UK Budget Tax Bulletin
19 March 2015

Deloitte Tax Budget Briefing - Guernsey
UK Budget 2015

Please find links below to Deloitte's UK Budget 2015 Briefings. For a full analysis of all the Chancellor's Budget Proposals see Deloitte's dedicated website offering expert views and commentary **here**.

Budget Special Bulletin.

Private Client Services Budget Bulletin.

George Osborne delivered his 2015 Budget emphasising the government's ambition to create the most prosperous major economy in the world by 2030, with prosperity widely shared.

Measures include increases in the personal tax allowance (to reach £11,000 by April 2017) and the higher rate tax threshold (to reach £43,000 by April 2017) but the scrapping of age related allowances. The government is to abolish the tax return for millions of individuals and small businesses through the introduction of digital tax accounts. Less positive news for those saving for pensions was that, from 2016, the lifetime allowance will be reduced from £1.25m to £1m.

However, the Chancellor has announced proposals to enable individuals who have already purchased lifetime annuities with their pension funds to sell these for a lump sum, subject to agreement from their annuity provider (and the secondary annuitant in the case of a joint-life annuity). The lump sum could either be treated as pension income on receipt, and taxed at marginal rates rather than 55%, or could be used to provide a flexi-access drawdown fund, from which taxable income payments can be taken as and when the individual wishes. The intention is that those who have already purchased annuities should no longer be locked in and should be in a position to take advantage of the flexible options that are available to those whose pension funds are still intact from 6 April 2015.

The Chancellor confirmed that legislation will be included in the Finance Bill 2015 on the detail of the Diverted Profits Tax expected to be introduced from 1 April at the rate of 25%. DPT is distinct from corporation tax and is targeted at multinationals setting up tax structures to avoid paying corporate tax in the UK. DPT is expect to raise £25m in 2015/16 and up to £360m by 2019/20.

Guernsey businesses with UK operations should review the DPT provisions (when they are published next week) which should clarify rules for giving credit for tax paid, the operation of the conditions under which a charge can arise, specific exclusions and the application of DPT to companies subject to the oil and gas regime. It is expected that businesses will be required to notify any exposure to HMRC within 3 months of their accounting year end (arising after 1 April 2015).

As part of the BEPS project, the UK will be implementing Country by Country Reporting which will require multi nationals to provide HMRC with high level information about their global allocation of profits, taxes paid, numbers of staff etc. Although Guernsey is not one of the 44 countries signed up to BEPS, local businesses which are part of UK headed groups may be required to provide such information to their UK group companies. Similar provisions are likely to be introduced in the other OECD/G20 countries taking part in the BEPS project.

With regard to the Common Reporting Standard (CRS), the FATCA style regime which will widen the scope of reporting to clients in over 90 countries, the UK has confirmed that it will be introducing regulations creating due diligence and reporting obligations for UK Financial Institutions. Like Guernsey, the UK will implement CRS from 1 January 2016 with the first reporting in 2017. It is therefore likely that the UK's intergovernmental agreement with Guernsey will remain in effect for only one year with reporting in 2016 on 2014 and 2015 customer accounts.

In advance of receiving data under the CRS in 2017, the UK is introducing a new limited disclosure facility from 2016 to mid 2017. This will be on less generous terms than existing facilities although it was also announced that the Liechtenstein Disclosure Facility and the Crown Dependency Disclosure Facilities will close early in 2015 instead of April 2016 for Liechtenstein and September 2016 for Guernsey. As part of the new disclosure facility, the UK government will require financial intermediaries to contact their UK resident customers with UK or overseas accounts, to inform them about the CRS, the penalties for evasion and the opportunities to disclose.

The Chancellor also announced that the Chief Secretary, Danny Alexander, will today be publishing further details of comprehensive plans for new criminal offences for tax evasion and new penalties for professionals who assist them; "this country's tolerance for those who will not pay their fair share of taxes has come to an end", he said.

Legislation will be released in future in respect of Inheritance Tax. Proposed measures will include the ability to file IHT returns online, the simplification of IHT for trusts and a clamp down on tax avoidance facilitated by multiple trusts. To the extent that the proposed changes about additions to trust could apply to wills, the deadline has been extended to exclude deaths before 6 April 2017. The Chancellor also announced a review into the use of deeds of variation for inheritance tax purposes, but no further information is available yet.

Various pieces of draft legislation had been previously issued for consultation and will be brought into legislation in Finance Bill 2015 (effective from April 2015) with no or little changes. These include:

• The taxation of UK resident non domiciles – changes to the remittance basis charge (which includes a higher charge of £90,000 for individuals who have been resident in the UK for more than 17 out of the past 20 years);

• Capital gains tax on disposals of residential property by non UK residents – frequently asked questions were published yesterday, which included a reference to a carve-out for non close companies;

• ATED - increases in the charges, capital gains tax on ATED related gains and reducing the administrative burden; and

• The enhanced civil penalties for offshore tax evasion.

If you would like to discuss any of the points above please do not hesitate to contact your usual Deloitte contact or any of the below:

Contacts

Jo Huxtable
Partner, Tax
01481 703 308
jhuxtable@deloitte.co.uk

Alison Vine
Director, Tax
01481 703 264
avine@deloitte.co.uk

Martin Popplewell
Senior Manager, Tax
01481 703 229
mjpopplewell@deloitte.co.uk

Adam Hart
Senior Manager, Tax
01481 703 321
adhart@deloitte.co.uk

Matt Maltby
Manager, Tax
01481 703 267
mdmaltby@deloitte.co.uk

Dan Collins
Manager, Tax
01481 703 228
danjcollins@deloitte.co.uk