Budget Commentary 2016

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Contents

Taxation Rates

Personal Taxation	2016/17	2015/16
Personal allowance		
Basic	£11,000	£10,600
Personal allowance income limit	£100,000	£100,000
Born before 6.4.1938	£11,000	£10,660
Age allowance income limit	N/A	£27,700
Minimum where income exceeds limi	N/A	£10,600
Transferable allowance	£1,100	£1,060
Married couple's allowance		
(10% relief)		
Either partner born before 6.4.1935	£8,355	£8,355
Age allowance income limit	£27,700	£27,700
Minimum where income		
exceeds limit	£3,220	£3,220
Blind person's allowance	£2,290	£2,290
*Dividend allowance**	£5,000	N/A
*Personal savings allowance**		
Basic rate taxpayers	£1,000	N/A
Higher rate taxpayers	£500	N/A
Additional rate taxpayers	N/A	N/A
Income tax rates		
Starting savings rate**	0%	0%
on income up to	£5,000	£5,000
Basic rate	20%	20%
on taxable income up to	£32,000	£31,785
Higher rate	40%	40%
on taxable income over £32,000 £31,785		
Additional rate 45% 45%		
on taxable income over	£150,000	£150,000
Dividend ordinary rate***	7.5%	10%
Dividend upper rate***	32.5%	32.5%
Dividend additional rate***	38.1%	37.5%
Dividend tax credit***	N/A	10%

Personal Taxation	2016/17	2015/16
Pension schemes allowances		
Standard annual allowance	£40,000	£40,000
Standard lifetime allowance	£1,000,000	£1,250,000
ISA subscription limits		
Adult ISA	£15,240	£15,240
Junior ISA	£4,080	£4,080

* These allowances take the form of zero rate bands and are not deductions from income.

** Starting rate applies only to savings income. If taxable non-savings income is above this limit, the starting rate is not applicable.

*** For 2015/16 the effective dividend ordinary, upper and additional rates (taking into account the dividend tax credit) are 0%, 25% and 30.6% respectively.

Company Taxation	FY2016	FY2015
Corporation tax rates	20%	20%

Capital Gains Tax	2016/17	2015/16
Rate – standard rate	10%	18%
- higher rate	20%	28%
- trustees and personal representatives	20%	28%
- entrepreneurs' relief rate	10%	10%
Annual exemption - individuals	£11,100	£11,000
- personal representatives	£11,100	£11,000
- trustees	£5,550**	£5,500**

* Rates are 18% & 28% (instead of 10% & 20%) on gains from non-exempt residential property.

** Exemption is apportioned if there are several trusts created by the same settlor, but with each trust entitled to a minimum exemption of £1,110 for both 2016/17 and 2015/16.

Inheritance Tax	Deaths after 5/4/2012
Threshold / Nil-rate band	£325,000
Death rate	40%
Lower death rate (where 10% or more given to charity)	36%
Chargeable lifetime transfers rate	20%

VAT	2016/17
Standard rate	20%
Reduced rate	5%
Registration threshold after 31.3.2016	£83,000 (previously £82,000 after 31.3.2015)

National Insurance	2015/16
(2014/15 in brackets where different)	
Class 1 contributions	
Not contracted-out	The employee contribution is 12% of earnings between £155 and £827 (£815) p.w. plus 2% of all earnings above £827 (£815) p.w. Between £112 and £155 p.w., no employee contributions are payable but a notional contribution is deemed to have been paid to protect contributory benefit entitlement. The employer contribution is 13.8% of all earnings in excess of the first £156 p.w. The employer contribution is reduced to 0% of earnings between £156 and £827 (£815) p.w. if the employee is under 21. For 2016/17 the contribution is similarly reduced for certain apprentices under 25. In most cases employers can claim employment allowance of up to £3,000 (£2,000) a year against their liability for employer contributions.
Contracting-out for 2015/16	The 'not contracted-out' rates for employees in salary-related schemes were reduced for 2015/16 on the band of earnings from £112 p.w. to £770 p.w. by 1.4%. For the employer, they were reduced on the same band of earnings by 3.4%. Contracting-out is abolished for 2016/17, and there are no reductions.
Class 1A and 1B contributions	13.8%
Class 2 contributions	
Flat weekly rate	£2.80
Exemption limit	£5,965
Class 3 contributions	
Flat weekly rate	£14.10
Class 4 contributions	9% on the band of profits between £8,061 and £43,000 (£42,385) plus 2% on all profits above £43,000 (£42,385).

Administration of Tax

Income Tax: Personal Allowance and Basic Rate Limit for 2017/18

In 2017/18 the personal allowance will be £11,500 and the basic rate limit will be increased to £33,500. As a result, the higher rate threshold will be £45,000.

Savings and Investments

Changes to Dividend Taxation

A new Dividend Allowance is to be introduced for 2016/17 onwards. The current system of taxing dividends, complete with dividend tax credits, is abolished. The Dividend Allowance will be £5,000, and dividends in excess of the allowance will be taxed at the following rates:

- 7.5% (dividend ordinary rate) on dividends within the basic rate band;
- 32.5% (dividend upper rate) on dividends within the higher rate band;
- 38.1% (dividend additional rate) on dividends above the higher rate limit.

Dividend income is generally treated as the highest part of an individual's income for the sake of determining into which rate band it falls. For 2015/16, the dividend ordinary, upper and additional rates are, respectively, 10%, 32.5% and 37.5%. However, a comparison between these and the 2016/17 rates is misleading due to the effect of dividend tax credits in 2015/16. Taking the tax credits into account, the effective rates for 2015/16 are, respectively, 0%, 25% and 30.55%.

The Dividend Allowance is not a deduction in arriving at total income or taxable income. Instead, the first £5,000 of dividend income will attract a zero rate of income tax.

There is no distinction between dividends from UK companies and those from overseas companies; all dividends (and other company distributions treated as dividends) will potentially attract the Dividend Allowance. Dividends within an ISA continue to be tax-free, and do not count towards the Allowance.

The following apply as regards trusts and estates:

- the Dividend Allowance is available only to UK resident individuals and not to trustees or personal representatives;
- the abolition of dividend tax credits applies across the board regardless of the status of the recipient;
- dividend income received by beneficiaries of deceased estates will continue to be grossed up at (and will have borne tax in the estate at) the dividend ordinary rate, which will now, however, be 7.5% as above; and
- the dividend trust rate will continue to apply to dividends received by trusts with accumulated or discretionary income; this rate will increase to 38.1% from 6 April 2016 so as to continue to mirror the dividend additional rate for individuals.

