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flash Alert

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United Kingdom – Finance Bill 2015

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The U.K. government's Finance Bill 2015 was published on 24 March 2015.[1] Explanatory notes have also been published.[2] The Bill incorporates the changes already announced in the Autumn Statement 2014 (see *Flash Alert* 2014-114 (4 December 2014) and with the publication of the draft clauses of the Bill (see *Flash Alert* 2014-115 (11 December 2014). Further details were provided with our publication on the 2015 U.K. budget (see *Flash Alert* 2015-040 (19 March 2015).

Why This Matters

There are several measures of note for international assignees and their employers including changes to the draft legislation already published on the new rules on the treatment of gains on the sale of U.K. property by non-U.K. residents and of non-U.K. property by U.K. residents. The main items of interest for employers of internationally mobile employees are detailed below.

Assignees to/from the U.K. with property in the U.K. or overseas should be made aware of the potential tax liabilities they will incur if they decide to sell those properties. As mentioned previously, employers will need to check their policies carefully, particularly any provisions regarding exceptions to the policy, and decide whether or not they are prepared to pay the tax on the disposals of main residences. Appropriate adjustments to policies and clear communications should be prepared.

The main surprise is that a new trivial benefit exemption has been delayed for a year.

The Finance Bill 2015 in detail

Simplification of expenses and benefits administration

Trivial benefits

The anticipated statutory exemption for trivial benefits-in-kind costing less than GBP 50 expected to take effect from 6 April 2015 has not been included in the Finance Bill 2015. An annual cap of GBP 300 for trivial benefits was also expected to be introduced for office holders in close companies and employees who are family members of those office holders. This is also not included in the legislation published.

The changes to the trivial benefits legislation is now expected from 6 April 2016.

Qualifying expenses payments

As reported previously, under current legislation, business expenses reimbursed to assignees have to be reported to HMRC (and the assignee) unless a relaxation known as a Form P11D "dispensation" is applied for. A "dispensation", if one is agreed, means that certain specified expenses do not need to be reported to HMRC and it is therefore a method whereby the administration of employee expenses is simplified.

Legislation is included within the Finance Bill 2015 to exempt from income tax the payment or reimbursement of certain expenses and benefits payments, where the employee would have been entitled to tax relief had they met the cost of the payment or benefit themselves. This means that employers will no longer need to apply to HMRC for a "dispensation" but will be able to provide qualifying expenses and benefits to employees free of tax or NIC.

Anti-avoidance measures have also been introduced to prevent expenses or benefits being paid where this is done as part of a scheme whereby tax- and NIC-free scale rate payments are paid in lieu of salary and to cover the employee travel and subsistence expenses of site-based workers.

This change will apply from 6 April 2016.

Abolition of £8,500 threshold

From April 2016, the government will remove the GBP 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.

Increased remittance basis charge

No changes have been made to the previously announced increase to the charges applied non-U.K. domiciled individuals who are considered to be long-term U.K. residents and who wish to file their tax returns claiming the remittance basis of taxation.

Sale of U.K. Property by Non-U.K. Residents and of Non-U.K. Property by U.K. Residents

As discussed in the earlier *Flash Alert* 2014-113 (3 December 2014) changes will be made to private residence relief (PRR) for capital gains tax (CGT) purposes that affect both U.K. resident and non-U.K. resident taxpayers. These will take effect from 6 April 2015.

Currently an individual is entitled to relief from CGT on the sale of his/her only or main residence. Where an individual has lived in the property from the date of purchase to the date of sale, any gain arising on the sale is covered by PRR and fully exempt from CGT. The last 18 months of ownership of the property are covered by the relief, even where the individual has not actually lived in the property during that period.

Taxpayers with more than one residence are able to elect to choose which residence is their main residence for PRR and this will continue. However, from 6 April 2015, a CGT liability may arise in situations where a residential property is located in a different 'territory' to that in which the taxpayer is resident.

The Finance Bill contains the legislation to incorporate these proposals into law from 6 April 2015. This legislation is different to previous drafts and will be the subject of a separate *Flash Alert* to be published shortly.

Footnotes:

1 http://www.publications.parliament.uk/pa/bills/cbill/2014-2015/0193/cbill_2014-20150193_en_1.htm.

2 http://www.publications.parliament.uk/pa/bills/cbill/2014-2015/0193/en/15193en.pdf.

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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.

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