

Budget 2016

17 March 2016



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#mcbtax

Budget 2016

Nick Paterno, Managing Partner

17 March 2016

EU In/Out Referendum “Facts” - Trade

The EU accounted for 45% of the UK's exports and 53% of its imports in 2014

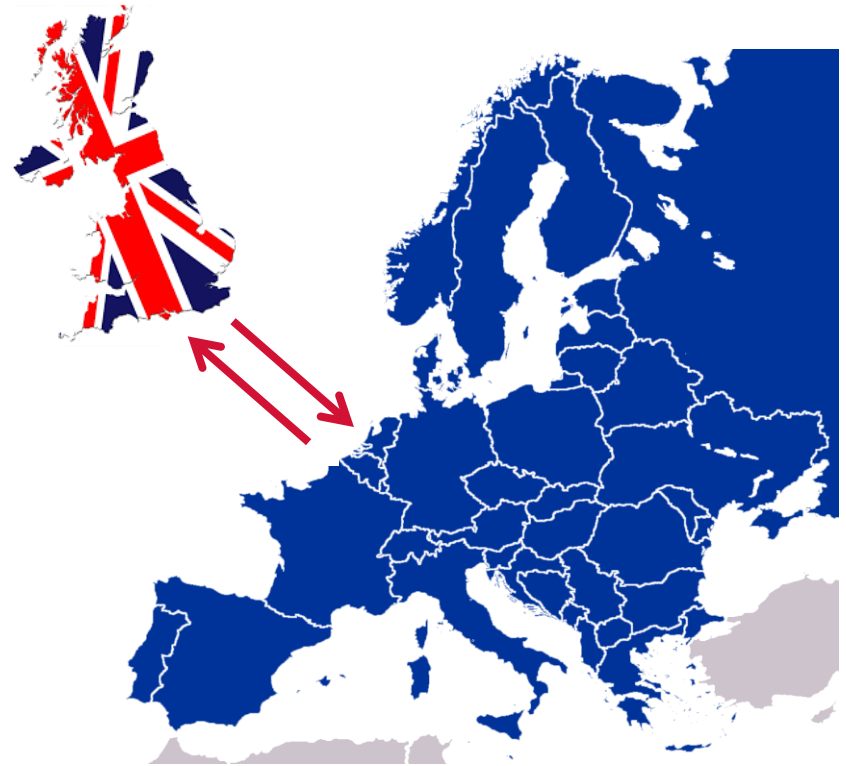
These numbers are falling! The EU's share of Global GDP was 30% in 2003 and exports were 55% and imports 58% in 2002.

Allowing for the 'Rotterdam effect' and excluding trade with the Netherlands the figures are 42% of exports and 46% of imports

The UK's trade with the EU is dominated by goods – these representing $\frac{2}{3}$ of exports and $\frac{3}{4}$ of imports

But UK has a large service based economy with the highest ratio of services to GDP in the G7 and the largest share of financial services exports -27%

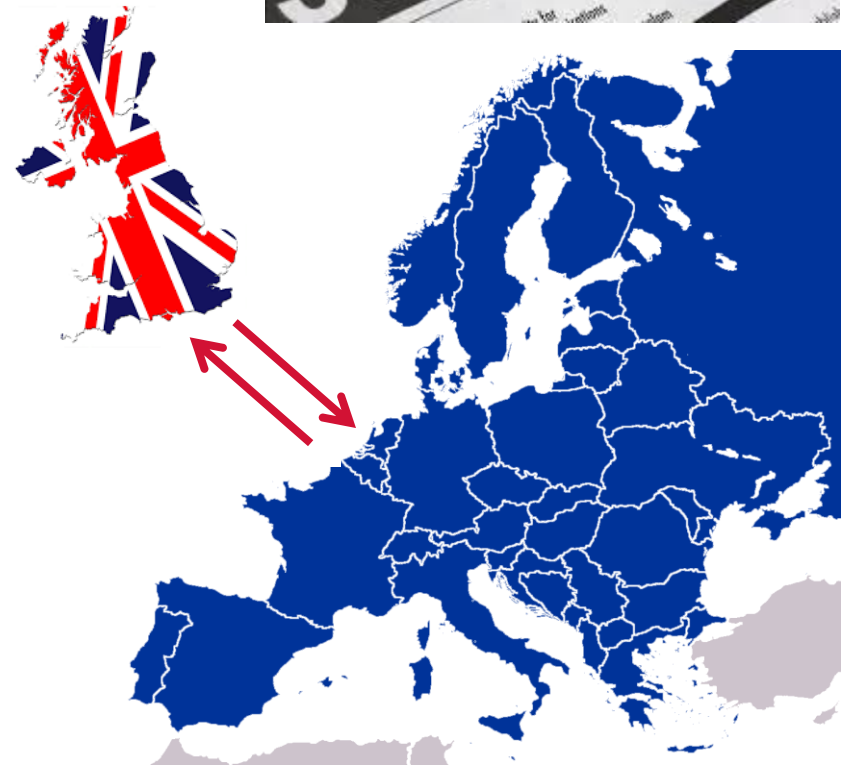
The EU is the world's largest trading bloc with 24% of Global GDP in 2013



