MARCH 2015 BUDGET

SUMMARY OF THE MAIN TAX CHANGES

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1. Introduction

1.1 Budgets probably do not win or lose elections on their own but, in an election year, the Chancellor will have one eye on the polls. George Osborne promised there would be no gimmicks and no irresponsible giveaways. He would concentrate on the Government's long-term aim of reducing the deficit, rather than attempting to fool the public with a short-term bribe.

1.2 The speech to the Commons yesterday was over in about an hour, which is the usual length these days. That concealed an enormous list of proposals, some large, some small, some imminent, some distant. They are described in more detail in the Treasury's Red Book, available on the Government website the moment the Chancellor sits down.

1.3 One thing at least is apparent however. If Mr Osborne is not returned to office on 7 May, his successor will have a great deal of work in unpicking his plans. Some things may survive because they would have cross party support or may be too difficult to change. However, the measures in this Budget come with a warning – many of them are dependent on the election result.

1.4 One of the most striking announcements, trailed in advance in the press, was the 'abolition of tax returns'. At face value, that could be a vote winner, but it is not at all clear what will replace them. We can be quite sure that Mr Osborne does not intend to abolish tax, and the collection of tax requires communication with taxpayers. We are told that everyone will have, by the end of the next Parliament, a 'digital tax account'. It seems likely that this will be used to send information to HMRC, and that will form the basis for tax liabilities. It is hard to see how that is not a 'tax return'.

1.5 We will have to wait and see what form our responsibilities will take over the next few years, whether they are shaped by this Budget or by the alternative plans of a different party.

1.6 The more significant tax announcements include:

- Increases in tax allowances announced for 2016 and 2017
- More flexibility for ISA withdrawal and reinvestment
- New 'Help to Buy' ISA to be introduced later in 2015
- Annual tax return to be replaced by 'digital tax account' by 2020
- Lifetime allowance for tax-advantaged pension funds cut to £1m in April 2016
- Relaxation of tax on sale of pension annuity for a capital sum from April 2016
- Big increases in ATED in April 2015
- Increases in remittance basis charges for foreign domiciles from 2015/16
- Corporation tax loss refresh prevention rules to be introduced
- Increase in film tax relief
- Changes to the oil and gas tax regime
- New targeted anti avoidance provisions to apply to entrepreneur’s relief
- Tax treatment of banks’ compensation payments
- Increase in the rate of the bank levy to 0.21% from 1 April 2015
- New measures for serial tax avoiders

2. Income Tax

2.1 Income Tax Rates And Allowances

2.1.1 As announced in the Autumn Statement, the standard personal allowance will increase in April 2015 by £600, to £10,600 in 2015/16. For a basic rate taxpayer, this represents a tax reduction of £120 for the year.

2.1.2 The band of income charged to the basic 20% rate narrows by £80 to £31,785 (from £31,865). However, as the increase in the allowance is larger, the level of income at which 40% tax starts has gone up from £41,865 to £42,385. This means that the maximum benefit for someone earning up to £100,000pa is £224. In recent years the threshold has been set at lower and lower levels to restrict the benefit of allowance increases to the same amount as that enjoyed by a basic rate taxpayer.

2.1.3 The personal allowance continues to be withdrawn for those with incomes above £100,000, producing a marginal tax rate of 60% in the band between £100,000 and £121,200. For those who have no personal allowances (incomes above £121,200), the reduction in the basic rate band represents a small tax increase of £32.

2.2 Future Tax Rates And Allowances

2.2.1 The personal allowance will rise to £10,800 for 2016/17 and £11,000 for 2017/18. The basic annual increase is linked to inflation, but each year of the present government has seen much larger rises. These £200 increases represent 1.9%pa, with no mention of any additional adjustment for inflation.

2.2.2 The higher allowances for those born before April 1938 cease to exist in 2016/17, because the standard personal allowance will be higher than the £10,660 level at which it has been fixed since 2012/13. There will therefore no longer be any restriction on personal allowances for such people until their income reaches £100,000 (in 2015/16, there is a small restriction if income exceeds £27,700).

