

24 March 2011

CHRISTIE'S

## CHRISTIE'S HERITAGE AND TAXATION ADVISORY SERVICE

### UK BUDGET 2011

The Chancellor of Exchequer, George Osborne, delivered his second Budget in the House of Commons yesterday. As widely anticipated, having announced cuts across the public sector in the June 2010 Budget, the main theme of this year's Budget was the encouragement of growth in the wider economy.

In keeping with the spirit of the Coalition Government's intention to consult with interested parties on legislative changes, consultation processes have been announced for gifts of works of art to the State, for charitable giving and for a new statutory definition of residency. It will be interesting to see how far the final legislation will take on board key industry concerns surrounding capital taxes, philanthropy and support for the arts.

Looking forward, we anticipate a busy summer with the consultations on inheritance tax and gift aid proposals in particular. The key points are highlighted below:

### KEY POINTS

#### Inheritance Tax

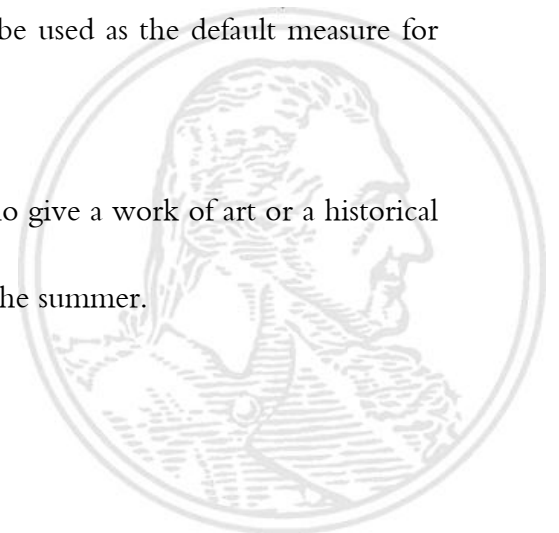
- As previously announced, the inheritance tax nil rate band has been frozen at £325,000 until 5 April 2015 and from that point any increase will be based on the consumer price index.

#### Capital Gains Tax

- No changes have been announced for the £6,000 chattel exemption limit, despite a recommendation from the Office of Tax Simplification that this should be doubled.
- From 6 April 2011, the annual exempt amount will increase in line with statutory indexation to £10,600.
- From 6 April 2012, the consumer price index will be used as the default measure for capital gains tax annual exempt amounts.

#### Gifts of Art

- A tax reduction is being considered for taxpayers who give a work of art or a historical object of national importance to the State.
- A consultation on this proposal will take place over the summer.



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### **Review of Non-UK domiciled individuals**

- The remittance basis charge which is currently £30,000 will be increased to £50,000 for non-domiciled individuals who have been UK resident for twelve years or more.
- The £30,000 charge will remain for those who have been resident for at least seven years, but less than twelve years.
- This change will take effect from April 2012.

### **Statutory Residency Definition**

- A statutory definition of UK residency will be introduced following a period of consultation. It is anticipated that this will take effect from 6 April 2012. Until then the current rules will continue to apply.

### **Charitable Giving**

- The Government has announced that a lower inheritance tax rate (IHT) will apply where 10 per cent or more of a deceased's net estate (after deducting IHT exemptions, reliefs and the nil rate band) is left to charity. In these instances, the current IHT rate of 40 per cent will be reduced to 36 per cent.
- There will be consultation on the detailed implementation of this measure and the Government will issue a consultation document before the summer.
- The new rate will apply on deaths occurring on or after 6 April 2012.

### **Contacts:**

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