Personal Savings Allowance

A new Personal Savings Allowance (PSA) is to be introduced for individuals for 2016/17 onwards. This will operate in conjunction with the current 0% starting rate for savings and the £5,000 starting rate limit, both of which will continue unchanged. Also for 2016/17 onwards, banks, building societies and National Savings and Investments will no longer be required to deduct basic rate income tax at source from interest they pay to their customers. Savings income within an ISA will continue to be tax-free, and does not need to be covered by the PSA.

The PSA will be £1,000 for basic rate taxpayers, i.e. those who have no income chargeable at the higher or additional rates or the dividend upper and additional rates. For taxpayers with income chargeable at the higher but not the additional rate (or at the dividend upper but not the dividend additional rate), the PSA will be £500. Taxpayers with income chargeable at the additional rate or dividend additional rate will not be entitled to a PSA.

The PSA is not a deduction in arriving at total income or taxable income. Instead, the savings income covered by the PSA (whether the available PSA be £500 or £1,000) will attract a zero rate of income tax.

Deduction of Tax at Source

Legislation will be introduced with effect from 6 April 2017 to remove the requirement to deduct income tax at source from interest distributions from open-ended investment companies, authorised unit trusts and investment trust companies and from interest on peer-to-peer loans. This will bring the treatment of these types of savings income into line with that of interest paid on bank and building society accounts following the introduction of the Personal Savings Allowance a year earlier.

General ISA Allowance from April 2017

The ISA allowance will rise from £15,240 to £20,000 in April 2017.

Lifetime ISA

From 6 April 2017 any adult under 40 will be able to open a new Lifetime ISA and contribute up to £4,000 each year and will receive a 25% bonus from the government at the end of the year. Savers will be able to contribute to one Lifetime ISA in each tax year, as well as a cash ISA, a stocks and shares ISA, and an Innovative Finance ISA, within the new overall ISA limit of £20,000. A Lifetime ISA can be funded by transfers from other ISAs in accordance with normal rules.

Contributions can continue to be made with the bonus paid up to the age of 50. Funds, including the Government bonus, can be used to buy a first home at any time from 12 months after opening the account, and can be withdrawn from age 60 for use in retirement.

The limit for property purchased using Lifetime ISA funds will be set at £450,000 and will apply nationally. Savers can continue to open a Help to Buy ISA until November 2019 and can also choose to open a Lifetime ISA, but will only be able to use the Government bonus from one of their accounts to buy their first home. During the 2017/18 tax year, those who already have a Help to Buy ISA will be able to transfer the savings they have built up into the Lifetime ISA and still save an additional £4,000.

The proposals are subject to consultation and final details are expected to be available later this year.

Individual Savings Accounts

The tax advantages of an individual savings account ('ISA') cease on the death of the ISA account holder. Finance Bill 2016 will enable the Treasury, via regulations, to provide for ISAs to retain their tax-advantaged status in the hands of the personal representatives following the death of the account holder.

The measures will come into effect at some point following Royal Assent to Finance Act 2016 after further consultation.

Enterprise Investment Scheme and Venture Capital Trusts

Legislation will be introduced in Finance Bill 2016 in relation to the Enterprise Investment Scheme and Venture Capital Trusts (VCTs) to clarify:

- the method used to determine the relevant years for calculating the average turnover and operating costs of a company;
- the investments a VCT may make for liquidity management purposes, where the investment is not a qualifying holding.

These amendments will broadly apply from 18 November 2015 and 6 April 2016 respectively, and are designed to ensure the legislation operates in the way intended.

Venture Capital Schemes: Energy Generation

The Government are to exclude all remaining energy generation activities from the Enterprise Investment Scheme, the Seed Enterprise Investment Scheme and Venture Capital Trusts with effect from 6 April 2016, as well as from Social Investment Tax Relief when this scheme is enlarged in due course.

Bad Debt Relief for Peer-to-Peer (P2P) Loans

Legislation is to be introduced to allow income tax relief, broadly from 6 April 2015, for losses on the irrecoverable principal of peer-to-peer (P2P) loans. Persons subject to corporation tax will not be eligible for this relief, but may be able to claim a deduction for any losses under the loan relationships regime.

Employment Income

Employer NIC on Termination Payments that Exceed £30,000

The rules relating to the taxation of termination payments are to be tightened. This will include introducing legislation to clarify that all payments in lieu of notice and certain damages payments are taxable as earnings and removing foreign service relief. The employer NICs and tax treatments of termination payments will be aligned, so that employers will have to pay NICs on the elements of termination payments that exceed £30,000.

These changes will be legislated in Finance Bill 2017 and a future NICs Bill and will take effect from April 2018. A technical consultation will be published over the summer.

Statutory Exemption for Trivial Benefits-in-kind

As originally announced in the Spring 2015 Budget, a statutory exemption is to be introduced for 2016/17 onwards which will allow employers to identify and treat certain low value benefits provided to employees or former employees as trivial. These benefits will then be exempt from income tax and Class 1A national insurance contributions and will not need to be reported to HMRC. The benefit must not be cash or a cash voucher and the cost of providing it must not exceed £50. If the employer is a close company (broadly a company controlled by five or fewer persons) and the employee is a director, there will be an annual cap of £300 on the amount of benefits that can be regarded as trivial. Benefits received by a member of the family or household of any such director count towards the cap. Where the family member etc. is also an employee of the company, that person will be subject to a £300 cap in their own right.

Extending the Real Time Collection of Tax on Benefits in Kind: Voluntary Payrolling

With effect from 6 April 2017, employers will be able to choose to payroll non-cash vouchers and credit tokens, which had been excluded from the payrolling of benefits in kind legislation in Finance Act 2015.

Income Tax: Preventing Liability to Charge being Removed from Certain Taxable Benefits in Kind

A technical change, effective from 6 April 2016, has been made to the wording of the legislation to clarify that the principle of 'fair bargain' applies only to general taxable benefits where the taxable amount is based on the cost to the employer of providing the benefit. It does not apply to the taxation of certain benefits in kind which have specific charging rules.

Income from Sporting Testimonials

Professional sportspersons are sometimes granted benefits or testimonials which can consist of a benefit match or a series of events throughout a benefit period. Where the right to a match or benefit period is written into a player's contract, or where the player's club always grants the benefit match or period after a set qualifying period of service, the proceeds are taxable as earnings and NIC is payable. Where this is not the case, HMRC's practice is to treat the proceeds as exempt.

