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The Second Budget 2015

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A second Budget within a calendar year is highly unusual. Five years ago, in the run-up to the May 2010 General Election, the Conservatives announced that if elected they would hold an 'Emergency Budget' in order to reverse the policies of the previous Labour government and introduce measures aimed at tackling the UK's deficit. Although many Conservative manifesto pledges failed to survive the Coalition agreement with the Liberal Democrats, the Emergency Budget duly took place on 22 June 2010.

With the Conservatives having been in Government for the last five years the circumstances are different this time, but nonetheless within two weeks of his party winning the General Election on 7 May, Chancellor George Osborne announced that he would hold a 'Stability Budget' on 8 July because, in his words, 'I don't want to wait to turn the promises we made in the Election into a reality'.

Although many commentators expected the Conservatives to be the largest party following the May 2015 General Election, few predicted that they would win enough seats to be able to form an overall majority government and have the power to implement their manifesto in full. The Second Budget has provided the Chancellor with an opportunity to introduce measures on tax, spending and borrowing that he might not have been able to enact while in Government with his Coalition partners at the time of the Spring Budget on 18 March.

About this Report

This Budget Report was written immediately after the Chancellor delivered his Budget speech and offers a general overview of the main announcements. Please contact us for expert advice that is specific to your individual circumstances.

Chancellor unveils 'new settlement from a one-nation Government'

Delivering the first Conservative-only Budget in nearly 20 years, Chancellor George Osborne announced a series of bold measures affecting business, tax and welfare in his 2015 Second Budget.

Heralding the Second Budget as a 'big Budget for a country with big ambitions', the Chancellor unveiled his announcements with the stated aim of moving from a 'low wage, high tax, high welfare economy to the higher wage, lower tax, lower welfare country we intend to create'.

Acknowledging the ongoing risks posed by the global economy, the Chancellor reported that the Office for Budget Responsibility had revised down its economic growth forecast to 2.4% for 2015 and announced that a budget surplus will now be reached a year later than planned, in 2019/20.

In a series of moves designed to incentivise UK businesses, the Chancellor announced future reductions in corporation tax to 18%. The Annual Investment Allowance will be set at £200,000 from 1 January 2016, while the Employment Allowance will be increased by 50% to £3,000 from April 2016. Meanwhile, a new apprenticeships levy will be applied to all large firms.

Budget Highlights

- **New inheritance tax allowance for main residence**
- **Future cut in corporation tax to 18%**
- **Annual Investment Allowance set at £200,000 from January 2016**
- **Employment Allowance increased to £3,000 from April 2016**
- **Personal allowance to rise to £11,000 from April 2016**
- **New National Living Wage from April 2016**
- **Permanent non-dom status to be abolished from April 2017**
- **Pensions tax relief annual allowance to be reduced from next year**
- **New fiscal charter to commit Government to a budget surplus**

Key announcements on personal taxation include an increase in the basic income tax personal allowance threshold to £11,000 next year, and a rise in the basic rate limit to £32,000. The pensions tax relief annual allowance for the highest earners will be reduced from next year, and a new Green Paper will propose radical changes to the pension saving system.

A new, compulsory National Living Wage will apply for those aged 25 and above from next April, while working parents will receive up to 30 hours a week of free childcare for 3-4 year olds from September 2017.

Changes to the inheritance tax rules will include a new main residence allowance starting at £100,000 and rising to £175,000 by 2021. This could allow families to pass on up to a total of £1m to their children without paying inheritance tax.

Further measures to clamp down on tax evasion and aggressive tax avoidance are expected to raise an additional £5bn and the Government will abolish permanent non-dom status from April 2017.

Other measures announced include a freeze in fuel duty for the remainder of the year, a planned relaxation of Sunday trading laws for England and Wales, and a new Roads Fund which will be supported by Vehicle Excise Duty.

Welfare reform – some key measures

- A freezing of working-age benefits, including tax credits and Local Housing Allowance, for a period of four years from 2016/17 (excluding Maternity Allowance, maternity pay, paternity pay and sick pay)
- A reduction in the household benefit cap to £20,000 (£23,000 in London)
- Support through Child Tax Credit to be limited to two children, for those born from April 2017
- A new requirement for those aged 18 to 21 who are on Universal Credit to apply for an apprenticeship or traineeship, gain work-based skills, or go on a work placement six months after the start of their claim
- A reduction in rents for social housing by 1% a year for four years, and a requirement for tenants on higher incomes (over £40,000 in London and over £30,000 outside London) to pay market rate, or near market rate, rents.

Business tax and investment incentives

Corporation tax

Corporation tax rates are as follows:

Financial year to	31 March 2016	31 March 2015
Taxable profits		
First £300,000	20%	20%
Next £1,200,000	20%	21.25%
Over £1,500,000	20%	21%

The corporation tax main rate will be 19% for the financial years beginning 1 April 2017, 1 April 2018 and 1 April 2019, and 18% for the financial year beginning 1 April 2020.

