

Tech Talk

March 2015

2015/16 Tax Rates at a Glance

Following George Osborne's Budget announcement on 18 March, please find detailed below the proposed new tax rates and tax bands which the James Hay Partnership Technical Support Unit has put together to help you.

The Technical Support Unit is also producing Tech Talks discussing the detail of the changes announced in the Budget and their impact and, for the first time this year, are running a series of webinars discussing the changes announced in the Budget. The webinars will include a Question and Answer session.

If you would like further information about the webinars, please visit our website at www.jameshay.co.uk/webinar/Index.aspx.

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Income Tax

Rate of Tax (%)		2015/16	2014/15
Starting savings rate	0%	£0 - £5,000	-
Starting savings rate	10%	-	£0 - £2,880
Basic rate	20%	£0 - £31,785	£0 - £31,865
Higher rate	40%	£31,786 - £150,000	£31,866 - £150,000
Additional rate	45%	Over £150,000	Over £150,000

- The 0% starting rate applies for savings only. If an individual's non-savings taxable income exceeds the starting rate limit, the 0% starting rate for savings will not be available for savings income.
- Non-savings income represents the first slice of income for the purposes of the above bands. Although not specifically defined in the legislation, non-savings income broadly covers earnings, pensions, income from property, trading profits and taxable social security benefits.
- Savings income is taxable at 0% for income up to the starting rate band of £5,000. Dividend income is taxed at 10% for income up to £31,785, 32.5% for income over £31,785 and up to £150,000 with the excess of this taxed at 37.5%.

Personal Allowances

	2015/16	2014/15
Born after 5 April 1938 (Note 1)	£10,600	£10,000
Born before 6 April 1938	£10,660	£10,660
Married couple's allowance (Note 2)	£8,355	£8,165
Income limit for personal allowances (born before 6 April 1938)	£27,700	£27,000
Married couple's allowance - minimum amount	£3,220	£3,140
Blind person's allowance	£2,290	£2,230
Transferable personal allowance for spouses and civil partners (Note 3)	£1,060	N/A

Note 1 - Where an individual's 'adjusted net income' exceeds £100,000, the level of the personal allowance will be reduced by £1 for each £2 over £100,000 until it reaches zero. In 2015/16 this means that where an individual would normally have a full personal allowance, they will be taxed at the marginal rate of 60% of income in excess of £100,000 up to £121,200.

Note 2 - Tax relief for married couple's allowance is given at 10%. Claimants must be born before 6 April 1935.

Note 3 - From 2015/16 onwards, it will be possible to transfer 10% of the personal allowance between spouses/civil partners. To be eligible to do so, neither spouse or civil partner should suffer tax at anything higher than basic rate tax.

Inheritance Tax (IHT)

The nil rate band remains at **£325,000** as does the rate at 40%. From 6 April 2012 a lower rate of inheritance tax of 36% has applied where 10% or more of the deceased person's net estate is left to charity.

Any nil rate band which was unused by a deceased spouse or registered civil partner can be transferred to a surviving spouse/civil partner who dies on or after 9 October 2007.

Capital Gains Tax

The annual exemption for 2015/16 is **£11,100**. The annual exemption for trustees is therefore £5,550.

For individuals a flat rate of capital gains tax of 18% applies to chargeable gains in excess of the available annual exemption up to the higher rate tax threshold. Chargeable gains in excess of basic rate tax threshold are taxable at 28%. The rate applicable to trusts is 28%.

Gains eligible for Entrepreneurs' Relief are taxed at an effective rate of 10%. The limit is £10 million.

Pension Schemes Allowances

The Annual Allowance for 2015/16 is £40,000. Contributions that exceed the Annual Allowance can be offset against any unused Annual Allowance from the previous 3 tax years, providing the individual has been a member of a registered pension scheme in each of the 3 years. The Annual Allowance used for the purposes of carry forward for 2014/15 is £40,000 and £50,000 for both 2013/14 and 2012/13.

Where an individual flexibly accesses benefits under a money purchase arrangement on or after 6 April 2015, the money purchase annual allowance (MPAA) is triggered. Where the individual's future money purchase pension funding exceeds £10,000 in respect of a tax year, they will be subject to an annual allowance charge.

The MPAA has been covered in more detail in a previous Tech Talk that can be accessed through the following link:

[Taxation of Pensions Bill - Money purchase annual allowance rules](#)

The Lifetime Allowance for 2015/16 is £1.25 million.

