

# NMJN ACCOUNTANTS LTD

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## Autumn Budget 2017

The 2017 Autumn Budget is the first in the new tax policymaking cycle. The Government wants to provide greater certainty by allowing more time for consultation before changes are implemented having less changes.

Our summary of the main announcements are largely based upon material available on the gov.uk website.

### Income Tax: Rates and allowances

The Government has confirmed its commitment to increase the basic personal allowance to £12,500 and the higher rate threshold to £50,000 by 2020. For 2018-19 the personal allowance and the higher rate threshold will have inflationary increases to £11,850 and £46,350 respectively.

The £5,000 band of savings subject to the 0% starting rate is unchanged for 2018-19 and so is the £20,000 ISA limit although the limit for Junior ISAs and Child Trust Funds will increase to £4,260. The lifetime allowance for pension savings will increase to £1,030,000 for 2018-19.

National Living Wage increases to £7.83 per hour in April 2018.

### Income Tax: Company cars and vans

The van fuel benefit charge increases to £633 and the flat-rate van benefit charge increases to £3,350 for 2018-19 and the multiplier for the car fuel benefit charge increases to £23,400,

The 3% diesel supplement which is added to the appropriate percentage for calculating taxable fuel benefits is increased to 4% from 6 April 2018 although the maximum percentage is unchanged at 37%. It is estimated 800,000 company car drivers will be affected by this change.

Cars with NOx emissions not exceeding 80mg/Km will not be subject to any supplement although it is thought that few, if any, cars will meet this new EU standard in 2018 or 2019.

### Income Tax: Marriage allowance

Married taxpayers can transfer up to 10% of their unused personal allowance to their partner giving a potential saving of £230 in 2017-18. From 29 November 2017, claimants will be able to backdate their claims by up to 4 years, and will now be allowed to make a claim where a partner has died before the claim was made.

### **Income Tax: Off-payroll working**

The Government claims that following their radical reform of off-payroll working rules, usually referred to as IR35, in the public sector compliance in that area is much improved. As a result they would now like to extend the reforms to the private sector, and a period of consultation is promised before any reforms are introduced.

### **Income Tax: Rent-a-room relief**

The Government has indicated it wishes to ensure the relief is better targeted at long term lettings.

### **Income tax: Mileage rates for landlords**

In order to reduce the administrative burden on individuals operating property businesses, the option to use approved mileage rates for business travel will be extended to landlords. The new measure will have effect from 6 April 2017.

### **Income tax: Employee business expenses**

Various changes are proposed:

- The extent of tax relief available to employees (and the self-employed) for work-related training costs is to be extended.
- Employers will no longer be required to check receipts when reimbursing subsistence claims using benchmark scale rates from April 2019. The existing concessionary scale rates for overseas accommodation and subsistence claims will be replaced by statute.
- A consultation will be held to determine how to improve the guidance on employee expenses, particularly travel and subsistence, including an easier process for claiming tax relief for non-reimbursed expenses.

### **Income Tax: Armed forces personnel**

Certain allowances paid to armed forces personnel for renting or maintaining property in the UK private sector will be made exempt from income tax and NICs.

### **Income Tax: Carers**

Qualifying care Relief will apply to expenses incurred when providing care to ensure carers only need keep simple records.

### **Income Tax: Venture capital Trusts and Enterrise Investment Scheme**

Various changes will take effect for investments on or after 6 April 2018 designed to encourage investment in knowledge-intensive companies. For example, the EIS investment limit of £1m is increased to £2m provided any investment in excess of

£1m is in a knowledge-intensive company.

Legislation is to be introduced in Finance Bill 2017-18, to take effect from Royal Assent, intended to ensure that tax-advantaged VCTs continue to focus on long-term investment in higher risk growth companies.

### **Capital Gains Tax: Payment date**

There is to be a deferral until April 2020 on the introduction of the proposed 30-day window for paying tax on gains from a disposal of residential property.

### **Stamp Duty Land Tax: Higher rate on additional dwellings**

There will be the introduction of changes which include cases where an individual buys a property from a spouse or civil partner and the right to disregard certain property interests retained by a former spouse or civil partner following the dissolution of a marriage or partnership.

### **Stamp Duty Land Tax: First-time buyers**

First-time buyers paying £300,000 or less will pay no SDLT from 22 November 2017, and on properties costing between £300,000 and £500,000, SDLT will be charged at 5% on the excess over £300,000. The normal rates will apply to properties costing in excess of £500,000.

### **Corporation Tax: Indexation allowance**

Indexation allowance will be frozen on 1 January 2018 so there is no relief for inflation gains accruing after that date.

### **Fuel Duty**

The Government has frozen fuel duty for the eighth year in a row.

### **Duty on beer, wine, cider, spirits and tobacco**

Cheap high-strength cider will be subject to a new bank of duty, but duty on all other alcohol will be frozen. Cigarette duty will increase by 2% above inflation, and hand-rolling will increase by 3% above inflation.

### **Value Added Tax: Registration threshold**

The government will consult on the design of the VAT threshold and until the process has taken place so the current level of £85,000 will remain in place for two years from April 2018.

### **Value Added Tax: Imports**

Businesses currently benefit from postponed accounting for VAT when importing goods from the EU. The Government has said this cash flow advantage will be taken into account when

considering changes to be implemented following Brexit.

### **Annual Tax on Enveloped Dwellings: Rates**

ATED charges are increased by 3%, in accordance with rises in CPI, with effect from 1 April 2018. As a result, the entry level charge for properties with a value between £500,001 and £1m rises from £3,500 to £3,600.

### **Trusts**

A consultation on how to make the taxation of trusts simpler, fairer and more transparent will begin in 2018.

### **Tax Evasion**

A number of measures have been announced:

- The Government will publish a consultation response on the proposed requirement for designers of certain offshore structures to provide HMRC with details of the structures and the clients using them.
- Consultation will start in Spring 2018 on proposals to extend the assessing time limit to 12 years in cases of offshore tax non-compliance without first having to establish the non-compliance is deliberate.
- Following the consultation on VAT fraud in construction industry labour supply chains, changes are proposed to take effect from 1 October 2019.
- Government is to consult on a measure referred to as conditionality intended to make it more difficult to trade in the hidden economy. Conditionality involves making the issue of some public sector licences conditional upon being registered for tax.
- There are also a number of announcements in connection with online VAT fraud.

### **Tax Avoidance**

A number of measures are announced. Most are targeted at particular abuses or perceived abuses but perhaps two are of more general interest. First is the announcement of a consultation to consider ways of preventing traders and professionals avoiding tax by fragmenting income between unrelated entities. Second is the removal, with effect from 22 November 2017, of the 6-year time limit within which companies must adjust losses arising from depreciatory transactions.

### **Tax administration and compliance**

Changes will take effect on 6 April 2019 enabling the recovery of Self-assessment debts through PAYE codes and following consultation, a new system of late submission penalties and interest is proposed. The certificate of Tax deposit scheme will cease on 23 November 2017 but existing certificates will continue to be honoured for a further 6 years.