



# Keep up with tax changes

## **'The devil is in the detail' sums up most Budgets: the Chancellor's speech matters less than the accompanying welter of HMRC and Treasury papers, and 2013 proved to be no exception.**

After last December's Autumn Statement, it looked like George Osborne would have little to say in this year's Budget or, for that matter, the Budgets for the following two years. However, the Budget is the year's set piece for any Chancellor and the opportunity to grab the headlines – or at least spring some surprises – is not to be missed.

**Inheritance tax (IHT)** Last December the Chancellor announced that the IHT nil rate band would rise by 1% to £329,000 in 2015/16, ending the freeze at £325,000 that started in April 2009. This minor upgrading was thrown into doubt, however, when the Government revealed its plans for long-term care and said that these would in part be funded by a further freezing of the nil rate band. The Budget confirmed the Chancellor's change of mind: the nil rate band will now be frozen until April 2018.

The Budget also revealed a new stance on how debts are to be treated on death. While the change was primarily aimed at IHT

avoidance schemes, it could have unwelcome consequences for your estate's IHT bill if you have borrowed to finance a business or buy farmland.

There were two small pieces of good news on the IHT front. The first appeared in a Treasury consultation paper issued before the Budget, and was confirmation that Alternative Investment Market (AIM) shares would become eligible for inclusion in individual savings accounts (ISAs). More significantly, subject to the normal rules, shares in an ISA could still qualify for 100% IHT business property relief. There was also a long overdue improvement in the IHT treatment of non-domiciled spouses, who can now opt to be treated as UK-domiciled for IHT purposes. The exempt amount a domiciled spouse can transfer to their non-domiciled spouse has also been increased, from £55,000 to £325,000.

**Income tax** The Chancellor's main 'rabbit out of the hat' was the £560 increase in the personal allowance to £10,000 for 2014/15.