

## Private Client: Budget – November 2017

The Chancellor was forced to admit that growth and productivity forecast had been downgraded, but despite this, Mr Hammond used the Budget to announce an investment package combined with the promise of planning reforms, stamp duty cuts for first time buyers and an ambitious pledge to fix Britain's housing market.

### Overview

This Budget promised to be a little unique, given that it is the first to take place in Autumn, since Kenneth Clarke's in 1993.

However, whilst there was concern Philip Hammond might introduce some radical changes, the result is something more subtle, with small changes in the background - all part of a long term strategy.

### Personal Allowances and Rate Bands

Personal allowances will increase to £11,850 from 6 April 2018, with the intention for this to rise to £12,500 by 2020.

The basic rate band will increase to £34,500 from 6 April 2018, and therefore higher rate tax will become payable on income above £46,350. It is the current Government's intention that the basic rate band will increase to £37,500 from 2020.

The starting rate band of £5,000, in respect of savings interest, has remained unchanged, meaning that income falling within this band will suffer tax at 0%.

Similarly, no changes have been announced with regards to the Dividend Nil Rate Band, which remains at £2,000 from 6 April 2018.

### Marriage Allowance

From 29 November 2017, marriage allowance claims on behalf of a deceased spouse or civil partner can be backdated for up to four years, if the entitlement conditions are met.

### Consultation on IR35

It has been reported that previous measures regarding IR35 have been successful, seeing better compliance from the public sector. As a result, further consultation will take place regarding the private sector in 2018.

### Benefit in Kind: Charging of Electric Cars

Where workplaces provide employees with facilities to charge their electric vehicles there will no longer be any benefit in kind levied on the employee.

### Taxation of employee business expenses

A consultation will take place in 2018 to consider extending the scope of the tax relief which employees and those who are self-employed can benefit from, with regards to work related training expenses.

### ISAs

Whilst it has been speculated that ISAs may be withdrawn, no changes have been announced and the annual subscription limit remains at £20,000. The Junior ISA limit will increase to £4,260 from 6 April 2018.

### Lifetime Pension Allowance

The Lifetime Allowance for pensions savings will increase to £1,030,000, in 2018/2019, in line with CPI.

### Earlier payment of self-assessment tax

From 6 April 2019 HMRC will use new technology to recover additional self-assessment tax via adjustments in PAYE codes, in an attempt to move the collection of tax nearer to real time.

In a separate move, the Certificate of Tax Deposit Scheme is being closed for new certificates from 23 November 2017, although existing certificates will be honoured for six years.

### Enterprise Investment Schemes and Venture Capital Trusts

From 6 April 2018, investment limits into knowledge - intensive companies will increase from £1m to £2m. From 6 April 2018, tax motivated investments will no longer qualify as EIS or VCT schemes, so no tax relief will be available. The Government wants EIS and VCT schemes to focus on companies with high growth potential, rather than those who focus on capital preservation, and wants to reduce the opportunity to use schemes just for investment purposes.

Individuals who invest into VCTs, who then have their shares bought back and reinvested into new shares in the same scheme within 6 months will now have their tax relief restricted. Additionally, if a merger of schemes takes place, relief will also be restricted, unless the individual was unaware of the proposed merger when the investment took place. These measures are being backdated to 6 April 2014.

### National Insurance Contributions: Class 4 & Class 2

For self-employed individuals, class 4 NI was due to increase in both 2018 and 2019. This increase has now been abolished.

In addition, class 2 NI was to be abolished from April 2018, and the treatment of NI on termination payments and sporting testimonials was to be reformed. All of these changes will now take place from April 2019.

### Offshore tax: Extended time limits

New time limits for assessing non-deliberate, non-compliance of offshore income, assets and structures will be implemented in 2019.

Currently, the rules allow HMRC to assess tax on those listed above, in the last four or six years. However, this will be extended to twelve years, without HMRC having to establish non-compliance.

### Stamp Duty Land Tax: first time buyers

From 22 November 2017, first time buyers will benefit from a permanent exemption from SDLT on purchases up to £500,000, which will abolish SDLT on the first £300,000. Where there are joint purchasers, both must be first time buyers to qualify for the relief.

### Stamp Duty Land Tax: additional rate changes

A 3% additional SDLT charge can arise in cases where the purchaser of a residential property holds other residential property or is a company.

Relief from the charge will be granted to individuals in certain instances e.g. divorce.

The Government will also introduce anti avoidance rules to prevent abuse of relief for replacement of a purchaser's only/main residence, with effect from 22 November 2017.

### Empty houses council tax premium 50% to 100%

Currently, local authorities have the option to charge a 50% council tax premium on "empty homes". This is set to increase to a 100% council tax premium, with a view to encourage bringing empty homes back into use.

This may affect individuals who hold properties purely for capital appreciation purposes or buy to let landlords of unfurnished properties.

### Changes affecting landlords

Landlords were previously allowed to deduct motoring expenses based on mileage rates (45p / 25p per business mile), instead of deducting apportioned actual costs and capital allowances, by virtue of an Extra Statutory Concession. This has now been legislated for.

HMRC will be consulting on how Rent a Room Relief is currently used. This relief can exempt up to £7,500 of rental income from renting out a room in your home.

### Non resident company landlords

At present, non-UK resident individuals are subject to tax on gains from the sale of UK residential property, but not commercial property, as are non-UK resident companies caught under ATED rules.

From April 2019, the Government intends to extend the tax charge for both non-UK resident individuals and companies to include gains arising from the sale of UK commercial property,

as well as gains on the sales of shares in companies which derive their value from UK property.

Commercial properties and shares in property-rich companies held by non-UK residents will be re-based to their April 2019 market value so that only increases in value after that date will be taxed

From April 2020, non-UK resident companies will be subject to corporation tax on their UK rental income and gains. At present, such companies are subject to income tax on rental income from UK properties and capital gains tax on residential properties.

### Capital gains tax payments on residential properties

Plans to introduce a 30-day payment window, with regards to CGT due on the sale of a residential property, have been delayed until April 2020. This would bring capital gains tax on all residential properties, in line with the rules already introduced where such properties are disposed of by non-UK tax residents.

### Longer tenancies

The Chancellor announced that the Government would be consulting on barriers to longer tenancies in the private rented sector and how they might encourage landlords to offer them to those tenants who want the extra security.

### Business Rate changes

The Chancellor announced that to create fairness in the system the planned switch in indexation from RPI to the main measure of inflation (currently CPI) will be brought forward to 1 April 2018.

Legislation will also be introduced retrospectively to address the so called "staircase tax". This will allow businesses to ask the Valuation Office to recalculate valuations so that bills are based on previous practice backdated to April 2010.

Non-domestic property ratepayers will also have their revaluations carried out more frequently. After the next revaluation, future revaluations will now be carried out every three years rather than every five with the next revaluation due in 2022.

### Start the conversation today

Contact your BHP account manager or one of our tax specialists.

**Chris Humphreys**

chris.humphreys@bhp.co.uk

**Elaine Skelton**

elaine.skelton@bhp.co.uk

Sheffield / Cleckheaton / Leeds / Chesterfield / York

www.bhp.co.uk

0333 123 7171

@bhpaccountants

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