

HART SHAW

Chartered Accountants & Business Advisers

# Autumn Budget 2017

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## The Chancellor Philip Hammond presented his first Autumn Budget on Wednesday 22 November 2017.

His report set out a number of actions the government will take including support for more housebuilding. His view is that the economy continues to grow and continues to create more jobs. The major attention-grabber was aimed at first time buyers who will not have to pay Stamp Duty Land Tax on homes costing up to £300,000.

Our summary focuses on the tax measures which may affect you, your family and your business. To help you decipher what was said we have included our own comments. If you have any questions please contact us for advice.

### Main Budget tax proposals

Our summary concentrates on the tax measures which include:

- increases to the personal allowance and basic rate band
- more tax relief for investment in certain Enterprise Investment companies
- proposed changes to Entrepreneurs' Relief
- improvements to Research and Development tax credit regimes
- VAT limits frozen for two years
- support for businesses to cope with the effects of business rates revaluation and the so called 'staircase tax'.

Previously announced measures include:

- plans for Making Tax Digital for Business
- the reduction in the Dividend Allowance
- changes to NICs for the self-employed
- capital allowance changes for cars from April 2018.

The Budget proposals may be subject to amendment in the Spring Statement and subsequent Finance Act. You should contact us before taking any action as a result of the contents of this summary.

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# Personal Tax

## The personal allowance

The personal allowance is currently £11,500. The personal allowance for 2018/19 will be £11,850.

### Comment

A reminder that not everyone has the benefit of the full personal allowance. There is a reduction in the personal allowance for those with 'adjusted net income' over £100,000, which is £1 for every £2 of income above £100,000. So for 2017/18 there is no personal allowance where adjusted net income exceeds £123,000. For 2018/19 there will be no personal allowance available where adjusted net income exceeds £123,700.

## Tax bands and rates

The basic rate of tax is currently 20%. The band of income taxable at this rate is £33,500 so that the threshold at which the 40% band applies is £45,000 for those who are entitled to the full personal allowance.

In 2017/18 the band of income taxable at the basic rate for income (other than savings and dividend income) is different for taxpayers who are resident in Scotland to taxpayers resident elsewhere in the UK. The Scottish Government set the band of income taxable at the basic rate at £31,500 so that the threshold at which the 40% band applies is £43,000.

The additional rate of tax of 45% is payable on taxable income above £150,000 (other than dividend income) for all UK residents.

## Tax bands and rates 2018/19

The government has announced that for 2018/19 the basic rate band will be increased to £34,500 so that the threshold at which the

40% band applies is £46,350 for those who are entitled to the full personal allowance.

The additional rate of tax of 45% remains payable on taxable income above £150,000.

The Scottish Government will announce the Scottish income tax rates and bands for 2018/19 in the Draft Budget on 14 December.

## Tax bands and rates - dividends

Dividends received by an individual are subject to special tax rates. Currently the first £5,000 of dividends are charged to tax at 0% (the Dividend Allowance). Dividends received above the allowance are taxed at the following rates:

- 7.5% for basic rate taxpayers
- 32.5% for higher rate taxpayers
- 38.1% for additional rate taxpayers.

Dividends within the allowance still count towards an individual's basic or higher rate band and so may affect the rate of tax paid on dividends above the £5,000 allowance.

To determine which tax band dividends fall into, dividends are treated as the last type of income to be taxed.

## Reduction in the Dividend Allowance

The Chancellor has confirmed the Dividend Allowance will be reduced from £5,000 to £2,000 from 6 April 2018.



## Comment

The government expect that even with the reduction in the Dividend Allowance to £2,000, 80% of 'general investors' will pay no tax on their dividend income. However, the reduction in the allowance will affect family company shareholders who take dividends in excess of the £2,000 limit. The cost of the restriction in the allowance for basic rate taxpayers will be £225 increasing to £975 for higher rate taxpayers and £1,143 for additional rate taxpayers.

## Tax on savings income

Savings income is income such as bank and building society interest.

The Savings Allowance was first introduced for the 2016/17 tax year and applies to savings income. The available allowance in a tax year depends on the individual's marginal rate of income tax. Broadly, individuals taxed at up to the basic rate of tax have an allowance of £1,000. For higher rate taxpayers the allowance is £500. No allowance is due to additional rate taxpayers.

Some individuals qualify for a 0% starting rate of tax on savings income up to £5,000. However, the rate is not available if taxable non-savings income (broadly earnings, pensions, trading profits and property income less allocated allowances and reliefs) exceeds £5,000.