2.2.3 The basic rate band will be increased to £31,900 for 2016/17 and £32,300 for 2017/18. These are the first increases in the band since 2009/10.

2.3 Transferable Allowances

2.3.1 For the first time in 2015/16, married couples or registered civil partners will be allowed to transfer up to £1,060 (one-tenth) of their personal allowances to their spouse or partner, if the transferee only pays basic rate tax. This enables such a couple to save up to £212, if one partner is not able to use the full allowance. This relief is not available to those who can claim the Married Couple’s Allowance (where one partner was born before 6 April 1935).

2.3.2 Also for the first time in 2015/16, the 'starting rate' is reduced from 10% to 0%, and the starting rate band is increased from £2,880 to £5,000. This only applies to people whose personal allowances cover all or most of any income that is not taxed at the savings or dividend rate if, for example, salary or rent is greater than £10,600 + £5,000, the starting rate does not apply.

2.3.3 Many pensioners will be entitled to register to receive their interest income gross.

2.4 Savings Allowance

2.4.1 From 6 April 2016, savings income (such as bank or building society interest) of up to £1,000 pa will not be taxable for a basic rate taxpayer, saving up to £200. A 40% taxpayer will enjoy the same benefit but on an allowance of £500. An additional rate taxpayer (income over £150,000) will not benefit from this allowance.

2.4.2 It is estimated that this will mean that 95% of taxpayers will not have any tax to pay on this type of income. Banks and building societies will therefore no longer deduct tax from interest payments. This will represent a welcome simplification of the tax system.

2.5 Pensions

2.5.1 There are no changes in the annual and lifetime allowances between 2014/15 and 2015/16. However, yet another cut in the lifetime allowance has been announced for 6 April 2016. The limit on tax-advantaged pension funds will be reduced from £1.25m to £1m for pension benefit events (first drawing benefits, whether a tax-free lump sum or an income) from 6 April 2016. Once the lifetime allowance has been used up, higher tax rates apply to withdrawals from pension schemes. From 2018, the lifetime allowance will rise each year in line with inflation.

2.5.2 The Chancellor announced in March 2014 that people with defined contribution pension funds will be able to have flexible access to their savings from 6 April 2015. The details of the new rules have been developed in the last year, but the essential points remain the same. In most cases, it will be possible to draw 25% of the fund tax-free, and the remaining 75% can be drawn out subject to the saver’s marginal rate of income tax in the year in which the money is drawn. This is a very significant change, and anyone with pension savings should take advice to understand their options and the tax consequences of different courses of action. Drawing out all the money at once will not only potentially leave nothing for the future but it may create a large current tax bill.

2.5.3 Those who were required in the past to buy an annuity with their pension fund have complained that they have missed out on the new flexibility. The Chancellor has announced that, from 6 April 2016, they will be able to sell their annuity for a capital sum without incurring a penal tax charge. The Government will consult over the next year to try to reduce the risk of people making ill-advised and unwise decisions.

2.5.4 In addition, joint lives or guaranteed annuities benefit from 6 April 2015 from a measure announced last year. If the original annuitant dies under the age of 75, the income can be left tax-free to a designated beneficiary. If the annuitant dies over the age of 75, the income will be taxed at the recipient's marginal rate.

2.6 Company Cars And Fuel

2.6.1 The complications of owning a company car continue, made harder to follow by the fact that the changes coming into force now were announced several years ago, and the current Budget includes rate changes for 2019/20.

2.6.2 The tax charge on the benefit of a company car continues to be based on a percentage related to the CO2 emissions rating of the car, applied to the 'list price' of the vehicle. For 2015/16, new bands of 0 – 50g/km (5%) and 51 – 75g/km (9%) are introduced, and the highest emitting cars have a new maximum percentage of 37%.

2.6.3 Further increases have been published going forward into 2019/20, so anyone choosing a new company car now can work out the tax effect of a current decision until they are likely to change it. By 2018/19, a car emitting 0 to 50g/km will be taxed on 13% of the list price, and one emitting 180g/km or more will be taxed on 37%.

2.6.4 Zero-emission vans will be subject to a tax charge in 2015/16 – 20% of the normal van rate of £3,150. This will rise in stages each year until there is a single tax charge for all vans available for private use in 2020/21.

