

TAXATION AND ALLOWANCES 2015/16

INCOME TAX

| Bands | | 2015/16 | 2014/15 |
|-------------------------|--------------------|------------|---------|
| £0-£31,785 | (£0-£31,865) | 20% | (20%) |
| £31,786-£150,000 | (£31,866-£150,000) | 40% | (40%) |
| Over £150,000 | (£150,000) | 45% | (45%) |

Dividends are taxed at **10%** (10%), **32.5%** (32.5%) or **37.5%** (37.5%) as the top slice of total income.

Other savings income, primarily bank and building society interest, is taxed at **0%** (10%) up to **£5,000** (£2,880). This 0% rate is not available if taxable non-savings income exceeds **£5,000** (£2,880).

There are special rules for trusts and also for individuals with income assessable on the remittance basis.

An additional tax charge applies to claw back child benefit where one income in a household exceeds £50,000, with full clawback by £60,000.

Personal allowances

| | 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) |
| Income limit for personal allowance (a) | £100,000 | (£100,000) |
| Income limit for age related allowances (b) | £27,700 | (£27,000) |
| Blind person's allowance | £2,290 | (£2,230) |
| Married couple's allowance (a) (c) | £8,355 | (£8,165) |
| Marriage allowance (d) | £1,060 | - |

(a) The personal allowance is reduced by £1 for each £2 by which income exceeds £100,000, irrespective of age or date of birth.

(b) Allowances for those born before 6 April 1948, first reduce by £1 for each £2 by which income exceeds the income limit, to a minimum of the lowest personal allowance. Such allowances can be reduced further under (a).

(c) Relief is limited to 10%, and extends to civil partnerships. At least one spouse/partner must have been born before 6 April 1935. The allowance is reduced where income exceeds the age related income limit, subject to an absolute minimum of **£3,220** (£3,140).

(d) For those born after 5 April 1938, a basic rate or non taxpayer can transfer up to £1,060 of the personal allowance to a spouse or civil partner who is not a higher rate taxpayer.

Cap on income tax reliefs

Certain income tax reliefs are capped at the greater of £50,000 or 25% of income. This excludes charitable donations.

CAPITAL GAINS TAX

| | 2015/16 | 2014/15 |
|---|----------------|-----------|
| For basic rate taxpayers | 18% | (18%) |
| For trustees and 40%/45% (40%/45%) taxpayers | 28% | (28%) |
| Annual exempt amount – individuals | £11,100 | (£11,000) |
| Annual exempt amount – trusts | £5,550 | (£5,500) |
| Entrepreneurs' relief lifetime limit | £10m | (£10m) |
| Entrepreneurs' rate | 10% | (10%) |

INHERITANCE TAX

| | | |
|---|------------|-------|
| Up to £325,000 (£325,000) ("nil rate band") | 0% | (0%) |
| Over £325,000 (£325,000) (frozen to 2017/18) | 40% | (40%) |

A surviving spouse or civil partner may claim the unused proportion of an earlier deceased spouses' or civil partners' nil rate band, up to the current nil rate band.

A reduced rate of 36% applies when 10% or more of a net estate is left to charity.

Reduced charges apply on lifetime gifts within seven years of death.

TAX-EFFICIENT INVESTMENTS

| | 2015/16 |
|---------------------------------|----------------|
| ISA limit (a) | £15,240 |
| Junior ISA limit (a) (b) | £4,080 |

(a) Investment can be in cash or shares.

(b) From April 2015 cash in a Child Trust Fund can be transferred to a Junior ISA.

Venture Capital Trusts (VCTs): income tax relief at up to **30%** on investment up to **£200,000** and with capital gains tax reliefs.

Enterprise Investment Scheme (EIS): income tax relief at up to **30%** on qualifying share subscriptions up to **£1m** and with capital gains tax reliefs.

Seed Enterprise Investment Scheme (SEIS): income tax relief of **50%** on investment up to **£100,000** with rollover of chargeable gains.

Social Investment Tax Relief (SITR): income tax relief of **30%** on investment up to **£1m** and with capital gains tax reliefs.

CORPORATION TAX

| Financial year (from 1 April) | 2015 | 2014 |
|-------------------------------|---------------------|------------|
| Main rate | 20% | (21%) |
| Small profits rate | £0-£300,000 | - (20%) |
| Marginal rate | £300,001-£1,500,000 | - (21.25%) |

DIVERTED PROFITS TAX

Companies with diverted profits (as defined) arising on or after 1 April 2015, will pay diverted profits tax at **25%** on such profits.

PENSIONS

| | 2015/16 | 2014/15 |
|---|----------------------|-----------------|
| Lifetime allowance (a) | £1,250,000 | (£1,250,000) |
| Equivalent to defined benefit pension | £62,500 | (£62,500) |
| Maximum contribution annual allowance (b) | £40,000 | (£40,000) |
| Tax on excess | Marginal rate | (Marginal rate) |
| Normal minimum pension age | 55 | (55) |

(a) Special rules can apply to individuals with larger benefits at 5 April 2006, and for those with benefits over £1,500,000 on 5 April 2012, and over £1,250,000 on 5 April 2014. Excess over the lifetime allowance may be subject to a 25% charge plus income tax on balances drawn, or 55% for lump sum benefits.

