



# Autumn Statement 2015

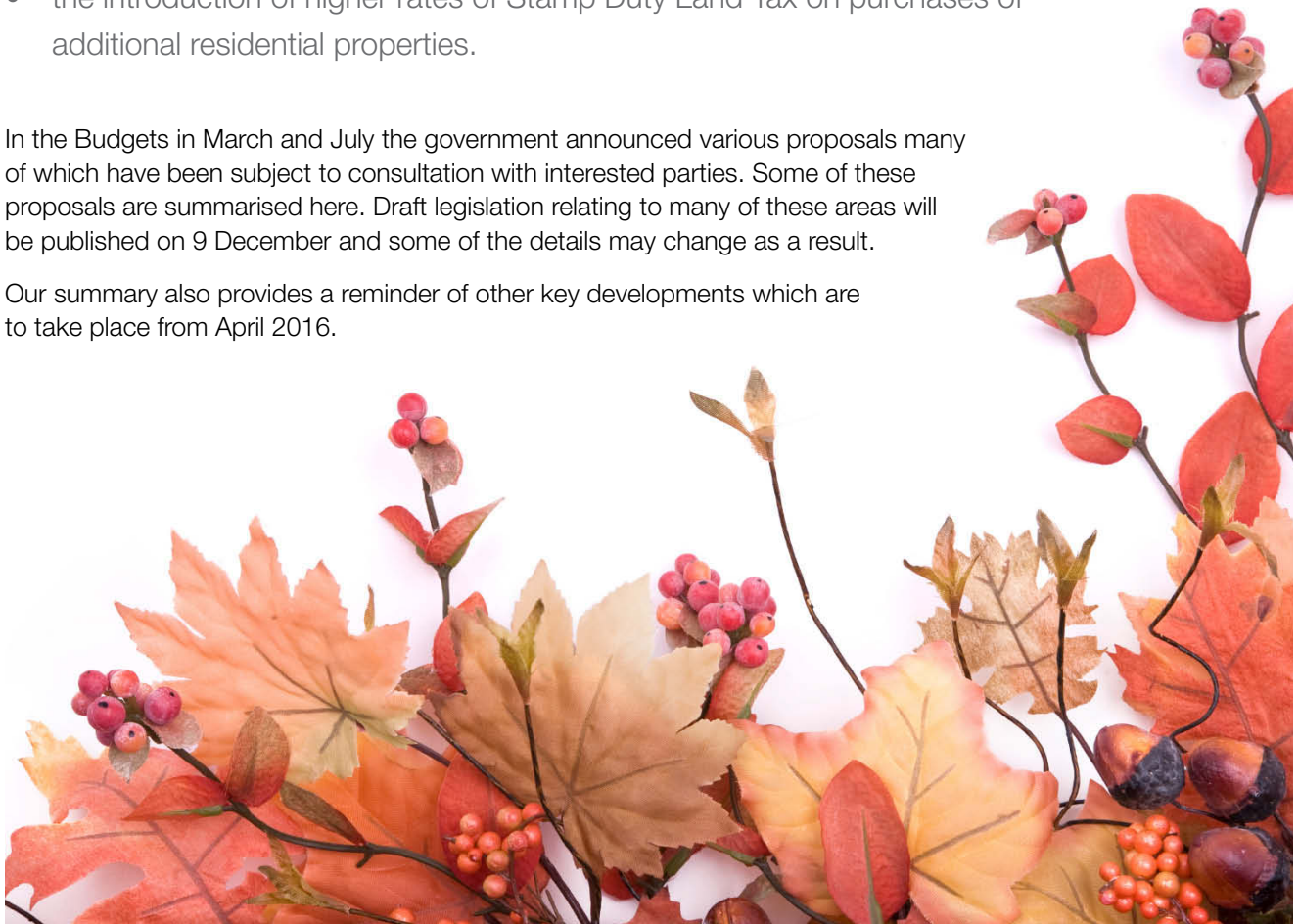
On Wednesday 25 November the Chancellor George Osborne presented the first Autumn Statement of this Parliament along with the Spending Review.

