

Autumn Budget 2018

Summary of the Facts



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Commentary

Chancellor Philip Hammond presented the first Monday Budget since 1962 on 29 October 2018 - his final speech before the UK leaves the EU.

To commemorate the occasion of the UK leaving the EU, The Royal Mint will produce a new 50p Brexit coin. Will it become as valuable as the George Best £5 note?

The headlines for Northern Ireland are:

- an extra £320 million pledged to the Northern Ireland Executive's Budget through to 2020/21,
- £300 million for schools in shared and cross community education,
- £2 million for the Belfast city centre recovery from the recent Primark fire
- £350 million for the Belfast City Deal with further negotiations continuing on the Derry~Londonderry and Strabane City Region Deal.

“...given the looming impact of Brexit for Northern Ireland especially, there was nothing announced to sweeten the deal for our local businesses.”

The Chancellor announced this as a budget for “the strivers, the grafters, and the carers who are the backbone of our economy”.

There were a number of initiatives announced for England. However, given the looming impact of Brexit for Northern Ireland especially, there was nothing announced to sweeten the deal for our local businesses.



Business Taxes

Annual Investment Allowance (AIA)

The Annual Investment Allowance has been increased temporarily for two years from 1 January 2019 to 31 December 2020. Businesses will receive an increased incentive to invest in qualifying expenditure in plant and machinery up to £1 million per year during this period. The AIA is currently £200K per year.

This was one of the few surprises of today's Budget. It will encourage business to invest in their future as well as stimulating investment in the economy. It is also a potential planning opportunity as the timing of purchases may need to be considered, to avail of this valuable relief.

Capital Allowances - Special Rate Pool Writing Down Allowance

Capital allowances allow business to write off the cost of investing in capital assets, such as plant and machinery, against their taxable income. Special rate expenditure includes expenditure on long-life assets, thermal insulation, integral features and expenditure on cars with CO₂ emissions greater than 110 grams per kilometre after 1 April 2018.

Writing down allowance on these special rate pool assets will reduce from 8% to 6%.

Reducing this rate will mean that business will continue to receive the full tax relief to reflect the depreciation of these assets but over an extended time frame.

Enhanced Allowances for Energy & Water Efficient Plant & Machinery

Business purchasing qualifying plant and machinery, as listed on the energy technology list (ETL) and Water Technology List (WTL), will no longer be able to claim first year allowances from April 2020 onwards.

The scheme currently allows businesses to claim 100% of the cost of investment in qualifying plant and machinery and write it off against their taxable income in the period of investment.

This measure will end the first year allowances of assets on the ETL and WTL from April 2020 onwards.

First Year Allowance (FYA) for Electric Charge Points

Businesses incurring qualifying expenditure on the acquisition of new and unused electric charging points, will be able to claim 100% FYA on the expenditure. This measure has been extended from the previous announcement.

This is a welcome announcement as it will encourage the use of electric vehicles by supporting development and installation of electric charging equipment. It will help promote the use of cleaner vehicles by making the charging points more readily available. It complements the 100% FYA for expenditure on cars with low carbon dioxide emissions and 100% FYA for expenditure on zero-emission goods vehicles.

Structure & Building Allowance (SBA)

This is a new initiative for new non-residential structures and buildings which will be eligible for 2% capital allowances. Relief will be provided on eligible construction costs incurred on or after 29 October 2018.

This new incentive will address the current gap in the capital allowance system where previously no relief was available for most structures and buildings.

The SBA will ensure expenditure on the new commercial structure and buildings will be relievable over time through the tax system.

This incentive will encourage investment in construction of new structures and buildings that are intended for commercial use.

It will include:

- the necessary work to bring them into existence
- improvement of already existing structures and buildings
- the cost of converting existing premises for use in a qualifying activity.

This is similar to the previously phased out Industrial Buildings Allowances (IBAs).

Corporate Tax Loss Restriction

The 50% restriction which applies to income losses brought forward for large companies will now also apply to capital losses brought forward for large companies.

Business Taxes

Research & Development

The Research & Development (R&D) tax credit that small and medium sized loss-making companies can claim is to be restricted. Currently businesses can claim a payable credit of 14.5% of the value of the R&D claim and from 1 April 2020 this is to be restricted to three times the company's total PAYE & NIC liability for that year.

This may be an unwelcome announcement for small companies investing in their future.

Non-UK Resident Companies

From 6 April 2020, non-UK resident companies carrying on UK property business will be charged to Corporation Tax in the UK rather than Income Tax.

Any Income Tax losses will be available to carry forward against their profits now chargeable to Corporation Tax.

New Business Tax

A new 2% digital services tax on UK revenues of big technology companies has been announced to take effect from April 2020.

It applies to profitable companies with global sales of more than £500m and will apply to revenue generated from UK digital users.

This tax is expected to generate £400m tax per year.

Private Finance Initiative (PFI)

PFI contracts, which have historically been used to finance school and hospital builds are to be abolished.

Income Taxes

Income Tax Rates & Thresholds

The Chancellor announced that the personal allowances will increase to £12,500 for the 2019/20 tax year, one year earlier than planned.

The basic rate band, taxed at 20%, will increase to £37,500 and the higher rate threshold, taxed at 40%, will increase to £50,000.

The Lifetime Allowance for pension savings will increase to £1,055,000 for 2019/20.

The starting rate for savings income will remain unchanged at £5,000 for 2019/20.

The dividend allowance will remain unchanged at £2,000 for 2019/20.

