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Autumn Statement 2014

A summary of the measures affecting your business and personal finances

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INTRODUCTION

The Chancellor George Osborne delivered his final Autumn Statement of this Parliament amid ongoing economic uncertainty. The key indicators paint an unclear picture.

The UK economy is now expected to grow faster in 2014 than any other developed economy including the Eurozone. But the pace of GDP growth slowed between the second and the third quarters of this year, from 0.9% to 0.7%.

Inflation crept up slightly to 1.3% in October 2014 but this was from a 5-year low of 1.2% in September. Employment continues to rise and unemployment continues to fall but pay growth is only just keeping pace with inflation.

There were 76,000 more new businesses launched in 2013 than in 2012, and the number of businesses that failed last year fell by 6% on the year before. But annual growth in business investment is almost 3.5% lower than expected for 2014.

Despite the uncertain economic backdrop, the official update from the Office for Budget Responsibility (OBR) was positive. GDP growth in 2014 is expected to be 0.3% higher than the prediction made at the 2014 Budget in March. The OBR expects 500,000 new jobs to have been created by the end of the year, almost double the amount forecast in March. And the deficit has fallen to 5% of GDP, half the figure in 2010.

The Chancellor urged caution in view of "warning lights" flashing over the global economy but said the figures showed the long term economic plan is working and the UK is "on course to prosperity."

The following report summarises the announcements made by Chancellor George Osborne during the 2014 Autumn Statement on Wednesday 3 December 2014.



Important information

The way in which tax charges (or tax relief, as appropriate) are applied depends upon individual circumstances and may be subject to change in the future. The information in this report is based upon our understanding of the Chancellor's 2014 Autumn Statement, in respect of which specific implementation details may change when the final legislation and supporting documentation are published.

This document is solely for information purposes and nothing in this document is intended to constitute advice or a recommendation. You should not make any investment decisions based upon its content. ISA and pensions eligibility depend on personal circumstances. The value of investments can fall as well as rise and you may not get back the full amount you originally invested.

Whilst considerable care has been taken to ensure that the information contained within this document is accurate and up-to-date, no warranty is given as to the accuracy or completeness of any information. E & OE.

AT A GLANCE

A list of the key announcements from the Chancellor George Osborne's Autumn Statement speech.

BUSINESS

BUSINESS RATES

Small business rate relief will be doubled for another year.

The inflation-linked increases to business rates will be capped at 2%.

There will be a review of the structure of business rates.

The business rates discount for certain high street shops will increase by 50% to £1,500.

RESEARCH AND DEVELOPMENT

Research and development tax credit will increase to 230% for small and medium sized businesses and 11% for large firms.

BUSINESS FINANCE

The British Business Bank will be expanded.

The Funding for Lending Scheme will be extended by a year until January 2016.

NATIONAL INSURANCE

Businesses will not have to pay national insurance contributions when they hire apprentices who are under 25, up to the upper earnings limit.

National insurance contributions for employing anyone under 21 will be abolished from April 2015.

DIVERTED PROFIT TAX

Profits generated by multinational companies in the UK which are then moved offshore will be taxed at 25%.

BANKS

The amount of profits that banks can offset against losses carried forward from the financial crisis will be limited to 50%.

PERSONAL

INCOME TAX

The personal tax allowance will increase to £10,600 a year from April 2015. The higher rate threshold will rise from £41,865 this year to £42,385 next year.

ISAs

The annual ISA allowance will increase to £15,240 a year from April 2015.

ISA savings that are inherited by a surviving spouse from a deceased partner will retain their tax-free status.

PENSIONS

The 55% tax on unused inherited pension pots will be scrapped.

People who die before they are 75 will be able to pass on joint life or guaranteed term annuities tax free.

RESIDENTIAL PROPERTY STAMP DUTY

The way stamp duty is applied to residential properties will change to a marginal rate system. From midnight on 3 December 2014, rates will only apply to the proportion of the property price that falls within each band. The rate will be 0% on the first £125,000, rising to 12% on prices above £1.5 million.

NON-DOMICILES

Charges for non-domiciles resident in the UK for 12 of the last 14 years will increase to £60,000. A new £90,000 charge will be introduced for non-domiciles resident in the UK for 17 of the last 20 years.

AID WORKERS

Aid workers who die in service will be exempt from inheritance tax.

OTHER ANNOUNCEMENTS

DEVOLUTION

The Northern Ireland Executive will be able to control corporation tax within this parliament if it can prove that it can cope with the financial implications.