His speech and the supporting documentation set out both tax and economic measures. Our summary concentrates on the tax measures which include:

- changes to the prospective Tax-Free Childcare scheme
- reversal of most of the tax credit proposals
- retaining the 3% diesel supplement for company cars which was to be abolished
- the introduction of an apprenticeship levy
- proposals to restrict tax relief for travel and subsistence expenses for workers engaged through employment intermediaries
- the introduction of a payment on account of any capital gains tax due on the disposal of residential property
- the introduction of higher rates of Stamp Duty Land Tax on purchases of additional residential properties.

In the Budgets in March and July the government announced various proposals many of which have been subject to consultation with interested parties. Some of these proposals are summarised here. Draft legislation relating to many of these areas will be published on 9 December and some of the details may change as a result.

Our summary also provides a reminder of other key developments which are to take place from April 2016.



# Personal Tax

## The personal allowance

For those born after 5 April 1938 the personal allowance is currently £10,600. Those born before 6 April 1938 have a slightly higher allowance. The Chancellor announced in the Summer Budget that the personal allowance will be increased to £11,000 for 2016/17 and to £11,200 in 2017/18.

The government has an objective to raise the personal allowance to £12,500 by the end of this Parliament.

Not everyone has the benefit of the full personal allowance. There is a reduction in the personal allowance for those with 'adjusted net income' over £100,000 which is £1 for every £2 of income above £100,000. So for 2015/16 there is no personal allowance where adjusted net income exceeds £121,200.

## Tax bands and rates

The basic rate of tax is currently 20%. The band of income taxable at this rate is £31,785 so that the threshold at which the 40% band applies is £42,385 for those who are entitled to the full basic personal allowance.

The Chancellor has previously announced that the basic rate limit will be increased to £32,000 for 2016/17 and to £32,400 for 2017/18.

The higher rate threshold will therefore rise to £43,000 in 2016/17 and £43,600 in 2017/18 for those entitled to the full personal allowance.

The additional rate of tax of 45% remains payable on taxable income above £150,000.

## Taxation of savings income

Currently, some individuals qualify for a 0% starting rate of tax on savings income up to £5,000. The government has confirmed that the £5,000 band will be kept at the same level for 2016/17. The rate is not available if taxable non-savings income (broadly earnings, pensions, trading profits and property income) exceeds the starting rate limit.

The Chancellor announced in the March Budget that a Personal Savings Allowance would be introduced for income such as bank and building society interest from 6 April 2016.

The Personal Savings Allowance will apply for up to £1,000 of a basic rate taxpayer's savings income, and up to £500 of a higher rate taxpayer's savings income each year. The Personal Savings Allowance will not be available for additional rate taxpayers.

### Comment

The current 0% starting rate does not apply to many people as income, such as a salary, exceeds the total of the personal allowance (£10,600) and the starting rate limit of £5,000. The Personal Savings Allowance will however be of benefit to all basic and higher rate taxpayers.

The government estimates that around 95% of taxpayers will not pay any tax on interest received.

## Taxation of dividend income

Currently, when a dividend is paid to an individual, it is subject to different tax rates compared to other income due to a 10% notional tax credit being added to the dividend.

So for an individual who has dividend income which falls into the basic rate band the effective tax rate is nil as the 10% tax credit covers the 10% tax liability. For higher rate (40%) and additional rate (45%) taxpayers, the effective tax rates on a dividend receipt are 25% and 30.6% respectively.

To determine which tax band dividends fall into, dividends are treated as the last type of income to be taxed.

From 6 April 2016:

- the 10% dividend tax credit is abolished with the result that the cash dividend received will be the gross amount potentially subject to tax
- a new Dividend Tax Allowance charges the first £5,000 of dividends received in a tax year at 0%



- for dividends above £5,000, new rates of tax on dividend income will be 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.