With effect in relation to sporting testimonial events held on or after 6 April 2017 where the testimonial has been awarded on or after 25 November 2015, income arising from a non-contractual or non-customary sporting testimonial or benefit for an employed sportsperson will be liable to income tax and NIC as employment income. This will be subject to an exemption for the first £100,000. The exemption will hold good for 12 months beginning with the date the first testimonial event is held. The previous practice above will continue where the testimonial or benefit was awarded before 25 November 2015, regardless of when it is held.

Employee Share Schemes

A number of changes are to be made to the rules for taxing the award of employment-related securities (ERS) and options to acquire employment-related securities (ERS options):

– A list of events is introduced in consequence of which a plan would cease to qualify as a tax-advantaged share incentive plan (SIP). These disqualifying events are intended to enforce the principle that preferential shares in a SIP cannot be issued to select employees. The list has effect in relation to events occurring on or after the date of Royal Assent to Finance Act 2016.

– Under self-certification of tax-advantaged ERS schemes and ERS option schemes, HMRC must be notified of a scheme by 6 July in the tax year following that in which the first option is granted or, in the case of a SIP, the first shares are awarded. A 'reasonable excuse' provision is now to be introduced. If the scheme organiser satisfies HMRC that there was a reasonable excuse for late notification, the tax advantages will not be lost. This will have effect in relation to notifications made on or after 6 April 2016.

– The tax advantages of an enterprise management incentive (EMI) option will be preserved where minority shareholders in an EMI scheme exercise so-called 'tag-along' rights. These are rights in a takeover to have share options acquired by the offeror and exchanged for share options in the offeror company. This amendment is backdated to 17 July 2013.

– If a disqualifying event occurs in relation to an EMI option, shares acquired by the exercise of that option are qualifying EMI shares for capital gains tax purposes only if the option is exercised within 40 days (currently) of that event. This is to be increased to 90 days. This has effect in relation to disqualifying events occurring on or after the date of Royal Assent to Finance Act 2016.

– A rights issue which takes place on or after 6 April 2016 in respect of shares received on exercise of an EMI option will be treated in the same way for share identification purposes as other rights issues; the new shares will be treated as acquired at the same time as the original shares.

– A company controlled by an employee ownership trust will now be permitted to operate an EMI scheme. This change is backdated to 1 October 2014.

– Where restricted stock units (RSUs) are awarded to internationally mobile employees, the charge to tax will arise specifically under the ERS options rules instead of the rules dealing with income tax on earnings. This will have effect in relation to ERS options on and after 6 April 2016, including options acquired before that date. RSUs are arrangements used particularly by US companies to incentivise employees long-term via rewards linked to shares or securities.

Setting Company Car Tax (CCT) Rates for the 3 Years to 2019/20

From 6 April 2019, the graduated table of company car tax bands will provide for a 16% band for cars with emissions of 0-50g CO2 per km, a 19% band for cars with emissions of 51-75g CO2 per km, a 22% band for other low emission cars (76g-94g CO2 per km); and a 3% increase for each rise in emissions of 5g CO2 per kg from 95g CO2 to the existing maximum of 37%.

From 6 April 2019, the appropriate percentages are as follows:

– cylinder capacity of up to 1,400cc – 23%;

– cylinder capacity greater than 1,400cc but no more than 2,000cc – 34%; and

– cylinder capacity greater than 2,000cc – 37%.

With effect from 6 April 2017 the appropriate percentage for cars with no registered CO_2 emissions which are unable to produce CO_2 under any circumstances by being driven, will be set at 9%. This will increase to 13% from 8 April 2018 and to 16% from 6 April 2019.

For cars first registered before 1 January 1998, from 6 April 2019 the appropriate percentage for the lowest band will be set at 23%; the appropriate percentage for cars in the medium band will be set at 34%; and the appropriate percentage for cars with a cylinder capacity greater than 2,000cc will remain at 37%.

Van Benefit Charge for Zero Emissions Vans

The benefit charge for zero-emissions vans will be set at 20% of the charge for conventionally-fuelled vans for the tax years 2016/17 and 2017/18. This defers the planned increase to 40% of the van benefit charge for conventionally-fuelled vans to 2018/19.

The charge will be 60% of the charge for conventionally-fuelled vans in 2019/20, 80% in 2020/21 and 90% in 2021/22. From 2022/23, the charge is 100% of the van benefit charge for conventionally-fuelled vans.

Employment Intermediaries: Tax Relief for Travel and Subsistence

Legislation is being introduced with effect on and after 6 April 2016 to restrict tax relief for travel and subsistence expenses of workers engaged through an intermediary. For workers who personally provide their skills or labour through an employment intermediary (broadly an umbrella company, recruitment agency or employment business), each engagement is to be regarded as a separate employment for the purpose of the rules for income tax relief on travel and subsistence expenses. Each workplace will then be treated as a permanent workplace, with the result that daily commuting by such workers will be regarded as ordinary home-to-work commuting and will not qualify for tax relief. The measure does not, however, apply to a worker whose services are not subject to supervision, direction or control by another person.

The above will also apply to a worker operating through a personal service company which is required to operate the so-called IR35 rules, but only to those contracts where a deemed employment payment is made (or would be made were the worker not receiving all his income in the form of employment income). The 'supervision, direction or control' exception will not apply in such cases.

Off Payroll Working in the Public Sector: Reform of the Intermediaries Legislation

From April 2017 public sector bodies and agencies will be responsible for operating the tax rules that apply to off payroll working in the public sector. The rules will remain unchanged when individuals are working in the private sector.

Exemption for Employer-provided Pensions Advice

A new income tax and national insurance exemption will be introduced for the first £500 of the cost of financial advice on pensions in cases where the advice is arranged by the employer. This will have effect from 6 April 2017.

Trading Income

Averaging Profits of Farmers and Creative Artists

For 2016/17 and subsequent years the period over which an individual carrying on a qualifying trade of farming, market gardening, or intensive rearing of livestock or fish, can average fluctuating trading profits is to be extended so that they will be able to average over either two or five consecutive tax years. The new five-year averaging relief applies where:

– either A or B is less than 75% of the other, A being the average of the relevant profits of the first four tax years to which the claim relates, and B being the relevant profits of the last of the tax years to which the claim relates; or

– the relevant profits of one or more (but not all) of the five tax years to which the claim relates are nil.

In addition to the introduction of five-year averaging claims, a further amendment will remove the marginal relief that currently applies where the profits of one year exceed 70% but do not exceed 75% of the other year. Therefore full two-year averaging relief will be available where the profits of one year are 75% or less of the profits of the other year. This latter amendment also applies to the averaging of profits for creative artists and has effect where the latest year is 2016/17 or a subsequent year.