The Welsh Government will get full powers over the business rates regime.

Draft clauses will be released in the new year for devolution of income tax power to Scotland.

NHS FUNDING

The NHS will get an extra £2 billion a year until 2020. There will also be £1.2 billion of investment in GP services across the country.

TAX AVOIDANCE

A continued crackdown on tax avoidance and evasion will raise at least £5 billion in the next parliament.

STUDENT LOANS

Masters students will be able to get government-backed student loans of up to £10,000 to fund their studies.

AIR PASSENGER DUTY

Air passenger duty will be abolished for under 12s from May 2015 and for under 16s from March 2016.

VAT REFUNDS

Hospice charities, search and rescue services, and air ambulances will benefit from VAT refunds.

CARERS

Carers will be included in the employment allowance which reduces employer national insurance contributions by up to £2,000.

FUEL DUTY

The freeze on fuel duty will continue.

BUSINESS

RESEARCH & DEVELOPMENT (R&D)

TAX CREDIT RATES

For small and medium sized enterprises the R&D rate will increase from 225% to 230%.

For large enterprises the above the line credit will increase from 10% to 11%.

These changes will take effect from 1 April 2015.

QUALIFYING EXPENDITURE

The cost of materials incorporated into products sold on will no longer be qualifying expenditure for R&D tax credits from 1 April 2015.

ADVANCE ASSURANCE

A new advance assurance scheme will be introduced for small businesses making their first claim for R&D tax credits.

CORPORATION TAX – DEVOLUTION TO NORTHERN IRELAND

The government recognises the arguments for devolving the powers for setting the rate of corporation tax to Northern Ireland given its land border with the very low corporation tax environment of the Republic of Ireland.

Before this power can be transferred, the Northern Ireland Executive must agree budgets for 2015/16 and ensure its finances are on a sustainable footing for the future.

The Northern Ireland Executive is currently taking part in talks aimed at resolving a number of issues.

EMPLOYER NATIONAL INSURANCE CONTRIBUTIONS (NICs)

APPRENTICES

Employer NICs up to the upper earnings limit for apprentices aged under 25 will be abolished from April 2016.

EMPLOYMENT ALLOWANCE

The £2,000 Employment Allowance for employer NICs will be extended to those households who employ care and support workers from April 2015.

SMALL BUSINESS RATE RELIEF

The doubling of the Small Business Rate Relief was extended to April 2016. Approximately 385,000 of the smallest businesses will continue to receive 100% relief from business rates.

The 2% cap on the RPI increase in business rates multiplier was also extended until April 2016.

Retail and food and drink premises with a rateable value of £50,000 and below will get an increased business rates discount of £1,500 up to the state aid limits for 1 year from 1 April 2015.

CHILDREN'S TELEVISION TAX RELIEF

A new corporation tax relief for the production of children's television programmes will be available at a rate of 25% on qualifying production expenditure from 1 April 2015.

ORCHESTRA TAX RELIEF

The government will consult in early 2015 on the introduction of an orchestra corporation tax relief from 1 April 2016.

HIGH-END TELEVISION TAX RELIEF

The government will explore whether to reduce the minimum UK expenditure for high-end TV relief from 25% to 10% and modernise the cultural test, to bring the relief in line with film tax relief.

BANK LOSS RELIEF RESTRICTION

The amount of a bank's annual profit that can be offset by carried forward losses will be restricted to 50% from 1 April 2015.

The restriction will apply to losses accruing up to 1 April 2015 and will include an exemption for losses incurred in the first 5 years of a bank's authorisation.

OIL AND GAS

SUPPLEMENTARY CHARGE AND RING FENCE EXPENDITURE

The rate of the supplementary charge will reduce from 32% to 30% from 1 January 2015. The government will aim to reduce the rate further in a sustainable way.

There was also an extension to the ring fence expenditure supplement to 10 years for offshore oil and gas activities.

HIGH PRESSURE, HIGH TEMPERATURE CLUSTER AREA ALLOWANCE

Legislation is being introduced to create a new cluster area allowance to support the development of high pressure, high temperature projects and encourage exploration and appraisal activity in the surrounding area.

The allowance will exempt a portion of the company's profit from the supplementary charge equal to 62.5% of the qualifying capital expenditure a company incurs in relation to a cluster area on or after 3 December 2014.

ENTERPRISE ZONES

The government will seek to extend the Enterprise Zone in Nottingham to a site in Derby and will consider the case for further extensions to existing Enterprise Zones at the Budget.