## The Marriage Allowance

The Marriage Allowance allows certain couples, where neither pay tax at more than the basic rate, to transfer 10% of their unused personal allowance to their spouse or civil partner, reducing their tax bill by up to £230 a year in 2017/18. The government will legislate to allow Marriage Allowance claims on behalf of deceased spouses and civil partners, and for the claim to be backdated for up to four years where the entitlement conditions are met.

This measure will come into force on 29 November 2017.

## Individual Savings Accounts (ISAs)

The overall ISA savings limit for 2017/18 and 2018/19 is £20,000.

### Help to Buy ISAs

Help to Buy ISAs are a type of cash ISA and potentially provide a bonus to savers if the funds are used to help to buy a first home.

### Lifetime ISA

The Lifetime ISA has been available from April 2017 for adults under the age of 40. Individuals are able to contribute up to £4,000 per year, between ages 18 and 50, and receive a 25% bonus from the government. Funds, including the government bonus, can be used to buy a first home at any time from 12 months after opening the account, and can be withdrawn from age 60 completely tax free.

## Comment

The overall ISA limit was significantly increased from £15,240 to £20,000 for 2017/18. The increase in the investment limit was partly due to the introduction of the Lifetime ISA. There are therefore four types of ISAs for many adults from April 2017 - cash ISAs, stocks and shares ISAs, Innovative Finance ISAs (allowing investment into peer to peer loans and crowdfunding debentures) and the Lifetime ISA. Money can be placed into one of each kind of ISA each tax year.

As stated above, Help to Buy ISAs are a type of cash ISA and therefore care is needed not to breach the 'one of each kind of ISA each tax year rule'.

### Help to Save accounts

In 2016 the government announced the introduction of a new type of savings account aimed at low income working households.

Individuals in low income working households will be able to save up to £50 a month into a Help to Save account and receive a 50% government bonus after two years. Overall the account can be used to save up to £2,400 and can benefit from government bonuses worth up to £1,200. Account holders can then choose to continue saving under the scheme for a further two years. The scheme will be open to all adults in receipt of Universal Credit with minimum weekly household earnings equivalent to 16 hours at the National Living Wage or those in receipt of Working Tax Credits.

Accounts will be available no later than April 2018.

## Universal Credit

Universal Credit is a state benefit designed to support those on low income or out of work. It is intended to replace some benefits such as housing benefit, tax credits and income support. It is being introduced in selected areas. The intention is that the rollout will be completed by September 2018.

An individual's entitlement to the benefit is made up of a number of elements to reflect their personal circumstances. Claimants' entitlement to Universal Credit is withdrawn at a rate of 63 pence for every extra £1 earned (the 'taper rate') where claimants earn above the work allowances.

Following concerns about the roll out of Universal Credit, the Chancellor announced that households in need who qualify for Universal Credit will be able to access a month's worth of support within five days, via an interest-free advance, from January 2018. This advance can be repaid over 12 months.

Claimants will also be eligible for Universal Credit from the day they apply, rather than after seven days. Housing Benefit will continue to be paid for two weeks after a Universal Credit claim.

## Increased limits for knowledge-intensive companies

The government will legislate to encourage more investment in knowledge-intensive companies under the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs). The government will:

- double the limit on the amount an individual may invest under the EIS in a tax year to £2 million from the current limit of £1 million, provided any amount over £1 million is invested in one or more knowledge-intensive companies
- raise the annual investment limit for knowledge-intensive companies receiving investments under the EIS and from VCTs to £10 million from the current limit of £5 million. The lifetime limit will remain the same at £20 million, and
- allow knowledge-intensive companies to use the date when their annual turnover first exceeds £200,000 in determining the start of the initial investing period under the permitted maximum age rules, instead of the date of the first commercial sale.

The changes will have effect from 6 April 2018. This measure is subject to normal state aid rules.

## Venture Capital

The government will introduce measures to ensure venture capital schemes (the EIS, Seed Enterprise Investment Scheme and VCTs) are targeted at growth investments. The government has announced that relief under the schemes will be focussed on companies where there is a real risk to the capital being invested, and will exclude companies and arrangements intended to provide 'capital preservation'.

Detailed guidance will be issued shortly after the publication of the Finance Bill.

## VCTs

The government will legislate to limit the application of an anti-abuse rule relating to mergers of VCTs. The rule restricts relief for investors who sell shares in a VCT and subscribe for new shares in another VCT within a six month period, where those VCTs merge. This rule will no longer apply if those VCTs merge more than two years after the subscription, or do so only for commercial reasons.

The change will have effect for VCT subscriptions made on or after 6 April 2014.