Annual Investment Allowance (AIA)

The maximum amount of AIA is currently £500,000 for all qualifying expenditure on plant and machinery from 1 April 2014 for corporation tax and 6 April 2014 for income tax. This limit will be reduced to £200,000 (instead of the previously announced £25,000) with effect from 1 January 2016.

Goodwill

Legislation will be introduced to remove corporation tax relief for companies who write off the cost of purchased goodwill and certain customer related intangible assets. This will apply to accounting periods beginning on or after 8 July 2015, but not in respect of acquisitions made before 8 July 2015.

Any losses arising on a disposal, on or after 8 July 2015, of goodwill that is subject to the new rules, will be treated as non-trading debits and will not be included in the calculation of trading losses.

Corporation tax payment dates

The Government will introduce new payment dates for companies with annual taxable profits of £20m or more. Where a company is a member of a group, the £20m threshold will be divided by the number of companies in the group. Affected companies will be required to pay corporation tax in quarterly instalments in the third, sixth, ninth and twelfth months of their accounting period. This will apply to accounting periods starting on or after 1 April 2017.

Research and development

Legislation will be introduced to make an institution of higher education or a charity ineligible to make a claim for the Research & Development Expenditure Credit in relation to any expenditure incurred on or after 1 August 2015. This change does not affect 'spin out' companies used by universities or charities to commercialise their research.

Controlled Foreign Companies (CFCs)

Legislation will be introduced to stop losses and other surplus expenses from being set off against the CFC charge on the profits of CFCs. This will apply to profits arising on or after 8 July 2015.

"If these exit polls are right, I'll publicly eat my hat"
Paddy Ashdown, former Lib Dem Leader

Venture capital schemes

The Government will, subject to state aid approval, make changes to the Seed Enterprise Investment Scheme (SEIS), Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT) rules so that:

- companies are prevented from using EIS and VCT investments to acquire a business
- the money raised must be used for the growth and development of the company (or subsidiary company)
- where an individual already holds shares in a company, an issue of new shares will not be eligible for EIS unless the individual has made a risk finance investment in the company before Royal Assent or the individual's shares in the company (excluding founders' shares) were a risk finance investment
- companies must raise their first investment under EIS, VCT or other risk finance investment within seven years of making their first commercial sale (or 10 years for a knowledge-intensive company), except where the amount of the investment is at least 50% of the company's annual turnover, averaged over the previous five years
- the total amount of investment a company may raise under EIS, VCT or other risk finance investment, is capped at £12m (or £20m for knowledge-intensive companies)
- the employee limit for knowledge-intensive companies is increased from 249 to 499 employees
- companies will, from 6 April 2015, no longer need to use at least 70% of SEIS funds before raising funds under EIS or VCT, respectively
- the rule prohibiting the use of money for the acquisition of shares is extended to all investments made by VCTs
- it is clarified that farming outside the UK is not an eligible activity.

The above changes will have effect from Royal Assent except where indicated. A risk finance investment is an investment under EIS, SEIS or Social Investment Tax Relief.

Tax Spotlight

Consider the timing of capital expenditure to maximise claims for capital allowances.

Expenditure incurred before the business year end could reduce the current year's tax liability instead of next year's.

Please talk to us about the best option for your business.

Banks

An 8% surcharge will be levied on the profits of banking companies. This will take effect in accounting periods beginning on or after 1 January 2016.

The bank levy rate will decrease from 0.21% to 0.18% from 1 January 2016 and will continue to decrease each calendar year thereafter until 2021. Also with effect from 1 January 2016, a proportionate decrease to 0.09% will be made to the half rate, with corresponding reductions being made each following calendar year until 2021.

Legislation will be introduced to deny banks and building societies corporation tax relief for compensation payments and associated expenditures, arising on or after 8 July 2015, relating to misconduct issues.

The restriction on the amount of profits that banks and building societies can offset by carried forward losses is to be extended to include savings banks established under the Savings Banks (Scotland) Act 1819. This will have effect from 1 April 2015.