PERSONAL TAX

INCOME TAX ALLOWANCES AND TAX RATES

The personal allowance will increase to £10,600 from 6 April 2015, an increase of £100 from that previously announced.

The basic rate limit changes to £31,785 (currently £31,865) with the higher rate threshold above which income tax is payable at 40% increasing to £42,385.

STARTING RATE LIMIT

The starting rate limit on savings income will increase to £5,000 (currently £2,880) for the 2015/16 tax year.

REMITTANCE BASIS CHARGE FOR RESIDENT NON DOMICILES

The annual charge that is currently payable by non domiciled individuals resident in the UK who wish to retain access to the remittance basis will increase:

- The charge paid by people who have been UK resident for 7 out of the last 9 years will remain at its current level of £30,000
- The charge paid by those who have been UK resident for 12 out of the last 14 years will increase by £10,000 from £50,000 to £60,000
- A new charge of £90,000 will be introduced for those who have been UK resident for 17 of the last 20 years. The government will consult on making the election apply for a minimum of 3 years.

TAX CREDITS

Tax credit payments will be reduced in-year from April 2015 where, due to a change of circumstances, a claimant would otherwise receive an overpayment.

SUPPORT FOR CARERS

The carer's allowance earnings limit will increase from £102 to £110 per week from April 2015.

At the same time the government will extend the £2,000 annual NICs employment allowance to households that employ care and support workers.

This means that a family will be able to employ a care worker on a salary of up to £22,500 and pay no employer NICs.

Carers will be exempted from the impact of removing the £8,500 threshold below which employees do not pay income tax on benefits in kind.

ENLARGING THE SOCIAL INVESTMENT TAX RELIEF SCHEME

Subject to state aid approval, the government will increase the investment limit to £5 million per year per organisation, up to a maximum of £15 million per organisation.

Small scale community farms and horticultural activities will be eligible for the relief from 6 April 2015.

CAR BENEFITS

The company car fuel benefit multiplier increases from £21,700 to £22,100.

VAN BENEFITS

The standard van fuel benefit increases to £594 (currently £581) while the van benefit charge is increasing to £3,150 (currently £3,090).

Contact us today to talk about how the measures announced at the Autumn Statement 2014 affect your tax and financial planning.

SAVINGS

ISAs

The savings limit for an ISA will increase from £15,000 to £15,240 from 6 April 2015.

At the same time, the Junior ISA and Child Trust Fund subscription limits both increase from £4,000 to £4,080.

TRANSFERS TO SPOUSES AND CIVIL PARTNERS ON DEATH

Legislation will be introduced from 3 December 2014 to allow an additional ISA allowance for spouses and civil partners when an ISA saver dies, equal to the value of that saver's ISAs.

PENSIONS

Savers will be able to access their defined contribution pension as they wish at retirement from April 2015. This will be subject to their marginal rate of income tax, instead of the current 55% charge for full withdrawal.

Further to the recent announcement regarding people being able to pass on their pension pot to the next generation, the government confirmed that if the individual dies before age 75, the beneficiary will pay no tax on the funds.

If death occurs after the age of 75, the beneficiary will pay their marginal rate of income tax, or 45% if the funds are taken as a lump sum payment. The lump sum payments will also be taxed at the recipient's marginal rate from April 2016.

From April 2015, beneficiaries of individuals who die under the age of 75 with a joint life or guaranteed annuity will be able to receive any future payments from such policies tax-free.

It will also be possible to allow joint life annuities to be passed on to any beneficiary.

PENSIONS FLEXIBILITY

A reduced annual allowance of £10,000 will be introduced for money purchase contributions for individuals who have flexibly accessed a pension from 6 April 2015.

PENSION CREDIT

The savings credit threshold will rise by 5.1%. As a consequence, the new flat rate state pension will be at least £151.25 a week.

The actual final amount of this new flat rate pension is to be announced in autumn 2015.

CAPITAL TAXES

INHERITANCE TAX (IHT)

EXEMPTION FOR MEDALS AND AWARDS

The existing IHT exemption for medals and other decorations that are awarded for valour or gallantry is to be extended. From 3 December 2014, this applies to all decorations and medals awarded to the armed services or emergency services personnel, and to awards made by the Crown for achievements and service in public life.

EXEMPTION FOR EMERGENCY SERVICES PERSONNEL AND HUMANITARIAN AID WORKERS

The IHT exemption for members of the armed forces whose death is caused or hastened by injury while on active service will be extended to members of the emergency services or humanitarian aid workers responding to emergency circumstances. This extension is to have effect for deaths on or after 19 March 2014.

