

Budget 2016 on a page

March 2016



KPMG Comment

"George Osborne labelled it a budget for the next generation. From a business perspective this is a budget for smaller businesses and their owners so that they can compete with large businesses, where a series of tax raising measures have been announced"

Businesses



- Reduction in corporation tax to 17% from April 2020
- A 50% restriction on brought forward losses being set off against current year profits from April 2017 where profits above £5m. A 25% restriction to apply to banks
- Relaxations in the group relief rules for carried forward losses and loss streaming rules from April 2017
- Restrictions on interest relief to 30% of UK earnings or a worldwide interest/earnings ratio where net UK interest is more than £2m
- Significant reductions in tax rates for the for the oil and gas industry
- VAT to apply to UK sales made by offshore online sellers
- Further anti avoidance in respect of hybrid rules involving Permanent Establishments and withholding tax on royalty payments

Businesses



- Changes to the SDLT regime for commercial property moving to a slice rather than a slab system. Highest rate now 5% above £250k
- Cuts to business rates for small businesses and small properties
- A new Sugar Levy to be introduced on soft drinks manufacturers and importers
- Crackdown on the avoidance of UK tax by offshore property developers
- Termination payments made after April 2018 will be subject to employer NICs
- The rate of tax that applies to loans to participants in close companies increased to 32.5% from April 2016
- Further anti avoidance on disguised remuneration for loans from EBTs
- Self employed class 2 NICs abolished from 2018

Individuals



- Reduction in capital gains tax rates to 20% and 10% for disposals after 6 April 2016. Reductions do not apply to residential property disposals and carried interest
- Entrepreneurs' Relief extended to shares held in unlisted trading companies (other than by officers and employees) for 3 years. Effective rate of 10% and separate £10m lifetime limit
- Introduction of lifetime ISAs for under 40s. Up to £4,000 of annual savings topped up by £1,000 from government
- Annual ISA limit increased to £20,000 from April 2017
- Introduction of a cap of £100,000 on exempt capital gains through Employee Shareholder Status
- Non doms will be able to rebase their offshore assets for capital gains tax as at April 2017

Key rates



- Corporation Tax 20%, 19% from 2017, 17% from 2020
- Income Tax, basic rate 20%, higher rate 40%, top rate 45%
- Personal allowance - £10,600, £11,000 from 2016, £11,500 from 2017
- 40% tax rate threshold - £42,385, £43,000 from 2016, £45,000 from 2017
- Capital gains – basic rate taxpayers 10%, other taxpayers 20% from April 2016
- New rates on dividends of 7.5%, 32.5% and 38.1% for basic, higher and top rate taxpayers and £5,000 allowance from 2016
- VAT 20%
- IPT 10% from October 2016

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