



Excerpts from the Spring Budget 2015

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National Insurance contributions

- ▶ The government is consulting later this year on the detail and timing of reforms to NIC and plans to introduce a new contributory benefits test.
- ▶ Class II NIC is to be abolished and those working abroad currently paying Class II voluntarily may have only the Class 3 voluntary option.
- ▶ Class II contributions are currently £2.75 per week whereas Class 3 are £13.90 but do not accrue certain benefits
- ▶ Employer Class 1 contributions for under 21 year olds are to be abolished from 6th April 2015. This is to be extended to young apprentices under 25 years old from 2016/17.

Pensions

- ▶ The lifetime allowance (LTA) being the amount that can be saved without incurring a tax charge is to be reduced from £1.25 million to £1 million from 6th April 2016.
- ▶ Any excess over the LTA limit will be taxed at 25% if used to increase a pension, or 55% if withdrawn as a lump sum.
- ▶ The reduced limit will also affect those with defined benefit schemes, including final salary.
- ▶ A new transitional protection will be introduced for those who have been saving with the higher limit in mind.
- ▶ A careful review of contributions should be made for those close to the limit.

Personal Allowance & Tax Rates

- ▶ The personal allowance will increase to £10,800 with effect from 6 April 2016 and £11,000 from 6 April 2017. The allowance from 6 April 2015 is £10,600.
- ▶ The basic, higher and additional rates of income tax for 2015/16 are broadly unchanged from 2014/15.
- ▶ The basic rate limit will be £31,785 and the higher threshold £42,385.
- ▶ From 2016/17 there is one income tax personal allowance, regardless of date of birth.
- ▶ The new transferable married couples allowance is applicable to basic rate couples only.

Company Cars

The government has continued to encourage the use of greener cars.

The official list price of a company car and fuel benefit are the basis of the benefit calculation.

These are to increase by 3% for cars with CO₂ emissions exceeding 75g/km from 6th April 2019 bringing the maximum percentage to 37%

Employee Benefits

- ▶ The simplification of employee benefits and expenses is to go ahead from April 2015.
- ▶ A trivial benefits exemption comes in provided the cost is less than £50 and not a reward for services.
- ▶ The £8,500 threshold below which employees do not pay tax on certain benefits is removed.
- ▶ The trivial benefit exemption will be capped at £300 for office holders or family members who are employees, of close companies.
- ▶ P11D dispensations will be revoked and should be checked.

Savings income

- ▶ A new Personal Savings Allowance has been created and will apply to bank and building society interest from 6 April 2016.
- ▶ A basic rate taxpayer can receive up to £1,000 of savings income free of tax and a higher rate taxpayer (40%) up to £500.
- ▶ The allowance does not apply to additional rate taxpayers who pay in excess of 40%
- ▶ It is unclear whether the allowance will apply to foreign interest.

Film Tax Relief

- ▶ The rate of Film Tax Relief is increased to 25% for all qualifying core expenditure on eligible film productions.
- ▶ The distinction between limited budget films and others will be removed.
- ▶ The changes will have effect on the later of 6 April 2015 or state aid approval by the European commission
- ▶ Limited budget films already qualify for 25% relief so the change will affect those with budgets in excess of £20 million.

Television Tax relief & Orchestras

- ▶ The minimum UK expenditure threshold for television will reduce from 25% to 10%
- ▶ A new children's television tax relief will take effect from 1 April 2015.
- ▶ The government is consulting on a tax relief for orchestras to be published June 2015. The relief will take effect from 1 April 2016.

Research & Development Tax Relief

- ▶ Small companies making their first R & D claim will be able to apply for a voluntary advanced assurance that will last for three years.
- ▶ The advanced assurance scheme will be available from later this year.
- ▶ It is not yet clear how “small company” will be defined.

Changes to EIS and VCTs

- ▶ These have been made to comply with European law.
- ▶ The reliefs available to individuals are unchanged.
- ▶ Most companies will need to be less than 12 years old when receiving their first EIS or VCT investment in order to be qualifying companies.
- ▶ There is an exception where the investment leads to a significant change in the company's activities.
- ▶ This would require the investment to represent more than 50% of turnover averaged over the five preceding years.

Corporation Tax Loss Refresh Prevention

- ▶ This applies to companies with losses brought forward who seek to enter arrangements to convert the losses brought forward to more versatile in-year deductions.
- ▶ The rules cover trading losses, non trading loan relationship deficits and management expenses.
- ▶ It applies to accounting periods beginning on or after 18 March 2015.

Entrepreneur's Relief & Personal Assets

- ▶ This relief applies on disposals of assets where the disposal is made as part of a withdrawal from the business.
- ▶ It will affect those who personally owned assets used by the company or partnership in their trade.
- ▶ Until now there has been no minimum withdrawal requirement in relation to disposals of assets used by companies or partnerships.
- ▶ With immediate effect, the relief will only apply where there has been a disposal of at least 5% of the shares in a company or interest in assets of a partnership carrying on the business.

Entrepreneur's Relief

- ▶ With immediate effect the relief will not apply to most shareholders who indirectly invest in trading companies.
- ▶ The future definition of trading company will exclude joint venture companies which a company has invested in, or partnerships of which a company is a member.
- ▶ An example might be a management team who individually do not own the required 5% but collectively own their shares through a management company.

Deeds of Variation

- ▶ The government have announced that they are to review the use of Deeds of Variation but no further details are available.
- ▶ The Deeds are used to avoid the process of amending Wills every time there is a change of circumstance or beneficial interest.
- ▶ If they become no longer available, this will be a more expensive process.

Marketed Tax Avoidance

- ▶ Those who repeatedly enter into tax avoidance schemes which fail will be subject to a special reporting requirement.
- ▶ A surcharge will apply to such taxpayers whose tax return is incorrect as a result.
- ▶ There is a proposal that such individuals should be named.
- ▶ A specific tax geared penalty is to be introduced in cases where the General Anti-Abuse Rule applies.

Tax Disclosure Facilities

- ▶ The UK will begin to receive automatic notifications of taxpayers overseas affairs in 2017.
- ▶ The Lichtenstein Disclosure Facility will now close early on 31st December 2015.
- ▶ The Crown Dependencies Disclosure will close early in December 2015
- ▶ A new Common Reporting Standard disclosure will open in 2016 with a 30% penalty and no immunity from criminal prosecution.

Charities

The amount of small donations on which charities can get an extra 25% top up in gift aid without paperwork, is increasing from £5,000 to £8,000.

Gift aid can be claimed on donations if the value of any benefit by the donor does not exceed certain limits:

Donation	Maximum value of benefit
up to £100	25% of the donation
£101 - £1000	£25
£1,001 and over	5% of the donation (up to £2,500)