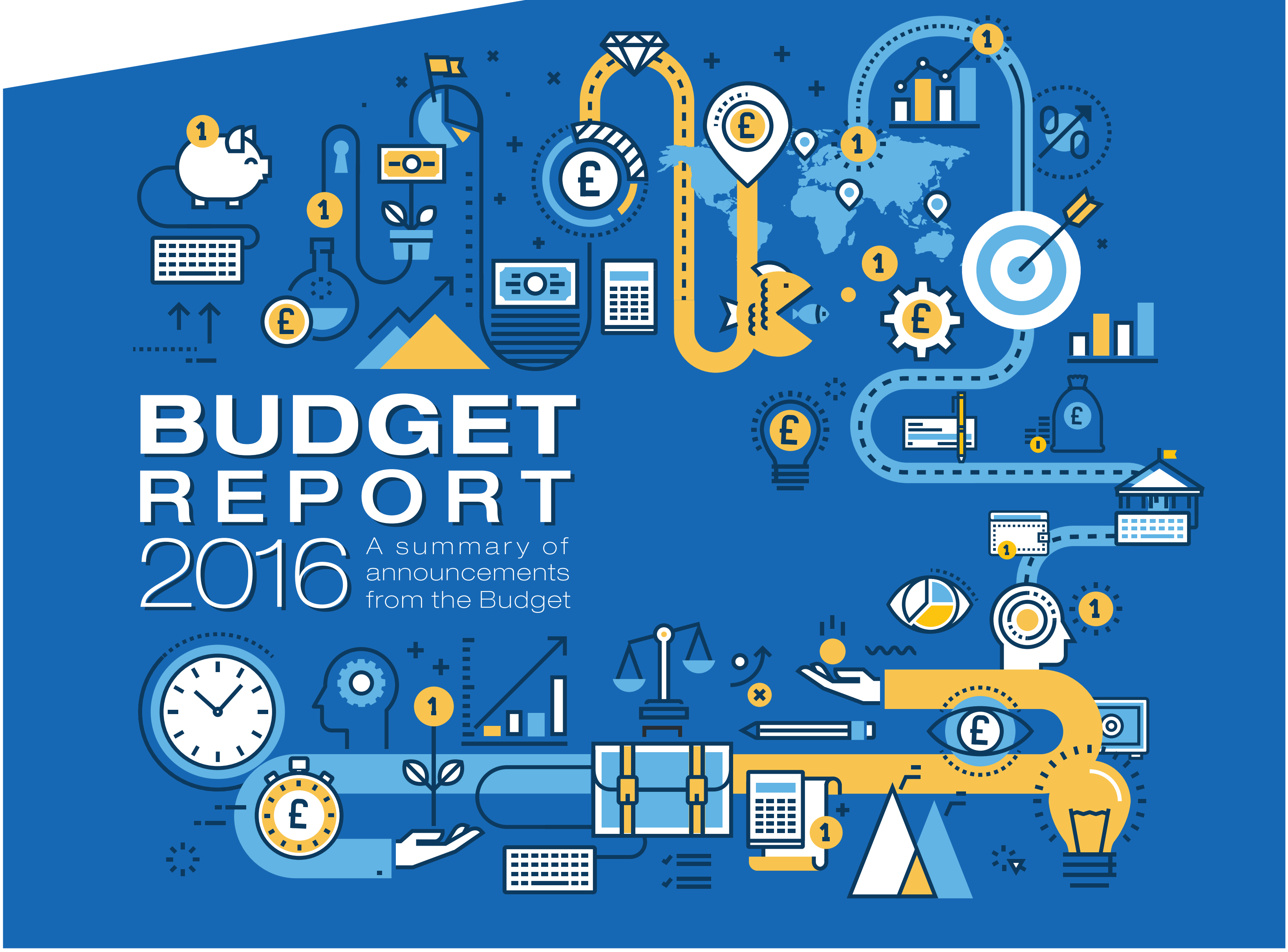

BUDGET REPORT 2016

A summary of announcements from the Budget

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INTRODUCTION

Pitched as a "Budget that puts the next generation first", George Osborne's speech contained a number of announcements aimed at helping people save for the future.

For businesses, measures included changes to business rates and the abolition of class 2 national insurance contributions for the self-employed.

And, as we've come to expect from such occasions, there were a few surprises too.

The following report summarises the announcements made by Chancellor George Osborne during the Budget 2016 on 16 March 2016.

AT A GLANCE

Measures announced in Budget 2016 include:

BUSINESS

CORPORATION TAX

The rate will be reduced to 17% by April 2020.

BUSINESS RATES

The small business rate relief threshold will rise to £15,000 from £6,000 in April 2017.

STAMP DUTY

The way stamp duty is applied to commercial properties will change to a marginal rate system.

SELF-EMPLOYED

Class 2 national insurance contributions for the self-employed will be abolished from 2018.

TAX-FREE ALLOWANCES

There will be £1,000 allowances on goods and services and property income from April 2017.

