Secondsight

2015

Autumn Statement
November 2015

KEY POINTS SUMMARY

2015

Autumn Statement
November 2015

KEY POINTS SUMMARY

“Since 2010, the UK has been the joint fastest growing economy in the G7.”

The Autumn Statement 2015 was made by the Chancellor of the Exchequer, George Osborne on Wednesday 25th November. The Autumn Statement is published in full on HM Treasury’s website at:

https://www.gov.uk/government/topical-events/autumn-statement-and-spending-review-2015

We believe this summary contains the key points of the Spending Review and Autumn Statement 2015.

Contents

Secondsight

2015

Autumn Statement
November 2015

KEY POINTS SUMMARY

"Our economy is predicted to grow by 2.4% this year."

The Economy

The Chancellor reported that, since 2010, on average, the UK has been the joint fastest growing economy in the G7.

And even with the weaker global picture, our economy this year is predicted to grow by 2.4%. Growth is then revised up from the Budget forecast in the next two years, from 2.3% to 2.4% in 2016 and from 2.4% to 2.5% in 2017. It then starts to return to its long term trend, with growth of 2.4% in 2018 and 2.3% in 2019 and 2020.

The Office for Budget Responsibility (OBR) forecasts employment to be 31.1 million in 2015, rising each year to 32.2 million in 2020.

Consumer Price Index (CPI) inflation is forecast to be below the 2.0% inflation target in 2015, returning gradually to 2.0% in 2019.

The Office for Budget Responsibility has predicted that the UK will have a budget surplus of 0.5% GDP (equivalent to £10.1bn) by 2019-20.

It also forecast the debt in July to be 83.6% of national income this year. In the Autumn Statement, it forecast debt this year to be lower at 82.5%. It then falls every year, down to 81.7% next year, down to 79.9% in 2017-18, then down again to 77.3% and then 74.3%, reaching 71.3% in 2020-21.

Tax credits

- As widely predicted the Chancellor, under pressure, announced a U-turn on his original proposals to cut tax credits.
- The tax credits income threshold will remain at £6,420 from April 2016 and the tax credits taper will remain at 41% of gross income.
- However, from April 2016 the amount by which a tax credit claimant's income can increase in-year compared to their previous year's income before their award is adjusted (the income rise disregard) will be reduced from £5,000 to £2,500 as announced in the Summer Budget.
- The changes to Universal Credit announced in the Summer Budget will go ahead as planned from 2016-17 and those transferred by the Department for Work and Pensions (DWP) from tax credits to Universal Credit will receive transitional protection.

Income Tax

Starting rate of savings tax

- The band of savings income that is subject to the 0% starting rate will be kept at its current level of £5,000 for 2016-17.

Salary sacrifice

- The government remains concerned about the growth of salary sacrifice arrangements and is considering what action, if any, is necessary. They will gather further evidence, including that from employers, on salary sacrifice arrangements to inform its approach.

Capital Gains Tax

Payment window following disposal of a residential property that is subject to Capital Gains Tax

- From April 2019, a payment on account of any Capital Gains Tax due on the disposal of residential property will be required to be made within 30 days of the completion of the disposal. This will not affect gains on properties which are not liable for Capital Gains Tax due to Private Residence Relief. This requirement will be introduced from April 2019 to ensure that HM Revenue & Customs' digital systems are ready to provide support, making paying this tax simpler and quicker for taxpayers. The government will publish draft legislation for consultation in 2016 (Finance Bill 2017).

Capital Gains Tax for non-UK residents disposing of UK residential property

- The government will amend the Capital Gains Tax computations required by non-residents on the disposal of UK residential property by removing (with retrospective effect from 6th April 2015) a double charge that occurs in some circumstances.
- The government will also give HM Revenue & Customs powers to specify circumstances when a Capital Gains Tax return is not required by non-residents and will add Capital Gains Tax to the list of taxes that the government may collect on a provisional basis (Finance Bill 2016).

Inheritance Tax

Drawdown pensions

- The government will legislate to ensure a charge to inheritance tax will not arise when a pension scheme member designates funds for drawdown but does not draw all of the funds before death. This will be backdated to apply to deaths on or after 6th April 2011 (Finance Bill 2016).

Deeds of variation

- Following the review announced in the March Budget 2015, the government will **not** introduce new restrictions on how deeds of variation can be used for tax purposes but will continue to monitor their use.

Secondsight

2015
Autumn Statement
November 2015

KEY POINTS SUMMARY

“From 1st April 2016, higher rates of Stamp Duty Land Tax will be charged on additional residential properties.”

Pensions

Pensions tax relief consultation

- In the Summer Budget 2015, the government launched a consultation on the system of pension tax relief. The government is considering the responses received and will publish its response in the Budget 2016.

Basic State Pension

- In April 2016, the basic State Pension will again be increased by the triple lock. As a result the full basic State Pension will rise by £3.35 to £119.30 a week.
- From April 2016, those reaching pensionable age will receive a new ‘single tier’ pension with a starting rate of £155.65.

