GUIDE TO THE

BUDGET 2015

THE KEY ANNOUNCEMENTS THAT COULD INFLUENCE YOUR FINANCIAL PLANNING DECISIONS IN THE YEAR AHEAD AND BEYOND

WELCOME

IN HIS FINAL BUDGET before May's general election, the Chancellor of the Exchequer, George Osborne, announced tax cuts for first-time buyers, workers and savers, and claimed Britain was 'walking tall again' after five years of austerity.

In our Budget 2015 Summary, we have provided information about the key announcements but primarily look at the main areas around financial planning.

On page 03, you can see what 10 key announcements from Budget 2015 could impact on your personal financial plans, both positively and negatively.

We've also provided a summary of Budget 2015 at a glance on page 04, including news about the introduction of flexible Individual Savings Accounts, a personal savings tax allowance and confirmed consultation into the re-sale of existing annuities.

A full list of the articles featured appears opposite.

ARE YOUR FINANCIAL PLANS STILL ON TRACK AFTER BUDGET 2015?

There may have been a number of key announcements in Budget 2015 that will impact on your financial plans, especially around pension freedoms. If you would like to review your current situation to ensure that your plans are still on track, please contact us.

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10 KEY ANNOUNCEMENTS FROM BUDGET 2015

Which of these could impact on your financial plans, both positively and negatively?

1 The tax-free personal allowance is set to increase in April 2017, to £11,000

The tax-free personal allowance – the amount people earn before they have to start paying tax – will rise to £10,800 in 2016/17 and £11,000 the year after.

The increases to the personal allowance from £6,475 in 2010 to £11,000 in 2017/18 will save a typical taxpayer £905.

To make sure the full benefits of the personal allowance increase are passed on to higher-rate taxpayers, the Government is also increasing above inflation the point above at which higher earners start paying 40% tax. It will increase by £315 in 2016/17 and by £600 in 2017/18 – taking it to £43,300 in 2017/18.

2 A new Personal Savings Allowance will take 95% of taxpayers out of savings tax altogether

From April 2016, a tax-free allowance of £1,000 (or £500 for higher-rate taxpayers) will be introduced for the interest that people earn on savings.

If you are a basic-rate taxpayer and have a total income up to £42,700 a year, you will be eligible for the £1,000 tax-free savings allowance.

If you are a higher-rate taxpayer and earn from £42,701 to £150,000, you'll be eligible for a £500 tax-free savings allowance.

3 Introducing the Help to Buy ISA – every £200 people save towards their first home, the Government will put in an extra £50, up to a maximum bonus of £3,000

Following the introduction of Help to Buy, which allows people to purchase a home with just a 5% deposit, the Government will help first-time buyers save for a deposit by introducing the Help to Buy Individual Savings Account (ISA).

People will be able to open an ISA and save up to £200 a month towards their first home, and the Government will add a further 25%.

4 People will have complete freedom to take money out of an ISA and put it back in later in the financial year

ISAs are being reformed so that instead of being able to put up to £15,240 in the 2015/16 tax year into an ISA in total, you can take out your money and put it back in within the same financial year without losing your tax-efficient ISA allowance benefits.

5 Additional funding to support the new pension freedoms and the new pensions guidance service

The Budget document says: 'Additional funding of £19.5m in 2015/16 will be provided to support the new pension freedoms and the new pensions guidance service, Pension Wise. This funding will extend the availability of State Pension statement and pension tracing services.'

6 Pensioners will be given the freedom to sell their annuity for a cash lump sum

Under proposals from April 2016, pensioners who already have an annuity will be able to now effectively sell it on, so that they too can benefit from the pension freedoms announced in last year's Budget.

Currently, people who have bought an annuity are unable to sell it without having to pay at least 55% tax on it. From April 2016, it is proposed that the tax rules will change so that people who already have income from an annuity can sell that when they choose and will pay their usual rate of tax they pay on income, instead of 55%.

7 Pensions lifetime allowance reduction

The lifetime pensions allowance, the maximum amount that can be saved into a pension, will reduce from £1.25m to £1m – this is estimated to affect less than 4% of people.

Pensioners pay a 55% tax charge on any amount over the lifetime allowance when they withdraw money or buy an annuity, rather than their usual tax rate.

