



AUTUMN STATEMENT & SPENDING REVIEW 2015 - SUMMARY

Introduction

In what was the Chancellor's third budget in 2015, after the March budget just before the election and his first budget in July as a stand alone party.

This year the Spending Review and Autumn Statement was on the same day and as expected the emphasis was largely placed on the Spending Review. Having said that, the Chancellor did announce some unexpected changes in stamp duty land tax on second homes and buy to let properties along with some welcome announcements.

The expected U-turn on tax credits came as the

Chancellor announce a watered down version of that in the Summer Budget 2015, which was welcomed by all parties, while he also confirmed new measures to counter anti avoidance and tax evasion.

The Chancellor announced £1.3b would be invested to transform the HMRC into the most digitally advanced tax administrations in the world by 2020.

Londoners seeking their first property will welcome the new 'London Help To Buy' scheme, which will provide buyers with up to 40% of the value of the home, interest free for five years.

Finance Bill 2016

Although the Finance Bill 2015/16 is still in debate the tax legislation continues to press forward and the next draft the Finance Bill 2016 is due on 9 December 2015, where further significant tax announcements are expected.

The government has provided some topics that will be in the Finance Bill 2016 from the three speeches in the year, such as the changes in the dividend tax regime, changes to taxes on landlords and a framework for cooperative compliance.

CORPORATE



Large business tax compliance

The Chancellor confirmed large businesses will have to publish their tax strategies as they relate to or effect UK taxation. This was after proposals were made in the Summer Budget, but we will not know the full details until the Finance Bill 2016 is published.

The Chancellor also announced the Finance Bill 2016 will provide legislation for a framework for cooperative compliance to ensure large businesses' comply with a new voluntary Code of Practice.

Apprenticeships

An apprenticeship levy will be introduced in April 2017. It will be set at 0.5% of an employer's paybill and will be paid through PAYE. Each employer will receive an allowance of £15,000 to offset against their levy payment, meaning that the levy will only be payable on any paybill in excess of £3m.

Small Business Rate Relief (SBRR)

The SBRR will be extended for a further year to April 2017.

Entrepreneurs' relief (ER)

The government will consider bringing forward legislation to amend the changes made to ER, in order to support businesses by ensuring that the relief is available on certain genuine commercial transactions.

Dividend reform

The government will publish a consultation on the rules concerning company distributions later in the year.

Venture capital schemes

Effective from 30 November 2015, the provision of reserve energy generating capacity and the generation of renewable energy benefitting from other government support by community energy organisations will no longer be qualifying activities for Enterprise Investment Schemes (EIS), Venture Capital Trusts (VCT) and Seed Enterprise Investment Schemes (SEIS).

The government will introduce increased flexibility for replacement capital with EIS and VCT subject to state approval.

Tax evasion and compliance

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.

New and increased penalties will be introduced for those who enable offshore tax evasion, for corporates who fail to prevent their agents from criminally facilitating tax evasion.

Hybrid mismatch arrangements

From 2017 the government will introduce legislation that agree OECD rules for addressing hybrid mismatch arrangements, following a consultation. The rules will prevent multinational enterprises avoiding tax through the use of certain cross-border business structures or finance transactions.

Disguised remuneration

The Chancellor intends to take action against those who have used or continue to use disguised remuneration schemes and who have not yet paid their fair share of tax. The government will also consider legislating in future to close down any further new schemes intended to avoid tax on earned income, with effect from 25 November 2015.

Asset Managers'

New legislation will determine when performance awards received by asset managers will be taxed as income or capital gains. An award will be subject to income tax, unless the underlying funds undertake long-term investment activities.

Capital allowances and leasing

With effect from 25 November 2015, the day of the Statement, the government will amend legislation to counter 2 types of avoidance and leasing. These changes will prevent companies from artificially lowering the disposal value of plant and machinery for capital allowances purposes, and make any payment received for agreeing to take responsibility for tax deductible lease related payments subject to tax as income.

PERSONAL TAX



ISAs

The current ISA subscription limits will be kept. This is £15,420 for an ISA and £4,080 for a Junior ISA and Child Trust Fund.

The list of qualifying investments for the new Innovative Finance ISA will be extended in Autumn 2016 to include debt securities offered via crowdfunding.

Inheritance tax

Legislation will ensure a charge to inheritance tax will not arise when a pension scheme member designates funds for drawdown but does not draw all the funds before death. This legislation will be backdated to apply to deaths on or after 6 April 2011.

In a welcome announcement, a review of deeds of variation announced at the time of the March Budget has concluded and there are no plans to introduce any restrictions on their use, although the Government intends to keep these under review.

Auto enrolment

The government will delay the next two scheduled increases in automatic enrolment minimum contribution rates by 6 months each, to align these changes with the start of the tax year.

