Budget Report 2016

The main taxation provisions announced by the Chancellor of the Exchequer on 16 March 2016

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Contents

1. Introduction
1. What the Press said beforehand
1. BBC's summary of the proposals
3. Summary
6. Capital Gains Tax
8. Corporation Tax
8. Employee Share Schemes: Simplification
9. Estates Duty and Inheritance Tax
9. Capital Allowances
9. Income and Corporation Tax
10. Income Tax
10. Oil and Gas Taxation
11. Pension Flexibility 2016
11. Stamp Duty
12. Cars and Vans
12. Value Added Tax
13. Tax Rates etc
21. Further Information

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Introduction

Today, the Chancellor of the Exchequer George Osborne (pictured right) delivered his Budget to the House of Commons. If you want to hear what he said, you can access his speech here.

Full details of all announcements, supporting documents and information are available from here, including Budget documents published by HM Treasury on 16 March 2016.

About the Budget

When the Government publishes the Budget, the Chancellor gives a speech to Parliament in which he sets out the key decisions on tax, borrowing and spending, and his reasons for taking those decisions. This speech is called the Budget Statement.

The official forecast on which the Chancellor bases the Government's Budget is provided by the Office for Budget Responsibility (OBR). The Budget Responsibility and National Audit Act 2011 require the OBR to publish two economic and fiscal forecasts for each financial year, including one published at the Budget. The OBR's duty is to examine and report on the sustainability of the public finances and it is required to do so objectively, transparently and impartially.

What the Press said beforehand

Before the Budget, the BBC reported that the Chancellor was expected to set out £4bn in extra spending cuts and announce investment in the UK's infrastructure when he presents his Budget to MPs. The Chancellor is expected to say that his Budget will "choose the long term" and warn that the "storm clouds are gathering again". *A £1.5bn education package is "expected to turn all state schools into academies and allow some to open later in the day*, the BBC says.

The Telegraph reported that thousands of schools will be able to open for an average of an hour longer a day in an end to the "Victorian" tradition of the 3.30 pm bell. They also said the Chancellor will vow to free the system "from the shackles of local bureaucracy" as he sets out a new fund will allow a quarter of secondary schools in England to lengthen the school day.

The Times reported that HM Treasury officials have been weighing up plans to cut capital gains tax (CGT) in a bid to stimulate sales of second homes, by cutting the top rate paid by higher rate taxpayers from 28% to 20% and cutting the rate paid by basic rate taxpayers from 18% to 15%.

As the Mirror says, some policies have been drip-fed at an agonising pace to newspapers in the days before the Budget but the rest is speculation.

It's not looking good, according to business editor Simon Penfold in the Express & Star: *A global economic slowdown is under way, the price of oil and commodities like iron and coal have slumped, stock markets around the world are in turmoil and the UK economy has also hit the brakes*, he says.

BBC's summary of the proposals

BBC News summarised the main points from Chancellor George Osborne's Budget statement as follows:

- George Osborne kicked off with upbeat comments about the UK economy: strong, growing and resilient "because we did not seek short-term fixes", he said.
- Mr Osborne warned that storm clouds are gathering over the global economy, which is why he chose "sound public finances to deliver security" amid the uncertainty. The outlook is "materially weaker", he said, citing the Office for Budget Responsibility forecast.
- George Osborne said the Office for Budget Responsibility has forecast that the UK economy will expand by 2% this year, 2.2% in 2017 and then 2.1% in 2018, 2019 and 2020.
- The Chancellor added that this growth would be faster than any of the major development economies. However, it is still a downward revision.
- Mr Osborne also said the growth figures are predicated on the UK remaining in the European Union - a stance he supports.
- The Office for Budget Responsibility has downgraded its forecast of UK economic growth in 2015 from 2.4% to 2.2%.
- Figures are also revised downwards for the following years - from 2.4% to 2% in 2016, from 2.5% to 2.2% in 2017, from 2.4% to 2.1% in 2018 and from 2.3% to 2.1% in both 2019 and 2020.
- Despite a downgrade to the UK's growth forecasts, Mr Osborne seemed bullish on jobs. He said that the OBR is forecasting

another 1m jobs created in this parliament. The Chancellor added that the forecast shows real wages would continue to rise.

- Mr Osborne said the government is announcing changes to the disability budget. Even so, he said, spending on disability is rising, and is higher than under Labour.
- Sterling has taken a bit of a tumble in response to the OBR's downgrade of the UK's economic growth forecasts through to the end of this parliament. The pound is 0.6% lower against the US dollar at $1.407. It is also down 0.34% against the euro at €1.270.
- Missed debt targets - the new debt and GDP forecasts mean that the Chancellor has missed his target of starting to cut the national debt, as a percentage of output, this financial year. According to the OBR that now will not happen until 2017-2018.
- Mr Osborne announced a corporation tax cut. It was 20% at the start of the parliament. By 2020 it will fall to 17%. "Britain is blazing a trail, let the rest of the world catch up," the Chancellor said.
- The Chancellor announced a series of actions to tackle tax avoidance and evasion totalling £12bn, including moves to end the use of "personal service companies" by public sector employees to minimise their tax liabilities. A number of TV personalities have faced criticism for their use of the tax loophole.
- The Chancellor announced that from 2018, employment termination payments over £30,000 will be subject to employer's national insurance contributions (under £30,000 is currently free of tax).
- Mr Osborne repeated his mantra that "we are all in this together" as he said figures confirm the richest 1% paid 28% of income tax revenue. Insisting that the Government was acting "in a fair way", he said: "Child poverty is down; pensioner poverty is down; inequality is down; and the gender pay gap has never been smaller."
- The Chancellor announced tax cuts for the oil and gas industry. Petroleum revenue tax is effectively abolished - something that is only affordable because Scotland has remained in the UK.
- Tolls on the Severn Crossings between England and Wales are to be halved by 2018, the Chancellor announced.
- Reforms to business rates that will mean 6,000 small businesses pay no rates and 250,000 have their rates cuts from April 2017 were welcomed by loud cheers from Conservative backbenchers. Mr Osborne said: "This is a Budget for small businesses."
- Insurance premium tax to rise by 0.5% to 10% with proceeds diverted to flood relief. The tax was already increased last year, from 6% to 9.5%. But insurance premiums have been falling after a crackdown on so-called "ambulance chasers" and personal injury claims.
- A sugar levy will be introduced on soft drinks. It will come into force in 2018 to give the industry time to adjust, the Chancellor said. The £520m it is expected to raise will be used to help support school sport.
- The Chancellor announced measures in the Budget that he said would see "big tax cuts for small firms", with new rates for commercial stamp duty. He said it followed the success of stamp duty changes announced in a previous budget for people buying homes.
- The Chancellor is freezing fuel duty. He said the move means a £75 a year saving for the average driver: It's "the tax boost that keep Britain on the move."
- The Conservative government will spend more in real terms on disability payments than any Labour administration, George Osborne has said. Delivering his Budget, he told MPs that the money would be "better targeted" at those who needed it most, and that the budget would rise by more than £1bn.
- The Chancellor turned to something dear to many people's hearts:
- Beer duty and cider duty to be frozen.
- Duty on whisky to be frozen.
- Other alcohol duties to rise in line with inflation
- The end of the 3.30pm school bell was confirmed by the Chancellor, with funding for activities including extra sport in England. Mr Osborne said he hoped the devolved regions would follow suit.
- He also said that fines from the Libor financial scandal would be used to help support children's hospital services in Manchester, Sheffield, Birmingham and Southampton.
- George Osborne name-checked his Northern Powerhouse proposals as he announced the HS3 rail scheme and widening the M62 between Leeds and Manchester, and improved road links in the North Pennines.
- The Chancellor announced a 0.5% rise in insurance premium tax, with the money being spent on funding flood defences. Unveiling the measure in the Budget, he announced new projects to protect five areas in Cumbria and Yorkshire.

