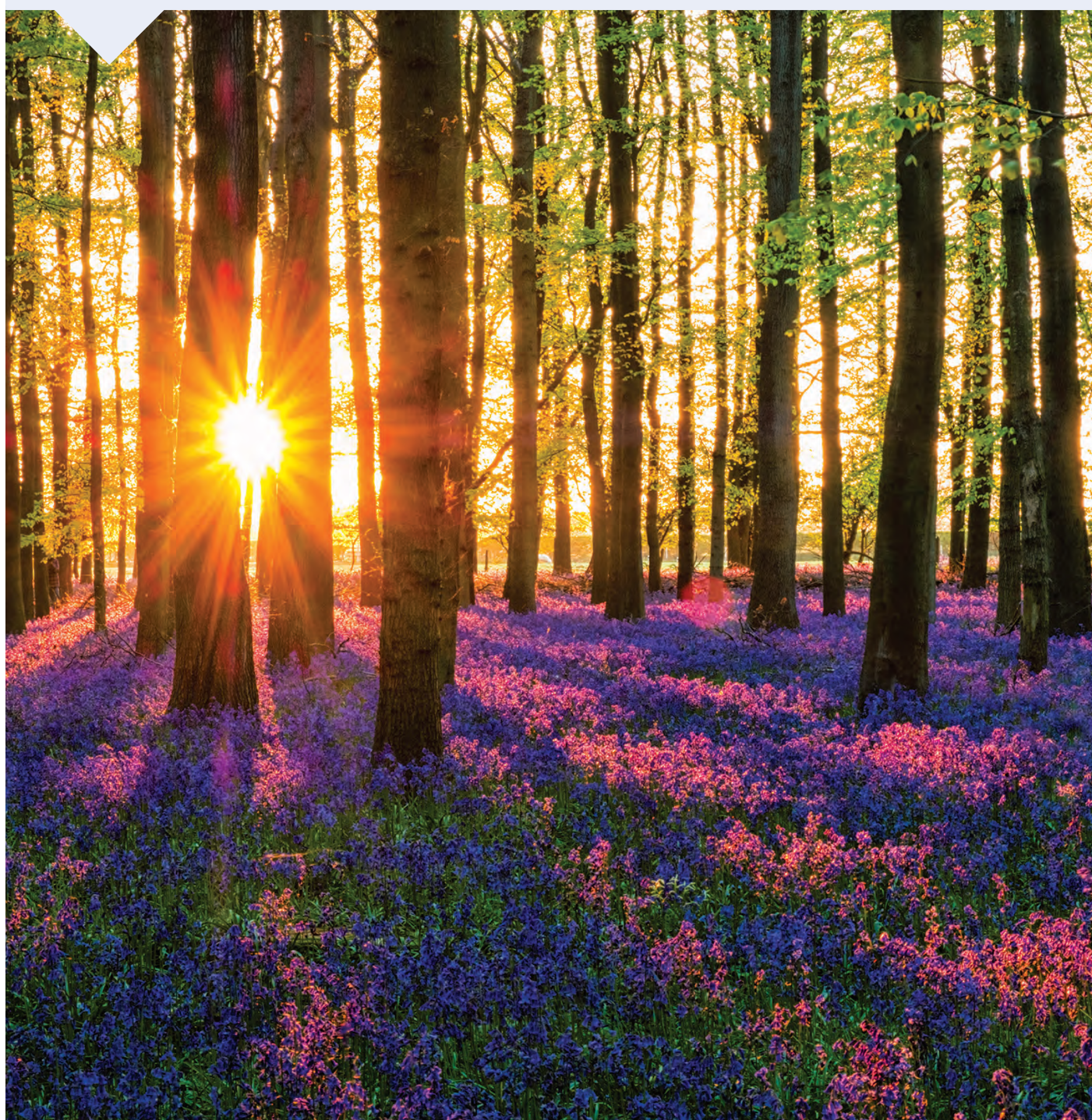


Spring Statement 2018





Spring Statement 2018

Chancellor Philip Hammond began his Spring Statement with positive projections for growth, inflation, debt and borrowing. Sticking to his promise of a speech free of tax changes, he focused on the economy, progress since the Autumn Budget and new tax consultations.

Five consecutive years of growth, year on year reductions in borrowing since 2010, and continued high employment rates, set an optimistic tone for the speech. Declaring that the economy had reached a 'turning point' the Chancellor re-iterated that he planned to hold to his 'balanced approach' towards investment. This meant no new spending announcements but a promise to announce a spending review in the Autumn.

