

AUTUMN STATEMENT 2014

by George Hay

The Chancellor, George Osborne, presented his Autumn Statement on 3 December 2014. He warned that although the UK economy is the fastest growing in the G7, against the backdrop of an uncertain world economy with sluggish performance in the EU and further afield, and the ongoing battle against the Budget deficit, it is not time to loosen the Governments purse strings. He therefore delivered an overall Statement that is expected to be a marginal money raiser for the Exchequer over all.

Stamp Duty Land Tax

Reform of SDLT for residential property to eliminate the slab tax effect of the existing regime.

Progressive rates of tax as follows:

Price in Band	Tax %	Maximum Tax on Band
0 – £125,000	0%	0
£125,001 – £250,000	2%	£2,500
£250,001 – £925,000	5%	£33,750
£925,000 – £1,500,000	10%	£57,500
£1,500,000+	12%	

GH Comment This is a long overdue reform of SDLT which follows the new devolved system in Scotland. For the average UK house price of £275,000 the SDLT charge under the new regime will be £4,500 lower.

Personal Taxation

The Personal Allowance will increase by £600 to £10,600 from April 2015.

GH Comment It remains the Government aspiration to increase this to £12,500 once the Exchequer can afford it.

The basic rate band is reduced by £80 to £31,785. The threshold at which higher rate tax will be paid is £42,385, an increase of £520 which is the first such increase in 5 years.

Individual Savings Accounts

The Government announced plans to introduce a new ISA allowance for spouses or civil partners of a deceased ISA saver equal to the value of that savers ISA's. This means that somebody inheriting an ISA fund from a deceased spouse can reinvest that amount into an ISA in their own name.

GH Comment A welcome extension of ISA's to limit the tax impact of inheriting ISA funds.

Non Domiciles – Remittance Basis Charge

The annual Remittance Basis Charge paid by non-UK domiciled individuals who wish to pay UK tax on a remittance basis will increase. The rates from April 2015 are:

Years UK Resident	Current Charge	New Charge	Annual Increase
7 out of 9	£30,000	£30,000	-
12 out of 14	£50,000	£60,000	£10,000
17 out of 20	£50,000	£90,000	£40,000

GH Comment Long term UK resident non-doms are hit again by an increase in the RBC charge. This measure is expected to raise very modest sums in additional tax, so is really politically driven.

National Insurance Contributions – Employer Contributions

From April 2016 employers NIC up to the upper earnings limit for apprentices aged under 25 will be abolished.

National Insurance Contributions – Employment Allowance

From April 2015 the £2,000 annual Employment Allowance for employers NIC's will be extended to care and support workers.

Research and Development Tax Credit

A number of minor changes to the R&D tax credit regime were announced.

Rates and reliefs The rate of small and medium Scheme tax credit will increase from 225% to 230%. Additionally the above the line credit for larger companies will increase from 10% to 11%.

Qualifying Expenditure - A restriction is to be introduced to prevent R&D tax credits on costs of materials incorporated in products that are sold.

Advance Assurance - A new advance assurance scheme for small businesses making their first claim for R&D tax credits. Alongside this the government will consult on the issues faced by smaller businesses when claiming R&D tax credits.

GH Comment R&D tax credits remain an underutilised Government subsidy that companies miss out on as they are not even aware they are undertaking R&D. Come and talk to the experts.

Business Rates

Extension of the doubling of Small Business Rate Relief to April 2016. This measure is forecast to assist 575,000 of smaller businesses.

Extending the 2% cap on the RPI increase in the business rate multiple to April 2016.

£500 increase to £1,500 of the business rates discount for shops, pubs, cafes and restaurants with a rateable value of £50k or under.

Goodwill on Incorporation

The current tax regime favours incorporation. Apart from the benefits once incorporated, there was also a tax break on incorporation. A common method was for the sole trader to sell his business to the new company calling it sale of goodwill. The company would leave the consideration as a director's loan. The sale would qualify for Entrepreneurs' Relief which would mean the vendor would only pay tax at 10%.

Ongoing the director would then draw down the loan account instead of paying higher rate tax on dividends.

As an added bonus often the company could save corporation tax at 20% on the amortisation of the said goodwill.