"I will eat my kilt if [the SNP] get 58 seats"
Alastair Campbell, former Labour political aide

National insurance contributions (NICs)

2015/16	Employee (primary)	Employer (secondary)
Class 1 – (not contracted out)		
Payable on weekly earnings of:		
Below £112 (lower earnings limit)	Nil	–
£112 - £155 (primary threshold)	*0%	–
Up to £156 (secondary threshold)	–	Nil
Above £156	–	13.8%
£155.01 - £815 (upper earnings limit)	**12%	–
£156.01 - £815 (upper secondary threshold - under 21s)	12%	0%
Above £815	**2%	–

**No NICs are actually payable but notional Class 1 NIC is deemed to have been paid; this protects contributory benefit entitlement.*
***Over state pension age, the employee contribution is generally nil.*

Employment Allowance		up to £2,000 (per year)
Class 1A	On relevant benefits	13.8%
Class 2	Self employed	£2.80 per week
	Small profits threshold	£5,965 per annum
Class 3	Voluntary	£14.10 per week
Class 4	Self employed on annual profits	
	£8,060 - £42,385	*9%
	Excess over £42,385	*2%

**Exemption applies if state pension age was reached by 6 April 2015.*

Apprentices

Employer NICs up to the upper secondary threshold for apprentices aged under 25 will be abolished from April 2016.

Changes to the Employment Allowance

From April 2016 the Employment Allowance will increase to £3,000. However, companies where the director is the sole employee will no longer be able to claim this allowance.

Upper Earnings Limit

It was announced that the NICs Upper Earnings Limit will increase to remain in line with the income tax higher rate threshold, which will rise to £43,000 in 2016/17 and to £43,600 in 2017/18.

Class 2 and Class 4 NICs

The Government has previously announced its intention to abolish Class 2 NICs and reform Class 4 NICs to introduce a new benefit test. The Government will consult on the detail and timing of these reforms later in 2015.

Tax and travel

Car and fuel benefits

The taxable petrol and diesel car benefit is based on the car's CO_2 emissions. It is calculated using the car's UK list price and applying the 'appropriate percentage' as shown in the table on the right. The car fuel benefit is calculated by applying the same percentages to the fuel benefit charge multiplier, which for 2015/16 is £22,100.

From April 2015, the five year exemption for zero carbon and the lower rate for ultra-low carbon emission cars came to an end. Two new bands were introduced for ultra-low emission vehicles (ULEVs). These were set at 0-50 g/km and 51-75 g/km.

The appropriate percentages for the remaining bands have increased by 2% for cars emitting more than 75 g/km, to a new maximum of 37%.

Future changes

From April 2016, all the appropriate percentages will be increased by 2% up to the maximum of 37%. In addition, new European standards which come into force in September 2015 require diesel cars to have the same air quality emissions as petrol cars. The 3% diesel supplement will therefore be removed in April 2016, so that diesel cars will then be subject to the same level of tax as petrol cars.

The appropriate percentage will increase by 2% for cars emitting more than 75 g/km to a maximum of 37% in each of years 2017/18 and 2018/19.

CO_2 emissions	Appropriate percentage		Quarterly VAT	
(g/km)	Petrol %	Diesel %	Flat Rate Valuation £	VAT on charge £
0 - 50	5	8		
51 - 75	9	12		
76 - 94	13	16		
95 - 99	14	17		
100 - 104	15	18	133.00	22.17
105 – 109	16	19		
110 – 114	17	20		
115 – 119	18	21		
120 – 124	19	22		
125 – 129	20	23	200.00	33.33
130 – 134	21	24	213.00	35.50
135 – 139	22	25	227.00	37.83
140 – 144	23	26	240.00	40.00
145 – 149	24	27	254.00	42.33
150 – 154	25	28	267.00	44.50
155 – 159	26	29	281.00	46.83
160 – 164	27	30	294.00	49.00
165 – 169	28	31	308.00	51.33
170 – 174	29	32	320.00	53.33
175 – 179	30	33	334.00	55.67
180 – 184	31	34	347.00	57.83
185 – 189	32	35	361.00	60.17
190 – 194	33	36	374.00	62.33
195 – 199	34		388.00	64.67
200 – 204	35		401.00	66.83
205 – 209	36		415.00	69.17
210 – 214		37	428.00	71.33
215 – 219	37		441.00	73.50
220 – 224			455.00	75.83
225 and above			468.00	78.00

VAT on fuel for private use in cars

Where businesses wish to reclaim the input VAT on fuel which has some degree of private use, they must account for output VAT for which they may use the flat rate valuation charge. The table above shows the VAT chargeable for quarters commencing on or after 1 May 2015.

Company vans

The taxable benefit for the unrestricted private use of vans is £3,150. There is a further £594 taxable benefit if the employer provides fuel for private travel.

Van and fuel charge	Van £	Fuel £	Total £
Tax (20% taxpayer)	630	118.80	748.80
Tax (40% taxpayer)	1,260	237.60	1,497.60
Tax (45% taxpayer)	1,417.50	267.30	1,684.80
Employer's Class 1A NICs	434.70	81.97	516.67

Zero emission vans

As previously announced, the van benefit for zero emission vans is to be increased on a tapered basis so that there will be a single van benefit charge applying to all vans by April 2020. For 2015/16 the charge will be 20% of the value of the standard van benefit charge (i.e. £630). There is no fuel benefit for such vans.

