DIXON WILSON
CHARTERED ACCOUNTANTS

2015 Budget Update

30 March 2015

Note: This update was written on 30 March 2015. It is based on the government's proposals at that point in time which don't necessarily represent the final legislation. For that reason, no action should be taken based on this update without taking further advice.

INTRODUCTION

The Government announced the 2015 Budget in March ahead of the General Election in May. There were few major announcements. However, the main highlight was that the Chancellor has provided tax incentives to savers with further changes to pensions. The changes announced in the Autumn Statement will be part of Finance Act 2015 (FA15) and the main changes are also summarised below.

INDIVIDUALS

INDIVIDUAL SAVINGS ACCOUNTS (ISA)

The Chancellor announced in the Autumn Statement that ISA's will retain their tax exempt status for income and capital gains when transferred on death to the surviving spouse or civil partner. They will continue to lose their tax free status if they are transferred to any other beneficiaries on death. This is expected to take effect from 6 April 2015 in respect of ISA transfers on or after this date for deaths on or after 3 December 2014.

FLEXIBLE ISA

Individuals will be able to make withdrawals from their ISA and replace these amounts within the same tax year without those withdrawals counting towards their annual ISA allowance. The changes will be introduced in the autumn following a short consultation with ISA providers.

'HELP TO BUY' ISA

A new ISA will be introduced from to allow first time buyers to save up to £200 per month towards the purchase of a home. The government will provide a bonus of 25% of the amount saved by the individual up to a maximum of £3,000 to purchase their first home. The bonus is available on property purchases of less than £250,000 outside London and £450,000 inside London.

PERSONAL SAVINGS ALLOWANCE

From April 2016, individuals will not be taxable on their first £1,000 of savings income (£500 for higher rate taxpayers). This allowance is not available for Additional Rate Taxpayers. Banks and Building Societies will no longer automatically deduct basic rate tax from bank interest from April 2016 bringing those with savings income in excess of these limits into the self assessment regime.

PENSION SCHEME – DEATH BENEFIT

As announced in the Autumn Statement, the 55% tax charge previously attached to some pension death benefits arising is to be scrapped for the 2015/16 tax year onwards.

An individual would typically name beneficiaries to receive such benefits upon their death and these benefits would be either a lump sum or a pension. Until 5 April 2015 only dependants were allowed to take a pension thus leaving many beneficiaries (mainly adult children) to receive a lump sum which in certain circumstances suffered tax at 55%.

From 6 April 2015, the definition of dependant has been removed. All named beneficiaries can now receive all death benefits (a pension or a lump sum), which will typically be subject to income tax on the beneficiaries at their marginal rate upon receipt.

RECEIVING PENSION BENEFITS

As announced in last year's Budget, full flexibility to withdraw funds from pensions will be introduced from 6 April 2015.

Individuals will be able to take as much or as little from their pension as they wish. The amount taken will be subject to income tax at the tax payer's marginal rate.

SALE OF ANNUITIES

Full pension flexibility relates to pension funds where an annuity has not been purchased. The Chancellor announced legislation will be introduced from 6 April 2016 in relation to those with existing annuities to benefit in a similar manner. This will allow those receiving an income stream from an annuity to assign their annuity in exchange for a lump sum or an alternative pension.

LIFETIME PENSION ALLOWANCE

Following the Lifetime Allowance reduction to £1.25m from 6 April 2014, a further reduction to £1m has been announced with effect from 6 April 2016. The Lifetime Allowance will increase in line with inflation from 6 April 2018 onwards. Pension protection against the reduction in the allowance will be available for those with pension savings in excess of £1m.

NON-UK DOMICILED INDIVIDUALS

In the Autumn Statement, it was announced the annual charge for non-domiciled individuals who elect to be taxed on the remittance basis will increase from £50,000 to £60,000 for those who have been resident in the UK 12 out of the last 14 tax years from the 2015/16 tax year onwards.

In addition to this change, a new £90,000 per annum charge will be introduced from 5 April 2015 for non-domiciled individuals who elect to be taxed on the remittance basis and have been resident for 17 out of the last 20 tax years.

A consultation has been launched to consider whether the remittance basis election should move from a 1 year election to a 3 year election or even longer. The consultation period is currently open and is due to close on 16 April 2015.

