



BARNES ROFFE LLP

BUDGET SEMINAR 2018

30 OCTOBER 2018



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POST BREXIT BUDGET

Last Monday Budget was in 1962!

When will the next Budget be?

“Era of austerity is coming to an end”



BREXIT

£15 Billion Post Brexit Cushion

Next spending review Spring 2019

Growth forecasts at least 1.4% for
next five years



PERSONAL ALLOWANCE

2018/2019 £11,850

2019/2020 £12,500



IT RATE BANDS

	2018/19	2019/20
20%	£34,500	£37,500
40%	£115,500	£112,500
45%	Unlimited	Unlimited



REDUCTION IN PERSONAL ALLOWANCE

Where gross income (income less losses) exceeds £100,000 p.a. personal allowances will be withdrawn at rate of £1 for every £2 income above £100,000 until eliminated at £125,000 (2019/20).

Effect: a 60% tax band!



PERSONAL SAVINGS ALLOWANCE

(w.e.f. April 2016)

Nil rate band for investment income
(excluding dividends)
of up to £1,000 (within the basic rate band)

(£500 for HR (within HR band)
& £0 upper rate)
(in addition to ISA's, etc)



SAVINGS RATE

Starting rate band of 0% for savings
(excluding dividends)
£5,000.

Band not available to the extent that non-savings
income exceeds personal allowance
i.e. £1 for £1 reduction.



EFFECTIVE DIVIDEND RATES

	<u>2018/19</u>	<u>2019/20</u>
Tax-free Dividend Allowance	£2,000	£2,000
Within Basic Rate Tax Band	7.5%	7.5%
Within Higher Rate Tax Band	32.5%	32.5%
Within Additional Rate Tax Band	38.1%	38.1%
Within Trusts	38.1%	38.1%



S.455

Loans to participators

32.5%





DIVIDEND V. SALARY

2019/2020

All Companies

20%

40%

tax payer

tax payer

Dividends

25.08%

45.33%

Remuneration

40.25%

49.03%



DIVIDEND V. SALARY

2019/2020

All Companies

60%

tax payer

45%

tax payer

Dividends

61.53%

49.86%

Remuneration

66.61%

53.43%



NATIONAL INSURANCE (CLASS 4)

	<u>18/19</u>	<u>19/20</u>
Between the Bands	9%	9%
Above Upper Earnings Limit	2%	2%



NATIONAL INSURANCE BANDINGS

	<u>18/19</u>	<u>19/20</u>
Lower earnings limit	£116 p.w.	£118 p.w.
Primary threshold	£162 p.w.	£166 p.w.
Employees/Self Employed Annual upper earnings/ Profits Limit	£46,350	£50,000

If salary is paid above lower earnings, earnings count towards state pension.



NATIONAL INSURANCE EMPLOYERS

	<u>18/19</u>	<u>19/20</u>
Above Threshold	13.8%	13.8%
Above Upper Earnings Limit	13.8%	13.8%



NATIONAL INSURANCE EMPLOYEES

18/19

19/20

Above Threshold

12%

12%

Above Upper
Earnings Limit

2%

2%



NICS EMPLOYMENT ALLOWANCE

£3,000 annual 'allowance' available
against NIC's.

From April 2020 only available where
employer NIC bill is less than
£100,000.



CLASS 2 NIC

w.e.f. 5 April 2018

Abolished





CT MAIN RATES

2015/16	20%
2016/17	20%
2017/18	19%
2018/19	19%
2019/20	19%
2020/21	17%





CAPITAL ALLOWANCES

	<u>18/19</u>	<u>19/20</u>
WDA	18%	18%
Special Rate WDA	8%	6%
AIA	£200,000*	

** £1m for additions made between 1 January 2019 and 31 December 2020*



SBA

Structures and Buildings Allowance

2% on eligible costs on new non-residential
structures and buildings

Contracts and work start post 29 October
2018



R & D

R & D Tax Credits for SME's at 230% of expenditure.





R & D TAX CREDITS

New limit – w.e.f. April 2020

Tax credits not to exceed x3 total NIC
and PAYE bill



BUY TO LET INTEREST RELIEF-INDIVIDUALS

Phasing in the elimination of Higher Rate Tax Relief on buy to let interest for INDIVIDUALS:

<u>Tax Year</u>	<u>Higher Rate Restriction</u>
2017/18	25%
2018/19	50%
2019/20	75%
2020/21	100%



OFFSHORE PROPERTY COMPANIES

From April 2020 corporation tax and not income tax will apply to immoveable UK property held by non-resident companies.



EBT LOANS

Outstanding loans deemed remuneration on 5 April 2019.





CAPITAL GAINS TAX

Annual exempt amount £12,000 (£11,700)

10% in basic rate income tax band

20% for higher and additional rate band

28% for residential property and trusts



INDEXATION RELIEF

Frozen for corporates from January 2018
(almost 20 years after it was abolished for
individuals!)