The government will also legislate to move VCTs towards higher risk investments by:

- removing certain 'grandfathering' provisions that enable VCTs to invest in companies under rules in place at the time funds were raised, with effect on and after 6 April 2018
- requiring 30% of funds raised in an accounting period to be invested in qualifying holdings within 12 months after the end of the accounting period, with effect on and after 6 April 2018
- increasing the proportion of VCT funds that must be held in qualifying holdings to 80%, with effect for accounting periods beginning on and after 6 April 2019
- increasing the time to reinvest the proceeds on disposal of qualifying holdings from six months to 12 months for disposals on or after 6 April 2019, and
- introducing a new anti-abuse rule to prevent loans being used to preserve and return equity capital to investors, with effect on and after Royal Assent.

This measure is subject to normal state aid rules.

## Rent a room relief

The government will publish a call for evidence on 1 December 2017 to build the evidence base around the usage of rent a room relief and to help establish whether it is consistent with the original policy rationale to support longer-term lettings.



## Simplification of Gift Aid donor benefit rules

The government will introduce legislation to simplify the donor benefit rules that apply to charities that claim Gift Aid. Currently there are a mix of monetary and percentage thresholds that charities have to consider when determining the value of benefit they can give to their donors in return for a donation on which Gift Aid can be claimed. These will be replaced by two percentage thresholds:

- the benefit threshold for the first £100 of the donation will remain at 25% of the amount of the donation, and
- for larger donations, charities will be able to offer an additional benefit to donors up to 5% of the amount of the donation that exceeds £100.

The total value of the benefit that a donor will be able to receive remains at £2,500.

The government have confirmed that four extra statutory concessions that currently operate in relation to the donor benefit rules will also be brought into law. The changes will have effect on and after 6 April 2019.

# Business Tax

## Making Tax Digital for Business: VAT

In July 2017, the government announced significant changes to the timetable and scope of HMRC's digital tax programme for businesses. VAT will be the first tax where taxpayers will keep digital records and report digitally to HMRC. The new rules will apply from April 2019 to all VAT registered businesses with turnover above the VAT threshold.

As with electronic VAT filing at present, there will be some exemptions from Making Tax Digital for VAT. However, the exemption categories are tightly-drawn and unlikely to be applicable to the generality of VAT registered businesses.

### Comment

Keeping digital records will not mean businesses are mandated to use digital invoices and receipts but the actual recording of supplies made and received must be digital. It is likely that third party commercial software will be required. Software will not be available from HMRC. The use of spreadsheets will be allowed, but they will have to be combined with add-on software to meet HMRC's requirements.

In the long run, HMRC are still looking to a scenario where income tax updates are made quarterly and digitally, and this is really what the VAT provisions anticipate.

## Corporation tax rates

Corporation tax rates have already been enacted for periods up to 31 March 2021.

The main rate of corporation tax is currently 19%. The rate for future years is:

- 19% for the Financial Years beginning on 1 April 2018 and 1 April 2019
- 17% for the Financial Year beginning on 1 April 2020.

## Class 2 National Insurance contributions (NICs)

The 2016 Budget announced that Class 2 NICs will be abolished from April 2018. The legislation to effect this measure was intended to be introduced this year. In November 2017 the government decided to implement a one year delay so that Class 2 NICs will be abolished from April 2019.

### Comment

The government is still committed to abolishing Class 2 NICs. The deferral allows time to engage with interested parties with concerns relating to the impact of the abolition of Class 2 NICs on self-employed individuals with low profits.

## Class 4 NICs

The Chancellor announced in the 2017 Budget proposals to increase the main rate of Class 4 NICs from April 2018 but was forced to make a subsequent announcement that the increase would not take place and there will be no increases to NICs rates in this Parliament.

## Partnership taxation

Legislation will be introduced with the aim to provide additional clarity over aspects of the taxation of partnerships:

- where a beneficiary of a bare trust is entitled absolutely to any income of that bare trust consisting of profits of a firm but is not themselves a partner in the firm, then they

are subject to the same rules for calculating profits etc and reporting as actual partners

- how the current rules and reporting requirements operate in particular circumstances where a partnership has partners that are themselves partnerships.

The proposed legislation also:

- provides a relaxation in the information to be shown on the partnership return for investment partnerships that report under the Common Reporting Standard or Foreign Account Tax Compliance Act and who have non-UK resident partners who are not chargeable to tax in the UK
- makes it clear that the allocation of partnership profits shown on the partnership return is the allocation that applies for tax purposes for the partners
- provides a new structured mechanism for the resolution of disputes between partners over the allocation of taxable partnership profits and losses shown on the partnership return.

## Mileage rates

The government will legislate to give unincorporated property businesses the option to use a fixed rate deduction for every mile travelled by car, motorcycle or goods vehicle for business journeys. This will be as an alternative to claims for capital allowances and deductions for actual expenses incurred, such as fuel. The changes will have effect from 6 April 2017.

