SUMMER 2015 BUDGET

SUMMARY OF THE MAIN TAX CHANGES

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1. Introduction

1.1 One of George Osborne’s first acts as Chancellor in 2010 was to establish an Office of Tax Simplification [OTS]. The OTS has spent the last five years identifying needless complexity in the tax system and recommending changes to make dealing with tax less taxing. Unfortunately, whatever the OTS does to reduce complications, the Chancellor seems to replace with more. His July Budget was stuffed full of far-reaching measures which will significantly change the way tax is calculated over the next five years.

1.2 We expected the 'tax lock', a new law to prevent the Government putting up the rates of income tax, NIC and VAT, or extending the scope of VAT. There are of course more ways to increase taxes than just putting up the headline rates. A significant reform of the taxation of dividend income next year will affect those who have been able to extract profits from their personal company in a tax-efficient way. The reduction of income tax relief on mortgage interest will put up the tax charges for buy-to-let landlords from April 2017. Restricting the tax advantages of people who are currently classified as 'foreign domiciled' is another potential tax-raising measure, but it is not clear whether wealthy international people will pay more tax or will move elsewhere.

1.3 As expected, Mr Osborne announced a new Inheritance Tax allowance specifically for those leaving the family home to their children or grandchildren. Even that comes with complications. It will be introduced in 2017 at £100,000 and increased to £175,000 over four years. There will be rules to cover someone who downsizes, so what they leave is not the house but the proceeds. They will still benefit, but their executors will no doubt have to work harder to keep track of what qualifies for the relief.

1.4 Also as expected, the Chancellor has focused his attention on the welfare budget, hoping to save £12 billion. He said he wanted to move to a 'higher wage, lower tax, lower welfare economy'. He has announced a higher National Living Wage and higher personal allowances and has certainly cut welfare. It remains to be seen whether that will generate the economic activity he hopes for.

1.5 This summary sets out the main tax announcements from the speech and the raft of documents released by HMRC afterwards.

1.6 The more significant tax announcements include:

- Dividend tax reform, affecting owner-managed companies in particular from April 2016;

- Annual Investment Allowance for plant and machinery will reduce from £500,000 to £200,000 with effect from 1 January 2016;

- Employment Allowance for employer's NIC rises from £2,000 to £3,000 from April 2016, but is scrapped for one-person companies;

- Property tax changes including reduction in tax relief on buy to let interest, abolition of the 10% wear and tear allowance, and increase in rent-a-room relief to £7,500 from April 2016;

- Annual allowance for pension contributions by those earning over £150,000 to be reduced from 2016/17, tapering down from £40,000 to £10,000;

- HMRC to have the power to take tax debts of over £1,000 directly from bank accounts of those who 'can pay but choose not to';

- Corporation tax rate to reduce from 20% to 19% in 2017 and to 18% from 2020;

- Abolition of permanent foreign domiciled status;

- Reduced IHT on leaving the family home on death, and

- Bank levy reform plus introduction of a bank tax surcharge.

2. **Income Tax**

2.1 Income Tax Rates And Allowances

2.1.1 The amount of taxable income charged at the basic rate of tax (20%) is increased by £135 to £32,000 from April 2016. However, a basic rate taxpayer will also be able to receive up to £17,000 of tax free income in 2016/17 if it falls within these allowances:

- Personal allowance £11,000 (any income)
- Savings allowance £1,000 (interest e.g. from banks)
- Dividend allowance £5,000 (dividends)

2.1.2 In spite of some predictions that the 45% top rate of tax would be abolished, no such change was mentioned either as a proposal or even a long-term objective.

2.1.3 In the March 2015 Budget George Osborne indicated that the standard personal allowance would increase to £11,000 from April 2017. This increase from the current level of £10,600 will now take effect from 6 April 2016. This represents a tax reduction of £80 for a basic rate taxpayer in 2016/17.

