Autumn Statement 2015

Capital taxes | Savings and pensions | Personal taxation | Business taxes | Welfare | Tax administration and simplification | Tax avoidance, evasion and compliance

Highlights

In the first combined Spending Review and Autumn Statement since 2007, the Chancellor's emphasis was on expenditure. He nevertheless made a range of tax-related announcements, the main ones being:

- **Stamp duty land tax (SDLT):** From 1 April 2016 SDLT rates will be increased by 3% for the purchasers of buy-to-let and second homes. From April 2019, any capital gains tax due on the disposal of residential property will have to be made as a payment on account within 30 days of the disposal.
- **Apprenticeship levy:** The rate of the new apprenticeship levy, due to begin in April 2017, will be 0.5% of the employer's payroll. Every employer will receive an offsetting allowance of £15,000, so that only employers with a payroll of over £3m will pay anything.
- **Tax credits:** The proposed changes to tax credits, rejected by the House of Lords in October, have been scrapped at a cost of £3.4bn in 2016/17.
- **Pensions:** The dates for the contribution rate increases under auto-enrolment will be pushed back 6 months to align them with tax years. The rate for the new single tier state pension, due to start next April, has been set at £155.65 a week.
- **ISAs:** In the absence of inflation, the ISA limits will remain at their 2015/16 levels. A consultation on including equity crowdfunding as an eligible investment was launched.
- **Company car tax:** A planned change to the tax treatment of diesel company cars, which would have removed the 3% surcharge from April 2016, will be deferred until April 2021.
- **Tax avoidance and evasion:** Several measures to counter tax avoidance and evasion were announced, including a number targeted at offshore activities.

Economic background

In July, George Osborne presented his post-election Budget against a background of an economy that had grown at 3.0% in 2014 and was enjoying zero inflation. The revenue-raising measures he announced then allowed the Office for Budget Responsibility (OBR) to reduce its projection for net government borrowing in 2015/16 to £74.1bn, a 20.9% drop from the previous year.

Four months on and inflation is still absent, but other economic numbers are looking slightly less rosy. Annual growth slowed to 2.3% in the third quarter of 2015, although the OBR has decided to keep its 2015 estimate unchanged at 2.4% and added 0.1% to its forecast for each of the following 2 years.

Government finances have also disappointed since July. In the first 7 months of 2015/16, net borrowing declined by only 10.9%. The OBR, which prepared its calculations before the latest borrowing figures emerged, forecasts a further £0.5bn drop in this year's deficit. It attributes the fall to higher than expected income tax, corporation tax and VAT receipts.

Beyond the current year, many commentators had expected that Mr Osborne's plan to turn the deficit into a £10bn surplus by 2020/21 would be dented by last month's House of Lords rejection of the tax credits reforms announced in July. These cuts alone accounted for about half of the extra 2016/17 revenue raised in the July Budget.

Mr Osborne found he was able to increase his projected 2020/21 surplus, albeit only to £10.1bn, in spite of scrapping his planned changes to tax credits and making a £6.2bn tax 'giveaway' in 2016/17. This was largely thanks to his new apprenticeship levy.

Capital taxes

Inheritance tax and drawdown pensions

There will be legislation 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.

Anyone concerned with IHT should call us on 0800 321 3581.

Stamp duty land tax on buy-to-let and second homes

Higher rates of stamp duty land tax (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 rates.

The higher rates will not apply to purchases of caravans, mobile homes or houseboats, or to corporates or funds making significant investments in residential property. There will be a consultation on the policy detail, which will include whether it is appropriate to have exemptions for corporates and funds owning more than 15 residential properties.

SDLT – changes to the filing and payment process

There will be a consultation in 2016 on changes to the SDLT filing and payment process, including a reduction in the filing and payment window from 30 days to 14 days. These changes will come into effect in 2017/18.

Annual tax on enveloped dwellings (ATED) and SDLT

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

Non-UK residents with UK residential property

The capital gains tax (CGT) computations required by non-residents on the disposal of UK residential property will be changed. With retrospective effect from 6 April 2015, a double charge that may occur will be removed and an omission will be corrected with effect from 25 November 2015. H M Revenue and Customs (HMRC) will be given powers to prescribe circumstances when non-residents are not required to make a CGT return and CGT will be added to the list of taxes that the government may collect on a provisional basis.

CGT payment on account on residential property

From April 2019, a payment on account of any CGT due on the disposal of residential property will be required within 30 days of the completion of the disposal. This will not affect gains on properties that are not liable for CGT because of private main residence relief. Draft legislation will be published in 2016.