Based on the findings of the Office for Budget Responsibility (OBR), Mr Hammond's headline forecasts are:

- Growth to be 1.4% this year (higher than forecast by the OBR in November)
- Debt will begin to fall as a percentage of GDP in the coming tax year
- Inflation will drop back to target during the year

Updates on progress since the Autumn Budget included:

- Investment in the housing sector to raise the supply of homes
- Bringing forward the next business rate revaluation to 2021 and reducing the time between valuations to three years
- Inviting English cities to bid for a £840 million fund for local transport investment
- Releasing the first £95 million of the £190 million Challenge Fund announced in the Autumn to improve connectivity across the UK.

In addition, he launched consultations on various aspects of the tax system. Making good on his promises to keep the Spring Statement free of new tax change announcements, the Chancellor's speech was more of a watching brief for business owners and private individuals than a call to action. There are however, plenty of tax changes to contend with in the coming year, so we have provided a summary of the new rates and rules as well as an overview of the consultations that are likely to affect you.

Changes to the timing of tax legislation

Chancellor Philip Hammond has implemented some fundamental changes to the UK fiscal timetable.

In the 2016 Autumn Statement, the Chancellor announced that the main annual Budget would move from its traditional spring setting to the autumn and the Autumn Statement would be replaced by a Spring Statement. The first Autumn Budget was presented in November 2017 and, as expected, this Spring Statement is not the traditional budget that we have had for many years.

The new process

While the general process of developing tax policy will remain the same, the timescales for policy making and consultation have changed significantly. The government hopes that the new system will allow more time to scrutinise and consult on draft tax legislation before it is introduced.

The new timing of the Autumn Budget allows for the announcement of most new measures well in advance of the tax year in which they are due to take effect. The Spring Statement also offers the opportunity for the government to consult during the early stages of policy making, and publish calls for evidence on long-term tax policy issues.

Under the new system, measures announced in the Autumn Budget will generally be consulted on during the winter and spring, with draft legislation being published in the summer, ahead of the introduction of the Finance Bill in the winter. This will then receive Royal Assent the following spring. We welcome this new timetable.

Using this document

In this publication we concentrate on the tax consultations that were announced either at the Spring Statement or in recent weeks. We have also taken this opportunity to remind you of tax changes which take effect for 2018/19.

You should contact us before taking any action based on the contents of this summary.



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Personal tax

The personal allowance

The personal allowance for 2018/19 is £11,850.

Tax bands and rates

The basic rate of tax is currently 20%. From 6 April 2018 the band of income taxable at this rate is £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. Additional rate taxpayers pay tax at 45% on their income in excess of £150,000.

The tax on 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 income tax rates and bands apply to income such as employment income, self-employed trade profits and property income.

In the 2018/19 Scottish Budget, the Finance Secretary for Scotland announced significant changes to income tax bands and rates for Scottish resident taxpayers, introducing five possible income tax rates ranging from 19% and 46%. Scottish taxpayers are entitled to the same personal allowance as individuals in the rest of the UK.

From April 2019, the National Assembly for Wales has the right to vary the rates of income tax payable by Welsh taxpayers.

The marriage allowance

The marriage allowance permits certain couples, where neither pays 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 £237 a year in 2018/19.

	2017/2018	2018/2019
Personal allowance		
Personal allowance	£11,500	£11,850
Tax bands and rates		
Basic rate band (20%)	£0 - £33,500	£0 - £34,500
Higher rate band (40%)	£33,501 - £150,000	£34,501 - £150,000
Additional rate band (45%)	Over £150,000	Over £150,000

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.

Dividends, investments and savings

Tax on dividends

In 2017/18 the first £5,000 of dividends are chargeable to tax at 0% (the Dividend Allowance). From 6 April 2018 the Dividend Allowance is reduced to £2,000. Dividends received above the allowance are taxed at the following rates:

Dividend income tax band	Rates
Basic rate band	7.5%
Higher rate band	32.5%
Additional rate band	38.1%

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 Dividend Allowance.

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

Comment:

The government expects 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 affects 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 is £225 increasing to £975 for higher rate taxpayers and £1,143 for additional rate taxpayers.

Individual Savings Accounts (ISAs)

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

From 6 April 2018 the junior ISA subscription limit will increase from £4,128 to £4,260.

Tax on savings income

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

The Savings Allowance applies to savings income and 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.

Tax rate	Savings allowances
20%	£1,000
40%	£500
45%	Nil

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.

Increased limits for knowledge-intensive companies

The government has legislated to encourage more investment in knowledge-intensive companies under the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs). From 6 April 2018, the measures:

- 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

There are also some changes to the qualifying company criteria and these are covered in more detail in the Corporate Taxes Section of this summary.

Corporate tax

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:

Period	Corporate tax rate
1 April 2018 – 31 March 2019	19%
1 April 2019 – 31 March 2020	19%
1 April 2020 – 31 March 2021	17%

Intangible fixed assets

The Intangible Fixed Assets regime, which was introduced from 1 April 2002, fundamentally changed the way the UK corporation tax system treats intangible fixed assets (such as copyrights, patents and trademarks) and goodwill. As the regime is now more than 15 years old, the government would like to examine whether there is scope for reforms that would simplify it and make it more effective in supporting economic growth.