PERSONAL

PERSONAL ALLOWANCE

The personal allowance will rise to £11,500 From April 2017.

LIFETIME ISA

Those aged under 40 can save up to £4,000 a year and receive a 25% government bonus from April 2017.

ISAS

The annual ISA allowance will increase to £20,000 from April 2017.

FUEL DUTY

Fuel duty will remain frozen.

ALCOHOL DUTIES

Duty on beer, cider and Scotch whisky will remain frozen this year.

OTHER

CAPITAL GAINS TAX

Capital gains tax will reduce from 28% to 20% from April 2016.

SUGAR LEVY

A sugar levy will be placed on the soft drinks industry from 2018.

INSURANCE TAX

Insurance premium tax will increase by 0.5%.

STAMP DUTY

Additional property rates will also apply to large investors from April 2016.

INFRASTRUCTURE

There will be widespread investment in road and rail networks.

BUSINESS ANNOUNCEMENTS

CORPORATION TAX

The rate of corporation tax will reduce to 17% for the financial year commencing 1 April 2020. The planned reduction in corporation tax to 19% from 1 April 2017 remains unchanged.

LOANS TO PARTICIPATORS

In order to keep the tax rate in line with the higher rate of tax on dividend income, the loans to participators tax rate payable will increase from 25% to 32.5% on loans or benefits conferred by close companies on or after 6 April 2016.

CORPORATION TAX REFORM OF LOSS RELIEF

From 1 April 2017, companies will only be able to use losses carried forward against up to 50% of their profits above £5 million.

If a group, the £5 million allowance will apply per group. With respect to the current streaming rules, the use of losses arising on or after 1 April 2017 will be more flexible so that the losses will be useable, when carried forward, against profits from other income streams or other companies within a group.

TAX DEDUCTIBILITY OF CORPORATE INTEREST EXPENSES

New rules will be introduced from 1 April 2017 to limit the tax relief that large multinational enterprises can claim for their interest expenses.

Relief on interest payments will be restricted to 30% of UK earnings, with exceptions for groups with legitimately high interest payments.

BUSINESS RATES

The government will permanently double the small business rate relief in England from 1 April 2017. At the same time, the government will raise the small business rate relief threshold in England to rateable values of up to £12,000 tapering to £15,000.

The threshold at which business rate bills in England are calculated using the standard multiplier to properties with rateable values of £51,000 and above from 1 April 2017.

The annual uprating of business rates will change from the RPI to the CPI, from 1 April 2020.

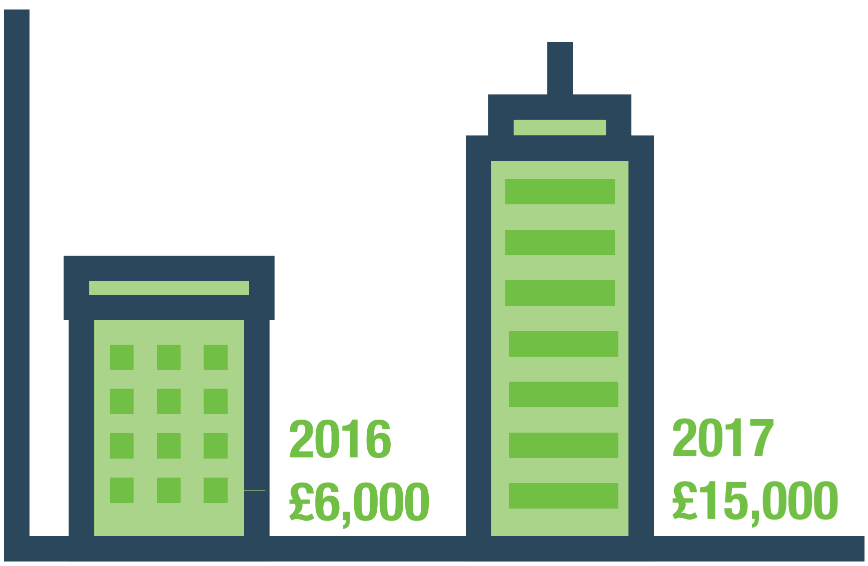
REPEAL OF THE RENEWALS ALLOWANCE

The renewals allowance for the cost of replacing tools which provides traders and property businesses with tax relief will be withdrawn.

The impact of the change is intended to ensure that tax relief for expenditure on replacement tools will be obtained under the same rules as those which apply to other capital equipment.

This change will see businesses claim tax relief under the capital allowance regime or, in the case of residential landlords, for the cost of replacing domestic items such as appliances or furnishings.

The new measure will repeal the renewals allowance on or after 6 April 2016 for income tax purposes and from 1 April 2016 for corporation tax purposes.



