

December 4, 2014
2014-114

flash Alert

A Publication for Global Mobility and Tax Professionals by KPMG's Global Mobility Services Practice

United Kingdom – Tax Simplification and Some Give and Take in Autumn Statement

by Colin Ben-Nathan, Raj Bahra, and Steve Wade, KPMG LLP, London (KPMG LLP in the United Kingdom is a KPMG International member firm)

For coverage of last year's Autumn Statement, see [Flash International Executive Alert 2013-161](#), 6 December 2013

In This Issue:

- * Tax Thresholds
- * Changes to Remittance Basis Charge
- * Employer National Insurance Contributions
- * Anti-Avoidance and Fairness
- * Simplification of Administration of Employee Benefits and Expenses
- * Restricting Entitlement to Personal Allowances for Nonresidents
- * Other Measures/Proposals

On 3 December 2014, the Chancellor of the Exchequer delivered the U.K.'s Autumn Statement¹ which contains changes to the Remittance Basis Charge and a notable anti-avoidance measure targeted at “salary sacrifice” arrangements involving reimbursed business expenses. This is intended to prevent tax relief from being claimed on reimbursed business expenses where they are paid in conjunction with a salary sacrifice scheme. Also announced were various tax simplification proposals in relation to employee expenses and benefits, the Construction Industry Scheme, and reducing employer National Insurance Contributions on apprentices under 25 and care and support workers.

In addition, the Chancellor announced the government also intends to review the use of overarching employment contracts by so-called “umbrella companies” which allow some temporary workers to claim relief for what would otherwise be home-to-work travel.

The statement is an annual update by the Chancellor to Parliament on the taxation and spending plans of the government.

Why This Matters

The Autumn Statement offers some modest savings for taxpayers on their earned income and savings. However, for those taxpayers who use the remittance basis and have been U.K. resident for 12 out of the last 14 years, or who have been U.K. resident for 17 of the last 20 years, they will see their Remittance Basis Charges go up.

International assignment cost projections and budgeting for assignments to the United Kingdom and for assignees outside the United Kingdom still subject to U.K. taxation should be prepared to reflect the changes announced in the Autumn Statement. Where appropriate, adjustments by payroll administrators to PAYE withholdings will need to be made when the changes are introduced.

The highlights with respect to employment taxes for employers of internationally mobile employees are summarized below.

Tax Thresholds²

It had already been announced in the 2014 Budget (announced in March 2014) that the personal allowance (the point at which people start paying income tax) will be raised from £10,000 to £10,500 from 6 April 2015. This has now changed to £10,600. It was also announced that the 40-percent higher rate threshold would increase by 1 percent from £31,865; the Autumn Statement, however, revealed a modest reduction to £31,785.

There are also changes to the starting rate for savers. This applies only to savings income; if an individual's non-savings taxable income exceeds the starting-rate limit, then the

10-percent starting rate for savings is not available for savings income.

From 6 April 2015, the starting rate of tax for savings income will be reduced from 10 percent to 0 percent. The upper limit on which the 0-percent rate can be applied is significantly increased, from £2,880 to £5,000.

Income Tax

	Rate	2014/15	2015/16
Starting rate for savings	10% / 0%	£0 - £2,880	£0 - £5,000
Basic rate	20%	£0 - £31,865	£0 - £31,785
Higher rate	40%	£31,866 - £150,000	£31,786 - £150,000
Additional rate	45%	Over £150,000	Over £150,000

Source: KPMG LLP (U.K.)

National Insurance Contributions (NICs)

The rates and bands for 2015/16 are as follows.

Employee (primary)		Employer (secondary)	
Earnings (*1)	NIC rate (*2)	Earnings (*1)	NIC rate (*3)
£ a week	percent	£ a week	percent
Below £112 (LEL)	0	Below £156 (ST)	0
£112 – £155 (PT) (*4)	0	Above £156 (ST)	13.8
£155 - £815 (UEL)	12		
Above £815	2		

Source: KPMG LLP (U.K.)

*1 The limits are defined as LEL - lower earnings limit; PT - primary threshold; ST - secondary threshold; and UEL - upper earnings limit.

*2 The contracted-out rebate for primary contributions is 1.4 percent of earnings between the LEL and upper accrual point (UAP) of £770 for contracted-out salary-related schemes (COSRS).

