

# Your guide to the **BUDGET 2015**



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**TRANTER LOWE**  
CHARTERED ACCOUNTANTS

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# Your Guide To The Budget 2015

How will the changes this year affect you?

## What's Inside This Year

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## Introduction

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ith plenty of light hearted banter between the opposing benches, the Chancellor, George Osborne delivered his sixth Budget.

He looked to the sky (through the roof which he declared still needed fixing) for inspiration and found a £22 billion windfall which he promptly gave away in measures to encourage saving.

He announced more tax system simplification, but only for the computer literate, and introduced more complicated tax rules for business owners wanting to exit their businesses.



## Personal taxation

**T**he income tax personal allowance for 2015-16 for people born after 5 April 1938 will increase in April 2015 to £10,600.

Basic rate tax is payable on the first £31,785 of taxable income, making a threshold of £42,385 before an individual pays income tax at 40%.

The budget announced further increases to the personal tax allowance for the coming years. In April 2016 there will be an increase to the personal tax free allowance up to £10,800 and from April 2017 it will go up further to £11,000. In that later year the higher rate threshold will also increase to £43,300.

### **Other allowances – blind person's allowance, married couple's allowance and the income limit for 2015-16**

The allowance for those individuals registered as blind will increase from April 2015 to £2,290. This is in addition to their individual personal allowance.

For married couples, the allowance from April 2015 has a maximum amount of £8,355 and a minimum

amount of £3,220. The relief is restricted to 10% and to those born before April 1935. The allowance is reduced by £1 for every £2 that the individual's income is above the income limit of £27,700.

### **Company car benefit in kind rates**

The rates of charge for employees who received the benefit of a company car increase year on year, with successive governments supporting the provision of Ultra Low Emission Vehicles (ULEV).

The benefit is normally valued as an 'appropriate percentage' of the car's total list price (manufacturer's list price when new plus any accessories). The appropriate percentage is dependent upon the car's CO2 emissions and fuel type.

In 2015/16 there are 3% points between petrol and diesel vehicles and the maximum percentage charged in 2015/16 will be 37%.

### **Van benefit charge**

Van benefit charge is levied when employers provide employees with a van for private (as well as business) use. The charge is set at a flat rate of £3,150 for 2015/16 and the



## Did You Know

The increase to the personal allowance is an annual requirement. The increase in personal allowance has a negligible impact on the treasury. 27 million individuals will gain approximately £22 per annum, however 442,000 individuals will move into higher rates of tax and lose approximately £9 per annum. In the 2015/16 tax year 122,000 individuals will be taken out of tax altogether, of which 36% are men and 64% are women.