8 Review into the avoidance of inheritance tax

The Government is to review the ways in which inheritance tax (IHT) is avoided through deeds of variation. A deed of variation is used to rearrange Wills, and the most common rearrangements are disclaimers and written variations. The report resulting from the IHT review will be published in the autumn.

9 Further changes to Venture Capital Trusts and Enterprise Investment Schemes

Plans were announced to further alter the rules around Venture Capital Trusts (VCT) and Enterprise Investment Schemes (EIS).

10 Annual tax returns abolished

Millions of individuals will have the information HM Revenue & Customs requires automatically uploaded into a new online digital tax account by 2020. ■

BUDGET 2015

BUDGET 2015

Summary of Budget 2015 at a glance

THE CHANCELLOR of the Exchequer, George Osborne, delivered his final Budget speech in this current parliament on Wednesday 18 March. Mr Osborne said Britain was a 'comeback country' and introduced flexible Individual Savings Accounts, a personal savings tax allowance and confirmed a consultation into the re-sale of existing annuities.

Here is a summary of the key announcements:

Economy

- UK grew 2.6% in 2014, faster than any other advanced economy but lower than 3% predicted in December
- 2.5% growth forecast in 2015, up from 2.4% predicted in December, followed by 2.3%, 2.3%, 2.3% and 2.4% in the next four years
- Jobless rate to fall to 5.3% this year
- Trade deficit figures 'the best for 15 years'
- Living standards according to the OBR data 'higher' than in May 2010, with households better off by an average of £900 in last five years
- Inflation projected to fall to 0.2% in 2015

Public borrowing/deficit/spending

- Deficit halved since 2010 as a share of national income
- Borrowing set to fall from £97.5bn in 2013/14 to £90.2bn in 2014/15, £75.3bn in 2015/16, £39.4bn in 2016/17, £12.8bn in 2017/18 before reaching a £5.2bn surplus in 2018/19
- Debt as a share of GDP to fall from 80.4% in 2014 to 80.2% in 2015/16 before falling in every year, reaching 71.6% in 2019/20
- Additional £30bn savings needed in next parliament
- Public spending austerity to end a year earlier than planned in 2019/20, with spending in 2019/20 to grow in line with the growth of the economy
- Welfare bills set to be an average of £3bn lower each year than predicted in December, and interest charges on government gilts £35bn lower
- £13bn mortgage assets from Northern Rock and Bradford & Bingley to be sold

Pensions

- Lifetime pensions allowance pot to be reduced from £1.25m to £1m from next year, saving £600m annually
- Proposals announced to allow pensioners to access their annuities, with 55% tax charge abolished and tax applied at the marginal rate

Personal taxation

- The tax-free personal allowance to rise from £10,600 in 2015/16 to £10,800 in 2016/17 and £11,000 in 2017/18
- The threshold at which people start paying 40p income tax to rise by above inflation from £42,385 in 2015/16 to £43,300 in 2017/18
- Class 2 National Insurance contributions for the self-employed to be abolished entirely in the next parliament
- Annual paper tax returns to be abolished
- Transferable tax allowance for married couples to rise to £1,100
- Review of inheritance tax avoidance through 'deeds of variation'

Savings

- From April 2016 new personal savings allowance – first £1,000 interest on savings income to be tax-free for basic-rate taxpayers, with £500 allowance for 40p tax ratepayers
- Annual savings limit for Individual Savings Accounts (ISA) increased to £15,240
- 'Fully flexible' ISA will allow savers to withdraw money and put it back later in the year without losing any of their tax-free ISA allowance

Mortgages

- New Help to Buy ISA for first-time buyers will allow the Government to top up by £50 every £200 saved for a deposit, up to £3,000

Armed forces

- A further £75m from Libor fines to go to charities for regiments which fought in Afghanistan, and the Government to contribute towards permanent memorial to those who died in Afghanistan and Iraq and help renovate Battle of Britain memorials
- £25m to support army veterans, including nuclear test veterans

Alcohol, tobacco, gambling and fuel

- Beer duty cut by 1p and cider by 2p
- 2% cut in excise duty on scotch whisky while wine duty frozen
- No changes to tobacco and gambling taxes, with tobacco duties set to rise by 2% above inflation, equivalent to 16p on a packet of 20 cigarettes
- Petrol duty frozen – September's planned increase cancelled

