

Autumn Statement - 2013



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In his Autumn statement on 5 December 2013, Chancellor George Osborne said that the UK economy is growing faster than that of any other major economy thanks to his policies, but the job of recovery was 'not yet done'. He announced a number of tax changes aimed at narrowing the tax gap and aiding the recovery. Some of his measures will apply with immediate effect whilst others are deferred, in some instances to allow time for consultation. Some of the key changes are summarised below:

Partnerships

Draft clauses have been published in relation to partnerships with a corporate member (mixed member partnerships) designed to affect their profit and loss sharing arrangements. No mention has been made of the other partnership matters covered in an earlier consultation. However, the clauses published are referred to as Part 1 of a schedule headed 'Partnerships' so there may well be more to come.

CFC profit sharing

Anti avoidance provisions will apply with immediate effect in relation to profit shifting involving controlled foreign companies.

Personal allowances, rate bands and National Insurance Contributions

The personal allowance and basic rate limit for 2013/14 have been announced, but tax rates will only be announced in the 2014 Budget. There are no changes to the NIC percentage rates. However, from April 2015 employers are to be relieved from

Class 1 NIC on earnings paid (up to the upper earnings limit) to employees under 21.

In certain circumstances £1,000 of the personal allowance will be transferable to a spouse or civil partner, but only from April 2015.

Main residence

At present the capital gains tax exemption on disposal of a property which at some time has been an individual's main residence is unaffected by its use in the final 36 months ownership. This period will be reduced to 18 months for disposals from 6 April 2014.

Non-residents' residential property

Subject to consultation, capital gains tax will be charged on non-residents' 'future gains' on disposal of UK residential property, from April 2015.

SIPs, SAYE, ISAs and CTFs

Modest increases in the limits applicable to Share Incentive Plans, Save As You Earn plans, Individual Savings Accounts, and Child Trust Funds have been announced.

Film tax relief

Subject to state aid approval, from April 2014 the film tax credit rate for surrenderable losses will be 25% on the first £20 million of qualifying core expenditure and 20% thereafter.

The government will also reduce the minimum UK expenditure requirement from 25% to 10%.

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Theatre tax relief

A consultation will be launched in spring 2014 on the introduction of a limited corporation tax relief for commercial theatre productions and a targeted relief for theatres investing in new writings or touring productions to regional theatres

Failed avoidance schemes

Measures are to be introduced obliging users of an avoidance scheme that HMRC have defeated in a tribunal or court hearing to concede their position and amend their return, or advise HMRC why they believe they should not. This will be supported by new tax-geared penalties and an obligation to immediately pay the tax in dispute.

Corporate gift aid

The benefits of corporate gift aid will be extended to cover cash donations to Community Amateur Sports Clubs.

Employee ownership

From April 2014 disposals of shares that result in a controlling interest in a company being held by an employee ownership trust will be relieved from capital gains tax.

Transfers of shares and other assets to employee ownership trusts will also, subject to conditions, be exempt from inheritance tax.

From October 2014 bonus payments made to employees of indirectly owned employee companies which are controlled by an employee ownership trust will be exempt from income tax up to £3,600 each year.

Trusts - IHT simplification

The government will continue to consult on measures to simplify the inheritance

tax calculation for 'relevant property trusts' with a view to introducing a change in 2015.

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