



Summer Budget 2015



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Budget 2015

David Nicolson
Tax Manager



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Income Tax & Tax Credits

- Income Tax

Tax Thresholds

	15/16	16/17	17/18
PA	10,600	11,000	11,200
20%	31,785	32,000	32,400
Total	42,385	43,000	43,600

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Tax Credits

- Major Changes Effective April 2016
 - Reduction in Income Thresholds
 - Increase in Withdrawal Rate
 - Reduction in Income Rise Disregard

In summary – significantly less tax credits

Child Benefit frozen until 2020

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Dividend Taxation

- A simplification which means more tax
- The Rates
 - First £5,000 Tax Free
 - Dividends in 20% Band 7.5%
 - Dividends in 40% Band 32.5%
 - Dividends in 45% Band 38.1%

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Dividend Taxation

- Will the new rules become law??
- Tax Planning
- Alternative Investment Structures



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Property Taxation

- Rent a Room Relief – “What a Relief”
- “Buy to Let” Mortgage Interest – Changes

Starts April '17 through to March '21

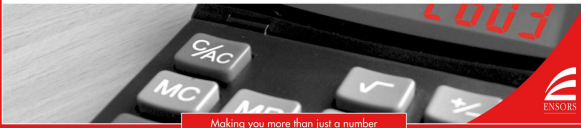
Only affects – Individuals
 Residential Property

An administrative nightmare!!

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Pension Changes

- Reduction in annual allowance for high earners
- Planning opportunities before 5 April 2016
- A consultation on reforming pensions tax relief!!!!



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Inheritance Tax

- Nil Rate Band Changes - None
- A New Main Residence Nil Rate Band

Phased in 2017/18 to 2020/21

Transferrable

Downsizing

Nominations

Taper Relief




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Chris Barrett
Corporate Services Manager

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Corporation Tax Rates

- Reduction in main rate from 1 April 2015 to 20%
- Further reductions:
 - 19% from 1 April 2017
 - 18% from 1 April 2020




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Corporation Tax Payment Dates

- New regime for companies with profits of £20 million or more from 1 April 2017
- Quarterly instalments payable:
 - Month 3
 - Month 6
 - Month 9
 - Month 12
- Limits divided for group companies


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Capital Allowances

- Annual Investment Allowance (AIA) currently at £500,000
- Due to revert to £25,000 after 31 December 2015
- “Permanent” level now set at £200,000 from 1 January 2016
- Beware the pro-rata rules


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Annual Investment Allowance Transition – April 2014

- Maximum for period is straight time apportionment
- Amount prior to April 2014 cannot exceed old level
- E.g. 31 December 2014 year end
- Maximum for year =
 - $3/12 \times £250,000 = 62,500$
 - $9/12 \times £500,000 = \underline{375,000}$
 - 437,500
- Max in 3m to 31 March = £250,000

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Annual Investment Allowance Transition – January 2016

- Maximum for period is straight time apportionment
- Amount post 1 January 2016 is time apportionment of new figure
- E.g. 31 March 2016 year end
- Maximum for year =
 - $9/12 \times £500,000 = 375,000$
 - $3/12 \times £200,000 = \underline{50,000}$
 - 425,000
- Max in 3m to 31 March = £50,000

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Dividend Taxation for Individuals


- Applying from April 2016
- 10% tax credit abolished
- Dividend exemption of £5,000
- Then:-
 - Basic rate 7.5%
 - Higher rate 32.5%
 - Additional rate 38.1%
- (All 7.5% higher than previous effective rate)
- **Represents a massive shake-up in the taxation of owner managed companies**



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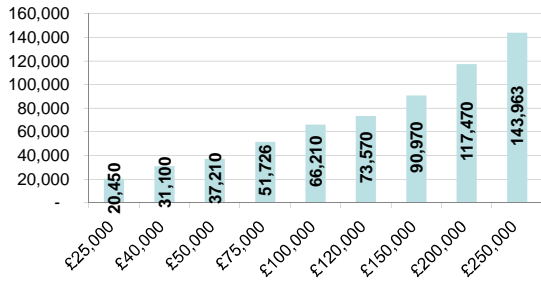
Dividend Illustrations

- **Main Assumptions**
 - 2015/16 tax rates and thresholds
 - No add-backs
 - All profits drawn using a salary of £10,000 then dividends
 - Ignores cars



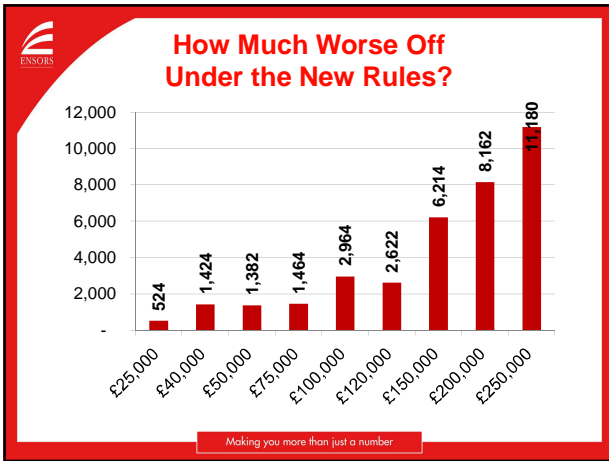
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Sole Trader – Net Cash Available to Individual

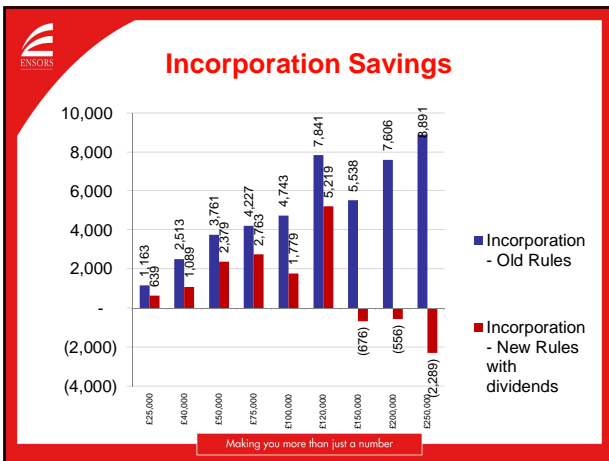


Profit Level	Net Cash Available to Individual
£25,000	20,450
£40,000	31,100
£50,000	37,210
£75,000	51,726
£100,000	66,210
£120,000	73,570
£150,000	90,970
£200,000	117,470
£250,000	143,963

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 **Other Announcements**

- Corporation Tax Relief restricted on the acquisition of Goodwill from 8 July 2015
- Amendments to be made to Tax-Advantaged Venture Capital Schemes
- R&D Tax Credit Relief withdrawn for Universities and Charities
- CFC Loss Relief restricted from 8 July 2015
- Anti-Avoidance Measure introduced relating to Intergroup Transfers of Stock and Intangibles

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Last but not least....

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 **National Living Wage**


- Premium on top of national minimum wage
- Workers aged 25 and above
- £7.20 from April 2016
- Forecast to reach £9 by 2020

Employment Allowance

- Increased to £3,000 from April 2016
- Allowance withdrawn for "one man band" companies



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It could always be worse!

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