



Bartholomew
Hawkins

CHARTERED FINANCIAL PLANNERS

THE AUTUMN STATEMENT

AUTUMN STATEMENT 2014

THE KEY POINTS
OUTLINED AT A GLANCE

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AUTUMN STATEMENT 2014

THE KEY ANNOUNCEMENTS

ECONOMIC GROWTH

- 3% growth forecast in 2014, up from 2.7% predicted in March.
- 2.4% growth forecast in 2015, followed by 2.2%, 2.4%, 2.3% and 2.3% in the following four years.
- 500,000 new jobs to be created this year, 85% of new jobs full-time.
- Unemployment set to fall to 5.4% in 2015.
- The Office for Budget Responsibility (OBR) forecasts inflation to be 1.5% this year, 1.2% in 2015 and 1.7% in 2016 before returning to the Bank of England's 2% target in 2017.

CHANCELLOR GEORGE OSBORNE UPDATED MPS ABOUT THE STATE OF THE ECONOMY IN HIS LAST AUTUMN STATEMENT BEFORE THE GENERAL ELECTION.

PUBLIC BORROWING/DEFICIT

- Deficit 'cut in half' since 2010.
- Borrowing set to fall from £97.5bn in 2013/14 to £91.3bn in 2014/15.
- Deficit projected to fall to £75.9bn in 2015/16, £40.9bn in 2016/17, £14.5bn in 2017/18 before reaching a £4bn surplus in 2018/19.
- By 2019/20, Britain will have a surplus of £23bn.
- Debt as a share of GDP to rise from 80.4% this year to 81.1% next year before falling in every year, reaching 72.8% in 2019/20.

HEALTH & EDUCATION

- £2bn extra every year until 2020 for the NHS.
- GP services to receive £1.2bn in extra funds from bank foreign exchange manipulation fines.
- Employment Allowance worth £2,000 extended to carers.
- £10,000 loans for postgraduate students studying for masters degrees.

WELFARE

- Welfare spending to be £1bn lower than forecast in March.
- Two-year freeze in working-age benefits (first announced in October).
- Migrants to lose unemployment benefits if they have 'no prospect' of work after six weeks.

ENERGY & FUEL

- Fuel duty to be frozen.
- Sovereign wealth fund for north of England to keep benefits of shale gas exploration.
- Immediate reduction in oil industry supplementary charge from 32% to 30%.

BUSINESS

- Business rates to be reviewed.
- 25% tax on profits from activity in the UK for companies that shift profits offshore will raise £1bn over the next five years.
- Theatre tax break extended to orchestras and new tax credit for children's TV producers.
- Research and development tax credit increased for small and medium-sized (SME) firms.
- Support extended to small businesses with £500m of bank lending plus £400m government-backed venture capital funds which invest in SMEs.
- £45m package of support for exporters.
- Expand tax relief on business investment in flood defences.
- National Insurance on young apprentices abolished.
- New relief effective from April next year will be introduced, allowing individuals who lend through peer-to-peer (P2P) platforms to offset any losses from loans which go bad against other P2P income.



PEOPLE BUYING A HOME IN THE UK WILL FEEL THE DIRECT IMPACT OF ANNOUNCEMENTS IN THE AUTUMN STATEMENT - BUT INDIVIDUALS' SAVINGS AND INCOME WERE ALSO PUT UNDER THE SPOTLIGHT.



PERSONAL TAXES

- Personal tax-free allowance increased to £10,600 from 6 April next year.
- Higher-rate tax band increased to £42,385 from 6 April next year.
- When someone dies, the surviving spouse or registered civil partner will be able to inherit their Individual Saving Account tax-free.
- The inheritance tax exemption will cover aid workers who lose their lives dealing with humanitarian emergencies.
- Tax-free annuities for dependents of people who die under 75.
- New £90,000 charge for non-doms resident in the UK for 17 of the past 20 years.
- The Government will continue consulting on whether to restrict the income tax personal allowance for non-residents – there will be no change before April 2017.
- New inheritance tax rules introduced to target avoidance through the use of multiple trusts and simplify the calculation of trust taxation.
- Inheritance tax exemption for members of the armed forces whose death is caused or hastened by injury while on active service will be extended to include members of the emergency services and humanitarian aid workers responding to emergency circumstances.
- Individuals will be prevented from claiming capital gains tax entrepreneur's relief on disposals of goodwill when they transfer the business to a related close company. This will affect transfers on or after 3 December 2014.

STAMP DUTY LAND TAX (SDLT)

- Reform of residential property stamp duty cut for 98% of homebuyers who pay it.
- Rates apply only to that part of the property price that falls within each band.
- 0% paid for the first £125,000, then 2% on the portion up to £250,000.
- 5% up to £925,000, then 10% up to £1.5m; 12% on anything above that, saving £4,500 on average-priced home.
- Changes came into effect at midnight on Thursday 4 December 2014.