We can help with your inheritance tax planning.

Call or email today to arrange a meeting with one of our experienced advisers.

ANTI-AVOIDANCE

RESTRICTING TAX ADVANTAGE ON INCORPORATION

The corporation tax relief a company may obtain following the acquisition of a business through the amortisation of 'goodwill' from a related individual or partnership will be restricted. This will affect acquisitions on or after 3 December 2014.

CAPITAL GAINS TAX

RESTRICTING TAX ADVANTAGE OF ENTREPRENEURS' RELIEF ON INCORPORATION

Individuals will be prevented from claiming Entrepreneurs' Relief on disposals of the 'goodwill' when they transfer the business to a related close company, with effect from 3 December 2014.

GAINS DEFERRED INTO QUALIFYING EIS OR SITR INVESTMENTS

The government will allow gains which are eligible for Entrepreneurs' Relief, but which are deferred into investments qualifying for the Enterprise Investment Scheme (EIS) or Social Investment Tax Relief (SITR), to remain eligible for Entrepreneurs' Relief when the gain is realised.

These new rules will benefit qualifying gains on disposals that would be eligible for Entrepreneurs' Relief but are deferred into the EIS or the SITR on or after 3 December 2014.

REPEAL OF LATE PAID INTEREST RULES

The government will repeal rules concerning loans made to UK companies by a connected company in a non-qualifying territory.

INCOME TAX – MISCELLANEOUS LOSS RELIEF

Legislation will be introduced to deny loss relief where a miscellaneous loss, or miscellaneous income, arises from relevant tax avoidance arrangements with effect from 3 December 2014.

Further legislation will be introduced with effect from the 2015/16 tax year to limit relief to miscellaneous income of the same type as the loss.

PROFIT SHIFTING AND BASE EROSION

A new diverted profits tax at 25% will be introduced from 1 April 2015 to counter the use of aggressive tax planning by multinationals to divert profits from the UK.

Other anti-avoidance measures have also been introduced which will require multinationals to provide high level information to HMRC on their global allocations of profits and taxes paid.

There will also be consultation on new rules for addressing hybrid mismatch arrangements to prevent multinational enterprises avoiding tax through cross border business structures.

CIVIL DETERRENTS FOR OFFSHORE TAX EVASION

Legislation will be introduced to enhance civil penalties for offshore tax evasion.

A wide range of changes were announced, including amending the existing offshore penalties to include inheritance tax and a new aggravated penalty of up to a further 50% for moving hidden funds to circumvent international tax transparency.

PROMOTERS OF TAX AVOIDANCE SCHEMES

Legislation covering high risk promoters of tax avoidance schemes will be updated and clarified to ensure that the 2014 legislation functions as intended.

Changes will include a broader range of connected persons under the common control of a promoter in the regime and clarify the time limits within which HMRC can issue conduct notices to promoters who fail to disclose the scheme.

SPECIAL PURPOSES SHARE SCHEMES

The government is taking action to block the tax advantage offered to higher rate and additional rate taxpayers by special purpose share schemes which allow shareholders to choose how to receive their 'dividend' so that it is taxed at preferential rates.

This typically involves the issue of a share that is purchased back by the company shortly after, with no commercial purposes other than to secure a tax advantage for the shareholder.

This advantage has been removed by treating the amount received the same way as dividend income, where the individual shareholder is offered the choice.

Speak to us about how these measures affect you.

NATIONAL INSURANCE CONTRIBUTIONS

RATES FOR 2015/16

NIC THRESHOLDS

	£ per week
Weekly Lower Earnings Limit (LEL)*	112
Weekly Primary Threshold (PT)*	155
Weekly Secondary Threshold (ST)**	156
Upper Earnings Limit (UEL)	815
Upper Profits Limit (UPL)	42,385 (per year)
Upper Secondary Threshold for U21s***	815
Small Earnings Exception (SEE)/Small Profits Threshold (SPT) *, ****	5,965
Lower Profits Limit (LPL)*	8,060 (per year)
Employment Allowance	2,000 (per year, per employer)

* These thresholds are uprated by CPI.

** The Weekly Secondary Threshold is uprated by RPI.

*** Upper Secondary Threshold (UST) introduced from April 2015 for employees under the age of 21. The rate of secondary NICs for employees under the age of 21 on earnings between the ST and UST will be 0%.

