

# Serenity

## AUTUMN STATEMENT 2014

THE KEY ANNOUNCEMENTS THAT  
COULD INFLUENCE YOUR FINANCIAL  
PLANNING DECISIONS IN THE YEAR  
AHEAD AND BEYOND

THE AUTUMN STATEMENT



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# WHAT THE CHANCELLOR HAD TO SAY

## The key announcements at a glance

Chancellor George Osborne delivered his Autumn Statement 2014 to Parliament on 3 December last year. Much of the commentary focused on weak public sector finances data in the context of strong GDP and employment growth.

While the Autumn Statement 2014 was viewed by many as representing a political success for the Chancellor, the Office for Budget Responsibility (OBR)'s forecasts were seen as providing a sober reminder of the fiscal constraints that the winner of the May general election faces. These were Chancellor George Osborne's key announcements:

### ECONOMIC GROWTH

- 3% growth forecast in 2014, up from 2.7% predicted in March 2014.
- 2.4% growth forecast in 2015, followed by 2.2%, 2.4%, 2.3% and 2.3% in the following four years.
- 500,000 new jobs to be created this year, 85% of new jobs full-time.
- Unemployment set to fall to 5.4% in 2015.

- The Office for Budget Responsibility (OBR) forecasts inflation to be 1.2% in 2015 and 1.7% in 2016 before returning to the Bank of England's 2% target in 2017.

### PUBLIC BORROWING/DEFICIT

- Deficit 'cut in half' since 2010.
- Borrowing set to fall from £97.5bn in 2013/14 to £91.3bn in 2014/15.
- Deficit projected to fall to £75.9bn in 2015/16, £40.9bn in 2016/17, £14.5bn in 2017/18 before reaching a £4bn surplus in 2018/19.
- By 2019/20 Britain will have a surplus of £23bn.
- Debt as a share of GDP to rise to 81.1% this year before falling in every year, reaching 72.8% in 2019/20.

### STAMP DUTY LAND TAX (SDLT)

- Reform of residential property stamp duty cut for 98% of homebuyers who pay it.
- Rates apply only to that part of the property price that falls within each band.
- 0% paid for the first £125,000,

then 2% on the portion up to £250,000; 5% up to £925,000, then 10% up to £1.5m; 12% on anything above that, saving £4,500 on an average-priced home.