2.6.5 The taxable benefit of free fuel provided for use in a company car is calculated by multiplying the emissions-based percentage by a fixed figure. This goes up to £22,100 for 2015/16 (2014/15: £21,700), so for many employees the taxable amount for fuel will increase in terms of percentage and amount.

2.7 Simplified Benefit Reporting

2.7.1 As announced in the Autumn Statement, there will be a new statutory exemption from 6 April 2015 for qualifying 'trivial benefits' provided by an employer. These are subject to a value cap of £50 on any individual benefit; officers of a closely controlled company will also be subject to an overall limit of £300 in value of trivial benefits in a year. Previously such benefits had to be reported and were generally taxable unless covered by a specific exemption or an agreement with HMRC.

2.7.2 Other changes to the taxation and reporting of expenses, including reducing the number of situations in which a formal dispensation is needed to avoid filing annual P11D forms for reimbursed expenses, will come in April 2016.

2.8 Employment Intermediaries

2.8.1 HMRC has been concerned for some years with 'disguised employment' through intermediaries such as 'umbrella companies' or personal service companies, as this can reduce an individual's tax and NIC liabilities.

2.8.2 There are a number of rules to counteract such avoidance, but the Government intends to consult further to restrict relief for travel and subsistence expenses where the intermediary structure appears to generate a tax deduction that would not be available to someone who was directly employed by the end user. Any changes will take effect from 6 April 2016.

2.9 Individual Savings Accounts [ISAs]

2.9.1 The annual limit for 'new ISAs' was set at £15,000 from 1 July 2014. This rises to £15,240 for the tax year 2015/16.

2.9.2 The Chancellor proposed a significant relaxation of the rules on ISAs, to be introduced later this year following a consultation. At present, any money withdrawn from an ISA can only be reintroduced within the annual investment limits, so a temporary shortage of cash could result in losing the benefit of the tax shelter. It is proposed that savers will be able to withdraw money and then replace it within the same tax year without using up their annual limit. The precise date on which this change will take effect will be announced later.

2.9.3 The Chancellor also announced a new type of ISA, also to be introduced later in 2015 following consultation. This is intended to help people saving towards the purchase of a first home. A Help to Buy ISA can be started with an initial deposit of up to £1,000, and monthly contributions of up to £200 can be added. Interest will be tax-free. When the account is cashed in to buy a first home, the Government will add 25% of the value of the account, up to £3,000 (on savings of £12,000).

2.10 Venture Capital Schemes

2.10.1 The Enterprise Investment Scheme (EIS), Venture Capital Trusts (VCTs) and the Seed Enterprise Investment Scheme (SEIS) are generous but complicated reliefs for investment in small unquoted companies.

2.10.2 The basic rates and amounts of tax relief remain unchanged for 2015/16. A number of detailed amendments however are being made to the rules to limit or improve their operation. These include:

- requiring that companies must be less than 12 years old when receiving their first EIS or VCT investment, except where the investment will lead to a substantial change in the company's activity;
- introducing a cap on the total investment received under these schemes to £15m, increasing to £20m for knowledge-intensive companies;

- increasing the employee limit for knowledge-intensive companies from 249 to 499 employees.

2.10.3 The interaction between the schemes will also be smoothed by removing the requirement that 70% of funds raised under SEIS must have been spent before EIS or VCT funding can be raised. These changes are subject to State aid approval by the European Commission.

2.11 Income Tax Allowances, Rates And Reliefs

	2015/16	2014/15
Allowed at top rate of tax		
Personal Allowance (PA)	£10,600	£10,000
Personal Allowance (born 6.4.38 - 5.4.48)*	10,600	10,500
Personal Allowance (born before 6.4.38)*	10,660	10,660
Transferable Tax Allowance	1,060	Nil
Allowed only at 10%		
Married Couple's Allowance (MCA)*+	8,355	8,165
Income limit for age-related allowances	27,700	27,000

+ only available if born before 6th April 1935

*Age-related allowances are reduced £1 for every £2 by which income exceeds the income limit. PA is reduced before MCA, until equal to normal PA. MCA is reduced to a minimum of £3,220 (2014/15: £3,140).

