

The Chancellor delivered his Autumn Statement and Spending Review to Parliament earlier this afternoon, his third such "Budget" speech of 2015. The key popular headlines will unsurprisingly be his U-turn on the proposed changes to tax credits and the safeguarding of the police budget in the light of the current heightened terror threat level.

Continuing themes include additional anti-avoidance measures and increased penalties, further investment to tackle tax evasion and the devolution of certain tax powers for Wales and Northern Ireland. Further consultation and calls for evidence are to take place on key employment tax issues such as staff accommodation and employment status.

Shorter on detail than recent Budgets, today's Statement does include some significant new taxes and changes to tax administration and collection. Additional measures are announced in the Chancellor's efforts to cap the housing market and increase the tax yield. From April 2016, there will be a 3% increase to Stamp Duty Land Tax (SDLT) for buy-to-let and second homes, and from April 2017, SDLT will have to be paid within 14 rather than the current 30 days. From 2019, Capital Gains Tax (CGT) on the disposal of residential properties will be due for payment within 30 days of sale: far earlier than the 31 January following the tax year of disposal under current rules.

A new apprenticeship levy will be an additional cost to all employers with payrolls in excess of £3million, but it is hoped that a promised review of business rates should offer some relief to businesses and charities.

Please see our summary for further details on all key tax announcements: we expect further details with the publication of the Finance Bill on 9 December.

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PERSONAL TAX

Capital Gains Tax (CGT)

- From April 2019 a payment on account of CGT due on the sale of residential property will be due within 30 days of the transaction.
- This is an extension of the new rules applying to residential property sold by non-residents.
- It does not apply to gains made on properties which are exempt under Principal Private Residence relief.
- The Government will consult on how to apply this new payment deadline, taking into account the annual exemption, losses and the different tax rates for basic and higher rate taxpayers.

Income Tax

- Sporting testimonials and benefit matches for employed sportspersons will be subject to income tax.
- Where the testimonial is not contractual or customary, there will be a £50,000 tax exemption.
- The rules apply to events taking place after 5 April 2017.
- From 2016/17 simplified tax demands will be issued where HMRC holds all the data necessary to complete a tax computation. Errors and amendments will be processed if the taxpayer appeals.

Savings

- ISA limits will not increase in 2016/17 and will remain at £15,240.
- Debt securities offered through crowdfunding platforms will be qualifying investments under the new Innovative Finance ISA from Autumn 2016.
- There will be a consultation on including equity crowdfunding investments as qualifying assets.

Inheritance Tax

- ISAs within a deceased's estate will continue to qualify for tax relief during the administration period in an extension to the rules on transferring ISAs to surviving spouses.
- The consultation on changes to deeds of variation has concluded and there are no changes proposed.

Venture Capital Schemes

- Renewable and reserve energy generating schemes will not be qualifying activities for venture capital schemes from 30 November 2015.

- This applies to EIS, Seed EIS, VCT and Social Investment Tax Relief (SITR).
- Other energy generating schemes will be excluded from April 2016.

Digital Tax Accounts

- Businesses, self-employed people and landlords will be required to submit their tax details on a quarterly basis to HMRC using new Digital Tax Accounts.
- This will not apply to pensioners or employees, unless they have secondary income of more than £10,000 per year.
- More details and a consultation are due in 2016.

Pensions

- The consultation on further reforms to the pension tax relief system will be published in March 2016.
- Increases to the minimum contributions required under auto-enrolment planned for October 2016 and 2017 will be deferred by six months so that they can be implemented at the beginning of the relevant tax years.

PROPERTY TAXES

Stamp Duty Land Tax (SDLT)

- Higher rates of SDLT are to be charged on the purchase of additional residential properties such as buy-to-let properties and second homes. The higher rate will be set at 3% above the current SDLT rates for residential property. The changes will be introduced from 1 April 2016.
- A consultation is to be undertaken with respect to the SDLT filing and payment process to include a reduction in the filing and payment window from 30 days to 14 days. The changes will come into effect in 2017/2018.
- A seeding relief is to be introduced for Property Authorised Investment Funds and Co-ownership Authorised Contractual Schemes. The seeding relief will be available over a period of 18 months with a three year claw-back mechanism. A portfolio test of 100 residential properties and £100million value or 10 residential properties and £100million value will apply. The changes will take effect from the date Finance Bill 2016 receives Royal Assent.

Annual Tax on Enveloped Dwellings (ATED)

- The reliefs available from ATED and the 15% higher rate of SDLT are to be extended to equity release schemes, property development activities and properties occupied by employees. The changes will take effect from 1 April 2016.

Small Business Rate Relief

- The Government is to extend the doubling of the Small Business Rate Relief for a further year from 1 April 2016.

BUSINESS TAX

Apprenticeship Levy

- An apprenticeship levy set at a rate of 0.5% of the employer's payroll is to be introduced from April 2017. The levy is to be paid through PAYE. Each employer will receive an allowance of £15,000 to offset against this levy payment. It is anticipated that the levy will only be payable on payrolls in excess of £3million.

