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The BCS Partnership Ltd

BCS Partnership

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Newsletter

Tuesday, 30 October 2018

Welcome to our newsletter,

This extra newsletter contains the main items from the Autumn Budget Statement. Our November newsletter will be published on Thursday 15 November 2018.

Autumn Budget statement

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BUDGET SUMMARY

Autumn Budget 2018

The Prime Minister announced at the Conservative Party conference that the end of austerity was in sight. Recent tax revenues have exceeded expectations, and although there was an expectation that these declarations and indicators would herald a relaxation of fiscal policy, the Chancellor is mindful of the potential fallout next year when we leave the EU, with or without a deal. The Chancellor mentioned he would consider a Spring Budget in the event of a 'no deal' Brexit.

And so, prudence seems to have directed his thinking.

The remainder of this update confirms tax and other changes announced that will affect businesses and other taxpayers from next year.

Personal Tax and miscellaneous matters

Personal Tax allowance

The personal Income Tax allowance for 2019-20 will be increased to £12,500 (2018-19 £11,850). It will remain at this increased level for two years.

Changes to personal tax allowances will apply to the whole of the UK.

Income Tax bands, rates and the dividend allowance

The Income Tax bands for 2019-20 have been increased. They are:

- Basic rate band increased to £37,500 (2018-19 £34,500)
- Higher rate band £37,501 to £150,000 (2018-19 £34,501 to £150,000)
- Additional rate, no change, applies to income of more than £150,000.

As a result, the higher rate threshold will increase to £50,000 from April 2019. There is no change in Income Tax rates and the tax rates applied to dividend income.

Changes to these Income Tax bands apply to England, Wales and Northern Ireland. The Scottish parliament now set their own Income Tax bandings.

Earlier payments of Capital Gains Tax (CGT)

UK residents will be required to make a payment on account for CGT due on a residential property sale. The new regulations will also affect disposals by non-UK residents.

The changes will apply from April 2019 for non-UK residents and April 2020 for UK residents.

Capital Gains Tax Private Residence Relief changes

From April 2020, the government intends to make two changes to the Private Residence Relief:

1. The final exempt period will be reduced from 18 months to 9 months, with no change to the 36 months available for those who are disabled or in care homes, and
2. Lettings relief will be reformed so that it only applies in certain circumstances where the property owner is in shared occupancy with the tenant.

CGT Entrepreneurs' relief

Two changes are coming into effect:

1. Claimants must have a 5% interest in the distributable profits and the net assets of the company to qualify, and separately
2. That the minimum period, during which certain conditions must be met to qualify for the relief, is being increased from one to two years.

The first measure will have effect for disposals on or after 29 October 2018.

The second measure will have effect for disposals on or after 6 April 2019, unless a business ceased before 29 October 2018.

Inheritance Tax: changes to the nil-rate band

From 29 October 2018, amendments to the residence nil-rate band will provide certainty as to when a person is treated as "inheriting" property and clarify the "downsizing" rules.

Rent-a-room relief change cancelled

The expected change to require shared occupancy to qualify for rent-a-room relief is not to be introduced.

ISAs

For 2019-20, the ISA limit will remain at £20,000. The limit for Junior ISAs and the Child Trust Fund is to be increased to £4,368.

Limit on pensions' savings to be increased

The life time limit on pension savings is to be increased in line with inflation to £1,055,000 for the 2019-20 tax year.

Stamp duty first time buyers' relief in England

This relief is being extended to cover the purchase of qualifying shared ownership property and will be effective for transactions on or after 29 October 2018 and will be backdated to 22 November 2017.

The first £300,000 of an initial share purchased will not be liable to SDLT based on the market value of the property. The remainder of the value over £300,000 will be charged at 5%. No SDLT will be chargeable on the associated lease. Relief is not extended to further shares purchased and will not apply to purchases of property valued at over £500,000.

Tobacco duty increases confirmed

The rates for duty for all tobacco products increased by inflation plus 2% from 6pm, 29 October 2018.

Hand-rolling tobacco also rose by an additional 1% above this increase, to 3% above the RPI from the same date.

Duties on beer, wine and spirits

There are to be no increases to the duty charged on beers, spirits or cider, except for certain ciders treated as high strength for duty purposes.

Wines and high strength sparkling cider drinks will see duty increased in line with inflation from 1 February 2019.

Vehicle excise duty

The VED rates for cars, vans and motorcycles is due to increase by reference to the RPI from 1 April 2019.

Fuel duty increase frozen

Duty increase is frozen for the ninth consecutive year.

Air passenger duty (APD) increases

Travellers should note that APD will increase in line with inflation for long-haul flight passengers only. The new rates will apply from 1 April 2020.

Business Tax changes

Corporation Tax

Corporation Tax rates to remain at 19% for the financial year beginning 1 April 2019.