### Comment

Many individuals do not have £5,000 of dividend income so are potential winners in the new regime. The removal of any tax on dividends up to £5,000 increases the attractiveness of holding some investments which provide dividend returns rather than interest receipts. Use can then also be made of the CGT annual exemption by selective selling of investments.

Basic rate taxpayers need to appreciate that all dividends received still form part of the total income of an individual. If dividends above £5,000 are received, the first £5,000 will use up some or all of the basic rate band available. The element of dividends above £5,000 which are taxable may well therefore be taxed at 32.5%.

## Individual Savings Accounts (ISAs)

In 2015/16 the overall ISA savings limit is £15,240 and this level will be maintained for 2016/17.

Two changes are proposed with effect from 6 April 2016.

- Changes will be made to the existing ISA Regulations to establish a new flexibility within ISAs which allows savers to replace cash they have withdrawn from their account earlier in a tax year, without this replacement counting towards the annual ISA limit for that year. This flexibility will be available in relation to both current year and earlier years' ISA savings where provided for in the terms and conditions of a 'flexible ISA'.
- The government will introduce a third ISA, the Innovative Finance ISA, for loans arranged via a peer to peer (P2P) platform.

Following a public consultation, the list of ISA eligible investments will be extended in autumn 2016 to include debt securities offered via crowdfunding platforms. This will form part of the Innovative Finance ISA. The government will also explore the case for extending the list to include equity crowdfunding.

Lastly, where a deceased person's estate includes ISAs, the government will legislate to allow the tax advantages to continue whilst the estate is in administration.

## Help to Buy ISA

The government announced the introduction of the Help to Buy ISA in the March Budget. The scheme will



provide a government bonus to each person who has saved into a Help to Buy ISA at the point they use their savings to purchase their first home. For every £200 a first time buyer saves, the government will provide a £50 bonus up to a maximum bonus of £3,000 on £12,000 of savings.

Help to Buy ISAs will be available for first time buyers to start saving into from 1 December 2015. First time buyers will be able to open their Help to Buy ISA accounts with an additional one off deposit of £1,000.

## Tax credits

A number of changes to tax credits and Universal Credit were announced in the July Budget but the Chancellor has scrapped some of the changes following a defeat of the proposals by the House of Lords.

The government has confirmed that:

- The rate at which a tax credit claimant's award is reduced as each pound of their income exceeds the income threshold (known as the taper rate) will remain at 41% of gross income from April 2016.
- The level of income at which a claimant's tax credit award begins to be tapered away (known as the income threshold), will remain at £6,420 per year from April 2016. Claimants earning below this amount will retain their maximum award. Consequently the income threshold for Child Tax Credit-only claimants will remain at £16,105 in 2016/17.

- As announced at Summer Budget 2015, the income rise disregard in tax credits will reduce from £5,000 to £2,500. This is the amount by which a claimant's income can increase in-year compared to their previous year's income before their award is adjusted.

The changes to Universal Credit announced at Summer Budget will go ahead as planned from 2016/17.

| <b>Comment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>There are two types of tax credits; Working Tax Credit (WTC) and Child Tax Credit (CTC). The CTC is potentially available to families who have responsibility for one or more child.</p> <p>The Universal Credit is gradually being introduced. It is a new type of benefit replacing six existing benefits - income-based jobseeker's allowance, income-related employment and support allowance, income support, housing benefit, WTC and CTC.</p> |

### **New Tax-Free Childcare scheme**

In Budget 2013, the government announced new tax incentives for childcare. This scheme is expected to launch in 2017.

Under the scheme the relief will be 20% of the costs of childcare up to a total of childcare costs of £10,000 per child per year. The scheme will therefore be worth a maximum of £2,000 per child (£4,000 for a disabled child).

The government has announced changes to the conditions to qualify for Tax-Free Childcare. All parents in the household must:

- meet a minimum income level based on the equivalent of working 16 hours a week at the National Living Wage (increased from eight hours at the National Minimum Wage)
- each earn less than £100,000 a year (reduced from £150,000), and
- not already be receiving support through tax credits or Universal Credit.