## Profit fragmentation

The government will consult on the best way to prevent UK traders or professionals from avoiding UK tax by arranging for UK trading income to be transferred to unrelated entities. This will include arrangements where profits accumulate offshore and are not returned to the UK.

## Royalties Withholding Tax

A consultation is to be published on the design of rules expanding the circumstances in which a royalty payment to persons not resident in the UK has a liability to income tax. The changes will have effect from April 2019.

## Disincorporation Relief

A disincorporation relief was introduced in April 2013 for five years. Broadly, the relief is aimed at certain small companies where the shareholders want to transfer the business into sole tradership or a partnership business. The relief removes the tax charge arising on the disposal of the company's assets of land and goodwill if qualifying conditions are met. The government has decided not to extend this relief beyond the current 31 March 2018 expiry date.

## Improving Research and Development (R&D)

A number of measures have been announced to support business investment in R&D including:



- an increase in the rate of the R&D expenditure credit which applies to the large company scheme from 11% to 12% where expenditure is incurred on or after 1 January 2018
- a pilot for a new Advanced Clearance service for R&D expenditure credit claims to provide a pre-filing agreement for three years



- a campaign to increase awareness of eligibility for R&D tax credits among SMEs
- working with businesses that develop and use key emerging technologies to ensure that there are no barriers to them claiming R&D tax credits.

## Intangible Fixed Asset regime

The government will consult in 2018 on the tax treatment of intellectual property also known as the Intangible Fixed Asset regime. This will consider whether there is an economic case for targeted changes to this regime so that it better supports UK companies investing in intellectual property.

## Non-UK resident companies

The government is to legislate so that non-UK resident companies with UK property income and/or chargeable gains relating to UK residential property will be charged to corporation tax rather than income tax or capital gains tax respectively as at present. The government plans to publish draft legislation for consultation in summer 2018. The change is set to have effect from 6 April 2020.

## Extension of First Year Allowances (FYA)

A 100% FYA is currently available for businesses purchasing zero-emission goods vehicles or gas refuelling equipment. Both schemes were due to end on 31 March 2018 but have been extended for a further three years.

## Extension of First Year Tax Credits (FYTC)

FYA enables profit-making businesses to deduct the full cost of investments in energy and water technology from their taxable profits. Loss-making businesses do not make profits, so they do not benefit from FYAs. However, when the loss-making business is a company it can claim FYTC when they invest in products that feature on the energy and

water technology lists. A FYTC claim allows the company to surrender a loss in exchange for a cash credit and is currently set at 19% but the facility was due to end on 31 March 2018.

The credit system is to be extended for five years but the percentage rate of the claim is to reduce to two-thirds of the corporation tax rate. The changes to FYTC will have effect from 1 April 2018.

## Capital gains indexation allowance

This measure changes the calculation of indexation allowance by companies so that for disposals of assets on or after 1 January 2018, indexation allowance will be calculated using the Retail Price Index factor for December 2017 irrespective of the date of disposal of the asset.

## Off-payroll working extension to the private sector

The government will consult in 2018 on how to tackle non-compliance with the intermediaries legislation (commonly known as IR35) in the private sector. The legislation aims to ensure that individuals who effectively work as employees are taxed as employees even if they choose to structure their work through a company. A possible next step would be to extend the recent public sector reforms to the private sector.



# Employment Taxes

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## Different forms of remuneration

In the Spring Budget the government stated it wished to consider how the tax system 'could be made fairer and more coherent'. A call for evidence was subsequently published on employee expenses. The government's aim is to better understand the use of the income tax relief for employees' business expenses. It sought views on how employers currently deal with employee expenses, current tax rules on employee expenses and the future of employee expenses.

Following the call for evidence:

- the government announced that the existing concessionary travel and subsistence overseas scale rates will be placed on a statutory basis from 6 April 2019, to provide clarity and certainty. Employers will only be asked to ensure that employees are undertaking qualifying travel



- the government also announced that employers will no longer be required to check receipts when making payments to employees for subsistence using benchmark scale rates. This will apply to standard meal allowances paid in respect of qualifying travel and overseas scale rates. Employers will only be asked to ensure that employees are undertaking qualifying travel. This will have effect from April 2019 and will not apply to amounts agreed under bespoke scale rates or industry wide rates

- HMRC will work with external stakeholders to explore improvements to the guidance on employee expenses, particularly on travel and subsistence and the claims process for tax relief on employment expenses. This programme of work will also increase simplicity around the process for claiming tax relief and will take action to improve awareness of the process and the rules
- the government will consult in 2018 on extending the scope of tax relief currently available to employees and the self-employed for work-related training costs.

The government response to the call for evidence will be published on 1 December 2017.