Employment Allowance reform

From 2020, the government will legislate to restrict access to the £3,000 NIC Employment Allowance, to employers with employer NIC liabilities of under £100,000 in the previous tax year. Connected employers will have their contributions aggregated for this purpose.

Annual Investment Allowance increased

The Annual Investment Allowance (AIA) is to be increased from the present £200,000 to £1m from 1 January 2019 to 31 December 2020. It is then presumed that this will return to the £200,000 limit. This should provide a welcome boost to business investment during the Brexit transition period.

Please note that not all capital purchases qualify for this relief. Please call for clarification of what is covered if you are considering a significant acquisition.

R&D tax credit claims to be restricted

From 1 April 2020, the amount of payable tax credit that can be claimed under the R&D SME tax relief scheme will be limited to three times the company's total PAYE and NIC payments for the period. Any loss that cannot be surrendered can be carried forward and used against future profits.

The government will consult with interested parties on this issue.

IR35 changes

The changes recently made to IR35 arrangements in the public sector are to be rolled out to the private sector. The changes will come into effect from April 2020 and small firms will be exempt. Firms that have concerns that they may be affected should contact us for more details.

Car and van fuel benefit charge increases

For 2019-20, these will increase by reference to the September 2018 Retail Prices Index.

A new 2% digital services tax

From April 2020, the major social media, search engine and online retailers will be subject to a 2% tax on revenues generated from UK users of their services. The Chancellor did indicate that if an internationally recognised levy was introduced, that the UK may fall into line in place of this 2% UK tax.

At last, rates relief for High Street retailers

In a much anticipated announcement, smaller retailers in England, occupying shop premises with rateable values under £51,000, should benefit from a cut of one-third in their business rates bills for 2 years from April 2019.

They should also benefit from £675m to be spent on improvements by councils to help transform high streets, the redevelopment of empty shops as homes and offices and the repurposing of old and historic buildings.

In a humorous exchange, the Chancellor also announced 100% business rates relief for public lavatories.

Plastics tax

For those readers who are concerned about the environment they will be pleased to note that the government is to consider introducing a tax on the production and importing of plastic packaging from April 2022.

The charge will apply to plastic packaging that does not contain at least 30% recycled plastic.

Changes to the apprentices' levy

From April, larger employers will be able to invest up to 25% of their apprenticeship levy to support apprentices in their supply chain. Additionally, some smaller employers will pay half what they currently pay for apprenticeship training: a reduction from 10% to 5%. The government will fund the remaining 95%.

Charities small trading exemption increase

The limits that exempt small scale trading by charities from UK tax are to be increased from the current £5,000 – where turnover is under £20,000 – and £50,000 where turnover exceeds £200,000. These £5,000 and £50,000 exemptions are to be increased to £8,000 and £80,000 respectively.

The changes will apply from 6 April 2019 for unincorporated charities and from 1 April 2019 for incorporated charities.

A new structures and buildings allowance (SBA)

This will provide tax relief for qualifying capital expenditure on new non-residential buildings where all contracts for the physical construction works are entered into on or after 29 October 2018.

Relief will not include the cost of land or dwellings.

Tax relief for electric charge points to be extended

The present first year allowances available for the installation of electric charge points is to be extended for four years, until the end of the financial year 2022-23.

Reduction in tax writing down allowance

The special rate of writing down allowance is being reduced from 8% to 6% from April 2019.

Supposedly, this is intended to closer align tax depreciation with commercial depreciation rates.

Anti-avoidance measures

The Finance Bill will contain a number of measures that will continue to improve HMRC's campaigns to reduce the impact of tax avoidance schemes.

Tax to be protected in insolvency

From 6 April 2020, the government will change the insolvency rules so that taxes collected on behalf of employees and customers, primarily employees PAYE and NIC and customers VAT, will be treated as a preferential creditor on winding up rather than distributed to other creditors.

Company loss relief loop-holes to be closed

Most of the changes will apply from April 2019 and will prevent relief for carried forward losses being claimed in excess of that intended by legislation.

The changes will include:

- the definition of "relevant profit",
- the computation of life assurance and annuity business profits,
- the deductions allowance in group situations,
- the calculation of terminal relief,
- the cap on profits against which certain losses may be allowed,
- and other minor considerations.

VAT: reverse charge process to be extended to construction services

This change, to extend the reverse charge process to the building and construction industry is due to come into effect from 1 October 2019.

This will place the onus for dealing with the VAT charge due on subcontractors' bills to the main contractor.

This will cause accounting rather than cash flow issues for main contractors as they will add entries to their VAT returns to pay the subcontractors VAT, but then deduct the same amount as input VAT on the same return.

The aim is to stop subcontractors adding VAT to their bills and then disappearing without remitting the VAT to HMRC.

VAT registration threshold – no change

The present VAT registration limit (£85,000) and deregistration limit (£83,000) will continue to apply for a further two years; until 31 March 2022.

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