PA is withdrawn at £1 for every £2 by which total income exceeds £100,000. PA is reduced to nil if income is £121,200 or more (2013/14: £120,000).

Bands	2015/16	2014/15
Basic	31,785	31,865
Higher	31,786-150,000	31,866-150,000
Additional	over 150,000	over 150,000

Rates differ for General, Savings and Dividend income within each band:

Rates	2015/16			2014/15		
	G	S	D	G	S	D
Basic	20%	20%	10%	20%	20%	10%
Higher	40%	40%	32.5%	40%	40%	32.5%
Additional	45%	45%	37.5%	45%	45%	37.5%

General income (salary, pensions, profit, rent) uses starting, basic and higher rate bands before savings income (interest). Dividends are taxed as the ‘top slice’ of income.

If taxable general income is less than £5,000 (2014/15: £2,880), savings income is taxed at a ‘starting rate’ of nil (2014/15: 10%) until total taxable income exceeds that limit. This ‘starting rate band’ is part of the BRB.

The maximum annual tax-efficient gross pension contributions (up to age 75) in 2015/16 are:

- individuals:	the higher of £3,600 or 100% of earnings, to max. £40,000
- employers:	£40,000 less employee contributions

Only current earnings count for the 100% limit. If less than the max has been paid in any of the preceding three years, it may be possible to increase the current contributions by the shortfall. Maximum tax-efficient fund (lifetime allowance), where benefits are taken in 2015/16: £1.25m, unless ‘protection’ is claimed for an existing fund.

3. Capital Taxes

3.1 Capital Gains Tax (CGT)

3.1.1 The rate of CGT remains 18% for those whose total taxable income and gains for the year are below £31,785 and 28% for gains which are above that figure.

3.1.2 The annual exempt amount for CGT increases by £100 to £11,100.

3.2 Entrepreneurs’ Relief [ER]

3.2.1 ER reduces the CGT rate on qualifying disposals to 10% on up to £10m of lifetime gains.

3.2.2 Two changes are made with effect from 18 March 2015 to restrict the availability of ER on disposals using what are called 'contrived structures'. These include

(i) where someone who personally owned an asset that was used by a business selling it without at the same time disposing of a significant interest in the business itself, and

(ii) disposals of shares in a company which does not itself carry on a trade, but which has in the past qualified because the activities of joint venture investments have been taken into account.

3.2.3 ER was also removed from gains on goodwill transferred to a company on incorporation of a sole trade or partnership from 3 December 2014. This rule has been relaxed to a small extent where a partnership is incorporated. Any partner who does not acquire a stake in the new company will be eligible for ER on goodwill.

3.2.4 One further change was announced in the Autumn Statement and applies to disposals from 3 December 2014. Where a gain that would otherwise qualify for ER is deferred by reinvestment into EIS or a qualifying social investment, the eventual disposal will also qualify for ER. Previously, the benefit of the reduced rate could be lost by deferring the gain.

3.3 Wasting Assets Exemption

3.3.1 Legislation is to be introduced in the 2015 Finance Bill clarifying that the CGT exemption for certain wasting assets is only available where qualifying assets have been used in the seller's own business. These changes will have effect from 1 April 2015 for corporation tax and 6 April 2015 for CGT.

3.4 Inheritance Tax (IHT)

3.4.1 Rates of tax remain unchanged at 40% on death transfers and 20% on lifetime chargeable transfers. The nil rate band of £325,000 is unlikely to increase until April 2018 at the earliest.

3.4.2 There is an exemption from IHT for members of the armed forces whose death is caused or hastened by injury suffered while on active service, even if that death happens later. Where the individual has given their life for the country, the country does not ask for IHT as well. The Autumn Statement extended this to members of the emergency services and to humanitarian aid workers responding to emergency circumstances such as the Ebola crisis. The exemption will be backdated to deaths occurring on or after 19 March 2014.

3.4.3 There is also an IHT exemption for medals and other decorations awarded for valour or gallantry. From 3 December 2014, this will also be extended to cover all decorations and medals awarded to the armed services and emergency services personnel, and to awards made by the Crown for achievements and service in public life.

