

HMRC overview

Published 3 December 2014

This overview summarises the main announcements made by the Chancellor which affect HM Revenue and Customs customers. Full details of all announcements and published documents can be found at [Autumn Statement 2014](#).

Contents

[1. Property Tax](#)

[2. Personal Tax](#)

[3. Business Tax](#)

[4. Anti-avoidance and fairness. Measures effective from 3rd December 2014.](#)

[5. Anti-avoidance and fairness. Other measures](#)

[6. Tax credits](#)

[7. Indirect taxes](#)

1. Property Tax

1.1 Stamp Duty Land Tax (SDLT)

SDLT on purchases of residential property is being reformed with effect from on or after 4 December 2014. SDLT will be payable at each rate on the portion of the purchase price which falls within each band, rather than at a single rate on the whole transaction value. The rates and thresholds are also being amended as part of this reform.

The portion of the transaction value up to £125,000 is charged at a rate of 0%, the portion of the transaction value between £125,001 and £250,000 is charged at a rate of 2%, the portion between £250,001 and £925,000 is charged at a rate of 5%, the portion between £925,001 and £1,500,000 is charged at a rate of 10% and the portion over £1,500,001 is charge at a rate of 12%.

1.2 Annual Tax on Enveloped Dwellings (ATED)

The annual charges on the ATED will increase by 50% above inflation for residential properties worth more than £2million for the chargeable period 1 April 2015 to 31 March 2016.

2. Personal Tax

2.1 Personal allowance in 2015-16

From April 2015 the Income Tax personal allowance will increase to £10,600. The basic rate limit will be £31,785 so the higher rate threshold above which individuals pay Income Tax at 40% will be increased to £42,385.

2.2 National Insurance Contributions - Employer contributions

From April 2016 employer National Insurance Contributions up to the upper earnings limit for apprentices aged under 25 will be abolished.

2.3 National Insurance Contributions - Employment Allowance

From April 2015 the £2,000 annual Employment Allowance for employer National Insurance Contributions will be extended to care and support workers.

2.4 Taxation of resident non domiciles – Remittance Basis Charge

The annual charge paid by non-domiciled individuals resident in the UK who wish to retain access to the remittance basis of taxation will be increased. The charge paid by people who have been UK resident for 7 out of the last 9 years will remain at £30,000. The charge paid by people who have been UK resident for 12 out of the last 14 years will increase from £50,000 to £60,000. A new charge of £90,000 will be introduced for people who have been UK resident for 17 of the last 20 years. The Government will also consult on making the election apply for a minimum of 3 years.

2.5 Individual Savings Accounts (ISAs) - Transfer to spouses on death

The Government will introduce legislation to allow an additional ISA allowance for spouses or civil partners when an ISA saver dies, equal to the value of that saver's ISAs.

2.6 Social Investment Tax relief (SITR) - Enlarging the scheme

The Government will seek EU approval to increase the investment limit to £5 million per annum per organisation up to a maximum of £15 million per organisation and to extend the relief to small-scale community farms and horticultural activities. The changes will come into effect on or after 6 April 2015, subject to State aid clearance. The Government will make special purpose vehicles for subcontracted and spot-purchase social impact bonds eligible for SITR, through secondary legislation in autumn 2015. The Government will also consult early in 2015 on introducing a social Venture Capital Trust in a future finance bill.

2.7 Inheritance Tax (IHT) - Exemption for medals and other awards

The existing IHT exemption for medals and other decorations that are awarded for valour or gallantry will be extended. From 3 December 2014 it will apply to all decorations and medals awarded to the armed services or emergency services personnel, and to awards made by the Crown for achievements and service in public life.

2.8 Inheritance Tax – Exemption for emergency services personnel and humanitarian aid workers

Legislation will be introduced to extend the existing IHT exemption for members of the armed forces whose death is caused or hastened by injury while on active service to members of the emergency services or humanitarian aid workers responding to emergency circumstances. It will have effect for deaths on or after 19 March 2014.