Summary

The Chancellor presented his Budget to Parliament today. Here is a summary of what he announced. If you want to read the Budget in full, you can access it here.

1. A surplus by 2019-20

This year the deficit will have been cut by almost two thirds from its peak. Over the next 4 years, the deficit will have been eliminated and the government will be running a surplus – where more tax is raised than is spent.

To help achieve this, there will be a further £3.5 billion of savings from departmental spending in 2019-20, less than 50p in every £100 the government spends. There will be an efficiency review to inform future spending decisions.

2. Double the dedicated funding for sport in primary schools, paid for by a levy on soft drinks

Soft drinks companies will pay a levy on drinks with added sugar from April 2018. This will apply to drinks with total sugar content above 5 grams per 100 millilitres, with a higher rate for more than 8 grams per 100 millilitres. It won't be paid on milk-based drinks or fruit juices.

The money will be used to double the primary PE and sport premium (the additional money schools have to spend on PE and sports) to £320 million a year.

2. Double the dedicated funding for sport in primary schools, paid for by a levy on soft drinks

From September 2017, 25% of secondary schools will be able to opt in to a longer school day so that they can offer a wider range of activities for pupils. There will be up to £285 million a year to pay for this.

4. Every school will be an academy by 2022

By the end of 2020, every school in England will be an academy or free school – or be in the process of becoming one. This will give head teachers more control over their budget and the curriculum they teach.

The current system for funding schools will also be replaced by a fairer national funding formula from April 2017. There will be £20 million a year in additional money for schools in the north of England.

5. Lifetime ISA: a new £4,000 ISA that you can use to save for retirement or to buy your first home

From April 2017, any adult under 40 will be able to open a new Lifetime ISA. Up to £4,000 can be saved each year and savers will receive a 25% bonus from the government on this money.

Money put into this account can be saved until you are over 60 and used as retirement income, or you can withdraw it to help buy your first home.

The total amount you can save each year into all ISAs will also be increased from £15,240 to £20,000 from April 2017.

Find out more about the Lifetime ISA here.

6. The Personal Allowance will increase to £11,500, and the higher rate threshold will rise to £45,000 in April 2017

The Personal Allowance is the amount of income you can earn before you start paying Income Tax. This is currently £10,600 – it will already rise to £11,000 in 2016, and will now increase further to £11,500 in April 2017.

The point at which you pay the higher rate of Income Tax will increase from £42,385 to £43,000 in 2016 and to £45,000 in April 2017.

7. HS3 between Leeds and Manchester

£60 million was announced to develop plans to cut journey times to around 30 minutes between Leeds and Manchester, as well as improving transport connections between other cities in the north.

8. £80 million to give Crossrail 2 the go-ahead

This will be used to continue planning for Crossrail 2. The proposed Crossrail 2 route will connect South-West and North-East London, increase tube capacity and reduce the pressure on Victoria and Waterloo stations.

9. £100 million to help people move on from emergency hostels and refuges

This will pay for 2,000 places to live for those who need to move on from emergency hostels and refuges.

£10 million will also be available for schemes like No Second Night Out, which is aimed at helping people who have recently started rough sleeping to come off the streets after a single night.

10. New tax allowances for money earned from the sharing economy

From April 2017, there will be two new tax-free £1,000 allowances – one for selling goods or providing services, and one income from property you own.

People who make up to £1,000 from occasional jobs – such as sharing power tools, providing a lift share or selling goods they have made – will no longer need to pay tax on that income.

In the same way, the first £1,000 of income from property – such as renting a driveway or loft storage – will be tax free.

11. Freezing beer duty to help pubs

Duty rates on beer, spirits and most ciders will be frozen this year.

12. Fuel duty will be frozen again in 2016-17

Fuel duty will be frozen again in 2016-17, saving the typical motorist £75 a year. By the end of 2016-17, fuel duty will have been frozen for 6 years.

13. Making sure large companies cannot artificially shift profits out of the UK

Some large companies use excessive interest payments to reduce the tax they pay on their profits in the UK. Relief on interest payments will now be capped at 30% of UK earnings, with exceptions for groups with legitimately high interest payments.

Over the next 5 years, the government will raise nearly £8 billion from large companies and multinationals through changes to the rules on interest and other measures, including:

- introducing rules to prevent multinational companies avoid paying tax in any of the countries they do business in, a technique called hybrid mismatches.
- taxing outbound royalty payments better – these are fees for using intellectual property like patents and copyrights – meaning multinationals pay more tax in the UK.
- making sure offshore property developers are taxed on their UK profits.

14. Tax support worth £1 billion for the oil and gas industry

This includes effectively abolishing Petroleum Revenue Tax (a tax on profits from oil fields approved before 1993) and dramatically reducing the supplementary charge on oil and gas extraction.

15. Cutting business rates for all rate payers

From April 2017, small businesses that occupy property with a rateable value of £12,000 or less will pay no business rates.

Currently, this 100% relief is available if for a business that occupies a property (e.g. a shop or office) with a value of £6,000 or less.

There will be a tapered rate of relief on properties worth up to £15,000. This means that 600,000 businesses will pay no rates.

16. Capital Gains Tax rates will be cut from 6 April 2016, but residential property will still be taxed at current rates

Capital Gains Tax is a tax on the gain you make when you sell something (an ‘asset’) that has gone up in value. It is paid at a basic or higher rate depending on the rate of Income Tax you pay.

From April 2016, the higher rate of Capital Gains Tax will be cut from 28% to 20% and the basic rate from 18% to 10%.

There will be an additional 8 percentage point surcharge to be paid on residential property and carried interest (the share of profits or gains that is paid to asset managers).

Capital Gains Tax on residential property does not apply to your main home, only to additional properties (for example a flat that you let out).