The government is seeking stakeholder views and evidence on specific aspects of the regime, including:

- the impact of the 1 April 2002 commencement rule and the restriction on goodwill and customer related intangibles on the complexity and competitiveness of the regime
- the use and competitiveness of the election for a 4% per annum fixed rate of relief
- the impact of the regime's de-grouping rules on mergers and acquisitions.

The consultation was published on 19th February 2018 and will run until 11th May 2018.

Corporate tax and the digital economy

The government published a 'position paper' at Autumn Budget 2017, setting out its view on the challenges raised by the digital economy. The government's view is that without physical presence in the UK businesses rely on the active participation of UK users but existing international rules do not take account of this value in determining how much of their profit is subject to UK corporation tax.

This is a long term project. In the meantime there is a need to consider interim action. Of the options that have been put forward, the government thinks the most attractive is a tax on the revenues that businesses generate from the provision of digital services to the UK market.

An updated position paper has now been issued which seeks to address and develop the questions that have so far been raised. This includes:

- setting out a more detailed explanation of how user participation is considered to create value for certain digital businesses
- a possible approach for incorporating user-created value into the international tax rules, and
- some of the important questions regarding the detailed design of a revenue-based interim measure.

Capital gains indexation allowance

Companies subject to corporation tax are currently entitled to indexation allowance to account for inflation and reduce the capital gain arising when disposing of a capital asset (other than property held as trading stock). 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.

Business tax

Cash and digital payments

With cash use falling from 62% of all payments in 2006 to only 40% in 2016, the government will consult and seek evidence about how the role of digital payments is to fit into the growing digital economy. This will include identifying what further work can be done to remove barriers to digital payments. At the same time the government acknowledges that cash must remain accessible and secure, especially for the 2.7 million people entirely reliant on cash payments. It is also determined to further strengthen the crackdown on the use of cash as a method of money laundering and tax evasion. The call for evidence was published on 13th March 2018 and will run until 5th June 2018.

Online platforms

The government has launched a call for evidence on the role of online platforms in ensuring tax compliance by their users. The types of online platforms the government is principally interested in are those that:

- allow people to earn money from spare resources such as cars and spare rooms
- allow people to use their time to generate extra income
- connect buyers with individuals or businesses offering services or goods for sale.

The government wants to ensure that, where people have tax obligations because of these activities, it is easy for them to comply. The government considers that some do not fully understand or are unaware of their tax obligations. The focus of the work will be on direct taxes. The call for evidence was published on 13th March 2018 and will run until 8th June 2018.

Extension of security deposit

The government announced at Autumn Budget 2017 that it would introduce legislation to extend the scope of existing security deposits legislation to include corporation tax and Construction Industry Scheme deductions, with effect from April 2019. A consultation has now been published inviting comments on the how to implement the changes.

Legislation will allow HMRC to require high risk businesses to provide an upfront security deposit, where it believes there is a serious risk of non-payment of tax. There must also be a history of non-compliance or failure to pay. Currently HMRC has powers to require a security deposit in respect of other taxes such as VAT and Pay As You Earn.

Making tax digital (MTD) for business

Keeping digital records and making quarterly updates will not be mandatory for taxes other than VAT before April 2020, although businesses below the VAT threshold which have voluntarily registered for VAT can opt to join the scheme.

Following significant support on consultation, the government intends to take forward points based late submission penalties. There will be further consultation on the draft legislation to be published in summer 2018.

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 it invests 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.

Comment:

Relief for capital expenditure by businesses can significantly advance tax relief. The Annual Investment Allowance - the amount on which a business or company can deduct capital expenditure against their taxable profits at 100% - remains at £200,000 for the foreseeable future. On top of this there are further 100% First Year Allowances for energy saving plant and machinery and zero emission goods vehicles.

Where businesses are incurring significant capital expenditure it is important to ensure that the claims to tax relief are carefully reviewed to maximise the reliefs as early as possible, thereby making a significant difference to cash flow.

Business rates

Business rates have been devolved to Scotland, Northern Ireland and Wales. The business rates revaluation in England currently takes place every five years. In the Autumn Budget, the government announced an increase in the frequency of valuations to every three years following the next revaluation. The Chancellor has now announced that the next revaluation will be brought forward by one year to 2021. It will be based on market value rentals at 1 April 2019.

Capital gains tax

Capital Gains Tax (CGT) annual exemption

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

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)** which 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 who have had newly-subscribed shares.

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 (meaning 5% of both ordinary share capital and voting power) as a result of raising funds for commercial purposes by means of an issue of new shares.