Property and Trading Income Allowances

A £1,000 allowance will be introduced for both property income and trading income with effect from the 2017/18 tax year. Individuals with property income or trading income below £1,000 will no longer need to declare or pay tax on that income, and those with income above the allowance will be able to calculate their taxable profit either by deducting their expenses in the normal way or by simply deducting the relevant allowance from their gross income. Legislation will be introduced in Finance Bill 2017.

Repeal of Renewals Allowance

The renewals allowance predates capital allowances and is intended to relieve the costs of replacing implements, utensils and articles used in a trade or a property business. It is intended to be used for small, inexpensive items. The allowance will be repealed with effect for expenditure incurred on or after 6 April 2016 for income tax purposes, and from 1 April 2016 for corporation tax purposes. Tax relief will be available for most items under the existing capital allowances regime or the new relief for residential landlords for replacement of furnishings, appliances and kitchenware, which takes effect from those same dates.

Trading Income Received in Non-Monetary Form

Legislation will be introduced in the 2016 Finance Bill to ensure that trading or property income received in non-monetary form is fully brought into account in calculating taxable profits for income tax and corporation tax purposes. This measure will apply to trading and property business transactions occurring on or after 16 March 2016, and is not intended to alter existing principles, but to put beyond doubt the current position.

Property Income

Reform of Wear and Tear Allowance

The wear and tear allowance and the renewals allowance for property businesses will be repealed and replaced, for expenditure incurred on or after 1 April 2016 for corporation tax and on or after 6 April 2016 for income tax. The new legislation will allow instead a deduction for capital expenditure incurred by a lessor on replacing furnishings, appliances (including white goods) and kitchenware no longer available for the use of a lessee in a dwelling-house. Relief is not available for fixtures.

Where the new item is substantially the same as the old item, the deduction is equal to the expenditure incurred on the new item. Where the new item is not substantially the same, the deduction is limited to the amount which would have been incurred if it were substantially the same. In addition, a deduction is permitted for incidental capital costs of disposing of the old item or acquiring the replacement, less any amounts received, either by the lessor or a person connected with them, on disposal of the old item.

The legislation accommodates part-exchanges and letting arrangements without a formal lease.

The deduction will not be available for furnished holiday lettings or if rent-a-room relief is claimed in respect of the dwelling-house.

Clarification to Finance Costs Restriction for Landlords

Current legislation restricts landlords' finance costs deductions. Further legislation in Finance Bill 2016 will ensure that:

– individual beneficiaries of deceased persons' estates are entitled to the basic rate tax reduction;

– the total income restriction to the tax reduction applies where the relevant finance costs or property profits are higher than the total income;

– total income is a measure of the net taxable income after other reliefs;

– any carried forward tax reduction is given in any subsequent year in which property income is received, even if there is no restriction on the deduction of finance costs in that year, for example, where the loan has been repaid.

Capital Gains Tax

Changes to Capital Gains Tax Rates

With effect from 6 April 2016 the current main capital gains tax rates of 18% and 28% will be reduced to 10% and 20% respectively, subject to exclusions for chargeable gains on disposals of residential property that do not qualify for private residence relief and receipt of carried interest, both of which will continue to be taxed at either 18% or 28% as appropriate. In addition, ATED-related gains will remain taxable at 28%, and the entrepreneurs' relief rate of 10% and the company NRCGT rate of 20% will continue to apply.

Entrepreneurs' Relief: Extension to Long-term Investors

Entrepreneurs' relief at 10% will be extended to gains accruing on the disposal of ordinary shares in an unlisted trading company which:

– are held by individuals (excluding employees and officers of the company);

– are newly issued to the claimant and acquired for new consideration on or after 17 March 2016; and

– have been held for a period of at least three years starting from 6 April 2016.

The individual's qualifying gains for this relief will be subject to a lifetime cap of £10m. This limit will apply to beneficiaries of trusts.

Entrepreneurs' Relief on Associated Disposals

Finance Bill 2016 will introduce measures backdated to 18 March 2015 which will allow entrepreneurs' relief to be claimed on an associated disposal of a privately-held asset when the accompanying disposal of business assets is to a family member. In addition, the requirement that the material disposal of business assets is of 5% or more of the claimant's share in a partnership or holding in a company will not apply where the claimant disposes of the whole of his interest and has previously held a larger stake.

Entrepreneurs' Relief: Joint Ventures and Partnerships

Changes to the definitions of a 'trading company' and a 'trading group' applying for entrepreneurs' relief purposes will be included in Finance Bill 2016 and backdated to 18 March 2015. Where the new definitions apply, a proportion of the activities of the joint venture company corresponding to the investing company's fractional shareholding in it will be treated as carried on by the investing company.

Similarly, trading activities of a company in its capacity as a partner in a firm will be taken into account in deciding whether the company is a trading company.

Employee Shareholder Status: Lifetime Capital Gains Tax Limit

A lifetime limit of £100,000 will be imposed on the exempt capital gains that a person can make on the disposal of shares acquired under Employee Shareholder Agreements entered into after 16 March 2016.

Any past or future gains on shares that were issued in respect of agreements made before midnight at the end of 16 March 2016 will not count towards the limit.

The transfer of shares between spouses or civil partners will be treated as being for consideration which gives rise to a gain equal to the transferor's unused lifetime limit, subject to the over-riding condition that the consideration does not exceed the market value of the shares transferred.

Entrepreneurs' Relief: Goodwill on Incorporation

Legislation in Finance Bill 2016 will allow entrepreneurs' relief to be claimed, subject to certain conditions, on gains on the goodwill of a business. The relief can be claimed when the business is transferred to a company controlled by 5 or fewer persons or by its directors and the claimant holds less than 5% of the shares, and less than 5% of the voting power, in the acquiring company. These changes will take effect for disposals made on or after 3 December 2014. Relief will also be due where the claimant holds 5% or more of the shares or voting power if the transfer of the business to the company is part of arrangements for the company to be sold to a new, independent owner.

CGT for Non-UK Residents Disposing of UK Residential Property

Legislation will be included in Finance Bill 2016 to amend the rules for disposals of UK residential property by non-residents to remove, with retrospective effect from 6 April 2015, a double charge that can occur in certain circumstances and to correct an omission with effect from 25 November 2015. The Government will also prescribe specific circumstances where a return is not required. CGT will be added to the list of taxes that may be collected on a provisional basis.

Corporation Tax

Corporation Tax Rate Reduction in 2020

The main rate of corporation tax will be reduced to 17% for the financial year beginning 1 April 2020.

