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Autumn Statement 2015

In his Autumn Statement on 25 November 2015, Chancellor George Osborne announced a number of tax changes. Some of the key changes are summarised below.

Personal taxation

The Government will consult on Business Investment Relief rules to encourage greater use of the relief to increase investment in UK businesses. This relief enables non-domiciled individuals to make qualifying investments in the UK with previously unremitted offshore income or gains without a tax liability on the remittance.

The averaging period for self-employed farmers will be extended from 2 years to 5 years as of April 2016, with farmers able to choose either averaging period.

The taxation of **sporting testimonials** is to be simplified. From 6 April 2017 where the award is granted after 24 November 2015 to events after 5 April 2017, it will be taxable save for a £50,000 exemption for employed sportspersons with income from sporting testimonials that are not contractual or customary.

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.

Tax relief for travel and subsistence expenses for workers engaged through an employment intermediary, such as an umbrella company or a personal service company will be restricted from 6 April 2016.

The **starting rate** of 0% on savings income is to apply to £5,000 of income in 2016/17, as for 2015/16.

Capital gains tax on disposal of residential property - From April 2019, a payment on account of any capital gains tax due on the disposal of residential property will be required within 30 days of the completion of the disposal. The Government will publish draft legislation for consultation in 2016.

Salary sacrifice – The Government remains concerned about the growth of salary sacrifice arrangements and is considering what action is necessary.

Pensions - The Government is considering the responses received to the consultation issued earlier and will publish its response at Budget 2016.

Automatic enrolment – The Government will delay the next two scheduled increases in automatic enrolment minimum contribution rates by 6 months each, to align these changes with the start of the tax year.

Employee share schemes - The Government will introduce a number of technical changes to streamline and simplify aspects of the tax rules to provide more consistency.

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For **company cars fuel benefit** the 3 percentage point differential between diesel cars and petrol cars will be retained until April 2021.

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, with legislation in the Finance Act 2017.

ISA levels are to be unchanged, but the list of qualifying investments is to be extended from Autumn 2016 to include debt securities offered via crowdfunding platforms.

The **ISA savings of a deceased person** are to continue to benefit from tax advantages during the administration of their estate; to be legislated in Finance Act 2016.

Enterprise Investment Scheme (EIS), Venture Capital Trusts (VCT), Seed Enterprise Investment Scheme (SEIS) and Social Investment Tax Relief (SITR) - 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 for EIS, VCT, SEIS and SITR.

Deeds of variation – 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.

The Government will legislate to ensure a charge to inheritance tax 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.**

Business taxation

The Government will introduce an **apprenticeship levy** in April 2017 at 0.5% of an employer's payroll. Each employer will receive an allowance of £15,000 (presumably annual, and limited to the amount of the levy), to offset against their levy payment. So the levy will only be paid on any annual payroll in excess of £3 million.

Restitution interest payable by HMRC will suffer a special 45% rate of corporation tax.

VAT - Until EU rules are amended to enable the UK to apply a zero rate of VAT for sanitary products a donation equivalent to the VAT thereon is to be made to women's charities

Stamp Duty Land Tax (SDLT) and Annual Tax on Enveloped Dwellings (ATED)

Higher rates of SDLT will be charged on purchases of additional residential properties (above £40,000), such as buy to let properties and second homes, from 1 April 2016. The higher rates will be 3 percentage points above the current SDLT rates. This will not apply to certain corporates or funds making significant investments in residential property. The Government will consult on the detail, including on whether an exemption for corporates and funds owning more than 15 residential properties is appropriate.

The Government will consult on changes to the SDLT filing and payment process, including a reduction in the filing and payment window from 30 days to 14 days, with effect from April 2017.

The Government will extend the reliefs available from the 15% higher rate of SDLT and ATED to equity release schemes (home reversion plans), property development activities and properties occupied by employees from 1 April 2016.

Small Business Rate Relief – The Government will extend the doubling of this relief for a further year from 1 April 2016.

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Tax evasion and compliance

A number of tough measures are to be introduced in the Finance Act 2016 –

- A new criminal offence that removes the need to prove intent for the most serious cases of failing to declare offshore income and gains.
- Increased civil penalties 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.
- Civil penalties for those who enable offshore tax evasion, including public naming of those who have enabled the evasion.
- A new criminal offence for corporates which fail to prevent their agents from criminally facilitating tax evasion by an individual or entity.
- A possible additional requirement for individuals to correct any past offshore non-compliance with new penalties for failure to do so.
- Tough new measures for those who persistently enter into tax avoidance schemes that are defeated by HMRC, including a special reporting requirement and a surcharge on those whose latest return is inaccurate due to use of a defeated scheme, the names of such avoiders being published and, for those who persistently abuse reliefs, restrictions on them accessing certain tax reliefs for a period.
- A new penalty of 60% of tax due to be charged in all cases successfully tackled by the General Anti-Abuse Rule (GAAR).

The Government will publish a consultation on the rules concerning **company distributions** later in the year. The Transactions in Securities Rules will be amended and a Targeted Anti-Avoidance Rule introduced in order to prevent opportunities for income to be converted to capital in order to gain a tax advantage.

Capital allowances and leasing – With effect from 25 November 2015, the Government will amend legislation to counter 2 types of avoidance involving capital allowances and leasing. These changes will prevent companies from artificially lowering the disposal value of plant and machinery for capital allowances purposes, and make any payment received for agreeing to take responsibility for tax deductible lease related payments subject to tax as income.

Disguised remuneration – The Government intends to take action against those who have used or continue to use disguised remuneration schemes. They will also consider legislating in a future Finance Bill to close down any further new schemes intended to avoid tax on earned income, where necessary, with effect from 25 November 2015.

The Government will amend the intangible fixed asset rules to clarify the tax treatment on transfers of assets to partnerships with effect from 25 November 2015. It will ensure that partnerships cannot be used in arrangements that seek to obtain a tax relief for their corporate members in a way that is contrary to the intention of the regime. The Government will also consider a review of the intangible assets regime.

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