(b) Unused allowances from the previous three tax years (by reference to a limit of £50,000 p.a. to 2013/14 and £40,000 thereafter) may be carried forward, increasing the current year's allowance in 2015/16.

Pension **auto-enrolment** minimum earnings **£10,000**

AIR PASSENGER DUTY

| Rates per passenger (a) | Lowest class of travel | Other classes of travel | Higher rate (b) |
|--|------------------------|-------------------------|-----------------|
| From 1 April 2015 (c) | | | |
| Band A (0-2,000 miles from London) | £13 | £26 | £78 |
| Band B (over 2,000 miles from London) | £71 | £142 | £426 |

(a) Flights from airports in the Scottish Highlands and Islands and long haul flights from airports in Northern Ireland are exempt.

(b) Aircraft over 20 tonnes and seating fewer than 19 passengers.

(c) From **1 May 2015**, air passenger duty is not charged for the lowest class of travel for children aged 12 and under at time of flight.

COMPANY CARS – ANNUAL BENEFITS

The annual benefit is a percentage of list price, with the percentage dependent on the level of CO2 emissions. The benefit is **5%** for emissions of **0-50g/km**, and **9%** for **51-75g/km**. For emissions of **76-94g/km**, the rate is **13%** and increases by **1%** at **95g/km** and then for each additional full **5g/km** up to a maximum charge of **37%** for emissions of **210g/km** or more. Emission levels are rounded down to the nearest multiple of five. List price includes certain accessories, but is reduced for capital contributions of up to **£5,000**.

There is a diesel supplement of **3%**, subject to the maximum charge of **37%**.

The taxable benefit for significant private use of vans is **£3,150** (£3,090).

Where fuel is provided for private use in a company car, the taxable benefit percentage is applied to **£22,100** (£21,700). The benefit for fuel provided for a van with significant private use is **£594** (£581).

CAPITAL ALLOWANCES

| Expenditure on: | 2015/16 | 2014/15 |
|---|---------|---------|
| Plant and machinery (a) | 18% | (18%) |
| Plant and machinery in certain enterprise zones | 100% | (100%) |
| Motor cars – CO2 emissions | | |
| (≤ 95g/km) | - | (100%) |
| ≤130g/km (95g/km-130g/km) (a) | 18% | (18%) |
| >130g/km (130g/km) (a) | 8% | (8%) |
| New and unused zero emission goods vehicles | 100% | (100%) |
| Long life assets/integral features in buildings (a) | 8% | (8%) |
| Patent rights and know-how (a) (b) | 25% | (25%) |
| Mines, oil wells, mineral rights (a) (c) | 25% | (25%) |
| Research and development | 100% | (100%) |
| Energy-saving and water efficient plant and machinery | 100% | (100%) |
| Renovation of business premises (disadvantaged areas) | 100% | (100%) |

There is a 100% annual investment allowance on the first **£500,000** (£250,000 between 1 January 2013 and 31 March 2014) tranche per annum of capital expenditure incurred on or before 31 December 2015, per group of companies or related entities, on plant and machinery including long life assets and integral features, but excluding cars. The limits are subject to complex transitional rules. The allowance reverts to **£25,000** from 1 January 2016.

(a) These allowances are given on a reducing balance basis.

(b) For expenditure from 1 April 2002 accounting write downs (and not capital allowances) are allowable deductions for tax.

(c) Acquisition of mineral deposits and rights qualify for 10% p.a.

BANK LEVY

Annual tax on certain short-term chargeable liabilities and long-term chargeable equity and liabilities above an aggregate of **£20bn** of most UK based banks.

| | From 1.4.15 | From 1.1.14 |
|----------------------------------|-------------|-------------|
| Short-term liabilities | 0.21% | 0.156% |
| Long-term equity and liabilities | 0.105% | 0.078% |

VALUE ADDED TAX

| | |
|----------------------|------------|
| Standard rate | 20% |
| Lower rate | 5% |
| Zero rate | 0% |

Registration threshold (from 1 April 2015): taxable supplies at the end of any month exceed **£82,000** (£81,000) either in the past 12 months or the next 30 days.

