DT Dewhurst Torevell

# Summary of the Autumn Statement

The Autumn Statement had the feel of a mini-Budget, with several major new provisions and a number of other measures. The items that we consider to be the most relevant are summarised below.

**Economic Overview**

Due to the strength of the economic recovery in the UK, the Office for Budget Responsibility (OBR) has further increased its forecasts for growth in 2014 (to 3%) and 2015 (to 2.4%). However, from 2016 onwards the OBR's growth forecasts have been cut, reflecting expectations of weak UK productivity growth, subdued global trade and scheduled real terms cuts in government expenditure.

The recent uplift in economic growth has not improved the government's financial position, mainly because of disappointing income tax revenues. The OBR now expects government borrowing for 2014/15 to be £91.3 billion, £4.9 billion over its previous target. In 2015/16, borrowing is also projected to be well above the OBR's March Budget forecast at £75.9 billion rather than £68.3 billion. The government's finances are not expected to improve until 2018/19 when a surplus of £23 billion is projected.

The government is to repay all of the undated gilts in its portfolio, including some debt originally issued in the 18th Century and the £1.9 billion 3.5% War Loan issued to cover some of the costs of the First World War. Current low interest rates mean the Treasury will be able to refinance the perpetual debts with the potential for substantial savings on interest payments.

**Stamp Duty Land Tax**

Residential stamp duty land tax (SDLT) has been restructured with effect from midnight on 3 December. Buyers will now pay a rate of duty on the portion of the purchase amount that falls within each band.

The first £125,000 will be charged at a rate of 0%, the portion between £125,001 and £250,000 will be charged at 2%; the portion between £250,001 and £925,000 will be charged at 5%; the portion between £925,001 and £1.5m will be charged at 10%; and, finally, anything above this will be charged at 12%.

Commercial SDLT rates remain unchanged.

**ISAs**

ISAs will keep their tax-free status when they are passed onto spouses or civil partners after the holders' death. Previously ISAs lost their tax-free status when they were passed on. From 6 April 2015, the surviving spouse or partner will receive an extra one-off ISA allowance equal to the sum of the assets that the deceased person held in the wrapper the time of death, irrespective of who actually inherits the assets.

Additionally, the ISA allowance will increase from £15,000 to £15,240 next April.

**Pensions and Annuities**

The tax treatment of pension annuity payments to dependants will be brought into line with the treatment of 'income drawdown' withdrawals. So, if an individual dies before the age of 75, their surviving beneficiary's income will be tax free post April 2015.

There were no further changes to pensions announced, but we are keeping a close eye on how the consultation process on the proposed changes announced in the Budget this year develop. The proposals include the following:

- The ability to take all defined contribution pension savings as a lump sum at retirement.
- A guarantee that pension providers and occupational schemes will offer free, face-to-face "guidance" to individuals when they retire.
- An increase in the minimum private pension age from 55 to 57 from 2028 onwards and thereafter increases in step with changes to the state pension age so that the minimum private pension age is always 10 years before the state pension age.
- Making tax relief available to pension contributions made after the age of 75.

**Inheritance Tax**

The government has consulted on proposals to overhaul inheritance tax (IHT) by applying just one nil-rate band to multiple trusts held by an individual. Following this process, George Osborne announced that the government will not introduce a single settlement nil-rate band as it originally proposed. However, there will be new rules to target avoidance through the use of multiple trusts and simplify the calculation of trust taxation.

**Tax Avoidance**

There are a very large number of anti-avoidance measures within the statement, including one to counter tax avoidance by multinational companies that earn profits in the UK but use aggressive accounting to divert these profits offshore. This diverted profits tax will be 25%, applied from 1 April 2015.

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