Mileage rates

Changes to the HMRC business mileage rates are announced from time to time. The rates from 1 June 2015 are as follows:

Vehicle	First 10,000 miles	Thereafter	Car – fuel only advisory rates Engine capacity	Petrol	Diesel	LPG
Car/van	45p	25p	1400cc or less	12p	10p	8p
Motorcycle	24p	24p	1401cc to 1600cc	14p	10p	9p
Bicycle	20p	20p	1601cc to 2000cc	14p	12p	9p
			Over 2000cc	21p	14p	14p

The fuel only advisory rates relate to company cars only. They can be applied as a tax-free maximum rate for employees claiming for petrol used on business journeys and for employees reimbursing their employers with the cost of petrol used for private journeys. HMRC will consider claims for a higher maximum rate, if it can be demonstrated that it is necessary for an employee to use a car with higher than average fuel costs.

Plug-in Grants

Motorists (private or business) purchasing new qualifying ultra-low emission cars can receive a grant of 25% towards the cost of the vehicle, up to a maximum of £5,000. The scheme also covers new qualifying ultra-low emission vans, where the available grant will be 20% towards the cost of the vehicle, up to a maximum of £8,000. Vehicles with CO_2 emissions of 75 g/km or less, including electric, plug-in hybrid and hydrogen-fuelled cars, are all potentially eligible for the subsidy. There are strict criteria to be met before specific vehicles can be confirmed as eligible under the rules of the scheme.

Car costs – Vehicle Excise Duty (VED) rates

VED ('Car Tax') rates also reflect emissions, with lower scale rates for cars using alternative fuels. The following table shows the rates which apply from 1 April 2015 for cars registered on or after 1 March 2001:

VED Band	CO_2 Emissions (g/km)	First Year Rate £	Standard Rate	
			Petrol & Diesel £	Alternative Fuels £
A	Up to 100	0	0	0
B	101 - 110	0	20	10
C	111 - 120	0	30	20
D	121 - 130	0	110	100
E	131 - 140	130	130	120
F	141 - 150	145	145	135
G	151 - 165	180	180	170
H	166 - 175	295	205	195
I	176 - 185	350	225	215
J	186 - 200	490	265	255
K*	201 - 225	640	290	280
L	226 - 255	870	490	480
M	Over 255	1,100	505	495

**includes cars emitting over 225 g/km that were registered before 23 March 2006.*

Reforms to VED

All cars first registered before 1 April 2017 will remain in the current VED system, which will not change. For cars first registered from 1 April 2017 onwards the following reforms will be introduced:

- First Year Rates will vary according to the CO_2 emissions of the vehicle
- a flat Standard Rate of £140 will apply in all subsequent years (except zero-emission cars for which the Standard Rate will be £0)
- cars with a list price above £40,000 will attract a supplement of £310 for the first five years in which a Standard Rate is paid.

From 2020/21 revenues from VED will be used to create a new Roads Fund.

MOTs

The Government will explore the options for requiring motorists with new cars to undergo the first MOT after four years, rather than three, as part of the forthcoming Motoring Services Strategy.

Value Added Tax (VAT)

From	**1 April 2015**
Standard rate	20%
VAT fraction	1/6
Reduced rate	5%
Current Turnover Limits	
Registration – last 12 months or next 30 days over	£82,000 from 1 April 2015
Deregistration – next 12 months under	£80,000 from 1 April 2015
Annual and Cash Accounting Schemes	£1,350,000
Flat Rate Scheme	£150,000

National Minimum Wage (NMW)

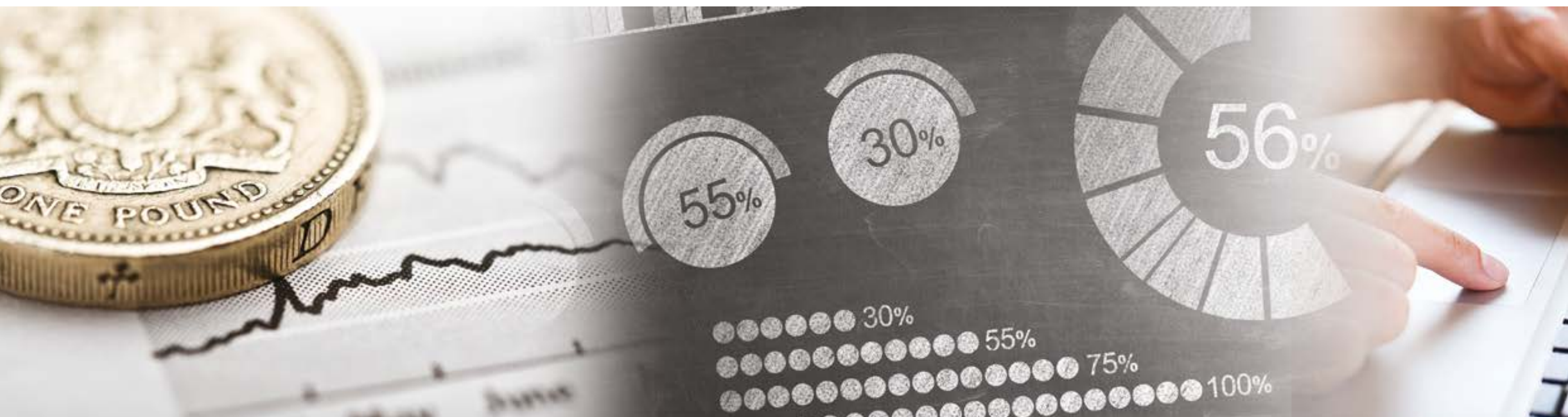
The NMW rates are as follows:

