KPMG

*cutting through complexity*

# Summer Budget on a page

8 July 2015

## Economy

- Forecast output in 2014 and 2015 is higher than in the March forecast and the medium term growth projections have been revised up from 2.3 to 2.4% per annum
- Faster growth has delivered a better underlying fiscal position, with receipts up by £4.9bn in 2015-6, helping to reduce the expected deficit this year
- The long-run fiscal plan to achieve a surplus remains in place, but a larger deficit is pencilled in for the next two years, after some tightening this year
- This helps to ease the squeeze on Departmental spending by some £20bn a year over the next three years, paid for by a significant net increase in taxation and a major reduction in welfare spending

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## Taxation

- Reduction in future corporation tax rates to 19% then 18% in 2020
- Permanent annual investment allowance of £200k from 2016
- From 2017, corporation tax payments advanced by 4 months where profits are over £20m
- No corporation tax relief on goodwill on acquisitions from today
- National living wage of £7.20 per hour introduced from April 2016
- Decrease in bank levy rate to 0.1% over 6 years and introduction of an 8% bank tax surcharge
- Interest relief on buy to let property restricted to the basic rate of 20%
- Non dom regime changes including time-limiting of non dom status
- Pension relief for 45% taxpayers reduced from April 2016
- Higher dividend rates with a £5,000 personal allowance
- Inheritance tax threshold increased to £1m for certain married couples on their homes
- Vehicle Excise Duty rates and bands reformed from 2017

## KPMG comment

There will be a mixed reaction from corporates to the Chancellor’s Summer Budget. The drop in the corporation tax rate, going down to 18% in 2020, will be very welcome, however there will be a large hit for large corporations in tax years 2017-2019 as the effect of the acceleration of tax payments comes through.

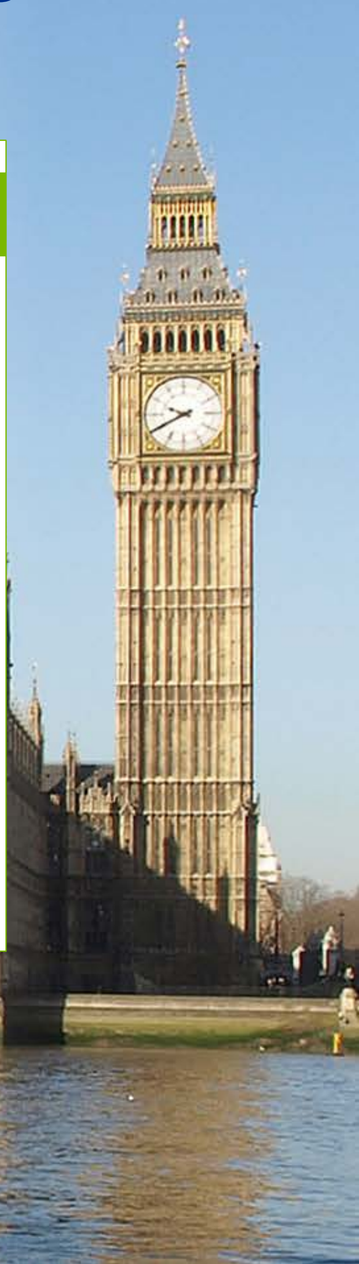
For smaller businesses the increase in the NIC threshold to £3,000 will be an incentive to take on more staff and the fixing of the annual investment allowance at £200,000 provides more certainty for investment.

The big question for all employers though will be the compulsory National Living Wage to be introduced as of next year. Many companies already pay such a wage but for those in a sector that traditionally pays at the lower end, such as home care, retail, leisure or hospitality, the question will be to what extent the increased cost can be passed on to customers.

Overall, today’s announcements represent a mixed bag for business but certainly more black and white than the previous Budget.

## Key rates

- Corporation tax – 20% from 2015, 19% from 2017, 18% from 2020
- Income tax – basic rate 20%, higher rate 40%, top rate 45%
- Personal allowance - £10,600 from 2015, £11,000 from 2016, £11,200 from 2017
- 40% tax rate threshold - £42,385 from 2015, £43,000 from 2016, £43,600 from 2017
- Capital gains – basic rate taxpayers 18%, higher rate taxpayers 28%
- New rates on dividends of 7.5%, 32.5% and 38.1% for basic, higher and top rate taxpayers from 2016
- VAT - 20%
- IPT increased to 9.5% from November 2015
- Increase in NIC employment allowance to £3,000 from April 2016





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