UK Autumn Statement 2015 analysis

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CATEGORY:
ARTICLE

As far as tax changes are concerned, today's Statement lacked comedy or tragedy and was one of the most unremarkable Statements for many years. Clearly the preceding two Budgets of 2015 had robbed the Chancellor of any new inspiration. But for individual taxpayers an uneventful Statement, after the upheaval and uncertainty of the last few years, is really rather welcome.

Avoidance and evasion remain the Government's primary target

One of the central themes of the Statement of interest to our clients is undoubtedly the continued promise to combat tax evasion, although there is more focus on the 'will' than precisely 'how'.

The fact that the relevant section is entitled 'avoidance and evasion' highlights the ongoing confusion between legal avoidance and illegal evasion.

Amongst the raft of new anti-avoidance rules is a new criminal offence for corporates failing to prevent their agents from criminally facilitating tax evasion by an individual or entity. Corporates continuing to engage contractors and consultants through service companies, ignoring IR35 and the Managed Service Company rules, should beware.

Entrepreneurs' Relief is safe (for now)

It was widely anticipated that Entrepreneurs' Relief would be curtailed by the Statement. We speculated that this could be by way of a reduction of the lifetime allowance, an increase in the rate of tax, an increase in the required holding period, or complete removal. However, the relief was left intact.

Given that the cost of the relief has risen from £475m in 2007/08 to £2.9bn in 2013/14 we question whether this is only a short term reprieve.

Business investment relief may (finally) become useful and useable

In 2012 the Government introduced business investment relief to encourage remittance basis taxpayers to invest in the UK. However, the relief has been fraught with difficulties, has been widely criticized and as a result vastly underused. The Statement contains the welcome decision to consult on how to change the business investment relief rules to make them more attractive.

Higher rates of SDLT for second homes

Higher rates of SDLT will be charged on purchases of additional residential properties, such as buy to let properties and second homes, from 1 April 2016.

It will be interesting to see how a second home will be defined and how these rules will work. What about small overlapping periods of ownership? What about single properties with separate titles? What about people with overseas homes? Will married couples be entitled to one home or two? What about politicians with the need for homes in Westminster and their constituency? Unfortunately this will undoubtedly result in further incredibly complex legislation for a limited return.

The Government is also seeking to improve cash flow by requiring payments on account of any capital gains tax due on the disposal of residential property to be made within 30 days of completion from 6 April 2019 and reducing the filing and payment window for SDLT to 14 days from 6 April 2017.

A new penalty for GAAR

The government will introduce a new penalty of 60% of tax due to be charged in all cases successfully tackled by the GAAR. Not that there have been any yet.

Deeds of variation remain valid

Following the review announced in the first Budget of 2015, the government will not introduce new restrictions on how deeds of variation can be used for tax purposes but will continue to monitor their use. It would seem that the main purpose of the review, to allow the Chancellor an opportunity to take a swipe at the then Leader of the Opposition, whose family was revealed to have used a deed of variation following his father's death, has been achieved.

Pensions

There was a welcome confirmation that inheritance tax will not arise when a pension scheme member designates funds for drawdown but does not draw all funds before death. But we will have to wait until the Budget in 2016 to know how the Government might change the current system on pensions tax relief.

Everything (or nothing) else

Other announcements included the investment of £1.3bn to digitalise all tax affairs, the introduction of a new, simpler process for paying tax, and simplification of the rules for employee share schemes.

But, more importantly, no further statements were made in relation to the seismic shift in the remittance basis of taxation for non-domiciliaries who have been resident in the UK for 15 out of 20 years, or the introduction of inheritance tax on indirectly held UK resident property, as announced in the second Budget of 2015. Details of these changes will emerge later this year and throughout the course of next year and we will publish further commentary as information is released.

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