3. Business Tax

3.1 Corporation Tax - Devolution to Northern Ireland

The Government recognises the strongly held arguments for devolving Corporation Tax rate-setting powers to Northern Ireland, including its land border with the very low corporation tax environment in the Republic of Ireland, and the shared goal of the UK government and the Northern Ireland Executive of rebalancing the Northern Ireland economy and securing the peaceful economic

progress made in Northern Ireland since the Good Friday Agreement. In practical terms, further work by HMRC and HM Treasury has concluded that this proposal could be implemented provided that the Northern Ireland Executive is able to manage the financial implications.

The Prime Minister has made clear that the government is well-disposed to this change, if the right conditions are met, in view of the cross-party support in Northern Ireland.

The parties in the Northern Ireland Executive are currently taking part in talks aimed at resolving a number of issues. These include agreeing budgets for 2015-16 and putting the Northern Ireland Executive's finances on a sustainable footing for the future. As any future decision to reduce the Corporation Tax rate in Northern Ireland will mean a reduction in the Northern Ireland Executive's budget, the Government will introduce legislation in this Parliament subject to satisfactory progress on these issues in the cross-party talks.

3.2 Children's television tax relief

A new corporation tax relief for the production of children's television programmes will be introduced from 1 April 2015. The relief will be available at a rate of 25% on qualifying production expenditure.

3.3 Orchestra tax relief

The Government will consult in early 2015 on the introduction of an orchestra corporation tax relief from 1 April 2016.

3.4 High-end television tax relief

The Government will explore with industry whether to reduce the minimum UK expenditure for high-end TV relief from 25% to 10% and modernise the cultural test, to bring the relief in line with film tax relief.

3.5 R&D tax credit - Rates

The rate of the above the line credit will increase from 10% to 11% and the rate of the small and medium (SME) scheme will increase from 225% to 230%. These will take effect from 1 April 2015.

3.6 R&D tax credits - Qualifying expenditure

Legislation will be introduced to restrict qualifying expenditure for R&D tax credits so that the costs of materials incorporated in products that are sold are not eligible, with effect from 1 April 2015.

3.7 R&D tax credits - Advance assurance

An advance assurance scheme for small businesses making their first claim to R&D tax credits will be introduced along with new guidance. The Government will launch a consultation in January 2015 on the issues faced by smaller businesses when claiming R&D tax credits.

3.8 National Minimum Wage

The Government will increase funding in 2015-16 to improve enforcement of the National Minimum Wage.

3.9 Oil and Gas taxes - Supplementary charge

The Government will implement an immediate 2% reduction in the rate of Supplementary Charge from 32% to 30%, taking effect on 1 January 2015 and will aim to reduce the rate further in an affordable way.

4. Anti-Avoidance and fairness

Changes effective from 3 December 2014

As part of the Autumn Statement 2014, the Government has announced seven measures to help tackle tax avoidance, address unfair tax outcomes and support investment. The legislation for these measures will have immediate effect.

4.1 Corporation Tax - Restricting unfair tax advantages on incorporation

The Government will restrict the Corporation Tax relief a company may obtain for the acquisition of the reputation and customer relationships associated with a business ('goodwill') when the business is acquired from a related individual or partnership. This will affect acquisitions on or after 3 December 2014

4.2. Capital Gains Tax - Restricting Entrepreneurs' Relief (ER): restricting unfair tax advantages on incorporation

The Government will prevent individuals from claiming ER on disposals of the reputation and customer relationships associated with a business ('goodwill') when they transfer the business to a related close company. This will affect transfers on or after 3 December 2014.

4.3. Capital Gains Tax - Entrepreneurs' Relief

The Government will allow gains which are eligible for ER, but which are instead deferred into investments which qualify for the Enterprise Investment Scheme (EIS) or Social Investment Tax Relief (SITR), to remain eligible for ER when the gain is realised. This will benefit qualifying gains on disposals that would be eligible for ER but are deferred into EIS or SITR on or after 3 December 2014.

4.4. Income tax - Miscellaneous loss relief

Legislation will be introduced to counter avoidance of income tax involving losses from miscellaneous transactions. Legislation denying loss relief where a miscellaneous loss, or miscellaneous income, arises from relevant tax avoidance arrangements will have effect from 3 December 2014. Legislation will also be introduced with effect from tax year 2015-16 to limit relief to miscellaneous income of the same type as the loss.