17. Employers will pay National Insurance on pay-offs above £30,000 from April 2018

From April 2018 employers will now need to pay National Insurance contributions on pay-offs (for example, termination payments) above £30,000 where Income Tax is also due.

For people who lose their job, payments up to £30,000 will remain tax-free and they will not need to pay National Insurance on any of the payment.

18. Corporation Tax will be cut again to 17% in 2020

The main rate of Corporation Tax has already been cut from 28% in 2010 to 20%, the lowest in the G20. It will now be cut again to 17% in 2020, benefitting over 1 million businesses.

19. Class 2 National Insurance contributions (NICs) for self-employed people will be scrapped from April 2018

Currently, self-employed people have to pay Class 2 NICs at £2.80 per week if they make a profit of £5,965 or over per year. They also pay Class 4 NICs if their profits are over £8,060 per year.

From April 2018, they will only need to pay one type of National Insurance on their profits, Class 4 NICs.

Paying Class 2 NICs currently enables self-employed people to build entitlement to the State Pension and other contributory benefits.

After April 2018, Class 4 NICs will also be reformed so self-employed people can continue to build benefit entitlement.

20. New stamp duty rates for commercial property from 17 March 2016

The way stamp duty on freehold commercial property and leasehold premium transactions is calculated will change. Currently, these rates apply to the whole transaction value. From 17 March 2016, the rates will apply to the value of the property over each tax band.

The new rates and tax bands will be 0% for the portion of the transaction value up to £150,000; 2% between £150,001 and £250,000, and 5% above £250,000.

Buyers of commercial property worth up to £1.05 million will pay less in stamp duty.

Stamp duty rates for leasehold rent transactions will also change, with a new 2% stamp duty rate on leases with a net present value over £5 million.

21. More funding to protect homes and businesses from flooding

Funding for new defences including in Leeds, York, Calder Valley and Cumbria and for maintenance of existing defences.

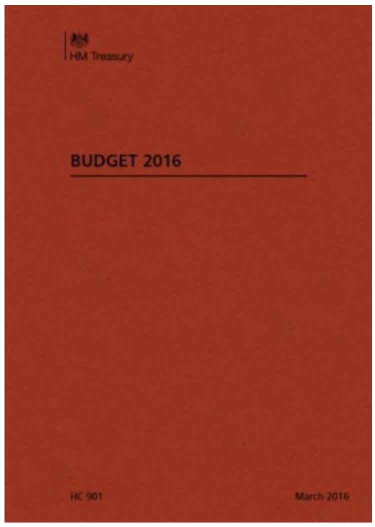
This will be paid for by Insurance Premium Tax, a tax on insurers. The standard rate will rise from 9.5% to 10%.

22. A new tax relief for museums and galleries will be introduced

This will be available to temporary and touring exhibitions from April 2017 – this will help museums and galleries create new exhibitions and display them around the UK. The government will consult on this during 2016.

23. Veterans will be able to keep payments from war pensions rather than using this to pay for social care

From April 2017, 4,000 Armed Forces veterans will be able to keep payments from their war pensions if they need social care.



Capital Gains Tax

Changes to rules to extend availability of Entrepreneurs' Relief on associated disposals

The changes are likely to affect individuals who realise gains on a disposal of a private asset, which is used in a business carried on by their partnership or company, when they retire or reduce their participation in their business.

The measure allows Entrepreneurs' Relief (ER) to be claimed on an 'associated disposal' of a privately-held asset when the accompanying disposal of business assets is to a family member. Relief can also be claimed in some cases where the disposal of business assets does not meet the present 5% minimum size condition.

Finance Act 2015 introduced new rules to combat abuse of ER. Whilst preventing the abuse, those rules also resulted in relief not being due on 'associated disposals' when a business was sold to members of the claimant's family under normal succession arrangements.

It was announced at Autumn Statement 2015 that changes to mitigate the impact of the Finance Act 2015 rules on associated disposals in these circumstances were being considered.

The changes announced by this measure will be backdated to the date on which the Finance Act 2015 measures became effective. They will therefore apply to associated disposals on or after 18 March 2015.

Legislation will be introduced in Finance Bill 2016 to change the definitions of 'partnership purchase arrangements' and 'share purchase arrangements' for ER purposes by excluding (i) the material disposal itself and (ii) arrangements which pre-date both the material disposal and the associated disposal, and are independent of them.

The requirement that the material disposal of business assets is of 5% or more of the claimant's share in a partnership or holding in a company does not apply where the claimant disposes of the whole of his interest and has previously held a larger stake.

Entrepreneurs' Relief: Changes to the treatment of joint ventures and partnerships

The changes are likely to affect individuals and trustees who realise gains on shares in a company which invests in a joint venture company.

The measure changes the definitions of a 'trading company' and a 'trading group' which apply for entrepreneurs' relief (ER) purposes. Where the new definitions apply, a fraction of the activities of a joint venture company will be treated as carried on by a company which holds shares in the joint venture company. Similarly, where the new definitions apply, trading activities of a company in its capacity as a partner in a firm will be taken into account in deciding whether the company is a trading company for entrepreneurs' relief purposes.

The measure incentivises and rewards investment in trading businesses carried on by companies, which do not form part of the same group as the company whose shares are sold. This is part of the government's policy of supporting enterprise and entrepreneurship.

The changes announced by this measure will be backdated to the date on which the Finance Act 2015 measures became effective. They will therefore apply to disposals on or after 18 March 2015.

Legislation will be introduced in Finance Bill 2016 to introduce new definitions of 'trading company' and 'trading group' for ER purposes. Where the new definitions apply, a company which holds shares in a joint venture company will be treated as carrying on a proportion of the activities of that company corresponding to the investing company's fractional shareholding in it. Also, the activities of a corporate partner in a firm will be treated as having their true nature (trading or non-trading) when determining whether the company is a trading company.

Where a joint venture company is present, the new definitions will apply for the purposes of a disposal of shares if the person making the disposal on which relief is claimed has at least a 5% interest in the shares of the joint venture company, and effectively controls at least 5% of the voting rights in that company. The interest and voting rights may be held directly or indirectly by the claimant. Where a partnership with a corporate partner is concerned, the new definitions will apply if the person making the disposal is entitled to at least 5% of the partnership's assets and profits, and controls at least 5% of the voting rights in the corporate partner. For example, a person who holds 20% of a company which does nothing but hold 40% of a trading company's shares will be treated as holding 8% (20% x 40%) of the trading company and 40% of that company's activities will be taken into account in deciding whether the person's shares are shares in a trading company for ER purposes.

The new definitions mean that, in some cases, whether a company is a trading company or the holding company of a trading group will depend on the size of the claimant's shareholding in the company.

Entrepreneurs' relief: extension to long-term investors

The changes are likely to affect individuals considering the acquisition by subscription of new shares in unlisted trading companies.