Housing/infrastructure/transport/regions

- £15m church repair roof fund to be trebled
- Up to £600m to clear new spectrum bands for auction to improve mobile networks: commitment to deliver ultra-fast broadband to all homes
- New powers for Mayor of London over skills and planning
- Greater Manchester councils to be allowed to keep 100% of growth in business rates
- New inter-city rail franchise for south west of England
- Toll for River Severn crossings to be reduced from 2018
- Consultation on £1bn 'tidal lagoon' in Swansea Bay to generate green energy

BUDGET 2015 INCOME TAX AND NATIONAL INSURANCE ALLOWANCES

Tax Allowances	2014/15	2015/16
Personal allowance (born after 6 April 1948)[1]	£10,000	£10,600
Personal allowance (born between 6 April 1938 and 5 April 1948)[1,2]	£10,500	£10,600
Personal allowance (born before 5 April 1938)[1,2]	£10,660	£10,660
Married couple's allowance (spouse born before 6 April 1935)[3]	£8,165	£8,355
20% basic-rate band from	£10,000	£10,600
40% higher-rate band from	£41,865	£42,385
45% additional-rate band from	£150,000	£150,000
Age-related allowance restricted from	£27,000	£27,700
Class 1 National Insurance lower rate	12%	12%
On amounts (per week):	£153-£805	£155-£815
Class 1 National Insurance higher rate	2%	2%
On amounts (per week):	Over £805	Over £815
Class 4 National Insurance lower rate	9%	9%
On amounts from:	£7,956 pa	£8,060 pa
Class 4 National Insurance higher rate	2%	2%
On amounts over:	£41,865 pa	£42,385 pa

[1] Reduced by £1 for each £2 of income (less deductions) in excess of £100,000.

[2] Reduced by £1 for each £2 of income (less deductions) which exceeds £27,000 for 2014/15 (27,700 in 2015/16). However, this reduction cannot take the allowance below that for an individual born after 5 April 1948 (subject to the reduction for income in excess of £100,000 above). The personal allowance is reduced first, then the married couple's allowance.

[3] Married couple's allowance is restricted by £1 for every £2 of income in excess of the married couple's allowance restriction threshold to a minimum of £3,140 in 2014/15 (£3,220 in 2015/16). Tax relief is given at 10%.

Business

- Tax on 'diverted profits' to come into effect from April this year, aimed at multinational firms moving profits 'artificially offshore'
- Annual bank levy to rise to 0.21%, raising an extra £900m. Banks to be barred from deducting compensation for mis-selling from corporation tax
- Supplementary charge on North Sea oil producers to be cut from 30% to 20% while petroleum revenue tax to fall from 50% to 35%
- New tax allowance to encourage investment in North Sea

Review of business rates

- Automatic gift aid limit for charities to be extended to £8,000
- Farmers to be allowed to average incomes for tax purposes over five years
- New tax credit for orchestras and consultation on tax relief for local newspapers

BUDGET 2015

Debt on target

Debt will be falling as a share of GDP in 2015/16. This is a year earlier than forecast at Autumn Statement.

Debt falling in 2015/16

The Deficit

This year the deficit will be halved.

10.2% of GDP in 2009/10 → 5% of GDP in 2014/15

In 2010, 1 pound in every 4 spent by the Government was borrowed. In 2015/16 that will be 1 pound borrowed in every 10 spent.

£5.2 billion surplus in 2018/19

By 2018/19, we will have a surplus, so we will be raising more in taxes than we are spending.

Employment

Since the first quarter of 2010 there are 1.9 million new jobs.

1.9m

There are 30.9 million people in work - more than ever before.

30.9m

For every public sector job lost, over 5 have been created in the private sector.

INDIVIDUAL SAVINGS ACCOUNTS

Rules change for savers withdrawing tax-efficient money

THE GOVERNMENT has announced a 'radically new' Individual Savings Account (ISA) framework allowing savers to withdraw money from their ISA without it counting towards their annual tax-efficient allowance entitlement.

Following the reforms on pension freedoms, Chancellor George Osborne said, 'There is more to do to create a savings culture.'

He said allowing people to take money out of their ISA without the sum counting towards the annual ISA allowance limit would be one of four steps to reform savings and investments in the UK.