**** The Small Profits Threshold replaces the Small Earnings Exception from 6 April 2015.

CLASS 1 NIC RATES

Employee (primary)		Employer (secondary)	
Earnings* (£ a week)	NIC rate** (%)	Earnings* (£ a week)	NIC rate*** (%)
Below £112 (LEL)	0	Below £156 (ST)	0
£112 – £155**** (PT)	0	Above £156 (ST)	13.8
£155 - £815 (UEL)	12		
Above £815	2		

* The limits are defined as LEL - lower earnings limit; PT - primary threshold; ST - secondary threshold; and UEL - upper earnings limit.

** The contracted-out rebate for primary contributions is 1.4% of earnings between the LEL and upper accrual point (UAP) of £770 for contracted-out salary-related schemes (COSRS).

*** The contracted-out rebate for secondary contributions is 3.4% of earnings between the LEL and UAP for COSRS.

**** No NICs are actually payable but a notional Class 1 NIC is deemed to have been paid in respect of earnings between LEL and PT to protect contributory benefit entitlement.

SELF-EMPLOYED NIC RATES

Annual profits * (£ a year)	Class 2** (£ a week)	Class 4 (%)
Below £5,965*** (SPT)	0	0
£5,965 to £8,060 (LPL)	2.80	0
£8,060 to £42,385 (UPL)	2.80	9
Above £42,385	2.80	2

* The limits are defined as SPT - small profits threshold; LPL - lower profits limit and UPL - upper profits limit.

** Class 2 NICs are paid at a weekly flat rate of £2.80 by all self-employed persons unless they have profits below the small profits threshold. The rate is uprated by CPI.

*** The self-employed may pay Class 2 contributions if their profits are below the SPT.

OTHER NIC RATES

Married Women's reduced rate*	5.85%
Special Class 2 rate for share fishermen**	£3.45 per week
Special Class 2 rate for volunteer development workers**	£5.60 per week
Class 3 rate**, ***	£14.10 per week

* Married Women's Reduced Rate is paid only by married women and certain widows with valid reduced rate elections on earnings between PT & UEL and at 2% on earnings that exceed UEL.

** These rates are uprated by CPI.

*** Class 3 NICs can be paid by contributors to make the year a qualifying year for basic State Pension and Bereavement Benefit purposes.

PROPERTY TAXES

STAMP DUTY LAND TAX (SDLT)

The basis of calculating SDLT on the purchase of a residential home has been structurally changed with effect for purchases on or after 4 December 2014.

SDLT will be charged only on the portion of the purchase price within each band.

SDLT RATES FROM 4 DECEMBER 2014

Purchase price of property (£)	New rates paid on the part of the property price within each tax band
0-125,000	0%
125,001-250,000	2%
250,001-925,000	5%
925,001-1,500,000	10%
1,500,001 and over	12%

If you exchanged contracts - or concluded missives in Scotland - before 4 December 2014 but complete on or after that date there is an option to be charged under either the old or new rules.

The new SDLT rates and transitional rules will apply to residential property transactions in Scotland until the land and buildings transaction tax replaces SDLT in Scotland from 1 April 2015.

OTHER SDLT MEASURES

Other changes to stamp duty land tax are to be made in respect of:

- the treatment of shared ownership properties
- the application of SDLT on certain authorised property funds.

Contact us to discuss the impact of changes to property taxes on your financial planning.

ANNUAL CHARGE ON ENVELOPED DWELLINGS (ATED)

The annual charge is to increase by 50% above inflation for residential properties worth more than £2 million for the chargeable period 1 April 2015 to 31 March 2016.

The charge on residential properties owned through a company depends on the value of the property in question.

ATED AMOUNTS BY PROPERTY VALUE

Property value	Annual chargeable amount 2015/16
More than £2 million but not more than £5 million	£23,350
More than £5 million but not more than £10 million	£54,450
More than £10 million but not more than £20 million	£109,050
More than £20 million	£218,200

OTHER INDIRECT TAXES

AIR PASSENGER DUTY (APD)

Children under 12 will be exempt from APD on economy class fares from 1 May 2015. This will be extended to children under 16 from 1 March 2016.

LANDFILL TAX LOWER RATE

A loss on ignition testing regime on fines produced from the processing of waste at mechanical treatment plants will be introduced from 1 April 2015.

Only qualifying fines below a 10% threshold will be considered eligible for the lower rate, though there will be a 12 month transitional period where the threshold will be 15%.

Talk to us about how the Chancellor's 2014 Autumn Statement announcements may impact on your personal and business tax planning.



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