4. Corporation Tax

4.1 Corporation Tax Rates

4.1.1 As announced last year, the main rate of Corporation Tax will fall from 21% to 20% for Financial Year 2015 (commencing 1 April 2015).

4.1.2 From FY 2015, the main rate will be the same as the rate for companies with small profits. This will simplify the calculations for those falling in the marginal band between the small profits and full rates.

4.2 Loss Refresh Prevention

4.2.1 The Chancellor announced targeted anti avoidance rules to prevent companies from obtaining a tax advantage by entering contrived arrangements to convert brought forward reliefs into more versatile in-year deductions. The measure covers carried forward corporation tax trading losses, non trading loan relationship deficits, and management expenses. Where a company enters into arrangements meeting the conditions it will be unable to use these brought forward reliefs against profits created in the relevant company.

4.2.2 The new rules are not intended to affect normal tax planning around mainly commercial transactions and apply from 18 March 2015.

4.3 Research And Development (R&D) Credits

4.3.1 The uplift in qualifying expenditure for SMEs claiming R&D tax credits will rise from 125% to 130% with effect from 1 April 2015.

4.3.2 The ‘above the line’ credit for large businesses will rise from 10% to 11% also from April 2015.

4.3.3 Eligibility fro credit will no longer extend to any expenditure on the costs of materials incorporated in products that are sold.

4.4 Capital Allowances

4.4.1 The Annual Investment Allowance [AIA] is the amount of expenditure on plant on which a business can claim 100% relief in the period of purchase.

4.4.2 Last year, the AIA was increased to £500,000 until 31 December 2015, when it was scheduled to revert to £25,000. In his speech, the Chancellor stated that the limit will not be reduced to that very low figure on 1 January 2016, but a decision on the exact amount will not be taken until later in the year, possibly not until the Autumn Statement in late November or early December.

4.4.3 Whilst this news is encouraging, the calculations are very complex where a period of account straddles the change of rate, and anyone contemplating a large purchase to take advantage of the increased limits should take advice before they commit themselves. CHK

4.5 Bank Levy

4.5.1 The Chancellor has announced an increase in the bank levy to 0.21% for short term chargeable liabilities with effect from April 2015.

4.5.2 A proportionate increase to 0.105% for chargeable equity and long term chargeable liabilities will also be made with effect from 1 April 2015.

4.6 Creative Industries

4.6.1 The Budget contains a number of measures intended to support the Government's policy of encouraging creative industries in the UK. Film tax relief, introduced in 2013, is to be increased to a payable 25% credit for all films. The minimum UK expenditure requirement is to be reduced from 25% to 10% for high-end television and animation tax relief. Subject to State aid approval, these measures will apply from 1 April 2015.

4.6.2 It is also proposed to introduce a new children's television relief from 1 April 2015, and a new orchestra tax relief from 1 April 2016.

4.7 Oil And Gas Taxation

4.7.1 The Autumn Statement 2014 announced that a new investment allowance would be introduced for oil and gas companies operating a ring fence trade in the UK or UK Continental Shelf to support investment and simplify the existing system of offshore field allowances.

4.7.2 Following consultation, the government has decided the allowance will remove an amount equal to 62.5% of investment expenditure incurred by a company in relation to a field from its adjusted ring fence profits for the purposes of the supplementary charge. The allowance will apply to the investment expenditure a company incurs on or after 1 April 2015, and will be available for projects in both new and existing fields.

4.7.3 The current off-shore field allowances will not be available from 1 April 2015, but transitional arrangements will be put in place for companies currently developing projects. A response to the consultation will be published shortly after Budget 2015.

4.7.4 Also announced at Autumn Statement 2014, legislation is to be introduced in the 2015 Finance Bill to introduce a cluster area allowance for oil and gas companies operating a ring fence trade on the UK Continental Shelf, to promote investment in high pressure high temperature cluster areas. Following consultation, the legislation has been revised to introduce a power to extend the definition of qualifying expenditure in the future by secondary legislation, and to introduce a restriction for expenditure incurred on the acquisition of a licence interest. The allowance will have effect from 3 December 2014.

