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Autumn Statement 2015 – Initial Analysis

25 November 2015

The Conservative government presented its Autumn Statement today. The following summary provides an overview of the main points set out in the Statement and accompanying notes.

Contents

These comments are based on announcements made in the 25 November 2015 Autumn Statement, which may change before becoming law. We're not permitted to offer taxation and legal advice for regulatory reasons. We accept no responsibility for actions taken or refrained from on the basis of these comments.

1. Pensions

Auto-enrolment – phasing of contributions
The planned increases to the minimum contribution rates for automatic enrolment and qualifying schemes will be delayed, so that the next phase of contributions won't take effect until 6 April 2018 (instead of October 2017) and the last phase until 6 April 2019 (rather than October 2018). This is intended to simplify administration, particularly for small employers who are approaching their staging dates in the coming years. The table below summarises the changes:

Pre Autumn Statement			Post Autumn Statement		
Date	**Employer contribution**	**Jobholder contribution**	**Date**	**Employer contribution**	**Jobholder contribution**
Now to 30/09/2017	1%	1%	Now to 05/04/2018	1%	1%
01/10/2017 – 30/09/2018	2%	3%	06/04/2018 – 05/04/2019	2%	3%
01/10/2018 onwards	3%	5%	06/04/2019 onwards	3%	5%

It's expected that similar changes will apply to all three sets (formerly tiers) for schemes using self-certification.

Consultation on pensions tax relief
The government confirmed that it is considering responses to the recent consultation on pensions tax relief and will deliver its response in the 2016 Budget.

Inheritance tax and undrawn pension funds in drawdown pensions
The government has said it will bring in legislation in the Finance Bill 2016 to ensure that an inheritance tax charge won't arise when a pension scheme member designates funds into drawdown, then dies before drawing the full fund. This change will be backdated to apply to deaths on or after 6 April 2011. This is designed to fix an anomaly in the current legislation which means that undrawn crystallised funds could potentially be considered for an inheritance tax charge.

Salary sacrifice
The government has again commented on salary sacrifice arrangements. It's concerned about the growth of such arrangements and is considering whether any action is necessary. To help with this, it intends to collect further evidence, including from employers, to become better informed.

Secondary market for annuities
The government confirmed that it will remove the barriers to creating a secondary market for annuities. It will set out further details on this in its consultation response, due in December 2015. This will include details of consumer protection measures. Legislation is then expected in the Finance Bill 2017.

Dependant scheme pensions
Legislation will be included in the Finance Bill 2016 to simplify the test that takes place when a dependant's scheme pension becomes payable.

Bridging pensions
As a result of the introduction of a single-tier State Pension from 6 April 2016, legislation will be included in the Finance Bill 2016 to enable the pension tax rules on bridging pensions to be aligned with Department for Work and Pensions legislation.

State Pension triple lock
The triple lock increase to the State Pension will result in a full weekly basic State Pension of £119.30 from 6 April 2016. The triple lock works by increasing the State Pension each year by the highest of the rate of increase in prices, the increase in earnings and 2.5%.

Single-tier State Pension
The full single-tier State Pension amount to apply from 6 April 2016 will be £155.65 per week. The new single-tier pension has been designed to make the state pension simpler and will apply to those reaching state pension age after 5 April 2016. The benefit will be paid at the full weekly amount to people with a full 35 year National Insurance Contribution record but those with less than the full number of qualifying years or those who have been contracted-out will receive less. Current pensioners or those who will reach their state pension age before 6 April 2016 will receive their state pension benefit based on existing rules.

State Pension Credit
The State Pension Credit is made up of two components – a guarantee credit and a savings credit. From 6 April 2016, the single rate for the guarantee credit will increase from £151.20 to £155.60 per week. The equivalent rate for couples will increase from £230.85 to £237.55 per week. The savings credit thresholds will increase to £133.82 per week for a single person and to £212.97 per week for a couple. These increases will reduce the maximum amount of the savings credit for a single person to £13.07 per week and for a couple to £14.75 per week.

In a further change, the government intend to end the payment of State Pension Credit to claimants who travel outside of Great Britain for longer than four consecutive weeks. This will take effect from 6 April 2016.

2. Other

ISAs

The ISA limit is to be kept at £15,240 for 2016/17.

The government is planning to publish legislation allowing the tax advantages of a deceased's ISA savings to continue during the administration of their estate. More detail will emerge in 2016.

Inheritance tax

The government isn't going to introduce new measures to restrict the use of Deeds of Variation, but they will continue to keep an eye on the reasons why these are used.

Digital accounts and payment of tax

As previously announced, digital tax accounts for small businesses and individuals will be introduced by 2016/17. By 2020, most businesses, self-employed individuals and landlords will be required to maintain their tax records digitally and will have to update HMRC quarterly through their digital tax account. These measures won't apply to employees or pensioners unless they have secondary incomes of more than £10,000 each year from self-employment or property. There will be a consultation published in 2016.

The government is also going to consult on options to simplify the payment of taxes.

Capital gains tax on the disposal of residential property will have to be paid within 30 days of the transaction completing from April 2019.

Stamp duty land tax

Where a second home or a buy to let property is bought after 31 March 2016 with a value greater than £40,000, a higher rate of stamp duty land tax will be charged. This will be an additional 3%. There will be a consultation about the detail and whether corporates and funds owning more than 15 properties should be exempt.

Devolved taxes

The Scotland Bill is on track to receive Royal Assent in early 2016. The government reaffirmed that it's committed to implementing the measures outlined in the Smith Commission Report. There are ongoing discussions about the accompanying fiscal framework.

The requirement for the Welsh Assembly to hold a referendum to set its own rates of income tax is to be removed.

A corporation tax rate of 12.5% has been set in Northern Ireland.