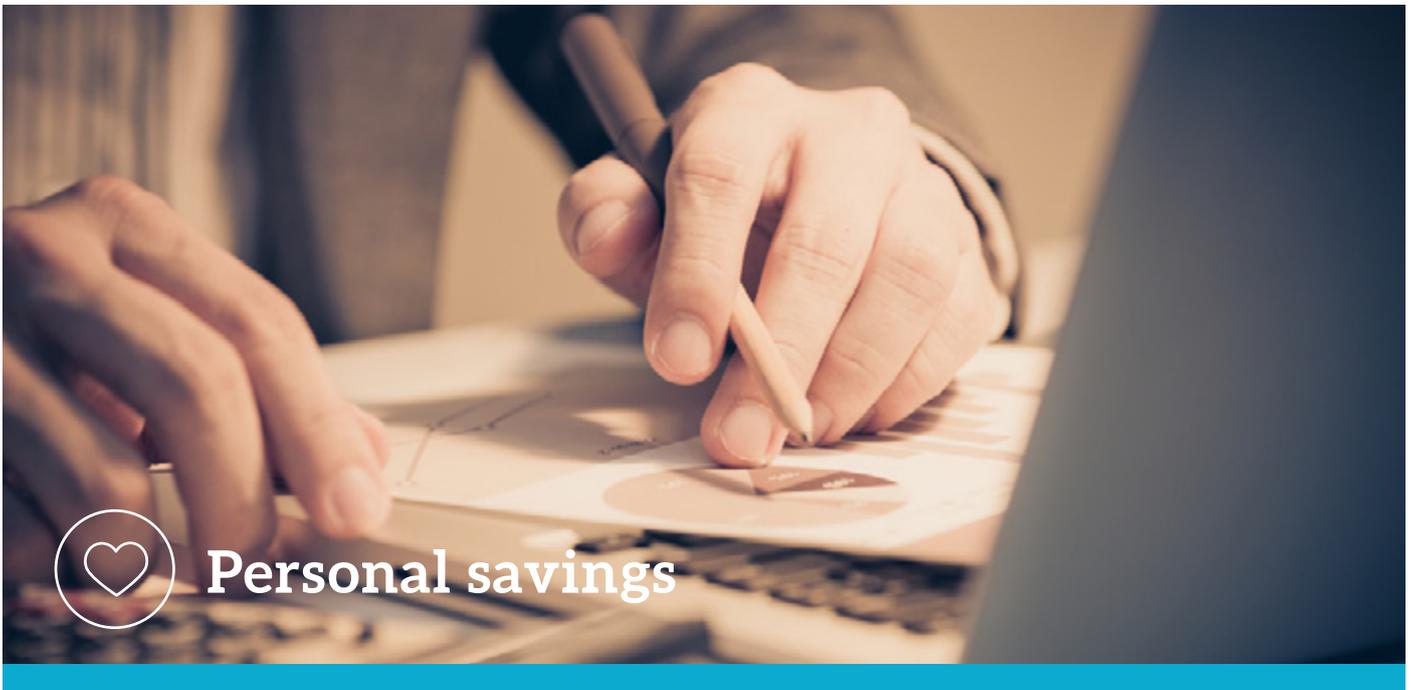
## Take action

Ask your client manager to calculate if it would be beneficial for you to own your own car and claim mileage allowance rather than paying the company car and car fuel rates.



employee pays income tax on this amount while the employer pays National Insurance contributions. The charge does not apply if the private use of the van is only ordinary commuting or is otherwise incidental.

Vans with zero emissions (i.e. electric vans) are exempt from VBC until 5 April 2015. From that date the VBC rate paid by electric vans will be 20% of the rate paid by conventionally fuelled vans, followed by 40% in 2016-17, 60 % in 2017-18, 80% in 2018-19 and 90% in 2019-20, with the rates equalised in 2020-21.



## Personal savings

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From April 2015 you won't have to pay tax on your interest if your taxable income is less than £15,600.

The Budget 2015 announced the introduction of a Personal Savings Allowance (PSA) of £1,000 for basic rate tax payers and £500 for higher rate tax payers. To qualify for the £1,000 PSA your income will need to be below £42,700 per year and for the £500 PSA your income will need to be between £42,701 and £150,000 per year.

The PSA will not be available for additional rate tax payers.

### Help to buy ISA

From the autumn of 2015 a new Help to Buy ISA will be available through banks and building societies. They will be available for 4 years, but once you have opened an account there's no limit on how long you can save for.

There is no minimum monthly deposit – but you can make an initial deposit of up to £1,000 when you open the account and save up to £200 a month.

Accounts are limited to one per person rather than one per home – so those buying together can both receive a bonus.

**“From the autumn of 2015 a new Help to Buy ISA will be available through banks and building societies.”**

The bonus is available to first time buyers purchasing UK properties and the bonus will be paid when you buy your first home. There is a minimum bonus size of £400 and a maximum bonus of £3,000 per person.

The bonus will be available on home purchases of up to £450,000 in London and up to £250,000 outside London.

### ISA withdrawal and re-deposit

The ISA limit for 2015/16 is £15,240.

From the autumn of 2015 the management of ISA accounts is being reformed so that there is freedom to withdraw and subsequently re-deposit ISA funds into the account in the same tax year without the re-deposit counting towards your ISA annual limit.



### **Annuities**

From April 2015 pensioners have the ability to use their pension savings as they wish. From April 2016 pensioners who have already bought an annuity with their retirement funds should be able to enjoy the same flexibility by allowing people who are already receiving income from an annuity to sell that income to a third party as and when they choose.