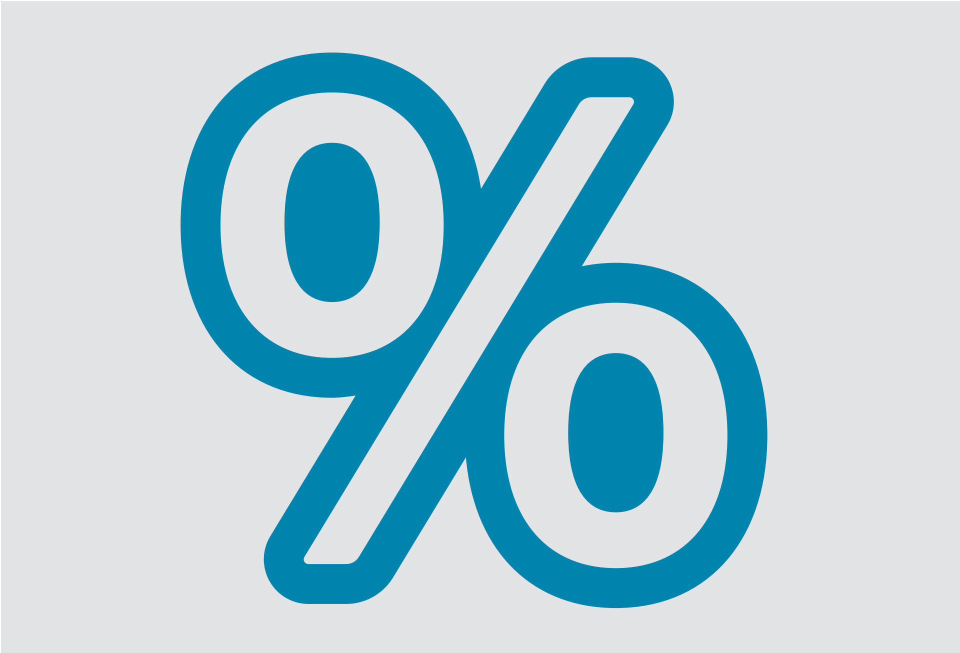
Savers will have the flexibility to be able to take money out of their ISAs and put it back in the same financial year without it counting towards the annual tax-efficient ISA allowance.

Currently, the ISA allowance is £15,000 (£15,240 from 6 April), and once you've deposited that amount, you can't put any more in during the same tax year, even if you make a withdrawal.

The changes, which will come into effect from autumn 2015, will mean that savers who need access to their ISA savings are not penalised if they then want to save more later on that tax year.

The only limit is that you need to top up your ISA during the same financial year the withdrawal was made – if you don't, it will count towards your new tax-efficient ISA allowance.

Mr Osborne added: 'I believe people should be trusted with their own money.' ■



HELP TO BUY ISA

25% boost for those saving towards a deposit to buy their first home

The introduction of the Help to Buy Individual Savings Account (ISA) will be a boost for those saving for a deposit to buy their first home. First-time buyers saving up to £200 a month towards their first home with a Help to Buy ISA will receive an additional 25% from the Government. That's a £50 bonus for every £200 they save, up to a maximum bonus of £3,000.

NEW HELP TO BUY ISAS will be available for four years, but once an account has been opened, there's no limit on how long someone can save for.

Accounts will be available from autumn 2015 and an initial deposit of £1,000 will be required on opening the account – in addition to normal monthly savings. There is no minimum monthly deposit, but the maximum monthly amount is subject to £200 a month.

The bonus is only available to first-time buyers purchasing UK properties. There will be a minimum bonus size of £400 per person, and this is available on home purchases of up to £450,000 in London and up to £250,000 outside London. The bonus will be paid on the purchase of the person's first home, and if an amount of £12,000 is saved, the Government bonus will boost total savings to £15,000.

Savers can only save into one Cash ISA per year, as are the rules now. This means it will not be possible for a saver to subscribe to a Help to Buy ISA and another Cash ISA with another provider.

The Chancellor, Mr Osborne, said: 'It is as simple as this: we will work hand in hand to help you buy your first home. This is a Budget that works for you.' ■

BUDGET 2015 ACTION POINT

Help to Buy ISAs will only be available to individuals who are 16 and over and will be limited to one per person. If appropriate, consider buying together to receive a bonus each.

PERSONAL SAVINGS ALLOWANCE

Taking over 90% of taxpayers out of paying tax on interest from savings

ONE OF THE BIGGEST Budget giveaways was the announcement of the introduction from April 2016 of a tax-free Personal Savings Allowance, which will take over 90% of taxpayers out of paying tax on interest from savings and allowing basic-rate taxpayers £1,000 tax-free a year, £500 for higher-rate tax payers and nothing for 45% tax payers.

