

IW CAPITAL

BUDGET ROUND-UP: TAX

How will the 2016 Spring Budget affect your tax plan and British businesses this year?

As anticipated, Chancellor Osborne has used the 2016 Spring Budget to deliver substantial reforms to the UK tax system. A shining light to come through the Budget from an investment perspective is the change to Capital Gains Tax (CGT). Specifically, Osborne announced that as of April 2016 CGT rates will fall from 28% to 20%. The change is positive for investors generally, but it also provides a greater incentive to take advantage of one of the tax reliefs offered by the Enterprise Investment Scheme (EIS).

Investment into EIS is exempt from CGT, however gains upon exit are subject to the tax. If these gains are invested through the scheme this tax is deferred; it does not disappear but it does not have to be repaid until the shares are sold - now at the lower rate of 20% (down from 28%). Moreover, investors can defer on CGT payments from the past 36 months, which means any capital gains tax payments that they have amassed through the sale of other investments over the last three years can be offset by utilising the EIS effectively. By doing so, investors would not have to pay the previous 28% rate of tax on these gains, but instead, when they come to sell their business shares, they will pay it at the new lower rate of 20%.

The result is an anticipated upturn in investors using the EIS. This marries with the findings of IW Capital's [Taxpayer Sentiment Report 2016](#), which found that a staggering 54% of the UK's serious investors are considering investment through the EIS over the coming financial year.

See all significant reforms for taxpayers and UK business here:

FOR TAXPAYERS:

Personal Income Tax thresholds

- The higher rate tax threshold will rise from £42,385 to £45,000 in April 2017.
- Tax-free personal allowance will rise from £11,000 to £11,500 in April 2017.

Insurance Premium Tax

- The Insurance Premium Tax rate will increase from 9.5% to 10%.

Capital Gains Tax

- The higher rate of Capital Gains Tax will be cut from 28% to 20% in April 2016.
- The basic rate of Capital Gains Tax will be reduced from 18% to 10% in April 2016.

Pensions and Personal Savings

- The annual ISA limit will rise from £15,240 to £20,000 in April 2017.
- Any adult under 40 will be able to open a new Lifetime ISA. As of April 2017, up to £4,000 can be saved each year and savers will receive a 25% bonus from the government on this money.

FOR BUSINESSES:

Business Rates

- The threshold for small business rate relief is to increase from £6,000 to £15,000 in April 2017.
- The higher threshold for business rates will be raised from £18,000 to £51,000.

Corporation Tax

- The Government is committed to reduce Corporation Tax from 20% to 17% by April 2020.

Entrepreneurs Relief

- Entrepreneurs will be able to access a 10% rate of capital gains tax on newly issued shares in unlisted companies purchased from 17 March 2016, provided they are held for a minimum of three years from 6 April 2016.

Stamp Duty

- Commercial Stamp Duty will remain at 0% rate on purchases up to £150,000, 2% on the next £100,000 and a 5% top rate on purchases above £250,000.
- The Government has introduced a 2% stamp duty rate for high-value leases with a net present value above £5 million.

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Planning for the 2016/17 Tax Year

With the new tax year beginning April 6th, British taxpayers need to be familiar with these new measures to ensure the effective management of their tax plan.

Venture Capital Trusts such as the EIS offer the relief for British taxpayers looking to support small UK companies with high-growth potential. IW Capital's [Taxpayer Sentiment Report](#) reveal over half of serious investors are looking to EIS for the 2016 financial year, reinforcing the need for the Government to support the scheme as a means for fuelling business activity and, in turn, national productivity and growth.

To understand how the EIS can support your tax plan in 2016, [click here](#) to download your complimentary IW Capital brochure. Alternatively, to speak to a member of the IW Capital team, call 020 7015 2250 or email info@iwcapital.co.uk