Age	21 and over	18-20	16 and 17	Apprentices*
From 1 October 2014	£6.50	£5.13	£3.79	£2.73
From 1 October 2015	£6.70	£5.30	£3.87	£3.30

**Rate applies to apprentices under 19, or those 19 and over in the first year of apprenticeship.*

With effect from 26 May 2015, the maximum financial penalty for employers who flout the NMW has increased to £20,000 per worker. This compares with a previous penalty of 100% of the total underpayment which was subject to a maximum of £20,000 per notice.

From April 2016 a new National Living Wage (NLW) in the form of a premium on top of the NMW will be introduced for workers aged 25 and above. Initially set at £7.20, it is expected to rise to over £9 by 2020.



Income tax and personal savings

Income tax

	2015/16	2014/15
Basic rate band – income up to	£31,785	£31,865
Starting rate for savings income	*0%	*10%
Basic rate	20%	20%
Dividend ordinary rate	10%	10%
Higher rate – income over	£31,785	£31,865
Higher rate	40%	40%
Dividend upper rate	32.5%	32.5%
Additional rate – income over	£150,000	£150,000
Additional rate	45%	45%
Dividend additional rate	37.5%	37.5%
Starting rate limit (savings income)	*£5,000	*£2,880

**If an individual's taxable non-savings income exceeds the starting rate limit, then the starting rate limit for savings will not be available for savings income.*

Personal allowances (PA)

	2015/16	2014/15
Born after 5 April 1948	£10,600	£10,000
Born between 6 April 1938 and 5 April 1948	*£10,600	*£10,500
Born before 6 April 1938	*£10,660	*£10,660
Married couple's allowance (MCA) Either partner born before 6 April 1935 (relief restricted to 10%)	*£8,355	*£8,165
Transferable Tax Allowance For certain married couples and civil partners born after 5 April 1935 (relief restricted to 20%)	£1,060	–

**Allowances for those born before 6 April 1948 are reduced by £1 for every £2 that adjusted net income exceeds £27,700 (£27,000) to a minimum PA of £10,600 (£10,000) and to a minimum MCA of £3,220 (£3,140).*

Where adjusted net income exceeds £100,000, PA is reduced in the same way until it is nil regardless of the individual's date of birth.

The higher personal allowance for those born before 6 April 1938 will be removed with effect from 2016/17, so that everyone regardless of their age is entitled to the same personal allowance.

The personal allowance will be increased to £11,000 for 2016/17. The basic rate limit will be increased to £32,000 for 2016/17.

"Hell yes, I'm tough enough"
Ed Miliband, former Labour Leader

Dividend taxation

From April 2016 the Dividend Tax Credit will be abolished and a new Dividend Tax Allowance of £5,000 a year will be introduced.

The new rates of tax on dividend income above the allowance will be 7.5% for basic rate taxpayers, 32.5% for higher rate taxpayers and 38.1% for additional rate taxpayers.

Restricting finance cost relief for individual landlords

New legislation will mean that landlords will no longer be able to deduct all of their finance costs from their residential property income to arrive at their property profits. They will instead receive a basic rate reduction from their income tax liability for their finance costs.

This will be introduced gradually from 6 April 2017.

Reform of the Wear and Tear Allowance

The Government will, with effect from April 2016, replace the Wear and Tear Allowance with a new relief that allows all residential landlords to deduct the actual costs of replacing furnishings.

Tax Spotlight

Consider investing parental gifts to produce tax-free income, or to accumulate income, or in a cash or stocks and shares Junior ISA. The £100 limit on tax-free interest generated by parental gifts does not apply to gifts into Child Trust Funds, Junior ISAs or National Savings Children's Bonds.

Rent-a-Room relief

From April 2016 the level of Rent-a-Room relief will be increased from £4,250 to £7,500.

Pensions: reduced Annual Allowance for top earners

For those with income (including the value of any pension contributions) above £150,000, the benefits of pensions tax relief will be restricted by tapering away their Annual Allowance to a minimum of £10,000. This will be effective from 6 April 2016.