Deeds of variation

After the review announced in the March Budget 2015, there will be no new restrictions on how deeds of variation can be used for tax purposes but the government will continue to monitor their use.

Savings and pensions

Automatic enrolment minimum contribution rates

The 2 scheduled increases in automatic enrolment minimum contribution rates will each be deferred by 6 months, to align them with the start of the tax year. This will provide a substantial saving in tax relief for the Exchequer.

Pensions tax relief consultation

The government launched a consultation in the Summer Budget 2015 on the system of pensions tax relief. The government is considering the responses and will publish its proposals in the 2016 Budget.

Dependant scheme pensions

There will be some simplification to the test that takes place when a dependant's scheme pension is payable.

Bridging pensions

Following the introduction of a single tier pension from 6 April 2016, the pension tax rules on bridging pensions will be aligned with Department for Work and Pensions legislation.

Secondary market for annuities

The barriers to creating a secondary market for annuities will be removed, allowing individuals to sell their annuity income stream. The government will set out further details on this measure, including the framework for the consumer protection package, in its consultation response this December.

Individual savings accounts (ISAs)

- The ISA, Junior ISA and Child Trust Fund annual subscription limits will remain at their current level for 2016/17. The ISA limit will remain at £15,240. The Junior ISA and Child Trust Fund limits will be kept at £4,080.
- The list of qualifying investments for the new Innovative Finance ISA will be extended in autumn 2016 to include debt securities offered via crowdfunding platforms. The government will continue to explore the case for extending the list to include equity crowdfunding.
- The ISA savings of a deceased person will continue to benefit from ISA tax advantages during the administration of their estate. Legislation for this measure will be introduced in 2016, following consultation with ISA providers.

Starting rate of savings tax

The band of savings income that is subject to the 0% starting rate will be kept at its current level of £5,000 for 2016/17.

Personal taxation

Salary sacrifice

The government remains concerned about the growth of salary sacrifice arrangements and is considering what action, if any, is necessary. Further evidence will be gathered, including from employers, on salary sacrifice arrangements to inform its approach.

Company car tax diesel supplement

The 3 percentage point differential for company car taxation between diesel and petrol cars will be retained until April 2021. The original intention was to abolish it from April 2016.

Taxation of sporting testimonials

The tax treatment of income from sporting testimonials will be simplified. From 6 April 2017, all income from sporting testimonials and benefit matches for employed sports men and women will be liable to income tax. However, an exemption of up to £50,000 will be available for employed sports men and women with income from sporting testimonials that are not contractual or customary.

This will apply where the sporting testimonial is granted or awarded on or after 25 November 2015, and only to events that take place after 5 April 2017. There will be separate legislation before 6 April 2017 for the national insurance treatment of this income, which will follow the income tax treatment.

Employment intermediaries: travel and subsistence

There will be a restriction to the tax relief for travel and subsistence expenses for workers who are engaged through an employment intermediary, such as an umbrella company or a personal service company. This was previously announced in the Summer Budget 2015. Following consultation, relief will be restricted for individuals working through personal service companies where the intermediaries legislation applies. This change will take effect from 6 April 2016.

Business taxes

The apprenticeship levy

The apprenticeship levy is due to begin in April 2017, and the rate has been set at 0.5% of an employer's payroll. Employers will receive an allowance of £15,000 to set against their levy payment. As a result, only employers with a payroll of more than £3m will have to pay the levy.

Small business rate relief (SBRR)

The doubling of SBRR will be extended for a further year from 1 April 2016.

Extending averaging for farmers

The averaging period for self-employed farmers will be extended from 2 years to 5 years with effect from April 2016, with farmers having the option of either averaging period. This follows the consultation announced in the March Budget 2015.

Business investment relief

The government will consult on how to change the business investment relief rules to encourage greater use of the relief to increase investment in UK businesses.

Venture capital schemes: eligible investments

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. In addition, these activities will not be eligible for social investment tax relief (SITR) when SITR is increased.

All remaining energy generation activities will be excluded from the schemes from 6 April 2016, as well as from the increased SITR. There will also be increased flexibility for replacement capital within Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCT), subject to state aid approval.

This was legislated for in the Finance (No. 2) Act 2015.

Employee share schemes: simplification of the rules

A number of technical changes will be made to the tax rules for employee share schemes. These changes will provide more consistency and put beyond doubt the tax treatment for internationally mobile employees of certain employment-related securities (ERS) and ERS options. Any charge to tax will arise under the rules that deal with ERS options, rather than the rules for earnings.