National Insurance Contribution Rates

	2015/16	2014/15
Class 1		
Lower earnings limit (primary) per week	£112	£111
Upper earnings limit (primary) per week	£815	£805
Upper Accruals Point per week	£770	£770
Primary threshold per week	£155	£153
Secondary threshold per week	£156	£153
Employees primary class 1 rate between £155.01 (£153.01) and £817 (£805) per week	12%	12%
Employees primary class 1 on excess above £815 (£805) per week	2%	2%
Employees contracted out rebate – salary related schemes (COSRS) between LEL & UAP	1.4%	1.4%
Employers secondary class 1 rate above £156 (£153) per week	13.8%	13.8%
Employers COSRS schemes between LEL and UAP	3.4%	3.4%
Class 2		
Class 2 per week (Note 4)	£2.80	£2.75
Class 2 small earnings exemption per annum	£5,965	£5,885
Class 3		
Class 3 per week	£14.10	£13.90
Class 4		
Class 4 rate on profits between £8,060 (£7,956) and £42,385 (£41,865) per year	9%	9%
Class 4 rate on profits in excess of £42,385 (£41,865) pa	2%	2%
Class 4 lower profits limit	£8,060	£7,956
Class 4 upper profits limit	£42,385	£41,865

Note 4 From April 2015, Class 2 contributions will be collected at the same time as self-assessment payments on 31 July and 31 January.

Corporation Tax

	FY 2015/16	FY 2014/15	Profits
Small companies rate	20%	20%	£0 - £300,000
Marginal rate	N/A	21.25%	£300,001 - £1,500,000
Main rate	20%	21%	£1,500,001 or more

From 1 April 2015, the small companies rate and main rate will be aligned. There will no longer be any requirement to apply a marginal rate on profits between £300,001 and £1,500,000.

Stamp Duty Taxes

Transfers of land and buildings (consideration paid) in England, Wales and Northern Ireland

Residential Properties

Property value (£)	Tax rate charged on part of property price within each tax band
£0 - £125,000	0%
£125,001 - £250,000	2%
£250,001 - £925,000	5%
£925,001 - £1,500,000	10%
£1,500,001 +	12%
Certain non-natural persons enveloping a residential property in sole or joint names (unless relief is available for general commercial business transactions): <ul style="list-style-type: none"> • all such purchases by bodies corporate • all collective investment schemes; and • all partnerships where one or more members are one of the above. 	15%

Non-Residential Properties

Property value (£)	Tax rate on whole purchase price
£0 - £150,000	0%
£150,001 - £250,000	1%
£250,001 - £500,000	3%
£500,001 +	4%

Transfers of land and buildings (consideration paid) in Scotland

From 1 April 2015, the SDLT regime in Scotland will be replaced by the Land and Buildings Transaction Tax.

Residential Properties

Bands	Tax rate charged on part of property price within each tax band
£0 - £145,000	0%
£145,001 - £250,000	2%
£250,001 - £325,000	5%
£325,001 - £750,000	10%
£750,001+	12%

Non-Residential Properties

Bands	Tax rate charged on part of property price within each tax band
£0 - £150,000	0%
£150,001 - £350,000	3%
£350,001+	4.5%

Transfer of stocks and shares

Stamp duty/stamp duty reserve tax on transfers of shares and securities is unchanged at 0.5% for 2015/16.

Value Added Tax (VAT)

The standard rate of VAT remains at 20%.

Individual Savings Accounts (ISAs)

The ISA limit will be raised to £15,240 to be split between cash and stocks and shares in any proportion. The Junior ISA subscription limit, for children who do not hold a Child Trust Fund, is £4,080.

From 6 April 2015, it will be possible to transfer savings and investments held in a Child Trust Fund to a Junior ISA.

From 6 April 2015, surviving spouses and civil partners will be able to take advantage of an additional subscription allowance following the first death. The additional allowance, over and above their personal ISA subscription allowance for the tax year, will be the value of the ISA savings held by the first spouse or civil partner to die, so long as the first death occurred on or after 3 December 2014.



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Further information

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Please note that every care has been taken to ensure that the information provided in this article is correct and in accordance with our understanding of current law and HM Revenue & Customs practice. You should note however, that James Hay Partnership cannot take upon itself the role of an individual taxation adviser and independent confirmation should be obtained before acting or refraining from acting upon the information given. The law and HM Revenue & Customs practice are subject to change. The tax treatment depends on the individual circumstances of each client.

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