National Living Wage (NLW)

From April 2019, the NLW will increase to the following for workers aged:

- 25 years old and over - increase from £7.83 to £8.21
- 21 to 24 years old - increase from £7.38 to £7.70
- 18 to 20 years old - increase from £5.90 to £6.15
- 6 to 17 years old - increase from £4.20 to £4.35

The apprentice rate for those aged under 19 or in the first year of apprenticeship will increase from £3.70 to £3.90 per hour.

Van Benefit Charge & Fuel Benefit Charges for Cars & Vans

From 6 April 2019, employers who provide employees with vans which are available for private use will see an increase in the level of

taxable benefits arising on the van and the fuel provided. The flat rate van benefit charge will increase from £3,350 to £3,430 and the multiplier for the car fuel benefit charge will increase from £23,400 to £24,100 from April 2019. The flat rate van fuel benefit charge will increase to £655.

This continues an upward trend of taxing company vehicles.

NIC Employment Allowance

This allowance which can reduce employers NIC liabilities by up to £3,000 will no longer be available to organisations with a total employers NIC liability of over £100,000 in the previous year.

This allowance is now targeted toward smaller businesses where it will be of greater benefit.

VAT

VAT Thresholds

The VAT registration threshold of £85,000 and deregistration threshold of £83,000 will remain unchanged for the next 2 years.

This will be a welcome announcement with Making Tax Digital (MTD) for VAT registered businesses commencing in April 2019. This is particularly important for businesses near the current registration threshold, as they continue to fall outside the scope of MTD.

Treatment of Vouchers from 1 January 2019

Businesses issuing single-purpose vouchers will account for VAT on issue and not redemption.

Multi-purpose vouchers will have VAT due on redemption of those vouchers and not on issue.

This means that businesses dealing with the buying and selling of multi-purpose vouchers will not be able to claim VAT on the costs of that activity.

Reverse Charge for the Construction Sector

From 1 October 2019, the reverse charge will apply to the supply of services within the construction industry.

This is to combat 'Missing Trader' fraud and is similar to the reverse charge that applies to subcontractors operating in the Republic of Ireland.

Stamp Duty Land Tax (SDLT)

Relief for Shares Equity Purchases

With immediate effect, first-time buyers involved in share-equity purchases (co-ownership) of up to £500,000 will be exempt from stamp duty.

Higher Rates

Currently, a higher rate of SDLT

applies when individuals are purchasing a residential property when they already own at least one other, and are not yet replacing their main residence.

Relief from higher rate SDLT is available where the old residential home of sold within 3 years of

buying the new home.

The new measure extends the period of reclaim of stamp duty to the later of 1 year from selling the old home or 1 year from filing the SDLT return for the new home.

Charities

Gift Aid Small Donations Scheme

Small donations for Gift Aid Small Donations Scheme are currently restricted to cash and contactless payments of £20 or less. From 6 April 2019, this limit will be increased to £30 in line with the limit for contactless payments.

This increase will be appreciated by many charities.

Increases to Charities' Small Trading Exemption Limits

The small trading tax exemption

limits for charities have been increased. This is for trading that is not the charity's main purpose.

The limits from 6 April 2019 are:

- Maximum trading £8,000 for annual charity income under £32,000
- Maximum trading 25% of income for annual charity income between £32,000 and £320,000
- Maximum trading £80,000 for annual charity income over £320,000

Anti-Avoidance

Off-Payroll Working in the Private Sector

Changes to the off-payroll working rules (known as IR35) which put the responsibility on the organisation engaging the worker to determine the employment status of workers, will apply to the private sector from April 2020. However, small organisations will remain exempt.

This brings the rules for the private sector in line with the rules for the public sector.

Offshore Receipts in respect of Intangible Property

A UK Income Tax charge on offshore receipts in respect of intangible property is being introduced from 6 April 2019. This charge applies to multinational groups which generate significant income from intangible property such as royalties but who receive that income in countries or jurisdictions with no or low tax.

There will be exemptions such as companies with UK sales not

exceeding £10m in a tax year or where most of the trading activity traditionally was carried out in that low tax country or jurisdiction.

Anti-avoidance rules also come into effect from 29 October 2018 to catch arrangements which may be put in place with the aim of avoiding this new charge.

The aim is to level the playing field for other businesses operating in the UK.

Excise Duties

Air Passenger Duty

Short haul rates for Air Passenger Duty for the 2020/21 year will remain frozen at current levels. The long-haul rate for the tax year 2020/21 will increase in line with the RPI, with the standard rate increasing to £26 and the higher rate increasing to £78.

Tobacco Duty

The duty rate on all tobacco products will continue to increase by 2% above inflation.

Fuel Duty

Fuel duty remains frozen for the ninth year in a row.

Alcohol Duty

Alcohol duty remains frozen on beer, cider and spirits. Wine duty is to rise in line with inflation.

Soft Drinks Industry Levy

From 1 April 2019 the movement of soft drinks liable to the sugar tax between the UK and Isle of Man will not be treated as an

import or export under the Soft Drinks Industry Levy.

Landfill Tax

Landfill tax for operators in Northern Ireland and England will increase from 1 April 2019 as follows:

- standard rate from £88.95/tonne to £91.35/tonne
- lower rate from £2.80/tonne to £2.90/tonne

Remote Gaming Duty

This will increase to 21% for accounting periods that begin on or after 1 October 2019 onwards. This applies to gaming over the internet, telephone, TV, radio or any other electronic communications.

Carbon Emissions Tax

This tax will only apply to emissions in excess of an installation's allowance from 1 April 2019 should the UK leave the EU without an agreement. It covers permit holders of

stationary installations such as power generators and certain large industrial premises and manufacturers such as food processing plants.





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