

Autumn Statement 2015

3 December 2015

Note: This update was written on 3 December 2015. It is based on the government's proposals at that point in time which don't necessarily represent the final legislation. For that reason, no action should be taken based on this update without taking further advice.

INTRODUCTION

This overview highlights some of the key announcements made by the Chancellor in his Autumn Statement 2015 speech which will affect our clients.

Since the Summer Budget 2015, many issues have been under consultation, and we are waiting for draft legislation to be published for a number of important changes.

STAMP DUTY LAND TAX ON ADDITIONAL PROPERTIES

From April 2016, higher rates of Stamp Duty Land Tax (3 per cent above the current rates) will be charged on the purchase of additional residential properties, primarily buy-to-let properties and second homes above £40,000.

There will be a consultation on this change, the details of which will clearly be important.

This will affect both individuals and companies, although part of the consultation will be on whether an exemption for companies and funds owning more than 15 residential properties is appropriate.

It is currently unclear whether the higher rate will also apply to purchases by companies, resulting in a new top rate of SDLT at 18%.

Those who are considering purchases of additional properties later in 2016 may wish to consider whether such purchases can be brought forward to before April 2016.

PAYING CAPITAL GAINS TAX ON THE SALE OF RESIDENTIAL PROPERTY

Currently capital gains tax (CGT) is collected through the Self Assessment system and is payable on 31 January following the end of the tax year of disposal.

HMRC plan to accelerate the collection of CGT on the sale of residential properties, and from April 2019 a payment on account will be due within 30 days of completion of the disposal.

It is not yet clear whether this 30 day payment deadline will be extended to include corporation tax payable by companies on the sale of residential properties.

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

It has been announced that legislation will be introduced in Finance Bill 2016 to extend the ATED reliefs from April 2016 to include equity release schemes, property development activities and properties occupied by employees. These reliefs will also be available in relation to the 15% rate of SDLT that can apply to companies purchasing residential property.

INVESTMENT SCHEMES

From April 2016, any energy-generation activity which is not currently excluded will be an excluded activity for the purposes of the Enterprise Investment Scheme (EIS), Venture Capital Trusts (VCT), Seed Enterprise Investment Scheme (SEIS) and Social Investment Tax Relief (SITR).

BUSINESS INVESTMENT RELIEF

Business Investment Relief was introduced from 6 April 2012 and allows non-domiciled individuals to invest foreign income and gains in UK companies without triggering a taxable remittance, subject to various conditions. However, take-up has been lower than expected, therefore there is to be a consultation on legislative changes which will encourage greater use of this relief.

ISAS HELD BY ESTATES

Since 3 December 2014, it has been possible to retain the tax advantages of an ISA where the ISA is passed to a spouse or civil partner on death.

Subject to a consultation with ISA providers, the government intends to introduce legalisation in Finance Bill 2016 so that ISAs continue to benefit from exemption from income tax and capital gains tax while held in a death estate during the administration period.

TAX EVASION AND AVOIDANCE – FURTHER MEASURES

From April 2016 penalties of 60% of the tax at stake will be charged where users of tax avoidance schemes are successfully

challenged by the application of the general anti-abuse rule (GAAR).

A new criminal offence will be introduced in Finance Bill 2016, removing the need to prove intent to evade tax by failing to declare offshore income and gains.

In addition, civil penalties will also be introduced for offshore tax evasion, including the introduction of a penalty linked to the value of the asset on which tax was evaded.

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The services described in this document may include investment services of this kind.

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