EU In/Out Referendum “Facts” - Jobs

Recent Labour and Conservative/Lib-Dem governments have estimated that 3.3-3.5m jobs are linked to the export of goods and services to the EU

These jobs would be not be lost on Brexit as we would continue to trade with the EU

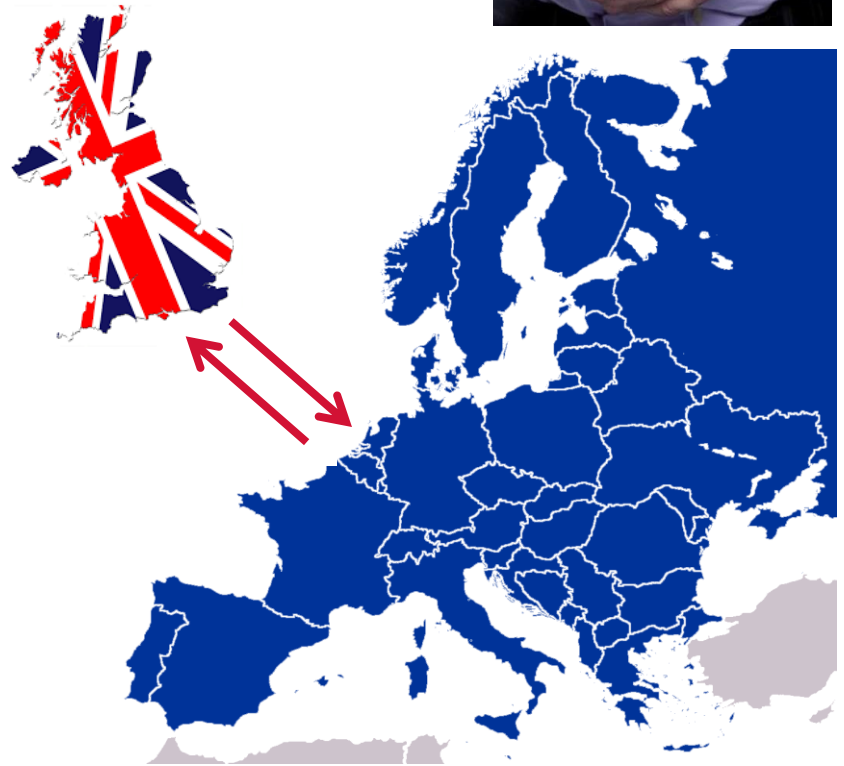


EU In/Out Referendum “Facts” - Investment

The UK was cumulatively the third highest recipient of inward Foreign Direct Investment in 2014

EU countries accounted for 48% of this (£496bn)

In terms of investment out the UK invested 40% of its cumulative total to 2014 in the EU

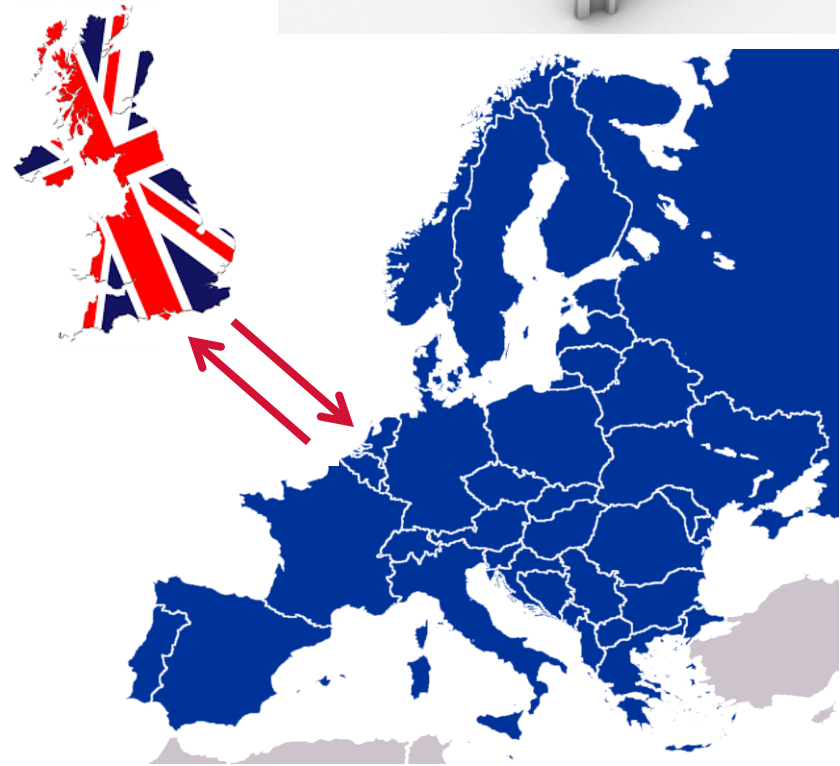


EU In/Out Referendum “Facts” – The cost

The UK's net contribution to the EU Budget in 2015 is estimated at £8.5bn (2014: £9.8bn)