SMALL BUSINESS RATE RELIEF THRESHOLD

SELF-EMPLOYED CLASS 2 NICS ABOLISHED FROM 2018

CLASS 2 NATIONAL INSURANCE FOR SELF-EMPLOYED PERSONS

At present, a self-employed person in business is required to pay class 2 national insurance contributions (NICs) if their profit is over the small profits threshold. From April 2018, class 2 national insurance will be abolished and only class 4 NICs will be payable. As class 2 NICs currently enable self-employed individuals to build entitlement to the state pension and other contributory benefits, class 4 national insurance will be reformed in April 2018 so that self-employed people can continue to build benefit entitlement.

OFF-PAYROLL WORKING IN THE PUBLIC SECTOR

As from April 2017, public sector bodies and agencies will become responsible for operating the tax rules that apply to off-payroll working through limited companies in the public sector.

The individuals working through their own limited company in the public sector will no longer be responsible for deciding whether the intermediaries legislation applies and then paying the relevant tax and national insurance.

The responsibility for complying with the rules will move to the public sector employer, agency or third party that pays the worker's intermediary and it will become their obligation to decide if the rules apply to the contract and if so, account and pay the liabilities through real time Information and deduct the relevant tax and NICs.

CAPITAL ALLOWANCES FOR BUSINESS CARS

The 100% first year allowance for businesses purchasing low emission cars will be extended for a further 3 years until April 2021.

From April 2018, the carbon dioxide emission threshold below which cars are eligible for the first year allowance will decrease to 50 g/km from the current threshold of 75 g/km. Similarly, the carbon dioxide emission threshold for the main rate of capital allowances for business cars will reduce from the current rate of 130 g/km to 110 g/km.

VAN BENEFIT CHARGE FOR ZERO EMISSIONS VANS

The level of van benefit charge for zero emissions vans will be set at 20% of the charge for conventionally fuelled vans for the 2016/17 and 2017/18 tax years. This measure defers the planned increase to 40% until 2018/19.

TRIVIAL BENEFITS IN KIND

As previously announced, a statutory exemption from income tax for qualifying trivial benefits in kind costing £50 or less will be introduced from 6 April 2016. The exemption will also remove the charge from class 1A NICs, with a corresponding disregard for class 1 national insurance taking effect later in the year.

TAXATION OF TERMINATION PAYMENTS

With effect from April 2018 employers will be required to pay NICs on termination payments to an individual above £30,000. This rule applies where income tax is also due.

EMPLOYER PROVIDED PENSIONS ADVICE

The available exemption from tax and national insurance for employer arranged pension advice will increase from £150 to £500 from April 2017.

BUSINESS PREMISES RENOVATION ALLOWANCE

The business premises renovation allowance will expire on 31 March 2017 for corporation tax and 5 April 2017 for income tax.

OFFSHORE PROPERTY DEVELOPERS

A new measure will be introduced to ensure that profits from trading in UK land are always subject to UK tax by introducing specific rules to tax the full amount of profits, regardless of whether or not the person to whom they arise is UK resident.

ROYALTY WITHHOLDING TAX

The government will change the deduction of tax at source regime to bring all international royalty payments arising in the UK within the charge to income tax, unless those taxing rights have been given up under a double taxation agreement or the EU interest and royalties directive.

The reforms seek to:

- apply a wider definition of royalty payments that are subject to UK withholding tax
- create a domestic anti-treaty abuse provision which will prevent, for example royalty payments being paid to tax havens without deduction of tax
- ensure that UK withholding tax will apply to payments that are attributable to a UK permanent establishment, even where the royalty payment is not made in the UK.

CORPORATION TAX PAYMENT DATES

Plans to bring forward the corporation tax payment dates for those companies with profits over £20 million are to be delayed.

The rules will now apply to accounting periods starting on or after 1 April 2019 and will require these companies to pay tax in instalments in the third, sixth, ninth and twelfth months of the year.

CORPORATION TAX ANTI-HYBRID RULES

New measures will be introduced from 1 January 2017 to address hybrid mismatch arrangements, which will prevent multinational enterprises avoiding tax through the use of certain cross-border business structures or finance transactions.

PATENT BOX COMPLIANCE WITH NEW INTERNATIONAL RULES

The operation of the patent box will be modified to comply with a new set of international rules created by the OECD.

The new rules will make the lower tax rate dependent on, and proportional to, the extent of the research and development expenditure incurred by the company claiming the relief. This change comes into effect from 1 July 2016.

RESEARCH AND DEVELOPMENT RELIEF

The way in which a large company obtains research and development relief has changed, and therefore this measure ensures that despite this change SMEs continue to benefit from the calculation which is required by statute. Without introducing these changes, this benefit would not apply for SMEs covering the period after 1 April 2016.

CORPORATION TAX AND VACCINE RESEARCH RELIEF

Vaccine research relief will end when its state aid approval runs out on 31 March 2017.

CORPORATION TAX FOR MUSEUMS AND GALLERIES

A new tax relief for museums and galleries will be introduced from 1 April 2017. Consultation will take place on the new relief over summer 2016.