The current system of employer supported childcare will continue to be available for current members if they wish to remain in it or they can switch to the new scheme. Employer supported childcare will continue to be open to new joiners until the new scheme is available.

It is proposed that parents register with the government and open an online account. The scheme will be delivered by HMRC in partnership with National Savings and Investments, the scheme's account provider. The government will then 'top up' payments into this account at a rate of 20p for every 80p that families pay in.

### **Free childcare**

From September 2017 the free childcare entitlement will be doubled from 15 hours to 30 hours a week for working parents of 3 and 4 year olds. The government will implement this extension of free hours early in some local areas from September 2016. This free childcare is worth around £5,000 a year per child. The 30 hours free childcare offer for working parents of 3 and 4 year olds has been extended to help families maintain childcare arrangements and support the transition back to work at the end of their parental leave or period of ill health.



## Pensions – restriction on tax relief

In the Summer Budget, further restrictions were announced to the amount of Annual Allowance that would be available to individuals. The Annual Allowance provides an annual limit on tax relieved pension savings. It is currently £40,000 (although some individuals may be entitled to a higher figure due to transitional provisions). From 6 April 2016 the government has introduced a taper to the Annual Allowance for those with adjusted annual incomes, including their own and employer's pension contributions, over £150,000. For every £2 of adjusted income over £150,000, an individual's Annual Allowance will be reduced by £1, down to a minimum of £10,000.

The government also wants to make sure that the right incentives are in place to encourage saving into pensions in the longer term. The government therefore launched a consultation in July 2015 on whether there is a case for reforming pensions tax relief. The

government is considering the responses received and will publish a response at Budget 2016.

## Secondary market for annuities

The government will remove the barriers to creating a secondary market for annuities, allowing individuals to sell their annuity income stream. The government will set out further details on this measure, including the framework for the consumer protection package, in its consultation response this December.

## State pension

The state pension will rise in April 2016 by £3.35 to £119.30 per week. In addition the 'triple lock', which ensures that the state pension rises in line with the highest of the growth in prices, average earnings or 2.5%, will be maintained.

The new single-tier state pension will be set at £155.65 per week from April 2016.

# Business Tax

## Corporation tax rates

The main rate of corporation tax is currently 20% and this rate will continue for the Financial Year beginning on 1 April 2016. The main rate of corporation tax will then be reduced as follows:

- 19% for the Financial Years beginning on 1 April 2017, 1 April 2018 and 1 April 2019
- 18% for the Financial Year beginning on 1 April 2020.

## Annual Investment Allowance (AIA)

The AIA provides a 100% deduction for the cost of most plant and machinery (not cars) purchased by a business, up to an annual limit and is available to most businesses.

The maximum amount of the AIA was temporarily increased to £500,000 from April 2014 until 31 December 2015. The level of the maximum AIA will now be set permanently at £200,000 for all qualifying investment in plant and machinery made on or after 1 January 2016.

Where a business has a chargeable period which spans 1 January 2016 there are transitional rules for calculating the maximum AIA for that period.

### Comment

The timing of the expenditure around 1 January 2016 is critical for businesses with a chargeable period which straddles this date. For example a company with a 31 March year end has an AIA limit for the year to 31 March 2016 as follows:

|                            |                                   |
|----------------------------|-----------------------------------|
| April 2015 – December 2015 | $9/12 \times £500,000 = £375,000$ |
| January 2016 – March 2016  | $3/12 \times £200,000 = £50,000$  |
| Total                      | £425,000                          |

However any AIA available on expenditure in the second period would be limited to the time apportioned maximum in that period. So, for expenditure incurred on or after 1 January until 31 March 2016, the maximum amount of relief will only be £50,000.