TAXATION OF UK PROPERTY

CAPITAL GAINS TAX FOR NON-UK RESIDENTS

As announced in the 2013 Autumn Statement, legislation comes into force on 6 April 2015 to charge non-resident individuals (together with trustees and companies) on future gains realised on UK residential property.

Guidance has been published in the run-up to the Budget relating to the administration of the new regime. It has clarified that a payment on account towards the Capital Gains Tax due will need to be made to HMRC within 30 days of the sale unless the individual has an existing relationship with HMRC. In all circumstances, the property disposal will need to be reported to HMRC within the same timeframe.

STAMP DUTY LAND TAX (SDLT)

The biggest change announced in the Autumn Statement was the change on how SDLT is to be levied on residential properties. A banded scheme, akin to income tax, was announced rather than the ‘slab’ system previously in place. This has reduced the cost of property purchases up to the value of £937,000. However, the cost of purchasing high value residential property has increased significantly with a 10% SDLT band being introduced on purchases between £925k and £1.5m.

SDLT is levied at 12% on purchases in excess of £1.5m.

ANNUAL TAX ON ENVELOPED DWELLING (ATED)

It was announced in the Autumn Statement that the ATED charge would increase “50% above inflation”. What this actually meant was the ATED charge was going to increase by “50% plus inflation” which produces a significantly increased annual charge.

Properties with a value above £1m as at 1 April 2012 will be subject to an ATED charge for the first time from 1 April 2015. Returns are due by 1 October 2015 with tax due by 31 October 2015 for those properties with values between £1m and £2m. All other properties within the scope of ATED will need to file a return by 30 April 2015.

BUSINESSES

SELF EMPLOYMENT NATIONAL INSURANCE CONTRIBUTIONS

Class 2 National Insurance contributions, currently £2.75 per week, will be abolished in the next parliament. Class 4 National Insurance will also be reformed following a consultation later this year.

ENTREPRENEURS’ RELIEF

Two changes have been announced with effect of 18 March 2015 in relation to disposals qualifying for Entrepreneurs’ Relief.

First, disposals of assets lent to a company or partnership will only qualify for Entrepreneurs’ Relief where the asset disposal is associated with a disposal of at least a 5% shareholding or 5% interest in a partnership in which the asset is used.

Second, Entrepreneurs’ Relief will be denied on disposals of shares in companies used as a part of a joint venture, or if that company is a member of a partnership and does not carry on a significant trade of its own.

TAX RELIEF FOR FILM AND HIGH END TV PRODUCTION

Additional tax relief at a rate of 25% on the first £20 million of qualifying UK film expenditure for film production companies is available from 1 April 2015. Further tax relief at a rate of 20% is available on qualifying expenditure in excess of £20 million.

Additional tax relief of 25% has been available for high end TV production since 1 April 2013. However, the government has announced the UK spending requirement for this relief has been reduced from 25% to 10% of the qualifying production expenditure from 1 April 2015.

Both sets of relief are subject to European state aid approval.

PREVENTING "LOSS REFRESHING"

Anti-avoidance legislation will be introduced by FA 2015 to prevent companies using tax motivated arrangements to create profits within group companies to utilise carry forward losses. This applies to all companies within the scope of UK corporation tax.

The legislation is applicable to arrangements entered into at anytime affecting profits arising after 18 March 2015. The result of the legislation is to deny relief on the losses.

ANTI-AVOIDANCE MEASURES

The Liechtenstein (LDF) and Crown Dependency disclosure facilities will be withdrawn at the end of the 2015 rather than April 2016 as expected, to make way for a new disclosure facility. The new time limited disclosure facility will be available from 2016 until mid 2017 and will offer less generous terms than existing facilities.

Following a consultation period, penalties will be introduced for those who fall foul of the General Anti-Abuse Rule ("GAAR").

Following the introduction of "accelerated payment notices" in the summer of 2014, a further 21,000 notices will be issued in addition to the original estimated numbers.

Dixon Wilson
22 Chancery Lane
London
WC2A 1LS

T: +44 (0)20 7680 8100
F: +44 (0)20 7680 8101
DX: 51 LDE

www.dixonwilson.co.uk
dw@dixonwilson.co.uk