4.7.5 The rate of supplementary charge is to be reduced from 32% to 20% to encourage additional investment and drive higher production. The reduction will be backdated to 1 January 2015.

4.7.6 Petroleum revenue tax is to be reduced from 50% to 35% to drive investment in more mature fields and critical infrastructure. The reduction will have effect in respect of chargeable periods ending after 31 December 2015.

4.8 Diverted Profits Tax

4.8.1 As announced at Autumn Statement 2014, legislation will be introduced in Finance Bill 2015 for a new tax on diverted profits from 1 April 2015.

4.8.2 Following consultation, the legislation has been revised to narrow the notification requirement. There have also been changes to clarify rules for giving credit for tax paid, the operation of the conditions under which a charge can arise, specific exclusions and the application of DPT to companies subject to the oil and gas regime.

4.9 Tax Treatment Of Banks' Compensation Payments

4.9.1 Banks' customer compensation expenses are to be made non-deductible for corporation tax purposes. The government will consult on the detailed design of the change and how it can be appropriately targeted.

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5. Value Added Tax (VAT)

5.1 Registration And Deregistration Thresholds And Rates

5.1.1 The registration threshold for VAT rises from £81,000 to £82,000 on 1 April 2015, whilst the deregistration threshold rises from £79,000 to £80,000 on the same date.

5.2 Prompt Payment Discounts

5.2.1 Where discounts for prompt payment are offered by businesses to other businesses, under UK VAT law, VAT is calculated on the discounted invoice amount, even if the customer does not take up the discount. As the customer can usually deduct input tax on expenditure, this does not lead to an overall loss of VAT.

5.2.2 HMRC has noticed increasing use of prompt payment discounts being offered to consumers, who would not be able to recover VAT. At the same time, doubts have been raised over whether the UK's rule complies with EU VAT law.

5.2.3 As announced last year, the Chancellor has withdrawn this rule for all supplies from 1 April 2015, so that VAT will be due on the consideration actually received. This will require extra paperwork where the customer is a VAT registered business which needs a VAT invoice showing the deductible amount.

5.3 Deductible VAT Relating To Foreign Branches

5.3.1 Regulations are to be introduced for partially exempt businesses so that supplies made by foreign branches will no longer be taken into account when working out how much VAT incurred on overhead costs can be deducted in the UK.

5.3.2 This change is to be implemented by the taxpayer from the beginning of their next partial exemption tax year falling on or after 1 August 2015.

6. Stamp Duty Land Tax (SDLT)

6.1 There have been significant changes to SDLT in recent years, culminating in the significant reform of the rates which took effect in December 2014.

6.2 As announced at Autumn Statement 2014, the government intends to introduce a seeding relief for property authorised investment funds and co-ownership authorised contractual schemes (CoACSs) and intends to make changes to the SDLT treatment of CoACSs investing in property so that SDLT does not arise on the transactions in units, subject to the resolution of potential avoidance issues. Any changes will be legislated for in a future Finance Bill.

7. Other Measures

7.1 High Value Residential Properties

7.1.1 The ‘Annual Tax on Enveloped Dwellings’ (ATED) was introduced for 2013/14 and applies a flat rate charge based on bands of value to residential property in the UK worth over £2m which is owned by a non-natural person. There are a number of exemptions, such as for working farmhouses or other employee accommodation, and rental properties.

7.1.2 A ‘non-natural person’ includes a company, a partnership including a company or a collective investment scheme. These ‘envelope structures’ have been used in the past to avoid SDLT on future transfers of the property.

7.1.3 The rates of ATED have increased 50% above inflation for 2015/16 with charges for the coming year range from £23,350 (up from £15,400) on a property valued between £2m and £5m to £218,200 (up from £143,750) for a property valued above £20m.

7.1.4 In addition, the scope of the tax will be extended from April 2015 to cover ‘enveloped’ residential properties with a value over £1m, and from April 2016 to values over £500,000.

7.2 The End Of The Tax Return

7.2.1 For individuals and SMEs, the Chancellor announced an intention to abolish tax returns over the life of the next Parliament, replacing them with 'digital tax accounts' to enable taxpayers to see and manage their tax affairs online.

