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NEWSMILL

Highlights of the Autumn Statement 2014

In his Autumn Statement in December 2014, the chancellor, George Osborne, summarised key measures for the next year, 2015/16. Outlined in this month's newsletter are those measures that affect individuals and small businesses. The new measures apply from 6 April 2015 (for individuals) and 1 April 2015 (for businesses) unless indicated otherwise:

Income tax

- Personal tax allowances increase marginally so that an individual will be able to earn £42,385 p.a and still remain a basic rate taxpayer.
- The remittance basis charge increases and long term non-UK domiciled residents of the UK will have to pay a higher remittance basis tax charge if they wish to avoid UK tax on their unremitted foreign income and gains.

Pensions, annuities and ISAs

- The 55% tax charge on inherited pensions is withdrawn, allowing unused pension pots to be passed on tax free.
- Joint life or guaranteed term annuities will also be able to be passed on tax free where death occurs before age 75.
- The ISA limit increases to £15,240 and Junior ISA and Child Trust Fund limits increase to £4,080.
- From 3 December 2014, an ISA holder can pass their ISA benefit to their spouse or civil partner on death. The additional ISA allowance will be equal to the value of the savers ISA holdings at the date of their death. This is in addition to the survivor's own normal ISA limits.

Capital gains tax

- Non-UK residents (individuals and companies) will be subject to capital gains tax on gains made on the disposal of UK residential property gains accruing from April 2015.
- Non-UK resident individuals and UK resident individuals may claim CGT private residence relief (PRR) to exempt a gain made on the disposal of a UK property if they elect that a UK property is their only or main private residence. An election may only be made if they are either: UK resident, or; if they spent at least 90 midnights in the property in the tax year.
- The CGT changes also affect UK resident individuals who own second homes overseas. From April 2015 a UK resident taxpayer will only be able to elect that a foreign property is a private residence if he spends at least 90 midnights in the property in the tax year.

The above rules are challenging for taxpayers: the number of days spent in the UK and abroad may impact on the statutory residence tests. Non-UK residents are advised to value all UK residential property at 1 April 2015 so that gains accruing from that date may be calculated accurately.

Tax Calendar

January 2015

19/22	Third quarter PAYE and Class 1 NICs payment deadline.
	Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
	19th for non-electronic payments, 22nd for online payments.
31	Deadline for online submissions of Self Assessment tax return for tax year ended 5th April 2014.
	Deadline for paying 2013/14 Self Assessment 'balancing payments'.
	Deadline for first Self Assessment payment on account for 2014/15.
	Deadline for amending 2012/13 tax return.

February 2015

2	Quarterly submission of P46 (car) (for employees whose car and/or fuel benefit has changed in the quarter to 5 January.
19/22	Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
28	Pay any 2013/14 tax due to avoid a late payment penalty.

March 2015

3	First 5% penalty surcharge on any 2012/13 tax due on 31st January 2015 which is still unpaid.
19/22	Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
	19th for non-electronic payments, 22nd for online payments.

April 2015

5	End of 2014/15 tax year.
	Last day to use up your annual exemptions for capital gains tax, inheritance tax and ISA's.
6	Start of 2015/16 tax year.
19/22	Monthly PAYE/Class 1 NICs/student loan and CIS payments due.
	19th for non-electronic payments, 22nd for online payments

May 2015

1	Additional daily payments of £10/day up to a maximum of £900 for failing to file self-assessment tax return due on 31 January 2015.

For businesses

- Low emissions vehicles will continue to receive first year capital allowances until 2018.
- The main corporation tax and small company rate align to 20%: this means that associated companies and groups will no longer suffer tax rate disadvantages.
- The Research and Development tax credit increases from 225% to 230% and the repayable credit will be increased from 10% to 11% from 1 April 2015. R & D relief is available on a wide range of day-to-day business activities, such as, for example, the creation of an app.

For employers and employees

- The temporary workplace travel rules are being reviewed. Any changes may in future limit the amount of travel expenses that the director of a small company such as a personal service company may claim tax free.
- Employer's National Insurance (ER's NICs) does not apply to employees who are under 21 from April 2015. Additionally, from April 2016, there will be no ER's NICs on wages paid to apprentices aged under 25 earning up to the Upper Earnings Limit.
- From April 2015 the £2,000 annual NIC 'Employment Allowance' is extended to employing households that employ care and support workers.
- The £8,500 benefits threshold will be removed from April 2015: this means that some lower-paid employees will become taxable on employment benefits, such as medical insurance, for example.

Capital Gains Tax and incorporation

- For transfers made after 3 December 2014 Entrepreneurs' Relief (ER) will no longer be available on the disposal of goodwill on transfer of a sole-trader or partnership business to a related close company (incorporation).
- When a company acquires goodwill from a related party after 3 December 2014 it will not be able to receive tax relief on the cost of amortising that goodwill.

Annual Tax on Enveloped Dwellings

- The Annual Tax on Enveloped Dwellings (ATED) is a tax charge paid by companies that own UK residential property. From 1 April 2015 the lower band for the charge is reduced from £2 million to £1 million.
- Properties subject to the ATED are also subject to a special capital gains tax regime: this regime applies in priority to the new CGT charge on residential properties owned by non-resident companies (as detailed above).

Stamp Duty Land Tax

Stamp Duty Land Tax (SDLT) on the purchase of residential property is now calculated on a banded system, just like income tax, as opposed to a slab system. This means that most buyers of property costing less than £1 million will save duty; however if your purchase price equals the top rate in that band there will be no change.

Rate of SDLT:

Up to £125,000	0%
£125,000 to £250,000	2%
£250,000 to £925,000	5%
£925,000 to £1.5 million	10%
£1.5 million +	12%

If a buyer exchanges contracts for the purchase of a house for £375,000 under the new rules, SDLT is now calculated as follows:

0% on the first £125,000 =	£0
2% on the next £125,000 =	£2,500
5% on the final £125,000 =	£6,250
Total SDLT payable =	£8,750

Prior to the changes, £11,250 in tax would have been payable at a flat rate of 3%.

The are no SDLT changes in respect of commercial property.

If you have any queries in relation to any of the topics covered in this newsletter then please do not hesitate to contact us.

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