## Corporation tax of 45% on restitution interest

The government has provided that a special 45% rate of corporation tax is to be applied to restitution

interest. This measure was legislated for in Finance (No.2) Act 2015. Restitution interest can arise when a company has made a claim to the courts in relation to tax paid under a 'mistake of law' where HMRC are the defendants. Any interest award that represents compensation for the time value of money is restitution interest. If received on or after 21 October 2015, this interest will be charged at a special rate of 45%. This rate does not apply to any amounts which represent the repayment of overpaid tax or interest payments by HMRC under statutory provisions.

## Research and development (R&D)

The government has introduced a voluntary Advanced Assurance scheme for small businesses making their first R&D claim. The scheme commenced in November 2015 and provides successful applicants assurance that HMRC will allow their first three years of R&D tax relief claims without further enquiry. The government also intend to improve their communication and guidance for small companies seeking to claim R&D tax relief.



## Loans to trustees of charitable trusts

Under current legislation, loans made by close companies to trustees of charitable trusts which are participators, or associates of participators, in the company could be liable to a tax charge of 25% under 'loans to a participator' rules. Any such loans made on or after 25 November 2015 will now be exempt from this charge. The new rule only applies where the loan received by the trustee is applied wholly to the purposes of the charitable trust.

## Extending averaging for farmers

The averaging period for self-employed farmers will be extended from two years to five years as of

April 2016, with farmers having the option of either averaging period.

## Eligible investments for venture capital schemes

With effect from 30 November 2015, the provision of reserve energy generating capacity and the generation of renewable energy benefiting from other government support by community energy organisations will no longer be qualifying activities for the Enterprise Investment Scheme (EIS), Venture Capital Trusts (VCT), the Seed Enterprise Investment Scheme and enlarged Social Investment Tax Relief (SITR). The government will exclude all remaining energy generation activities from the schemes from 6 April 2016 as well as from the enlarged SITR. The government will also continue to explore options to introduce increased flexibility for replacement capital within the schemes.

## Corporate debt and new accounting standards

The government will legislate to update the tax rules for company debt to ensure that they interact correctly with new accounting standards in three specific circumstances. Details of the circumstances will be contained in the draft Finance Bill 2016 clauses to be issued in early December.

## Company distributions

Later this year the government will publish a consultation on the rules concerning company distributions. There will also be a Targeted Anti-avoidance Rule to prevent opportunities for income to be converted to capital in order to gain a tax advantage.

## Anti-avoidance

Specific anti-avoidance amendments have been made or are proposed in relation to the following:

- The intangible fixed asset rules for partnerships with corporate members, which apply to transactions involving transfers of intangible fixed assets to the partnership that take place on or after 25 November 2015. With regard to transactions that occurred before 25 November 2015, the measure will have effect in relation to the accounting debits and credits accruing on or after that date.
- Capital allowances and leasing which will apply to certain agreements entered into on or after 25 November 2015.

# Employment taxes

## Employer provided cars

The scale of charges for working out the taxable benefit for an employee who has use of an employer provided car are now announced well in advance. Cars are taxed by reference to bands of CO<sub>2</sub> emissions. From 6 April 2015 the percentage applied by each band went up by 2% and the maximum charge is capped at 37% of the list price of the car.

From 6 April 2016 there will be a further 2% increase in the percentage applied by each band with similar increases in 2017/18 and 2018/19. For 2019/20 the rate will increase by a further 3%. It had been expected that the 3% diesel supplement would be removed from 6 April 2016, however this 3% differential will now be retained until April 2021.

## NIC for apprentices under 25

The government will abolish employer NIC up to the upper earnings limit for apprentices aged under 25. This will come into effect from 6 April 2016. Draft regulations have been issued to define a relevant apprentice. An apprentice needs to:

- be working towards a government recognised apprenticeship in the UK which follows a government approved framework/standard
- have a written agreement, giving the government recognised apprentice framework or standard, with a start and expected completion date.

### Comment

The proposals exclude apprenticeships which do not follow government approved frameworks, also known as common law apprenticeships.

