



**Chartered  
Management  
Accountants**

The BCS Partnership

## NEWSLETTER

**Autumn 2018  
Budget Update**



**Please note :-**

**From 1st December 2018**

**Our telephone number will change  
From 01706 646664**

**To**

**01706 631600**

~ Budget Speech 29<sup>th</sup> October 2018 ~ "The age of Austerity is coming to an end."

In summary, promised increases in Public Spending (£20.4 billion to the NHS, etc.), have been offset by, in particular, significant increases in NIC and the reduction in savings allowances.

- **Personal Allowance** £12,500 (£11,850).  
Tapering to £Nil @ <sup>£1/£2</sup> Between £100,000-£125,000
- **Income Tax Rates**
  - @ 20% on first £37,500 of Taxable Income (£34,500)
  - Then @ 40% on next £112,500 (40% on £115,500)
  - Additional Rate @ 45% above £150,000 (45%)
- **NIC**
  - Employees @12% on Earnings £166 - £962 p.wk (12% on £162 - £892)
  - @ 2%           above £962 (2% above £892)
  - Employers @ 13.8%   above £166 p.wk (13.8% above £162)
  - Self Employed**
  - Class 4   9% Profits £8,632 - £50,000 (£8,424-£46,350) Excess at 2%
  - Class 2   Small Profits Threshold (SPT) £6,365 @ £3.00 (£2.95)
- **Company Car Benefit**
  - CO<sub>2</sub> Threshold** 76 gm/km @ 22%/26% BIK (19%/22%).
  - Diesel Supplement Increased to 4% (3%)
  - Private Fuel Scale Charge £24,100 (£23,400)
  - Van BIK £3,430 + £655 (£3,350+ £5633)
- **Dividends Taxation**

	First £5,000 Allowance	@	0%
	£5,000 - £37,500		7.5%
Rates Applied to Each Slice	£37,500 +		32.5%
	Additional Rate £150,000+		38.1%
Personal Dividend Allowance	£2,000	Reduced from	£5,000
- **Pensions Contributions**                   Limit £40,000 (£40,000) Lifetime Allowance £1.055m (£1.030m)
- **Capital Gains Allowance**                 £12,000 (£11,700). Tax Rate @ 10%-20% (10%-20%).
- **Life-Time ISA Allowance**                 £20,000. Max £4,000 p.a..

**~ Corporation Tax Rates ~**

From 1 April 2019 Main Rate reduced to 19% (19%)

Annual Investment Allowance (AIA) £200,000 (£200,000)

Increased to £1,000,000 from 1.1.2019 to 31.12.2020

Writing Down Allowances	Plant & Machinery	18%	(18%)
	Special Rate	6%	(8%)
	R & D Scheme	230%	(230%)

**~ VAT ~**

Standard Rate 20% (20% since 4.1.2011)

Registration Threshold £85,000 (£85,000)

De-registration £83,000 (£83,000)

Limits frozen until at least April 2022

Cash Accounting £1.35m - £1.6m De-registration limit. (Unchanged).

**~ National Minimum Wage Rates ~ "Living Wage"**

From April 2018; the new rates apply until March 2020 and are for the National Living Wage and the National Minimum Wage.

The rates now change every April.

Year	25 and over	21 to 24	18 to 20	Under 18	Apprentice
April 2018 (current rate)	£7.83	£7.38	£5.90	£4.20	£3.70
April 2019	£8.21	£7.70	£6.15	£4.35	£3.90

**Apprentices** are entitled to the apprentice rate if they're either:

- aged under 19
- aged 19 or over and in the first year of their apprenticeship

**~ Dividends ~**

In April 2016, the 1/9th Dividend Credit was replaced by a set of direct tax rates.

All dividends are taxable but there is now a tax-free allowance or 'Zero Rate' band where dividends do not exceed £5,000 in the Tax Year. That allowance is reduced to £2,000 w.e.f. April 2018.