Close Company Reforms

The rate of tax charged on loans to participators and benefits conferred by close companies will be specifically linked to the dividend upper rate (32.5%), from 6 April 2016. Currently it is set at 25%. This rate will apply to loans made and benefits conferred by close companies on or after 6 April 2016. For accounting periods which straddle 6 April 2016 different rates will be applied to separate loans made or benefits conferred before, and on or after, 6 April 2016. The reason for this change is to ensure that the rules continue to prevent individuals gaining an unfair tax advantage by taking loans (or making other arrangements to extract value) from their companies rather than remuneration or dividends.

In addition, for loans or advances made on or after 25 November 2015, a tax charge is not applied to loans or advances made by close companies to charity trustees for charitable purposes.

Reform of Corporate Loss Relief

Corporate losses arising on or after 1 April 2017 will, when they are carried forward, be able to be offset against profits from different types of income and other group companies. In addition, where a company or group's profit is above £5m, the losses carried forward are only able to be offset against up to 50% of the profits above £5 million.

Carried forward losses arising at any time will be subject to this restriction. Legislation will be introduced in Finance Bill 2017.

Large Company Instalment Payments

The commencement of rules advancing quarterly instalment payments for very large companies (those with profits above £20m) is deferred for two years, so that they will have effect for accounting periods commencing on or after 1 April 2019.

Securitisation Companies

Legislation will be introduced in Finance Bill 2016 to amend the existing power to make regulations concerning the taxation of securitisation companies. This will permit changes to be made to regulations concerning the treatment of certain payments (known as 'residual payments') made by securitisation companies. In particular the changes will clarify that the residual payments will not be treated as annual payments and so can be paid without withholding tax.

Hybrid Mismatch Arrangements

Broadly speaking, these arrangements exploit differences in the tax treatment of an entity or instrument under the laws of more than one tax jurisdiction, to achieve double non-taxation or a prolonged deferral of tax. Following consultation, legislation will be introduced in Finance Bill 2016 (that will apply from 1 January 2017) that will neutralise the tax effect of hybrid mismatch arrangements in accordance with the recommendations of the BEPS project. In addition, the measure will also neutralise the tax effect of hybrid mismatch arrangements involving permanent establishments.

Insurance Linked Securities

Legislation will be introduced to provide a power to make statutory instruments to deal with the treatment of insurance linked securities issued in the UK. Insurance linked securities are a means of transferring insurance risk to capital market investors. Regulations issued under this power (following consultation with stakeholders) will define the scope, conditions and treatment of vehicles issuing insurance linked securities, as well as allowing for the taxation of investors.

Transfer Pricing Guidelines

Legislation will be introduced in Finance Bill 2016 to amend the definition of 'transfer pricing guidelines' within the current legislation to incorporate the revisions agreed to the OECD Guidelines by the joint OECD/G20 BEPS project.

Extension of Enhanced Capital Allowances in Enterprise Zones

With effect from the date of Royal Assent to Finance Act 2016, legislation will ensure that all enterprise zones are able to offer enhanced capital allowances (ECAs) for 8 years following the establishment of the ECA site.

Vaccine Research Relief: Expiry in 2017

The Government plans to withdraw Vaccine Research Relief from April 2017 owing to the low level of take-up. Introduced in 2003 as an additional research and development tax relief for companies undertaking research into vaccines and treatments for tuberculosis, malaria and HIV/AIDS, it was withdrawn for small and medium-sized enterprises in 2011.

The relief is now only available to large firms and is claimed by fewer than 10 companies a year, and the measure is expected to have a negligible impact on the Exchequer. Legislation will be introduced in Finance Bill 2016 to repeal CTA 2009, Part 13, Chapter 7 in respect of expenditure incurred on or after 1 April 2017.

Patent Box

Legislation will be introduced in Finance Bill 2016 to ensure that the lower Patent Box corporation tax rate is determined by reference to a company's direct engagement in R&D. This will come into effect on 1 July 2016.

Research and Development Relief: SME State Aid Cap

Legislation will be introduced in Finance Bill 2016 to amend the calculation of the state aid cap for the purposes of the R&D relief calculation for SMEs. This calculation allows an SME to discount any aid which represents a notional amount which could be claimed under the large company R&D relief when calculating whether or not they are under the state aid cap for R&D SME relief.

As the large company scheme is being replaced by the R&D expenditure credit on 1 April 2016 an amendment is needed so that the calculation continues to apply in the same way as it did under the previous scheme.

Profits from Trading in and Developing UK Land

New rules are to be introduced in the Finance Bill to charge corporation tax on trading profits of companies from dealing in or developing UK land without any restriction for the normal territorial limits on UK legislation. The charge will apply irrespective of the residence of the company and of where the trade is carried on and whether or not the trade is carried on through a permanent establishment in the UK or elsewhere.

The new rules will be introduced to the Bill at Report Stage and will apply to disposals on or after the date of the introduction, expected to be in June 2016. Anti-avoidance rules will apply with effect from 16 March 2016 to counteract arrangements made to avoid or reduce the charge before it is introduced.

Tax Deductibility of Corporate Interest Expenses

From 1 April 2017, interest expenses that can be offset against profits of large multinational enterprises will be limited to 30% of a group's earnings. This measure will be targeted by the introduction of a group ratio rule, an exemption for public benefit infrastructure and a £2m de minimis threshold. Legislation will be published in Finance Bill 2017.

Large Business Tax Strategies

Legislation will be introduced in Finance Bill 2016 to improve large business tax compliance. These provisions will include a new requirement that large businesses publish their tax strategies, and special measures powers to tackle a minority of large businesses that persistently engage in aggressive tax planning. The legislation will be effective for accounting periods commencing on or after Royal Assent to Finance Act 2016.

Oil and Gas

Oil and Gas Taxation: Reduction in Petroleum Revenue Tax and Supplementary Charge

With effect for all chargeable periods ending after 31 December 2015, the rate of PRT is reduced to 0% on a permanent basis. The supplementary charge payable in respect of adjusted ring fence profits is reduced from 20% to 10% with effect for accounting periods commencing on and after 1 January 2016. There are transitional rules for accounting periods beginning before the operative date.

Oil and Gas Taxation: Minor Amendments to Onshore, Cluster Area and Investment Allowances

With effect for expenditure incurred on and after 16 March 2016 the following allowances are amended to update the conditions which disqualify expenditure, incurred on the acquisition of an asset in certain circumstances, from generating an allowance:

- the onshore allowance includes disqualifying conditions relating to the acquisition of an asset, to provide parity with the other allowances;
- the investment allowance is amended to clarify the circumstances in which investment allowance can be generated; and
- the disqualifying conditions for investment and cluster area allowances are expanded.