## Apprenticeship levy

The government will introduce the apprenticeship levy in April 2017. It will be set at a rate of 0.5% of an employer's paybill, which is broadly total employee earnings excluding benefits in kind, and will be paid through PAYE. Each employer will receive an allowance of £15,000 to offset against their levy payment. This means that the levy will only be paid on any paybill in excess of £3 million.

## National Living Wage

The government will introduce a new National Living Wage (NLW) for workers aged 25 and above, by introducing a premium on top of the National Minimum Wage (NMW). From April 2016, the NLW will be set at £7.20 an hour. This rate is 50p higher than the current NMW rate.

## NIC Employment Allowance

The NIC Employment Allowance was introduced from 6 April 2014. It is an annual allowance which is available to many employers and can be offset against their employer NIC liability.

From April 2016, the government will increase the NIC Employment Allowance from £2,000 to £3,000 a year. The increase will mean that businesses will be able to employ four workers full time on the new NLW without paying any NIC.

To ensure that the NIC Employment Allowance is focussed on businesses and charities that support employment, from April 2016, companies where the director is the sole employee will no longer be able to claim the Employment Allowance.

## Review of employee benefits

From 6 April 2016 a number of changes are introduced relating to the tax treatment of employee benefits in kind and expenses:

- The £8,500 threshold below which employees do not pay income tax on certain benefits in kind will be removed. There will be new exemptions for carers and ministers of religion.
- There will be a statutory exemption for certain expenses reimbursed to an employee. This will replace the current system where employers have to apply for a dispensation to avoid having to report non-taxable expenses (on forms P11D).
- HMRC will be able to issue Regulations to allow employers to include taxable benefits in pay and thus account for PAYE on the benefits. Employers will therefore not have to include these items on forms P11D.



**Comment**

The statutory exemption for reimbursed expenses will mean that all employees will automatically get the tax relief they are due on qualifying expenses payments.

If an employer wants to pay a set rate to employees for certain expenses, the employer will be able to apply to HMRC for approval to pay or reimburse expenses of employees at a rate set out in the application. HMRC can agree (an approval notice) if they are happy that the payment is a reasonable estimate of the amount of expenses actually incurred.

**Review of employment status**

The government has responded to the final report of the Office of Tax Simplification (OTS) review of employment status and is taking forward the majority of recommendations.

**Taxation of accommodation benefits**

Following recommendations from the 2014 OTS report on simplifying the administration of employee benefits and expenses, the government will publish a call for evidence on the current tax treatment of employer provided living accommodation.

**Tax relief for intermediaries on travel and subsistence**

The government will legislate to restrict tax relief for travel and subsistence expenses for workers engaged through an employment intermediary, such as an umbrella company or a personal service company. Following consultation, relief will be restricted for individuals working through personal service companies where the intermediaries legislation applies. This change will take effect from 6 April 2016.

**Salary sacrifice**

The government remains concerned about the growth of salary sacrifice arrangements and is considering what action, if any, is necessary. The government will gather further evidence, including evidence from employers, on salary sacrifice arrangements to inform its approach.

**Pensions auto enrolment minimum contribution rates**

Pensions auto enrolment introduces a statutory obligation on employers to automatically enrol eligible employees in a pension scheme and pay pension contributions for the employees from the employer's staging date. The contributions are being phased in with total minimum contribution rates initially set at 2% of qualifying earnings of which the minimum employer contribution is 1%. The contribution rates were set to increase from October 2017 to 5% (2% employer minimum) and 8% (3% employer minimum) from October 2018.

The government has announced that they will delay these two scheduled increases in automatic enrolment minimum contribution rates by six months each, to align these changes with the start of the tax year.

**Real Time Information (RTI) 'on or before' reporting**

The two year temporary relaxation, allowing existing micro-employers to report all payments they make in a tax month on or before the last payday in the tax month rather than on or before each and every payday, will end as planned on 5 April 2016.

