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Autumn Budget 2017:
The Budget, in full

Contents

Introduction

In today's Autumn Budget, the Chancellor focussed on the future, announcing measures designed to encourage investment, coupled with a continued focus on combatting tax avoidance. He also announced an extension of capital gains tax for non-UK residents on all UK real estate.

The next Finance Bill will be published on 1 December 2017.

1 Tackling tax avoidance, evasion and non-compliance

HM Treasury has today released a document summarising over 100 measures that have been introduced since 2010 to tackle tax avoidance, evasion, tax non-compliance and aggressive tax planning. This is part of the government's ongoing commitment to closing the tax gap and reducing the opportunities for aggressive tax planning, tax evasion and non-compliance.

HM Treasury state that these measures have brought in a further £160 billion of tax since 2010, with the tax gap falling by a quarter to 6% over the same time period. Criminal convictions for tax fraud have risen to 1,000 per year and HM Treasury predict that a further £4.8 billion will be raised from 18 proposed additional measures by 2022/23.

The further actions by the government in this area will include:

- Publishing the outcome of a consultation held previously on the requirement for designers of offshore structures that could be used to evade tax, to notify HMRC about such structures and the taxpayers using them. This will be taken forward with the OECD and EU;
- Introducing a new consultation to extend the assessment window for taxes linked to offshore tax non-compliance to at least 12 years (extending from either four or six years currently), without the need to prove that the non-compliance was due to deliberate behaviour. The existing 20 year time limit for deliberate errors will remain; and
- Publishing a call for evidence in spring 2018 to consider what more online platforms can do to prevent non-compliance amongst their users.

Alongside this, HMRC will introduce new technology to collect self-assessment debts more efficiently by making adjustments to PAYE tax codes with effect from April 2019.

The current announcements focus predominantly on further consultations to be released in spring 2018. As a result, any tax and operational changes may not take effect until spring 2019 at the earliest.

2 Real estate

2.1 UK real estate

Since April 2015, most non-UK residents have been subject to Capital Gains Tax (CGT) on gains arising on the sale of UK residential property, but not commercial property. The government have today announced their intention to tax gains made by all non-UK residents on the disposal of all UK real estate from April 2019, including commercial property. Some exemptions will apply, for example, for pension funds.

Under these proposals, as well as gains arising on the direct disposal of UK real estate by non-UK residents, gains arising on the disposal of an entity where greater than 75% of the gross asset value derives from UK land or property will also be brought within the scope of UK tax. The charge will arise on a sale of an interest by any owner who has held at least a 25% interest in the entity over the 5 years prior to disposal.

Rebasing to April 2019 will be available for direct and indirect disposals that are brought into charge as a result of these changes, so that only gains accruing from that date fall within the scope of tax. However, taxpayers may choose to use the original acquisition cost in calculating the gain on the direct disposal of an asset only. This may be beneficial for taxpayers if a loss has been made over the entire ownership period but a gain would accrue if the property was rebased to April 2019.

2.2 CGT payment deadline on disposals of UK residential property

The government will defer the introduction of the 30-day payment window for CGT on residential property disposals for all taxpayers until April 2020.

2.3 Non-resident landlords

Currently, non-UK resident companies owning UK real estate are subject to income tax on their rental profits. From April 2020, the taxable profits of non-resident corporate landlords will be subject to corporation tax rather than income tax.

2.4 Rent-a-room relief

The government is gathering evidence to establish how rent-a-room relief is used to ensure that this relief is better targeted at longer-term lettings.

2.5 Stamp duty land tax (SDLT)

Effective today, first time buyers paying £300,000 or less for a residential property will pay no SDLT. If there are joint purchasers, all of them will need to be first time buyers to qualify for the reduced rate.

For purchases over £300,000, no SDLT will be payable on the first £300,000 provided the consideration is not more than £500,000. This measure does not apply in Scotland. It will not automatically apply in Wales after 1 April 2018, when SDLT will be devolved to Wales.

3 The Enterprise Investment Scheme (EIS)

EIS exists in order to encourage investment in qualifying unquoted trading companies, by providing income tax and capital gains tax reliefs. Subject to various conditions, individuals are currently able to claim income tax relief on qualifying investments of up to £1m per annum.

From 6 April 2018, the annual EIS income tax relief limit will be increased to £2m, provided that the excess over the previous £1m limit is invested in qualifying 'knowledge-intensive' companies. Knowledge-intensive companies are those which are primarily engaged in the creation of intellectual property and/or which employ a high proportion of highly-skilled individuals.

There will continue to be no upper limit on the amount of capital gains that can be deferred in a tax year when EIS investments are made.