*3 The contracted-out rebate for secondary contributions is 3.4 percent of earnings between the LEL and UAP for COSRS.

*4 No National Insurance contributions (NICs) are actually payable but a notional Class 1 NIC is deemed to have been paid in respect of earnings between LEL and PT to protect contributory benefit entitlement.

Capital Gains Tax

	2014/15	2015/16*
Individuals, personal representatives, and trustees for disabled people	£ 11,000.00	£ 11,100.00
Other trustees	£ 5,000.00	£ 5,500.00

Source: KPMG LLP (U.K.)

* These are based on announcements made earlier this year and subject to confirmation.

Changes to Remittance Basis Charge

The annual charge paid by non-domiciled individuals resident in the U.K. who wish to retain access to the remittance basis of taxation will be increased. The charge paid by people who have been U.K. resident for 7 out of the last 9 years will remain at £30,000. The charge paid by people who have been U.K. resident for 12 out of the last 14 years will increase from £50,000 to £60,000. A new charge of £90,000 will be introduced for people who have been U.K. resident for 17 of the last 20 years. The government will also consult on requiring the election to apply for a minimum of 3 years.

Employer National Insurance Contributions (NICs)

From April 2016, employer NICs up to the upper earnings limit for apprentices aged under 25 will be abolished.

From April 2015, the annual £2,000 Employment Allowance for employer NICs will be extended to care and support workers.

Anti-Avoidance and Fairness

As part of its reform of the rules for employee benefits and expenses (and in response to recommendations by the Office of Tax Simplification), the government has announced that it will stop tax relief from being claimed on reimbursed business expenses when they are paid in conjunction with a salary sacrifice scheme.

The government will also review the increasing use of overarching contracts of employment by employment intermediaries such as umbrella companies. These arrangements enable workers to obtain tax relief for home-to-work travel that would not ordinarily be available. The government will publish a discussion paper shortly to inform possible action at Budget 2015.

The policy costing published by HM Treasury indicates an expectation of additional revenues in relation to these measures from 2016/17 of £120 million per year, and then ranging between £90 million and £75 million per year up to 2019-20.

Simplification of Administration of Employee Benefits and Expenses

From April 2016, the government will remove the £8,500 threshold below which employees do not pay income tax on certain benefits-in-kind. New exemptions will be introduced for carers and for ministers of religion.

From April 2015, the government will provide a statutory exemption for trivial benefits-in-kind costing less than £50. It will also exempt certain reimbursed expenses and introduce a statutory framework for voluntary payrolling benefits-in-kind.

Restricting Entitlement to Personal Allowance for Nonresidents

At Budget 2014, the government launched a consultation on whether or not to restrict the income tax personal allowance for non-U.K. residents. While the government believes there is a strong rationale for doing this, it recognizes that this would be a complex change for both employers and those individuals who may be affected. The government will continue to discuss implementation of this change with stakeholders. Should the government decide to proceed, a more detailed consultation will be undertaken. No change will come into effect before April 2017.

Other Measures/Proposals

Exemption for Travel Expenses of Members of Local Authorities – The government will exempt from income tax and employee NICs any travel expenses paid to councillors by their local authority.

Improving Operation of the Construction Industry Scheme (CIS) – Following consultation, the government plans to implement a package of improvements to the CIS to reduce administrative burdens on construction businesses.

Travel and Subsistence Review – At Budget 2014, the government announced a review of the rules for tax relief on travel and subsistence payments, in response to the review by the office of tax simplification of employee benefits and expenses. The government has undertaken the initial stages of this review and says it will continue to take this work forward towards a full public consultation on the framework for new rules.

Individual Savings Accounts – At Budget 2014, the government increased the annual individual savings accounts (ISA) allowance to £15,000, nearly trebling the limit for cash ISAs. From April 2015, the ISA allowance will rise to £15,240. Income and capital gains on investments held within an ISA wrapper are tax free.

Footnotes:

1 See: <https://www.gov.uk/government/topical-events/autumn-statement-2014> and <https://www.gov.uk/government/publications> .

2 See: <https://www.gov.uk/government/publications/tax-and-tax-credit-rates-and-thresholds-for-2015-16/tax-and-tax-credit-rates-and-thresholds-for-2015-16> .

The information contained in this newsletter was submitted by the KPMG International member firm in the United Kingdom. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com> .