In 2009 it was £4.3bn

It is forecast to fluctuate between £11.1bn and £7.9bn a year between 2016 and 2020



Budget 2016

The Rt Hon James Brokenshire MP

17 March 2016

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Terry Baldwin, Tax Partner

17 March 2016

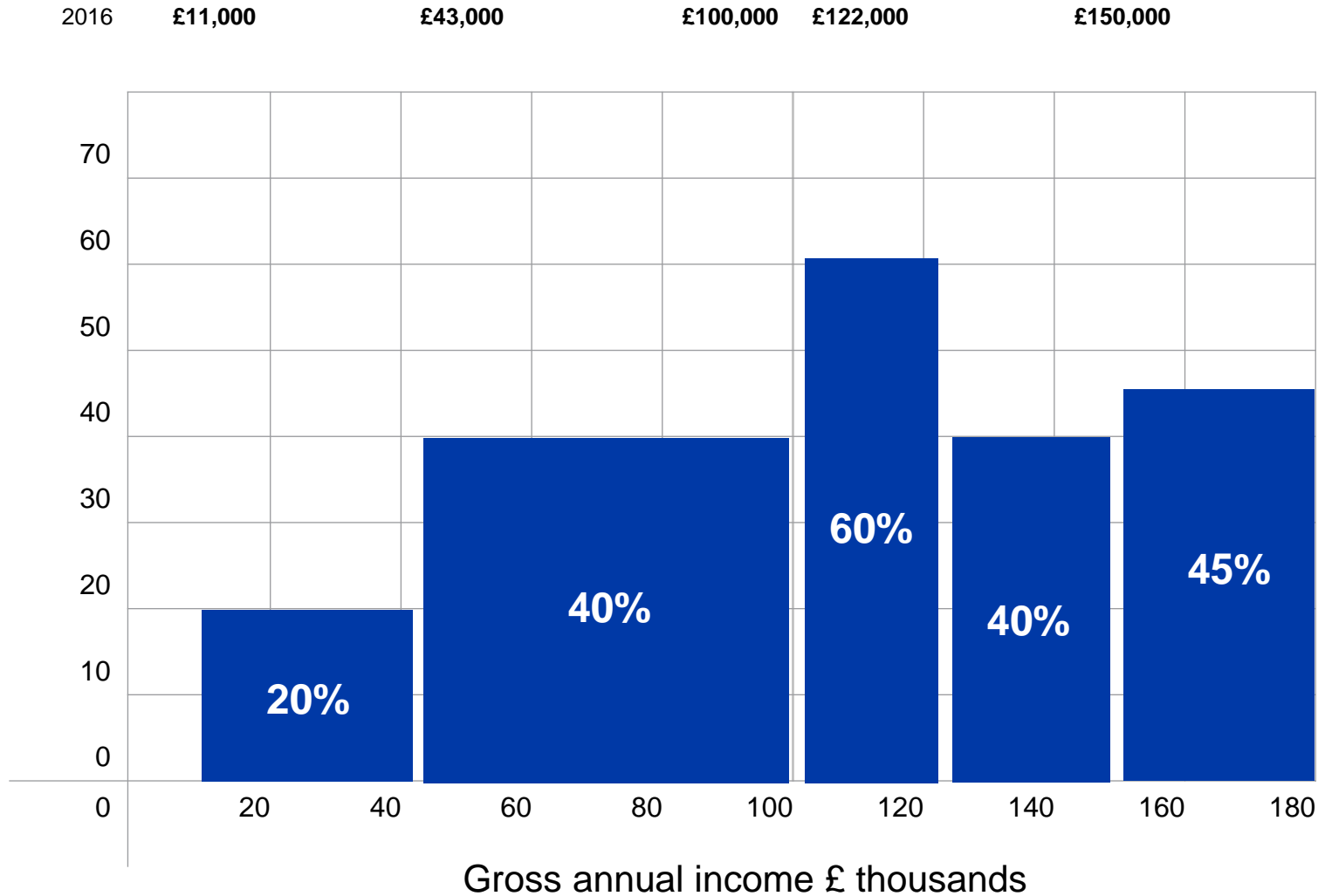
- **Rates and allowances changes**
- Previously announced measures now going live
- Proposed changes from the Budget
- What hasn't changed

