# Autumn savings

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*Bill Dodwell* picks out the main points announced in this year's Autumn Statement

The third 'fiscal event' of the year took place on 25 November 2015, when the Chancellor delivered the Autumn Statement. He spoke for well over an hour, mainly covering the comprehensive spending review and the current state of the British economy. The surprise announcement was his climbdown on previously planned cuts to tax credits. Commentators welcomed this, while pointing out that previously announced cuts to the new universal credit would proceed unaltered. The difference, though, is that households transitioning to universal credit will not suffer an actual cut to benefit payments as long as they qualify for transitional arrangements, intended to ensure that there will be no reduction in cash payments.

There were, however, a few tax measures to keep us all busy. Perhaps the place to start is the Blue Book, which gave details of the financial impact of the Autumn Statement. Overall, the measures announced by George Osborne continue the tax increases started in the summer Budget. The tax measures will raise just under £21 billion over the parliament, which follows an £18.7 billion increase announced in July. Public sector current receipts (nearly all tax) are set to reach 37.1% of GDP by 2020/21 – up from 35.7% at the start of the parliament.

The most significant tax increase is the apprenticeship levy, which starts in April 2017. The levy will be 0.5% of an employer's UK pay bill, but each employer will receive a £15,000 allowance to set against the levy. This means that employers with pay bills up to £3 million will not bear the charge. The levy is set to finance apprenticeships, the cost of which is held within the budget of the Department for Business, Innovation and Skills (BIS). Part of the money will be paid to employers to support apprenticeship training. The money is set to be collected through the PAYE system every month. The policy rationale for the levy put forward by the Chancellor is to ensure that employers support the cost of training – but of course not all training covers apprentices.

The tax measure that attracted most attention was the announcement of a 3% stamp duty land tax rate in England and Wales 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 not apply to purchases of caravans, mobile homes or houseboats, or to companies or funds making significant investments in residential property. The rates will simply add 3% to the existing bands if the property falls into the targeted group – so the rates become 3/5/8/13/15%. The 3% rate applies if the property is in the £0–125,000 band and the price exceeds £40,000. It is charged on the whole price, though, not just the excess above £40,000.

HMRC is planning to release a consultation document on the technical details of the new measure. However, it is clear that defining the target is not straightforward. It is expected that there will be transitional relief for those who have contracted to buy a property before 25 November, but who complete the purchase on 1 April 2016 or subsequently. What is not clear is when a property could be an ‘additional residential property’. For example, it is not unknown for some people to purchase a new home before selling their existing one – a bridging transaction. Some may then not in fact sell the first house, but rent it to tenants. In today’s highly priced property market some parents may help their children by guaranteeing a mortgage, or possibly becoming a joint owner because not all lenders accept guarantees. Could joint ownership amount to an additional property where one of the owners lives in the house?

A further point is that we now have too many definitions in tax law of ‘residential property’ and it must be hoped that this measure does not introduce yet another one.

There will also be consultation on the number of properties needed to qualify for the ‘significant investment’ exemption; a figure of about 15 properties has been suggested, without touching on whether the lower rate would apply to purchases only after the minimum investment had been achieved.

One of the complex areas will be the compliance aspects of the new charge and the evidence that may need to be supplied to HMRC to demonstrate that the lower level of stamp duty land tax (SDLT) applies. This is an area where compliance checks are difficult for HMRC to carry out – but where they are needed to ensure a high level of compliance with the new rules.

The government continues to change the capital gains tax rules on UK residential property. The intention is that, from April 2019, tax will be paid on a provisional basis just 30 days after the disposal. This change will apply to non-residents and to residents unless the principal private residence exemption applies. A couple of errors in the original introduction of the non-resident charge will be corrected. It is estimated that changing the payment date will bring in just under £1 billion in the year of introduction.

The Autumn Statement confirmed that many measures previously consulted on would go ahead, the details of which were released on 9 December with draft clauses for Finance Bill 2016. There is a large package of measures to counter tax evasion and avoidance, with a new 60% penalty for taxpayers whose schemes are countered by the general anti-abuse rules (GAAR). The government is also pressing on with a new criminal offence for companies that fail to prevent offshore evasion and civil penalties for those that enable offshore evasion.

The automatic exchange of information globally starts from 2017. In anticipation, at the end of 2015 the government is closing the current offshore disclosure initiatives, including the frequently used Liechtenstein disclosure facility (LDF). There will be a new facility with higher penalties (and no immunity from criminal prosecution) from 1 April 2016 and the government will consult on an additional requirement for individuals to correct any past offshore non-compliance, with new penalties for failure to do so. In practice, the idea is for a bigger stick to accompany the carrot of lower penalties before automatic information starts.

A couple of tax avoidance schemes are closed from Autumn Statement day. There are two changes involving capital allowances and leasing to prevent companies artificially lowering the disposal value.

The intangible fixed asset rules will be changed to ensure that partnerships cannot be used in arrangements that seek to obtain a tax relief for their corporate members in a way that is contrary to the intention of the regime. Interestingly, the government will also consider a review of the intangible assets regime as part of the Business Tax Roadmap. There was some surprise when the government decided to remove tax relief for goodwill at the summer Budget without obvious justification for the change.

There are several interesting figures in the Blue Book. The government plans on making it much harder for whiplash claims to be made after road accidents – and it expects that this will lead to reduced motor insurance premiums. The Blue Book thus accounts for a £190 million reduction in insurance premium tax! There is a big figure added in relation to the adoption of digital accounts. HMRC estimates that the process of requiring that businesses submit their accounting information much earlier will save nearly £1 billion simply through the reduction of error. The yield from the new 45% corporation tax on restitution interest is put at £500 million – implying payouts from the litigation on compound interest of more than £1.1 billion. Aligning the start date for small business automatic pension enrolment saves £840 million by deferring tax relief.

After two major Budgets, it was sensible to minimise the tax measures in the Autumn Statement. However, parliamentary draftsmen could perhaps do with a space in their schedules because it is already clear that significant tax changes should be expected at Budget 2016 – already set for Wednesday 16 March.

The outcome to the consultations on changes to business rates and to pensions will be announced. A business tax roadmap is also promised. This will set out the government’s plans for limiting interest deductions under BEPS action 4. It seems likely that a system-wide limit on interest will be introduced, no doubt requiring substantial drafting. There may also be plans to align the base for income tax and national insurance, as a result of the work of the Office of Tax Simplification.

Happy new year!