4.5. Bank loss-relief restriction

The Government will restrict the amount of a bank's annual profit that can be offset by carried-forward losses to 50% from 1 April 2015. The restriction will apply to losses accruing up to 1 April 2015 and will include an exemption for losses incurred in the first 5 years of a bank's authorisation.

4.6. Oil and gas - High pressure, high temperature cluster area allowance

Legislation is being introduced to create a new cluster area allowance to support the development of high pressure, high temperature projects and encourage exploration and appraisal activity in the

surrounding area or 'cluster'. The allowance will exempt a portion of a company's profits from the supplementary charge. The amount of profit exempt will equal 62.5% of the qualifying capital expenditure a company incurs in relation to a cluster area on or after 3 December 2014.

4.7. Repeal of the late paid interest rules

As part of the review of legislation on corporate debt announced at Budget 2013 the Government will repeal rules concerning loans made to UK companies by a connected company in a non-qualifying territory.

5. Anti-Avoidance and fairness; other measures

5.1 Base Erosion and Profit Shifting Organisation for Economic Co-operation and Development (OECD) initiative –

5.1a Diverted profits tax

A new tax to counter the use of aggressive tax planning techniques by multinational enterprises to divert profits from the UK will be introduced. The Diverted Profits Tax will be applied using a rate of 25% from 1 April 2015.

5.1b Country-by-country reporting

Legislation will be introduced that gives the UK the power to implement the OECD model for country-by-country reporting. The new rules will require multinational enterprises to provide high level information to HMRC on their global allocation of profits and taxes paid, as well as indicators of economic activity in a country.

5.1c Hybrid mismatches

The Government will consult on the UK's plans for implementing agreed OECD rules for addressing hybrid mismatch arrangements. The new rules will prevent multinational enterprises avoiding tax through the use of certain cross-border business structures or finance transactions.

5.2 Strengthening civil deterrents for offshore tax evasion

Legislation will be introduced to enhance civil penalties for offshore tax evasion. This will amend the existing offshore penalties regime to include IHT; apply to domestic offences where the proceeds are hidden offshore; update the territory classification system to reflect the jurisdictions that adopt the new global standard of automatic tax information exchange and include a new aggravated penalty of up to a further 50% for moving hidden funds to circumvent international tax transparency agreements. The changes will come into effect from April 2016, apart from the aggravated penalty which will come into effect following Royal Assent.

5.3 Promoters of tax avoidance schemes

Legislation covering 'high-risk' promoters of tax avoidance schemes will be updated and clarified, ensuring that the 2014 legislation functions as intended. The changes will include a broader range of connected persons under the common control of a promoter in the regime and clarify the time limits within which HMRC can issue conduct notices to promoters who fail to disclose a scheme.

5.4 Disclosure of Tax Avoidance Schemes (DOTAS) - Regime changes

Legislation will be introduced to strengthen the DOTAS regime, including through updating existing scheme hallmarks, adding new hallmarks, and removing 'grandfathering' provisions for the future use of schemes that were excluded by those provisions.

5.5 Debt Market Integrator (DMI)

The Government will work with the private sector to improve debt collection across government through a single, co-ordinated private sector approach which make use of a range of debt collection services across the market.

6. Tax Credits

6.1 Tax credits – Stopping overpayments

Building on the announcement made at Autumn Statement 2013, from April 2015 tax credit payments will be reduced in-year where, due to a change of circumstance, a claimant would otherwise receive an overpayment. This will prevent claimants building up unnecessary overpayments that must be repaid at a later stage.

7. Indirect Taxes

7.1 Tobacco levy

The Government will consult on the introduction of a levy on tobacco manufacturers and importers. A consultation document will be published shortly.

7.2 Air Passenger Duty (APD)

From 1 May 2015 children under 12 will be exempt from reduced rate APD. Children under 16 will be exempt from 1 March 2016.

7.3 Landfill Tax - Compliance work in relation to lower rate

The Government will introduce a loss on ignition testing regime on fines produced from the processing of waste at mechanical treatment plants from 1 April 2015. Only qualifying fines below a 10% threshold will be considered eligible for the lower rate, though there will be a 12 month transitional period where the threshold will be 15%.

7.4 Landfill Tax - Reform of the Landfill Communities Fund

The Government is consulting on options for reform to get funding to community projects more efficiently.