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A tidal lagoon, the Google tax and radical changes to Stamp Duty Land Tax (SDLT)

The temperature has dropped, the leaves have fallen and people up and down the country are now wrapped up in their winter warmers. Nonetheless, Mr Osborne has delivered his final *Autumn* Statement for this Parliament on what is a decidedly wintery day.

The big headlines this evening will no doubt include the ‘Google tax’ and radical changes to Stamp Duty Land Tax (SDLT).

The Chancellor made it clear that he wanted to ensure the Government “boosts skills, science and infrastructure”. There was also the continuing message of support for savers, pensioners and small businesses.

Some of the big infrastructure announcements include investment in a £1 billion project to build the world’s first power-generating tidal lagoon in Swansea Bay, £1.5 billion into road projects and Bicester becoming a new garden city.

For small businesses, the business rates relief has doubled for a further year and there will be inflation-linked increases to business rates which will be capped at 2%.

What about big business? The announcement introduced the ‘Google tax’ – this is a tax directed at large multinational corporations. It will be levied at 25% on profits generated from their activity in the UK where they artificially divert money out of the UK to avoid tax.

Is there any good news for individuals? Yes, for some.

The higher rate threshold for income tax at 40% is to be increased to £42,385 from April 2015. The pension system is undergoing significant reform and Mr Osborne has announced further changes. Most notably, a surviving spouse who continues to receive annuity income after the death of their wife or husband – sometimes known as "spousal benefits" – will get the same tax breaks, which will mean that if they die younger than 75, their spouse will pay no tax on the income at all.

Many married couples have savings in ISAs but on death, those savings lose their tax free status. The Chancellor has announced that with immediate effect, the ISA can be transferred to the surviving spouse/civil partner on death and the tax free status will continue. Very good news indeed for those with significant ISA savings.

Unsurprisingly, non-domiciled individuals made it into the Statement this year with the Chancellor wanting to continue attracting investment and people to the UK. That said, the charge for those staying in the UK who pay the remittance basis charge will rise from £50,000 to £60,000 for those who have lived here for the past 12 out of 14 years and a new charge of £90,000 will be introduced for those who have been here for 17 of the past 20 years.

The annual charges on the Annual Tax on Enveloped Dwellings (ATED) will increase by 50% above inflation for residential properties worth more than £2 million for the period 1 April 2015 to 31 March 2016.

Although not highlighted in this Statement, it is worth noting that the Government has recently issued its response to the consultation on the payment of Capital Gains Tax (CGT) by non-residents on residential property. The changes are due to take effect in April 2015.

At present, non-residents do not pay any CGT on the disposal of assets situated in the UK. In an attempt to achieve equality in taxation between resident and non-resident individuals, non-residents will be liable for CGT on any disposals of residential property from 6 April 2015. The rules are likely to be complex and it is important to take advice.

The biggest announcement of the day for individuals relates to the continuing issue of getting people on the housing ladder. With effect from 4 December 2014, fundamental changes to the SDLT regime will be introduced. Prior to the changes, SDLT was all or nothing – you paid the relevant percentage on the whole value of the property depending upon the applicable bracket.

This has changed so that you pay tax in bands, much the same as income tax. This sounds good news, but with that change comes an increase in rates and for many in London and the South East, SDLT just got more expensive.

For those who have already exchanged contracts, they can elect between exchange and completion which regime to adopt. Some careful maths will need to be done. For those who have yet to exchange, they will fall within the new regime. The new rates are as follows:

- No tax on the first £125,000 paid
- 2% over £125,000 up to £250,000
- 5% over £250,000 up to £925,000
- 10% over £925,000 up to £1.5 million
- 12% over £1.5 million

For those of you who will be booking your annual family holiday, Air Passenger Duty (APD) will be abolished for children under 12 from May 2015 and will be scrapped completely for children altogether for those under 16 from 2016. Holidays may have got cheaper although this may be dependent upon the outcome of the General Election as the changes are not due to take effect until the next Parliament!

Visit the www.gov.uk website to read the full *Autumn* Statement.

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