



Finance Act 2015– key private client measures

Nerine Trust Company Limited *23 April 2015*

The Finance Act 2015 (the **Act**) received Royal Assent on 26 March 2015 and embodies those measures set out in George Osborne's sixth and final Budget of the UK Parliament, prior to its dissolution on 30 March 2015. In this briefing we explore the key private client announcements.

The main measures are centred around capital gains tax (**CGT**) and the annual tax on enveloped dwellings (**ATED**) to offshore structures.

Capital gains tax

Application of CGT to disposals of UK residential property by non-UK residents

From 6 April 2015, all non-UK resident persons (including individuals, trustees, personal representatives and companies) will be subject to CGT on any gains arising from a disposal of residential property in the UK. Previously, the only non-UK resident persons subject to CGT were companies.

Private residence relief

From 6 April 2015, a dwelling-house will be treated as not being occupied as a residence by an individual in relation to a particular tax year if:

- neither the individual or their spouse/civil union partner was not tax resident for that tax year in the territory in which the dwelling-house is situated; and
- the individual did not spend a minimum of 90 days in the property (or any other property in the same territory in which the individual had an interest) (**Qualifying Unit**) during that tax year. Additional days spent by the individual's spouse or civil partner in the property or in a Qualifying Unit in relation to the individual, can count as days spent by the individual.

If the above two factors apply, the individual will not be eligible for principal private residence relief and, therefore, CGT will be payable on the disposal of any such property.

Annual tax on enveloped dwellings

Since 1 April 2013, ATED has been charged where a non-natural person (**NNP**) owns a UK residential property valued at more than £2 million. From 1 April 2015, ATED will apply to dwellings valued at over £1 million, at the rates set out in the table below. From April 2016 the ATED charge will be extended to dwellings valued at over £500,000 and will be increased annually by reference to the increase in the consumer prices index.

Property value	ATED charge
£1 million up to £2 million	£7,000
£2 million up to £5 million	£23,350
£5 million up to £10 million	£54,450
£10 million up to £20 million	£109,050
£20 million +	£218,200

Future measures

The below measures were not included within the Act, but are being considered.

Inheritance tax (IHT) – review of deeds of variation used for tax purposes

This announcement follows news stories about the use of deeds of variation by the families of high profile individuals to minimise IHT. Currently a beneficiary of a deceased's estate is able to achieve tax savings by redirecting assets to which they are entitled e.g. by giving additional assets to a beneficiary who is exempt from IHT, redirecting assets qualifying for relief from IHT from an exempt beneficiary to non-exempt beneficiaries so that the relief is not wasted or using the deceased's IHT nil rate band by creating a discretionary trust or making an absolute gift of the value of the nil rate band. Such redirections can have retrospective effect for IHT and CGT purposes, provided they are made within two years of the deceased's death.

IHT – relevant property trust charges

The previous government has confirmed that it will not introduce a settlement nil rate band, but will introduce new rules to target avoidance through the use of multiple trusts and simplify the calculation of IHT charges in relevant property trusts. Draft legislation published on 10 December 2014 contained rules to prevent settlors from obtaining IHT advantages by increasing the value of assets in more than one trust on the same day (the same day addition rules, **SDA Rules**). Changes announced in the March 2015 Budget are that:

- the SDA rules will apply only where a settlor adds assets to more than one relevant property trust on the same day;
- there will be no SDA where the value of an addition is £5,000 or less; and
- the grandfathering provisions in the draft legislation will be extended.

Please note that this briefing is intended for general information purposes only. Nerine does not give tax advice and no reliance may be placed on this briefing. Clients are strongly advised to obtain specific tax advice on the implications of the ATED and CGT regimes from their advisers. We work with a large number of advisers that we would be happy to recommend to those clients who do not have their own adviser in place.