2.1.4 The higher rate threshold is to increase from £42,385 in 2015/16 to £43,000 in 2016/17.

2.1.5 The personal allowance will be increased to £11,200 in April 2017. The Government aims to increase it to £12,500 by 2020, and then to tie any further increases to the equivalent of 30 hours per week of pay at the National Minimum Wage.

2.1.6 The personal allowance will still be withdrawn from those with incomes above £100,000, producing a marginal tax rate of 60% in the band from £100,000 to £122,000 in 2016/17.

2.1.7 From 6 April 2016, all bank and building society interest will be paid gross, without deduction of tax. Each basic rate taxpayer will also have a savings allowance worth £1,000, saving tax of up to £200. A 40% taxpayer will enjoy a savings allowance of £500. Additional rate taxpayers who have income of over £150,000 will not be given a savings allowance, so they will have to pay the full 45% charge on their savings income through self assessment.

2.2 Taxation Of Dividends

2.2.1 The taxation of dividends will be reformed from 6 April 2016. The 10% dividend tax credit is abolished. In its place, individuals will have a £5,000 dividend tax allowance. An individual will pay no income tax on dividend income received up to that amount.

2.2.2 Dividend receipts in excess of £5,000 will be taxed at:

- 7.5% for basic rate taxpayers (previously 0%)
- 32.5% for higher rate taxpayers (previously 25%)
- 38.1% for additional rate taxpayers (previous 30.56%)

2.2.3 Whilst the 'tax lock' prevents the Chancellor from raising the rate of income tax, the tax rises illustrated above are achieved by reducing the rate of tax on dividends from 10% to 7.5% while simultaneously removing the tax credits that balanced the 10% tax charge.

2.2.4 Funds held within pension funds and ISAs will continue not to be taxed.

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

2.3 Living Wage

2.3.1 From April 2016 all employees aged over 24 will have to be paid a national living wage (NLW) of £7.20 per hour. The national minimum wage (NMW) will continue to apply to younger workers.

2.3.2 The Low Pay Commission will be asked to recommend the level at which the NLW should be set each year, as it does for the NMW. The Government hopes that the NLW will reach £9 per hour by 2020.

2.4 Tax Free Child Care

2.4.1 Employers can currently provide tax and NIC-free childcare vouchers to employees worth £55 per week for a basic rate taxpayer (less for higher and additional rate taxpayers who joined the voucher scheme after 5 April 2011).

2.4.2 The employer provided voucher scheme is to be replaced with 'tax free childcare' (TFC) from early 2017, postponed from late 2015. TFC is a Government-backed savings scheme which parents will use to save for the cost of childcare. For every £8 the parent contributes the Government will pay in £2, up to £2,000 per year per child.

2.4.3 Parents who join their employer's childcare voucher scheme before TFC comes into effect will be able to choose whether to stick with the voucher scheme or move to TFC. The tax free amount for childcare vouchers applies per parent, whilst the Government's contribution under TFC applies per child. There are a number of other differences between the two schemes which need to be weighed up for each family as parents choose which scheme to use from 2017.

2.5 Simplified Benefit Reporting

2.5.1 The March Budget included a proposal to exempt from tax certain benefits in kind provided to employees of a 'trivial amount'. Subject to conditions, these would be benefits costing up to £50.

2.5.2 Directors of close companies would have an overall limit of £300 in a year. This proposal did not make it into the pre-election Finance Bill, but the July Budget has confirmed that it will take effect from April 2016.

2.6 ISA’s

2.6.1 Flexible ISAs will come into effect from 6 April 2016. This will allow people to withdraw cash from their ISA and reinvest it within the same tax year without affecting their ISA allowance for that tax year.

2.7 Venture Capital Schemes

2.7.1 Unquoted trading companies can use three different venture capital schemes to attract investment from individuals: Seed Enterprise Investment Scheme (SEIS), Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT). Each scheme provides attractive tax reliefs for individual investors, but they all have complex qualifying conditions for the company and the investor.

