

# UK Budget 2015

## Impact on corporates

*A collection of the main announcements in Budget 2015 which will affect companies.*

### Loss refresh prevention

The Government announced new measures to prevent companies from obtaining a tax advantage by entering into contrived arrangements to convert brought forward losses into more versatile in-year deductions. These new measures will impact carried forward trading losses, non-trade loan relationship deficits and management expenses. These rules should not apply to commercial arrangements where the anticipated value of the economic benefits arising from the arrangements exceeds the anticipated tax advantage.

These new provisions could apply to a number of scenarios, including but not restricted to intra-group hedging and loan arrangements. If these rules are found to apply, relief will be denied for the losses in question.

The restriction will take effect from 18 March 2015 and will only apply to profits arising after this date.

### Annual investment allowance

In his Budget speech, the Chancellor recognised the value of the annual investment allowance (AIA) in encouraging UK businesses to invest by noting that the scheduled reduction from £500,000 to £25,000 from 1 January 2016 would not be remotely acceptable to businesses. However, he deferred making any further commitment to maintain the current level of this valuable incentive until the Autumn Statement.

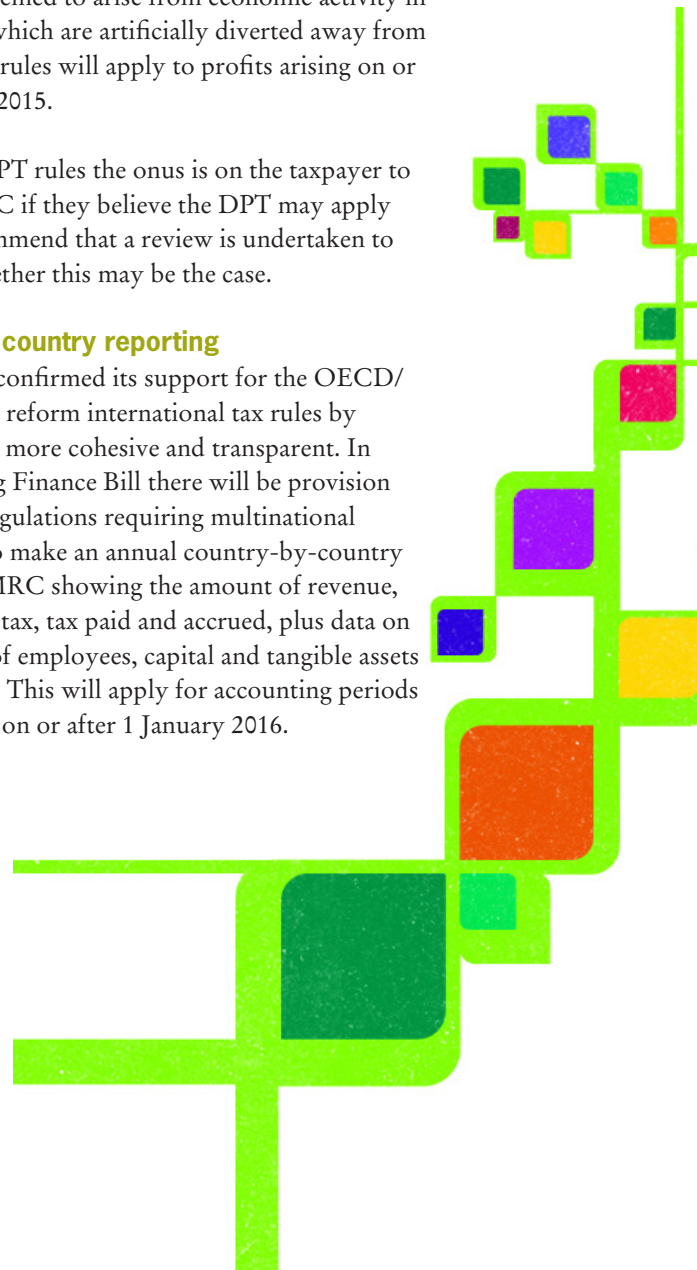
### Diverted Profits Tax (DPT)

Chancellor George Osborne has confirmed that the Diverted Profits Tax (DPT), which was announced in the Autumn Statement, will take effect from 1 April 2015. Broadly, the tax will be charged at 25% where profits are deemed to arise from economic activity in the UK but which are artificially diverted away from the UK. The rules will apply to profits arising on or after 1 April 2015.

Under the DPT rules the onus is on the taxpayer to notify HMRC if they believe the DPT may apply and we recommend that a review is undertaken to establish whether this may be the case.

### Country by country reporting

The UK has confirmed its support for the OECD/G20 effort to reform international tax rules by making them more cohesive and transparent. In the upcoming Finance Bill there will be provision to bring in regulations requiring multinational enterprises to make an annual country-by-country report to HMRC showing the amount of revenue, profit before tax, tax paid and accrued, plus data on the number of employees, capital and tangible assets in each place. This will apply for accounting periods commencing on or after 1 January 2016.



## Innovation reliefs

### R&D relief

The announcements made during the Autumn Statement in relation to the rate of R&D relief will be implemented from 1 April 2015. The relief Small and Medium Enterprise' (SMEs) can claim on qualifying expenditure will increase from 225% to 230% from 1 April 2015.

The Research and Development Expenditure Credit (RDEC) that large companies can claim on R&D activities will increase from 10% to 11% from 1 April 2015. However, the announcements were not all good news. From 1 April 2015 expenditure incurred on materials incorporated into products that are sold will no longer qualify for R&D relief.

### Film tax relief

It was announced that the Government will increase the rate of film tax relief to 25% for all qualifying expenditure from 1 April 2015. However, this change is subject to the Government receiving state aid clearance.

### Television tax relief

Under the existing rules at least 25% of the core expenditure on the relevant programme must be incurred in the UK. The Government has announced that the minimum UK expenditure for all television tax reliefs will be reduced to 10% from 1 April 2015. Amendments will also be made to modernise the cultural test which must also be satisfied to access the relief.

As announced in the Autumn Statement a new tax relief for the production of children's television programmes will also be introduced from 1 April 2015.

## Contact

If you would like to discuss any element of Budget 2015, please do not hesitate to call your usual Grant Thornton contact.

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