Entrepreneurs' relief (ER) will be extended to external investors in unlisted trading companies. This new investors' relief will apply a 10% rate of Capital Gains Tax (CGT) to gains accruing on the disposal of ordinary shares in an unlisted trading company held by individuals, that were newly issued to the claimant and acquired for new consideration on or after 17 March 2016, and have been held for a period of at least three years starting from 6 April 2016. A person's qualifying gains for investors' relief will be subject to a lifetime cap of £10 million.

Investors' relief will apply to disposals of qualifying shares held for a period of at least three years starting from 6 April 2016 that were acquired on or after 17 March 2016.

Lifetime limit on Employee Shareholder Status exemption

The changes are likely to affect individuals who receive shares under an Employee Shareholder Agreement.

The measure places a lifetime limit of £100,000 on the Capital Gains Tax (CGT) exempt gains that a person can make on the disposal of shares acquired under Employee Shareholder Agreements entered into after 16 March 2016.

The policy intention of the introduction of Employee Shareholder Status (ESS) in 2013 was to reduce regulatory burdens on business, promote business and employment growth and increase the choices available to businesses and employees.

This measure prevents abuse and improves the fairness of the tax system, by ensuring that the level of exempt capital gains from the disposal of Employee Shareholder shares is not excessive.

The measure will have effect in relation to Employee Shareholder shares acquired in consideration of an Employee Shareholder Agreement entered into from midnight at the end of 16 March 2016, and to gains on such shares.

Changes to Capital Gains Tax rates

The changes are likely to affect individuals, trusts and personal representatives who pay Capital Gains Tax (CGT).

This measure reduces the 18% rate of CGT to 10% and the 28% rate of CGT to 20% for chargeable gains, except in relation to chargeable gains accruing on the disposal of residential property (that do not qualify for private residence relief), and carried interest.

The government wants to create a strong enterprise and investment culture. Cutting the rates of CGT for most assets is intended to support companies to access the capital they need to expand and create jobs. Retaining the 28% and 18% rates for residential property is intended to provide an incentive for individuals to invest in companies over property.

This measure will have effect for relevant gains accruing on or after 6 April 2016.

Legislation will be introduced in Finance Bill 2016 to amend subsections 4(2), (3), (4) and (5) of TCGA to reduce the 18% and 28% rates in those provisions to 10% and 20% respectively. This will be subject to exclusions for chargeable gains on disposals of residential property that do not qualify for private residence relief and receipt of carried interest.

Provisions will make clear that a person can use any unused income tax basic rate band in the most beneficial way.

Provisions will also make clear that a residential property interest includes an interest in land that has at any time in the person's ownership consisted of or included a dwelling and an interest in land subsisting under a contract for an off-plan purchase. Rules will set out how gains should be calculated in the case of mixed use properties. Subsection 4(3A) of TCGA, which applies a

28% rate of CGT to ATED-related chargeable gains, is unchanged by this measure.

Subsection 4(1) and section 169N(3) of TCGA provide for a 10% rate in relation to gains that qualify for entrepreneurs' relief; and subsection 4(3B) provides for a 20% rate in relation to Non-Residents CGT gains accruing to a company. These rates are also unchanged by this measure.

Corporation Tax

Anti-hybrids rules

The measure is likely to affect large multinational groups with UK parent or subsidiary companies involved in cross-border or domestic transactions involving a mismatch in the tax treatment within the UK or between the UK and another jurisdiction.

The measure addresses arrangements that give rise to hybrid mismatch outcomes and generate a tax mismatch, and in doing so fully implements the agreed Organisation for Economic Co-operation and Development (OECD) recommendations. Mismatches can involve either double deductions for the same expense, or deductions for an expense without any corresponding receipt being taxable.

Rate of tax for the loans to participators charge

The measure is likely to affect close companies, which make loans to their participators or make other arrangements through which participators extract value.

The rate of tax charged on loans to participators and other arrangements (currently 25%) is being specifically linked to the dividend upper rate, which will be 32.5% from 6 April 2016.

The measure will ensure that the rate of tax chargeable under the loans to participator rules continues to mirror the dividend upper rate, following the changes to dividend taxation from April 2016, and will mean an increase in the rate from 25% to 32.5%. This will ensure that the rules continue to prevent individuals gaining an unfair tax advantage by taking loans (or making other arrangements to extract value) from their companies rather than remuneration or dividends.

Securitisation and annual payments

The measure is likely to affect Securitisation companies (see explanation here) and persons who have transactions with such companies.

This measure amends HM Treasury's existing power to make regulations concerning the taxation of securitisation companies. This will permit changes to be made to regulations concerning the treatment of certain payments, known as 'residual payments', made by securitisation companies, to clarify that these will not be treated as annual payments and so can be paid without withholding tax.

Corporation Tax rate to fall to 17% in 2020

The measure is likely to affect companies and unincorporated associations, which pay Corporation Tax (CT).

The measure reduces the CT main rate to 17% for the Financial Year beginning 1 April 2020.

This is an additional 1% cut on top of the previously announced CT main rate cuts, which reduced the CT main rate to 18% from 1 April 2020.

Corporation Tax: update to bank loss relief restriction

The measure is likely to affect banking companies and building societies within the charge to UK Corporation Tax (CT).

The measure will reduce the amount of a banking company's annual taxable profit that can be offset by pre-April 2015 carried-forward losses from 50% to 25%.

The measure will take effect from 1 April 2016

Employee share schemes: simplification

The measure is likely to affect individuals who exercise an Enterprise Management Incentive (EMI) option to acquire shares, where those shares are then subject to a rights issue on or after 6 April 2016.

The measure simplifies the law so that a rights issue which takes place on or after 6 April 2016 in respect of shares received on exercise of an EMI option will be treated in the same way for share identification purposes as other rights issues.

Estates Duty and Inheritance Tax

Objects granted exemption from Estate Duty

The measure is likely to affect owners of objects, which have a legacy exemption from Estate Duty on the grounds of their national, scientific, historic or artistic interest. Estate Duty is a forerunner to the current Inheritance Tax (IHT).

This measure makes three changes:

- to stop the ability to use existing statutory provisions which allow IHT to be paid, at a lower rate than Estate Duty would be payable, where a charge arises following a death - the measure will change the current position so that it aligns with the position for lifetime transfers, where HM Revenue and Customs (HMRC) can elect for either IHT or Estate Duty to be paid
- to create a charge on objects which are currently subject to an Estate Duty exemption and which have been lost, but will not include a loss which the Commissioners are satisfied was outside the owner's control
- to bring back within scope certain public galleries and museums who benefitted from the favourable tax exemptions under Schedule 3 to Inheritance Tax Act (IHTA) 1984 on the grounds that they were maintained by a local authority but are currently unable to do so because of their status as independent charitable trusts. It will also transfer the current power to add new national institutions to Schedule 3 from HMRC to HM Treasury.