Welfare

Tax credits

The changes to tax credits proposed in the July 2015 Budget have been withdrawn. The rate at which a claimant's award is reduced as each pound of their income exceeds the income threshold (known as the taper rate) will remain at 41% of gross income. The level of income at which a claimant's tax credit award begins to be tapered away (known as the income threshold), will also stay unchanged at £6,420 a year.

As announced in the Summer Budget 2015, the income rise disregard in tax credits will reduce from £5,000 to £2,500 from April 2016. This is the amount by which a claimant's income can increase in-year compared with their previous year's income before their award is adjusted.

Tax-free childcare

The upper income limit per parent for tax-free childcare will be reduced from £150,000 to £100,000. The minimum income level per parent will be increased from the equivalent of 8 hours to 16 hours at the National Living Wage.

Tax administration and simplification

Making tax digital

Most businesses, self-employed people and landlords will be required to keep track of their tax affairs digitally and update HMRC at least quarterly via their digital tax account. This should reduce errors through record keeping.

HMRC will ensure the availability of free apps and software that link securely to HMRC systems and provide support to those who need help using digital technology. This will not apply to individuals in employment or pensioners, unless they have secondary incomes of more than £10,000 a year. The government will publish its plans to transform the tax system shortly and will consult on the details in 2016.

Review of employment status

The government has responded to the final report of the Office of Tax Simplification (OTS) review of employment status and is taking forward the majority of its recommendations.

Simple assessment of tax

The government will publish draft legislation for a new, simpler process for paying tax. This will be used for taxpayers in self-assessment who have simple tax affairs where HMRC already holds the data it needs to calculate the tax liability, and where existing payment processes are not available. Taxpayers will be sent a calculation that will be a legally enforceable demand for payment, and taxpayers will be able to challenge and appeal these calculations. This process will come into effect in the 2016/17 tax year.

'On or before' reporting obligation review

On 6 April 2016, the 2 year temporary relaxation for micro employers using real-time Pay As You Earn (PAYE) reporting will come to an end. This currently allows existing micro-employers using real-time PAYE to report all payments they make in a tax month on or before the last payday in the tax month rather than on or before each and every payday. This will align the treatment for existing micro-employers with all other employers.

Tax avoidance, evasion and compliance

Offshore tax evasion

A new criminal offence will be introduced which will remove the need to prove intent for the most serious cases of failing to declare offshore income and gains.

The civil penalties for deliberate offshore tax evasion will also be increased. There will be a new penalty linked to the value of the asset on which tax was evaded and more public naming of tax evaders. Civil penalties will be introduced for those who enable offshore tax evasion, including public naming of those who have enabled the evasion.

Corporates failing to prevent tax evasion

There will be a new criminal offence for corporates that fail to prevent their agents from criminally facilitating tax evasion by an individual or entity.

Serial tax avoiders

There will be new measures for those who persistently enter into tax avoidance schemes that are defeated by HMRC. These include a special reporting requirement and a surcharge on those whose latest return is inaccurate because of the use of a defeated scheme. The names of such avoiders will be published and those who persistently abuse tax relief, will be subject to restrictions on accessing certain reliefs for a period. The government is also widening the promoters of tax avoidance schemes (POTAS) regime, by including promoters whose schemes are regularly defeated.

General anti-abuse rule (GAAR)

A new penalty of 60% of tax due will be charged in all cases successfully tackled by the GAAR. The government will also make small changes to the way the GAAR works to improve its ability to tackle marketed avoidance schemes.

Capital allowances and leasing

With effect from 25 November 2015, legislation will 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. They will also make any payment subject to tax as income where it is received for agreeing to take responsibility for tax deductible lease-related payments.

Disguised remuneration

Action will be taken against those who have used or continue to use disguised remuneration schemes and who have not yet paid the appropriate tax. There may also be new legislation to close down any new schemes intended to avoid tax on earned income, where necessary, with effect from 25 November 2015.

Asset managers' performance-based rewards

Performance awards received by asset managers will be subject to income tax rather than CGT, unless the underlying fund undertakes long term investment activity.

CGT entrepreneurs' relief: contrived structures

The government will consider bringing forward legislation to amend the changes made by Finance Act 2015 to entrepreneurs' relief. This is to support businesses by ensuring that the relief is available on certain genuine commercial transactions.