This will align the treatment for existing micro-employers with all other employers.





# Capital Taxes

## Capital gains tax (CGT) rates and annual exemption

No changes have been announced in respect of CGT rates or the annual exemption.

### CGT: payment window

From April 2019, a payment on account of any CGT due on the disposal of residential property will be required to be made within 30 days of the completion of the disposal. This will not affect gains on properties which are not liable for CGT due to Private Residence Relief.

#### Comment

Currently, CGT is not payable on a disposal of an asset until 31 January following the tax year in which a disposal is made. So a disposal made on the 6 April 2016 will not result in a tax bill until 31 January 2018.

This measure is another blow for buy to let landlords.

## Inheritance tax (IHT) nil rate band

The IHT nil rate band is currently frozen at £325,000 and will remain at this figure until April 2021.

### IHT residence nil rate band

An additional nil rate band has been introduced where a residence is passed on death to direct descendants such as a child or a grandchild. In addition, the property can pass to a current or surviving spouse or civil partner of a direct descendant. The band is not available for deaths before 6 April 2017. The band will

initially be £100,000 in 2017/18, rising in stages to £175,000 by 2020/21.

The residence nil rate band can only be used in respect of one residential property which has, at some point, been a residence of the deceased. There is a tapered withdrawal of the residence nil rate band for estates with a net value (after deducting any liabilities but before reliefs and exemptions) of more than £2 million.

The residence nil rate band cannot be greater than the value of the property at the date of death.

### Increasing the residence nil rate band for surviving spouses

A surviving spouse may be entitled to an increase in the residence nil rate band if the spouse who died earlier has not used, or was not entitled to use, their full residence nil rate band. The increase applies even if the earlier death was before 6 April 2017.

The calculations involved are potentially complex but the increase will often result in a doubling of the residence nil rate band for the surviving spouse.

#### Example

Joe and Jill were married. Joe died in 2010 and his total estate was under £2 million. Jill dies in May 2017 and her house is bequeathed to her children. If her total estate is under £2 million the potential residence nil rate band is £200,000 (2 X £100,000). If the value of the property is less than £200,000, the increase in the nil rate band is limited to the value of the property.



### Proposed relief for downsizing

Proposals will be introduced in Finance Bill 2016 to provide an increase in the residence nil rate band where the value of the property into which a person has downsized limits the amount of the residence nil rate band available on death. The proposals will also provide a residence nil rate band where a person has ceased to own a home, for example, by moving into a care home. It will be available when a person downsizes or ceases to own a home on or after 8 July 2015 and assets of an equivalent value, up to the value of the residence nil rate band, are passed on death to direct descendants.

#### **Comment**

The potential increase in the nil rate band is to be welcomed by many individuals but the increase has introduced considerable complexity to IHT. From April 2017 we have three nil rate bands to consider. The standard nil rate band has been a part of the legislation from the start of IHT in 1986. In 2007 the ability to utilize the unused nil rate band of deceased spouse was introduced enabling many surviving spouses to have a nil rate band of up to £650,000. By 6 April 2020 some surviving spouses will be able to add £350,000 in respect of the residence nil rate band to arrive at a total nil rate band of £1 million. However this will only be achieved by careful planning and, in some cases, it may be better for the first deceased spouse to have given some assets to the next generation and use up some or all of the available nil rate bands.

### Deeds of variation

Following the review announced at March Budget 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.

#### **Comment**

A deed of variation allows a beneficiary under a will or an intestacy to re-direct part or all of the estate they have received to another person. Subject to meeting certain conditions, the parties to a deed can choose that the terms of the deed will be treated for IHT and/or CGT purposes as if they been part of the deceased's will.

Deeds can therefore be very effective at changing tax liabilities.



# Other matters

## Stamp duty land tax (SDLT): additional properties

Higher rates of SDLT will be charged on purchases of additional residential properties (above £40,000), such as buy to let properties and second homes, from 1 April 2016.



The higher rates will be three percentage points above the current SDLT rates.