Oil and Gas Companies: Tax Relief for Decommissioning Expenditure

A technical note has been published to clarify certain aspects of HMRC's view of the legislation that provides tax relief for decommissioning expenditure incurred by oil and gas companies following the transfer of a licence in an oil field.

Anti-avoidance

Tackling Disguised Remuneration

Disguised remuneration schemes come in many varieties, but often involve the employer paying a contribution to a third party, such as an Employee Benefit Trust (EBT), instead of paying remuneration directly to the employee. The Government is to bring forward a package of changes to tackle the use of disguised remuneration schemes, the first part being introduced in Finance Bill 2016 with a targeted anti-avoidance rule to take effect from 16 March 2016.

The measure will also withdraw a relief that was intended to work alongside HMRC's EBT Settlement Opportunity, which closed on 31 July 2015. The relief is given when tax has been accounted for on the amount of disguised remuneration on the basis it is earnings, and the effect of it is that the amount treated as earnings, and any investment returns accruing on that amount, will not be taxed as disguised remuneration when distributed to the employee by the third party. The Government intends to withdraw the transitional relief on the investment return if the original earnings charge on the disguised remuneration has not been paid by 30 November 2016.

Further legislation in Finance Bill 2017 will ensure that schemes which result in a loan or other debt being owed by an employee to the third party, whatever the intervening steps, are within the scope of the disguised remuneration rules.

In addition, the Government will introduce legislation to put beyond doubt that all loans or debts from a disguised remuneration scheme will be taxed as earnings if they have not already been fully taxed or repaid by 5 April 2019.

GAAR Penalties

Finance Bill 2016 will introduce a new tax-geared penalty for cases which have successfully been challenged under the General Anti-abuse Rule ("GAAR"). The penalty will be 60% of the value of the tax advantage that has been counteracted by the GAAR. The penalty will be triggered when a taxpayer submits a return, claim or other document to HMRC, and will become chargeable at the point when HMRC have successfully counteracted the arrangements under the GAAR.

The existing inaccurate returns penalties in FA 2007, Sch 24 will apply in GAAR cases but the combination of both penalties will never exceed 100% of the tax that otherwise would have been due. This is subject to the inaccurate returns enhanced penalties for offshore matters.

The GAAR penalty will apply to tax arrangements entered into on or after the date of Royal Assent to Finance Act 2016.

Finance Bill 2016 will also make two procedural changes to the GAAR.

Company Distributions and Transactions in Securities

For transactions entered into on or after 6 April 2016, the transactions in securities rules are to be strengthened and a targeted anti-avoidance rule (TAAR) is to be introduced. Both of these measures are intended to restrict the opportunities for shareholders to convert to capital what might otherwise be paid as an income distribution (most commonly a dividend). The TAAR will in certain circumstances treat a distribution from a winding-up as if it were an income distribution.

Deterrents for Offshore Tax Evasion.

Finance Bill 2016 will increase minimum civil penalties for deliberate offshore tax evasion, require greater levels of disclosure for penalty reductions, remove protection from naming for unprompted disclosures, and allow the naming of individuals who hide their evasion behind companies and other entities. An additional penalty will be introduced for serious cases of deliberate offshore evasion, equivalent to up to 10% of the underlying asset value. The changes will come into force from Royal Assent to FA 2016.

Civil Sanctions for Enablers of Offshore Tax Evasion

New civil penalties and naming provisions will be introduced for individuals and businesses who have deliberately assisted taxpayers to hide assets and taxable income and gains outside the UK to evade their UK tax responsibilities. The penalties will only apply where the enabler's behaviour was deliberate and the evader has received a penalty relating to offshore tax non-compliance. The penalty for the enabler can be up to 100% of the tax evaded and naming will be reserved for the most serious enablers. The measure will apply from a future date to be appointed.

Criminal Offence for Offshore Tax Evaders

Finance Bill 2016 will introduce a new strict-liability criminal offence for individuals who have income or gains outside the UK and fail to notify HMRC of their liability to pay tax on that income or those gains, fail to submit a return or submit an inaccurate return. The offence will only apply where the tax underpaid exceeds a threshold, to be set by secondary legislation at an amount of not less than £25,000 of tax lost per tax year.

Serial Avoiders

Finance Bill 2016 will enable HMRC to send a notice to the user of a tax avoidance scheme, when the scheme is defeated, putting the recipient on warning for a period of five years. During this time, the taxpayer will be required to notify HMRC each year that they have not used any further avoidance schemes or, if they have, to give full details of the schemes and the amount of the tax advantage the schemes are asserted to deliver.

A series of increasing penalties will apply where the taxpayer uses any further avoidance schemes which HMRC defeat, during the five-year period. The measure will have effect from 6 April 2017.

Extending HMRC's Data-gathering Powers

With effect from Royal Assent to FA 2016, HMRC will have the power to issue notices to business intermediaries which facilitate financial transactions, and to electronic payment providers operating digital wallets, requiring them to provide relevant data to HMRC. Relevant data will be specified in secondary legislation. This will enable HMRC to identify businesses which are failing to declare the full amount of tax they owe.

Pensions

Pension Flexibility 2016

Changes operative from the day after Royal Assent to Finance Act 2016 will affect serious ill-health lump sums; dependants' pensions; charity lump sum death benefits; trivial commutation lump sums; and lump sum death benefits from cash balance arrangements.

Currently, serious ill-health lump sums can only be paid out of funds that have not been accessed. This will no longer be so and provided the other conditions for serious ill-health lump sums are met, the remaining funds may be paid as a lump sum. In addition, a serious ill-health lump sum paid to an individual who has reached age 75 will be taxed at the individual's marginal rate rather than at 45%.

Dependants will be able to continue to receive drawdown pension or flexi-access drawdown pension as authorised payments after reaching age 23. This aligns the tax treatment with that of a nominee of the member who has died.

The rules on making a charity lump sum death benefit on a death under the age of 75 out of uncrystallised funds and out of drawdown or flexi-access drawdown funds will be aligned. The need to pay such sums within two years will be removed.

It will be possible to pay a trivial commutation lump sum out of a money purchase scheme pension that is in payment.

Where funds must be topped up to meet the entitlement of a member's beneficiaries to an uncrystallised funds lump sum death benefit under cash balance scheme rules, the full amount of the lump sum death benefit will be an authorised payment.

Reduction of Pensions Lifetime Allowance

The standard lifetime allowance is to be reduced from £1,250,000 to £1,000,000 for 2016/17 and 2017/18. For subsequent years it is to be the same as the preceding year, unless there is a rise in the consumer prices index, in which case it will be increased to reflect that rise (rounded up to the nearest £100).