## Changes to termination payments

The government previously announced changes to align the rules for tax and employer NICs by making an employer liable to pay Class 1A NICs on any part of a termination payment that exceeds the £30,000 threshold that currently applies for income tax.

In addition, 'non-contractual' payments in lieu of notice (PILONs) will be treated as earnings rather than as termination payments and will therefore be subject to income tax and Class 1 NICs. This will be done by requiring the employer to identify the amount of basic pay that the employee would have received if they had worked their full notice period.

These measures were due to take effect from April 2018. In November 2017 the government decided to implement a one year delay for the Class 1A NICs measure so the change will take effect from April 2019.

The government will legislate to ensure that employees who are UK resident in the tax year

in which their employment is terminated will not be eligible for foreign service relief on their termination payments. Reductions in the case of foreign service are retained for seafarers. The changes will have effect from 6 April 2018 and apply to all those who have their employment contract terminated on or after 6 April 2018.

## Comment

Currently 'non-contractual' PILONs may be treated as part of a termination payment and are therefore exempt from income tax up to the £30,000 threshold and are not subject to any NICs. Note that the changes to the treatment of PILONs for income tax and Class 1 NICs will still apply from April 2018.

## Employer provided cars

The scale of charges for working out the taxable benefit for an employee who has use of an employer provided car are now announced well in advance. Most cars are taxed by reference to bands of CO<sub>2</sub> emissions. Currently there is a 3% diesel supplement. The maximum charge is capped at 37% of the list price of the car.

In the current tax year there is a 9% rate for cars with CO<sub>2</sub> emissions up to 50gm/km or which have neither a CO<sub>2</sub> emissions figure nor an engine cylinder capacity (and which cannot produce CO<sub>2</sub> emissions in any circumstances by being driven). From 6 April 2018 this will be increased to 13%, and from 6 April 2019 to 16%.



For other bands of CO<sub>2</sub> emissions there will generally be a 2% increase in the percentage applied by each band from 6 April 2018. For 2019/20 the rates will increase by a further 3%.

The government announced that they will legislate to increase the diesel supplement from 3% to 4%. This will apply to all diesel cars registered from 1 January 1998 that do not meet the Real Driving Emissions Step 2 (RDE2) standards. There is no change to the current position that the diesel supplement does not apply to hybrid cars.

The change will have effect from 6 April 2018.

## Armed forces accommodation allowance exemption

The government will introduce an income tax exemption for certain allowances paid to Armed Forces personnel for renting or maintaining accommodation in the private market. A Class 1 NICs disregard will also be introduced.

The change will have effect from Royal Assent once regulations have been laid.

## Future tax changes

A number of other proposed changes were announced. These include:

- exempting employer provided electricity provided in the workplace from being taxed as a benefit in kind from April 2018. This will apply to electricity provided via workplace charging points for electric or hybrid cars owned by employees
- the government will publish a consultation as part of its response to Matthew Taylor's review of modern working practices, considering options for reform to make the employment status tests clearer for both employment rights and tax.

# Capital Taxes

## Capital gains tax (CGT) rates

The current rates of CGT are 10%, to the extent that any income tax basic rate band is available, and 20% thereafter. Higher rates of 18% and 28% apply for certain gains; mainly chargeable gains on residential properties with the exception of any element that qualifies for private residence relief.

There are two specific types of disposal which potentially qualify for a 10% rate, both of which have a lifetime limit of £10 million for each individual:

- Entrepreneurs' Relief (ER). This is targeted at working directors and employees of companies who own at least 5% of the ordinary share capital in the company and the owners of unincorporated businesses.
- Investors' Relief. The main beneficiaries of this relief are external investors in unquoted trading companies.

## CGT annual exemption

The CGT annual exemption is £11,300 for 2017/18 and will be increased to £11,700 for 2018/19.

## ER - relief after dilution of holdings

The government will consult on how access to ER might be given to those whose holding in their company is reduced below the normal 5% qualifying level as a result of raising funds for commercial purposes by means of issues of new shares. Allowing ER in these circumstances would incentivise entrepreneurs to remain involved in their businesses after receiving external investment.

### Comment

This proposal is welcome and addresses a particular problem which can arise. ER broadly requires a holding of 5% of the ordinary share capital. It may be that significant external investment is made which would reduce the holding to below 5%.

For example, Bill owns 33% of the original share capital of 100 shares issued at par. John invests £30,000 in the company in return for 30,000 new shares. This reduces Bill's holding to 33 of 30,100 shares, below the 5% limit. It appears that the government intend to address this problem.



## CGT payment window

The government had previously suggested that capital gains tax would have to be paid within 30 days of the sale of a residential property but this proposal has now been deferred until April 2020.