NATIONAL INSURANCE CONTRIBUTIONS (NIC)

| Class 1 employees | | |
|------------------------------------|---------------|--------------------|
| Weekly earnings | Contracted in | Contracted out |
| Up to £155 (£153) | Nil (nil) | |
| £155.01-£815 (£153.01-£805) | 12% (12%) | |
| Over £815 (over £805) | 2% (2%) | |
| Up to £112 (£111) | | Nil (nil) |
| £112.01-£155 (£111.01-£153) | | Rebate 1.4% (1.4%) |
| £155.01-£770 (£153.01-£770) | | 10.6% (10.6%) |
| £770.01-£815 (£770.01-£805) | | 12% (12%) |
| Over £815 (over £805) | | 2% (2%) |
| Class 1 employers (a)(b) | | |
| Weekly earnings | Contracted in | Contracted out |
| Up to £156 (£153) | Nil (nil) | |
| Over £156 (Over £153) | 13.8% (13.8%) | |
| Up to £112 (£111) | | Nil (nil) |
| £112.01-£156 (£111.01-£153) | | Rebate 3.4% (3.4%) |
| £156.01-£770 (£153.01-£770) | | 10.4% (10.4%) |
| Over £770 (Over £770) | | 13.8% (13.8%) |

(a) Businesses and charities can claim a reduction of up to **£2,000** of their employers' contributions ("NIC employment allowance").

(b) From 6 April 2015, no employers' contributions are payable in respect of weekly earnings up to **£815** paid to employees under 21.

Other

Class 1A (employers only): **13.8%** (13.8%) on the amounts of taxable benefits.

Class 1B (employers only): **13.8%** (13.8%) in respect of amounts in a PAYE settlement agreement and the income tax thereon.

Class 2 (flat rate for self-employed): **£2.80** (£2.75) per week.

Class 3 (voluntary): **£14.10** (£13.90) per week.

Class 4 (self-employed): **9%** (9%) of profits between **£8,060** (£7,956) and **£42,385** (£41,865) per annum and **2%** (2%) on profits above **£42,385** (£41,865).

PATENT BOX AND RESEARCH & DEVELOPMENT TAX CREDITS

Patent box – effective **12.0%** (13.3%) corporation tax rate; applies to **80%** (70%) of relevant profits, increasing to 100% by 1 April 2017; an effective 10% rate.

R&D tax credit – additional **130%** (125%) (SMEs) or **30%** (30%) (large companies) deduction of qualifying expenditure.

R&D expenditure credit – by election for large companies, with a minimum rate of **11%** (10%) of qualifying expenditure. Mandatory from 1 April 2016.

STAMP DUTIES AND PROPERTY TRANSACTION TAXES

| | | |
|---|------------------|--------------------|
| Stamp duty – shares and securities | 0.5% | (0.5%) |
| Stamp duty reserve tax | 0.5%/1.5% | (0.5%/1.5%) |

Stamp duty & stamp duty reserve tax were abolished from 28 April 2014 on recognised growth markets, including AIM & ISDX.

| England & Wales: Stamp duty land tax | 2015/16 | 2014/15 |
|--|-------------------------------|-------------|
| Non-residential land and buildings (a)(c) – rate applied to full consideration | | |
| £0-£150,000 | 0% | (0%) |
| £150,001-£250,000 | (£150,001-£250,000) 1% | (1%) |
| £250,001-£500,000 | (£250,001-£500,000) 3% | (3%) |
| Over £500,000 | (over £500,000) 4% | (4%) |

| Residential land and buildings (a)(b)(c) – rates applied cumulatively | | |
|---|----------------------------------|-------------|
| £0-£125,000 | (£0-£125,000) 0% | (0%) |
| £125,001-£250,000 | (£125,001-£250,000) 2% | (1%) |
| £250,001-£925,000 | (£250,001-£500,000) 5% | (3%) |
| £925,001-£1,500,000 | (£500,001-£1,000,000) 10% | (4%) |
| - | (£1,000,001-£2,000,000) - | (5%) |
| Over £1,500,000 | (Over £2,000,000) 12% | (7%) |

| Scotland: Land & buildings transaction tax | 2015/16 |
|--|-------------|
| Non-residential land and buildings (a)(c) – rates applied cumulatively | |
| £0-£150,000 | 0% |
| £150,001-£350,000 | 3% |
| Over £350,000 | 4.5% |

| Residential land and buildings (a)(c) – rates applied cumulatively | |
|--|------------|
| £0-£145,000 | 0% |
| £145,001-£250,000 | 2% |
| £250,001-£325,000 | 5% |
| £325,001-£750,000 | 10% |
| Over £750,000 | 12% |

(a) All figures are calculated inclusive of any VAT. For leases, the rate is based on the discounted rental values.

(b) Rates are applied cumulatively from 4 December 2014 in England & Wales. Previously rates were applied to the full consideration.

(c) Where residential property over **£500,000** (£2m until 19 March 2014) is purchased by a company (or similar entity) a **15%** rate applies.

ANNUAL TAX ON ENVELOPED DWELLINGS

An annual tax on enveloped dwellings is payable by a company (or similar entity) owning a residential property with a value **≥ £1m** (≥ £2m) on 1 April 2012 (or date of later acquisition). Tax is charged in bands, from a minimum of **£7,000** (£15,400) to a maximum of **£218,200** (£143,750).