CORPORATION TAX AND ORCHESTRA TAX RELIEF

As previously announced in Budget 2015, tax relief at a rate of 25% on qualifying expenditure will be available to orchestras from 1 April 2016.

CORPORATION TAX AND INSURANCE LINKED SECURITIES

The government is consulting on proposals for a new, competitive framework for insurance linked securities business.

Insurance linked securities are a means of transferring insurance risk to capital market investors.

Detailed regulations will be developed in consultation with stakeholders following the publication of the primary legislation and conclusion of the consultation on general proposals which began on 1 March 2016.

TRADING INCOME RECEIVED IN NON-MONETARY FORM

Legislation will be introduced in Finance Bill 2016 to confirm that trading income and property income received in non-monetary form is fully brought into account in calculating taxable profits for income tax and corporation tax purposes.

The measure will have effect in relation to trading and property business transaction occurring on or after 16 March 2016 and is intended to clarify existing laws on the matter.

SECURITISATION AND ANNUAL PAYMENTS

Legislative changes will amend regulations to clarify the tax treatment of residual payments made by securitisation companies, confirming that they can be paid without withholding tax.

ENTERPRISE ZONES AND CAPITAL ALLOWANCES

Companies investing in plant and machinery in designated enhanced capital allowance sites in enterprise zones are able to invest in new plant and machinery and can qualify for 100% capital allowances for 8 years.

TRANSFER PRICING GUIDELINES

A measure is introduced to amend the references within the relevant legislation to incorporate the most recent revisions to the OECD guidelines which are the internationally agreed standard for application of the arm's length principle for transfer pricing purposes.

This measure is directed toward those who are subject to the transfer pricing rules in respect of a transaction (or series of transactions) with a connected party for purposes of income tax or corporation tax. This is intended to provide certainty for business and minimise the potential for double taxation.

The measure will have effect for corporation tax purposes in relation to accounting periods beginning on or after 1 April 2016 and for income tax purposes in relation to the tax year 2016/17 and subsequent tax years.

BANK LOSSES RESTRICTION

The proportion of a banking company's annual profit that can be offset by pre-April 2015 carried forward losses will be further restricted from 50% to 25% from 1 April 2016.

BANKING COMPANIES EXCLUDED ENTITIES

To ensure that banking taxes are approximately targeted at banks, the government will amend the excluded entities test.

SOFT DRINKS INDUSTRY SUGAR LEVY

The government will introduce a new soft drinks industry levy to be paid by producers and importers of soft drinks that contain added sugar.

The levy will be charged on volumes according to total sugar content, with a main rate charge for drink above 5 grams of sugar per 100 millilitres and a higher rate for drinks with more than 8 grams of sugar per 100 millilitres. There will be an exclusion for small operators, and the government will consult on the details over the summer, for legislation in Finance Bill 2017 and implementation from April 2018 onwards.

We can advise on how Budget 2016 affects your business

PERSONAL ANNOUNCEMENTS

PERSONAL ALLOWANCE AND HIGHER RATE THRESHOLD

The personal allowance will be increased from £11,000 in 2016/17 to £11,500 in 2017/18.

The higher rate threshold will increase from £32,000 in 2016/17 to £33,500 in 2017/18. Individuals entitled to a full personal allowance will not be liable to higher rate tax until their total income exceeds £43,000 in 2016/17 and £45,000 in 2017/18.

The NICs upper earnings limit will also increase to remain in line with the higher rate threshold.

PROPERTY AND TRADING INCOME ALLOWANCES

The government will introduce a new £1,000 allowance for property income and a new £1,000 allowance for trading income from April 2017. Individuals with less than £1,000 of either source of income will no longer need to declare or pay tax on that income.

Those with income above £1,000 will be able to deduct their expenses in the usual manner or simply deduct the £1,000 allowance.

FINANCE COSTS RESTRICTION FOR LANDLORDS

Legislation will be introduced relating to finance costs on residential properties incurred on or after 6 April 2017 in order to ensure that:

- individual beneficiaries of deceased persons' estates are entitled to the basic rate tax reduction
- the total income restriction to the tax reduction applies where the relevant finance costs or property profits are higher than the total income
- the total income is a measure of the net taxable income after other reliefs
- any carried forward tax reduction is given in any subsequent year in which property income is received, even if there is no restriction on the deduction of finance costs in that year, as the loan may have been repaid.

REFORM OF THE WEAR AND TEAR ALLOWANCE

As announced at Summer Budget 2015, the wear and tear allowance is being abolished from April 2016. Landlords will be able to deduct the actual costs of replacing furnishings.

PROFITS FROM TRADING IN AND DEVELOPING UK LAND

The government is acting to ensure that there is a level playing field between non-UK resident developers of UK property and UK developers.

The legislation will introduce a standard set of rules for taxing trading profits derived from trading in and developing land in the UK.

It will be introduced from report stage and will take effect from the date of introduction. Anti-avoidance rules will take effect from budget day to counteract any arrangements put in place.