The proposal would allow shareholders to elect to crystallise a gain on their shares before the dilution occurs. This would be achieved by treating the shareholding as having been sold and immediately re-purchased at the prevailing market value. The election will have to be made in their tax return for the year in which the dilution takes place. The shareholder may also elect to defer the accrued gain until their shares are actually disposed of.

Types of gain	Tax rate to extent available Basic Rate Band	Tax rate over Basic Rate Band
Eligible for Entrepreneurs' Relief or Investors Relief	10%	10%
Residential property	18%	28%
Other gains (e.g. Shares)	10%	20%

Employment tax

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 CO2 emissions multiplied by the original list price of the vehicle. 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 CO2 emissions up to 50gm/km. From 6 April 2018 this will be increased to 13%, and from 6 April 2019 to 16%.

For other bands of CO2 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 previously announced that they will legislate to increase the diesel supplement from 3% to 4%. This will generally apply to all diesel cars (unless the car is registered on or after 1 September 2017 and meets the Euro 6d emissions standard) but the maximum is still 37%. 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.

Employer-supported childcare schemes close to new joiners

Many employers help employees with childcare costs, often by providing childcare vouchers by way of salary sacrifice. Following the roll out of Tax-Free Childcare, the new government scheme to help working parents, existing Employer-Supported Childcare (ESC) schemes were expected to close to new joiners from April 2018. However, following the Chancellor's Statement Education Secretary Damian Hinds made a concession to delay scrapping the scheme by six-months.

Employees already using ESC can choose whether to remain in existing schemes or switch to Tax-Free Childcare, but parents cannot be in both Tax-Free Childcare and ESC at the same time.

Comment:

The tax-free childcare scheme was intended to replace the existing employer-backed system of providing parents with childcare vouchers as part of a salary sacrifice scheme. This scheme was used by around 450,000 parents and was worth up to £55 per week in lieu of salary, helping parents save up to £933 in tax and national insurance on their childcare costs per year.

Tax-free childcare offers parents, including those self-employed, up to £2,000 per year per child in top-ups to parental contributions via an online scheme.

Originally HMRC said new entrants to employer CCV schemes would not be permitted from April. Parents already in these schemes would be able to remain in them for as long as they required.

Now it has agreed to delay the closure of the old scheme for a period of at least six months, during which time it will still accept new entrants.

The period will be used to address concerns raised about the new scheme and to look at new provisions to address childcare accessibility and affordability throughout the UK.

Different forms of remuneration

In the Spring Budget 2017 the government stated that 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. 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.

Off-payroll working extension to the private sector

In the Autumn Budget, the government confirmed they would consult in 2018 on how to tackle non-compliance with the intermediaries legislation (commonly known as IR35) in the private sector. The aim being to ensure that individuals who effectively work as employees are taxed as employees even if they choose to structure their work through a company.

Rules to combat this issue were introduced for the public sector in April 2017 and research on the effect of the reform was still being evaluated in February. Whilst there has been disappointment in some sectors, such as construction, where the legislation is likely to bite hardest, the government is unlikely to begin a private sector consultation before the findings of the public sector research is completed.

Self-funded work-related training

The government had previously announced that it would consult on extending the scope of tax relief currently available to employees and the self-employed for work-related training costs. A call for evidence consultation has now been issued. Under current rules:

- an employee only receives tax relief on self-funded training if it is both 'wholly exclusively and necessarily' incurred in the performance of their duties and an intrinsic contractual duty of their existing employment and
- a self-employed person can only deduct training costs incurred wholly and exclusively for their business where it maintains or updates existing skills.

The purpose of the consultation is to gain an understanding as to how an extension to the existing tax relief can be designed to upskill or retrain those who want or need to change their career. This will include taking into account lessons from previous initiatives and ensuring that tax relief on work-related training is not obtained on recreational activities.

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 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.

'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. This takes effect from April 2018.

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. Broadly 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.

National Insurance

Class 2 National Insurance Contributions

Class 2 NICs will be abolished from April 2019

Class 4 NICs

The Chancellor confirmed in March 2014 that there will be no increase to Class 4 NIC rates in this parliament.

Current	
Profits £8,164 - £45,000	9%
Over £45,000	2%
From April 2018	
Profits £8,424 - £46,350	9%
Over £46,350	2%

National Insurance classes

The class you pay depends on your employment status and how much you earn, and whether you have any gaps in your National Insurance record.

