haysmacintyre
chartered accountants & tax advisers

AUTUMN STATEMENT 2014

SUMMARY OF MEASURES

The 2014 Autumn Statement: the Chancellor's last before next year's General Election. With a backdrop of increased growth forecasts, a drop in unemployment, and lower than predicted tax receipts and debt repayments, the Chancellor's 50 minute speech focussed on the improving economy. He was careful, however, to inform us upfront that the announcements would not amount to a net give away: a further tightening of spending is to follow.

Some key tax changes have been announced, including a new profits diversion tax for multinationals operating in the UK, a fundamental overhaul of the Stamp Duty Land Tax (SDLT) regime for residential property, and increases in the cost for non-UK domiciled individuals of retaining the tax benefits of their "non-dom" status. On the incorporation of a sole trade or partnership from today, individuals will be prevented from claiming Entrepreneurs' Relief on Capital Gains on the disposal of goodwill to a related close company. However, businesses with research and development (R&D) spend will benefit from the increase in R&D tax relief to 230% of the spend.

STAMP DUTY LAND TAX

Residential Properties

- The "slab system" of calculating SDLT with respect to residential properties is to be replaced by a system of progressive rates charging SDLT on the proportion of the purchase price within each band.

Band £	Rate %
0 – 125,000	Nil
125,001 – 250,000	2
250,001- 925,000	5
925,001 – 1,500,000	10
1,500,001 +	12

- These changes will take effect on and after 4 December 2014.

Shared Ownership

- Multiple dwellings relief is to be extended to include superior interests in residential property such as shared ownership where the transaction is part of a lease and leaseback arrangement acquired from a qualifying body such as a Housing Association.

Other Changes

- A seeding relief for Property Authorised Investment Funds (PAIF's) and Co-Ownership Authorised Contractual Schemes is to be introduced subject to resolving potential avoidance issues. The changes are to be introduced in Finance Bill 2016.

BUSINESS AND EMPLOYMENT TAXES

Research and Development

- The rate of the above the line credit for qualifying R&D spend is to increase to 11% (from 10%).
- The relief under the Small and Medium Enterprises Scheme (SME) is to increase to 230% from 225%.
- Qualifying expenditure is to be limited to exclude the costs of materials incorporated into products that are sold.
- The above changes are to take effect from 1 April 2015.
- For small businesses making their first claims an advance assurances scheme is to be introduced together with new guidance.
- The Government is to consult generally on issues faced by smaller businesses when claiming R&D credits.

Tax relief for the creative sector

- A new tax relief, Children's Television Tax Relief, for the production of children's television programmes is to be introduced from 1 April 2015.
- The Children's Television Tax Relief is to be set at a rate of 25% of the qualifying production expenditure.

- The Government is to consult on the extension of Theatre Tax Relief to orchestras, to be introduced from 1 April 2016.

Incorporation

- Rules are to be introduced to restrict the corporation tax relief available on the amortisation of acquired goodwill where the business is acquired from a related individual or partnership. The restriction will take effect for acquisitions on or after 3 December 2014.
- Related changes are to be made to the capital gains tax treatment of individuals or partners who will no longer benefit from the 10% Entrepreneurs' Relief rate of capital gains tax on the sale of goodwill to a related company.

Employment benefits and expenses

- A statutory exemption will be introduced for trivial benefits in kind costing less than £50.
- The £8,500 salary threshold below which benefits in kind are not taxable will be withdrawn.
- Certain reimbursed expenditure will be made tax exempt.
- Voluntary payrolling of benefits in kind will be placed on a statutory footing.

Corporation Tax – Corporate Debt

- Following the review announced at Budget 2013 wide ranging changes to update, simplify and rationalise the legislation with respect to corporate debt and derivatives is to be introduced in Finance Bill 2015. The general aim is to strengthen the link between commercial accounting profits and taxable profits. A new relief for companies in financial distress is to be introduced.
- The rules concerning loans made to UK companies by a connected company located in a non-qualifying territory are to be repealed.

Consortium Relief

- With effect from 10 December 2014 the requirement that the "link company" for the purposes of consortium relief should be a UK company is to be removed.

Flood Defence Relief

- Business contributions to Flood and Coastal Erosion Risk Management Projects (Flood Defences) will be deductible expenditure for both corporation tax and income tax purposes as a result of changes to be introduced from 1 January 2015**.**

National Insurance Contributions

- The employers' contribution is to be abolished with respect to earnings up to the upper earnings limit paid to apprentices aged under 25.
- The annual £2,000 Employment Allowance is to be extended to care and support workers with effect from April 2015.

Bank Loss Relief

- The amount of a bank's annual profit that can be offset by way of carried forward losses is to be restricted to 50% with effect from 1 April 2015. The restriction applies to losses accruing up to 1 April 2015 but excludes losses incurred in the Bank's first five years of authorisation.

Employee Share Schemes

- Following the consultation launched after Budget 2014 the Government has decided not to proceed with a new employee shareholding vehicle.
- Similarly the Government has decided not to proceed with changes to the taxation of employee shares that would have introduced a "marketable security".

OTHER PROPERTY TAXES

Annual Tax on Enveloped Dwellings (ATED)

- The annual charge will increase by 50% above inflation for the chargeable period 1 April 2015 to 31 March 2016.
- Changes to simplify the filing requirements with respect to properties within the ATED which are eligible for relief are to be introduced from 1 April 2015.

Business Rates

- The doubling of the Small Business Rate Relief (SBRR) is to be extended for a further year from 1 April 2015.
- The Government is to conduct a strategic review on the future structure of business rates to report by Budget 2016.

