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# SPRING 2015 BUDGET
(SOURCE: www.sage-exchange.co.uk)

# Personal Tax

## Savings and Investments
### Personal Savings Allowance
It is proposed that a new Personal Savings Allowance be introduced from 6 April 2016. For a basic rate taxpayer, this will exempt from income tax the first £1,000 of savings income, such as bank and building society interest. For a higher rate taxpayer, only the first £500 will be exempted. The Personal Savings Allowance will not be available to additional rate taxpayers. At the same time, the deduction of basic rate tax at source from interest paid by banks and building societies will be abolished for all savers.

### Individual Savings Accounts (ISAs)
It is announced that regulations will be introduced in Autumn 2015 to enable a cash ISA investor to withdraw money from their ISA and pay it back in again during the same tax year without the second transaction counting towards their ISA subscription limit for that year. Regulations will also be introduced to extend the list of qualifying investments for ISAs and Child Trust Funds.

### Help to Buy ISAs
This proposed scheme for first-time home buyers will provide a bonus to each person who has saved into a Help to Buy Individual Savings Account. The bonus will be paid at the time the savings are used to purchase a home. For every £200 saved, the Government will provide a £50 bonus up to a maximum of £3,000 on £12,000 of savings.
Accounts are expected to be available through banks and building societies from Autumn 2015. Savers will be able to make an initial deposit of £1,000 and a monthly saving of up to £200. The bonus will be available on home purchases of up to £450,000 in London and up to £250,000 elsewhere in the UK.

### Digital Tax Accounts
The Government will abolish the tax return for millions of individuals and small business through the introduction of digital tax accounts. A roadmap setting out the policy and administrative changes will be published later this year. In addition, the Government will consult on a new payment process to support the use of digital tax accounts that allow tax and National Insurance contributions to be collected outside of PAYE and self-assessment. This will be legislated for in the next Parliament.

### Direct Recovery of Debts due to HMRC from Debtors' Bank and Building Society Accounts
HMRC will be able to collect payment of tax and duties directly from credit balances in debtors' bank and building society accounts, including ISAs, without first having to apply to the courts. HMRC will only take action against debtors who owe over £1,000 of tax or tax credits. They will always leave a minimum aggregate of £5,000 across debtors' accounts, and will only put a hold on funds up to the value of the debt. Secondary legislation to be published shortly will set out details of the process and safeguards for taxpayers.
The Government intends to legislate this measure in a future Finance Bill.

### Transferable Allowance for 2015/16
The personal allowance for those born after 5 April 1938 will be £10,600 for 2015/16. As a corollary, the transferable allowance for married couples and civil partners (10% of the personal allowance) will be £1,060. The higher rate threshold (i.e. the aggregate of the personal allowance and the basic rate limit) will be £42,385. To register interest in transferring your allowance go to: https://www.gov.uk/marriage-allowance

### Miscellaneous Loss Relief for Income Tax

Anti-avoidance legislation will deny a person miscellaneous loss relief for income tax purposes Where a loss arises as a result of tax avoidance arrangements. The legislation will also deny miscellaneous loss relief against miscellaneous income that arises as a result of tax avoidance arrangements. This is effective for losses and income arising on and after 3 December 2014.
In addition, for 2015/16 onwards, the offset of a miscellaneous loss will be limited to miscellaneous income that is chargeable to income tax under, or by virtue of, the same provision as that under which the loss would have been chargeable had it been profits or other income instead of a loss.

### Bad Debt Relief on Peer-to-peer Lending

Individuals who make loans through peer-to-peer (P2P) platforms will be able to offset bad debts arising against the interest they receive from P2P loans when calculating their taxable income. These changes will have effect for loans made from 6 April 2015, but the legislation will be in a future Finance Bill.

## Business & Employers Taxation

### Abolition of the £8,500 Threshold for Benefits in Kind

The £8,500 earnings threshold that determines whether employees pay income tax on all of their benefits in kind and expenses, and whether employers pay Class 1A National Insurance contributions (NICs), is to be abolished for 2016/17 onwards.
Currently, an employee in so-called lower-paid employment (i.e. whose earnings for the tax year are less than £8,500) pays tax only on certain employee benefits, e.g. living accommodation, vouchers and credit-tokens. The abolition of the threshold will mean all employees will be taxed on their benefits and expenses in the same way. The employer’s NICs treatment will follow the income tax treatment.
New exemptions will be introduced to cover benefits for ministers of religion earning less than £8,500 and for employees who are carers; the latter will cover board and lodging on a reasonable scale that is provided in the home of the person being cared for.

