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Highlights from the Autumn Statement

The Chancellor's third set piece of last year was almost another Budget.

Tax and 'additional homes' – In his July Budget the Chancellor announced two measures aimed at individual investors in the buy-to-let market and the Autumn Statement added two more. From 1 April 2016 the rates of stamp duty land tax (SDLT) on the purchase of 'additional properties' (e.g. buy-to-let or second homes) will increase by 3%. As a result, a property costing around the average UK price of £200,000 will be subject to £1,500 SDLT if you are a homebuyer, but £7,500 if you are a buy-to-let investor. SDLT does not apply in Scotland, but the same change will apply on Scotland's land and building transaction tax

The extra up-front tax will eat into capital gains, but if you do make a profit, then from April 2019, the Treasury will want you to pay any capital gains tax (CGT) due 'on account' within 30 days of the sale, rather than up to 22 months, as at present. In the space of four months, the Chancellor has made buy-to-let investing a much less attractive option for individual investors.

Automatic pension enrolment – The Chancellor's interest in reducing the cost of tax relief on pension contributions was confirmed by an unexpected change to auto-enrolment rules. The minimum contribution rate was due to rise from 2% of qualifying earnings (those between £5,824 and £42,385 in 2015/16) to 5% in October 2017 and 8% in October 2018. Instead each of the uplifts will now take place in the following April. In his speech Mr Osborne said the move was "to help business with administration" by aligning the change with the tax years, but failed to mention the £840m of savings in tax relief over the two years concerned.

The chairman of one major pension body echoed the thoughts of many experts when he said that "…delaying auto-enrolment phasing dates bodes ill for [the] survival of [the] pension tax relief system".

The value of tax reliefs depends on your individual circumstances. Tax laws can change. The Financial Conduct Authority does not regulate tax advice. Occupational pension schemes are regulated by The Pensions Regulator.

Should you still plan for inheritance tax?

Hasn't the inheritance tax (IHT) threshold been increased to £1 million?

Unfortunately not. In the Summer Budget 2015, the Chancellor announced that the nil-rate band will remain frozen at £325,000 until April 2021. This can be increased to as much as £650,000 by using the unused nil-rate band of a deceased spouse or civil partner.

The Finance (No 2) Act 2015 has introduced an additional main residence nil-rate band. This will be available where the deceased left, to one or more direct descendants, a residential property which had been their sole residence at some point. The main residence nil-rate band comes into effect for deaths on or after 6 April 2017. The effect is to enhance the nil-rate band by £100,000 for the tax year 2017/18, increasing by £25,000 in subsequent tax years, reaching £175,000 for the tax year 2020/21 and subsequent tax years.

The value of the main residence nil-rate band will be the value of the deceased's interest in the residential property (after deducting any mortgage) or the maximum amount of the band, whichever is lower. A widow who dies in July 2018 leaving her £700,000 home to her children will have her maximum combined nil-rate band increased from £650,000 to £700,000, hardly a noticeable improvement.

Mitigating the effects of IHT should therefore continue to be an important part of financial planning.

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The more expensive company car

The new tax year will again see higher company car tax scales for most drivers.

In 2016/17 the increase will be greater than in previous years for many drivers, because with few exceptions, the scale charge will rise by two percentage points rather than the normal one. Until the Autumn Statement the tax bill for diesel cars had been due to go down from April 2016, but the Chancellor – probably with VW in mind – decided to delay this cut until 2021/22. You could be better off leasing your own car.

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Auto-enrolment fines rise – don't be caught out

As auto-enrolment into workplace pensions enters its fourth year, the Pensions Regulator (TPR) has started to hand out more reprimands and fines.

In the third quarter of 2015, TPR issued more unpaid contribution notices than it had sent out over the whole of the previous 33 months and more than 100 £400 fixed penalty notices for employer non-compliance.

As auto-enrolment spreads to smaller employers, the numbers involved are rising rapidly. TPR says that over 500,000 employers will have to comply with the rules in the year to October 2016 against about 60,000 in the previous three years. If you employ anybody, are you ready?

Occupational pension schemes are regulated by The Pensions Regulator.

New tax rules for dividends and interest

The tax treatment of your savings will be changing in April.

The two Budgets of 2015 both made changes to the 2016/17 tax treatment of investment income:

Personal Savings Allowance – This new allowance will mean that if you are a higher rate taxpayer, the first £500 of interest you earn in a tax year will be free of tax. If you are a basic rate taxpayer, your allowance is £1,000. Additional rate taxpayers will not receive any of the new allowance.

Dividend tax reform – The reworking of dividend taxation was one of the surprise announcements in the July Budget. It has three components:

- Everyone (including additional rate taxpayers) will have a £5,000 dividend allowance, so the first £5,000 of dividends you receive will be tax-free.
- 10% non-reclaimable tax credits disappear.
- On dividends above the allowance, basic rate taxpayers will pay 7.5% tax, higher rate taxpayers 32.5% and additional rate taxpayers 38.1%.

If you are a higher rate taxpayer, you will be better off unless your dividend income exceeds £21,667 (£25,250 if you pay additional rate on all your dividends). If you are a basic rate taxpayer, you start to lose once dividend income exceeds £5,000.

The sooner you start planning for these new rules, the sooner you can benefit.

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Residential care costs cap

The government has set a cap on how much you will have to spend on your long term care needs. But the cap won't now come in until April 2020 because of the cost.

The cap will mean that anything you (or your local council) spend on your eligible needs will be added together in your care account. Once it reaches £72,000, the council will pay for all your eligible needs. This proposed figure for the cap of £72,000 could be increased in line with inflation over the next four years.

The cap is good news, but not as generous as it looks at first sight. The cap represents the amount of care you could buy – but only at the rate your local authority would pay, not the actual charges made by the care home you have chosen.

What's more, the cap just covers care costs – not the cost of board and lodging in the home. Based on the average cost of a care home in England it has been estimated that someone might need to have spent over £150,000 before they reach the cap. Even then, the state will only continue to pay the local authority cost of care, leaving the person in care to continue finding the balance.

For the time being at least, talking to an adviser who is qualified to advise on care fees funding will continue to fulfil a critical need for those who might need care or have elderly relatives who do so.