National Insurance class	Who pays
Class 1	Employees earning more than £157 a week and under State Pension age - they're automatically deducted by your employer
Class 1A or 1B	Employers pay these directly on their employee's expenses or benefits
Class 2	Self-employed people - you don't have to pay if you earn less than £6,025 a year (but you can choose to pay voluntary contributions)
Class 3	Voluntary contributions - you can pay them to fill or avoid gaps in your National Insurance record
Class 4	Self-employed people earning profits over £8,164 a year

Property and stamp duty land tax

SDLT relief for first time buyers in England

In the Autumn Budget, the Chancellor announced an exemption from Stamp Duty Land Tax (SDLT) for first-time home buyers. From 22 November 2017, there is an exemption from SDLT on the first £300,000 when buying a home, where the total price of the property is not more than £500,000. 5% is payable on purchases between £300,000 and £500,000.

Scotland and Wales property purchases

However, with devolved taxes, buying a property in Scotland and Wales can bring different tax consequences.

In Scotland, Land and Buildings Transaction Tax (LBTT) applies instead of SDLT. Therefore an LBTT relief for first-time buyers of properties up to £175,000 has been proposed in the Scottish Draft Budget 2018/19. This is subject to a government consultation before the relief launches in 2018/19.

Welsh first-time buyers benefit from the Budget SDLT relief until 31 March 2018. Land Transaction Tax (LTT) replaces SDLT in Wales from 1 April 2018. The starting rate for LTT will be £180,000, benefiting not just first-time buyers but other home buyers in Wales.

SDLT higher rates

A higher rate, of 3% over standard rates for additional residential properties, applies to purchases throughout the UK whether SDLT, LBTT or LTT applies.

New rules were introduced to impose an extra 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.

Some minor changes were announced in the 2017 Autumn Budget. 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.

Venture capital and enterprise investment schemes

Increased limits for knowledge-intensive companies

The government has legislated to encourage more investment in knowledge-intensive companies under the Enterprise Investment Scheme (EIS) and Venture Capital Trusts (VCTs). From 6 April 2018, the measures:

- 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.
- 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

This measure is subject to normal state aid rules.

EIS knowledge-intensive fund consultation

The government is consulting on the introduction of a new approved fund structure within the EIS, with the possibility of additional incentives to attract investment. Such a fund structure would be focused on mainly investing in knowledge-intensive companies. This consultation outlines and seeks views on possible elements and constraints of such a fund structure, while also seeking to better understand the capital requirements of innovative knowledge-intensive companies. The consultation was published on 13th March 2018 and will run until 11th May 2018 with legislation expected to be contained in the Finance Bill 2018-19.

Comment:

EIS continues to provide one of the most valuable tax reliefs available to investors in unquoted companies and also one of the more complex areas of tax legislation. Extending the reliefs available in relation to knowledge-intensive companies is welcome.

Inheritance tax

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

On 6 April 2017, a new nil rate band, called the 'residence nil rate band' (RNRB) was introduced, meaning that the family home can be passed more easily to direct descendants on death.

Tax Year	Standard nil rate band	Additional main residence nil rate band	Total nil rate band (singles)	Total combined nil rate band for spouses and civil partners
2017/18	£325,000	£100,000	£425,000	£850,000
2018/19	£325,000	£125,000	£450,000	£900,000
2019/20	£325,000	£150,000	£475,000	£950,000
2020/21	£325,000	£175,000	£500,000	£1,000,000

There are a number of conditions that must be met in order to obtain the RNRB, which may involve redrafting an existing will.

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.

Office of Tax Simplification (OTS) review of inheritance tax

The Chancellor has requested the OTS to carry out a review of the inheritance tax regime to ensure that the system is fit for purpose. The review should include a focus on administrative issues such as the submission process, as well as practical issues concerning routine estate planning.

Non-residence and non-domicile

Extension of offshore time limits

HMRC is asking for views on the design principles for legislation to implement a new minimum tax assessment time limit of 12 years for HMRC to make assessments or notices of determination in cases involving offshore income, gains or chargeable transfers.

Comment:

The current assessment time limits are ordinarily four years (six years in the case of carelessness by the taxpayer). HMRC wants to extend the time limit because it can take much longer to establish the facts about offshore transactions, particularly if they involve complex offshore structures.

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.

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.

Offshore trusts

New anti-avoidance rules will be introduced to ensure that a UK resident individual who benefits from an offshore trust will be subject to UK taxation on income and gains arising, even where they have not directly received the payment. The changes are as follows:

- If a capital payment is made to any non-UK resident on or after 6 April 2018, it will not reduce the pool of 'stockpiled' trust gains. Any offshore trust with non-UK Resident beneficiaries will need to consider making distributions as soon as possible.
- Non UK residents or non UK domiciles receiving capital payments or benefits that are not subject to tax on the distribution, but they are then redirected to a UK resident, will in future be taxed on the UK resident.
- Capital payments or benefits provided to a close family member of a UK resident settlor, will be taxable as if they were received by the settlor. This will stop the use of personal allowances, exemptions and lower marginal tax rates for members of the settlor's family, so it will be important to make the most of any tax planning opportunities this year.