At Budget 2014, the Chancellor had already announced that from April 2015, savers wouldn't have to pay tax on interest if their taxable income is less than £15,600.

This latest announcement means from April 2016, savers won't have to pay tax on savings interest if their taxable income is less than £16,800. To be eligible for the £1,000 tax-free Personal Savings Allowance, your taxable income needs to be less than £42,700 a year. To be eligible for the £500 tax-free Personal Savings Allowance, your taxable income needs to be between £42,701 and £150,000 a year. ■

From April 2016, banks and building societies will stop automatically taking 20% in income tax from the interest earned on your non-ISA savings.

HOW MUCH TAX-FREE INTEREST COULD YOU RECEIVE?

Example 1

Earn £20,000 income a year + £250 in interest from April 2016

You won't have to pay tax on your interest, as it is within your £1,000 Personal Savings Allowance.

Example 2

Earn £20,000 income a year + £1,500 in interest

You won't need to pay any tax on your interest up to £1,000, but you will still need to pay tax on the £500 interest you have earned over your Personal Savings Allowance.

Example 3

Earn £60,000 income a year + £250 in interest

You won't have to pay tax on your interest, as it is within your £500 Personal Savings Allowance.

Example 4

Earn £60,000 income a year + £1,100 in interest

As a higher-rate tax payer, you won't have to pay tax on your interest up to £500, but you will still need to pay tax on the £600 interest you have earned over your Personal Savings Allowance.

A BUDGET FOR SAVERS

The introduction of a tax-free Personal Savings Allowance of £1,000 (or £500 for higher-rate taxpayers) on the interest that you earn on your savings.

95% of taxpayers will not pay any savings tax

Introduction of a fully flexible Cash ISA, so you can take money in and out of your ISA in the same financial year, without losing you tax-free entitlement.

ISA

£15,240 limit in 2015/16

The introduction of the Help to Buy ISA to help first time-buyers save for a deposit.

Save up to £200 a month...

...in a Help to Buy ISA...

...receive up to a £50 a month bonus from the Government...

up to a £3,000 bonus

Previously announced freedom for millions of savers...

1 increased tax-free ISA allowance

2 Introduced Junior ISAs

3 Introduced Pensioner Bonds

4 Increased the maximum Premium Bond holding

Extending pension freedom to around 5 million people who have already bought an annuity.

BUDGET 2015

TAX RETURNS

Move towards new online digital tax account

THE CHANCELLOR, George Osborne, announced that self-assessment tax returns would be replaced by a new online digital tax account.

HM Revenue & Customs (HMRC) has already been moving towards a more digital world with the introduction of real-time information payroll and online filing for share schemes.

When you log on to your account, you will be able to see how your tax is calculated, as HMRC automatically updates it with information from your employer, the Department for Work and Pensions, pension providers and banks. You will be able to pay the tax you owe when it suits you – for example, by linking to a bank account so you pay in instalments or by Direct Debit.

The Chancellor announced that millions of people will have their tax automatically managed through digital accounts from next year.

Mr Osborne said: '12 million people and small businesses are forced to complete a self-assessment tax return every year. It is complex, costly and time-consuming.

'We will abolish the annual tax return altogether. Businesses will feel like they are paying a simple, single business tax – and for most, the information needed will be automatically received.

'Tax really doesn't have to be taxing, and this spells the death of the annual tax return.'

According to the Treasury, the switch will be completed by 2020. In early 2016, all 5 million small businesses and the first 10 million individuals will have access to their own digital tax account. By 2017, the first group of customers with simple tax affairs will no longer have to complete an annual return.

By 2020, businesses will be able to link their accounting software to their digital tax account so they can feed in information as they choose. By the same year, 55 million people and 5 million small firms will have an online account. ■

MR OSBORNE CONFIRMED THE PERSONAL ALLOWANCE WILL RISE FROM ITS CURRENT LEVEL OF £10,000 TO £10,600 FROM APRIL THIS YEAR AS PLANNED, AND WILL MEAN THE TYPICAL TAXPAYER IS £900 A YEAR BETTER OFF.

