



ST. JAMES'S PLACE
WEALTH MANAGEMENT

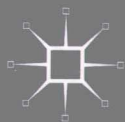
INCLUDING
TAX-SAVING IDEAS



TAX GUIDE 2014—2015

WALTER SINCLAIR
with
BARRY LIPKIN

43RD ANNUAL EDITION





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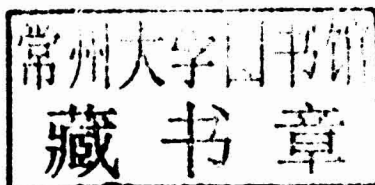
TAX GUIDE

2014–2015

WALTER SINCLAIR, FCA

with

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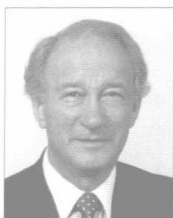
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PREFACE



Since its first edition the *St. James's Place Tax Guide* has become a dependable source of reference for our clients, as well as industry professionals and advisers.

The 2014 budget heralded much reform to pensions and tax-efficient savings and, as ever, this year's *Guide* contains all the essential facts and financial information on income tax, capital gains tax and personal allowances to enable readers to carefully consider their tax position.

At St. James's Place we offer wealth management advice to individuals, trustees and businesses, specifically designed around their individual circumstances. For our clients, tax management is a vital part of their financial planning.

The information contained within this *Guide*, and the knowledge offered by the award-winning St. James's Place Wealth Management Group, is more important than ever in helping all individuals take the necessary steps to preserve and increase their wealth.

My personal thanks to the highly experienced author Walter Sinclair, supported by the long-standing contributor to this publication, Barry Lipkin. Both work tirelessly to keep the *Guide* at the cutting edge.

A handwritten signature in dark ink, reading "Mark Weinberg". The signature is fluid and cursive, with a large, sweeping initial "M" and a stylized "W".

SIR MARK WEINBERG
Life President

St. James's Place Wealth Management

ABBREVIATIONS USED IN THE GUIDE

A&M	accumulation and maintenance	EIS	enterprise investment scheme
ACT	advance corporation tax	EMI	enterprise management incentive
AEI	average earnings index	ESOP	employee share option plan
APC	annual property charge	ESOT	employee share ownership trust
ASP	alternatively secured pension	F2A	Finance (No 2) Act
ATED	annual tax on enveloped dwellings	F3A	Finance (No 3) Act
AVC	additional voluntary contribution	FA	Finance Act
BCE	benefit crystallisation event	FB	Finance Bill
BES	business expansion scheme	FID	foreign income dividend
BPT	bank payroll tax	FIFO	first in, first out
CAA	Capital Allowances Act 2001	FOREX	foreign exchange
CASC	community amateur sports club	FOTRA	free of tax to residents abroad
CDFI	community development finance institution	FPCS	fixed profit car scheme
CFE	controlled foreign company	FRAA	flat rate accrual amount
CGT	capital gains tax	FSAVC	free standing additional voluntary contribution
CGTA	Capital Gains Tax Act 1979	HMRC	Her Majesty's Revenue and Customs
CIC	close investment holding company	HMSO	Her Majesty's Stationery Office
COMP	contracted out money purchase	IAS	international accounting standards
CPA	Civil Partnership Act 2004	IHTA	Inheritance Tax Act 1984
CPI	Consumer Prices Index	IIP	interest in possession
CRCA	Commissioners for Revenue and Customs Act 2005	ISA	Individual savings account
CSOP	company share option plan	ITA	Income Tax Act 2007
CTA	Corporation Tax Act	ITEPA	Income Tax (Earnings and Pensions) Act 2003
CTC	child tax credit	ITTOIA	Income Tax (Trading and Other Income) Act 2005
CVS	corporate venturing scheme	LAPR	life assurance premium relief
DLTA	Development Land Tax Act 1976	LEL	lower earnings limit
DOTAS	disclosure of tax avoidance schemes	LLP	limited liability partnership
DPTC	disabled person's tax credit	MIRAS	mortgage interest relief at source
DWP	Department for Work and Pensions	MSC	managed service company
ECU	European currency unit	NCDR	non-corporate distribution rate
EEA	European economic area	NEST	National Employee Savings Trust
EEIG	European economic interest grouping	NRE	net relevant earnings

OTS	Office for Tax Simplification	SIP	share incentive plan
PAYE	pay as you earn	SIPP	self-invested personal pension
PEP	personal equity plan	SME	small or medium enterprise
PET	potentially exempt transfer	SSAS	small self-administered scheme
PHI	permanent health insurance	SSP	statutory sick pay
PIBS	permanent interest bearing share	TA	Income and Corporation Taxes Act 1988
PPP	personal pension plan	TCEA	Tribunals Courts and Enforcement Act 2007
PRAS	pension relief at source	TCGA	Taxation of Chargeable Gains Act 1992
PRO	protected rights only	TESSA	tax exempt special savings account
PRP	profit related pay	TMA	Taxes Management Act 1970
REIT	real estate investment trust	UAP	upper accrual point
RPI	retail prices index	UEL	upper earnings limit
RTI	real time information	USM	Unlisted Securities Market
S (Ss)	section (sections) of an Act	VAT	value added tax
S2P	state second pension	VATA	Value Added Tax Act 1994
SAA	special annual allowance	VCT	venture capital trust
SAYE	save as you earn	WFTC	working families tax credit
Sch/s	schedule/s of an Act	WTC	working tax credit
SDLT	stamp duty land tax		
SDRT	stamp duty reserve tax		
SERPS	state earnings related pension scheme		
SFO	Superannuation Funds Office		
SI	Statutory Instrument		

INTRODUCTION

Originally establishing itself as the *Hambro Tax Guide* 43 years ago, this book has appeared annually ever since, more recently being called the *St. James's Place Tax Guide*. The book has been designed to be used both by the professional and non-professional. Solicitors, accountants and company secretaries will find it especially useful as a concise ready reference. Many others, company directors and executives, partners and sole-traders, employers and employees, will find in it much helpful information and advice when dealing with problems of personal and company taxation.