Making tax digital for business

HMRC is phasing in its landmark Making Tax Digital (MTD) regime, which will ultimately require taxpayers to move to a fully digital tax system. Regulations have now been issued which set out the requirements for MTD for VAT.

Under the new rules, businesses with a turnover above the VAT threshold (currently £85,000) must keep digital records for VAT purposes and provide their VAT return information to HMRC using MTD functional compatible software.

The new rules have effect from 1 April 2019, where a taxpayer has a 'prescribed accounting period' which begins on or after that date.

HMRC is piloting MTD for VAT during 2018, ahead of its introduction in April 2019.

As with electronic VAT filing at present, there will be some exemptions from MTD for VAT. However, the exemption categories are tightly-drawn and unlikely to be applicable to most 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 is still looking to a scenario where income tax updates are made quarterly and digitally, and this is really what the VAT provisions anticipate.

VAT collection – split payment

The government wants to combat online VAT fraud by harnessing new technology and is consulting on VAT split payment. This will utilise payments industry technology to collect VAT on online sales from overseas sellers at the point of purchase and transfer it directly to HMRC. In the government's view this would significantly reduce the challenge of enforcing online seller compliance and offer a simplification for business. The consultation was published on 13th March 2018 and will run until 29th June 2018.

VAT registration threshold: call for evidence

The government considers that the current design of the VAT registration threshold may be dis-incentivising small businesses from growing and improving their productivity. The Office of Tax Simplification had previously recommended that the government examine the current approach to the VAT threshold. The call for evidence was published on 13th March 2018 and will run until 5th June 2018.

This call for evidence will explore the effect of the current threshold on small businesses. Different policy options will be considered and whether these options could better incentivise growth.

Comment:

The UK VAT registration threshold of £85,000 is the highest in the EU.

VAT fraud in labour provision in the construction sector

The government will pursue legislation to shift responsibility for paying VAT along the supply chain with the introduction of a domestic VAT reverse charge for supplies of construction services with effect from October 2019. The long lead-in time reflects the government's commitment to give businesses adequate time to prepare for the changes.

Gift aid and charities

Gift aid and charities

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.

Sundry other matters

Apprenticeships

In recognition of the challenges that the apprenticeships system presents to some small businesses, the Education Secretary will release up to £80 million of funding to support those looking to employ an apprentice.

Tackling the plastic problem

The government will call for evidence as to how changes to the tax system could be used to reduce the amount of single-use plastics that are wasted by reducing unnecessary production, increasing re-use and improving recycling. The government would also like to explore how to drive innovation in this area to achieve the same outcomes.

Taxation of trusts

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

Consultations

The new timing of the Autumn Budget allows for the announcement of most new measures well in advance of the tax year in which they are due to take effect. The Spring Statement also offers the opportunity for the government to consult during the early stages of policy making, and publish calls for evidence on long-term tax policy issues.

Under the new system, measures announced in the Autumn Budget will generally be consulted on during the winter and spring, with draft legislation being published in the summer, ahead of the introduction of the Finance Bill in the winter. This will then receive Royal Assent the following spring. We welcome this new timetable.

We are including in the following pages a summary of all areas that the government is currently undertaking consultation on and in which changes will be expected in future budgets or legislation.

Future consultations

The Chancellor signalled a clear intent to use the tax system to change behaviours for the benefit of the environment, small businesses and the economy. To that end, he announced consultations on:

- Measures to end late payments in order to help small business cashflow
- Help for smaller businesses looking to take on apprentices
- Productivity mentoring – where the most productive businesses help the least productive
- Supporting people to get the skills they need
- Whether non-agricultural red diesel tax relief contributes to poor air quality in urban areas