INCOME TAX PERSONAL ALLOWANCE

Increase announced to £11,000 from April 2017

The Chancellor raised the Income Tax Personal Allowance once more above the expected rate of inflation, with a further increase announced to £10,800 in 2016/17 and £11,000 in 2017/18. The personal allowance will have increased by almost 30% above the rate of inflation in this parliament. This will be welcome news for many and will take even more people out of the income tax system altogether.

MR OSBORNE CONFIRMED the personal allowance will rise from its current level of £10,000 to £10,600 from April this year as planned, and will mean the typical taxpayer is £900 a year better off.

He also announced the threshold at which people pay the higher rate of income tax will rise from £42,385 this year to £43,300 by 2017/18.

The changes to the higher-rate tax threshold announced will cost the Exchequer £960 million in 2016/17, £1.48 billion in 2017/18, £1.585 billion in 2018/19 and £1.68 billion in 2019/20.

Mr Osborne said: 'For the first time in seven years, the threshold at which people pay the higher tax rate will rise not just with inflation, but above inflation.'

The rise in personal allowance will mean tax cuts for 27 million people, making the basic-rate taxpayer £80 a year better off and saving £172 a year to those paying the higher tax rate, according to Treasury calculations. Because the increase in the personal allowance is not offset by a reduction in the 40p threshold, higher-rate taxpayers benefit in full from the announcement. It also means a boost to the tax-free amount people can draw from their pensions.

Mr Osborne also announced that the transferable tax allowance for married couples is to rise by £50 to £1,100 from the current £1,050. The marriage allowance only applies to couples with one basic-rate taxpayer and the other earning less than the personal allowance. It enables one spouse or registered civil partner to transfer some of their tax-free personal allowance to the other. ■

PENSIONS LIFETIME ALLOWANCE

Reduction announced from April 2016 to £1m

The Chancellor, George Osborne, announced a reduction from April 2016 in the pensions Lifetime Allowance (LTA) from £1.25m to £1m.

THE PENSIONS LTA is a limit on the total value of qualifying pension benefits for tax relief that you can build up, without becoming subject to a tax charge on the value of the benefits.

The cut, which will save the Treasury around £600 million a year, is expected to affect fewer than 4% of pension savers approaching retirement. However, the LTA will be index-linked from 2018 to protect it from inflation.

Whilst only a relatively small number of individuals may be subject to the LTA, if applicable to your situation, you should obtain professional advice if the value of your pension benefits are approaching, or are above, the LTA, especially with the announcement of the reduction to £1m. As pension provision is typically invested over the long term, it is quite possible that your pension pots could eventually exceed the LTA by the time you reach retirement.

Currently, savings of up to £40,000 a year qualify for tax relief, but there is an upper limit of £1.25m over the lifetime of a pension pot, following which a tax charge of 55% applies.

The limit has been cut several times since its introduction in 2006, falling from £1.5m in April last year, following a reduction from £1.8m in 2011. ■

BUDGET 2015 ACTION POINT

If appropriate, it may be necessary to consider taking your pension early or stop contributing to the scheme/plan, even though you have not retired, to avoid the value exceeding the LTA, as the test is done each time you access your pension pot. You should obtain professional advice to assess your particular situation before taking any action.

CURRENTLY, SAVINGS OF UP TO £40,000 A YEAR QUALIFY FOR TAX RELIEF, BUT THERE IS AN UPPER LIMIT OF £1.25M OVER THE LIFETIME OF A PENSION POT, FOLLOWING WHICH A TAX CHARGE OF 55% APPLIES.

PENSION WISE

Extra funding pledge to help meet the demands of the new pension freedoms

THE NEW PENSIONS GUIDANCE service Pension Wise is set to receive more government funds after a pledge for an extra £19.5m in 2015/16 to help meet the demands of the new pension freedoms.

The Budget document says: 'Additional funding of £19.5m in 2015/16 will be provided to support the new pension freedoms and the new pensions guidance service, Pension Wise. This funding will extend the availability of State Pension statement and pension tracing services.

'It will also provide for extra delivery capacity for Pension Wise: the Government has put plans in place in case there is a need to draw on Department for Work and Pensions resources to help manage any initial spike in demand for the service.' ■

ANNUITIES

Further pension freedom plans extended to secondary market

THE CHANCELLOR CONFIRMED his plan to extend pension freedom to about 5 million people who have already bought an annuity. A consultation published on the day of the Budget on how a secondary annuities market could work suggests mirroring the £30,000 mandatory advice threshold for defined benefit pension transfers.

