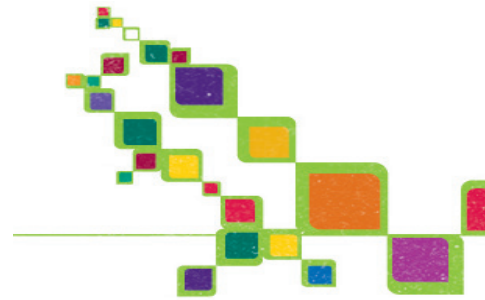


# UK Budget 2015

## Personal tax



### *Key personal tax related announcements introduced in Budget 2015.*

#### **Personal savings allowance**

The introduction of a new personal savings allowance from 6 April 2016 will allow a tax free allowance of £500 for higher rate taxpayers, and a generous £1,000 for basic rate taxpayers on interest generated from savings income. This new allowance is expected to benefit 95% of taxpayers, making them exempt from paying any tax on the interest element of their savings income.

#### **Pensions savings**

From 6 April 2016, individuals who already have an annuity will be able to effectively sell it on and be chargeable to income tax at their marginal rates, instead of paying tax of 55% on the cash lump sum. This is an extension to last year's Budget announcements which provides greater freedom for individuals accessing their pension savings. This new announcement will benefit up to five million pensioners.

On a less encouraging note, from 6 April 2016, the lifetime allowance for pensions tax relief will reduce from £1.25 million to £1 million, but will be indexed to increase by the rate of inflation from April 2018.

#### **Individual Savings Account (ISA) flexibility**

Following a technical consultation with ISA providers, the Government will introduce new rules in autumn 2015 which will provide greater freedom to individuals making savings into and drawings out of their ISA account. Individuals will be able to make drawings out of their cash ISA account and make deposits back into their account without losing their ISA tax benefits, as long as the money is deposited within the same financial year up to the maximum limit, which is £15,240 in 2015/16.

#### **Help to buy ISA**

In order to help first time buyers save for a deposit, the Government will introduce a Help to Buy ISA from Autumn 2015. The Help to Buy ISA effectively provides a 25% top-up for first time buyers, and is undoubtedly welcome news to aspiring homeowners. The top-up is capped at £3,000 (for those saving £12,000). Beneficially, the help to buy ISA is per person and not per property, therefore a couple can each have the ISA and take advantage of a double uplift.

Unfortunately, the measure fails to deal with the current housing shortage and the lack of supply of suitable housing. Therefore, we are concerned the boost provided through these measures could result in higher demand and ultimately lead to higher house prices.

#### **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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