The new rules will apply even if the overseas developer has no permanent establishment in the UK. The profits will be subject to either income tax or corporation tax depending upon the business structure used by the developer.

BAD DEBT RELIEF FOR PEER-TO-PEER LENDING

Tax relief will be allowable on bad debts incurred on peer-to-peer loans against other peer-to-peer income.

EXTENDING FARMERS AVERAGING PERIOD

Farmers will have the choice of averaging their profits for income tax purposes over 2 years or 5 years. This was announced earlier in Autumn Statement 2015 and will apply from April 2016.

NON-DOMICILE TAXATION

From April 2017 non-UK domiciled individuals will be deemed UK domiciled if they have been resident in the UK for 15 of the past 20 tax years. This was announced in Summer Budget 2015.

In addition individuals who were born in the UK and who have a UK domicile of origin will revert to their UK domiciled status whilst they are resident in the UK.

The government will also legislate to charge inheritance tax (IHT) on all UK residential property indirectly held through an offshore structure from 6 April 2017.

BENEFITS IN KIND

The law regarding the taxation of benefits in kind is being clarified with effect from 6 April 2016.

The concept of ‘fair bargain’ only applies to general taxable benefits where the taxable amount is based on the cost to the employer of providing the benefit.

If an employee receives goods or services from their employer at the same cost as a member of the public there is no benefit in kind.

The concept of ‘fair bargain’ does not apply to the taxation of certain benefits in kind which have specific charging rules, such as beneficial loans, accommodation and company cars.

INCOME FROM SPORTING TESTIMONIALS

All income received by an employee from a sporting testimonial or benefit match will be chargeable to income tax and NICs.

There will be a one-off exemption of £100,000 of the income received from events held during a single testimonial or testimonial year.

If the proceeds exceed £100,000 PAYE will need to be applied.

The exemption will not be available if the right to the testimonial is contractual or customary.

The new rules will apply for income received from testimonial events held on or after 6 April 2017 where the testimonial was awarded on or after 25 November 2015. If the testimonial was awarded before 25 November 2015 then existing arrangements will apply.

Contact us to discuss your personal finances

CAPITAL TAXES

CAPITAL GAINS TAX RATES

The rates of capital gains tax (CGT) are changing for disposals of relevant assets made on or after 6 April 2016:

- the 18% rate of CGT, which applies to individuals who are not higher rate taxpayers, will be reduced to 10%
- the 28% rate of CGT will reduce to 20%
- disposals of residential property that do not qualify for private residence relief and the receipt of carried interest will continue to be taxed at the 18% and 28% rates of CGT
- provisions will be introduced to enable a taxpayer to use any unused income tax basic rate band in the most beneficial way.

ENTREPRENEURS' RELIEF: EXTENSION TO LONG TERM INVESTORS

Entrepreneurs' relief will be extended to external investors in unlisted trading companies. This new relief will apply a 10% rate of CGT to gains accruing on ordinary shares in an unlisted trading company held by individuals that were newly issued to the claimant and acquired for new consideration on or after 17 March 2016, and have been held for at least 3 years from 6 April 2016.

There will be a lifetime cap for investors of £10,000,000.

ENTREPRENEURS' RELIEF ON ASSOCIATED DISPOSALS

Finance Act 2015 introduced new rules to combat abuse of entrepreneurs' relief but they had unintended consequences which prevented entrepreneurs' relief being available on associated disposals when a business was being sold to a member of the family as part of the succession planning for the business.

Legislation will be introduced in Finance Bill 2016 to amend the definitions of 'partnership purchase arrangements' and 'share purchase arrangements' for entrepreneurs' relief purposes by excluding the material disposal itself and arrangements which predated both the material disposal and an associated disposal and are independent of the material disposal.

The legislation will be backdated and will apply to associated disposals made on or after 18 March 2015.

The requirement that the material disposal of business assets is 5% or more of the claimant's share in the company or partnership does not apply where the claimant disposes of the whole of the interest and has previously held a larger stake.

EMPLOYEE SHAREHOLDER STATUS EXEMPTION

Employee shareholder shares issued as consideration for entering into employee shareholder agreements after midnight on 16 March 2016 will be subject to a lifetime limit of £100,000 exempt gains for the purposes of CGT.

Gains in excess of the limit will be subject to CGT at the prevailing rate. Any employee shareholder shares that were issued before midnight on 16 March 2016 will not be subject to any lifetime limit when sold.

If any employee shareholder shares are transferred to a civil partner or spouse, the transfer will be treated as being made for a consideration which gives rise to a gain equal to the transferor's unused lifetime limit, provided that the consideration does not exceed the market value of the shares transferred. This will fix the acquisition cost of the person acquiring the shares.

INHERITANCE TAX MEASURES

The government will legislate to ensure that the residence nil-rate band will also be available when a person downsizes or ceases to own a home on or after 8 July 2015 where assets are passed on death to direct descendants.