ANTI-AVOIDANCE

Multi-national Enterprises

- A new tax, the Diverted Profits Tax, is to be introduced to counter the use of aggressive tax planning techniques by multi-national enterprises to divert profits from the UK.
- The profits so diverted will be subject to the Diverted Profits Tax at a rate of 25%. It is to come into effect from 1 April 2015.
- Rules are to be legislated for which will require multi-national enterprises to provide high level information to HMRC on their global profit allocation. These Country by Country Reporting obligations are to be included in Finance Bill 2015 with the implementation date yet to be announced.
- The Government is to consult on plans to address the so called "hybrid mis-match" arrangements targeting multi-national enterprises avoiding tax through the use of cross-border business structures or financing structures.

Marketed Anti-Avoidance Schemes

- Further measures are to be consulted upon to target "serial avoiders" being repeat users of avoidance schemes.
- The DOTAS regime is to be updated to include additional "hallmarks" and remove "grandfathered" provisions. HMRC is to publish summary information about schemes notified under DOTAS.

PERSONAL TAX

Income tax and National Insurance

- Personal allowance will increase to £10,600 from April 2015.
- Higher rate tax threshold will increase to £42,385 so that all taxpayers with taxable income under £100,000 benefit from the increased allowance.
- National Insurance thresholds will increase in line with higher income tax rate.

Non-domiciled UK tax residents

- The remittance basis charge (RBC) will remain at £30,000 for those who have been UK resident for 7 out of the last 9 tax years.
- RBC will increase to £60,000 for those resident 12 out of the last 14 years.
- New annual charge of £90,000 for those resident 17 out of the last 20 years.
- There will be a consultation on making the remittance basis election apply for a minimum of 3 years rather than the current position of electing each year.

Personal allowances for non-residents

- The intention to withdraw the personal allowance for non-residents was announced earlier this year.
- It will be subject to further consultation and if implemented will not come into effect before April 2017.

ISAs and savings

- The ISA savings threshold will increase to £15,240 from April 2015.
- Junior ISA and Child Trust Fund limits will be £4,080 from April 2015.
- When an ISA holder dies, their surviving spouse will be able to transfer the inherited ISA into their own account without losing the tax benefits or restricting their own investment allowance.

CAPITAL TAXES

Inheritance Tax (IHT)

- In the same way that members of the armed forces who die on active service are now exempt from IHT, humanitarian aid and emergency service workers who die when responding to emergency situations will also be exempt. Applies to deaths on or after 19 March 2014.
- Bereavement Support Payment will be tax-exempt when it is introduced in April 2017.

Social Investment Tax Relief (SITR)

- Subject to state aid approval, the investment limit will increase to £15m per organisation from April 2015.
- Relief will be extended to community farm and horticultural services.
- A consultation will be launched on introducing Social Venture Capital Trusts

Entrepreneurs' Relief

- Entrepreneurs' Relief which gives a favoured rate of capital gains tax of 10%, will no longer be available on the sale of goodwill by an individual to a related company. This will affect transfers on or after 3 December 2014.
- Gains qualifying for Entrepreneurs' Relief that are deferred under Enterprise Investment Scheme (EIS) or SITR investments will still qualify for relief when they come back into charge on the sale of the EIS/SITR shares.
- This reduces the risk of deferring a gain at 10% and paying tax subsequently at a higher rate when the deferred gain becomes chargeable again.

Losses on peer to peer lending

- From April 2015 investors who make losses on peer to peer lending will be able to offset them against other income from peer to peer platforms.

Self-Assessment tax returns and capital gains

- HMRC will introduce an online calculator which allows taxpayers to calculate the capital gains tax due on one-off transactions.
- The intention is that once calculated, the information will be copied across automatically to your tax return if you use the HMRC website to submit your return.

PENSIONS

- Beneficiaries of those aged under 75 who die before accessing their defined contribution pension funds will be allowed to inherit the proceeds tax-free following the abolition of the 55% tax rate from April 2015.
- The same exemption will apply to joint life or guaranteed annuity holders.
- Where the deceased was aged over 75, the beneficiaries will pay the marginal rate of tax on withdrawals or 45% if the fund is taken as a lump sum.
- Individuals who access their pension funds after 6 April 2015 will have a reduced annual allowance of £10,000 for further defined contribution savings to prevent recycling of funds.
- The age limit preventing tax relief on further pension contributions for those aged 75 and over will remain in place following a consultation.

OTHER MEASURES

- Air Passenger Duty for children under 12 will be abolished from May 2015 and for under 16s from 2016.
- Airlines will be required to split out the cost of tickets and taxes to improve transparency.

VAT

- Following recent lobbying from charity tax groups, the government has today announced that Hospices and Search and Rescue charities will now be able to claim VAT in respect of certain expenditure. The details have yet to be announced, but the measures are not expected to come into force until April 2015, and the exact mechanism has yet to be announced, however it seems likely that it will be similar to the mechanism that applies to the NHS.
- There will be a further grant to the Listed Places of Worship grant scheme to cover roof repairs to eligible places of worship.

For further information on any of the above details, please contact your usual engagement partner or a member of the haysmacintyre tax team.

ABOUT HAYSMACINTYRE

We are a leading mid-tier firm of Chartered Accountants and tax advisers in central London, providing advice to entrepreneurs, fast-growing and owner-managed businesses, charities and not for profit organisations across the UK and internationally.

As a mid-tier firm we're large enough to provide a wide range of services, yet small enough to offer a personal, responsive approach.

As a founding member of MSI Global Alliance, one of the largest and most respected associations of independent legal and accounting firms, we are ideally placed to advise you on international matters.

haysmacintyre
26 Red Lion Square
London
WC1R 4AG

T 020 7969 5500 **F** 020 7969 5600
E marketing@haysmacintyre.com
www.haysmacintyre.com
@haysmacintyre