2.7.2 A number of detailed amendments are being made to these schemes to streamline the interaction between them and in some cases bring the scheme in line with European rules on State Aid. These changes include:

- requiring companies that use a venture capital scheme for the first time to be within 7 years of the date on which they started to trade, or 10 years from that date for knowledge intensive companies. This time limit will not apply where the amount of the investment is at least 50% of the company’s average turnover.
- introducing an overall 'lifetime' cap on the amount a company can raise using these schemes of £12m, or £20m for knowledge intensive companies. This cap will apply in addition to the current 12 month cap of £5m.
- preventing companies from acquiring other businesses using the funds they raise under EIS or VCT.

2.7.3 There will also be a bar on existing shareholders acquiring more shares in the same company under EIS or SEIS, unless they acquired the shares they already hold under one of the venture capital schemes.

2.8 Property Taxation

2.8.1 Currently individual landlords receive tax relief at their highest rate of income tax on all of the interest they pay to finance their letting business. From April 2017 the amount of interest that will be eligible for tax relief at the marginal rate will be restricted to the following:

- 75% of the interest paid in 2017/18
- 50% of the interest paid in 2018/19
- 25% of the interest paid in 2019/20

2.8.2 The balance of the interest will be eligible for 20% tax relief in each case. From 6 April 2020, only basic rate tax relief will be available for interest.

2.8.3 Currently, a wear and tear allowance is given at 10% of the net rents received in respect of fully furnished let properties. This will be abolished from 6 April 2016. In its place all landlords of residential property, whether fully furnished or not, will be able to claim the actual cost of replacing furnishings.

2.8.4 Rent-a-room relief, which exempts rent received where a person lets out part of their only or main residence as residential accommodation, will increase from £4,250 to £7,500 from 6 April 2016. This applies not only to lodgers but also to bed-and-breakfast businesses, provided that the house is the owner's main residence. If the total rent received is higher than the limit, the owner can choose to deduct the actual expenses incurred, or to deduct the limit and pay tax only on the excess.

2.9 Tax Credits And Universal Credit

2.9.1 As indicated during the election campaign, the Chancellor has announced wide-ranging changes to tax credits and other welfare payments. The following are some of the key announcements.

2.9.2 From April 2016 the income threshold for tax credits will reduce from £6,420 to £3,850 per year. Once claimants earn above this threshold, their award will be reduced at 48% (previously 41%) for each £1 earned.

2.9.3 The 'income rise disregard' will reduce from £5,000 to £2,500, meaning that more claimants will have their award adjusted if their income has increased.

2.9.4 Universal Credit work allowances will be abolished for non-disabled childless claimants. They will be reduced to £192 per month for those with housing costs and £397 for those without.

2.9.5 From April 2017 the Child Element of tax credits and Universal Credit will no longer be awarded for third and subsequent children born from April 2017.

2.9.6 The Family Element in tax credits and the equivalent in Universal Credit will no longer be awarded when a first child is born.

2.10 Pensions

2.10.1 The Chancellor announced further changes to pensions, following the recent reforms to how pension benefits can be taken from money purchase schemes.

2.10.2 From 6 April 2016, those with 'adjusted income' above £150,000 will be subject to a tapered reduction in their annual allowance for tax relieved contributions. The normal £40,000 allowance will be reduced by £1 for every £2 of excess income, subject to a minimum allowance of £10,000.

2.10.3 The annual allowance is measured against pension inputs during a pension input period [PIP]. From 2016/17, PIPs will align with a tax year, but for 2015/16 there are complicated transitional rules. These mean that great care is needed when deciding both how much to put into a defined contribution scheme and when in the tax year to do so. Different transitional rules apply for defined benefit schemes.

2.10.4 From 2016/17, the tax charge that applies on a lump sum paid from the pension of someone who dies aged 75 and over will change from a flat rate 45% to the marginal income tax rate of the recipient.

2.10.5 The Lifetime Alloance [LA] for tax advantaged pension rights will reduce from £1.25m to £1m at 6 April 2016, but transitional protection will be available for those already above the £1m figure. From April 2018, the LA will rise in line with the CPI.