By including the Personal 'Earned Income' Allowance, a person having no Earned Income could receive up to £14,500 in dividends before the new 7.5% rate applies. I.e. 2018/19 will be: [ £12,500 + £2,000 = £14,500 ]. Thereafter, dividends will be taxed at:-

7.5% for amounts within the Basic Rate (20%) of taxable income  
 32.5% for amounts within the Higher Rate (40%) of taxable income  
 38.1% for amounts within the Upper Rate (45%) of taxable income

The actual tax on dividend income will, even more, depend on the marginal rate of tax arising from other earnings.

Some worked examples are in our BCS Partnership 'Dividends' paper and set out the tax bands and allowances that apply.

Contact 01706 646664 / 631600 or [bcspart@bcspart.co.uk](mailto:bcspart@bcspart.co.uk) for a free copy of our unique 7-year **Tax Focus** card.

Or visit [www.bcspart.co.uk](http://www.bcspart.co.uk) for a free \*.pdf download.

## ~ Company Cars - Advisory Fuel Rates ~ [ AFR's ]

**These rates only apply to employees using a company car.**

Employee company car drivers paying for or being re-charged their fuel they use on private, non-business travel in their company cars.

The Advisory Fuel Rates (AFRs) were revised on 1st September 2018. [ The rates are reviewed every 3 months by HMRC ]

Engine Size	Petrol	LPG	Diesel	
1400 cc or less	12 p	10 p	1600 cc or less	10 p
1401 cc to 2000 cc	15 p	12 p	1601 cc to 2000 cc	12 p
Over 2000 cc	22 p	13 p	Over 2000 cc	13 p

Fuel Cost	128.4 ppl	62.0 ppl	132.6 ppl
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**Hybrid Cars** are treated as either petrol or diesel cars for this purpose.

**100% Electric Cars** i.e. Zero Emission Vehicles (ZEV's)

HMRC Have introduced a new - 4 ppm rate - for all-electric cars - ostensibly, where driver/employees are re-charging the vehicles at home or at public pay-as-you-go re-charging points.

The AFR rates will be reviewed on 1<sup>st</sup> December 2018 - and so forth.

## ~ Entrepreneurs' Relief ~

Entrepreneur's Relief allows Capital Gains Tax on disposal of businesses or significant share holdings to be reduced from 28% to 10%.

Where there had been concerns of this very valuable relief being withdrawn or severely restricted, Budget 2018 has simply set out that the conditional tests for eligibility would basically need to have been in place for two years, instead of the previous one year.

The qualifying holding period is increased to two years – for disposals on or after 6 April 2019 - providing a window of opportunity for people to take advantage of the current rules.

Secondly, the shareholding test is being tightened. Previously, this has been by reference to voting rights (only). For disposals on or after Budget day [ 29 October 2018 ], individuals must have been entitled to 5% of the distributable profits and the assets available for distribution in a winding-up as well as 5% of the voting rights. This is to exclude 'funny shares' where attempts have been made in the past to access Entrepreneurs' Relief conditions without having a real economic interest.

## ~ Main Residence Relief ~

There are two important changes to 'Only or Main Residence' Relief.

Exemption for the 18-month final ownership period will be reduced to nine months on or after 6 April 2020. Clients will know that the period used to be 36 months; halved in 2014. This further reduction might start to create problems if there is delay when selling a property and moving into another in the interim.

[ For those disabled or in a Care Home, the period remains at 36 months. ]

A second change relates to rental income. The same principle will apply to only or main residence relief and on or after 6 April 2020, lettings relief will only be available for periods of shared occupancy in which there might be an overlap between occupancy by the owner and a tenant.

## Christmas is coming - the Goose is getting fat . . .

### ~ VAT on The Office Party ~

When the bills come in and the end of the Tax Year arrives . . . we reprint the: 'Seasonal Matters' from our Christmas NewsLetter.

VAT on entertaining employees - the provision of food, drink, accommodation or theatre/concert tickets - is wholly recoverable if provided for the sole benefit of employees, as reward for good work or to maintain staff morale.