### **Pensions lifetime allowance**

The individual lifetime allowance for 2014-15 is £1.25 million, reduced from £1.5 million in 2013-14. It applies to the total of all the pensions you have, excluding your State Pension. The current amount you can save into a pension will reduce to £1 million from April 2016.

### **Pensions annual allowance**

There is no change to the annual amount you can put into your pension – it remains at £40,000 per annum.



## **Take action**

If you believe your pension savings may be higher than the new limit please speak to your client manager so we can discuss putting in place a fixed or individual protection regime, designed to protect savers who think they may be affected by this change.



## **Take action**

It is possible to maximise your tax free savings allowance by ensuring the savings you have are correctly allocated between married couples or civil partners.



## **Take action**

If you are a business owner and you are looking at ways of extracting profit from your business then the annual allowance may be a wonderful opportunity for you. Provided you have an existing pension in place with carry forward of unused allowance for three years, the current amount you can pay into a pension amounts to £180,000 in 2015/16.



## Small businesses

**T**he Chancellor stated the intention to abolish Class 2 National Insurance contributions and to reform class 4 contributions to include a contributory benefits test in the next parliament and to introduce digital tax accounts for all 5 million small businesses by early 2016.

### Farmers averaging

The weather and other uncontrollable factors have always affected farmers' profits and the UK tax system has always entitled farmers to claim to be taxed on their average profits over two years so that they are not disadvantaged from a tax perspective from one year to the next. From April 2016 farmers will be able to claim averaging for a period of 5 years.