Legislation will be introduced to ensure that a charge to IHT will not arise when a pension scheme member designates funds for drawdown but does not draw all the funds before death. This will be backdated to apply to deaths on or after 6 April 2011.

SAVINGS & PENSIONS

DIVIDEND TAXATION

The existing dividend tax credit is being abolished from April 2016 and a new dividends allowance of £5,000 a year is being introduced.

Tax on dividend income above the allowance will be charged at:

- 7.5% for basic rate taxpayers
- 32.5% for higher rate taxpayers
- 38.1% for additional rate taxpayers.

SAVINGS AND INTEREST

A personal savings allowance is being introduced from 6 April 2016 to remove tax from up to £1,000 of savings income from a basic rate taxpayer and up to £500 for higher rate taxpayers. Additional rate taxpayers will receive no allowance.

Interest from open-ended investment companies, authorised unit trusts, investment trust companies and peer-to-peer lenders may be paid without deduction of income tax from April 2017.

LIFETIME ISA AND ISA LIMIT

A new lifetime ISA will be available for adults under the age of 40 from April 2017. Individuals will be able to contribute up to £4,000 per annum and will receive a 25% state bonus.

Funds, including the bonus, can be used to purchase a first home at any time after the first annual anniversary of opening the account. Funds may be withdrawn from the age of 60.

The overall annual ISA subscription limit will increase from £15,240 to £20,000 from 6 April 2017.

HELP TO SAVE

Individuals in low income working households will be able to save up to £50 per month into a Help to Save account and receive a 50% government bonus after 2 years.

Account holders can then choose to continue saving under the scheme for a further 2 years. The scheme will be introduced no later than April 2018 and will be open to all adults in receipt of universal credit with minimum weekly household earnings equivalent to 16 hours at the national living wage or those in receipt of working tax credits.

PENSION FLEXIBILITY

A number of minor changes are being made to the pensions tax rules to ensure that they operate as intended following the introduction of pension flexibility in April 2015.

The changes will be effective from the day after the date of royal assent to Finance Bill 2016. They will:

- replace the 45% tax charge on serious ill-health lump sums paid to individuals who have reached the age of 75 with taxation paid at the individual's marginal rate
- enable money purchase pensions in payment to be paid as a trivial commutation lump sum
- remove the requirement that a serious ill-health lump sum can only be paid from an arrangement that has never been accessed
- enable dependants with drawdown or flexi-access drawdown pension who would currently have to use all of this fund before age 23 or pay 45% tax charges of up to 70% on any lump sum payment to continue to access their funds as they wish after their 23rd birthday.

REDUCTION OF LIFETIME ALLOWANCE

As announced at Budget 2015 the pensions lifetime allowance is reducing from £1,250,000 to £1,000,000 with effect from 6 April 2016.

ENTERPRISE INVESTMENT SCHEME AND VENTURE CAPITAL TRUSTS

Changes are being made to ensure that the enterprise investment schemes (EIS) and venture capital trusts (VCT) legislation introduced in Finance (No 2) Act 2015 works as intended.

A new condition will be introduced from 6 April 2016 to clarify the non-qualifying investments a VCT may make for liquidity management purposes.

The methods of determining the 5 year period for the average turnover amount and the relevant 3 preceding years for the operating costs conditions will be clarified for both EIS and VCTs to ensure that the most recently filed accounts of a company are generally used to determine the end date of the relevant period.

The operative date will be 18 November 2015, although an investee company may elect to apply the existing legislation for investments received between 18 November 2015 and 5 April 2016 inclusive.

DUTIES

STAMP DUTY LAND TAX

Reforms were introduced to the charging provisions for non-residential property. The stamp duty land tax (SDLT) charged on purchases of non-residential properties and transactions involving a mixture of residential and non-residential properties is to change for transactions on or after 17 March 2016.

Thereafter SDLT will be charged at each rate on the portion of the purchase price which falls within each rate band. The new rates and thresholds are as follows:

Transaction value band	Rate
£0-£150,000	0%
£150,001 - £250,000	2%
£250,001 +	5%

For new leasehold transactions, SDLT is already charged at each rate on the portion of the net present value (NPV) of the rent which falls within each band.

On and after 17 March 2016 a new 2% rate for rent paid under a non-residential lease will be introduced where the NPV of the rent is above £5 million.

The new rates bands and thresholds for rent paid under a lease are:

Net present value of rent	Rate
£0-£150,000	0%
£150,001 - £5,000,000	1%
£5,000,000 +	2%

Higher rates of SDLT will be charged on purchases of additional residential properties, such as second homes and buy-to-let properties. The higher rates will be 3 percentage points above the current SDLT rates:

Thresholds	Existing SDLT rates	New additional property SDLT rates
£0-£125,000	0%	3%
£125,001-£250,000	2%	5%
£250,001-£925,000	5%	8%
£925,001-£1,500,000	10%	13%
Over £1,500,000	12%	15%

The announcement also provides arrangements where there is a period of overlap or a gap in ownership of a main residence.