Corporate Debt and Derivative Contracts

- The tax rules for company debt and derivative contracts are to be updated to ensure they interact correctly with new accounting standards in specific circumstances.

Disguised Remuneration

- The Government intends to take further action against those who continue to use disguised remuneration schemes and may legislate to include schemes which seek to avoid tax on earned income rather than specifically employment income.

Asset Manager's Performance Based Awards

- Statutory rules are to be introduced to determine when performance awards received by asset managers are to be taxed as income or capital gains. The intention is that the award should be subject to income tax unless the underlying fund undertakes a long-term investment activity.

Entrepreneurs' Relief

- Rather cryptically, the Government is to consider legislation amending recent changes to Entrepreneurs' Relief targeting "contrived structures" to ensure that the relief remains available with respect to genuine commercial transactions.

Intangible Assets and Partnerships

- The intangible fixed asset rules are to be amended with immediate effect to clarify the tax treatment on transfers of assets to partnerships to ensure that corporate members do not benefit in a way that is contrary to the intention of the regime.
- The Government is to consider a review of the intangible assets regime as part of the Business Tax Road Map.

Farmer's Averaging Relief

- The averaging period for self-employed farmers is to be extended from two years to five years. The change will take effect from 6 April 2016.

Enterprise Zones

- The programme of enterprise zones is to be expanded with the announcement of 18 new sites and the extension of eight current sites.

Future Consultations

- The Government is to consult on the case for introducing a new tax relief for museums and galleries.
- A consultation is to be launched at Budget 2016 on how to expand the support that may be given to grass-roots sport through the corporation tax system.
- A consultation on the rules on company distributions is to be issued later in the year.
- The Government is to consult on changes to the Business Investment Relief rules to encourage their greater use.

EMPLOYMENT TAXES

Salary Sacrifice

- The Government remains concerned about the growth of salary sacrifice arrangements and is to gather further evidence, including from employers, on such arrangements to inform its approach.

Personal Service Companies

- Travel and subsistence payments for workers engaged through personal service companies will be taxable from April 2016.

Employment Status and Benefits

- There will be further consultation on reforms to the taxation of employer-provided accommodation benefits and employment status.

Welfare

- The upper income limit for tax-free child care will be lowered to £100,000 from £150,000.
- The minimum income level per parent will increase to the equivalent of 16 hours at the National Living Wage.
- Unpaid truancy penalties will be automatically deducted via child benefit or through the courts where the family does not receive child benefit.

Employee Share Schemes

- A number of technical changes are introduced to streamline and simplify aspects of the tax rules for tax advantaged and non-tax advantaged employee share schemes.

Company Cars

- The 3% differential between diesel cars and petrol cars is to be retained until April 2021.

Real Time Information

- The temporary relaxation allowing existing micro employers using real time PAYE to report all payments they make in a tax month on or before the last payday in the tax month, rather than on or before each and every payday, will end as planned on 5 April 2016.

ANTI-AVOIDANCE

New Criminal Offences

- A new criminal offence will remove the need to prove intent for the most serious cases of failing to declare offshore income and gains.
- A similar offence is to be introduced targeting corporates which fail to prevent their agents from criminally facilitating tax evasion.

New Civil Penalties

- Increased civil penalties for deliberate offshore tax evasion are to be introduced including a new penalty linked to the value of the asset on which tax was evaded.
- Civil penalties for those who enable offshore tax evasion are to be introduced, including public naming of those who have enabled the evasion.

Serial Avoiders

- Measures are to be introduced targeting those who persistently enter into tax avoidance schemes that are defeated by HMRC. These measures include special reporting requirements, a surcharge on inaccurate returns due to a defeated scheme and restrictions on accessing certain tax reliefs for a prescribed period.
- The Promoters of Tax Avoidance Scheme regime is to be widened by including promoters whose schemes are regularly defeated by HMRC.

General Anti-Abuse Rule (GAAR)

- A new penalty of 60% of tax due is to be charged in all cases successfully tackled by the GAAR.

Targeted Avoidance

- A targeted anti-avoidance rule is to be introduced as part of the transactions in securities rules. The intention is to preclude opportunities for income to be converted to capital in order to gain a tax advantage.
- Amending legislation is to be introduced to defeat two types of avoidance involving capital allowances and leasing. These changes will prevent companies from artificially lowering the disposal value of plant and machinery for capital allowance purposes, and will make any payment received for agreeing to take responsibility for tax deductible lease related payments subject to tax as income. The changes take effect from 25 November 2015.

CHARITIES

Loans to Participators

- Loans or advances made by a close company to charity trustees for charitable purposes are to benefit from an exemption from the loan to participator rules. A corporation tax charge may currently arise where such loans are entered into. The exemption will apply to qualifying loans or advances made on or after 25 November 2015.

For further information on any of the above, please contact your usual engagement partner or Katharine Arthur, Head of Tax.

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