### Statutory Exemption for Trivial Benefits in Kind

A statutory exemption is to be introduced for 2015/16 onwards that will allow employers to identify and treat certain low value benefits provided to employees or former employees as trivial. These benefits will then be exempt from income tax and Class 1A National Insurance contributions and will not need to be reported to HMRC. A benefit will be trivial if it meets all the following conditions:

- the benefit is not cash or a cash voucher;
- the cost of providing it does not exceed £50;
- the benefit is not provided under salary sacrifice arrangements or any other contractual obligation; and
- it is not provided in recognition of particular services performed, or to be performed, by the employee.

An annual cap of £300 will be introduced for office holders of close companies (broadly those controlled by 5 or fewer people) and employees who are family members of those office holders. Those affected by this cap will be able to receive a maximum of £300 worth of exempt trivial benefits each year.

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### Employee Expenses: Dispensations

The current system whereby an employer can apply to HMRC for a dispensation to pay expenses free of tax in certain circumstances will be scrapped for 2016/17 onwards. Instead, expenses provided to employees will automatically be exempt in any case where the employee would have been eligible for a deduction had he incurred and paid the equivalent expense himself. The exemption will also allow the employee to be paid a scale rate rather than be reimbursed the actual expense he has incurred. This can either be a rate set by HMRC or a rate that the employer has agreed with HMRC. The exemption will also apply to benefits in kind provided by employers in respect of expenses incurred by their employees It will not apply to expenses/benefits provided as part of a salary sacrifice arrangement or in conjunction with other arrangements that seek to replace salary with expenses. Similar rules will apply for NIC purposes.

### Collection of Tax on Benefits and Expenses through Voluntary Payrolling

Legislation is to be introduced to allow HMRC to make changes to the PAYE Regulations to provide for voluntary payrolling of certain benefits in kind. The intention is that employers will be able to opt to payroll benefits for cars, car fuel, medical insurance and gym membership for 2016/17 onwards. Where employers do so, they will not have to make a return on Form P11D for these benefits. Instead, they will report the value of the benefits through Real Time Information, and that value will count as PAYE income liable to deduction using the PAYE Tax Tables. The amended Regulations will determine the value to be placed on the benefit for this purpose.

### Van Benefit Charge for Zero Emission Vans

The van benefit charge for zero emission vans will increase from £nil, beginning in 2015/16. The van benefit charge for such vans will be 20% of the van benefit charge for vans which emit CO2 in 2015/16, 40% in 2016/17, 60% in 2017/18, 80% in 2018/19 and 90% in 2019/20. From 2020/21, the van benefit charge for zero emission vans will be the same as the van benefit charge for vans which emit CO2.

### NICs for the Self-Employed

Class 2 contributions will be abolished in the next Parliament. Class 4 contributions will be reformed to introduce a new contributory benefit test. The Government intends to consult on the proposals later in 2015.

## Business Tax

### Farmers' Averaging

The period over which self-employed farmers can average their profits for income tax purposes is to be increased from 2 to 5 years with effect from 6 April 2016.

### Simplified Expenses: Partnerships

The government will amend the simplified expenses regime introduced in FA 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.

### Tax Relief for Businesses Contributing to a Partnership Funding Flood Defence Scheme

Finance Bill 2015 will introduce legislation to allow a specific income tax or corporation tax deduction from business profits or property business profits for contributions made on or after 1 January 2015 to partnership funding schemes for flood defence projects (known as Flood and Coastal Erosion Risk Management (FCERM) projects). No deduction will be allowed if the contributor, or a person connected with him, receives, or is entitled to receive, a disqualifying benefit.

# Capital Allowances

## Capital Allowances: Anti-Avoidance Rules for Plant and Machinery
With effect from 26 February 2015 a further restriction will apply to the amount of qualifying expenditure on which capital allowances may be claimed on an item of plant and machinery as a result of a connected party transaction, a sale and leaseback, a transfer and long funding leaseback, or a transfer and subsequent hire-purchase. The new restriction will apply in certain circumstances where the person disposing of the asset does not bring a disposal value into account. When the restriction applies the person acquiring the asset will be treated, for the purposes of plant and machinery allowances, as having no qualifying expenditure.

