2015 budget summary

Contents

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SAYER VINCENT

Charities

Gift Aid Small Donations Scheme (GASDS)

Secondary legislation will be introduced to increase the maximum annual total donations which can be claimed through GASDS to £8,000, allowing charities and Community Amateur Sports Clubs to claim Gift Aid style top-up payments of up to £2,000 a year with effect from April 2016.

Church Roof Repair Fund

Building on the £15 million fund announced at Autumn Statement 2014, the government will provide a further £40 million funding to the Listed Places of Worship – Roof Repair Fund to support vital roof repairs in 2015 to 2017.

Help for hospices

As announced at Autumn Statement 2014, hospice charities will be eligible for VAT refunds from 1 April 2015.

Legislation will be introduced in Finance Bill 2015 to add new sections 33c and 33d to the Value Added Tax Act 1994 which will allow palliative care charities to claim a refund of VAT incurred for the purpose of their non-business activities. The legislation will define palliative care charities. The term 'charity' will take its meaning from Schedule 6 of the Finance Act 2010.

VAT refunds for search and rescue charities

The government announced in the Autumn Statement 2014 that search and rescue, and air ambulance charities will be eligible for VAT refunds. This will be in the Finance Bill 2015 and will take effect from 1 April 2015.

Medical courier charities

From 1 April 2015, blood bike charities will be included in the VAT refunds scheme, along with search and rescue, and air ambulance charities as previously announced at Autumn Statement 2014. (Finance Bill 2015)

This measure will apply to medical courier charities (for example blood bikes) whose main purpose is to provide a free, out of hours service to the NHS, transporting urgently needed items, such as blood, platelets, samples for analysis, drugs, patient notes, small medical instruments and donor breast milk. The measure will introduce a new VAT refund scheme for medical courier charities. It will enable these charities to reclaim the VAT incurred on the purchase of goods and services, and the acquisition and importation of goods from outside the UK, used for their non-business activities.

Legislation will be introduced in Finance Bill 2015 to add new sections 33c and 33d to the VAT Act 1994 which will allow medical courier charities to claim a refund of VAT incurred for the purpose of their non-business activities. The legislation will define medical courier charities. The term 'charity' will take its meaning from Schedule 6 of the Finance Act 2010.

Rapid response vehicles

The government will provide a grant to support charities providing rapid response vehicles for medical purposes.

Charity authorised investment funds

The government is working with the Financial Conduct Authority (FCA), the Charity Investors' Group and the Charity Commission to introduce a new charity authorised investment fund structure that will bring new investment funds established for charitable purposes under FCA regulation, ensuring they receive the same regulatory oversight and protection as funds for retail investors.

Use of LIBOR fines

The government has committed £75 million of LIBOR fines over the next five years to support military charities.

Inheritance Tax exemption for emergency services personnel and humanitarian aid workers

As announced in the Autumn Statement 2014, the government will extend the existing IHT exemption for members of the armed forces whose death is caused or hastened by injury while on active service to members of the emergency services and humanitarian aid workers responding to emergency circumstances. It will have effect for deaths on or after 19 March 2014. (Finance Bill 2015)

VAT

VAT registration and de-registration thresholds

From 1 April 2015 the VAT registration threshold will be increased from £81,000 to £82,000 and the de-registration threshold from £79,000 to £80,000.

Foreign branches

The government will no longer allow businesses to take account of foreign branches when calculating how much VAT on overhead costs they can reclaim in the UK. This measure will affect partly exempt businesses and they will have to implement the change from the beginning of their next partial exemption tax year falling on or after 1 August 2015.

Regulations 101, 102 and 103 of the Value Added Tax Regulations 1995 (SI 1995/2518; 'the 1995 Regulations') set out how the input tax incurred on the overheads of partly exempt businesses is to be attributed to taxable supplies so as to calculate the proportion of input tax they are entitled to deduct in each prescribed accounting period. This instrument amends these regulations so that a partly exempt business can no longer take into account supplies made from branches outside the UK when calculating how much input tax may be deducted.

VAT refunds for shared services

Non-departmental public bodies will be included in the VAT refunds scheme from 1 April 2015. (Future Finance Bill)

Personal taxation

A new Personal Savings Allowance

The government will introduce an allowance from 6 April 2016 to remove tax on up to £1,000 of savings income for basic rate taxpayers and up to £500 for higher rate tax payers. Additional rate taxpayers will not receive an allowance.

Because so many people will no longer pay tax on their savings, the automatic deduction of tax by banks and building societies will no longer be necessary. At present, 20% income tax is automatically deducted from most interest on savings outside ISAs. For those on low incomes, a 0% rate is applied, but only for those who have filled out a form to confirm they are eligible to receive gross interest. Higher rate taxpayers owe 40% tax and are therefore required to notify HMRC of their savings income so they can pay the additional 20%. Both the opt out and the requirement to notify HMRC are complex, burdensome and poorly understood. The 2015 Budget announces that the automatic deduction of 20% income tax by banks and building societies on non-ISA savings will cease from April 2016. These changes represent a major tax simplification.