**"The Chancellor stated the intention to abolish Class 2 National Insurance contributions"**

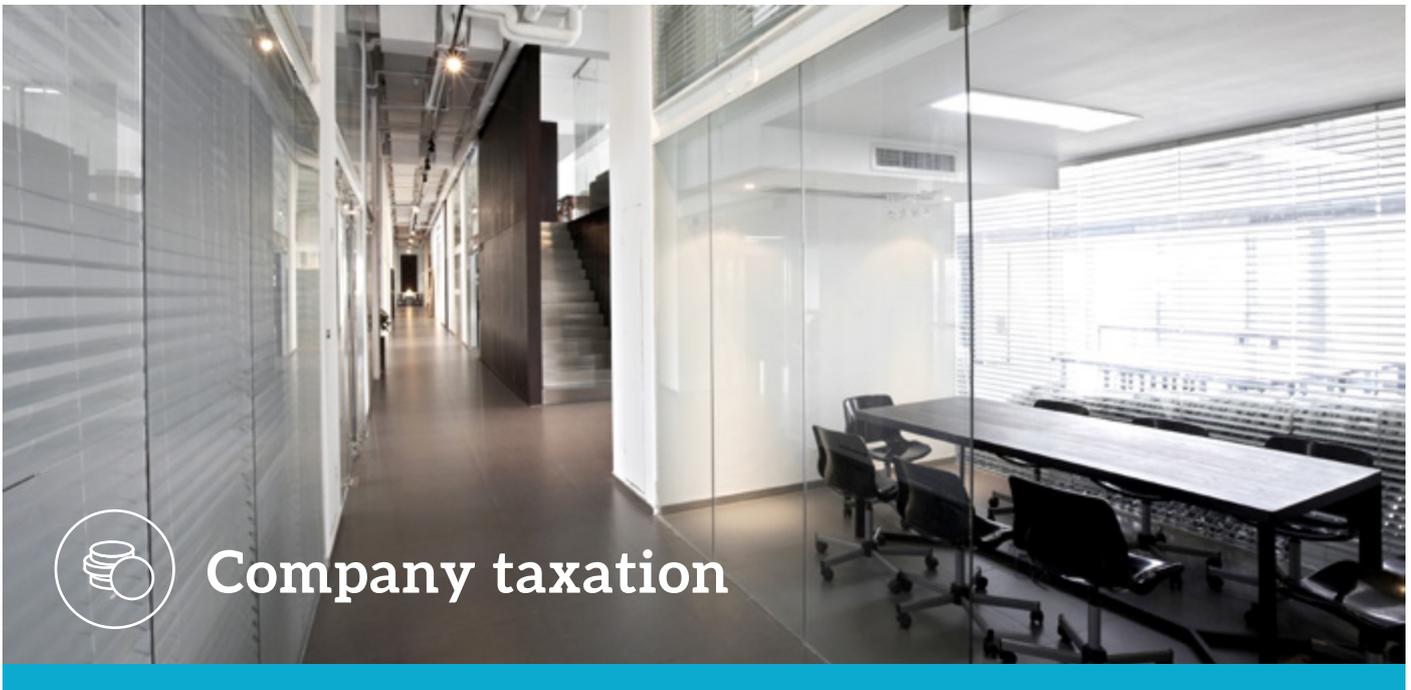
## What Others Have Said

Tax expert, chartered tax adviser, chartered accountant, lecturer and broadcaster, Giles Mooney remarks, "What caught my eye were the announcements that should help younger adults. The new 'Help to Buy' ISA will give effective tax relief equivalent to the stakeholder pension relief with the main condition being that the funds are used to buy the individual's first home. Wealthy parents will want to open these accounts on their child's 16th birthday."

→ GILES MOONEY

Debra Lowndes, tax specialist at AVN, comments, "This budget felt overly light hearted with very little substance. A definite edge towards encouraging individual savings and business investment in our research and development and film/TV production capabilities. I would have liked to have seen more help for the employers of the UK who are going to be hit very hard in the coming weeks and months as they start to contribute to their employees' pensions through the workplace pension legislation."

→ DEBRA LOWNDES



## Company taxation

**T**he company tax year starts on 1 April and, for the first time, from 1 April 2015, Corporation Tax at the small companies rate, the marginal rate and the main rate will all be set at a single rate of 20% (with the exemption of North Sea oil and gas ring fenced profits)

### Research and development tax credit relief

R&D relief has increased to 230% for small and medium sized businesses. This means that for every £100 spent on research and development you receive a tax credit of £230.

### The film tax credit relief

A tax credit relief is available for the film industry of 25% of all qualifying core expenditure, for all eligible film productions. The distinction between limited budget films and all others will be removed by legislation.

This policy will require approval by the European Commission therefore there is no set date for implementation although it is expected to take effect around 1 April 2015.

For a film to be eligible for relief, it must be certified as British by passing a cultural test administered by the Department for Culture, Media and Sport (DCMS) or by qualifying as an official co-production. In addition, a minimum of 25% of its budget must be spent on UK qualifying production expenditure.

**“R&D relief has increased to 230% for small and medium sized businesses.”**

### Orchestra tax relief

With very little pomp and circumstance it was announced that legislation will be introduced for a new relief for orchestras. The relief will have effect from 1 April 2016.



## Take action

If you believe you may be involved in developing a new or innovative product or a method of developing or manufacturing a product no matter how obscure, please speak to your client manager who will be able to advise you if you can make a claim for this relief.



## And finally... the end of self-assessment tax returns

**T**he Chancellor announced the simplification of the tax system by abolishing the self-assessment tax return system and replacing it with an online account which can be accessed whenever and wherever a taxpayer wants. It will be possible to upload information on the go and pay the tax in a simplified way – potentially like PAYE for the employed.

This will be legislated for in the next parliament. However, looking at previous service changes – for example, the implementation of Universal Credit – maybe the expectation of smooth and timely delivery is like looking through Mr Osborne's hole in the roof... at the pie in the sky?

### What Others Have Said

Ian Patterson, tax consultant and head of tax at AVN, says, "Some great new measures were announced for savers, with the new personal savings allowance of £1,000, protection of the tax free contribution limit for ISA savers moving money in and out of their ISA, and a new "help to buy" ISA. Whether these measures will be sufficient to encourage saving during the current all-time low interest rates, or whether they are purely to win votes, only time will tell."

→ **IAN PATTERSON, CTA ACA ATT FCCA**

Tim Good, leading professional speaker for the accounting profession, chairman of the Tax Club and director of a leading tax and accounting software company, expressed concern over the impact of the demise of the annual self-assessment tax return: "However it does look as though the current system will be with us for at least another five years – so at least some of us will have plenty of time to plan".

→ **TIM GOOD**

Tax consultant at AVN, Paul Flynn, highlights, "The 'pay as you go' offer with a digitalised tax system certainly makes sense for those newly self employed."

→ **PAUL FLYNN**

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