7.2.2 It is not yet clear how this will reduce the taxpayer’s responsibilities. The Government appears to believe that the new system will make compliance a great deal easier for most people, but large Government IT projects of this kind do not have a history of unqualified success.

7.2.3 A 'roadmap' will be published later this year setting out the policy and administrative changes needed to implement this reform. It is intended that all 5 million small businesses in the UK and 10 million individual taxpayers will have access to their online accounts by early 2016.

7.3 Tax Evasion And Avoidance

7.3.1 As usual, there were a number of specific measures aimed at closing particular tax avoidance schemes. There was also a more general proposal in relation to evasion (the illegal concealment of income and gains, rather than using the rules in an artificial way) and a 'last chance disclosure facility' will be offered to those who have something to confess. This opportunity to own up will run from 2016 until mid-2017, with penalties of at least 30% on top of tax owed and interest, and no immunity from criminal prosecution in appropriate cases, with the threat of even worse treatment for those who continue to hide and are found later.

7.3.2 Following the consultation 'Strengthening Sanctions for Tax Avoidance' which closed on 12 March, legislation will be introduced in a future Finance Bill to introduce tougher measures for those who persistently enter into tax avoidance schemes which fail (serial avoiders). This will include a special reporting requirement and a surcharge on such serial avoiders whose latest tax return is inaccurate as a result of a further failed avoidance scheme. The government will look to restrict access to reliefs for the small hard core of people who have a record of trying to abuse them through avoidance schemes that do not work. The government also intends to develop further measures so that those who continue to use schemes that fail would be named.

7.3.3 Legislation will be introduced in due course that will widen the current scope of the Promoters of Tax Avoidance Schemes regime by bringing in promoters whose schemes regularly fail.

7.3.4 Legislation is also to be introduced in a future Finance Bill that will increase the deterrent effect of the General Anti-Abuse Rule (GAAR), by introducing a specific, tax-geared penalty that applies to cases tackled by the GAAR.

7.4 <u>Remittance Basis</u>

7.4.1 Foreign domiciled individuals are allowed to use the remittance basis of tax on their foreign income and capital gains. For several years, foreign domiciles who have been resident here for seven years have instead had to pay a flat rate tax charge of £30,000 if they claim the remittance basis. This goes up to £50,000 for someone who has been resident in the UK for 12 of the last 14 tax years.

7.4.2 From 2015/16, the £50,000 charge will increase to £60,000, and a new £90,000 rate will be introduced for someone who has been resident here for 17 of the last 20 years.

7.4.3 If the tax on foreign income and gains is lower, it is always possible to declare the actual figures instead of paying the flat rate.

7.4.4 HMRC is currently consulting on the proposal to require foreign domiciles to opt in or out of the remittance basis for a minimum of three years at a time.

8. National Insurance Contributions (NICs)

8.1 <u>Rates And Thresholds</u>

8.1.1 The rates and thresholds for NIC were announced in the Autumn Statement. The threshold at which employees start to pay NIC increases from £7,956 to £8,060.

8.1.2 After one year at the same level, the employer threshold is once again not quite the same as that for employees - £156 pw instead of £155 pw.

8.1.3 The upper earnings limit, at which the rate for employee contributions drops from the full 12% to 2%, rises from £41,865 to £42,385 and raising this threshold saves 40% tax, but collects more NIC.

8.2 Employer Contributions

8.2.1 There were no general changes to the Employment Allowance, introduced in 2014/15 which provides relief for most employers from the first £2,000 of employers' NIC each year.

8.2.2 As announced last year, employers' NIC will also be reduced to zero from 6 April 2015 for employees aged under 21 on earnings up to £815 pw. This will be extended to all apprentices a year later.

Note

This summary has been prepared from the Chancellor's speech and documents made available by HMRC. The proposals are subject to amendment before the Finance Act is passed. You are recommended to seek professional advice before taking or refraining from any action on the basis of the contents of this publication.

If you would like further details on the Budget provisions, please contact Keith Rushen on 0044 (0)207 486 2378.

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19 March 2015