As in previous reductions in the lifetime allowance, there are fixed and individual protections available to prevent retrospective effect. Applications may be made on or after 6 April 2016.

The opportunity is also taken to adjust provisions relating to pension commencement lump sums where there is protection for pre-April 2006 rights.

Pensions Tax: Bridging Pensions

The current legislation allowing the reduction of a scheme pension on receipt of the state pension (facilitating bridging pensions) will be repealed and replaced with regulations. The intention is to maintain the provision for bridging pensions on the introduction of the single-tier pension in April 2016.

Dependants' Scheme Pensions

The anti-avoidance provisions that apply to ensure that a disproportionate amount of a member's fund is not used to provide dependants' pensions are to be amended for dependants scheme pensions payable on or after 6 April 2016 in order to reduce the compliance burden by reducing the number of comparison calculations required. This is to be achieved by introducing circumstances in which the limits to dependants' provision do not apply.

Compliance

Making Tax Digital

In the March 2015 Budget, the Government committed to transforming the tax system through digital technology and ending the need for annual tax returns. As further progress towards this, it has now been announced that, from 2018, businesses, the self-employed and landlords who are keeping their records digitally and providing regular digital updates to HMRC will be able to adopt pay-as-you-go tax payments, enabling them to choose payment patterns that suit them and better manage their cash flow.

Simple Assessment

For 2015/16 and subsequent tax years (effective from the date of Royal Assent to Finance Act 2016) HMRC will have a new power to make a 'simple assessment' of an individual's or trustee's income tax or capital gains tax liability without that person first being required to complete a self-assessment tax return. HMRC will instead assess their tax liability on the basis of information already held. HMRC can issue more than one simple assessment in a tax year.

The assessment is subject to appeal within 60 days, or suspension by HMRC without a formal appeal. If the assessment is suspended, the person will be required to pay the amount not in dispute, and HMRC must then either confirm or withdraw the assessment, or issue a further assessment either in addition to, or in place of, the original. There is still a right of appeal if the person disagrees with the assessment after the suspension is lifted.

The amount due, less any payments on account and income tax paid at source is payable on or before the 31 January after the end of the year of assessment, or, where the notice was after 31 October following the year of assessment, three months after the day on which that notice was given.

Non-domiciliaries

Reform of Domicile Rules

As previously announced, with effect from April 2017 non-UK domiciled individuals will be deemed to be UK domiciled for all tax purposes after they have been UK resident for 15 out of the past 20 tax years. Individuals who were born in the UK and who have a UK domicile of origin will be treated as UK domiciled for tax purposes while resident in the UK.

It has now been confirmed that individuals who become deemed-domiciled in April 2017 will be able to treat the base cost of their non-UK assets as the market value of that asset on 6 April 2017. Individuals who expect to become deemed UK domicile under the 15 out of 20 year rule will be subject to transitional provisions with regards to offshore funds.

The reforms will be included in Finance Bill 2017.

Value Added Tax

Overseas Businesses Selling Goods in the UK

With effect from Royal Assent, Finance Act 2016 will give HMC enhanced powers in respect of businesses established outside the EU who make supplies in the UK via online marketplaces.

HMRC will be able to direct:

- that a VAT representative of such a business must be established in the UK;
- that a VAT representative of such a business must be appointed from a specified date;
- that such a business must provide security instead of, or in addition to, appointing a VAT representative.

In the event that the overseas business does not comply with a direction, HMRC will be able (after a period during which the online marketplace may take action to secure the compliance of the overseas business, or to remove it from the marketplace) to hold the online marketplace jointly and severally liable for the VAT due from future sales of the overseas business.

New Criteria for VAT Refunds to Museums and Galleries

With effect from 16 March 2016, the VAT refund scheme for museums and galleries, contained in VATA 1994, s 33A, is to be extended to any museum or gallery that:

- is open to the general public for at least 30 hours per week, without exception;
- offers free entry, without prior appointment;
- holds collections in a purpose-built building;
- displays details of free entry and opening hours on the museum website.

Museums and galleries must apply to the relevant body, ie:

- the Department for Culture, Media and Sport;
- the Welsh Assembly Government;

– the Northern Ireland Assembly;

– the Scottish Government;

– the Ministry of Defence,

and must support their application with a strategic business case.

VAT: Power to make Refunds to Named Bodies

Government departments are permitted to obtain refunds of VAT which they incur in relation to non-business activities. However, this does not extend to Non-Departmental Public Bodies and similar arm's-length bodies.

With effect from Royal Assent to Finance Act 2016, a new VATA 1994, s 33E will provide that the Treasury may, by order, name any such bodies as 'specified bodies', with the result that they will be able to recover the VAT which they incur on goods or services which relate to non-business activities. The aim of the measure is to prevent VAT from being a disincentive to cost-sharing arrangements between such bodies. (Such arrangements currently give rise to irrecoverable VAT.)

Any hope of a windfall for a specified body will, however, be short-lived; since the body will be government-funded, the extent of its funding will be adjusted downwards to take account of the VAT which will be recoverable.

VAT: Isle of Man Charities

For a charity to qualify for the VAT reliefs set out in VATA 1994, it must meet the conditions set out in FA 2010, Sch 6, one of which is that the charity must fall under the jurisdiction of the High Court, the Court of Session, or the High Court of Northern Ireland.

With effect from Royal Assent, Finance Act 2016 will amend Finance Act 2010, Sch 6 to include a reference to the High Court of the Isle of Man to make it clear that charities subject to that court's jurisdiction will qualify for the UK VAT reliefs.

Inheritance Tax

Residential Nil-rate Band – Downsizing Addition

Following the introduction of the residential nil rate, Finance Bill 2016 will include provisions to extend the availability of the band to cases where, on or after 8 July 2015, the individual downsizes from a higher value residence to a lower value one or ceases to own a residence and other assets are left on death to direct descendants. The extension will come into effect at the same time as the main provisions, for deaths on or after 6 April 2017.

IHT Treatment of Pension Scheme Drawdown Funds on Death

Provisions are to be included in Finance Bill 2016, with retrospective effect, to ensure that a charge to inheritance tax will not arise when a pension scheme member designates funds for drawdown but does not draw all of the funds before death.

IHT Exemption for Compensation to Victims of Persecution

The Government is to legislate to put Extra Statutory Concession F20 on a statutory basis. The concession provides an IHT exemption for certain compensation and ex-gratia payments for World War II victims. The legislation will also extend the scope of the existing concession to include a payment made under a new compensation scheme, the Child Survivor Fund. The legislation will give the Treasury powers to add additional exemptions for payments to prisoners of war and civil internees. The legislation will apply to deaths on or after 1 January 2015.