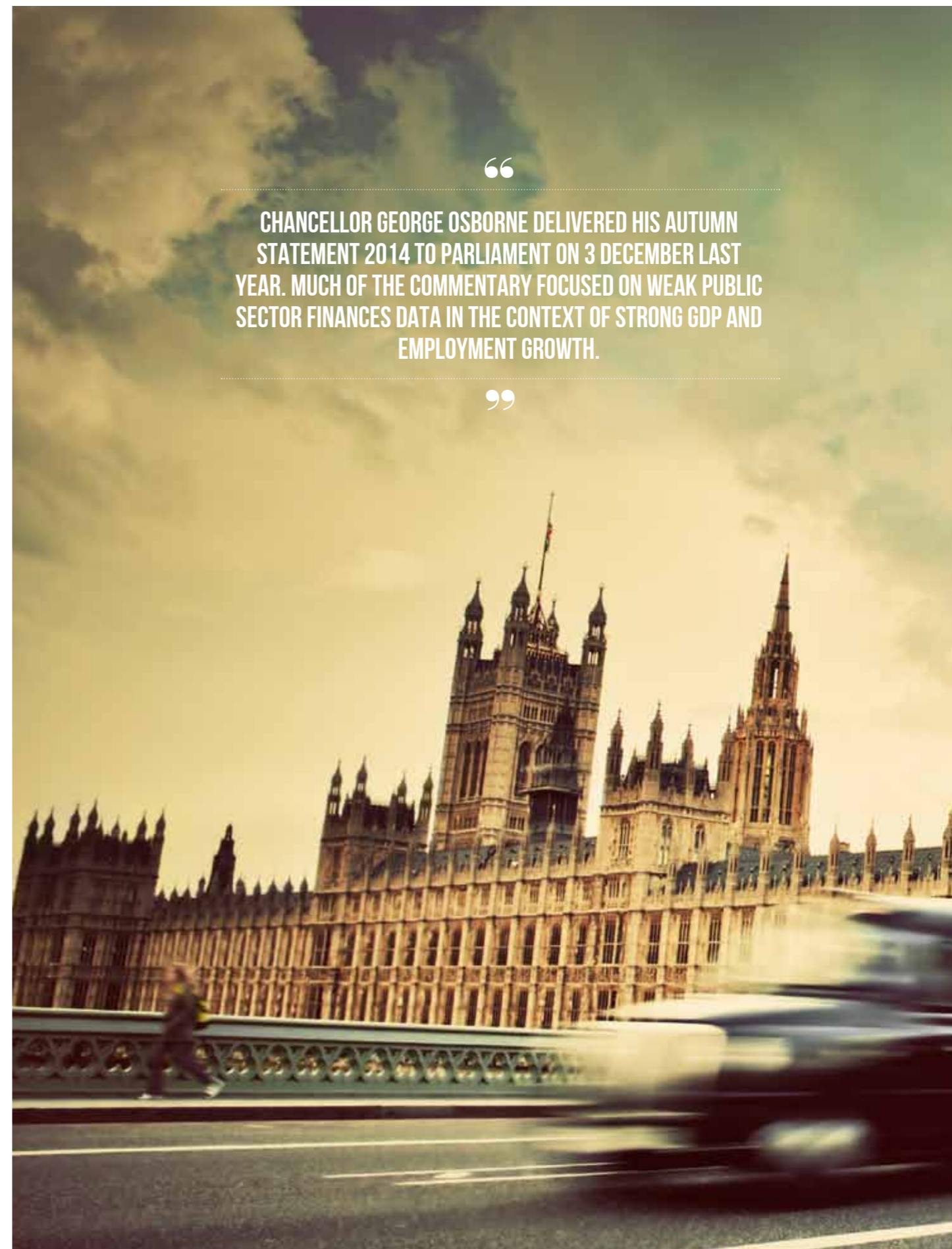
### PERSONAL TAXES

- Personal tax-free allowance increased to £10,600 from 6 April 2015.
- Higher-rate tax band increased to £42,385 from 6 April 2015.
- When someone dies, the surviving spouse will be able to inherit their Individual Saving Account.
- Tax-free annuities for dependants of people who die under 75.
- New £90,000 charge for non-doms resident in the UK for 17 of the past 20 years.
- The Government will continue consulting on whether to restrict the income tax personal allowance for non-residents – there will be no change before April 2017.
- New inheritance tax rules introduced to target avoidance through the use of multiple trusts and simplify the calculation of trust taxation.

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CHANCELLOR GEORGE OSBORNE DELIVERED HIS AUTUMN STATEMENT 2014 TO PARLIAMENT ON 3 DECEMBER LAST YEAR. MUCH OF THE COMMENTARY FOCUSED ON WEAK PUBLIC SECTOR FINANCES DATA IN THE CONTEXT OF STRONG GDP AND EMPLOYMENT GROWTH.

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■ Inheritance tax exemption for members of the armed forces whose death is caused or hastened by injury while on active service will be extended to include members of the emergency services and humanitarian aid workers responding to emergency circumstances.

■ Individuals will be prevented from claiming capital gains tax entrepreneur's relief on disposals of goodwill when they transfer the business to a related close company. This affected transfers on or after 3 December 2014.

#### SAVINGS & PENSIONS

■ New Individual Savings Account threshold allowance increases from £15,000 to £15,240 on 6 April 2015.

■ From 6 April 2015, surviving beneficiaries of joint life annuities and the recipients of guaranteed annuity benefits will no longer have to pay tax on the payments if the original policyholder died before turning 75.