## Extending the taxation of gains made by non-residents

The government announced that from April 2019 tax will be charged on gains made by non-residents on the disposal of all types of UK immovable property. This extends existing rules that apply only to residential property.

This measure expands the scope of the UK's tax base with regard to disposals of immovable property by non-residents in two key ways:

- all non-resident persons' gains on disposals of interests in UK land will be chargeable and
- indirect disposals of UK land will be chargeable.

## Inheritance tax (IHT) nil rate band

The nil rate band has remained at £325,000 since April 2009 and is set to remain frozen at this amount until April 2021.

## IHT residence nil rate band

An additional nil rate band is now available for deaths on or after 6 April 2017, where an interest in a residence passes to direct descendants. The amount of relief is being phased in over four years; starting at £100,000 in the first year and rising to £175,000 for 2020/21. For many married couples and registered civil partners the relief is effectively doubled as each individual has a main nil rate band and each will potentially benefit from the residence nil rate band.

The additional band can only be used in respect of one residential property, which does not have to be the main family home, but must at some point have been a residence of the deceased. Restrictions apply where estates are in excess of £2 million.

Where a person died before 6 April 2017 their estate did not qualify for the relief. A surviving spouse may be entitled to an increase in the residence nil rate band if the spouse who died earlier had not used, or was not entitled to use, their full residence nil rate band. The calculations involved are potentially complex but the increase will often result in a doubling of the residence nil rate band for the surviving spouse.

## Downsizing

The residence nil rate band may also be available when a person downsizes or ceases to own a home on or after 8 July 2015 where assets of an equivalent value, up to the value of the residence nil rate band, are passed on death to direct descendants.



## Comment

When planning to minimise IHT liabilities we now have three nil rate bands to consider.

The standard nil rate band has been a part of the legislation from the start of IHT in 1986. In 2007 the ability to utilise the unused nil rate band of a deceased spouse was introduced enabling many surviving spouses to have a nil rate band of up to £650,000. From 6 April 2020 some surviving spouses will be able to add £350,000 in respect of the residence nil rate band to arrive at a total nil rate band of £1 million.

Individuals need to revisit their wills to ensure that the relief will be available and efficiently utilised.

# Other Matters

## Business rates

Business rates have been devolved to Scotland, Northern Ireland and Wales. The business rates revaluation took effect in England from April 2017 and resulted in significant changes to the amount of rates that businesses will pay. In light of the recent rise in inflation, the government will provide further support to businesses including:

- bringing forward the planned switch in indexation from RPI to CPI to 1 April 2018
- legislating retrospectively to address the so-called 'staircase tax'. Affected businesses will be able to ask the Valuation Office Agency to recalculate valuations so that bills are based on previous practice backdated to April 2010.

## Stamp Duty Land Tax (SDLT)

### Relief for first time buyers

The government has announced that first time buyers paying £300,000 or less for a residential property will pay no SDLT.

First time buyers paying between £300,000 and £500,000 will pay SDLT at 5% on the amount of the purchase price in excess of £300,000. First time buyers purchasing property for more than £500,000 will not be entitled to any relief and will pay SDLT at the normal rates.



The new rules apply to transactions with an effective date (usually the date of completion) on or after 22 November 2017.

## Comment

This measure does not apply in Scotland as this is a devolved tax. This measure will apply in Wales until 1 April 2018, when SDLT will be devolved to Wales.

### Higher rates: minor changes

New rules were introduced to impose an additional SDLT charge of 3% on additional residential properties purchased on or after 1 April 2016. Broadly, transactions under £40,000 do not require a tax return to be filed with HMRC and are not subject to the higher rates.

For transactions on or after 22 November 2017, relief from the extra 3% will be given in certain cases including where:

- a divorce related court order prevents someone from disposing of their interest in a main residence
- a spouse or civil partner buys property from another spouse or civil partner
- a deputy buys property for a child subject to the Court of Protection and
- a purchaser adds to their interest in their current main residence.

The changes also counteract abuse of the relief when someone who changes main residence retains an interest in their former main residence.

### Changes to the filing and payment process

The government has confirmed that it will reduce the SDLT filing and payment window from 30 days to 14 days for land transactions with an effective date on or after 1 March 2019.

The government is planning improvements to the SDLT return that aim to make compliance with the new time limit easier.

## Welsh Land Transaction Tax (LTT)

LTT will be introduced from 1 April 2018 and replace Stamp Duty Land Tax (SDLT) which continues to apply in England and Northern Ireland. The principles and rates of the tax are similar to SDLT.

## VAT thresholds

There had been some speculation leading up to the Budget that the VAT registration limit would be significantly reduced. The Chancellor has announced that the VAT registration and deregistration thresholds will not change for two years from 1 April 2018 from the current figures of £85,000 and £83,000 respectively.