SAVINGS & PENSIONS

- New Individual Savings Account threshold allowance increases from £15,000 to £15,240 on 6 April next year.
- From 6 April 2015, surviving beneficiaries of joint-life annuities and the recipients of guaranteed annuity benefits will no longer have to pay tax on the payments if the original policyholder died before turning 75.
- The basic State Pension will be increased by 2.5%. The standard minimum income guarantee in pension credit will rise by the £2.85 a week cash increase in the basic State Pension. The full single-tier State Pension will rise to at least £151.25 per week.
- Commitment to complete public service pension reforms, saving £1.3bn a year.

WHAT THE AUTUMN STATEMENT 2014 COULD MEAN TO YOU?

SOME OF THE MAIN WINNERS AND LOSERS FROM THE CHANCELLOR'S SPEECH

The Autumn Statement 2014 has once again created winners and losers. These are some of the main points that could affect you on tax, savings and spending.

WINNERS

HOMEBUYERS

Residential property stamp duty has been reformed to smooth the tiers that previously distorted the housing market. Commencing from midnight on Thursday 4 December 2014, the stamp duty percentages now only apply to each incremental stage. Mr Osborne claimed that 98% of buyers will pay less as a result of this reform. Under the new rules, you'll pay nothing on the first £125,000. Someone buying a property for £275,000 will now pay stamp duty of £3,750 rather than the £8,250 they had to pay under the previous system – saving them £4,500.

MARRIED INDIVIDUAL SAVING ACCOUNT (ISA) SAVERS

The tax-efficient benefits of ISAs will now be able to be passed on to spouses. It will mean the surviving spouse won't have to start filling in a tax form when they inherit ISA savings from their late spouse.

ISA SAVERS WHO USE THEIR FULL ALLOWANCE

The annual ISA allowance limit, raised to £15,000 last year as part of rule changes, will also see an inflation-linked rise from 6 April next year, up to £15,240.

BASIC-RATE AND HIGHER-RATE INCOME TAXPAYERS

The amount of money you will be allowed to earn tax-free increases to £10,600 from 6 April next year, £600 more than the current amount.

The level of earnings at which the higher-rate income tax of 40% commences will also increase on 6 April to £42,385 from £41,865. A further 430,000 individuals will be removed from income tax, although National Insurance still applies, this year at a rate of 12% after your first £7,956.

DRIVERS

Motorists were spared a rise in duty on petrol and diesel, with many predicting an increase following sharp falls in the price of oil and petrol recently.

YOUNG HOLIDAYMAKERS

Air passenger duty will be abolished for children under 12 next year and then for under-16s the following year, for economy class tickets only.

ALL AIR TRAVELLERS

Airlines will be required to detail extra costs for tickets.

AID WORKERS

The inheritance tax exemption, as applies to members of the armed forces who die in service, is to be extended to aid workers.

POSTGRADUATE STUDENTS

Postgraduates will now be able to take out a student loan to cover the cost of their studies. The loan of up to £10,000 will be available for masters students starting courses in 2016 and excludes courses such as a PhD or postgraduate diploma.

LOSERS

NON-DOMICILED PEOPLE

People non-domiciled in the UK already face an annual charge of £30,000, and this remains unchanged, but for those here for 12 of the last 14 years, they will have to pay £60,000 a year, or £90,000 if they've been here for more than 15 of the last 17 years.

TOP-END PROPERTY BUYERS

The residential property Stamp Duty Land Tax (SDLT) overhaul will mean those buying properties costing more than £937,000 will be worse off than under the previous regime: 10% is now payable between £925,000 to £1.5m, and 12% over everything above. Those buying a home at the £2m will pay £50,000 more under the new policy.

PEOPLE USING COMPANIES TO PURCHASE PROPERTIES

Buyers of typically high-end properties who choose to own them through a company (a process known as 'enveloped' transactions) will be subject to further additional tax increases. Annual tax on enveloped dwellings (ATED) worth over £2 million will be increased by 50% above inflation. From 1 April 2015 to 31 March 2016, the charge on residential properties owned through a company and worth over £2 million but not more than £5 million will be £23,350; for properties worth over £5 million but not more than £10 million, the charge will be £54,450; for properties worth over £10 million but not more than £20 million, the charge will be £109,050; and for properties worth more than £20 million, the charge will be £218,200.

STAMP DUTY

RESIDENTIAL PROPERTY REFORMS

The announced change to residential property Stamp Duty Land Tax (SDLT) for the majority of homebuyers will make the process fairer. The new rules started on 4 December 2014, and these changes apply to you if you are buying a home in the UK for over £125,000.