In order to facilitate the taper, legislation will also be introduced to align pension input periods with the tax year as well as transitional rules to protect savers who might otherwise be affected by the alignment of their pension input periods.

Eligibility of non-domicile status for UK born individuals

From April 2017, individuals who are born in the UK to parents who are domiciled here, will no longer be able to claim non-domicile status whilst they are resident in the UK.

Abolition of non-domicile status for long domicile residents

Legislation will be introduced so that from April 2017 anybody who has been resident in the UK for more than 15 of the past 20 tax years will be deemed to be domiciled in the UK for tax purposes. A technical consultation will be published later in the year.

"If all the economists were laid end to end, they would not reach a conclusion"
George Bernard Shaw, playwright and co-founder of the London School of Economics

Tax shelters

	2015/16	2014/15
Venture Capital Trust up to	£200,000	£200,000
Enterprise Investment Scheme up to	£1,000,000	£1,000,000
Seed Enterprise Investment Scheme up to	£100,000	£100,000
Social Investment Tax Relief up to	£1,000,000	£1,000,000

Individual Savings Accounts (ISAs) and Child Trust Funds (CTFs)

2015/16 limits:

Overall investment limit	£15,240
Junior ISA and CTF limit	£4,080

Regulations will be introduced in Autumn 2015, following consultation on technical detail, to enable ISA savers to withdraw and replace money from their cash ISA without it counting towards their annual ISA subscription limit for that year.

Personal Savings Allowance

As previously announced, with effect from April 2016, a tax-free Personal Savings Allowance is to be introduced for interest income. This 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. It will not be available for additional rate taxpayers, but will be in addition to the tax advantages currently available to savers from ISAs.

From April 2016 banks and building societies will no longer automatically take 20% in income tax from the interest earned on individuals' non-ISA savings.

Income tax, NICs and VAT 'tax lock'

The Government will legislate to set a ceiling for the main rates of income tax, the standard and reduced rates of VAT, and employer and employee (Class 1) NICs rates, ensuring that they cannot rise above their current (2015/16) levels.

The 'tax lock' will also ensure that the NICs Upper Earnings Limit cannot rise above the income tax higher rate threshold; and will prevent the relevant statutory provisions being used to remove any items from the zero rate of VAT and reduced rate of VAT for the duration of this Parliament.

Annuities

As previously announced, changes will be made with effect from April 2016 to allow people who are already receiving income from an annuity to sell that income to a third party as and when they choose. There will be a consultation on how best to remove the barriers to the creation of a secondary market in annuities.

Pension lifetime allowance

Also as previously announced, the Government intends to reduce the pension lifetime allowance to £1m with effect from 6 April 2016. Fixed and individual protection regimes will be introduced alongside the reduction in the lifetime allowance to protect savers who think they may be affected by this change. Provisions to increase the allowance in line with CPI from 2018 will be included.

"There can be economy only where there is efficiency"
Benjamin Disraeli, former Chancellor and Prime Minister

Capital taxes

Capital gains tax (CGT)

On chargeable gains	2015/16
Total taxable income and gains	
Up to £31,785	18%
From £31,786	28%
Trust rate	28%

Entrepreneurs' relief

Qualifying gains will be taxed at 10%. Claims may be made on more than one occasion up to a 'lifetime' total of £10m. Annual exempt amount – individuals £11,100 and most trustees £5,550.

CGT: tax treatment of carried interest

Legislation will be introduced to provide that where an individual performs investment management services for a collective investment scheme through an arrangement involving one or more partnerships, any sums received in respect of carried interest under that arrangement will constitute a chargeable gain and be subject to CGT. This will cover the entire sum received by an individual, regardless of the items notionally applied to satisfy the carried interest at the level of the partnership or other entity in the fund structure.

This measure will have effect on all carried interest arising on or after 8 July 2015, whenever the arrangements were entered into.

Inheritance tax (IHT) nil-rate band

The IHT nil-rate band was previously frozen at £325,000 until April 2018. It will now remain frozen until April 2021.

IHT: main residence nil-rate band

The Government will introduce an additional nil-rate band when a residence is passed on death to a direct descendant. This will be £100,000 in 2017/18 and will increase by £25,000 each year until it is £175,000 in 2020/21.

This will affect individuals, with direct descendants, who have an estate (including a main residence) with total assets above the IHT threshold (or nil-rate band) of £325,000.

IHT and non-domiciles

From April 2017, the point at which an individual who is classed as a non-domicile is deemed to be domiciled for IHT purposes will be brought forward to 15 out of 20 years. The Government will also treat individuals who were born in the UK to parents who are domiciled here, as UK domiciled whilst they are in the UK. This aligns IHT with the changes to the income tax and CGT regimes.