Income tax personal allowance in 2016-17 and 2017-18

- The personal allowance will be increased to £10,800 for 2016-17 and to £11,000 for the tax year 2017-18
- The basic rate limit will be increased to £31,900 for 2016 to 2017 and £32,300 for 2017 to 2018
- As a result, the higher rate threshold will be £42,700 in 2016 to 2017 and £43,300 in 2017 to 2018
- From 2016-17, there will be one income tax personal allowance regardless of an individual's date of birth. The National Insurance upper earnings and upper profits limits will increase to stay in line with the higher rate threshold.

Class 2 National Insurance contributions

As part of the planned reforms to tax administration, the government will abolish Class 2 NICs in the next Parliament and will reform Class 4 to introduce a new contributory benefit test. The government will consult on the detail and timing of these reforms later in 2015.

The end of the tax return

The government will transform the tax system over the next Parliament by introducing digital tax accounts to remove the need for individuals and small businesses to do annual tax returns. Further details on the policy and administrative changes needed to deliver this will be published later in 2015.

New payments process

The government will consult over the summer on a new payment process to enable tax and NICs to be collected through digital accounts, instead of self assessment. (Future Finance Bill)

Pensions

The government will restrict the lifetime allowance for pensions tax relief to £1 million from April 2016 and indexing it by inflation from 2018.

Simplified expenses for partnerships

The government will amend the simplified expenses regime introduced in Finance Act 2013 to ensure that partnerships can fully access the provisions in respect of the use of a home and where business premises are also a home. (Future Finance Bill)

National minimum wage

The adult NMW rate will increase by 3.1% to £6.70 from October 2015. The apprentice rate will increase by 57p an hour to £3.30.

Employment taxation

Office of Tax Simplification (OTS) review of employment status

The government welcomes the publication of the OTS's significant report on employment status and will respond to the recommendations made in the next parliament.

Simplification of employee benefits and expenses

As announced in the Autumn Statement 2014, the government will simplify the administration of employee benefits and expenses.

From April 2015 the government will provide a statutory exemption for trivial benefits in kind costing less than £50. Following technical consultation, an annual cap of £300 will also be introduced for office holders of close companies and employees who are family members of those office holders.

From April 2016, the government will remove the £8,500 threshold below which employees do not pay income tax on certain benefits in kind and replace it with new exemptions for carers and for ministers of religion. It will also exempt certain reimbursed expenses and introduce a statutory framework for voluntary payrolling. The new exemption for reimbursed expenses will not be available if used in conjunction with salary sacrifice. (Finance Bill 2015).

Umbrella companies and employment intermediaries

Autumn Statement 2014 announced that the government would review the growing use of overarching contracts of employment that allow some temporary workers and their employers to benefit from tax relief for home-to-work travel expenses. As a result of the review, the government will change the rules to restrict travel and subsistence relief for workers engaged through an employment intermediary, such as an umbrella company or a personal service company, and under the supervision, direction and control of the end-user. This will take effect from April 2016 following a consultation on the detail of the changes.

Sporting testimonials

Following a recent call for evidence on Extra Statutory Concessions, the government will preserve the current tax treatment of payments made from sporting testimonials while it considers representations. No changes will be made before April 2016.

Tax-free childcare

The government has doubled the maximum amount that parents of disabled children will be able to receive to help to pay for their childcare costs, from £2,000 to £4,000 per disabled child per year.

Venture capital schemes

The government will, subject to and with effect from the date of state aid clearance:

- Require that all investments are made with the intention to grow and develop a business
- Require that all investors are 'independent' from the company at the time of the first share issue
- Introduce new qualifying criteria to limit relief to companies where the first commercial sale took place within the previous 12 years; this rule will apply except where the total investment represents more than 50% of turnover averaged over the preceding five years
- Cap the total investment a company may receive under the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCT) at £15 million, or £20 million for companies that meet certain conditions demonstrating that they are 'knowledge intensive'
- Increase the employee limit for knowledge intensive companies to 499 employees
- The government will, with effect from 6 April 2015, remove the requirement that 70% of Seed Enterprise Investment Scheme (SEIS) money must be spent before EIS or VCT funding can be raised (Finance Bill 2015)
- Venture capital schemes: new industry forum – The government will launch a new industry forum on the operation and use of the venture capital schemes.

