250,000 and £500,000 price points causing a cliff edge effect and distortions in the property market. This was particularly relevant around £250,000 as at that purchase price the rate went up from 1% to 3%, which meant £2,500 if the purchase price was £250,000 but an extra £1 meant a further £5,000 SDLT was payable.

Where residential property is purchased from 4 December 2014 onwards, the rates will be as follows.

Purchase price	SDLT rate	Cumulative
Up to £125,000	NIL	NIL
£125,001 - £250,000	2%	£2,500
£250,001 - £925,000	5%	£36,250
£925,001 - £1,500,000	10%	£93,750
£1,500,001 and over	12%	

The Government considers that this will create a much fairer system and those buying residential property up to £937,500 will pay less SDLT, about 98% of all purchasers.

For example, where the purchase price is £275,000 (the average price of a family home) the SDLT reduces from £8,250 to £3,750. This is 2% on £125,000 to £250,000 = £2,500 plus 5% on £250,000 to £275,000 = £1,250.

The new rules apply to transactions on or after 4 December 2014 but if you've already exchanged on a property you'll have a choice about whether to use the old or new rules.

2015/16 NATIONAL INSURANCE RATES

There will be no increase in the rates of national insurance contributions (NICs) for employers, employees nor the Class 4 rate for the self-employed for 2015/16, although the thresholds will be increased.

Employee contributions will be payable at 12% on earnings between £155 per week and £815 per week and 13.8% employers contributions will start at £156 per week instead of £153 for 2014/15. The £2,000 employment allowance will continue to be deductible from employers' NIC for 2015/16.

The Class 2 NIC weekly contribution for the self-employed increases to £2.80 from 2015/16.

NO EMPLOYER NICs FOR THE UNDER 21s AND APPRENTICES

As previously announced, from April 2015 employers NIC for those under the age of 21 will be abolished. This exemption will not apply to those earning more than the Upper Earnings Limit (UEL), Employers NIC will be charged as normal beyond this limit.

In addition, to encourage apprenticeships there will be no employers NIC payable in respect of wages paid to apprentices under the age of 25 from 6 April 2016.

R&D TAX CREDITS INCREASED

In order to further encourage innovation in the UK, the Government has announced an increase in R&D tax relief for the SME sector from 225% to 230% from 1 April 2015. In addition, the credit for larger non-SMEs will be increased from 10% to 11%.

An advance assurance scheme for small businesses making their first claim to R&D tax credits will be introduced along with new guidance.

NO TAX RELIEF FOR THE WRITE OFF OF GOODWILL ON INCORPORATION

One of the anti-avoidance measures announced in the Chancellor's Autumn Statement was a proposal to block the corporation tax deduction for goodwill and other intangibles transferred to a limited company on incorporation. This was potentially available where intangibles were created or acquired by the individual or a partnership after 1 April 2002 and then transferred to a company that they controlled. Furthermore, it will no longer be possible to claim CGT entrepreneurs' relief against the gains arising on the sale of such assets to the company.

Both of these measures will be included in the 2015 Finance Bill and, if enacted, will apply to transactions on or after 3 December 2014.

RELIEF FROM BUSINESS RATES

Many small businesses will welcome the news that the doubling of Small Business Rate Relief will be extended to April 2016. This means that around 385,000 of the smallest businesses will continue to receive 100% relief from business rates until April 2016, with around a further 190,000 benefiting from tapering relief.

High street retailers will be grateful for the increase in the business rates discount for shops, pubs, cafes and restaurants with a rateable value of £50,000 or below, from £1,000 to £1,500 in 2015/16, benefitting an estimated 300,000 properties and helping such small business compete with internet retailers.

CAR FUEL BENEFIT CHARGE

Employees and directors with company cars and who also have some or all of their private fuel paid for by their employers are subject to the fuel benefit charge - on an all or nothing basis. The benefit charge is determined by multiplying a notional list price by the appropriate percentage for the car, based on its CO2 emissions.

The car fuel notional list price will increase from £21,700 to £22,100 with effect from 6 April 2015, notwithstanding the actual fall in fuel prices in the current tax year, so this is another attempt to stop employers providing any private use fuel. For a company car emitting between 121g to 125g CO2 per km the scale charge would be 20% of £22,100 and this would result in taxable fuel benefit of £4,420 and £1,768 income tax for a 40% taxpayer. At 11p per mile the employee would need to drive 16,073 private miles to make having private fuel paid for worthwhile.

PRIVATE USE OF COMPANY VANS

Where employees are provided with a company van the taxable benefit increases from £3,090 to £3,150 for 2015/16 and there will be an additional taxable benefit of £594 where private fuel is provided by their employer. Note that this charge does not apply to all company van drivers, only those who use the van for private journeys.

COMPANY CAR ADVISORY FUEL RATES

Not part of the Autumn Statement, but you need to know that some of the rates are reduced from 1 December 2014 (previous rates in brackets where there was a change):

engine size	petrol	diesel	LPG
1,400 cc or less	13p (14p)		9p
1,600 cc or less		11p	
1,401cc to 2,000cc	16p		11p
1,601cc to 2,000cc		13p	
over 2,000cc	23p (24p)	16p (17p)	16p

Add your logo and contact details here.

Please contact a member of our Tax Team if you would like to discuss any of the issues raised.