2.10.6 The option to cash in an annuity in payment, which the Chancellor had previously said he hoped to introduce from April 2016, has been delayed at least until April 2017.

2.10.7 The Chancellor indicated that yet another review of pensions tax relief will take place. One possibility under consideration is to make the regime more like ISAs, with no tax relief on contributions, but with some top-up of pension funds from the Government.

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

	2015/16	2014/15
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 for 2015/16 is £11,100.

3.1.3 Individuals involved in investment management for private equity or other investment funds have been able to structure their remuneration so they pay tax at the lower CGT rates rather than paying income tax. It seems they have also been able to manipulate the CGT rules so the lower rates are applied to less than the total amount received. The Budget has closed this down for carried interest arising on or after 8 July 2015, which will be charged at the full CGT rates with limited deductions.

3.2 Inheritance Tax (IHT)

3.2.1 The IHT nil rate band will be frozen at £325,000 per person until 6 April 2021. Any unused nil rate band can be passed to a surviving spouse or civil partner, producing a total tax exempt band for the couple of £650,000.

3.2.2 Rates of tax remain unchanged at 40% on death transfers and 20% on lifetime chargeable transfers.

3.2.3 The Government is introducing a new extra nil rate band to be applied only to the value of a home left on death to a direct descendant of the deceased. This home-related nil rate band will start at £100,000 per person from April 2017 and increase over four years to £175,000 per person, allowing a couple to eventually pass on a family home worth up to £1m with no IHT, i.e. 2 x £375,000 plus 2 x £175,000.

3.2.4 The home-related nil rate band will not apply in full if the total estate is worth over £2m, and will not apply to a house that has never been used as a residence by the deceased (e.g. a buy-to-let property).

3.2.5 From 9 July 2015, when someone downsizes their home, or ceases to own a home, thus turning the IHT-relieved property into cash, assets of an equivalent value will also be eligible for the relief.

4. **Corporation Tax**

4.1 Tax Rates

4.1.1 The rate of corporation tax will be set at 20% for the two years starting 1 April 2015. It will then be cut to 19% for three years starting on 1 April 2017, and to 18% from 1 April 2020.

4.2 Goodwill Amortisation

4.2.1 Since 2002, companies have been entitled to deduct the amortisation of purchased goodwill from their profits for corporation tax purposes. This has given a tax advantage to the purchase of business undertakings as a going concern over the purchase of shares in other companies, where no deduction is allowed for any of the cost of investment.

4.2.2 This deduction was abolished from 3 December 2014 where goodwill was acquired from a related party, for example where a business was transferred to a company on incorporation.

4.2.3 It has now been abolished for any acquisition of goodwill and other customer-related intangible assets from 8 July 2015. Goodwill acquired before that date is not affected, so the continuing amortisation of existing assets will continue to be deductible. Where an unconditional obligation to acquire goodwill had been entered into before 8 July, relief will be available.

4.2.4 For goodwill purchased after this date, there will be a restricted relief for losses realised if it is sold. Such a loss will be a 'non-trading debit' which cannot be relieved as flexibly as a trading loss.

4.3 Quarterly Tax Payment Dates

4.3.1 Companies with profits up to £1.5m normally have to pay their corporation tax nine months and a day after the end of the accounting period. The profits limit is shared between companies in the same group.

4.3.2 Companies with profits above the limit are due to pay their tax in four instalments on the 14th day of the 7th and 10th months of their accounting period, and the 1st and 4th months following it. Instalments normally have to be estimated, with interest accruing on money paid later or earlier than it was due.

4.3.3 From April 2017, companies with the largest profits [£20m a year, shared between group companies] will have to pay their tax earlier still, in the 3rd, 6th, 9th and 12th months of the period.

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.

4.4.3 The Chancellor has said he will introduce a permanent AIA cap of £200,000 from 1 January 2016. There are complicated rules for the maximum amount of relief where an accounting period straddles the change of limit.

4.5 Bank Levy Reform

4.5.1 The Chancellor announced that Banks should continue to make a fair contribution in respect of the potential risks they pose to the UK financial system and wider economy but added that as the banking sector recovers and profitability improves, the government believes it is now appropriate to reform how banks are taxed.