Capital Allowances

Extension of enhanced capital allowances for Enterprise Zones

The measure is likely to affect companies investing in plant or machinery in designated enhanced capital allowance (ECA) sites in Enterprise Zones.

This measure extends the period in which businesses investing in new plant and machinery in ECA sites in Enterprise Zones can qualify for 100% capital allowances to eight years.

Income and Corporation Tax

Repeal of the renewals allowance

The measure is likely to affect businesses and property owners currently using renewals allowance to obtain tax relief for expenditure on replacement and alteration of tools.

The measure will ensure that tax relief for expenditure incurred by a business on replacement and alteration of tools is obtained under the same rules as apply to other equipment.

Trading income received in non-monetary form

The measure is likely to affect businesses receiving trading or property income in non-monetary form.

The measure will ensure that trading or property income received in non-monetary form is fully brought into account in calculating taxable profits for Income Tax and Corporation Tax (CT) purposes.

The measure is not intended to alter existing principles, but to put beyond doubt the current position.

Updating the transfer pricing guidelines

The measure is likely to affect persons who are subject to the transfer pricing rules in respect of a transaction (or series of transactions) with a connected party for purposes of Income Tax or Corporation Tax.

A transfer price is the price charged in a transaction between two parties. The transfer pricing legislation requires that, for Income Tax or Corporation Tax purposes, the prices charged in transactions between connected parties are the same as those that would be charged if the parties were not connected.

The measure will update the definition of "transfer pricing guidelines" to incorporate the revisions to the Organisation for Economic Co-operation and Development (OECD) Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (the 'OECD Guidelines') published by OECD in October 2015.

Income Tax

Enterprise Investment Scheme and Venture Capital Trusts

The measure is likely to affect companies and individual investors using the Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) scheme, EIS fund managers and VCTs.

The measure ensures the EIS and VCT legislation introduced by the Finance (No.2) Act 2015 works as intended:

- the method of determining the 5 year period for the average turnover amount and the relevant 3 preceding years for the operating costs conditions will be clarified for both EIS and VCTs to ensure that the most recently filed accounts of a company are generally used to determine the end date of the relevant period
- a new condition will be introduced to clarify the non-qualifying investments a VCT may make for liquidity management purposes

Personal allowance and basic rate limit for 2017 to 2018

The measure is likely to affect income tax payers, employers and pension providers.

This measure increases the personal allowance to £11,500 for 2017 to 2018. The basic rate limit will be increased to £33,500 for 2017 to 2018. As a result, the higher rate threshold will be £45,000 in 2017 to 2018.

Preventing liability to charge being removed from certain taxable benefits in kind

The measure is likely to affect individuals who pay for benefits-in-kind they receive, where the taxable value is determined by specific legislative rules (other than the cost to the employer of providing the benefit).

Any employer who provides its employees with benefits-in-kind who then pay for the benefit, where the taxable value is determined by specific charging rules other than cost of providing the benefit.

The policy intention has always been that ‘fair bargain’ does not apply to certain taxable benefits in kind where the charge is based on tax rules that specify how the benefit in kind should be calculated. This type of benefit includes beneficial loans, expenses, employer-provided living accommodation, company cars, vans and fuel.

This measure is a technical change to the wording of the legislation to ensure clarity.

There is no change to existing government policy.

Royalty withholding tax

The measure is likely to affect:

- persons who make intellectual property royalty payments to non-resident connected persons under tax avoidance arrangements
- persons who make intellectual property royalty payments to non-resident persons in respect of which there is currently no obligation to deduct income tax at source

The measure will provide additional obligations to deduct income tax at source from royalties paid to non-resident persons where either:

- arrangements have been entered into which exploit the UK’s double taxation agreements (DTAs) in order to ensure that little or no tax is paid on royalties either in the UK or anywhere in the world
- the category of royalty is not currently one of those in respect of which there is an obligation to deduct tax under UK law
- royalties which do not have otherwise have a source in the UK are connected with the business that a non-UK resident person carries on in the UK through a permanent establishment in the UK.

Oil and Gas Taxation

Minor amendments to onshore, cluster area and investment allowances

The measure is likely to affect oil and gas companies that operate in the UK or on the UK Continental Shelf (UKCS).

This measure will amend the onshore, cluster area, and investment allowances to update the conditions, which disqualify expenditure, incurred on the acquisition of an asset in certain circumstances, from generating allowance.

Reduction in Petroleum Revenue Tax and supplementary charge

The measure is likely to affect oil and gas companies that operate in the UK or on the UK Continental Shelf (UKCS).

This package of measures will permanently zero rate Petroleum Revenue Tax (PRT) payable in respect of profits from oil and gas production in the UK and UKCS - a reduction from 35%, and further reduces the rate of supplementary charge payable in respect of adjusted ring fence profits from 20% to 10%.

Additionally, it will give HM Revenue and Customs (HMRC) a power to extend the definition of 'relevant income' for the cluster area and investment allowances by secondary legislation, to enable tariff income to be included to activate the allowances.

Pension flexibility 2016

The measure is likely to affect:

- Members of registered pension schemes who have a life expectancy of less than 12 months.
- Members of registered pension schemes who have money purchase pensions in payment and their total pension wealth does not exceed £30,000.
- Individuals with dependant's drawdown or flexi-access drawdown pensions who will cease to be a dependant on reaching age 23.
- Scheme administrators of registered pension schemes.

A number of minor changes are being made to the pensions' tax rules to ensure that they operate as intended following the introduction of pension flexibility in April 2015. The changes will:

- remove the requirement that a serious ill-health lump sum can only be paid from an arrangement that has never been accessed
- replace the 45% tax charge on serious ill-health lump sums paid to individuals who have reached age 75 with tax at the individual's marginal rate
- enable dependants with drawdown or flexi-access drawdown pension who would currently have to use all of this fund before age 23 or pay tax charges of up to 70% on any lump sum payment, to continue to access their funds as they wish after their 23rd birthday
- remove the rule on paying a charity lump sum death benefit out of drawdown pension funds and flexi-access drawdown funds where the member dies under the age of 75 because the equivalent tax-free payment may be made as another type of lump sum death benefit
- enable money purchase pensions in payment to be paid as a trivial commutation lump sum
- enable the full amount of dependants' benefits to be paid as authorised payments where there are insufficient funds in a cash balance arrangement when the member dies

Stamp Duty

Higher rates on purchases of additional residential properties

The measure is likely to affect those who buy residential property when, at the time of purchase, they own an existing property.

Today's guidance note provides further details of the changes that are being made and how they will affect purchases of additional residential properties from 1 April 2016.

