

# Autumn Statement 2014



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## Personal taxation

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### Residential property

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## Business taxation

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### VAT

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### Gift Aid

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## Anti-avoidance

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In his Autumn Statement on 3 December 2014, Chancellor George Osborne announced a number of tax changes. Some of his measures will apply with immediate effect whilst others are deferred. Some of the key changes are summarised below.

### Personal taxation

#### Income tax allowances

The personal allowance for 2015/16 is to be £10,600, not £10,500 as announced in March. The basic rate band will be £31,785.

#### Entrepreneurs' capital gains tax relief

This will not apply to the sale of goodwill to a related company after 3 December 2014 (unless under a contract entered into before 4 December). Furthermore, corporation tax relief will be restricted.

Gains eligible for entrepreneurs' relief which are instead deferred after 2 December 2014 into investments which qualify for the Enterprise Investment Scheme or Social Investment Tax Relief are to remain eligible for entrepreneurs' relief when the gain is realised.

#### Peer to peer lending

A new relief is to be introduced for individuals' losses on loans incurred from April 2015 made through P2P platforms. The Government is to consult on introducing a withholding tax regime from April 2017.

#### ISAs

The Government will introduce legislation to allow an additional ISA allowance for spouses or civil partners when an ISA saver dies, equal to the value of that saver's ISAs.

#### Social Investment Tax relief

The Government will seek EU approval to increase the investment limit to £5 million a year per organisation up to a maximum of £15 million per organisation and to extend the relief to small-scale community farms and horticultural activities. The changes will come into effect from 6 April 2015, subject to State aid clearance.

#### Remittance Basis Charge

The charge for the non-domiciled who elect to be taxed on remittances of offshore income and gains will be increased from £50,000 to £60,000 for those who have been UK resident 12 out of the last 14 years, and a new rate of £90,000 introduced for those resident for 17 out of the last 20 years. The Government will consult on making the 'remittances' election apply for a minimum of 3 years.

#### Inheritance tax

The existing exemption from inheritance tax on the death of a member of the armed

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forces will be extended (for deaths after 18 March 2014) to emergency services personnel and humanitarian aid workers. For relevant property trusts a single settlement nil-rate band (as foreshadowed in June 2014) will not now be introduced. Instead, new rules will be introduced to target the use of multiple trusts and to simplify the calculation of trust rules.

### **Annuities**

From 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. The tax rules will also be changed to allow joint life annuities to be passed on to any beneficiary.

### **Residential property**

#### **Stamp duty land tax**

From 4 December 2014, the slab system, under which the tax rate was determined by the total transaction price and applied to all of it, is replaced by slices, so that the higher rates will apply only to the relevant slice. There will no tax on the first £125,000 of the purchase consideration, 2% on the next £125,000, 5% on the next £675,000, 10% on the next £575,000 and 12% on any excess over £1.5 million. Buyers who exchanged contracts before 4 December 2014 but complete after 3 December may choose to adopt either the old or new rules.

#### **ATED (the annual tax on enveloped dwellings)**

The rates of tax for 2015/16 are to be increased by 50% above inflation for those worth over £2 million. This means that the charge for dwellings worth £2m to £5m will be £23,350; £5m to £10m £54,550; £10m to £20m £109,500 and if over £20m £218,200. The reporting system is to be simplified.

### **Business taxation**

#### **R & D tax credits**

From April 2015 the above the line credit is to be increased from 10% to 11% and the rate for SMEs increased from 225% to 230%; but the cost of materials incorporated in products that are sold will cease to be qualifying expenditure. The Government is to introduce an advance assurance scheme for small businesses making their first claim.

#### **Employers' NIC**

No employer's NIC is to be payable for employees under 21 from April 2015 and from April 2016 also for all 'apprentices' under 25 up to the upper earnings limit'.

#### **Business rates**

The 'high street discount' is increased from £1,000 to £1,500 for 2015/16 in addition to doubling Small Business Rate relief. Transitional relief for properties with a rateable value not exceeding £50,000 is to be extended.

#### **Creative industry tax credits**

For high end TV relief the minimum UK expenditure may be dropped from 25% to 10% and the cultural test modernised.

A new children's TV tax relief is to apply from April 2015 [25% of qualifying expenditure].

The Government will consult on a new orchestra tax relief to apply from April 2016.

#### **Diverted profits tax**

A new 'diverted profits tax' at 25% is to apply from April 2015 to companies' profits moved offshore through complicated arrangements such as the 'double Irish' plan.

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## Construction Industry Scheme

The scheme administration is to be simplified

## Loss relief for banks

The relief for banks' past losses is to be restricted to 50% of current profits each year until used, from 1 April 2015.

## Northern Ireland

Corporation tax is to be devolved for Northern Ireland.

## VAT

Reliefs from VAT are to apply from April 2015 to search & rescue and air ambulance charities and to hospices.

As already known, from April 2015 prompt payment discounts are to be disregarded for VAT purposes until they are taken.

## Gift aid

Intermediaries are to be given a greater role; the rules for donor benefits are to be further reviewed; and guidance is to be improved.

## Anti-avoidance

Provisions to deny miscellaneous loss relief for income tax are to apply from 3 December 2014.

From April 2015 all returns from 'special purpose share schemes' will be taxed like dividends.

Having reviewed existing legislation affecting loans by close companies to participators, no changes are to be made

Civil deterrents for 'offshore evasion' are to be increased partly from Royal Assent to Finance Bill 2015 and partly from April 2016. Seemingly the previously suggested criminal 'absolute offence' idea is not being pursued, at least for the time being.

Anti-avoidance is to be stepped up, generally

**If you would like advice or further information, please speak to your usual Shipleys contact.**

Specific advice should be obtained before taking action, or refraining from taking action, in relation to the above.

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