CAPITAL GAINS TAX ENTREPRENEUR'S RELIEF

Life time limit

£10M





CGT: ER CHANGES

(w.e.f. 29 October 2018)

2 year qualifying period

5% test now will also apply to distributable profits and net assets



CGT: ER CHANGES

New anti-dilution relief
will apply from
6 April 2019





CGT PAYMENT WINDOW

30 day payment window to pay tax on disposal of residential property deferred until April 2020

(for non-residential applies from April 2019)



NON-RESIDENT CAPITAL GAINS

w.e.f April 2019 offshore gains on commercial properties will be taxable.

The rules are widened to include indirect disposals, non-resident companies will be subject to corporation tax on gains.



PPR RELIEF

w.e.f April 2020

Final period exemption reduced to 9 months

Lettings relief will only be applied when in shared occupancy with a tenant



INHERITANCE TAX

	<u>2018/19</u>	<u>2019/20</u>
• Annual Exemption	£3,000	£3,000
• Nil Rate Band	£325,000	£325,000
• Lifetime transfer rate	20%	20%
• Death transfer rate	40%	40%
• Cumulation period (years)	7	7
• Rates of B.P.R.:-		
- Higher	100%	100%
- Lower	50%	50%



INHERITANCE TAX

“Effective” joint nil rate band of
£650,000





IHT BAND-PASSING ON MAIN RESIDENCES

Additional nil rate band £175,000 per individual
in respect of family home phased in:

2017/18	£100,000
2018/19	£125,000
2019/20	£150,000
2020/21	£175,000



IHT BAND-PASSING ON MAIN RESIDENCES

- Assets in band must go down the lineal descendant chain
- Protection in cases of downsizing (8 July 2015)
- Unused relief can be ‘passed’ to ‘spouse’ on death
- Withdrawal on £1 for £2 basis, estates of 2m or more



SDLT: NON-RESIDENTIAL

RATE	NON-RESIDENTIAL
Zero	£0 - £150,000
2%	£150,001 - £250,000
5%	£250,001 and OVER



SDLT

RATE	RESIDENTIAL
Zero	£0 - £125,000
2%	£125,001 - £250,000
5%	£250,001 - £925,000
10%	£925,001 - £1,500,000
12%	£1,500,001 and OVER



SDLT: ADDITIONAL RESIDENTIAL PROPERTIES

THRESHOLD:	MAIN SDLT RATE:	ADDITIONAL RATES
£0 - £125,000	0%	3%
£125,001 - £250,000	2%	5%
£250,001 - £925,000	5%	8%
£925,001 - £1,500,000	10%	13%
£1,500,001 and OVER	12%	15%



SDLT: ADDITIONAL PROPERTIES (2)

If individual owns 2 or more properties and has not replaced their main residence.

Can reclaim if sell main residence within 3 years.

Companies will always pay the higher rate.



SDLT CONSULTATION

**Extra 1% SDLT for all non-resident
purchasers of residential property**



SDLT

Payment & filing window reduced
to 14 days from 1 March 2019.



ATED RATES

VALUE	ANNUAL CHARGE 2019/2020
£500,000 - £1,000,000	£3,650
£1,000,001 - £2,000,000	£7,400
£2,000,001 - £5,000,000	£24,800
£5,000,001 - £10,000,000	£57,900
£10,000,001 - £20,000,000	£116,100
£20,000,001 and OVER	£232,350



VALUE ADDED TAX

20%

Registration limits £85,000 (£85,000)



ISAs

Cash value limit

2018/19 £20,000*

2019/20 £20,000*

No cash/shares limits.

Privileged ISAs status can be inherited by spouse on death.

**includes lifetime ISA's if contributed to.*



PENSIONS

Annual Contribution Cap

£40,000

Lifetime Allowance

£1,055,000 (was £1,030,000)



RESTRICTION ON PENSION PREMIUM RELIEF

£40,000 annual allowance reduced by £1
for every £2 earnings (including
employer contributions) above £150,000

Minimum allowance - £10,000



IR35

Changes:

As for Public Sector, coming for
medium and large enterprises from
2020



OFFSHORE EVASION

Specific duty to correct position by
1 October 2018 or face higher
penalties.

New – “normal” assessment period for
offshore irregularities of 12 years!



MTD

Introduction begins with
VAT only in April 2019
(no delay announced yet!)





DIGITAL SERVICES TAX

w.e.f. April 2020

Applies to revenues (not a sales tax)

Will include a safe harbor (losses/low margin businesses)

Applies to £500M+ turnover businesses only



TAX ABUSE & INSOLVENCY

w.e.f. April 2020

Re-instate HMRC debt preference for taxes
collected on behalf of HMRC

Create personal liability for directors in
cases of deliberate failure or phoenixism



BREXIT COIN

50 pence commemorative
Brexit coin available from
Spring 2019



DISCLAIMER

This summary is based on the HMRC press releases and the information contained herein is subject to the wording of proposed legislation and change.