
Tax Alert

Annual Budget 2015

Weil

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The Chancellor delivered the last Budget of the coalition this afternoon. As is common with pre-election budgets, it was reasonably low-key, although still contained some significant (and in some cases, unexpected) measures. We have set out below a summary of the main announcements, based on the information which has been released so far. In most cases, only limited information has been given; further details are expected in next week's Finance Bill. We have also noted certain key measures from the Autumn Statement which are due to come into force in April. If you wish to discuss any of the following, please contact me or your usual Weil contact and we would be happy to assist.

Key new measures

- **Entrepreneurs' Relief:** From today, entrepreneurs' relief on the disposal of shares will now only apply where the individual in question has held a 5% directly-held shareholding in a trading group for 12 months. As a result, it will no longer be possible to qualify through a 5% holding in a pooling company (ManCo) which itself only holds 10% or more of a trading company/group, or holds an interest in a partnership which carries on a trade. Existing structures will not be grandfathered. For the avoidance of doubt, this clampdown should not affect qualifying shareholdings held through EBTs/nominees.
- **Abolition of tax returns:** Tax returns for individuals and small businesses will be phased out over the course of the next Parliament and be replaced by a personalised digital account. The digital account will be populated by information HMRC already holds (e.g. PAYE information reported in real-time), giving taxpayers a real-time view of their tax affairs. Those individuals and small businesses with more complex tax affairs will be able to use the account to declare income and pay tax. Taxpayers will also have the option to "pay as you go" to help manage cash flow. The Government will publish a "roadmap" later this year and consult on how it intends to manage the transition to digital accounts.

Business tax

- **Corporation tax rate:** As previously announced, the main rate of corporation tax will be reduced to 20% from 1 April 2015 (and as a result the small profits rate (currently 20%) will be abolished).
- **Diverted Profits Tax:** As previously announced, from 1 April 2015, the new tax on "diverted profits" (the so called "Google tax") will be come into force, the aim of which is to counter perceived avoidance of UK tax

by multinational companies through diversion of their UK profits to low tax jurisdictions. The new tax will be levied at the rate of 25%.

- **Venture Capital Schemes:** Legislation will be introduced in Finance Bill 2015 to amend the rules for the Enterprise Investment Scheme and Venture Capital Trusts to comply with the latest EU state aid rules. Full details of the changes are yet to be published.
- **Bank Levy rate:** From 1 April 2015 the full rate of the bank levy will be increased from 0.156% to 0.21% (and the half rate from 0.078% to 0.105%) in order that the levy raises an extra £4.4bn over 5 years.
- **VAT registration thresholds:** From 1 April 2015 the VAT registration threshold will be increased from £81,000 to £82,000 and the deregistration threshold from £79,000 to £80,000.
- **Withholding tax exemption for private placements:** As previously announced, legislation will be introduced to provide an exemption from withholding tax on certain unlisted securities issued by companies, known as “qualifying private placements”. The original draft legislation required a security to have a minimum term of three years; this condition has now been removed.
- **Oil and gas:** The rate of Petroleum Revenue Tax (charged on the profits from oil and gas production) will be reduced from 50% to 35% in respect of chargeable periods ending after 31 December 2015. The rate of Supplementary Charge will be reduced from 32% to 20%, with the reduction backdated to 1 January 2015.

Personal tax

- **Pensions – Lifetime Allowance:** The pensions lifetime allowance will be reduced to £1 million (from £1.25m) from 6 April 2016. This amount will increase in line with CPI from 2018. Individual protection regimes will be introduced for savers who think they may be affected by this change.
- **Personal Allowance:** The income tax personal allowance will be increased by £600 to £10,600 for the 2015/16 tax year (as previously announced), with further increases to £10,800 and £11,000 for 2016/17 and 2017/18 respectively.
- **Income Tax thresholds:** The basic rate threshold for income tax will be increased to £31,900 and £32,300 for the 2016/17 and 2017/18 tax years, respectively. The higher rate threshold will be increased by £520 to £42,385 for the 2015/16 tax year, with further increases to £42,700 for 2016/17 and £43,300 for 2017/18.
- **Personal Savings Allowance:** A new “Personal Savings Allowance” will be introduced from 6 April 2016. This allowance will exempt from tax up to £1,000p.a. (in the case of basic rate taxpayers) or £500p.a. (in the case of higher rate taxpayers) of savings income arising from money held in banks or building societies. The allowance is not available to additional rate tax payers. The Personal Savings Allowance will be in addition to the tax advantages currently available to savers from ISAs.
- **ISAs:** Regulations will be introduced in Autumn 2015 allowing ISA savers to withdraw and replace money from their cash ISA without it counting towards their annual ISA subscription limit for that year.

And finally.... The price of a typical pint of beer will fall by 1p and the price of a typical bottle of gin will fall by 18p.

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If you have questions concerning the contents of this issue, or would like more information about Weil’s Tax practice group, please speak to your regular contact at Weil, or to:

David Irvine (London)	View Bio	david.irvine@weil.com	+44 20 7903 1251
Oliver Walker (London)	View Bio	oliver.walker@weil.com	+44 20 7903 1522

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