The higher rates will not apply to purchases of caravans, mobile homes or houseboats, or to corporates or funds making significant investments

in residential property. The government will consult on the policy detail, including on whether an exemption for corporates and funds owning more than 15 residential properties is appropriate.

### Comment

The Chancellor stated that 'more and more homes are being bought as buy to lets or second homes' and 'frankly, people buying a home to let should not be squeezing out families who can't afford a home to buy'.

## SDLT: changes to the filing and payment process

The government will consult in 2016 on changes to the SDLT filing and payment process, including a reduction in the filing and payment window from 30 days to 14 days. These changes will come into effect in 2017/18.

## Tax evasion

The government has announced a number of measures aimed at tax evasion. These include:

- a new criminal offence that removes the need to prove intent for the most serious cases of failing to declare offshore income and gains
- an increase in civil penalties for deliberate offshore tax evasion, including the introduction of a new penalty linked to the value of the asset on which tax was evaded
- introducing civil penalties for those who enable offshore tax evasion
- a new criminal offence for corporates which fail to prevent their agents from criminally facilitating tax evasion by an individual or entity.

## Tax avoidance

Some anti-avoidance provisions have been announced. These include the introduction of:

- new measures for those who persistently enter into tax avoidance schemes that are defeated by HMRC. These include a special reporting requirement and a surcharge on those whose latest return is inaccurate due to use of a defeated scheme
- a new penalty of 60% of tax due, to be charged in all cases successfully tackled by the General Anti-Abuse Rule.

## Making tax digital

The government will publish 'plans to transform the tax system' and will consult on the details in 2016. Most businesses, self-employed people and landlords will be required to keep track of their tax affairs digitally and update HMRC at least quarterly via their digital tax account. This will not apply to individuals in employment, or pensioners, unless they have secondary incomes of more than £10,000 per year.

### Comment

A digital tax account will enable a taxpayer to get a real-time view of their tax affairs and see how their tax is calculated. Businesses which pay more than one tax (such as income tax, VAT and PAYE) will be able to view their total liabilities across all taxes.

The government will invest £1.3 billion to 'transform HMRC into one of the most digitally advanced tax administrations in the world'.



### Simple assessment

The government will publish draft legislation that will enable a new process for paying tax. This will be used for taxpayers in self assessment who have simple tax affairs where HMRC already holds all the data it needs to calculate the tax liability, and where existing payment processes are not available. Taxpayers will be sent a calculation which will be a legally enforceable demand for payment, and taxpayers will be able to challenge and appeal these calculations. This process will come into effect in the 2016/17 tax year.

### Taxation of sporting testimonials

The government will legislate to simplify the tax treatment of income from sporting testimonials. From 6 April 2017, all income from sporting testimonials and benefit matches for employed sportspersons will be liable to income tax. However, an exemption of up to £50,000 will be available for employed sportspersons with income from sporting testimonials that are not contractual or customary. This legislation will apply

where the sporting testimonial is granted or awarded on or after 25 November 2015, and only to events that take place after 5 April 2017.

### Gift Aid Small Donations Scheme (GASDS)

GASDS allows eligible charities and Community Amateur Sports Clubs to claim a Gift Aid style payment on small cash donations of up to £20. From April 2016, the annual donation amount which can be claimed through the GASDS will increase to £8,000. The government is going to review the operation of this scheme to ensure it is operating as effectively as possible.

### VAT on sanitary products

The government has set up a new fund that will make available £15 million a year, equivalent to the annual VAT raised on sanitary products, to support women's charities. This will continue over the course of this Parliament, or until EU rules are amended to enable the UK to apply a zero rate.

#### **Comment**

This is an example of social media in action. A petition, signed by 300,000 people, argued that no VAT should be charged on sanitary products. VAT is already charged at the lowest 5% rate allowable under European law. The suggestion to use the funds for charitable purposes was made to the Chancellor by an MP and is similar to the way the government use LIBOR fines.

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