Pension Credit

- The government confirms that the single rate of the Standard Minimum Guarantee will rise in line with earnings by £4.40 to £155.60 per week, and the couple rate will rise by £6.70 to £237.55 per week.
- The Savings Credit threshold will rise to £133.82 for a single pensioner and to £212.97 for a couple, which will reduce the single rate of the Savings Credit maximum by £1.75 to £13.07 and the couple rate by £2.68 to £14.75.
- From April 2016, the government will end the payment of Housing Benefit and Pension Credit to claimants to who travel outside of Great Britain for longer than 4 weeks consecutively.

Auto-enrolment

- Rises to the auto-enrolment minimum employer contribution of 2% (5% total contribution) have been pushed back by six months from October 2017 to April 2018 and the next rise to a minimum 3% employer contribution (8% total contribution) originally scheduled for October 2018 will now take place in April 2019.

Secondary annuity market

- The government will remove the barriers to creating a secondary market for annuities, allowing individuals to sell their annuity income stream. The government will set out further details on this measure, including the framework for the consumer protection package, in its consultation response this December (Finance Bill 2017).

Stamp Duty Land Tax

Additional properties

- From 1st April 2016, higher rates of Stamp Duty Land Tax will be charged on purchases of additional residential properties (above £40,000), such as buy to let properties and second homes. The higher rates will be 3% above the current Stamp Duty Land Tax rates.
- The higher rates will not apply to purchases of caravans, mobile homes or houseboats, or to corporates or funds making significant investments in residential property given the role of this investment in supporting the government’s housing agenda.
- The government will consult on the policy detail, including on whether an exemption for corporates and funds owning more than 15 residential properties is appropriate.

Changes to the filing and payment process

- The government will consult in 2016 on changes to the Stamp Duty Land Tax filing and payment process, including a reduction in the filing and payment window from 30 days to 14 days. These changes will come into effect in 2017-18 (Finance Bill 2017).

Individual Savings Accounts (ISAs)

Annual subscription limits

- The government will maintain the ISA, Junior ISA and Child Trust Fund annual subscription limits at their current level for 2016-17. The ISA limit will be kept at £15,240. The Junior ISA and Child Trust Fund limits will be kept at £4,080.

Qualifying investments

- The list of qualifying investments for the new Innovative Finance ISA will be extended in Autumn 2016 to include debt securities offered via crowdfunding platforms. The government will continue to explore the case for extending the list to include equity crowdfunding.

Tax advantages during the administration of an estate

- The government will legislate to allow the ISA savings of a deceased person to continue to benefit from tax advantages during the administration of their estate and will set out further plans for introducing this measure in 2016, following technical consultation with ISA providers (Finance Bill 2016).

Venture Capital Schemes

Changes to eligible investments

- The government announced at the Report Stage of the Finance (No. 2) Act 2015 changes to the excluded activities of the Enterprise Investment Schemes, Venture Capital Trusts and Seed Enterprise Investment Schemes .

2015

Autumn Statement
November 2015

KEY POINTS SUMMARY

"From April 2016, anyone with an income of less than £80,000 outside London will be eligible to buy through shared ownership."

Venture Capital Schemes cont...

Changes to eligible investments

- With effect from 30th November 2015, the provision of reserve energy generating capacity and the generation of renewable energy benefiting from other government support by community energy organisations will no longer be qualifying activities. In addition, these activities will not be eligible for Social Investment Tax Relief when Social Investment Tax Relief is enlarged. The government will exclude all remaining energy generation activities from the schemes from 6th April 2016, as well as from the enlarged Social Investment Tax Relief. The government will also introduce increased flexibility for replacement capital within Enterprise Investment Schemes and Venture Capital Trusts, subject to state aids approval (Finance Bill 2016).

Tax avoidance

New criminal offence for tax evasion

- The government will introduce a new criminal offence that removes the need to prove intent for the most serious cases of failing to declare offshore income and gains (Finance Bill 2016).

New civil penalties for offshore tax evaders

- The government will increase civil penalties for deliberate offshore tax evasion, including the introduction of a new penalty linked to the value of the asset on which tax was evaded and increased public naming of tax evaders (Finance Bill 2016).

General Anti-Abuse Rule (GAAR)

- The government will introduce a new penalty of 60% of the tax due to be charged in all cases successfully tackled by the General Anti Abuse Rule (GAAR). The government will also make small changes to the way the GAAR works to improve its ability to tackle marketed avoidance schemes (Finance Bill 2016).

Stamp Duty Land Tax Anti-Avoidance

- New rules will be introduced to stop avoidance of stamp duty land tax where 'deep in the money' options are used to transfer shares to a depositary receipt issuer or clearance service. To reduce opportunities for income to be converted to capital to gain a tax advantage, the government will shortly publish a consultation on the company distributions rules, and will amend the Transactions in Securities rules and introduce a Targeted Anti-Avoidance Rule.

Corporate Intangibles, Research & Development

- The government is aware of tax planning around the intangible fixed assets regime used to obtain more generous corporation tax relief than is intended by the legislation. It will therefore amend the regime to stop arrangements that use partnerships to obtain relief that was not intended.

