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WARREN & Son.

Autumn Budget 2018

INTRODUCTION . . . *Martyn Warren*

Like most accountants offices, 74 Wyndham Crescent has been a very busy place in the last day or two. We have just had a very unusual Budget, in that we are told that it will change completely in the event of a no-deal Brexit next March. The most relevant aspects of the Budget, as they are likely to affect our clients, include –

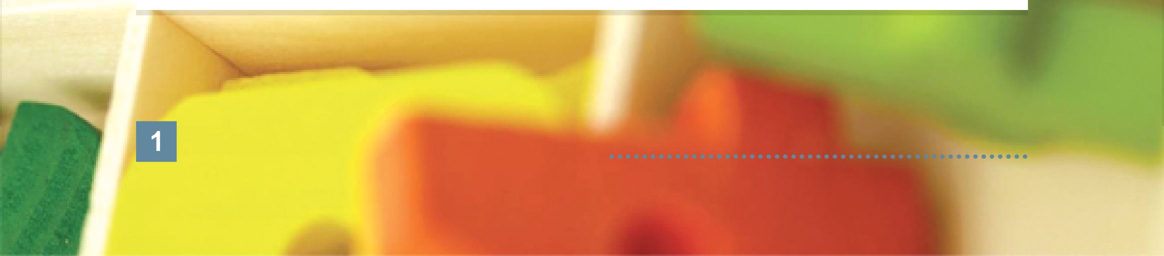
For anyone hoping that the introduction of 'Making Tax Digital' for VAT would be delayed, will be disappointed. There is now only five months before its introduction, so I would urge any of you who haven't acted on our August newsletter to contact us if you still have any concerns as to how you should proceed.

Back to the Budget, Individuals will benefit from an increase in the personal allowance to £12,500 for 2019/20 and 2020/21, while the basic rate limit for income tax will be increased to £37,500. This achieves the government's manifesto pledge of a higher rate tax threshold of £50,000 one year earlier than previously planned.

There were changes to capital gains tax. In an attempt to refocus Entrepreneurs Relief on genuine entrepreneurs, in order to qualify for the 10% rate of capital gains tax, there will be a new minimum two-year period of ownership required for sales made on or after 6 April 2019. The definition of a personal company will also be tightened up.

The cash flow of those selling second homes will be impacted by a new rule requiring a payment on account of any capital gains tax following completion. The tax rules for gains made by non-residents will also be tightened up and will apply equally to non-resident companies.

There is also a new restriction to lettings relief which is sometimes used by people who rent out their home for a period, perhaps because they have had difficulty finding a buyer. A maximum of £40,000 of capital gain per owner is exempt, but from April 2020, lettings relief will only be available where the owner and tenants are in shared occupation.



There were no significant announcements about VAT other than the fact that the VAT registration threshold will remain at £85,000 until 31 March 2022.

Fuel duty rates will also remain frozen for the tax year 2019/20, as will those for beer, cider and spirits.

The National Living Wage increases by 4.9%, from £7.83 to £8.21 an hour, from April 2019.

The government has responded to calls for financial help from the high street by introducing a cut on one-third off business rates for retail premises with a rateable value of up to £51,000 in 2019/20 and 2020/21.

As part of the government's plan to encourage growth, there will be a new Structures and Buildings Allowance for expenditure on or after 29 October 2018; as ever, the cost of land will not be eligible for relief.

The Annual Investment Allowance will be increased temporarily from £200,000 to £1m for expenditure incurred between 1 January 2019 to 31 December 2020.

There is welcome news for drivers of electric cars as the 100% first year allowance for electric charge-points will be extended for four more years, so encouraging more charging points to be made available.

There will be a new VAT reverse charge in the construction industry, starting on 1 October 2019, which will affect invoices between different businesses involved in a construction operation, who are not also the owners.

The 2017 changes to off-payroll working in the public sector will be extended to medium and large businesses in the private sector from April 2020. It will move responsibility for determining whether the off-payroll rules apply from the worker's personal service company (PSC) to the entity engaging the worker through a PSC.

From April 2020, the £3,000 employment allowance, which until now has been available to all employers to reduce their employers' National Insurance contributions liability, will only be available to employers with a liability below £100,000 in their previous tax year.

VALUE ADDED TAX

Delving more deeply into the Budget documentation you find additional, more technical, measures designed to tackle anti-avoidance tactics include the following -
Targeting the use of profit fragmentation by introducing legislation that prevents UK traders and professionals from avoiding tax by arranging for their taxable business profits to arise in territories where significantly lower tax is paid than in the UK. The taxable UK profits will be increased to the actual, commercial level. This comes into force on 1 April 2019

Clamping down on VAT avoidance from "VAT looping", where insurers reclaim otherwise irrecoverable VAT by exporting their services and then arranging for supply to a UK consumer to be made via an offshore -based associate. This comes into force on 1 March 2019

Tightening the guidance for VAT groups, to ensure that UK VAT is paid by businesses on services bought through their overseas establishments. This comes into force on 1 April 2019

Ensuring that the correct VAT is paid to HMRC when the price of a good or service changes. This comes into force on 1 September 2019

Checking that VAT is paid to HMRC even when a good or service is paid for by the consumer but not taken up ("unfulfilled supplies").
This comes into force on 1 March 2019

Preventing abuse of Entrepreneurs' Relief, removing a loophole where companies issue shares with little or no economic rights so that employees can claim a lower CGT rate on disposal.
This comes into force on 29 October 2018

Making directors liable for business taxes owed, where there is a risk of a company deliberately entering insolvency to avoid or evade tax.
This comes into force following Royal Assent of Finance Bill 2019 -20

Making HMRC preferred creditors on a liquidation.

Preventing abuse of the Research and Development tax credit for SMEs.

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