4.5.2 The government will reduce the rate at which the bank levy is charged and introduce a surcharge on the profits of banking companies. The government will also set the rate at which the bank levy is charged for the next six years. It is estimated that the revenue raised by the surcharge will offset bank levy reductions over the forecast period.

4.5.3 The full bank levy rate [applicable to short term chargeable liabilities] is to reduce from 0.21% to 0.18% in 2016, 0.17% in 2017, 0.16% in 2018, 0.15% in 2019, 0.14% in 2020 and 0.10% in 2021.

4.5.4 A decrease from 0.105% to 0.09% with effect from 1 January 2016 will be made to the half rate [chargeable on long term chargeable equity and liabilities], with corresponding reductions 0 0.05% being made each following calendar year until 2021.

4.6 Bank Tax Surcharge

4.6.1 As noted above, a supplementary tax on banking sector profit of 8% is to be introduced from 2016, to apply to banks' taxable profits before any carried forward losses. The tax will not apply to the first £25m of profit within a group.

4.6.2 The surcharge will be paid alongside a company's liability to corporation tax. When a company makes a payment that includes, or is wholly, surcharge liability, it must notify HMRC of the amount of surcharge paid. This requirement is the same regardless of whether the company pays by instalments or not.

4.6.3 Where a company pays tax by instalments, any surcharge element of an instalment due before 1 January 2016 will be treated as due at the next instalment date following 1 January 2016.

4.6.4 There is an annual allowance of £25 million available to groups, or, where a group has only one banking company or the banking company is not in a group, to that banking company alone. The allowance is available from 1 January 2016 and unused allowance cannot be carried forward. The allowance exempts surcharge profits or CFC profits apportioned to a banking company from liability to the surcharge.

4.6.5 Groups will need to nominate one banking company to make a statement to HMRC of how the allowances will be used for the period. The statement should include details of the banking companies which will receive the allowance and the amount they will receive (up to a maximum of £25m for the group). Where a banking company is not in a group, it does not need to make a statement.

4.7 Controlled Foreign Companies

4.7.1 Provisions to restrict the ability of companies using UK losses and reliefs against a CFC charge will be introduced with immediate effect.

4.7.2 These are to improve the effectiveness of the SFS regime in deterring profit diversion and in taxing profits that are diverted.

5. **Value Added Tax (VAT)**

5.1 Registration And Deregistration Thresholds And Rates

5.1.1 The registration threshold for VAT from 1 April 2015 is £82,000, whilst the deregistration threshold is £80,000.

5.2 Offshore Avoidance

5.2.1 The Chancellor announced a review of the 'use and enjoyment' rules to apply from 2016, to make it clear that UK VAT is due on all repairs carried out in the UK under UK insurance contracts.

5.2.2 There will also be a wider review of the use of offshore structures to avoid VAT in the exempt sectors, for example to remove a VAT charge on advertising in relation to UK financial businesses. Anti-avoidance measures will be applied from 2017. This may be a response to HMRC losing a recent case in which they tried to argue that an offshore VAT structure should be ignored as an 'abuse of rights'.

6. **Other Measures**

6.1 Foreign Domicile

6.1.1 The status of 'foreign domiciled person' has traditionally been inherited from an individual’s father or mother, and has only changed during their lifetime in specific circumstances. It has therefore been possible for someone to be born in the UK and to live here all their lives, and yet to be taxed as a foreign domiciled person. Such a person has enjoyed a number of tax advantages, in particular in relation to foreign income, gains and assets. Extra tax charges have been introduced for foreign domiciled people in recent years, but some advantages remain.

6.1.2 The Chancellor has announced significant changes to apply from April 2017. Anyone who has been tax-resident in the UK in 15 of the preceding 20 years will then be deemed to be UK domiciled for tax purposes. In addition, it will no longer be possible for somebody who is born in the UK to parents who are UK domiciled to claim foreign domiciled status if they leave the UK but then return and take up residency here.

