

Summer Budget 2015

Overview of the Budget



About Kreston Reeves

- New name since February
- Top 30 award winning accountants and financial advisers
- 300 staff including more than 40 partners within 6 South East offices... Canterbury, Chatham Maritime, Discovery Park, Eastbourne, Gatwick and London
- International reach through Kreston International



Implications for

- Businesses

- Investors



For Businesses

- Corporation Tax rates (Companies only)

currently	20%
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from 1 April 2017	19%
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from 1 April 2020	18%
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- Partnerships, LLPs and sole traders Income Tax and NIC – see later

Annual Investment Allowance (AIA)

- Original base up to £25,000
- Current AIA up to £500,000
to 31 December 2015
- 1 January 2016 to 2020
£200,000

Goodwill Amortisation

- From a connected self employed business
 - withdrawn from 3 December 2014
 - No longer available for purchases after 8 July 2015
- goodwill and customer related intangible assets:
- A level playing field

Intangible fixed assets

FRS102 requires a split out of Intangibles between

- Value of customer lists
- Registered Trade Marks

- and Goodwill (the balance?)

Useful life under FRS102 considered to be 5 years

Other business implications

- Bank Levy changes
- Large Groups: bringing forward payments
 - £4.495 billion improvement in 2017/18
- Employment Allowance
 - £2,000 to £3,000 in 2016/17

Implication for Investors

- Overseas Investors
- Non Doms
- Residential Landlords
- Dividends

Overseas Investors

- Progressive attacks over the years
- Summer Budget 2015 Exposure to UK IHT on UK situated assets from
 - looking through off-shore companies

Non Doms

From April 2017, if over 15 years in last 20 years treated as UK domiciled for tax, including IHT.

Residential Landlords

- From 2017, restrict finance relief to basic rate
- Phasing in
- Current Buy to Let loan £200,000
 - Interest rate 4%
 - Annual Interest charge £8,000
 - Basic Rate Relief £1,600
 - Higher Rate Relief 40% £3,200
 - Addition Rate Relief 45% £3,600

And the Bank rates to increase in 2017?

Residential Landlords

- Reform wear & tear allowance on furnished lettings was 10% of gross rent (less a few expenses)

(whether or not expended)

Now on relevant expenditure

Future: Returns required on rental properties

Pressure on Rents charged

Ownership in Companies?

Personal Taxation

Income Tax

National Insurance

VAT

Rates frozen

2016 Income Tax: Personal Allowance to £11,000

Higher Rate Tax from £43,000

Dividends tax

- Now Tax Credit

2016/17 onwards Tax payable as:-

Basic Rate	7.5%
Higher Rate	32.5%
Additional rate	38.1%

Dividend Allowance – Illustration 1

- Basic rate taxpayer (e.g. salary of £15,000 and cash dividend of £7,500)
- For 2015/6 – the tax credit of 10% is equal to the tax liability
- For 2016/17 – the first £5,000 is taxed at 0%, the balance of £2,500 is taxed at 7.5% resulting in an additional tax liability of £187.50.

Dividend Allowance – Illustration 2

- Higher rate taxpayer (e.g. salary of £50,000 and a dividend of £7,500)
- The liability in 2015/16 is £1,875. In 2016/17 the liability falls to £812.50. A saving of £1,062.50
- A higher rate taxpayer is better off until a dividend of £21,665 is paid

Dividend Allowance – Illustration 3

- Additional rate taxpayer (e.g. salary of £150,000 and a dividend of £7,500)
- The liability in 2015/16 is £2,292. In 2016/17 the liability falls to £952.50. A saving of £1,339.50
- An additional rate taxpayer is better off until a dividend of £25,250 is paid

Dividends Tax

Additional Tax Take Forecast

	£M
2016/17	+ 2,540
2017/18	- 890
2018/19	+ 1,120
2019/20	+ 2,055
2020/21	+ 1,960

Need to consider

- Using the £5,000 exempt dividend bracket
- Advance payment of dividends in 2015/2016

Implications for small businesses

One person companies: Personal Service Companies

Either sole trade or company

Increase in demand from Procurement of specific contracts.

Issue IR35

Negatives in the Summer Budget 2015

- Employment Allowance withdrawn
- Dividend Tax
- Tax Credits reduced

Employer Bulletin – June 2015

From 6 April 2016

Changes to taxation of Expenses and Benefits in Kind

- Payrolling certain Benefits in Kind
- Dispensation to be abolished
- Reimbursed Expenses then exempt from income tax
- HMRC to issue approved scale rates

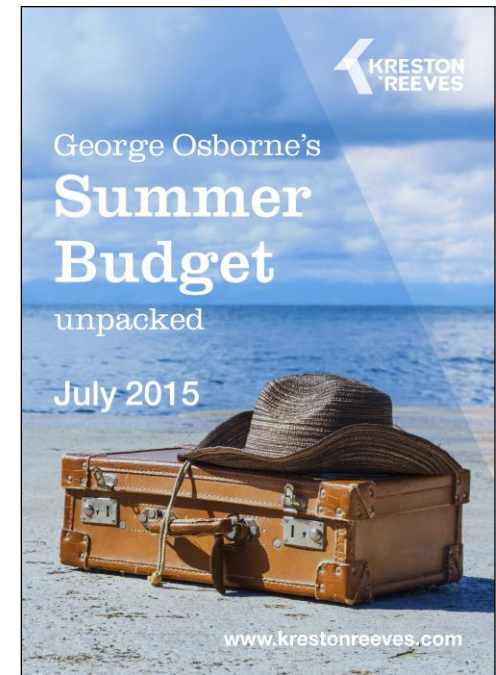
Other factors

- National Living Wage
- Benefits and Tax Credits reduced
- Your home: extra transferable
 - IHT nil rate band
 - 2020/21 up to £1 million
- Refining definitions for VCT, EIS and SEIS
 - R & D Claims
- More consultations on future changes



Summer Budget...unpacked

Our *Summer Budget unpacked* will guide you through the myriad of detailed changes from Wednesday's Summer Budget statement...



To **download your copy** and **read our comments** on the Summer Budget including updates for Charities, Agriculture, Property and Construction and Education please visit the Budget section of our website at:
<http://www.krestonreeves.com/news-and-events/type/budget>

What to take notice of

- Apprentice Levy
- National Living Wage
- Reductions to working tax credits
- Auto Enrolment for work place pensions
- NIC Employment Allowances
- Tax Evasion
- R & D Claims



Implications for

- IPT increased from 6% to 9.5%
- Vehicle Excise Duty
- Income Tax and NIC to merge?
- Align taxation of small companies NIC on dividends?
- EU Referendum



Thank you



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