At Autumn Statement on 25 November 2015, the Chancellor of the Exchequer announced that higher rates of Stamp Duty Land Tax would apply from 1 April 2016 to purchases of additional residential properties, such as second homes and buy-to-let properties.

Click here for further information.

Reform of charging provisions for non-residential property

The Chancellor of the Exchequer announced a change to the way stamp duty land tax (SDLT) is calculated for non-residential property transactions, which complete on or after 17 March 2016. The reform does not affect purchases of residential property, or the charge on residential rents.

The changes will apply to purchases in England, Wales and Northern Ireland. The Scottish Government's Land and Buildings Transaction Tax came into force on 1 April 2015, replacing SDLT for land transactions in Scotland.

The changes will mean that:

- on or after 17 March 2016, the SDLT rate for non-residential freehold and leasehold transactions will only be payable on the portion of the consideration which falls within each band (rather than tax being due at one rate on the entire value).
- SDLT on the rental element of non-residential leasehold transactions is already taxable on the portion of the consideration that falls within each band. From 17 March 2016 a new 2% rate will be introduced for transactions with a net present value (NPV) above £5 million.
- The £1000 rule will no longer apply.

Cars and Vans

Van Benefit Charge for Zero Emissions Vans

The measure is likely to affect businesses and employers that provide company vans, which do not emit CO2 when driven (zero emission vans) and employees provided with such company vans, which are made available for significant private use.

The measure amends existing legislation to apply the level of the van benefit charge for zero-emissions vans at 20% of the charge for conventionally fuelled vans for the tax years 2016 to 2017 and 2017 to 2018. This defers the planned increase to 40% of the van benefit charge for conventionally-fuelled vans to 2018 to 2019. The van benefit charge for zero emission vans will be 60% of the van benefit charge for conventionally fuelled vans in 2019 to 2020, 80% in 2020 to 2021 and 90% in 2021 to 2022. From 2022 to 2023, the van benefit charge for zero emission vans is 100% of the van benefit charge for conventionally-fuelled vans.

Vehicle Excise Duty rates for cars, vans, motorcycles and motorcycle trade licences

The measure is likely to affect owners of cars, vans, motorcycles and holders of motorcycle trade licences.

Increasing Vehicle Excise Duty (VED) rates by RPI in 2016 to 2017 would ensure that VED receipts are maintained in real terms and that motorists make a fair contribution to the public finances.

Vehicle Excise Duty: update to 40 year rolling exemption for classic vehicles

The measure is likely to affect owners of vehicles built more than 40 years ago.

The measure extends the scope of the existing 40 year rolling Vehicle Excise Duty (VED) exemption for classic vehicles permanently so that on the 1 April each year vehicles constructed more than 40 years before the 1 January that year will automatically be exempt from paying VED.

Setting Company Car Tax (CCT) rates for the 3 years to 2019 to 2020

The measure is likely to affect businesses and employers who provide company cars made available for employees' private use and those employees.

The appropriate percentage, which is applied to the list price of company cars subject to tax, will increase by 3 percentage points to a maximum of 37% in 2019 to 2020.

There will be a 3 percentage point differential between the 0-50 and 51-75g CO2/km bands and between the 51-75 and 76-94g CO2/km bands.

The measure also sets the level of the appropriate percentage for the years 2017 to 2018 and 2018 to 2019 for cars which do not have a registered CO2 emissions figure and which cannot produce CO2.

Value Added Tax

Representatives for overseas businesses and joint and several liability for online marketplaces

The measure is likely to affect overseas businesses selling goods to UK consumers via online marketplaces and businesses that control and support the sale of such goods through their online marketplaces.

There are two aspects to this measure. The first part makes changes to the existing rules, which allow HM Revenue and Customs (HMRC) to direct an overseas business to appoint a VAT representative with joint and several liability. The changes make this a more effective power and also give HMRC greater flexibility in respect of seeking a security. The second part is the introduction of a new provision, which will enable HMRC to hold an online marketplace jointly and severally liable for the unpaid VAT of an overseas business that sells goods in the UK via that online marketplace. Neither of these changes will apply automatically to any businesses and HMRC will use them on the highest risk cases to tackle non-compliance.

VAT: revalorisation of registration and deregistration thresholds

The measure is likely to affect:

- small businesses currently outside the VAT regime, who make taxable supplies or EU acquisitions above £83,000.
- small businesses registered for VAT, who make taxable supplies below £81,000 or EU acquisitions below £83,000.

The measure will:

- increase the registration and deregistration thresholds for VAT, in line with inflation
- increase the registration and deregistration threshold for EU acquisitions, in line with the VAT registration threshold
- raise the turnover limit for Income Tax self-assessment '3 line accounts' to align with the VAT registration threshold
- increase the entry and exit thresholds for the Income Tax cash basis accounting in line with the VAT registration threshold

Tax Rates etc

Note: these Tables should be read in conjunction with the foregoing text, which explains the Chancellor's proposals for 2016-17 and later years.

Bands of taxable income and corresponding tax rates

	2015-16	2016-17
	% of income/£ per year	
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting rate for savings income [1]	0%	0%
Dividend ordinary rate – for dividends otherwise taxable at the basic rate (effective rate with tax credit)[2]	10% (0%)	7.5%
Dividend upper rate – for dividends otherwise taxable at the higher rate (effective rate with tax credit) [2]	32.5% (25%)	32.5%
Dividend additional rate – for dividends otherwise taxable at the additional rate (effective rate with tax credit) [2]	37.5% (30.6%)	38.1%
Starting rate limit (savings income)[1]	£5,000	£5,000
Basic rate band	£0-31,785	£0-32,000
Higher rate band	£31,786-£150,000	£32,001-150,000
Additional rate band	Over £150,000	Over £150,000

Income tax allowances 2016-17

	2016-17
	% of income/£ per year
Personal allowance:	
Personal Allowance[10]	£11,000
Income limit for personal allowance[10]	£100,000
Income limit for married couple's allowance[11]	£27,700
Marriage allowance:	
Marriage allowance[12] [13]	£1,100
Married couple's allowance for those born before 6 April 1935:	
Maximum amount of married couple's allowance[14] [15] [16]	£8,355
Minimum amount of married couple's allowance[14] [15] [16] [17]	£3,220
Blind person's allowance:	
Blind person's allowance[16]	£2,290
Dividend allowance:	
Dividend allowance[18]	£5,000
Personal savings allowance:	
Personal savings allowance for basic rate taxpayers[19]	£1,000
Personal savings allowance for higher rate taxpayers[19]	£500