6.1.3 At present, a foreign domiciled person can own UK residential property through an offshore structure and turn it into a foreign asset for IHT purposes. The annual tax on enveloped dwellings has imposed a significant tax charge on such structures in many cases, but from April 2017 it will no longer take the property out of UK IHT.

6.1.4 A technical consultation will be published later this year.

6.2 Direct Recovery Of Tax Debt

6.2.1 In 2014, HMRC issued a consultation document about a new power for them to remove money directly from a taxpayer's bank and building society accounts, if the taxpayer refused to pay a debt. Tax professionals protested that this would be a draconian power and HMRC's systems are not reliable enough to protect vulnerable taxpayers from mistakes and over-zealous collectors. The proposal was deferred before the election.

6.2.2 It has now been restored to the new Finance Bill, and the power will be given to HMRC with effect from when the Finance Bill becomes law. The Government claims that extra safeguards will be built into the system, and it will only be applied to people who 'can pay but choose not to'. They expect to apply the power to around 11,000 cases a year. It will only be used where the debtor owes at least £1,000, and at least £5,000 will always be left in the account.

6.3 OffshoreTax Evasion

6.3.1 Many governments are increasingly cooperating to exchange information in order to trace and clamp down on offshore tax evasion. This Budget includes a new power for the Government to require financial intermediaries, tax advisers and other professionals to warn their clients about the possibility of investigation of offshore accounts.

6.3.2 This will be combined with a time-limited 'disclosure facility' in early 2016 to allow non-compliant taxpayers to put their affairs in order with the benefit of reduced penalties, although the terms will be less favourable than on previous occasions.

6.3.3 After that window closes, HMRC promises to pursue anyone who continues to conceal their tax affairs with tough penalties and possible criminal sanctions.

6.4 Additional Resources To Target Non Compliance

6.4.1 The government is to invest additional resources in large business compliance work to further extend our efforts to tackle evasion, avoidance and aggressive tax planning by large businesses.

6.4.2 The government will also consult on new measures to increase compliance and tax transparency in relation to large business tax strategies. These will include the introduction of a 'special measures' regime to tackle businesses that persistently adopt highly aggressive behaviours including around tax planning, and a voluntary Code of Practice defining the standards HMRC expects large businesses to meet in their relationship with HMRC.

6.4.3 The government is also to provide additional resource to HMRC to allow it to identify and tackle tax evasion and other non-compliance among wealthy individuals by extending HMRC's Customer Relationship Model to individuals with net wealth between £10-20 million, and to pursue more criminal investigations against wealthy individuals evading tax.

6.4.4 The government will also consult on enhancing the information reported to HMRC by wealthy individuals and trustees.

6.5 Vehicle Excise Duty

6.5.1 The Chancellor has announced a complete reform of Vehicle Excise Duty from 1 April 2017. New cars registered after that date will incur a higher charge in their first year, based on their carbon dioxide emissions rating. Those with high ratings will see a significant increase in charges, and expensive cars will have a supplementary charge of £310 for the first five years.

6.5.2 We are promised that 'from the end of this decade', the money raised will actually be spent on roads. Whilst many people believe that is what happens now, the duty is at present simply part of general taxation.

7. National Insurance Contributions (NICs)

7.1 Rates And Thresholds

7.1.1 The rates and thresholds for NIC for 2015/16 were announced in the Autumn Statement 2014. The threshold at which employees start to pay NIC is £155 per week whilst that for employers is £156 per week.

7.1.2 The upper earnings limit, at which the rate for employee contributions drops from the full 12% to 2% is £42,380.

7.2 Employer Contributions

7.2.1 From 6 April 2014 most employers have been able to claim an annual employment allowance of £2,000 to set against employer’s class 1 NIC. This will rise to £3,000 per year from 6 April 2016.

7.2.2 One-person companies will no longer be eligible to claim the allowance. This will increase costs for personal service companies and affect the tax efficient amount of salary directors will be able to extract from their own companies.

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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