	2015/16		2016/17	
<u>Individuals</u>	Income	Dividends	Income	Dividends
Basic rate	20%	0%	20%	7.5%
Higher rate	40%	25%	40%	32.5%
Additional rate	45%	30.6%	45%	38.1%
<u>Trusts & Estates</u>				
Single rate	45%	30.6%	45%	38.1%

	From April 2016	From April 2017
Personal allowance	£11,000	£11,500
Basic rate band	£32,000	£33,500

Marginal rates of Income Tax from April 2016

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- Dividend allowance - £5,000
- Interest allowance
 - Basic rate tax payer - £1,000
 - Higher rate tax payer - £500
 - Additional rate tax payer - £nil

- Higher rate relief not abolished
- No change to the 25% tax free lump sum
- £40,000 flat rate annual allowance
- Ability to use unused annual allowance of three preceding years
- Lifetime limit reduced to £1m from April 2016
- Tapering of annual allowance where taxable income exceeds £150,000 from April 2016

- Nil rate band £325,000 – frozen until April 2021
- Ability to access deceased spouse's unused NRB
- Rates unchanged
 - Lifetime 20%
 - Death 40%
- No changes to
 - Spouse exemption
 - Business property relief
 - Potentially exempt transfers

- Rates reduced from April 2016
 - from 28% to 20% for higher rate tax payers
 - From 18% to 10% for basic rate tax payers
- Reduced rates do not apply to disposals of residential property!
- Flat rate 28% for trusts and estates
- Annual exemption: £11,100 for 2016-17

- Extension to long term investors who:
 - Subscribe for ordinary shares
 - In unlisted trading company
 - Own for at least 3 years
 - Lifetime cap of £10m
 - In addition to normal £10m lifetime allowance
 - From April 2016
- Reversal of some 2015 restrictions relating to:
 - Joint ventures and partnerships
 - Privately owned assets passing to family members
 - Backdated to 18 March 2015
- Review of definition of a “trading company”

- Corporation Tax rate
 - 20% from April 2016
 - 19% from April 2017
 - 17% from April 2020

- Relief for losses
 - Carried forward losses to be usable more flexibly
 - Restricted to 50% for profits over £5m
 - Applies from April 2017

- Standard rate remains 20%
- Registration threshold increased from £82,000 to £83,000 from 1 April 2016

- No change in the rates
- From April 2018, taxable termination payments over £30,000 subject to Employers' NIC
- Class 2 NIC to be abolished from April 2018
- Salary sacrifice for pension benefits, childcare vouchers and health related benefits to remain effective for NIC advantages

- Rates and allowances changes
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Previously announced measures now becoming effective #mcbtax

- 3% increase in SDLT for purchase of non main residence residential property from 1 April 2016
- 7.5% increase in income tax on dividends from 6 April 2016
- Abolition of Entrepreneurs' Relief for liquidations of company from 6 April 2016 where shareholder involved in similar business in following 2 years
- End of wear and tear allowance for furnished property lettings
- Introduction of Replacement Furniture relief for property businesses from April 2016
- Employment allowance abolished for director only companies

- Rates and allowances changes
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- Corporation tax rate on loans to participators increased from 25% to 32.5% for loans by close companies after 5 April 2016
- SDLT on non-residential property is currently 4%, but from 16 March 2016 it is:
 - £0-£150,000 0%
 - £150,000-£250,000 2%
 - Over £250,000 5%
- Clarification that trading and property income received in non-monetary form is taxable

- Extending the obligation to deduct 20% withholding tax from royalties paid to non-resident persons where
 - Treaty exploitation occurs
 - Type of royalty not currently subject to WHT
- Offshore property developers trading in UK to be within charge to UK tax!
- Entrepreneurs' Relief to be available, subject to certain conditions, on gains on goodwill when a business is transferred to a close company – backdated to 3 December 2014!!
- Property and trading income allowances of £1,000 to be introduced from April 2017

- ISA limit to be increased to £20,000 from April 2017
- Lifetime ISA from April 2017
 - Adults under 40
 - Contribute up to £4k pa
 - Eligible for 25% government bonus
 - Can be used to buy first home or withdrawn from age 60
- Levy on companies producing sugary drinks

- Rates and allowances changes
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- No action on the 60% income tax band
- No NIC on dividends – but 7.5% Dividend Tax increase
- Income splitting opportunities
- BPR is still 100% - and unlimited
- PETs and 7-year rule available for IHT planning
- ER is still 10% - up to £10m gains
- EMI enables a 10% tax rate on employee reward
- Pensions relief available at marginal tax rate
- Generous limits for EIS, VCT and SEIS investment

A few questions for us...



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