

## TAX ALERT

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**March 21, 2016**

### U.K. Tax Budget Released

Dear clients, colleagues and friends,

On March 16, 2016, U.K. Chancellor George Osborne presented the first Spring Budget of the U.K. Parliament with some significant changes that may affect U.S.-based companies with operations in the U.K. (as well as U.K.-based companies with operations in the U.S.) and individuals with both U.S. and U.K. ties (e.g., U.S. citizenship but U.K. residency, etc.).

The significant tax proposals in the budget include:

- Reduction in the U.K. capital gains tax rate
- Reduction in the U.K. corporate tax rate
- Reforms to U.K. corporate tax losses
- Changes to Entrepreneurs' relief
- Introduction of a Lifetime ISA for under 40s

The reduction in the U.K. corporate tax rate is significant, particularly when comparing such corporate rate with the current U.S. federal income tax rate. Under the new budget, the U.K. corporate tax rate will be reduced from 20 percent (the current rate) to 19 percent for financial years beginning on April 1, 2017, April 1, 2018 and April 1, 2019 with a further reduction to 17 percent for the financial years beginning on April 1, 2020.

Thus, provided the U.S. federal corporate tax rate remains static<sup>1</sup>, by 2020, the U.K. tax rate will be less than half of current U.S. corporate income tax rate of 35 percent (this rate does not include the state income tax rate which generally increases the combined U.S. corporate tax rate by four to six percent).

Further, the capital gains tax rate is set to be reduced from 28 percent to 20 percent for the higher rate and from 18 percent to 10 percent for the basic rate. Again, when comparing to the U.S. federal income tax rate, this is significantly lower than the applicable capital gains rate in the U.S. (which depends on long-term vs. short-term treatment, application of the net investment income tax, applicable tax bracket and applicable state income tax rates).

For further detail regarding the U.K. tax budget, please [click here](#) for a summary provided by our independent HLBI affiliate firm, Menzies LLP. You can find more information on Menzies LLP on their website, [here](#).

***Please contact your Green Hasson Janks tax advisor at 310.873.1600 for additional information or to determine whether this development relates to your business.***

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<sup>1</sup> *The discussion to reduce the U.S. corporate income tax rate has been proposed numerous times over the past few years. However, it is not clear as of the date of this article if and when such rate may be changed.*

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