Consultations

Consultations and updates announced in the Spring Statement 13/03/2018

Type	Consultation	Basic details	End date	Consultation first announcement
Consultation	Consultation: EIS: knowledge intensive fund consultation	A consultation on the introduction of a fund structure for investment in knowledge-intensive companies through the Enterprise Investment Scheme.	11/05/18	Autumn Budget, 22 November 2017
Consultation	Consultation: Allowing Entrepreneurs' Relief on gains made before dilution	This consultation seeks comments on the technical design of changes to Entrepreneurs' Relief to ensure that it does not discourage entrepreneurs from seeking external finance for their companies.	15/05/18	Autumn Budget, 22 November 2017
Call for Evidence	Call for evidence: Tackling the plastic problem	A call for evidence seeking views on how the tax system or charges could reduce the amount of single-use plastics waste.	18/05/18	Autumn Budget, 22 November 2017
Call for Evidence	Call for evidence: VAT registration threshold	This call for evidence explores whether the design of the VAT threshold could better incentivise growth/improve productivity. It considers the effects of the current threshold on small businesses, and reasons behind that effect. It also proposes various design changes to the threshold and asks respondents to comment.	05/06/18	Autumn Budget, 22 November 2017
Call for Evidence	Cash and digital payments in the new economy	A call for evidence to better understand the role of cash and digital payments in the new economy. It seeks to gather evidence on: how the government can support digital payments; how to ensure the ability to pay by cash is available for those who need it; and how to continue cracking down on the minority who use cash to evade tax and launder money.	05/06/18	Spring Statement, 13 March 2018
Call for Evidence	Call for evidence: VAT, Air Passenger Duty and tourism in Northern Ireland	The government is seeking evidence that demonstrates the impact that VAT and/or APD has on tourism in Northern Ireland, or that helps show how VAT and/or APD might be used to support the growing success of the sector in Northern Ireland.	05/06/18	Autumn Budget, 22 November 2017
Consultation	Consultation: Extension of the existing security deposit legislation to include CT and CIS deductions	A consultation on how to extend existing security deposit policy to include Corporation Tax and Construction Industry Scheme deductions for taxpayers deemed at high risk of not paying and with a history of non-compliance.	08/06/18	Autumn Budget, 22 November 2017
Consultation	Consultation: Taxation of self-funded work-related training	A consultation on how government could extend the existing tax relief available for self-funded work-related training by employees and the self-employed.	08/06/18	Autumn Budget, 22 November 2017
Call for Evidence	Call for evidence: the role of online platforms in ensuring compliance by their users	The government will explore how online platforms could work with HMRC and taxpayers to help people who make money through the platforms understand and meet their tax obligations.	08/06/18	Autumn Budget, 22 November 2017
Consultation	Consultation: Alternative method of VAT collection – split payment	A consultation on the government's current thinking on a split payment model for VAT collection. In particular, the consultation will look at how payment technology could be harnessed to extract VAT from online purchases from overseas sellers at the point of purchase.	29/06/18	Autumn Budget, 22 November 2017
Update Document	Corporate tax and the digital economy	The government's updated position paper builds on the paper published at Budget, reflecting feedback from stakeholders and setting out in more detail how the government thinks this challenge can be solved.	N/A - consultation closed 31 January 2018	Spring Statement, 13 March 2018

Announced in the last 12 months

Type	Consultation	Basic details	Announced	Published	End date
Consultation	Consultation: Taxi VED	At Autumn Budget 2017 the government announced that we would exempt zero emission capable taxis from the VED supplement that, from April 2019, will apply to cars costing over £40,000. On 6 March 2018 the government also announced that all eligible taxis bought from April 2018 will not have to pay the supplement at all. This consultation sets out how the exemption will work in practice.	Autumn Budget, 22 November 2017	06/03/18	29/05/18
Consultation	Consultation: Review of the corporate intangible fixed assets regime	This consultation is a review of the corporate intangible fixed assets regime.	Autumn Budget, 22 November 2017	19/02/18	11/05/18
Consultation	Consultation: Extension of offshore time limits	HMRC is inviting views on how we should legislate to extend the time limits to assess tax in cases involving offshore income, gains or chargeable transfers.	Autumn Budget, 22 November 2017	19/02/18	14/05/18
Consultation	Consultation: Tackling the hidden economy	The consultation proposes 'conditionality' measures which would tackle the hidden economy by introducing tax-registration checks into some licensing processes. It suggests licensing regimes which could introduce conditionality. It seeks feedback on their suitability for the proposed changes, and outlines ways that tax-registration checks could be administered and enforced.	Autumn Budget, 22 November 2017	08/12/17	02/03/18
Consultation	Consultation: Royalty withholding tax	This consultation focuses on the design of legislation regarding the circumstances in which royalties and other types of payment made to connected persons not resident in the UK have a liability to income tax.	Autumn Budget, 22 November 2017	01/12/17	23/02/18
Consultation	Consultation: VAT and vouchers	A consultation about transposing a recent EU VAT Directive into UK law.	Autumn Budget, 22 November 2017	01/12/17	23/02/18
Call for evidence	Call for Evidence: Rent-a-room relief	Rent-a-room relief was first introduced in 1992 to incentivise individuals to make spare capacity in their homes available for rent. The government intended this to increase the quantity and variety of low-cost rented housing. This call for evidence invites evidence on: the use of the relief; whether the relief works as intended; and options for reform.	Spring Budget, 8 March 2017	01/12/17	23/02/18
Consultation	Consultation: Plant and machinery lease accounting changes	This consultation looks at the accountancy and tax interaction of leasing; in particular in relation to plant or machinery, but also in relation to the wider impact of the accounting change.	Autumn Budget, 22 November 2017	01/12/17	28/02/18
Consultation	Consultation: Corporation tax treatment of lease payments	A consultation on the options for amendments to the Corporate Interest Restriction rules.	Autumn Budget, 22 November 2017	01/12/17	28/02/18
Consultation	Consultation: Making Tax Digital: interest harmonisation and sanctions for late payment	The government is seeking comments on the proposed way forward in relation to interest and late payment penalties.	20/03/2017	01/12/17	02/03/18