Stamp duty will be cut for 98% of people who pay it, and if you're buying a home for less than £937,500, you will pay less stamp duty, or the same.

In Scotland, the new rates will apply until 1 April 2015, when the Land and Buildings Transaction Tax replaces stamp duty in Scotland.

Under the previous rules, you would have paid tax at a single rate on your entire property price. Now you will

only pay the rate of tax on the part of the property price within each tax band – similar to income tax.

Previously, if you bought a house for £185,000, you would have had to pay 1% tax on the full amount, a total of £1,850. Under the new rules, for the same property you'll pay nothing on the first £125,000 and 2% on the remaining £60,000. This works out as £1,200, a saving of £650.

STAMP DUTY WILL BE CUT FOR 98% OF PEOPLE WHO PAY IT. IF YOU'RE BUYING A HOME FOR LESS THAN £937,500, YOU WILL PAY LESS STAMP DUTY, OR THE SAME.

Example properties	Tax paid under the old rules	Tax paid under the new rules	Change in amount of tax paid	Effective tax rate you'll pay under the new rules
£125,000 – No stamp duty	No stamp duty	No stamp duty	No stamp duty	No stamp duty
£185,000 – Average Help to Buy home	£1,850	£1,200	Saving: £650	0.7%
£275,000 – Average family home	£8,250	£3,750	Saving: £4,500	1.4%
£510,000 – Average London home	£20,400	£15,500	Saving: £4,900	3.0%
£937,500 – No change in stamp duty	£37,500	£37,500	No Change	4.0%
£2,100,000 – Stamp duty increase	£147,000	£165,750	Increase: £18,750	7.9%





MAIN INCOME TAX RATES AND ALLOWANCES

BANDS OF TAXABLE INCOME AND CORRESPONDING TAX RATES

	2014/15	2015/16
	% of income / £ a year	
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Starting rate for savings income (*)	10%	0%
Dividend ordinary rate	10%	10%
Dividend upper rate	32.5%	32.5%
Dividend additional rate	37.5%	37.5%
Trust rate	45%	45%
Starting rate limit (savings income)	£2,880	£5,000
Basic-rate band	£0 – 31,865	£0 – 31,785
Higher-rate band	£31,866 – 150,000	£31,786 – 150,000
Additional-rate band	Over £150,000	Over £150,000

(*) From 2008/09 applies to a starting rate for savings income only. If an individual's taxable non-savings income exceeds the starting rate limit, then the starting rate for savings will not be available for savings income.

THE THRESHOLD AT WHICH TAXPAYERS START TO PAY THE 40% HIGHER RATE WILL INCREASE TO £42,385 IN APRIL, £100 MORE THAN EXPECTED.

INCOME TAX ALLOWANCES

	2014/15	2015/16	Change
	£ a year		
Personal Allowance			
Those born after 5 April 1948	10,000	10,600	600
Those born between 6 April 1938 and 5 April 1948	10,500	10,600	100
Those born before 6 April 1938	10,660	10,660	-
Income limit for personal allowance (*1)	100,000	100,000	-
Income limit for personal allowances (born before 6 April 1948) (*2)	27,000	27,700	700
Married couple's allowance (*3)			
Maximum amount (*4)	8,165	8,355	190
Minimum amount (*5)	3,140	3,220	80
Blind person's allowance	2,230	2,290	60
Transferable Tax Allowance for married couples and civil partners (*6)	-	1,060	-

*1 The personal allowance reduces where the individual's income is above this limit by £1 for every £2 above the limit. This applies regardless of the individual's date of birth.

*2 This allowance reduces where the individual's income is above the income limit by £1 for every £2 above the income limit until it reaches the level of the personal allowance for someone born after 5 April 1948.

*3 Available to people born before 6 April 1935. Tax relief for this allowance is restricted to 10%.

*4 This allowance is reduced when the individual's income is above the income limit. This is at a rate of £1 for every £2 above the income limit until it reaches the minimum amount. Any reduction in the married couple's allowance applies after any reduction to the individual's personal allowance.

*5 This is also the maximum relief for maintenance payments where at least one of the parties is born before 6 April 1935.

*6 Available to spouses/civil partners born after 5 April 1935. This allowance is 10% of the personal allowance for those born after 5 April 1938. It allows a spouse or civil partner who is not liable to income tax above the basic rate to transfer this amount of their personal allowance to their spouse/civil partner. The recipient must not be liable to tax above the basic rate. The recipient is eligible to a tax reduction of 20% of the transferred amount.

ARE YOU A WINNER OR A LOSER AS A RESULT OF THE CHANGES ANNOUNCED IN THE 2014 AUTUMN STATEMENT 2014?

If you have any concerns about how the main points could affect you, or if you would like to arrange a meeting to discuss your financial situation, please contact us – we look forward to hearing from you.

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