

## BUDGET TAX NEWSFLASH 30 OCTOBER 2018

In the budget yesterday, which remains overshadowed by the uncertainties of Brexit, the Chancellor of the Exchequer has delivered a quiet budget with regards to tax, with few surprises. With a theme of 'austerity coming to an end' the extra funding required over the coming years seems to be being funded from growth rather than higher taxes and restricted reliefs.

Whilst this is the third Finance Act of the year, after the delayed announcement of the new rules to the taxation of non-UK domiciles which came into force earlier in the year, it remains to be seen if after the conclusion of the Brexit negotiations there will be a fourth.

### HEADLINE ALLOWANCES & TAX RATES

+ Increased personal allowance and higher rate threshold to £50,000 which will impact the largest number of taxpayers a year earlier than planned.

	2019-20	2018-19
<b>Personal Allowance</b>	12,500	11,850
<b>Dividend Allowance</b>	2,000	2,000
<b>CGT Annual Allowance</b>	12,000	11,700

	2019-20		2018-19	
	Rate %	Dividend Rate %	Band £	Band £
<b>Basic</b>	20%	7.5%	0 – 37,500	0 - 34,500
<b>Higher</b>	40%	32.5%	37,501 - 150,000	34,501 - 150,000
<b>Additional</b>	45%	38.1%	over 150,000	over 150,000

### PROPERTY AND RENTAL

+ Extension of Stamp Duty Land Tax relief for first time buyers in shared ownership property worth up to £500,000.

+ Non-UK resident companies operating a property letting business will be chargeable to Corporation Tax.

+ Consultation: Lettings Relief Capital Gains Tax (CGT) will only be available where properties let in shared occupation with the landlord.

+ Consultation: Principal Private Residence Relief (PPR) reduction for deemed occupation before sale from 18 to 9 months.

The above consultation has been announced that will reduce CGT reliefs for periods of non-occupation, this will affect individuals who have short periods of letting or long waits before sale.



### SELF-EMPLOYED + IR35 (OFF-PAYROLL WORKERS)

+ Extension of the public sector IR35s checks to private Large and Medium companies.

This will shift the burden on status checking to the engaging company and may generate a number of false employments and will be an additional administrative burden when taking on contractors.

Class 2 NIC will be £3 per week. There have been adjustments of the thresholds in line with the income tax threshold changes.

## BUSINESS & THE DIGITAL ECONOMY

- + Entrepreneurs Relief qualifying period increased from 1yr to 2yrs.
- + VAT threshold to remain unchanged.
- + Annual Investment Allowance (AIA) increased from £200,000 to £1,000,000 for two years from Jan 2019.
- + Non-residential new Structures and Buildings capital allowance relief at 2% straight line from Oct 2018.
- + Reduction of capital allowances for special rate pool (from 8% to 6%) from Apr 2019.
- + Withdrawal of First Year Allowances for Energy and Water Efficient Plant and Machinery from Apr 2020.
- + Digital Services Tax for companies with £500m+ global revenues.
- + Extension of Employers NIC Allowance for small companies.
- + Research and Development PAYE restriction for Small and Medium Enterprises.
- + Business Rate Relief of 1/3 for rates of £51,000 or less.
- + National Minimum Wage increase to £8.21.
- + Apprentice levy reduced from 10% to 5% for smaller employers.
- + Adjustment to treatment of large company capital losses, to be brought in line with income losses.

Corporation Tax rates remain historically low and the Capital Allowances have only been tinkered with, large capital acquisitions should be delayed until the new year to take advantage of the increased AIA. The planned reduction of corporation tax to 17% by 2020 appears still to be the plan.

Another concern is the introduction of Making Tax Digital, the much under reported expansion of digital quarterly reporting soon to affect VAT businesses and then shortly be expanded to non-VAT businesses and rental income. Most businesses remain unprepared or unaware of the new requirements.



## HMRC POWERS

- + HMRC to be a preferential creditor.
- + Extension of time limits for offshore non-compliance to 12 years.

With the increase in HMRC's powers and data collection through the introduction of the Common Reporting Standard ("CRS"), HMRC has more data than ever.

## PENSIONS & SAVINGS

- + No announced changes, amounts remained untouched which is good news for pension savers.

	2019-20	2018-19
<b>ISA annual investment limit</b>	20,000	20,000
<b>Pension Annual Allowance</b>	40,000	40,000



## INHERITANCE TAX + TRUSTS

- + Adjustments to the downsizing rules for Residential Nil Rate Band.
- + No further announcements made.

Please note that this publication is intended for general guidance only. It is important that professional advice is sought on specific issues relevant to your personal circumstances and the legislation in force, before any action is taken. Should you require further information, please contact us. Details are subject to change before the publishing of the Finance Act.