Consultations continued

Type	Consultation	Basic details	Announced	Published	End date
Position Paper	Position paper: Corporate tax and the digital economy	This position paper sets out the government's view on the challenges posed by the digital economy for the corporate tax system and its preferred solutions.	Autumn Budget, 22 November 2017	22/11/17	31/01/18
Consultation	Consultation: Taxing gains made by non-residents on UK immovable property	This consultation describes the government's proposals for the intended scope of new rules to charge non-residents to tax on gains realised from disposal of interests in UK property, and invites comments and feedback on particular issues and impacts of the policy.	Autumn Budget, 22 November 2017	22/11/17	16/02/18
Consultation	Consultation: Making Tax Digital: sanctions for late submission and late payment	This consultation sets out three possible models for late submission penalties and provides an update on late payment penalty interest.	31/01/17	20/03/17	11/06/17
Consultation	Consultation: Fraud on provision of labour in construction sector: consultation on VAT and other policy options	Consultation on policy and legislative options to tackle fraud on the provision of labour in the construction sector.	Spring Budget, 8 March 2017	20/03/17	09/07/17
Call for evidence	Call for evidence: Taxation of employee expenses	<p>Call for evidence to better understand the use of the income tax relief for employees' business expenses, including those that are not reimbursed by their employer.</p> <p>At Autumn Budget 2017, the government published a response, and two announcements will lead to legislative changes. To reduce the burden on employers, from April 2019, they will no longer be required to check receipts when reimbursing employees for subsistence using benchmark scale rates. The existing concessionary accommodation and subsistence overseas scale rates will be placed on a statutory basis, to provide greater certainty for businesses.</p>	Autumn Statement, 23 November 2016	20/03/17	10/07/17
Consultation	Consultation: Employment status	We are seeking views on how to make the employment status rules for employment rights and tax clearer for individuals and businesses.	Autumn Budget, 22 November 2017	07/02/17	01/06/18

What to do next?

Our summary focuses on the tax issues and measures likely to affect you, your family and your business that were announced in the Autumn statement and the budgets earlier this year.

We will issue updates and insights into the changes introduced by the budget via our website and our clients will be notified of these updates, so please do keep an eye out for emails from us.

If you would like to discuss how the budget affects your particular situation please contact your usual WMT partner, a member of the WMT tax team or call 0800 158 5829.



Anne-Maree Dunn
Client Partner and Head of Tax

Anne-Maree Dunn is the tax partner at WMT Chartered Accountants, having been part of the team here since 1988. She is a Chartered Accountant and Tax Adviser, and works with a wide variety of owner-managed businesses and private individuals on a range of tax and business advisory services.

Anne-Maree's particular areas of specialism are in family business issues, exit strategies for owner managers, property matters, capital gains tax, group reorganisations as well as tax efficient share and reward schemes.

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Peter Davies
Employment Tax Partner and Head of Hospitality Services

Peter Davies is a former Inland Revenue investigator with extensive experience in enquiries carried out by HM Revenue and Customs.

Since joining the accountancy profession in 2004 Peter has advised businesses on employment tax issues including benefits in kind, PAYE and National Insurance, and more specialised areas such as employment status and termination payments.

He also advises hospitality businesses (where he is a recognised national expert) and the construction industry on specific tax issues affecting these sectors.

Peter's advice is always practical and straightforward and he manages to make technical tax issues accessible and understandable.

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What should I do next?



Paula Jeffs
Private Client Partner

A Chartered Tax Adviser (CTA) and member of the Society of Trust and Estates Practitioners (TEP), Paula leads WMT's private client services. She advises clients on all aspects of personal tax planning, maximising tax saving opportunities now and for the future.

Both UK and non-UK domiciled individuals, look to Paula to resolve their planning concerns. In particular, they look to her for planning guidance around income tax, capital gains tax, inheritance tax and property. She also advises on probate and the tax implications that arise during separation and divorce.

Paula's expertise lies in passing on wealth through the use of trusts, inheritance tax planning, residency and the taxation of non UK domiciles.

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Rob Ennis
Employment Tax Director

Rob began his career as an Inland Revenue auditor, and retains a genuine enthusiasm for his area of specialism some twenty years later. He is experienced in advising organisations of every size and type on the full spectrum of employment taxes matters.

Rob covers everything from making sure employers are tax compliant through to the effect on employee taxation of major strategic changes – such as business restructuring, mergers and acquisitions. He also advises on share schemes and tax efficient rewards for employees, as well helping employers prepare for, and respond to enquiries and investigations from HMRC.

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