For disposals on or after 3 December 2014 Entrepreneurs' Relief will no longer be available nor any tax relief on the amortisation where the vendor and purchaser are connected.

GH Comment For most businesses, operating as a limited company will be more beneficial from a tax point of view than operating as unincorporated. The surprise withdrawal of this incorporation planning opportunity is like the removal of the icing, the cake still remains.

Anti-avoidance

Various measures were announced targeted at tax avoidance strategies including schemes involving losses from miscellaneous transactions and a 25% diverted profits tax from multinational enterprises.

Creative Industries

Changes are proposed to encourage activity in some creative industries including:

Children's TV relief - A new 25% Corporation Tax relief for the production of children's television programmes will be introduced from 1 April 2015.

Orchestra Tax Relief - A consultation in 2015 on the introduction of an Orchestra Corporation Tax relief to be introduced from 1 April 2016.

High End Television tax relief - A consultation on reducing the minimum UK expenditure from high end TV relief from 25% to 10% and to modernise the cultural tests, in order to bring the regime in line with film tax relief.

International Business

The Government will continue their work towards the OECD's BEPS Initiative (Base Erosion and Profit Shifting). The work includes country by country reporting and rules to prevent abuse of hybrid mismatch arrangements.

Access to finance

£400 million additional funding to support venture capital through the British Business Banks Enterprise Capital Fund Programme.

Additional funding for the Enterprise Finance Guarantee Scheme facilitating up to £500 million of new lending in 2015/16.

Extension of Entrepreneurs' Relief on Capital Gains reinvested in investments under the Enterprise Investment Scheme or the Social Investment Tax Relief.

Direct Recovery of Debts

After extensive representations from professional bodies and other interested parties, the Government have agreed for changes to the proposed new rules that would enable HMRC to collect tax debts directly from a taxpayers bank account.

GH Comment The Government has added additional safeguards to limit HMRC's ability to act as judge, jury and executioner on the collection of debts. We remain concerned however that the only independent oversight will be applied too late in the process, so vulnerable taxpayers will remain at risk.

CGT for non-residents

The Government have confirmed their intention to extend Capital Gains Tax to non-residents disposing of residential properties in the UK.

The change will apply to disposals from April 2015. Taxpayers will have a choice of how any gains are calculated.

- a) They can revalue the property at April 2015 and will only pay CGT on any future increase in value; or
- b) Pay CGT on a time apportioned part of the gain that applies to post April 2015 ownership.

HMRC have also confirmed how the new CGT charge will interact with the existing CGT exemption for a person's residence.

From April 2015 a person's residence will **not** be eligible for private residence relief unless

- a) The person making the disposal has tax residence in the same country as the property for that year; or
- b) Where the person was non-resident, the person (or spouse etc.) spent at least 90 midnights in the property in that tax year.

GH Comment These conditions have been introduced because the Government were concerned that non-residents would simply apply the residence exemption to a UK property if their other properties were outside the UK.

This is a welcome relaxation to the original proposal under which the principle private election was to be withdrawn, which would have had an adverse impact on UK resident taxpayers.

Annual Tax on Enveloped Dwellings (ATED)

Annual increases in the ATED charge for properties held within a "wrapper" will increase by 50% above inflation for properties worth more than £2million for 2015/16.

Air Passenger Duty

Children under 12 will be exempt from APD from 1 May 2015 and this will be extended to under 16's from 1 March 2016.

National Insurance

	2014/15	2015/16
Employed		
Lower Earnings Limit	£111 p.w.	£112 p.w.
Primary Threshold	£153 p.w.	£155 p.w.
Secondary Threshold	£153 p.w.	£156 p.w.
Upper Earnings Limit	£805 p.w.	£815 p.w.
Self Employed		
Lower Profits Limit	£7,956 p.a.	£8,060 p.a.
Upper Profits Limit	£41,865 p.a.	£42,385 p.a.
Employment Allowance	£2,000 p.a.	£2,000 p.a.

Other Rates

	2014/15	2015/16
ISA Limits	£15,000	£15,240
Car Fuel Benefit Multiplier	£21,700	£22,100
Van Benefit Charge	£3,090	£3,150
Van Fuel Benefit Charge	£581	£594

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