Large business tax compliance

In the Summer Budget 2015, the Chancellor announced new measures to improve large business tax compliance, with a consultation over the summer to refine the detail of the measures. Following consultation, the government will legislate to introduce:

- A new requirement that large businesses should publish their tax strategies as they relate to UK taxation or affect it;
- A special measures regime to tackle businesses that persistently engage in aggressive tax planning;
- A framework for cooperative compliance.

Main income tax allowances and rates

Data published as at 25 November 2015	2015/16 £	2016/17 £
Personal allowance	10,600	11,000
Personal allowance reduced by £1 for every £2 of total net adjusted income exceeds	100,000	100,000
Transferable tax allowance for married couples/civil partners where there is no entitlement to married couple's allowance and where neither spouse/civil partner pays more than basic rate tax	1,060	1,100
Personal savings allowance: basic rate taxpayers	n/a	1,000
Personal savings allowance: higher rate taxpayers	n/a	500
Blind person's allowance	2,290	2,290
Child benefit charge: 1% of benefit for each £100 of adjusted net income between	50,000-60,000	

Age-related allowances

Personal if born before 6/4/38*	10,660	n/a
Married couple's/civil partners allowance at 10% – minimum*	3,220	3,220
Married couple's/civil partners allowance at 10% – maximum*	8,355	8,355

*Where at least one spouse/civil partner was born before 6 April 1935.

Income tax rates and bands

	2015/16 £	2016/17 £
0% starting rate on savings income up to**	£5,000	£5,000
Basic rate of 20% on income up to	£31,785	£32,000
Maximum tax at basic rate	£6,357	£6,400
Higher rate of 40% on income between	£31,786 – £150,000	£32,001 – £150,000
Tax on first £150,000	£53,643	£53,600
Additional rate on income over £150,000	45%	45%
Dividend allowance	n/a	£5,000
Dividend tax credit	10%	n/a
Dividends: ordinary rate	10%	n/a
ordinary rate above allowance	n/a	7.5%
Dividends: upper rate	32.5%	n/a
upper rate above allowance	n/a	32.5%
Dividends: additional rate	37.5%	n/a
additional rate above allowance	n/a	38.1%

**Not available if taxable non-savings income exceeds the starting rate band.

National Insurance Contributions (NIC)

Class 1 Employee

	2015/16		2016/17	
	Employee*	Employer	Employee*	Employer
NIC rate	12%	13.8%	12%	13.8%
No NICs on the first	£155 pw	£156 pw	£155 pw	£156 pw
NICs charged up to	£815 pw	No ceiling	£827 pw	No ceiling
NIC on earnings over	£815 pw 2%	N/A	£827 pw 2%	N/A

Employment allowance

	2015/16	2016/17
Deduction from Class 1 employer's NICs	£2,000 per employer	£3,000 per employer^

^Not available where director is sole employee

Contracted out S2P rebate

	2015/16	2016/17
Reduction on band earnings	£112.01 – £770 pw	n/a
Employer rate reduction	3.4%	n/a
Employee rate reduction	1.4%	n/a

Class 1A Employer

	2015/16	2016/17
Most taxable benefits:	13.8%	13.8%

Limits and Thresholds

	2015/16 Weekly	2016/17 Weekly
Lower earnings limit	£112	£112
Primary earnings threshold	£155	£155
Secondary earnings threshold	£156	£156
Upper earnings limit	£815	£827
Upper secondary threshold for under 21s	£815	£827

Self-employed

	2015/16	2016/17
Class 2*		
Flat rate	£2.80 pw £145.60 pa	£2.80 pw £145.60 pa
Small earnings exception/profits threshold	£5,965 pa	£5,965 pa
Class 4*		
On profits	£8,060 – £42,385 pa: 9% Over £42,385 pa: 2%	£8,060 – £43,000 pa: 9% Over £43,000 pa: 2%
Voluntary		
Class 3 Flat rate	£14.10 pw £733.20 pa	£14.10 pw £733.20 pa

*Unless over state pension age on 6 April

How we can help

If there are any issues raised in the Autumn Statement that you would like to discuss in more detail, or if there is anything else we can help you with, please don't hesitate to contact us.

At Savings Champion we work with a number of financial specialists, with expertise in numerous fields ranging from inheritance tax planning to advice on pensions and of course, we can help you get the very best returns on your cash savings. Contact us to arrange a call with a financial expert, without obligation, on 0800 321 3581.

Important information

This summary has been prepared very rapidly and is for general information only. You are recommended to seek competent professional advice before taking or refraining from taking action on the basis of the contents of this publication. The guide represents our understanding of the law and HM Revenue & Customs practice as at 25 November 2015, which are subject to change.