■ The basic State Pension will be increased by 2.5%. The standard minimum income guarantee in pension credit will rise by the £2.85 a week cash increase in the basic State Pension. The full single-tier State Pension will rise to at least £151.25 per week.

#### HEALTH & EDUCATION

■ £2bn extra every year until 2020 for the NHS.

■ GP services to receive £1.2bn in extra funds from bank foreign exchange manipulation fines.

■ Employment Allowance worth £2,000 extended to carers.

■ £10,000 loans for postgraduate students studying for masters degrees.

#### WELFARE

■ Two-year freeze in working-age benefits (first announced in October 2014).



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### SUPPORT EXTENDED TO SMALL BUSINESSES WITH £500M OF BANK LENDING PLUS £400M GOVERNMENT-BACKED VENTURE CAPITAL FUNDS WHICH INVEST IN SMES.

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■ Migrants to lose unemployment benefits if they have 'no prospect' of work after six weeks.

#### ENERGY & FUEL

■ Fuel duty frozen.

■ Sovereign wealth fund for north of England to keep benefits of shale gas exploration.

■ Reduction in oil industry supplementary charge from 32% to 30%.

#### BUSINESS

■ Business rates to be reviewed.

■ 25% tax on profits from activity in the UK for companies that shift profits offshore will raise £1bn over the next five years.

■ Research and development tax credit increased for small and medium-sized (SMEs) firms.

■ Support extended to small businesses with £500m of bank lending plus £400m government-backed venture capital funds which invest in SMEs.

■ £45m package of support for exporters.

■ Expand tax relief on business investment in flood defences.

■ National Insurance on young apprentices abolished.

■ New relief effective from April 2015 will be introduced, allowing individuals who lend through peer to peer (P2P) platforms to offset any losses from loans which go bad against other P2P income.

# AUTUMN STATEMENT 2014 – WHAT COULD IT MEAN TO YOU?

## The main points that could affect you on tax, savings and spending

The Autumn Statement 2014 has once again created winners and losers. These are some of the main points that could affect you on tax, savings and spending.

### WINNERS

#### HOMEBUYERS

Residential property stamp duty has been reformed to smooth the tiers that previously distorted the housing market. The stamp duty percentages now only apply to each incremental stage. Mr Osborne claimed that 98% of buyers will pay less as a result of this reform. Under the new rules, you'll pay nothing on the first £125,000. Someone buying a property for £275,000 will now pay stamp duty of £3,750 rather than the £8,250 they had to pay under the previous system – saving them £4,500.

#### MARRIED INDIVIDUAL SAVINGS ACCOUNT (ISA) SAVERS

It will now be possible to pass on the tax-efficient benefits of NISAs to spouses upon the death of the saver. It will mean the surviving spouse won't have to start filling in a tax form when they inherit NISA savings from their late spouse. The surviving spouse will inherit the 'NISA allowance', for example, the amount that was invested in a NISA. This will not necessarily be the NISA itself.

#### NISA SAVERS WHO USE THEIR FULL ALLOWANCE

The current £15,000 annual NISA allowance limit will see an inflation-linked rise from 6 April this year, up to £15,240.

#### BASIC-RATE AND HIGHER-RATE INCOME TAXPAYERS

The amount of money you will be allowed to earn tax-free increases

to £10,600 from 6 April 2015, £600 more than the current amount. The level of earnings at which the higher rate income tax of 40% commences will also increase on 6 April this year to £42,385 from £41,865. A further 430,000 individuals will be removed from income tax, although National Insurance still applies at a rate of 12% after your first £7,956.

#### DRIVERS

Motorists were spared a rise in duty on petrol and diesel with many predicting an increase following sharp falls in the price of oil and petrol.

#### YOUNG HOLIDAYMAKERS

Air passenger duty will be abolished for children under 12 this year and then for under-16s the following year, for economy class tickets only.

