



Summer Budget 2015

Danny Clifford
Private Tax Partner



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Looking at

- Rates, Bands and the Lock
- Inheritance Tax
- Landlords
- Non-Domiciles
- Pensions

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Rates, Bands and the Lock


- Tax Lock
- Personal Allowance £11,000 (£10,600)
- Higher Rate Tax at £43,000 (£42,385)
- Additional Rate unchanged (£150,000)
 - But: pension change!
- Dividends 10% tax credit goes
 - £5,000 allowance
 - New Rates
 - 7.5%
 - 32.5%
 - 38.1%



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Inheritance Tax


- £1m Nil Rate Band – “Promise made, promise kept”
- Made 2009/10
- Kept 2020/21
- Private Residence
 - 2017/18 - £100,000
 - 2018/19 - £125,000
 - 2019/20 - £150,000
 - 2020/21 - £175,000



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Inheritance Tax


- Harriet Harman “for homes worth millions”
- Relief withdrawn by £1 in every £2 estate is over £2m
- Effective 60% tax once estate over £2m
- Downsizing
- Pensions change !!




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Landlords

- Increase Rent-a-room relief £7,500 (£4,250)
- Reform Wear and Tear Allowance (April 2016)
 - Allow actual cost of replacing furnishings
- Restricting finance cost relief for Landlords
 - Brings into line with homebuyers
 - April 2017; over 4 years
 - 2017/18 – full relief for 75%, BR relief 25%
 - 2018/19 – 50/50
 - 2019/20 – 25/75
 - 2020/21 – all at BR only
 - Can carry it forward if exceed profits
 - Not FHLs



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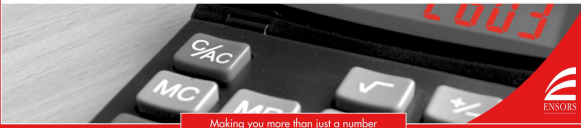
Non-Domiciles

- Up for consultation (April 2017)
- No long term non-domiciles
- Deemed domicile for **ALL** UK tax purposes once UK resident 15/20 years
 - Not 17/20 years (currently for IHT)
- Which means:
 - No remittance basis
 - So no remittance basis charge (£90,000 at 17 years)
 - UK IHT on worldwide estate
 - Except excluded property trusts


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Non Domiciles

- IHT on UK Residential Property (Consultation - April 2017)
 - The penny drops! "HMRC research shows the most common reason...."(ATED)
 - Not just on death – trusts too – if can catch them
- Individuals of **UK domicile of origin** who leave UK, change domicile and then recommence UK residence will be deemed UK domiciled while UK resident (Consultation - April 2017)




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Pensions (April 2016 – Consultation)

- Previous Changes "Too good to be true?"
 - Relief at marginal rate on contributions made
 - Income / gains tax free
 - Tax free lump sum (25%)
 - No annuity
 - Take out balance at marginal rate
 - IHT (death duty) free
- So
 - Lifetime Allowance £1m (£1.25m)
 - Reduced annual allowance for top earners
 - Lose £1 for every £2 over £150k
 - Lose max £30k
 - Wider reform – pointed towards ISAs !!



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Summer Budget 2015
Business Tax Issues



Robert Leggett
Corporate Tax Partner



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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**



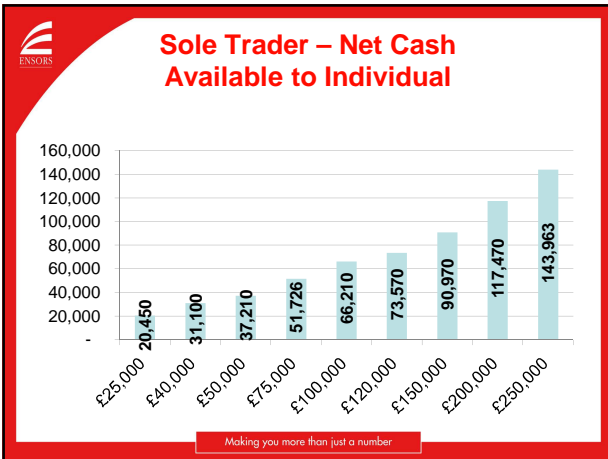
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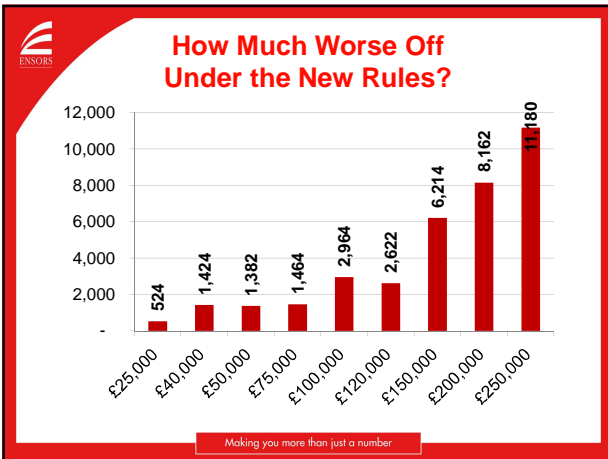
Dividend Illustrations

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

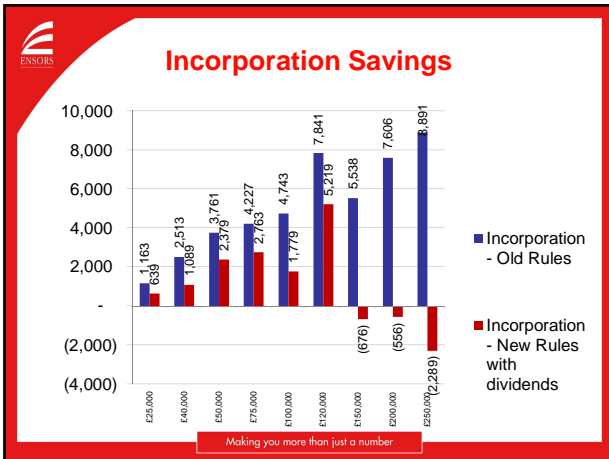


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Corporation Tax Rates


- 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) rose to £500,000 from April 2014
- 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 – 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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Employment Allowance

- Increased to £3,000 from April 2016
- Extra £1,000 roughly pays to up one full time employee to the NLW



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Personal Service Companies

- Employment Allowance withdrawn for "One Man Band" Companies
- Further consultation on IR35



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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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