



## KEY POINTS SUMMARY BUDGET 2016

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### Changes back dated

- Entrepreneurs' relief reinstated for gains made on business goodwill transferred on incorporation to close company backdated to 3 December 2014, subject to certain conditions .

### Changes with immediate effect

- Entrepreneurs' relief to apply on disposal of private held business asset when it is associated with a disposal of the business to a family member – with effect for disposals made on or after 18 March 2016.
- Reforms to SDLT on non-residential property from 17 March 2016, with reductions for much commercial property.
- New rule to ensure trading and property income in non-monetary form brought into account from 16 March 2016.
- New lifetime limit of £100,000 on CGT exempt gains on employee shareholder shares (post 16 March 2016 agreements).
- Additional obligations to deduct income tax at source from royalties paid to certain non-residents imposed from 17 March 2016.
- Targeted anti avoidance rule in disguised remuneration legislation from 16 March 2016.
- Simplification of Enterprise Management Incentive rules in relation to post 16 March 2016 rights issues.

### From April 2016

- Capital gain tax rates reduced to 20% for higher rate taxpayers and 10% for basic rate taxpayers, but no change for CGT on residential property or carried interest.
- CGT rate for trusts and estates reduced to 20%, but remains at 28% for residential property and carried interest.
- Repeal of renewals allowance for replacement and alteration of tools
- VAT registration threshold increases from £82,000 to £83,000 and de-registration threshold increases from £80,000 to £81,000.
- Corporation tax charged on loans to participators (s 455 charge) which are outstanding 9 months after year end increased from 25% to 32.5%.
- Benefit in kind charge on zero emission vans remains at 20% of standard van charge rather than increasing to 40% (£634 rather than £1,238).
- Clarification that 'fair bargain' rule for benefits in kind apply where cash equivalent value is calculated by reference to tax rules rather than the cost to employer.
- Duty on beer, spirits and other drinks above 22% alcohol by volume and most ciders frozen. Duty on other drinks increased in line with inflation.
- Road fuel duty frozen.

## From April 2017

- Tax-free personal allowance increased to £11,500.
- 40% tax threshold increased to £33,500 of taxable income.
- Two new tax allowances of £1000 each – one for trading income and one for income from property.
- ISA allowance increased to £20,000.
- New lifetime ISA to be launched for those aged 18 to 40 allowing savings of up to £4,000 a year on which Government will pay a bonus of 25%.
- Business rates small property 100% relief limit increased from a rateable value of £6,000 to £12,000 and tapered relief limit increased up to rateable value £15,000.
- More flexibility in the offset of brought forward losses for companies.
- Amended rules on part surrenders and part assignments of life insurance policies to prevent excessive tax charges arising on these products.

## Future years

- Class 2 National Insurance contributions abolished from April 2018 and class 4 NIC reformed to provide benefit entitlements.
- Employer National Insurance on termination payments above £30,000 from April 2018
- Sugar levy on manufacturers of soft drinks with sugar content above 5g per 100ml introduced from April 2018
- Rate of corporation tax reduced to 17% from 2020.
- To prevent overseas sellers from avoiding charging VAT in the UK HMRC will be able to require non-compliant overseas traders to appoint a tax representative in the UK, and will be able to inform online marketplaces of the traders who have not complied.
- Businesses who store or sell goods on behalf of overseas traders will themselves become liable for any UK VAT avoided on those sales.
- New penalty for participating in VAT fraud.