Companies purchasing residential property will be subject to the higher rates, including the first purchase of a residential property. Properties purchased for under £40,000, caravans, mobile homes and houseboats will be excluded from the higher rates.

CLIMATE CHANGE LEVY

Rates for the climate change levy (CCL) are to increase for 2017/18, 2018/19 and 2019/20. The CCL main rates will increase in line with RPI.

These increases are partly intended to replace tax revenues lost as a result of the abolition of carbon reduction commitment energy efficiency scheme. The reduced rates of CCL for qualifying businesses in the climate change agreement scheme will be amended so participants will not pay more CCL than they would under the currently expected RPI increase for that year.

FUEL DUTY

The main rate of fuel duty for both petrol and diesel are to remain frozen at 57.95 pence per litre.

VEHICLE EXCISE DUTIES

Vehicle excise duty rates are to be maintained in real terms by increasing the duty by the RPI. This is a consistently applied policy as rates have increased in line with inflation since 2010. The next increase in rates will apply on 1 April 2016.

EXEMPTION FOR CLASSIC VEHICLES

A 40 year rolling exemption for classic vehicles was announced in Budget 2014. Budget 2016 now makes this a permanent exemption for classic vehicles so that on 1 April each year vehicles constructed more than 40 years before 1 January that year will automatically be exempt from paying vehicle excise duty. It is reported that there are around 10,000 classic vehicle owners.

LANDFILL TAX

Rates are set to increase by inflation rounded to the nearest 5 pence:

Waste sent to landfill	Rate from 1 April 2016	Rate from 1 April 2017	Rate from 1 April 2018
Standard rate	£84.40/tonne	£86.10/tonne	£88.95/tonne
Lower rate	£2.65/tonne	£2.70/tonne	£2.80/tonne

It is reported that since 2000, the amount of waste sent to landfill has reduced by 70% while the average household recycling rates have risen from 18% to 44%.

HAND-ROLLING TOBACCO

The duty rate on hand-rolling tobacco increases with effect from 6pm on 16 March 2016 by 5% above RPI. This represents an additional 3% rise above the tobacco duty escalator.

AIR PASSENGER DUTY

Duty rates are set to increase in line with RPI.

From 1 April 2016:

Bands (distance in miles from London)	Reduced rate (lowest class of travel)	Standard rate (other than lowest class of travel)	Higher rate
Band A (0 – 2000 miles)	£13	£26	£78
Band B (over 2000 miles)	£73	£146	£438

From 1 April 2017:

Bands (distance in miles from London)	Reduced rate (lowest class of travel)	Standard rate (other than lowest class of travel)	Higher rate
Band A (0 – 2000 miles)	£13	£26	£78
Band B (over 2000 miles)	£75	£150	£450

GAMING DUTY

Duty is paid by casinos on their gross gaming yield. Rates range from 15% which applies to the first £2,370,500 of gross gaming yield (GGY) up to 50%.

The 50% rate applies to any GGY that exceeds the aggregate of the bandings to which the 15%, 20%, 30% or 40% apply.

If the bandings were not increased in line with inflation then more GGY would be subject to higher rates.

The increase in gaming duty bans will take effect for gaming duty accounting periods starting on or after 1 April 2016.

AIR PASSENGER DUTY TO INCREASE FROM 2016

VAT

RATES

The positive rates of VAT are unchanged, so the standard rate remains at 20% and the reduced rate at 5%.

CHANGES TO VAT REGISTRATION AND DEREGISTRATION THRESHOLDS

The taxable turnover threshold, which requires a person to register for VAT, will be increased from £82,000 to £83,000 per annum.

The threshold below which a VAT-registered person may apply to deregister will be increased from £80,000 to £81,000 per annum, and the relevant registration and deregistration threshold for intra-Community acquisitions will also be increased from £82,000 to £83,000 per annum.

All these changes will take effect from 1 April 2016 and will prevent around 2,000 businesses from having to register in the financial year 2016 to 2017.

The changes will also raise the turnover limit for income tax self-assessment '3 line accounts' and increase the entry and exit thresholds for the income tax cash basis accounting, so that they are aligned with the new VAT registration threshold.

OVERSEAS BUSINESSES AND ONLINE MARKETPLACES

Changes are to be introduced to give HMRC greater powers to tackle non-compliance on the part of overseas businesses that avoid paying VAT on sales made to UK consumers through online marketplaces.

There will be 2 aspects to the changes, which HMRC will not automatically apply, but use only to tackle the highest risk compliance cases.

The first change will strengthen HMRC's powers to direct overseas businesses to appoint a VAT representative, including the power to insist that the representative is in the UK. It will also provide greater flexibility as regards seeking security.

The second change will enable HMRC to make online marketplaces jointly and severally liable for any VAT unpaid by the overseas business on goods sold in the UK through the online marketplace's website.

Both of these changes will be effective from royal assent to Finance Bill 2016.