It illustrates the working of income tax, capital gains tax, corporation tax, inheritance tax and VAT in the UK. It is intended to continue revising the book annually in order to keep it up to date in accordance with the annual changes to the law.

This, the 43rd edition, deals with the tax system at the time of writing for the 2014–15 fiscal year and in some cases for subsequent years. Every chapter has been amended to reflect the many tax changes which have been made since the previous edition, including those relating to income tax and personal reliefs, investments, pensions, National Insurance, capital gains tax, corporation tax, inheritance tax, VAT, stamp duty, anti-avoidance and many, many others. To help keep track of the changes, Chapter 1 summarises this year's tax changes and is referenced to the relevant paragraphs in the *Guide*. In addition, tax planning pointers relative to this year's tax changes are included in this chapter.

This book has been appearing since 1972–73 and it is interesting to consider some of the tax changes over its life, comparing that year with 2014–15.

		1972–73	2014–15
Income tax	Standard/Basic rate	38.75%	20%
	Top rate – from taxable income		
	£15,000 including surtax	88.75%	
	£150,000		45%
	Single personal relief	£460	£10,000
Capital gains tax rates (individuals)		30%	normally 18%/28%
Estate duty/inheritance tax threshold		£15,000	£325,000
	Top rate at £500,001	75%	
	Only rate in most cases		40%
VAT from 1 April 1973		10%	20%

Previous editions of the book recorded falling rates for most taxes, apart from National Insurance contributions. What is more, many reliefs and taxes have come and/or gone, such as:

- ▶ Capital transfer tax.
- ▶ Development gains tax and development land tax.
- ▶ Surtax.
- ▶ Earned income relief.
- ▶ Investment income surcharge.
- ▶ Stock relief.
- ▶ Life assurance relief on new policies.
- ▶ Mortgage interest relief.
- ▶ Married couples allowance (unless born before 6 April 1935).
- ▶ Stakeholder pensions.
- ▶ Advance corporation tax and the imputation system.
- ▶ Working tax credits and child tax credits.
- ▶ Income tax starting rate going from 6 April 2008.

However, the deep recession resulted in stiffer taxes being imposed from 2010–11 such as the new 50 per cent additional rate and allowances being restricted. Furthermore, the May 2010 General Election gave rise to more changes such as a 20 per cent VAT rate. Also, many future changes have been announced, and the 50 per cent tax rate has been replaced with one of 45 per cent from 2013–14. But of one thing we can be sure, there will be very many tax changes to include in the pages of subsequent editions.

Due to the volume of changes, it is not possible to retain in each new edition full information for previous years. Thus for the tax rules for previous years, reference to past editions is occasionally necessary.

Because the book concisely covers a very wide field, it has been necessary to omit some of the exemptions and qualifications with which tax law abounds: to adopt a familiar saying, ‘When I say never, I mean hardly ever and when I say always, I mean almost always.’ The book is intended to be only a general tax guide. If it cannot solve a problem, the time has come to look at one of the multi-volume tax textbooks or to consult a tax specialist.

Ideas on straightforward tax saving appear throughout the book. However, Chapter 26 deals with *tax-saving hints* and has many references to the other chapters for easy location of topics. Furthermore, this chapter contains particular reference to future tax planning in a section entitled ‘The way ahead’ (26.8).

A particular feature to note is that all indexing and cross-referencing uses chapter and topic numbers. Thus 7.6 means the sixth-numbered topic in Chapter 7. Similarly 7.6.3 would mean the third subsidiary topic within that main heading. Cross-references to related chapter and topic numbers appear throughout the *Guide* in brackets and you will also find references to tax

legislation where relevant under the appropriate topic title. Also, a glossary to help with the meanings of certain terms appears at the end of this book.

Since its inception, the *Guide* has included references to the tax legislation. Over the years, this has been consolidated into a number of Acts such as the Inheritance Tax Act 1984 (IHTA), Value Added Tax Act 1994 (VATA), Capital Allowances Act 2001 (CAA), Income and Corporation Taxes Act 1988 (TA), Income Tax (Trading and Other Income) Act 2005 (ITTOIA) and Income Tax Act 2007 (ITA). The book is now referenced mainly to the consolidating Acts, using the abbreviations shown above and following the Preface.

The *St. James's Place Tax Guide 2014–2015* brings together in a single volume all of the main taxes which are operating at present, enabling their total effect to be borne in mind. In planning for the future, however, account should be taken of the various avenues for short-term reform, as well as the longer term possibilities for capital gains tax, inheritance tax, income tax etc. As new developments are crystallised, they will be covered in the future annual editions of this book.

We are most grateful to all those who have written to us with kind and helpful comments concerning the previous editions, some of which have been taken into account in the preparation of this volume.

We gratefully acknowledge the help given to us on this edition by Malcolm Cooper-Smith of St. James's Place and Rob Gaines LLB.

WALTER SINCLAIR
and
BARRY LIPKIN

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