If you already have an annuity – an insurance product which gives a guaranteed annual income until death – you could be allowed to trade it in for a lump sum without a tax penalty from April 2016.

Those who do sell will potentially receive a lump sum, or may put the money into an income drawdown product – which allows them to withdraw amounts as they need them – so they can access the funds more gradually.

Currently, those who want to sell their annuity to a willing buyer have to pay tax of at least 55% of the value of the annuity – and in some cases, the amount is up to 70%. This charge will be removed, so those who sell are taxed only at their 'marginal' (normal) income tax rate.

Under the proposals, individuals would be required to obtain a minimum number of quotes before transacting, and the proposal is not to 'unwind' existing contractual agreements with annuity providers, but for the annuity holder to sell on the product to a third party – probably an institutional investor (companies investing for the future), for an agreed lump sum.

The annuity provider would then continue to pay the annuity payments to the third-party investor for the lifetime of the original purchaser. ■

INHERITANCE TAX

Deed of variation review to ensure they do not foster tax avoidance

The Government is to review what the Chancellor described as attempts to avoid inheritance tax (IHT) through the use of a deed of variation, and wants to ensure they do not foster tax avoidance. A deed of variation is used to rearrange Wills, and the most common rearrangements are disclaimers and written variations.

WHEN PEOPLE DON'T keep their Will up to date, or don't have one at all, a deed of variation is a very useful tool to support families in tidying up what happens after a loved one dies. It can also result in less IHT being due.

In the event that somebody dies without a Will, for example, a deed of variation may ensure a widow/widower can stay in their home.

A deed of variation allows beneficiaries to alter a Will after death so that, for example, part of the inheritance is re-directed to someone else. Currently a deed can be made within two years of death, and all beneficiaries under the Will must agree to the variation.

In the event that the deed of variation is abolished, this could also have the unfortunate consequence of stopping inheritances being diverted to charities as they are frequently used to minimise inheritance tax by redirecting assets to UK registered charities.

In making the announcement, Mr Osborne said the review will take 'a wide range of views', including that of the leader of the opposition. It will report by autumn and will look at cases where individuals use deeds of variation to alter a Will in order to pass bequests on to their children, thereby removing sums from their estate for IHT.

The review forms part of a wide-ranging clampdown on tax avoidance and evasion, set to raise an additional £3.1 billion for the Treasury. ■

BUDGET 2015 ACTION POINT

If you are dealing with a family member's estate and are thinking about its distribution, you should consider acting now, in case deeds of variation become less flexible later in the year. You should obtain professional advice before taking any action.

VENTURE CAPITAL TRUSTS AND ENTERPRISE INVESTMENT SCHEMES

Further alterations to the rules on the plans, which invest in small, private up-and-coming companies

The Chancellor announced that the Government is to further alter the rules around Venture Capital Trusts (VCT) and Enterprise Investment Schemes (EIS).

MR OSBORNE SAID he was making the changes on the plans, which invest in small, private up-and-coming companies, to 'ensure they are compliant with the latest state aid rules and increasing support to high-growth companies'.

Subject to state aid approval, the Government will require that all investments are made with the intention to grow and develop a business, and that all investors are 'independent' from the company at the time of the first share issue.

In addition, future EIS or VCT cash injections will be limited to firms less than 12 years old, other than where the investment will lead to 'a significant change in a firm's activity'.

Mr Osborne said: 'Based on past tweaks, it is reasonable to assume that these changes are only likely to impact the future investments VCTs make rather than existing holdings, and therefore mature VCTs with existing well-diversified portfolios remain attractive.'

In addition, the Government is to introduce a cap of £15m on total investment received for venture capital schemes, increasing to £20m for 'knowledge-intensive companies', such as firms dealing in intellectual property. It is also proposing to up the staff limit for such firms to 499, from the current cap of 249.

The Government will also smooth the interactions between the schemes by removing the requirement that 70% of the funds raised under Seed Enterprise Investment Schemes must have been spent before EIS or VCT funding can be raised. ■

MR OSBORNE SAID HE WAS MAKING THE CHANGES ON THE PLANS, WHICH INVEST IN SMALL, PRIVATE UP-AND-COMING COMPANIES, TO 'ENSURE THEY ARE COMPLIANT WITH THE LATEST STATE AID RULES AND INCREASING SUPPORT TO HIGH-GROWTH COMPANIES'.

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