National Insurance contribution thresholds

	2015-16	2016-17
	£ per week	£ per week
Weekly Lower Earnings Limit (LEL)[20]	112	112
Weekly Primary Threshold (PT)[20]	155	155
Weekly Secondary Threshold (ST)[21]	156	156
Upper Earnings Limit (UEL)	815	827
Upper Profits Limit (UPL)	42,385 per year	43,000 per year
Upper Secondary Threshold for U21's	815	827
Small Profits Threshold (SPT)[20] [22]	5,965 per year	5,965 per year
Lower Profits Limit (LPL)	8,060 per year	8,060 per year
Employment Allowance	2,000 (per year, per employer)	3,000 (per year, per employer)
Apprentice Upper Secondary Threshold (AUST) for under 25s[23]	-	827

Class 1 National Insurance contribution rates 2016-17

Employee (Primary)	
Earnings (£ a week)[24]	NIC rate (%)
Below £112 (LEL)	0
£112-155 (PT)[25]	0
£155-827 (UEL)	12
Above £827	2

Employer (Secondary)	
Earnings (£ a week)[24]	NIC rate (%)
Below £156 (ST)	0
Above £156 (ST)	13.8

Self-employed National Insurance contribution rates 2016-17

Annual Profits (£ a year)[26]	**Class 2 (£ a week)**[27]	**Class 4 (%)**
Below £5,965 (SPT)[28]	0.00	0
£5,965 to £8,060 (LPL)	2.80	0
£8,060 to £43,000 (UPL)	2.80	9
Above £43,000	2.80	2

Other NICs rates

	2015-16	2016-17
Married Women's reduced rate (%)[29]	5.85%	5.85%
Special Class 2 rate for share fishermen[30]	£3.45 per week	£3.45 per week
Special Class 2 rate for volunteer development workers[30]	£5.60 per week	£5.60 per week
Class 3 rate[30] [31]	£14.10 per week	£14.10 per week

Working and Child Tax Credit rates and thresholds

Working Tax Credit

	2015-16	2016-17	Change
	£ a year	£ a year	
Basic element	1,960	1,960	0
Couple and lone parent element	2,010	2,010	0
30 hour element	810	810	0
Disabled worker element	2,970	2,970	0
Severe disability element	1,275	1,275	0
Childcare element			

Child Tax Credit

	2015-16	2016-17	Change
	£ a year	£ a year	
Family element	545	545	0
Child element	2,780	2,780	0
Disabled child element	3,140	3,140	0
Severely disabled child element	1,275	1,275	0

Income thresholds and withdrawal rates

	2015-16	2016-17	Change
	£ a year	£ a year	
Income threshold	6,420	6,420	0
Withdrawal rate (%)	41	41	0
First threshold for those entitled to Child Tax Credit only	16,105	16,105	0
Income rise disregard	5,000	2,500	2,500
Income fall disregard	2,500	2,500	0

Child Benefit and Guardian's Allowance

	2015-16	2016-17	Change
	£ a year	£ a year	
Child Benefit			
First Child	20.70	20.70	0
Second and subsequent children	13.70	13.70	0
Guardian's Allowance	16.55	16.55	0

Tax-free Savings Account

	2015-16	2016-17
	£ a year	£ a year
Individual Savings Account (ISA) subscription limit	15,240	15,240
Junior ISA subscription limit	4,080	4,080
Child Trust Fund (CTF) subscription limit	4,080	4,080

Fuel benefit charge

	2015-16	2016-17
Car fuel benefit charge multiplier	22,100	22,200
Van fuel benefit charge	594	598

Van benefit charge

	2015-16	2016-17
Van benefit charge	3,150	3,170

NOTE: Explanations on the above Tables, cross-referencing to the links shown, are available here. The figures are based on a policy paper from HM Treasury, published on 25 November 2015.

The Chancellor in full flow…

… but the Labour leader, Jeremy Corbyn, responding to the Chancellor's Budget speech, seemed unimpressed.

Giving to Charity

Gift aid
Every £10 donation is worth £12.50 to a charity or a community amateur sports club.

Taxpayers are able to carry back to the previous tax year donations made by the date of submission of the tax return (deadline 31 January after the end of the tax year) for the purpose of higher and additional rate tax relief.

Payroll giving
An employee or pensioner can request employer or pension payer to make deductions from gross pay. Amount of giving reduces income for tax purposes.

IHT Rates and Reliefs

The following are the thresholds for IHT:

Year	Nil Rate Band
2006-07	£285,000
2007-08	£300,000
2008-09	£312,000
2009-10 to 2017-18	£325,000

For married couples and civil partners, the above figures can potentially be doubled from 9 October 2007

NOTE
The rate of IHT for estates is 40% (36% where more than 10% of net estate is left to charity). The rate for chargeable lifetime transfers is 20%.

IHT Main Exemptions	Exempt Amount
Annual gifts per donor	£3,000 per year
Small gifts to same person	£250
To non-domicile spouse	£325,000 from 6/4/2013
To UK domicile spouse	unlimited gifts
On marriage by either party to the marriage	£2,500
On marriage by parent of either party	£5,000
On marriage by remoter ancestor of either party	£2,500
On marriage by any other person	£1,000
To charities	all gifts
To political parties	all gifts

IHT Charge on Gifts Within Seven Years of Death

Years between gift and death	percentage of death rate charge applied to gift
0 to 3	100%
3 to 4	80%
4 to 5	60%
5 to 6	40%
6 to 7	20%

If an estate includes UK woodlands, a claim may be made to defer IHT on the value of growing timber, subject to meeting certain conditions.

Generous reliefs are available on 'relevant business property'. Qualifying assets can have their IHT values reduced substantially (subject to meeting certain conditions) as shown in the next Table.

VAT Rates

Rates (from 4/1/2012):	
Standard rate	20%
Reduced rate	5%
VAT fraction	1/6th

Limits:	Limits to 31/03/16	Limits from 01/04/16
Registration limit	£82,000	£83,000
Deregistration limit	£80,000	£81,000
Annual accounting turnover limit	£1.35m	£1.35m

Official Rate of Interest

Directors and employees earning £8,500 a year or more (including gross expenses payments and the value of benefits in kind) are taxable on benefits in kind. The amount chargeable to tax in respect of a loan made by an employer is based on the difference between the interest paid by the employee (if any) and the interest, which would have been paid on the loan at the "official rate" of interest.

Tax year to 5 April	
2014	4.00%
2015	3.25%
2016	3.00%

Interest on Late Payment of Tax

Interest on Late Payment of Tax (from 29/09/09)	
Income Tax, NIC & CGT Stamp Duty and Stamp Duty Reserve Tax	3%
CTSA, from normal due date	3%
Inheritance Tax	3%

Corporation Tax Rates

From 1 April 2015, all profits are taxed at 20%. Prior to that date, the rates of Corporation Tax are shown in the Table below. The profit limits may be reduced for a company that is part of a group or has associated companies. The lower rates and marginal reliefs do not apply to close investment holding companies.