In the meantime, the government intends to consult on the design of the threshold.

## VAT fraud in labour provision in the construction sector

The government will pursue legislation to shift responsibility for paying the VAT along the supply chain to remove the opportunity for it to be stolen with effect on or after 1 October 2019. The long lead-in time reflects the government's commitment to give businesses adequate time to prepare for the changes. The government has decided not to bring in legislative measures to address the fraud in the Construction Industry Scheme but HMRC are increasing their compliance response to target the fraud there.

## Vehicle Excise Duty (VED)

A supplement will apply to new diesel vehicles from 1 April 2018 so that these cars will go up by one VED band in their First-Year Rate. This will apply to any diesel car that is not certified to the Real Driving Emissions 2 (RDE2) standard.

## Comment

The government state that someone purchasing a typical Ford Focus diesel will pay an additional £20 in the first year, a VW Golf will pay £40, a Vauxhall Mokka £300 and a Landrover Discovery £400.



## Taxation of trusts

The government will publish a consultation in 2018 on how to make the taxation of trusts simpler, fairer and more transparent.

## Compliance and HMRC

The government is investing a further £155m in additional resources and new technology for HMRC. This investment is forecast to help bring in £2.3bn of additional tax revenues by allowing HMRC to:

- transform their approach to tackling the hidden economy through new technology
- further tackle those who are engaging in marketed tax avoidance schemes
- enhance efforts to tackle the enablers of tax fraud and hold intermediaries accountable for the services they provide using the Corporate Criminal Offence
- increase their ability to tackle non-compliance among mid-size businesses and wealthy individuals
- recover greater amounts of tax debt including through a new taskforce to specifically tackle tax debts more than nine months old.

# Proposed Rates and Allowances

These rates are mainly derived from the Chancellor's Autumn Budget, the first for many years, and may be subject to change before the start of the new tax year.

## INCOME TAX RATES

Income tax rates (other than dividend income)

2018/19		2017/18	
Band £	Rate %	Band £	Rate %
0 - 34,500	20	0 - 33,500	20
34,501 - 150,000	40	33,501 - 150,000	40
Over 150,000	45	Over 150,000	45

Scotland income tax rates

2018/19		2017/18	
Band £	Rate %	Band £	Rate %
Rates and bands for 2018/19 will be announced in the Scottish Budget.		0 - 31,500*	20
		31,501* - 150,000	40
		Over 150,000	45

\* Savings and dividend income are taxed using UK rates.

## STARTING RATES FOR SAVINGS INCOME

	2018/19	2017/18
Starting rate for savings	0%	0%
Starting rate limit for savings	£5,000	£5,000

## DIVIDEND RATES

2018/19 and 2017/18

Dividend ordinary rate	7.5%
Dividend upper rate	32.5%
Dividend additional rate	38.1%

## PENSIONS TAX RELIEF

	2018/19	2017/18
Lifetime Allowance limit	£1,030,000	£1 million
Annual Allowance limit	£40,000	£40,000
Tapered Annual Allowance (applies to income over this amount)	£150,000	£150,000
Money Purchase Annual Allowance	£4,000	£4,000

## INDIVIDUAL SAVINGS ACCOUNT (ISA)

	2018/19	2017/18
The ISA limit	£20,000	£20,000
Lifetime ISA	£4,000	£4,000
Help to Buy ISA monthly subscription limit (initial deposit limit £1,000)	£200	£200
Junior ISA	£4,260	£4,128

## INCOME TAX ALLOWANCES

	2018/19	2017/18
<b>Personal allowance</b>	£	£
Personal allowance	11,850	11,500
Income limit for personal allowance	100,000	100,000
Income limit for married couple's allowance	28,900	28,000
<b>Marriage allowance</b>	1,185	1,150
<b>Married couple's allowance for those born before 6 April 1935</b>		
Maximum amount of married couple's allowance	8,695	8,445
Minimum amount of married couple's allowance	3,360	3,260
<b>Blind person's allowance</b>	2,390	2,320
<b>Dividend allowance</b>	2,000	5,000
<b>Personal savings allowance</b>		
Personal savings allowance for basic rate taxpayers	1,000	1,000
Personal savings allowance for higher rate taxpayers	500	500

## VAT

	2018/19
Standard rate	20%
Reduced rate	5%
Annual Registration Limit - from 1.4.18 (1.4.17 £85,000)	£85,000
Annual Deregistration Limit - from 1.4.18 (1.4.17 £83,000)	£83,000