"Economy is too late when you are at the bottom of your purse"
Seneca, Roman philosopher and statesman

IHT on UK residential property of non-domiciles

The Government will legislate to ensure that from April 2017, IHT is payable on all UK residential property owned by non-domiciles including property held indirectly through an offshore structure. This will apply regardless of their residence status for tax purposes and so will also include non-domiciles who are not UK resident. A full consultation will take place later in the year.

Tax Spotlight

Many smaller or regular gifts are exempt from inheritance tax, and larger gifts may become exempt after seven years (certain rules apply – please ask us for details) so a strategy of making gifts in your lifetime can substantially reduce your taxable estate on death.

Other measures announced

Increased HMRC powers

Legislation will be introduced to modernise and strengthen HMRC's powers to recover in certain circumstances tax and tax credit debts of over £1,000 directly from debtors' bank and building society accounts, including funds held in cash ISAs. Safeguards will be put in place, including a county court appeal process and a face-to-face visit to every debtor before they are considered for debt recovery.

HMRC's funding will be increased by a total of over £60m by 2020/21 to allow it to step up its criminal investigations into serious and complex tax crime.

The Government will extend HMRC's powers to acquire data from online intermediaries and electronic payment providers to find those operating in the hidden economy. The Government will also create a digital disclosure channel which makes it simple for taxpayers to disclose unpaid tax liabilities.

An investment of around £300m will be made by the Government over five years from 2016 to tackle non-compliance by small and mid-sized businesses, public bodies and affluent individuals.

IR35 reform

The Government will consult on how to 'improve the effectiveness' of existing intermediaries legislation ('IR35'). A discussion document will be published after the Budget.

Apprenticeships levy

A new levy will be introduced on large UK employers to increase the number of apprenticeship starts. Employers in England will be able to access this funding for apprenticeship training. Details will be set out in the Spending Review.

Extending averaging for farmers

As previously announced, the averaging period for farmers will be extended from two years to five years as of April 2016. The Government will publish a consultation at a later date.

"In our time, the curse is monetary illiteracy, just as inability to read plain print was the curse of earlier centuries"
Ezra Pound, poet

Charter for Budget Responsibility

The Government has published a draft Charter for Budget Responsibility which sets out a target for a surplus on public sector net borrowing in 2019/20, and a supplementary target for public sector net debt to fall as a share of GDP in each year from 2015/16 to 2019/20.

It also sets out a target, once a surplus is achieved in 2019/20, to run a surplus each subsequent year as long as the economy remains in 'normal times'. The Charter will be voted on by the House of Commons in the Autumn of 2015.

What they said...

Many difficult but necessary decisions are required to save money and this will be done with moderation but determination. This is a one nation Government that does the best thing for the economy and the right thing for the country.

Chancellor George Osborne

This Budget is less about economic strategy, more about political tactics designed by the Chancellor to help him move in next door…Even with the higher national wage that he's announced it will not be enough for a family to live on because of the cuts in tax credits.

Harriet Harman, Interim Labour Leader

We agree with the focus on productivity but need to see the details to raise skills through the apprenticeship levy on large firms. Even though offset by a welcome increase in the Employment Allowance, some will find the new National Living Wage challenging.

John Allan, Federation of Small Businesses

For young people, it was all bad news as they will not get the minimum wage boost and will suffer from cuts to higher education grants and housing benefit. And it was not a one-nation budget for public sector workers who will face years more of cuts to real wages.

Frances O'Grady, TUC

Unfortunately, Osborne has not been quite so bold in all areas. The Annual Investment Allowance has been fixed for five years, but at far too low a rate of £200,000. This will not help as many small and medium-sized businesses to invest for the future.

Simon Walker, Institute of Directors

My key Budget points

Use this page to record any key points arising from the Budget which you think might affect you or your business. Once you have completed your summary, contact us to discuss the issues and for advice on any appropriate action to take.

Key point or question

	To follow up ✓	**Action agreed** ✓

This Budget Report was prepared immediately after the Chancellor's Budget Statement based on official press releases and supporting documentation. The Budget proposals are subject to amendment before the Finance Act receives Royal Assent. This Report is for guidance only, and professional advice should be obtained before acting on any information contained herein. No responsibility can be accepted by the publishers or the distributors for loss occasioned to any person as a result of action taken or refrained from in consequence of the contents of this publication.