UK Residential Property

The government will legislate to charge inheritance tax on all UK residential property indirectly held through an offshore structure from 6 April 2017.

Estates Duty and Inheritance Tax: Objects Granted Exemption from Estate Duty

The following changes are made to the legislation to ensure that the scheme works in line with publicly stated policy:

– with effect for chargeable events arising on or after 16 March 2016, the existing statutory provisions, which allow IHT to be paid at a lower rate than estate duty would be payable, will be aligned with the position for lifetime transfers;

– with effect from the date of Royal Assent to Finance Act 2016 a charge will be created on objects which are currently subject to an estate duty exemption and which have been lost, except where the Commissioners are satisfied that the loss was outside the owner's control, and galleries and museums who used to benefit from favourable tax exemptions but lost the benefit through transfers to charitable trusts will be brought back within the scope of the legislation.

Stamp Taxes

Higher SDLT Rates on Additional Residential Properties

Higher rates of SDLT are to be introduced for certain purchases of residential property. The rates will be 3 percentage points higher than the normal rates and will apply to transactions which complete on and after 1 April 2016, provided that contracts were exchanged after 25 November 2015.

The higher rates will apply if, at the end of the day of the transaction, an individual purchaser owns 2 or more properties and the purchased property is not a replacement for their main residence. If there is a period of overlap in ownership of a main residence, a refund of the higher rates can be obtained if the previous main residence is sold within 36 months following the purchase of the new. The higher rates will not apply to the purchase of a main residence if there was a gap in ownership of such a residence of no more than 36 months ending with the date of the purchase.

The higher rates will also apply to companies purchasing residential property, including the first purchase of such a property.

The higher rates will not apply to properties purchased for less than £40,000 or to caravans, mobile homes and houseboats. Small shares in inherited properties will not be taken into account when determining if the higher rates apply for 3 years beginning with the date of inheritance.

SDLT on Non-Residential Property

Two changes are to be made to the way in which SDLT is calculated on purchases of non-residential properties and transactions involving a mixture of residential and non-residential properties. The changes will apply on and after 17 March 2016. Where a contract has been exchanged but the transaction has not completed before that date, the purchaser will be able to elect to apply either the old or the new rules.

The existing basis of calculation, under which SDLT was charged at a single rate on the entire purchase consideration, the rate being determined according to the band in which the consideration fell, will be replaced. Each of the rates set out in the table below will instead apply to the portion of the consideration falling within each band.

Band of consideration	Rate
£0 – £50,000	0%
£50,000 – £250,000	2%
Over £250,000	5%

A new 2% rate band will be introduced for rent under a non-residential lease which will apply to the portion of the net present value of the rent which exceeds £5m.

Deep in the Money Options

Where UK securities are deposited with a depositary receipt issuer or clearance service following the exercise of an option, the transfer will be chargeable to stamp duty or stamp duty reserve tax (SDRT) at 1.5% of the higher of the market value or the option strike price at the date the instrument is executed (for stamp duty) or the date of transfer (for SDRT).

This rule will apply to options entered into on or after 25 November 2015 and exercised on or after 16 March 2016.

Miscellaneous

Business Rates Reform

Several measures were announced in relation to the reform of business rates, as follows to apply from 1 April 2017:

- the Small Business Rate Relief (SBRR) is permanently doubled from 50% to 100%;
- the thresholds are increased - businesses with a property with a rateable value of £12,000 and below will receive 100% relief and businesses with a property with a rateable value between £12,000 and £15,000 will receive tapered relief;
- the threshold for the standard business rates multiplier is increased to a rateable value of £51,000.

It was also announced that from April 2020 the annual indexation of business rates will be linked to the CPI (currently it is linked to the RPI).

Increase in the Rate of Insurance Premium Tax ('IPT')

The standard rate of IPT is to be increased from 9.5% to 10%. This measure will apply to premiums received on or after 1 October 2016, except for insurers who use a special accounting scheme. They will be required to account for IPT at the new rate in respect of contracts entered into before 1 October 2016 only where a premium is received after 1 February 2017. From 1 February 2017, the new rate applies to all premiums, regardless of when the contract was entered into.

Apprenticeships Levy

An apprenticeship levy will be introduced in April 2017. It will be set at a rate of 0.5% of an employer's paybill and will be paid through PAYE. Each employer will receive an allowance of £15,000 to offset against their levy payment. This means the levy will only be paid on any paybill in excess of £3m. The Government will apply a 10% top-up to monthly funds entering apprenticeship levy payers' digital accounts in England from April 2017.

Soft Drinks Industry Levy

The Chancellor has announced a new soft drinks industry levy, to be introduced in Finance Bill 2017 and coming into effect in 2018, targeted at producers and importers of soft drinks that contain added sugar.

The levy will be set in two bands according to the sugar volume – one for total sugar content above 5 grammes per 100 millilitres, and a higher band for the most sugary drinks containing more than 8 grammes per 100 millilitres. Pure fruit juices and milk-based drinks will be excluded, and there will be provisions for the smallest producers to be outside the scope of the new measures.

Netherlands Benefit Act for Victims of Persecution in World War 2

Legislation will be introduced to exempt from income tax for 2016/17 onwards certain pension and annuity payments made by the Netherlands to victims of Nazi and Japanese aggression during WW2.

Income Tax: Royalty Withholding Tax

Finance Bill 2016 will introduce a withholding tax which will apply where a payment of a royalty is made to a non-resident connected person as part of arrangements the purpose of which is to obtain a tax advantage by virtue of a provision of a double tax agreement (DTA), other than where obtaining that benefit in those circumstances is in accordance with the object and purpose of that DTA. The provision will have effect for payments made from 17 March 2016, and where it applies, the payment must be made under deduction of income tax regardless of any DTA which would otherwise restrict the UK's taxing rights.

With effect from the date of Royal Assent to the Finance Act 2016 a change to the definition of royalties to which deduction of tax applies will come into effect, and royalties connected with a permanent establishment that a non-UK resident person has in the UK will be considered to come from a source in the UK. Consequential changes will also be made to the diverted profits tax.

English Votes for English Laws: Application to Income Tax

Following the further devolution of income tax to Scotland effective from 6 April 2017, the existing UK-wide main rates of income tax applied to non-savings, non-dividend income will no longer apply in Scotland. However, without further action, Scottish MPs would still be able to vote on these rates in the UK Parliament. Legislation will be enacted in Finance Act 2016 to correct this anomaly.

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