## CAPITAL ALLOWANCES

Annual Investment Allowance	£200,000	
	%	
Main Rate Pool Writing Down Allowance	18	
Special Rate Pool Writing Down Allowance	8	
Enhanced Capital Allowances	100	
<b>Cars purchased on or after 1 April 2018</b>	<b>Cars purchased before 1 April 2018</b>	
Exceeds 110gm/km	Exceeds 130gm/km	8
Does not exceed 110gm/km	Does not exceed 130gm/km	18
Does not exceed 50gm/km	Does not exceed 75gm/km	100



## NATIONAL INSURANCE

### 2018/19 Class 1 (employed) rates

Employee		Employer**	
Earnings per week	%	Earnings per week**	%
Up to £162	Nil*	Up to £162	Nil
£162.01 - £892	12	Over £162	13.8**
Over £892	2		

\*Entitlement to contribution-based benefits retained for earnings between £116 and £162 per week.  
\*\*The rate is 0% for employees under 21 and apprentices under 25 on earnings up to £892 per week.

<b>Class 1A (employers)</b>	13.8% on employee taxable benefits
<b>Class 1B (employers)</b>	13.8% on PAYE Settlement Agreements
<b>Class 2 (self-employed)</b>	flat rate per week £2.95 small profits threshold £6,205 p.a.
<b>Class 3 (voluntary)</b>	flat rate per week £14.65
<b>Class 4 (self-employed)</b>	9% on profits between £8,424 and £46,350 plus 2% on profits over £46,350

## CAR BENEFIT

Company cars 2018/19		Notes
Percentage of car's list price taxed	CO <sub>2</sub> emissions gm/km	
13	0-50	For diesel cars add a 4% supplement but maximum still 37%.
16	51-75	For cars registered before 1 January 1998 the charge is based on engine size.
19	76-94	The list price includes accessories and is not subject to an upper limit.
additional 1% up to 37% (max.)	for every additional 5* 180 and above*	The list price is reduced for capital contributions made by the employee up to £5,000. Special rules may apply to cars provided for disabled employees. *If the CO <sub>2</sub> figure does not end in a 5 or 0 round down to the nearest 5 or 0.

## CAR FUEL BENEFITS

	2018/19	2017/18
Fuel charge multiplier	£23,400	£22,600

## VAN BENEFITS

	2018/19	2017/18
Van benefit	£3,350	£3,230
Fuel benefit	£633	£610

## INHERITANCE TAX

Death rate	Lifetime rate	Chargeable transfers 2018/19 and 2017/18
Nil	Nil	0 - £325,000
40%	20%	Over £325,000
		<b>2018/19</b> <b>2017/18</b>
Residence nil rate band limit		£125,000      £100,000
<b>Reliefs</b>		
Annual exemption	£3,000	Marriage - parent      £5,000
Small gifts	£250	- grandparent      £2,500
		- bride/groom      £2,500
		- other      £1,000

## CORPORATION TAX RATES

	Year to 31.3.19	Year to 31.3.18
All profits	19%	19%

## CGT RATES AND ANNUAL EXEMPTION

	2018/19	2017/18
<b>Individuals</b>		
Exemption	£11,700	£11,300
Standard rate	10%	10%
Higher rate	20%	20%
<b>Trusts</b>		
Exemption	£5,850	£5,650
Rate	20%	20%

Higher rates (18/28%) may apply to the disposal of certain residential property and carried interest.

Gains which qualify for Entrepreneurs' Relief or Investors' Relief are charged at 10% for the first £10m of qualifying gains.

## STAMP DUTY LAND TAX

### Land and buildings in England, Wales\* and N. Ireland

Rate	Residential	Non-residential	Rate
%	£	£	%
0	0 - 125,000	0 - 150,000	0
2	125,001 - 250,000	150,001 - 250,000	2
5	250,001 - 925,000	Over 250,000	5
10	925,001 - 1,500,000		
12	Over 1,500,000		

\* Up to 31 March 2018

## LAND AND BUILDINGS TRANSACTION TAX

### Land and buildings in Scotland

Rate	Residential	Non-residential	Rate
%	£	£	%
0	0 - 145,000	0 - 150,000	0
2	145,001 - 250,000	150,001 - 350,000	3
5	250,001 - 325,000	Over 350,000	4.5
10	325,001 - 750,000		
12	Over 750,000		

## LAND TRANSACTION TAX

### Land and buildings in Wales from 1 April 2018

Rate	Residential	Non-residential	Rate
%	£	£	%
0	0 - 150,000	0 - 150,000	0
2.5	150,001 - 250,000	150,001 - 250,000	1
5	250,001 - 400,000	250,001 - 1,000,000	5
7.5	400,001 - 750,000	Over 1,000,000	6
10	750,001 - 1,500,000		
12	Over 1,500,000		

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