

Our tax specialists review the latest developments in tax law and offer a practical insight on how these may affect you and your clients.

Key private client tax points to note about the 2015 Budget

INCOME TAX

Personal allowance

The personal tax free allowance will increase in stages to:

- £10,800 in 2016/17 and
- £11,000 in 2017-18.

Thresholds

- 2016/17 - the Higher Rate Threshold will increase to £42,700.
- 2017/18 - the Higher Rate Threshold will increase to £43,300.

Personal savings allowance

Significantly less exciting than the press articles trailing this change is the Personal Savings Allowance which will take effect from April 2016.

- The new allowance is only available to basic rate and higher rate taxpayers (not to those paying tax at the Additional Rate).
- For Basic Rate taxpayers, the allowance is £1000 – in effect, the first £1,000 will be free of income tax.
- For Higher rate taxpayers, the allowance is £500.
- End of deduction of tax at source on interest from bank/building society.
- No income tax on interest where taxpayer's taxable income is below £15,600.

NATIONAL INSURANCE

- There will be corresponding changes to the National Insurance upper earnings and upper profits limits to maintain alignment with increases to the higher rate threshold.
- The intention is to abolish Class 2 NIC paid by self-employed individuals during the course of the next Parliament.

CAPITAL GAINS TAX

Disappointingly, the **new Capital Gains Tax Regime for Non-Residents owning UK Residential Property** will be introduced (no deferral despite strenuous representations from the professional bodies). This is particularly disappointing given that at the time of the consultation on the draft legislation, large sections of the legislation had yet to be drafted and were therefore not available for review by the professional bodies. It is understood that the Finance Bill will go through all Parliamentary stages on a single day (25 March 2015) so the chances of adequate scrutiny by Parliament are also materially reduced. HMRC have today (18 March 2015) issued FAQs on their website to deal with some areas of uncertainty.

Entrepreneurs Relief provisions will be amended to deal with the use of joint venture companies to secure the relief.

Wasting assets Exemption – to counter the effect of Lord Howard case (where a Joshua Reynolds painting was held by the courts to be a “wasting asset” so that the significant gains accruing on its disposal were exempt), the provisions now clarify that in order to qualify for the exemption the asset must be owned by the person claiming the relief.

CHANGES ALREADY ANNOUNCED

Annual Tax on Enveloped Dwellings (“ATED”)

- Extension of ATED (and ATED Related CGT) to residential properties valued at £1m (from 1 April 2015) and £500,000 (from 1 April 2016).
- Increase to the level of ATED charge for each band.

Remittance Basis Charge (“RBC”)

The RBC will increase payable by foreign domiciliaries:

- Resident in UK for 7 out of 9 years - £30,000 (no change).
- Resident in the UK for 12 out of 14 years - £60,000 (increase from £50,000).
- Resident in the UK for 17 out of 20 years - £90,000 (new).

POSSIBLE FUTURE CHANGES

Consultation on Avoidance using Deeds of Variation

Deeds of Variation have offered significant opportunities for tax planning. A consultation to has been announced into the use of deeds of variation for reducing tax exposures.

IHT Main Residence “Exemption” on gift to direct descendants

There is the prospect of an increase to the IHT nil rate band by £175,000 per person (which when added to the transferable nil rate band per couple of 650,000 relieve transfers of value up to £1,000,000) in situations where the main residence is transferred to direct descendants.

For more information on Devereux’s leading tax team, please contact our practice managers on 020 7353 7534 or email clerks@devchambers.co.uk. Follow us on twitter on [@devereuxlaw](https://twitter.com/devereuxlaw).