ELECTRONIC COMMUNICATIONS SERVICES

This measure introduced a VAT reverse charge in the UK, designed to tackle missing trader intra community (MTIC) fraud. It was not a Budget measure as such, as it was announced on 11 January 2016 and introduced by Treasury Order on 1 February 2016.

Those perpetrating MTIC fraud charge and collect VAT on their supplies but then 'disappear' without paying over the VAT to the Exchequer. The introduction of a reverse charge means the business customer must now account for the VAT due, rather than the supplier.

VAT FRAUD

The government will consult on a new penalty for participating in VAT fraud in spring 2016. Subject to the consultation, the intention is to legislate in Finance Bill 2017.

The new measure only applies to wholesale services of routing telephone calls and associated data such as texts and images over landlines, mobile networks or the internet. It does not affect consumption supplies.

FULFILMENT HOUSE DUE DILIGENCE SCHEME

The government has introduced a consultation on the 'fit and proper' standards that fulfilment houses will need to meet for them to be able to operate.

They will have to register and maintain accurate records once online registration begins in 2018. They will also have to provide evidence of the due diligence they have undertaken to ensure overseas clients are following VAT rules.

The purpose is ultimately to minimise any costs for legitimate businesses.

INTERNATIONAL SOLUTIONS TO VAT FRAUD

The government plans ongoing discussions with the EU and OECD with the objective of finding better solutions to international VAT fraud, including different mechanisms for collecting VAT.

MUSEUMS AND GALLERIES

The Department for Culture, Media and Sport has published guidance on new criteria to broaden eligibility for VAT refunds and thus provide greater support for museums and galleries in the UK.

VAT REFUNDS FOR SHARED SERVICES

The government plans to introduce legislation to enable named non-departmental and similar bodies to claim a VAT refund on shared service arrangements used to support their non-business activities.

VAT RELIEFS FOR ISLE OF MAN CHARITIES

Legislation is to be introduced to enable charities subject to the jurisdiction of the High Court of the Isle of Man to receive all the VAT benefits available under UK law.

OTHER ANNOUNCEMENTS

INSURANCE PREMIUM TAX

The standard rate of insurance premium tax will increase from 9.5% to 10% with effect from 1 October 2016.

CLAIMS MANAGEMENT REGULATION

There is to be a tougher regulatory regime for claims management companies (CMCs) including by introducing a senior managers regime, requiring reauthorisation of all CMCs and transferring supervisory responsibility from the Ministry of Justice to the Financial Conduct Authority. The dates for the transfer will be announced in due course.

BASIC BANK ACCOUNTS

Nine banks will legally be required to offer basic bank accounts to help people access basic banking services. The government has also committed to publish basic bank account market share data for the first time in autumn 2016.

DISGUISED REMUNERATION AVOIDANCE SCHEMES

A raft of measures are to be introduced targeted at employers, companies and individuals using tax avoidance schemes that fall within the disguised remuneration legislation.

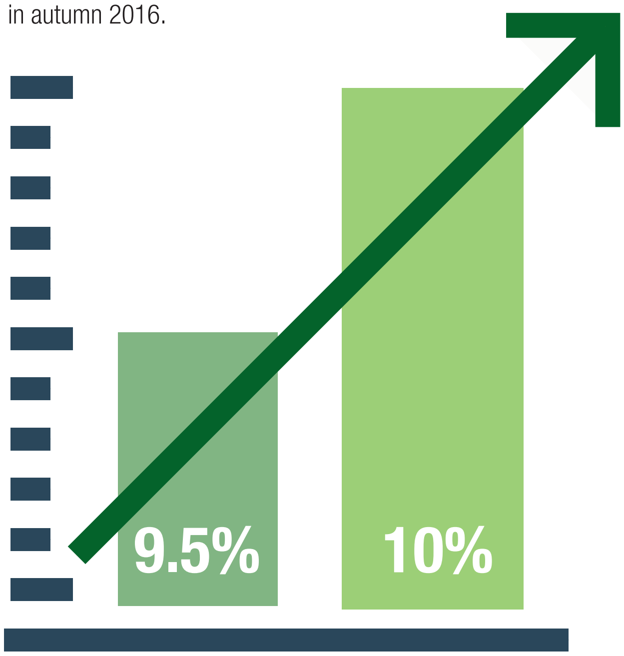
The measures will also apply to employers, companies and individuals that used an employee benefit trust (EBT) arrangement prior to 2011 and have yet to settle with HMRC.

Some of the measures include:

- inserting an additional targeted anti-avoidance rule
- the withdrawal of the relief on investment returns.

STATE AID MODERNISATION

HMRC is to be given additional powers to collect information on certain state aids and share this information with the European Commission through a legal gateway. The intended purpose of this measure is to allow HMRC to collect additional data to help the UK contribute towards the monitoring of and compliance with state aids. This measure will have effect from 1 July 2016.



INSURANCE PREMIUM TAX TO RISE 0.5%

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