Employee share schemes

The government will introduce a number of technical changes to streamline and simplify aspects of the tax rules.

Tax relief for travel and subsistence

Following on from the Summer Budget, the Chancellor confirmed the government will legislate to restrict tax relief for travel and subsistence expenses for workers engaged through an employment intermediary, which will include umbrella companies and personal service companies, effective from April 2016.

Capital Gains Tax (CGT)

From April 2019, CGT will be payable within 30 days of the completion of the disposals of residential properties. The Chancellor expressed concerns that due to the current long window time between a sale and tax liabilities falling due, this has caused many to spend the money in the mean time and then not have the sufficient funds to pay the tax liabilities once they became due.

The government will amend the CGT computations required by non-residents on the disposals of UK residential property by removing the retrospective effect from April 2015 a double charge that occurs in some circumstances and correcting omission with effect from 25 November 2015.

Salary Sacrifice

Following a number of anti-avoidance measures regarding salary sacrifice (and proposals to limit similar perceived avoidance in the consultation on the simplification of the tax and NIC treatment of termination payments), the government remains concerned as to the growth of salary sacrifice arrangements. It has, therefore, announced that it will gather further evidence to shape its approach to salary sacrifice in the future, which will include seeking input from employers.

Stamp Duty Land Tax (SDLT)

Higher rates of SDLT will be charged on purchases of additional residential properties, such as buy to let properties and second homes. The higher rates will be 3% above the current SDLT rates and will be effective for residential properties above £40,000. The government will consult on the details, including whether an exemption for corporates and funds owning more than 15 residential properties is appropriate.

The government will consult in 2016 on changes to the SDLT filing and payment process, including a reduction in the filing and payment from 30 to 14 days.

Employment & Welfare



Tax credits

The government introduced the welfare cap at the Budget 2014 to strengthen the control of welfare spending. At the Autumn Statement, the Chancellor gives families longer to adjust. Most noticeable the watered down version on tax credits.

The taper relief rate and income threshold will remain. Taper relief will remain at 41% of gross income and the level of income at which a claimant's tax credit award begins to be tapered will remain at £6,420 per year. Claimants earning below this threshold will obtain their maximum

awards.

The Income threshold for Child Tax Credit-only claimants will remain at £16,105 in 2016/17. As announced at the Summer Budget 2015, the income rise disregard in tax credits will reduce from £5,000 to £2,000.

Childcare

The government will invest over £1b more a year by 2019/20 in free childcare places for 2-4 year olds, and will double the free childcare for 3 and 4 year old children with working parents.

The upper income limit per parent will be lowered from £150,000 to £100,000 and the minimum income level per parent will be increased from the equivalent of 8 hours to 16 hours at the National Living Wage.

Housing

The Spending Review prioritised the housing, with the housing budget being doubled from 2018/19 to accelerate housing supply and get more homes built.

Proposals will be brought forward for a delivery test on local authorities, to ensure delivery against the homes set out in local plans within a local communities will be able to allocate land for housing through neighbourhood plans, even if that land is not allocated in the local plan.

Planning policies will be amended to ensure the release of unused and previously undeveloped commercial, retail and industrial land for Starter Homes, and support regeneration of previously developed, brownfield sites in the greenbelt, by allowing them to be developed in the same way as brownfield sites elsewhere, providing it delivers Starter Homes.

Proposals for a more standardised Section 106 will be brought forward.

A new 'London Help To Buy' scheme will provide buyers with 40% of the value of the home, interest free for five years. The start date has not yet been announced, but it is expected to be early 2016.

Lower energy bills

The government will be implementing a package of measures to reduce the projected cost of green policies on average annual household bills from 2017.

The new scheme will upgrade the energy efficiency of over 200,000 home per year, saving those homes up to £300 off their annual energy bills.

Pensions

At the Summer Budget 2015, the Chancellor launched a consultation on the system of the pension tax relief, he is considering the responses received and will publish his outcome at the 2016 Budget.

A welcomed increase in the basic state pension to £119.30 per week, an increase of £3.35 will take effect in April 2016. This will be the highest real terms increase to the state pension for 15 years.

Tax administration & Simplification

Digital tax

The government will invest £1.3b to transform HMRC into the most digitally advanced tax administration in the world by 2020. Most businesses, self-employed people and landlords will be required to keep track of their affairs digitally and update HMRC at least quarterly via their digital tax account.

HMRC will ensure that availability of free apps and software that link securely to HMRC 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 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 HMRC 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 that 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.

Real-Time PAYE

The relaxation of allowance of existing micro-employers using Real-Time PAYE to report all payments they make in a tax month will end as planned on 5 April 2016.

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