CORPORATION TAX RATES

Year(s) from 1 April	Rate
2015	20%
2016	20%
2017	19%
2018	19%
2019	19%
2020	17%

Pensions and Pension Contributions

Tax Year	**Annual Allowance**	**Lifetime Allowance**
2006-07	£215,000	£1,500,000
2007-08	£225,000	£1,600,000
2008-09	£235,000	£1,650,000
2009-10	£245,000	£1,750,000
2010-11	£255,000	£1,800,000
2011-12	£50,000	£1,800,000
2012-13 and 2013-14	£50,000	£1,500,000
2014-15 and 2015-16	£40,000	£1,250,000
2016-17 onwards	£40,000	£1,000,000

NOTES

(a) Tax relief – There is no limit on the amount that you can pay into your personal pension and any other pension plans you have, but there is no tax relief on payments over a certain amount. HMRC allows tax relief on your personal payments to your pension plans of up to £2,880 a year (which becomes £3,600 with tax relief), or 100% of your UK taxable earnings if greater.

(b) Annual Allowance - The Annual Allowance has an overall limit. If total payments from you and your employer to all your pension plans are above the Annual Allowance they may be subject to a tax charge.

(c) Lifetime Allowance - The Lifetime Allowance is a limit on the amount of money you can build up in all your pension plans without losing tax advantages. Any amount above this allowance will normally be subject to a tax charge when benefits start payment. The Lifetime Allowance is £1,500,000 in the tax year 2012-13 and 2013-14 and £1,250,000 thereafter but drops to £1m in 2016-17. As well as the amount you're currently building up in pension plans, the Lifetime Allowance also takes into account the value of any pensions already being paid to you and any tax-free lump sums you've received. If you already have pension funds that exceed the Lifetime Allowance or you think may exceed it in future, you should talk to a financial adviser before taking out a personal pension.

STATE PENSION

	2014-15	**2015-16**
Single Person	£113.10 per week	£115.95 per week
Couple (if wife is a non-contributor)	£67.80 per week	£69.50 per week

PENSION CREDIT

Standard minimum income guarantee:	2014-15	2015-16
Single	£148.35 per week	£151.20 per week
Couple	£226.50 per week	£230.85 per week

Capital Gains Tax

Annual Exempt Amount

Year	Individuals	Trustees
2014-15	£11,000	£5,500
2015-16	£11,100	£5,550
2016-17	£11,100	£5,550

CGT Rate

2014-15	Standard Rate: 18%	Higher Rate: 28%
2015-16	Standard Rate: 18%	Higher Rate: 28%
2016-17	Standard Rate: 10%	Higher Rate: 18%

Note: for 2016-17 onwards, the reduced rates of CGT as above do not apply to residential property that does not qualify for principal private residence relief and the receipt of carried interest

Entrepreneurs' Relief

Entrepreneurs' Relief allows individuals and some trustees to claim tax relief for 2008-09 onwards on qualifying gains, up to a maximum lifetime limit, made on the disposal of any of the following:

- all or part of a trade carried on alone or in partnership;
- the assets of such a trade after it has ceased; or
- shares or securities in an individual's personal trading company.

From 6 April 2016, newly issued shares held by external investors in unlisted trading companies also qualify for Entrepreneurs' Relief (subject to certain conditions).

Entrepreneurs' Relief reduces the amount of the Capital Gains Tax (CGT) on a disposal of qualifying business assets on or after 6 April 2008, as long as the qualifying conditions have been met throughout a one-year qualifying period either up to the date of disposal or the date the business ceased.

Qualifying capital gains for each individual are subject to a lifetime limit as follows:

- for disposals on or after 6 April 2008 to 5 April 2010, £1 million
- for disposals on or after 6 April 2010 to 22 June 2010, £2 million
- for disposals on or after 23 June 2010 to 5 April 2011, £5 million, and
- for disposals on or after 6 April 2011, £10 million

Amount of relief
If you are entitled to Entrepreneurs' Relief, qualifying gains up to the lifetime limit applying at the time you make your disposal, will be charged to CGT at the rate of 10%.

If the qualifying gains together with all previous gains on which you have claimed Entrepreneurs' Relief exceed the lifetime limit applying at the time you make your disposal, the whole of the excess will be taxable at the normal rate of CGT at the time your gains accrue.

Capital Allowances

Capital allowances are:

Tax Years	**2013-14**	**2014-15 onwards**
Writing Down Allowance (WDA) on Plant & Machinery in the general pool	18%	18%
WDA on Plant & Machinery Long Life assets in the general pool and on integral fixtures	18%	8%
Annual Investment Allowance (AIA) available at 100% on qualifying expenditure on most Plant & Machinery (apart from cars) of up to:	£250,000	£500,000 from April 2014 (1/4/2014 for companies and 6/4/2014 for income tax payers) until 31 December 2015 after which it reverts to £25,000.

Tax Shelters

Tax shelters are as follows:

Venture Capital Trusts - investment limit and rate of tax relief (maximum)	£200,000 (relief at 30%)

EIS – investment limit and rate of tax relief (maximum)	From 6/4/12, the limit was increased to £1m. From 6/4/11, the rate of tax relief was increased from 20% to 30%.
Seed EIS (SEIS) offers 50% income tax relief on investments in small early stage companies carrying on, or preparing to carry on, a new business in a qualifying trade. There is no charge to CGT if the shares on which SEIS income tax relief has been given are disposed of after 3 years. A claim to CGT reinvestment relief can be made – from 2013-14 onwards the relief applies to half the qualifying reinvested amount.	The income tax relief is available on total investments up to £150,000 per company. To give the greatest degree of flexibility, this is a cumulative limit, not an annual limit. For individual investors there is an annual limit on the amount of qualifying investments of £100,000.

Tax-free employment termination	£30,000 for 2014-15 and 2015-16

Tax-free "rent-a-room" income	£4,250 (£2,125 if letting jointly) for 2014-15 and 2015-16

ISAs (New ISA from 1/7/2014)	**2014-15**	**2015-16**
Overall investment limit	£15,000	£15,240
Junior ISA limit	£4,000	£4,080

Research and Development Tax Relief

Enhanced tax deduction for companies' R&D expenditure

	2014-15	**2015-16**
Small and medium sized companies [1]	225%	230%
Large companies [2]	130%	130%

NOTES

1 A loss-making SME may claim a payable tax credit. Tax relief under the SME scheme is capped at €7.5m per project.

2 Instead of a 30% enhancement of qualifying R&D expenditure, a large company can elect for the "above the line" credit, being a cash payment of 10% of qualifying R&D expenditure (effective from 1 April 2013).

Further Information

This Budget Report was prepared immediately after the Chancellor's Budget Statement on 16 March 2016 and is based on official press releases and supporting documentation. This publication focuses on taxation and summarises many, but not all, of the proposals and new measures issued in the press releases published today – these run to hundreds of pages.

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The Budget proposals are subject to amendment before the 2016 Finance Act receives Royal Assent.

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Important Notice

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