Capital Allowances

- The government will also amend legislation to counter two types of avoidance involving capital allowances and leasing, which involve businesses artificially increasing the value of their capital allowances or lowering the amount of tax which they pay.

Help to buy

Help to buy shared ownership

Currently the eligibility requirements to buy a home through shared ownership are that:

- the buyer's household earns:
  - £71,000 a year or less in London for a 1 or 2 bedroom property;
  - £85,000 a year or less in London for a 3 or more bedroom property; or
  - £60,000 a year or less (outside London);
- the buyer is generally a first-time buyer (or you used to own a home, but can't afford to buy one now); and
- the buyer is not be able to afford to buy a home suitable for your housing needs on the open market.

The limits will be lifted from April 2016 so that anyone who has a household income of less than £80,000 (outside London), and £90,000 (inside London), will be eligible to buy a home through shared ownership.

People can buy a share between 25% and 75% of a home. The rent on the rest of the property won't be more than 3% of the amount left.

Help to buy equity loans

With a help to buy equity loan, the government lends customers up to 20% of a new build home, so that the customer needs only a 5% deposit and a 75% mortgage to make up the rest.

The equity loan scheme will now be extended until 2021.

In addition, to reflect the current property market in London, from early 2016 the government will increase the upper limit for the equity loan it gives new buyers within Greater London from 20% to 40% of a new build home, interest-free for 5 years.

The London help to buy equity scheme will mean that, provided buyers in the Greater London area have at least 5% deposit then they will only need a mortgage of up to 55%.

Secondsight

2015
Autumn Statement
November 2015

KEY POINTS
SUMMARY

"Tax-free childcare will be introduced from early 2017, providing up to £2,000 a year per child."

Help to buy cont...

Help to buy equity loans

This can be used in conjunction with the new Help to Buy: ISA launching on 1st December. First time buyers that save in a Help to Buy: ISA will receive a 25% government bonus on top of their own savings, up to a maximum government bonus of £3000, which can be put towards the purchase of their first home.

Tax administration and simplification

Making tax digital

- Most businesses, self-employed people and landlords will be required to keep track of their tax affairs digitally and update HM Revenue & Customs at least quarterly via a digital tax account, reducing errors through record keeping.
- HM Revenue & Customs will ensure the availability of free apps and software that link securely to HM Revenue & Customs systems and provide support to those who need help using digital technology. This will not apply to individuals in employment, or pensioners, unless they have secondary incomes of more than £10,000 per year. The government will publish its plans to transform the tax system shortly and will consult on the details in 2016.

Self-assessment time limits

- The government will publish draft legislation clarifying the time allowed for making a self-assessment. It will make clear that the time limit is 4 years from the end of the relevant tax year (Finance Bill 2016).

Simple assessment

- The government will publish draft legislation that will enable a new, simpler process for paying tax. This will be used for taxpayers in self-assessment who have simple tax affairs where HM Revenue & Customs already holds all the data it needs to calculate the tax liability, and where existing payment processes are not available. Taxpayers will be sent a calculation which will be a legally enforceable demand for payment, and taxpayers will be able to challenge and appeal these calculations. This process will come into effect in the 2016-17 tax year (Finance Bill 2016).

Childcare support

Tax-free childcare

- The government will introduce tax-free childcare from early 2017, providing up to £2,000 a year per child to help working parents with their childcare costs. This means that, starting from 2017, a family with two children can begin to claim childcare support worth up to £40,000 through free hours and tax-free childcare by the time both children are at school. The Autumn Statement and Spending Review sets an upper income limit per parent of £100,000 and a minimum weekly income level per parent equivalent to 16 hours (worked at the National Living Wage) to the extended free childcare entitlement and Tax-Free Childcare.

Extension of 30 hours free entitlement for working families

- The government will introduce tax-free childcare from early 2017, providing up to £2,000 a year The 30 hours free childcare offer for working parents of 3 and 4 year olds has been extended to help families maintain childcare arrangements and support the transition back to work at the end of their parental leave or period of ill health.
- Eligibility has been extended to cases where a parent or their partner (if they have one) is in work and the other parent is disabled or a carer; or where a parent or their partner (if they have one) is taking time away from work on paid sickness or parental leave.

Small business support

- The Autumn Statement further supports small businesses by extending the doubling of small business rate relief in England for 12 months to April 2017. Around 405,000 of the smallest businesses will continue to receive 100% relief from business rates, with around a further 200,000 benefiting from tapering relief. The government is undertaking a review of business rates. The review will be fiscally neutral and will report in the Budget 2016.

If you have any queries or if you would like to discuss the implications of the Autumn Statement 2015, please contact your Secondsight Partner.

www.second-sight.com

The value of investments and income from them can go down as well as up. You may not get back the full amount invested.

Secondsight

Secondsight is a trading name of Foster Denovo Limited, which is authorised and regulated by the Financial Conduct Authority. Registered Office: Foster Denovo Limited, Ruxley House, 2 Hamm Moor Lane, Addlestone, Surrey, KT15 2SA. **Telephone:** 01932 870 720
Email: info@fosterdenovo.com **Website:** www.fosterdenovo.com | SSAS_1115