2015/16 Tax Calendar

April 2015

M	Tu	W	Th	F	Sa	Su
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

May 2015

M	Tu	W	Th	F	Sa	Su
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

June 2015

M	Tu	W	Th	F	Sa	Su
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

July 2015

M	Tu	W	Th	F	Sa	Su
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

August 2015

M	Tu	W	Th	F	Sa	Su
31					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

September 2015

M	Tu	W	Th	F	Sa	Su
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

October 2015

M	Tu	W	Th	F	Sa	Su
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

November 2015

M	Tu	W	Th	F	Sa	Su
30						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

December 2015

M	Tu	W	Th	F	Sa	Su
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

January 2016

M	Tu	W	Th	F	Sa	Su
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

February 2016

M	Tu	W	Th	F	Sa	Su
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29						

March 2016

M	Tu	W	Th	F	Sa	Su
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

April 2015

5 Last day of 2014/15 tax year.

Deadline for 2014/15 ISA investments.

Last day to make disposals using the 2014/15 CGT exemption.

14 Due date for income tax for the CT61 period to 31 March 2015.

17/22 Quarter 4 2014/15 PAYE remittance due.

20 Interest will begin to accrue on unpaid PAYE/NI for 2014/15.

30 Normal annual adjustment for VAT partial exemption calculations (monthly returns).

May 2015

1 Start of daily penalties for 2014 online Tax Return not yet filed. Additional penalties may apply for further delay.

3 Submission date of P46 (Car) for quarter to 5 April.

31 Last day to issue 2014/15 P60s to employees.

June 2015

30 End of CT61 quarterly period.

Annual adjustment for VAT partial exemption calculations (March VAT year end).

July 2015

6 Deadline for submission of Form 42 (transactions in shares and securities).

Deadline for submission of EMI40 (EMI Annual Return).

File Taxed Award Scheme Returns, file P11Ds, P11D(b)s and P9Ds. Issue copies of P11Ds or P9Ds to employees.

Deadline for entering into a PAYE Settlement Agreement for 2014/15.

14 Due date for income tax for the CT61 period to 30 June 2015.

17/22 Quarter 1 2015/16 PAYE remittance due.

Final date for payment of 2014/15 Class 1A NICs.

31 Second payment due date for 2014/15 Class 2 NICs.

Second self assessment payment on account for 2014/15.

Annual adjustment for VAT partial exemption calculations (April VAT year end).

Liability to 5% penalty on any tax unpaid for 2013/14.

Deadline for tax credit Annual Declaration (if estimated, final figures required by 31/01/16).

August 2015

2 Submission date of P46 (Car) for quarter to 5 July.

31 Annual adjustment for VAT partial exemption calculations (May VAT year end).

September 2015

30 End of CT61 quarterly period.

Last day for UK businesses to reclaim EC VAT chargeable in 2014.

October 2015

1 Due date for payment of Corporation Tax for period ended 31 December 2014.

5 Individuals/trustees must notify HMRC of new sources of income/chargeability in 2014/15 if a Tax Return has not been received.

14 Due date for income tax for the CT61 quarter to 30 September 2015.

19/22 Quarter 2 2015/16 PAYE remittance due.

31 Last day to file 2015 paper Tax Return without incurring penalties.

November 2015

1 £100 penalty if 2015 paper Tax Return not yet filed. Additional penalties may apply for further delay (no penalties if online return filed by 31 January 2016).

2 Submission date of P46 (Car) for quarter to 5 October.

December 2015

30 Last day for online submission of 2015 Tax Return where outstanding tax (subject to cap) to be included in the 2016/17 PAYE code.

31 Last day for non-EU traders to reclaim recoverable UK VAT suffered in the year to 30 June 2015.

End of relevant year for taxable distance supplies to UK for VAT registration purposes.

End of relevant year for cross-border acquisitions of taxable goods in the UK for VAT registration purposes.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for period ended 31 December 2014.

January 2016

1 Due date for payment of Corporation Tax for period ended 31 March 2015.

14 Due date for income tax for the CT61 quarter to 31 December 2015.

19/22 Quarter 3 2015/16 PAYE remittance due.

31 First self assessment payment on account for 2015/16.

Capital gains tax payment for 2014/15.

Balancing payment – 2014/15 income tax/Class 4 NICs.

Last day to renew 2015/16 tax credits.

First payment due date for 2015/16 Class 2 NICs.

Last day to pay any balance of 2013/14 tax and Class 4 NICs to avoid an automatic 5% late payment penalty.

Deadline for amending 2014 Tax Return.

Last day to file the 2015 Tax Return online without incurring penalties.

February 2016

1 £100 penalty if 2015 Tax Return not yet filed online. Additional penalties may apply for further delay. Interest starts to accrue on 2014/15 tax not yet paid.

2 Submission date of P46 (Car) for quarter to 5 January.

14 Last date (for practical purposes) to request NIC deferment for 2015/16.

March 2016

2 Last day to pay any balance of 2014/15 tax and Class 4 NICs to avoid an automatic 5% late payment penalty.

31 End of Corporation Tax financial year.

End of CT61 quarterly period.

Filing date for Company Tax Return Form CT600 for period ended 31 March 2015.