The annual limit on funding which a knowledge-intensive company may attract under the EIS, as well as the Venture Capital Trust (VCT) regime will also be increased from £5m to £10m.

In addition, a new condition will be added to the EIS, Seed EIS and VCT legislation, requiring that companies must be genuine entrepreneurial companies with objectives to grow and develop to qualify for the reliefs. This change is being introduced in order to exclude investments which are perceived by HMRC as purely 'tax-motivated', which currently receive tax relief but with limited risk to the investor's capital.

4 Rates and allowances

4.1 Income tax

The Chancellor has increased the income tax personal allowance for 2018/19 to £11,850 (from £11,500) and the basic rate band to £34,500 (from £33,500), giving a higher rate threshold of £46,350 for 2018/19. This is an increase based on the Consumer Prices Index (CPI) of 3% and keeps the Chancellor on track for these to reach his commitment of £12,500 and £50,000 respectively by 2020/21.

4.2 National insurance contributions (NICs)

The NIC limits for 2018/19 will also rise in line with the CPI. The upper earnings limit rises to £46,350 in line with the higher rate threshold, and the primary threshold for employees (above which NICs are payable) increases from £8,164 per annum by CPI to £8,424.

4.3 Capital gains tax

The annual exemption will increase to £11,700 (from £11,300) from April 2018.

5 Employment tax

In recent years a number of changes have been made targeting individuals who provide services to the public sector via an intermediary, such as their own company. The changes are intended to ensure these individuals are taxed as employees on payments received by the intermediary, where appropriate.

In 2018, the government will consult on extending these measures to the private sector.

6 Additional measures

In addition to the main measures summarised above, various additional changes were announced in the Autumn Budget 2017:

6.1 Closure of Certificate of Tax Deposit (CTD) scheme

Until today, taxpayers have been able to purchase a CTD to deposit money with HMRC and use it later to cover future tax liabilities, with interest being paid on the CTD depending on the amount deposited. The CTD scheme has been used by a range of taxpayers to meet their liabilities with HMRC, including to protect them from late payment interest and penalties where tax liabilities become due following disputes with HMRC, and were paid using CTDs.

The scheme will be closed for new certificates from 23 November 2017 but existing certificates will continue to be honoured for six years.

6.2 Restriction of indexation allowance for companies

Indexation allowance is a capital gains tax relief which takes inflation into account when calculating capital gains on disposals. The relief was abolished for individuals some time ago, and the government has now announced that they intend to legislate so that the relief will also be restricted for disposals of assets by companies on or after 1 January 2018.

The allowance for disposals occurring after 1 January 2018 will be frozen at the amount of indexation that would be been due based on the Retail Price Index for December 2017.

Companies within the scope of UK corporation tax will be affected by this measure. In addition individuals who own shares in certain non-UK resident 'closely-held' companies can be subject to capital gains tax on disposals by those companies, calculated using corporation tax principles. Such individuals will also be affected by these changes.

6.3 Review of trust taxation

The UK taxation of trusts, particularly non-UK trusts set up by non-UK domiciled individuals, have been subject to significant changes over recent years, and this is a complex area. The government have announced that it will launch a consultation in 2018 on how to make the taxation of trusts "simpler, fairer and more transparent". It is not yet clear whether such simplification is aimed at UK or non-UK trusts or both.

6.4 Entrepreneurs' relief

Entrepreneurs' relief is a CGT relief available to shareholders of trading companies who hold at least 5% of the ordinary shares and are an employee or officer of the company.

The government have announced that they intend to enable entrepreneurs who have invested in a company to retain entrepreneurs' relief after the company raises external finance by issuing additional shares, with the result that the individual's shareholding falls below 5% and entrepreneurs' relief would otherwise be lost. Provided the shares are issued for commercial purposes, entrepreneurs' relief is to remain available on gains accrued up to the date the new shares are issued. The government plans to consult on this point in spring 2018 and introduce this measure from April 2019.

6.5 Gift Aid

Under current legislation donors to charities can receive a small benefit from the charity without gift aid status for the donation being lost. The rules on this are to be simplified from 6 April

2019. For the first £100 of donation, a benefit of up to 25% of the donation will be allowed. For higher donations, an additional benefit of up to 5% of the donation in excess of £100 will be permitted. The overall cap on the allowable benefit will remain at £2,500.

6.6 Removal of transitional provisions for taxation of carried interest

Changes will be made to ensure that carried interest arising on or after 22 November 2017 is subject to the 28% carried interest CGT rate (subject to any apportionment for non UK services of non-UK domiciled individuals) irrespective of the timing of the connected disposal of the investment by the fund.