#### ALL AIR TRAVELLERS

Airlines will be required to detail extra costs for tickets.

#### AID WORKERS

The inheritance tax exemption, as applied to members of the armed forces who die in service, is to be extended to aid workers.

#### POSTGRADUATE STUDENTS

Postgraduates will now be able to take out a student loan to cover the cost of their studies. The loan of up to £10,000 will be available for masters students starting courses in 2016 and excludes courses such as a PhD or postgraduate diploma.

### LOSERS

#### NON-DOMICILED PEOPLE

People non-domiciled in the UK already face an annual charge of £30,000, and this remains unchanged. However, those who have been here for 12 of the last 14 years will have to pay £60,000 a year, or £90,000 if they've been here for more than 15 of the last 17 years.

#### TOP-END PROPERTY BUYERS

The residential property Stamp Duty Land Tax (SDLT) overhaul will mean that those buying properties costing more than £937,000 will be worse off than under the previous regime. 10% is now payable between £925,000 to £1.5m, and 12% on everything above. Those buying a home over £2m will pay £50,000 more under the new policy.

#### PEOPLE USING COMPANIES TO PURCHASE PROPERTIES

Buyers of typically high-end properties who choose to own them through a company, a process known as 'enveloped' transactions, will be subject to further additional tax increases. Annual tax on enveloped dwellings (ATED) worth over £2m will be increased by 50% above inflation. From 1 April 2015 to 31 March 2016, the charge on residential properties owned through a company and worth over £2m but not more than £5m will be £23,350; for properties worth over £5m but not more than £10m, the charge will be £54,450; for properties worth over £10m but not more than £20m, the charge will be £109,050; and for properties worth more than £20m, the charge will be £218,200.

# RESIDENTIAL PROPERTY REFORMS

## Buyers benefit from a tax-free bracket and incremental steps up

The change to residential property Stamp Duty Land Tax (SDLT) announced in the Autumn Statement 2014 will make the process fairer for the majority of homebuyers. The new rules started on 4 December last year, and these changes apply to you if you are buying a home in the UK for over £125,000.

Stamp duty will be cut for 98% of people who pay it – if you're buying a home for less than £937,500, you will pay less stamp duty, or the same.

In Scotland, the new rates will apply until 1 April 2015, when the Land and Buildings Transaction Tax replace stamp duty in Scotland. Under the previous rules, you would

have paid tax at a single rate on your entire property price. The new system allows buyers to benefit from a tax-free bracket, and incremental steps up in the same way as income tax is applied to earnings.

Previously, if you bought a house for £185,000, you would have had to pay 1% tax on the full amount – a total of £1,850. Under the new rules, for the same property you'll pay nothing on the first £125,000 and 2% on the remaining £60,000. This works out at £1,200, a saving of £650.

### TIME TO REASSESS YOUR FINANCIAL SITUATION?

Whether you were a winner or a loser in George Osborne's Autumn Statement 2014, now is the perfect time to reassess your financial situation. There are still a plethora of difficult decisions ahead to continue to lower the deficit and to cut debt, many of which could impact on you and your family. To review your current situation and discuss your options, please contact us for further information.

