Chancellor’s Autumn Statement
25 November 2015

The Chancellor delivered his combined Autumn Statement and Spending Review to Parliament on 25th November 2015. We have summarised the key points that we feel are likely to be of most relevance to our private clients.

Pensions Tax Relief Consultation
Following Summer Budget 2015 the government launched a consultation concerning pensions tax relief. The government is considering the responses it received and will publish its findings at Budget 2016.

Personal Tax
2016/17 income tax rates and allowances
The Chancellor did not make any changes to income tax rates or allowances previously announced.

The personal allowance will continue to rise to £11,000 for 2016/17 and the higher rate threshold, above which taxpayers pay 40% income tax, will be £43,000. The additional rate threshold, above which taxpayers pay 45% income tax, remains at £150,000.

The government reaffirmed its intention to raise the personal allowance to £12,500 and the higher rate (40%) income tax threshold to £50,000 by 2020.

Employment intermediaries
As confirmed at Summer Budget 2015, new rules will be introduced to restrict tax relief on travel and subsistence expenses which often, in effect, allow a deduction for home to work travel. The changes will affect workers employed through intermediaries such as personal services companies. The changes will take effect from 6th April 2016.

There were no further announcements on the future of the IR35 rules, which relate to personal service companies, however we expect to hear more in the coming months following the end of the recent consultation.

Employee share schemes
The government will introduce a number of technical changes designed to simplify certain aspects of the tax rules for approved and non-approved employee share schemes. The changes will be designed to “put beyond any doubt” the tax treatment of internationally mobile employees who are in receipt of employment related securities or options.

Salary Sacrifice
The government has expressed its concern at the growth of salary sacrifice arrangements. It intends to evaluate the benefits provided to employees through these schemes in order to consider what changes should be made to counter perceived abuses within the system. We await further announcements.

ISAs
For 2016/17, ISA and Junior ISA subscription limits will be kept at their current level. The ISA limit remains at £15,240 and the Junior ISA limit will be £4,080.

The list of qualifying investments for the new Innovative Finance ISA will be extended in Autumn 2016 to include debt securities offered via crowdfunding platforms. The government will also explore the case for extending the list of qualifying investments to include equity crowdfunding.

Capital Gains Tax (CGT)
The Chancellor announced that, from April 2019 a payment on account of any CGT due following 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 made on residential properties that qualify for CGT main residence relief. Draft legislation will be published for consultation next year.
To benefit those non-residents who dispose of UK property, minor technical changes (backdated to 6th April 2015) will be made to their tax calculations to ensure that erroneous double charges to CGT do not apply. HMRC will also be given powers to prescribe when a CGT return is not required by non-residents.

Inheritance Tax – deeds of variation
In light of their recent review of how deeds of variation are used in practice, the government has decided that it will not restrict how they are used for tax purposes but will continue to monitor their use.

Stamp Duty Land Tax (SDLT)
From 1st April 2016 a higher rate of SDLT will be charged on purchases of additional residential properties (valued above £40,000) such as buy to let properties or second homes. The proposals will not apply to caravans, mobile homes or houseboats.

The higher rates will be 3% above the current SDLT rates as follows:

<table>
<thead>
<tr>
<th>Consideration</th>
<th>Current SDLT rate</th>
<th>Higher rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to £40,000</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Between £40,000-£125,000</td>
<td>0%</td>
<td>3%</td>
</tr>
<tr>
<td>Between £125,000 - £250,000</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Between £250,000 - £925,000</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td>Between £925,000 - £1,500,000</td>
<td>10%</td>
<td>13%</td>
</tr>
<tr>
<td>More than £1,500,000</td>
<td>12%</td>
<td>15%</td>
</tr>
</tbody>
</table>

In addition, the Chancellor announced proposed changes to the SDLT filing and payment process including a reduction in the filing and payment window from 30 days to 14 days. The changes are expected to take effect once Finance Bill 2016 receives Royal Assent.

A consultation will be launched on the above policy detail and we await further announcements.

Venture Capital Schemes
Various tax reliefs, including an income tax deduction on investment and a capital gains tax exemption on disposal, are available to qualifying individuals who make investments under the Enterprise Investment Scheme (EIS), Seed Enterprise Investment Scheme (SEIS) or in a Venture Capital Trust (VCT).

In order for a claim for tax relief to be successful the EIS company must be carrying on a qualifying trade.

From 30th November 2015, the provision of reserve energy generating capacity and the generation of renewable energy, benefitting from government support by community energy organisations, will no longer be qualifying trading activities. In addition, these activities will not be eligible for Social Investment Tax Relief when this scheme is enlarged. All energy generation activities will cease to qualify under the various venture capital schemes from 6th April 2016.

The changes will only apply to investments made on or after these dates – they will not affect existing investments.

Anti-Avoidance

Disguised remuneration schemes
The government continues to target those who have used or who continue to use disguised remuneration schemes. It was announced that a future finance bill may contain measures to close down any new schemes intended to avoid tax on earned income with effect from 25th November 2015.

Offshore tax evasion
Following consultation over the summer, the government reaffirmed its intention to introduce a new criminal offence that requires no proof of intent for dishonesty for the most serious cases of failing to declare offshore income or capital gains.

At this stage it is unclear whether the defences proposed in the summer consultation of “reasonable care” or “reasonable excuse” will provide sufficient protection from prosecution and we await the draft legislation to be published in December. The new rules are expected to be included in Finance Bill 2016 but it is not known from when they will take effect.

In addition to the new criminal offence, civil penalties for deliberate offshore tax evasion will be increased in Finance Bill 2016 and a new tax geared penalty will be introduced which will be linked to the value of the asset on which tax was evaded.

The government announced it would consult on new measures that will require individuals to correct any past offshore non-compliance with new penalties for failure to do so.

General Anti Abuse Rule (GAAR)
To date, we are not aware that the GAAR rules have been invoked in any cases involving tax avoidance. However, in line with the government’s attempts to reduce tax avoidance, it was announced that a new penalty of 60% of tax due to be charged in all cases successfully tackled by the GAAR.

If you would like advice on the impact of any of the new measures outlined in this note please get in touch with your normal Heartwood contact who will either advise you personally or direct you to the necessary Heartwood specialist.
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Tax rates and legislation are subject to change. We cannot guarantee to inform you of any such changes and Heartwood accepts no responsibility for any inaccuracies or errors. Any levels of taxation referred to depend on individual circumstances and the value of tax reliefs are those which apply at 25 November 2015.

Investments such as EIS', VCT's and SEIS's are not suitable for everyone and some are not regulated by the FCA. Tax considerations should not be the sole driver for investment decisions and appropriate investment advice should be taken prior to investing.

When Heartwood provides advice in relation to investment, its own investment management services will usually be recommended. When advice on pensions or other products outside an investment management relationship is required, Heartwood will recommend products chosen from a limited selection of providers that have been appointed on the basis of its judgement in their quality of service, investor protection, financial strength and, if relevant, their financial performance. As a result, any advice given by Heartwood in respect of retail investment products will be restricted advice as defined under the FCA rules.