There are, however, two exceptions. Entertainment provided solely for the benefit of directors or partners; entertainment provided to non-employees, for example relatives of employees or clients/suppliers.

## ~ NIC Employment Allowance ~

From 2020/21 the £3,000 National Insurance contributions (NICs) Employment Allowance will be restricted to employers with an employer NICs liability below £100,000 in their previous tax year.

## ~ Electric Vehicle Grants ~

From 9<sup>th</sup> November 2018 the (£2,500) purchase grant for electric and Hybrid vehicles will be withdrawn

The £4,500 grant previously available off the purchase price of low-emitting and all-electric vehicles is reduced to £3,500.

		Prior November 2018	Post 9 November 2018
Less than 50g/km	Category 1	£4,500	£3,500
50g/km and A	Category 2	£2,500	£Nil

The motor trade is, of course, railing against this, saying it does not support the Government policy announcement of Summer 2018 to do away with fossil fuel cars by 2040 (or - now 2032) but from BCS Partnership's experience of over 25 years in dealing with the Company Car BiK issue, frankly, if you can afford an electric car, you probably don't need a grant.

### ~ Suggestion Pay - ESC A57 ~

We remind our readers that this valuable tax concession is still on the table.

Employees can be paid up to £5,000 TAX FREE for cost-saving suggestions. Even if the suggestions aren't implemented!

An employee can receive as many tax-free awards as may be warranted in each Tax Year - each up to £5,000.

BCS Partnership has been dealing with Suggestion Pay schemes since the 1990's so we are in a good position to advise businesses how to utilise this incentive. There are some basic rules which need to be followed, but nothing onerous.

After all - HMRC use it - you can too!

### ~ Company Cars ~

The **Budget 2017** made Company car tax even more complicated than before. **Budget 2018** has added significantly to the BiK charges.

There are four (4) things in order to work out the Company Car taxation for a given vehicle in 2020/21 Tax Year:-

- ~ The (P11D) List Price
- ~ Fuel Type
- ~ The VCA (WLTP) CO<sub>2</sub> Rating
- ~ The ZER – Zero Emitting Range.

**Diesel Supplement** – From 2019/20, the 3% addition for Diesel cars is now increased to 4%.

### Zero-CO<sub>2</sub>-Emitting Vehicles (i.e. all-electric) and ULEVs

Those that have a range of *at least* 130 miles will have their BiK tax increased to 16% for 2019/20 and then from 2021 will see a fall to 2%.

There will be a further (5) rates for Ultra Low Emitting Vehicles but which have a limited Zero-emissions range. I.e. the batteries run out after 130, 70, 40, 30 or fewer miles. (Up to 14% BiK in 2020/21).

There are a further (10) intermediate rates for cars emitting between 1 and 94 gm/km. (Up to 23% BiK). [ Yes – we told you it will be complicated. ]

### WLTP on company car tax and Vehicle Excise Duty (VED).

The Government will review the impact of *Worldwide Harmonised Light Vehicle Test Procedure* on Vehicle Excise Duty (VED) and company car tax (CCT) and report in the Spring 2019. From September 2018 until April 2020, the new WLTP CO<sub>2</sub> value for a vehicle is being converted to correlated NEDC figures using the EU-wide CO<sub>2</sub>MPAS equation. However, on average, it is resulting in CO<sub>2</sub> increases of between 10% and 20%, moving many if not most cars up a couple of tax bands.

The Government has proposed that, from April 2020, full WLTP figures will be used for BiK, VED and employers' national insurance contributions.

The Treasury will announce 2021/22 Company Car tax rates in the Spring of 2019. Perhaps. Expect significant increases.

**Note – there will be no more Diesel or Petrol; cars registered after 2040. So we will ALL have to go 'Electric'. Or - Will we?**

**Contact The BCS Partnership Ltd at [cars@bcspart.co.uk](mailto:cars@bcspart.co.uk) for a full, unique table of Company Car rates up to 2021 covering ALL vehicles.**

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