Renewable energy

As announced in the Autumn Statement 2014, companies benefiting substantially from subsidies for the generation of renewable energy will be excluded from also benefiting from EIS, SEIS and VCTs with effect from 6 April 2015, with the exception of community energy generation undertaken by qualifying organisations which will in future become eligible for the Social Investment Tax Relief (SITR). The government will allow a transition period of six months following state aid clearance for the expansion of SITR before eligibility for EIS, SEIS and VCT is withdrawn. (Finance Bill 2015)

Social venture capital trusts

The government will set the rate of income tax relief for investment in social venture capital trusts (social VCT) at 30%, subject to state aid clearance. Investors will pay no tax on dividends received from a social VCT or capital gains tax on disposals of shares in social

VCTs. Social VCTs will have the same excluded activities as the SITR. The government will legislate for social VCTs in a future Finance Bill. The government will change the regulatory status of SITR funds so that they can be promoted on the same basis as EIS funds. (Future Finance Bill)

Miscellaneous

Orchestra tax relief

The government will provide tax relief to orchestras at a rate of 25% on qualifying expenditure from 1 April 2016. The government has consulted on the design of the relief and a summary of responses will be published shortly. (Future Finance Bill)

Entrepreneurs' relief

The government is committed to supporting entrepreneurs and wants to ensure that capital gains tax entrepreneurs' relief is well targeted. The government will therefore address use of the entrepreneurs' relief rules for tax planning which is not in keeping with the policy intention. The government will target structures set up so that people with only a small indirect stake in a trading company can benefit from the relief. The government will also ensure that entrepreneurs' relief on the disposal of personal assets used in a business is only available when someone is making a meaningful withdrawal from that business.

Capital gains tax exemption for wasting assets

Certain wasting assets are exempt from CGT. This includes gains which arise from the disposal of assets used as plant or machinery and where capital allowances could not be claimed. In a recent court case it was successfully argued that the gain on the disposal of an asset that had appreciated in value was exempt from CGT. This was because the asset had been lent by the owner, before it was sold, to another party to use as plant in its business. It did not matter that the asset had never been used as plant by the owner. This decision means that it would be relatively easy for other parties to set up similar arrangements to avoid CGT.

The changes will have effect for gains accruing on and after 1 April 2015 for corporation tax purposes and 6 April 2015 for CGT purposes.

Business rates relief for local newspapers

Local newspapers are an important source of information for local communities and a vital part of a healthy democracy. To support them as they adapt to new technology and changing circumstances, the government will consult on whether to introduce a business rates relief for local newspapers in England.

Inheritance tax deeds of variation

The government will review the use of deeds of variation for tax purposes.

Diverted profits tax

As announced in the Autumn Statement 2014, legislation will be introduced in the Finance Bill 2015 for a new tax on diverted profits from 1 April 2015. Following consultation, the legislation has been revised to narrow the notification requirement. There have also been changes to clarify rules for giving credit for tax paid, the operation of the conditions under which a charge can arise, specific exclusions and the application of the diverted profits tax to companies subject to the oil and gas regime. (Finance Bill 2015)

Stamp duty land tax: treatment of shared ownership properties

As announced in the Autumn Statement 2014, the government will extend the SDLT multiple dwellings relief to include superior interests in residential property, such as shared ownership. This will apply where the transaction is part of a lease and leaseback arrangement, if acquired from a qualifying body such as a housing association. The change will take effect from the date on which Finance Bill 2015 receives royal assent. (Finance Bill 2015)

Government response to the Office of Tax Simplification review of tax penalties

In response to the OTS review of tax penalties, the government is consulting about changing the way in which penalties are applied. The current consultation will close on 11 May 2015.

Review of loan relationships and derivative contracts legislation

Following the review announced in the Budget 2013, the government will make wide-ranging changes to update, simplify and rationalise the legislation on corporate debt and derivative contracts. These will include a clearer and stronger link between commercial accounting profits and taxation, basing taxable amounts on items of accounting profit or loss. It will also include introduction of a new relief for companies in financial distress and new rules to protect the regime against tax avoidance. (Future Finance Bill)

OTS review of partnerships: publication of final report

The government welcomes the final report of the OTS review of partnerships. The government will consider or take forward over 70% of its recommendations and has already completed work on many of these.

Promoters of tax avoidance schemes

The government will introduce legislation that will enable HMRC to issue Conduct Notices to a broader range of connected persons under the Promoters of Tax Avoidance Schemes regime. It will also legislate to ensure that the three year time limit for issuing Conduct Notices to promoters who have failed to disclose avoidance schemes to HMRC applies from the date when a failure is established. (Finance Bill 2015)

General Anti-Abuse Rule penalties

The government will introduce legislation, in a later Finance Bill, that will increase the deterrent effect of the General Anti-Abuse Rule (GAAR), by introducing a specific, tax-geared penalty that applies to cases tackled by the GAAR. (Future Finance Bill)