## Research and Development
Legislation will be introduced to restrict qualifying expenditure for research and development (R&D) tax credits so that the cost of consumable items incorporated in products that are sold in the normal course of a company's business are not eligible for R&D relief, with effect from 1 April 2015. Qualifying expenditure on consumable items will be limited to the cost of only those items fully used up or expended by the R&D activity itself which do not go on to be sold as part of a commercial product. This restriction will not apply where the product of the R&D is transferred as waste, or where it is transferred but no consideration is given.
In addition, from 1 April 2015, the rate of the above the line credit for large companies will increase from 10% to 11% and the rate of the relief for the SME scheme will increase from 225% to 230%.

## Goodwill Transfers on Incorporation
Corporation tax relief will be restricted where a company acquires internally-generated goodwill and customer-related intangible assets from related individuals on the incorporation of a business on or after 3 December 2014, unless the transfer is made pursuant to an unconditional obligation entered into before that date. Currently companies are given corporation tax relief on internally-generated goodwill even when there is continuing economic ownership. This change will ensure that businesses that do not incorporate are not at a disadvantage compared to those which do.
Companies already receiving relief for goodwill recognised on incorporation will not be affected.

## Corporate Loss Refresh Prevention
From 18 March 2015 there are restrictions to prevent companies converting brought forward trading losses, nontrading loan relationship deficits and management expenses into in-year deductions. Where a company enters into an arrangement, the main purpose of which is to utilise the brought forward losses, it will be unable to use the brought forward losses against profits created as a result of the arrangement.

## Entrepreneurs' Relief for Disposals of Goodwill
Legislation in Finance Bill 2015 will prevent entrepreneurs' relief from being available on disposals of goodwill on or after 3 December 2014 to a close limited company to which the seller is related. The relief may still be claimed by partners in a firm who do not hold or acquire any stake in the successor company.

### Restricting Entrepreneurs' Relief on Associated Disposals

The rules relating to entrepreneurs' relief on associated disposals are to be amended. For disposals on or after 18 March 2015, in order to qualify for the relief on a disposal of a privately-owned asset, the claimant must reduce his participation in the business by also disposing of a minimum 5% of the shares of the company carrying on the business, or (where the business is carried on in partnership) of a minimum 5% share in the assets of the partnership carrying on the business.

### Entrepreneurs' Relief, Joint Ventures and Partnerships

There is also legislation to be introduced to ensure that those who benefit from entrepreneurs' relief have a 5% directly-held shareholding in a genuine trading company. For disposals on or after 18 March 2015, the definitions of a 'trading company' and 'the holding company of a trading group' do not take account of activities carried on by joint venture companies which a company is invested in, or of partnerships of which a company is a member. Therefore a company would need to have a significant trade of its own in order to be considered as a trading company.

### Special Purpose Share Schemes

reforms. The range of eligible social impact bonds (SIBs) will also be widened to include certain spot purchased and sub-contracted SIBs.

There will be a consultation on allowing investments to be made indirectly, through a social investment form of a venture capital trust scheme, a 'Social VCT'.

### Social Venture Capital Trusts

The Government will legislate for Social Venture Capital Trusts (VCTs) in a future Finance Bill. The rate of income tax relief for investment in Social VCTs will be set 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 a Social VCT. Social VCTs will have the same excluded activities as the Social Investment Tax Relief Scheme.

## Charities

### Gift Aid Intermediaries

A non-charity intermediary will be able to submit a gift aid declaration on behalf of a donor, and the recipient charity able to claim gift aid on the basis of such a declaration. Primary legislation will be effective from Royal Assent to Finance Act 2015 with further details governing the declarations introduced in later regulations.

### Gift Aid Small Donations Scheme

From 6 April 2016 the maximum annual donation amount that can be claimed by a charity under the Gift Aid Small Donations Scheme will be increased to £8,000, thus enabling the charity to claim a Gift Aid style top-up payment from HMRC of up to £2,000.

## Value Added Tax

### VAT Registration Thresholds

With effect from 1 April 2015, the VAT registration threshold will be increased from £81,000 to £82,000. The deregistration threshold will be increased from £79,000 to £80,000. The registration and deregistration thresholds for acquisitions from other EU member states will be increased from £81,000 to £82,000.