## STAMP DUTY BANDS

Example 1  
**£125,000**

You currently don't pay stamp duty on properties under £125,000

This will stay the same under the new system



No stamp duty

Example 2  
**£185,000**

Stamp duty  
Old system: £1,850  
New system: £1,200

Saving: **£650**



Average price of a home bought under help to buy

Example 3  
**£275,000**

Stamp duty  
Old system: £8,250  
New system: £3,750

Saving: **£4,500**



Average family home

Example 4  
**£510,000**

Stamp duty  
Old system: £20,400  
New system: £15,500

Saving: **£4,900**



Average London home

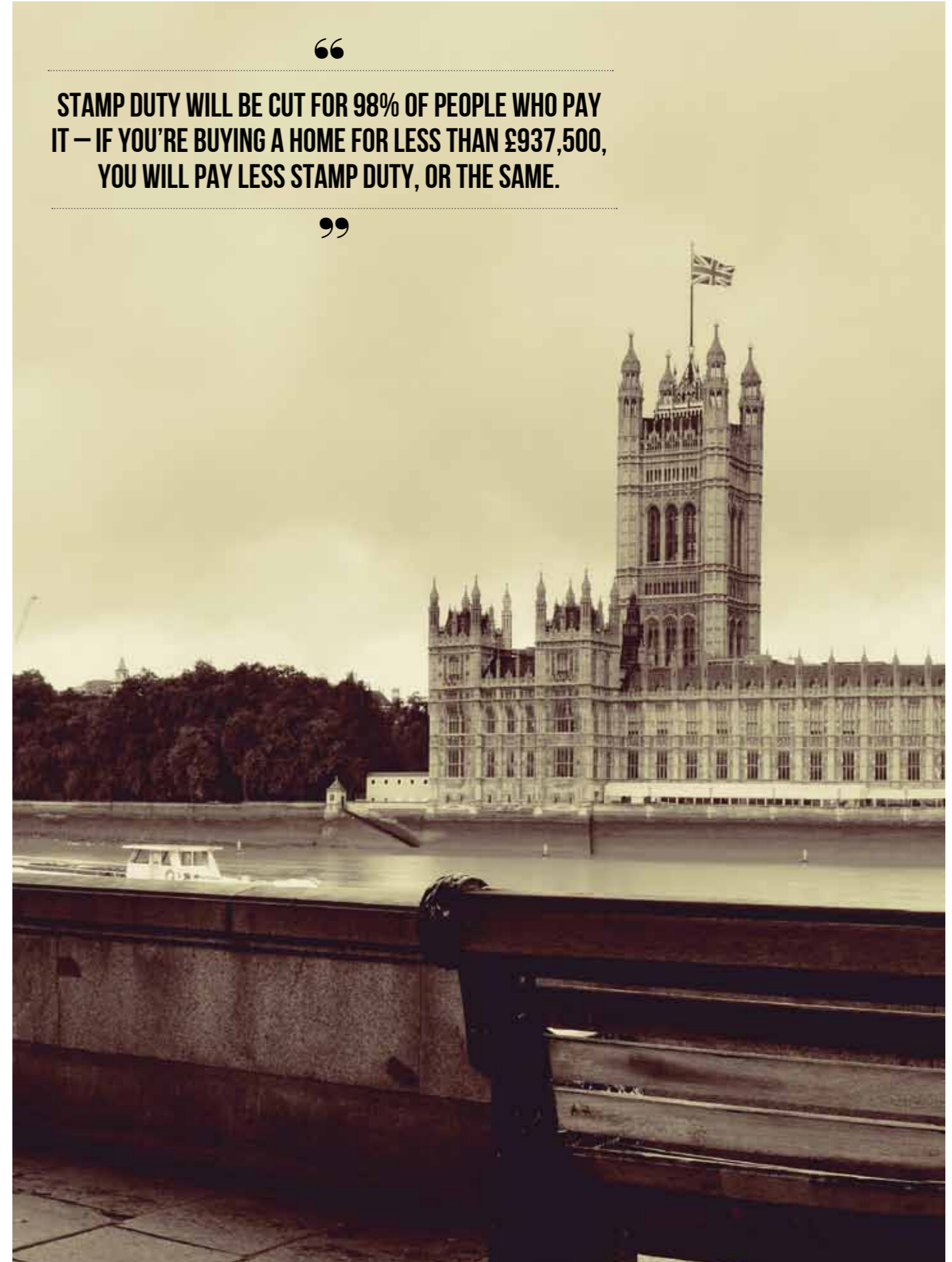
Example 5  
**£2,100,000**

Stamp duty  
Old system: £147,000  
New system: £165,750

Saving: **£18,750**



Higher stamp duty



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