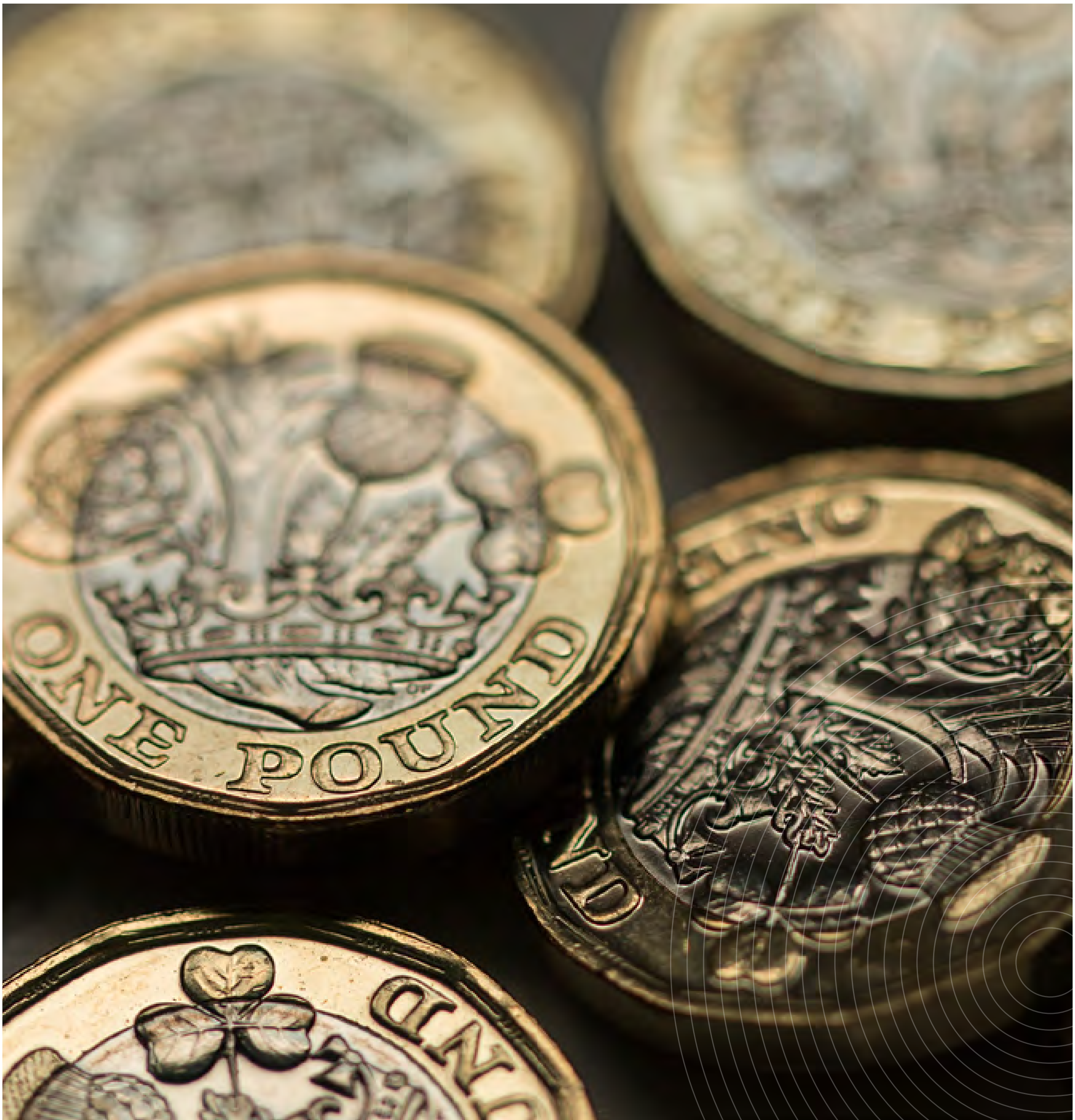
BARTFIELDS

Your Guide To The 2017

Autumn Budget



Your Guide To The 2017 Autumn Budget

How will the changes this year affect you?

Introduction

The first Autumn Budget gave many watching cause to smile with Chancellor Philip Hammond on fine form with his jokes, banter and need for cough sweets – which coincidentally, whether sugar free or not, have VAT charged!

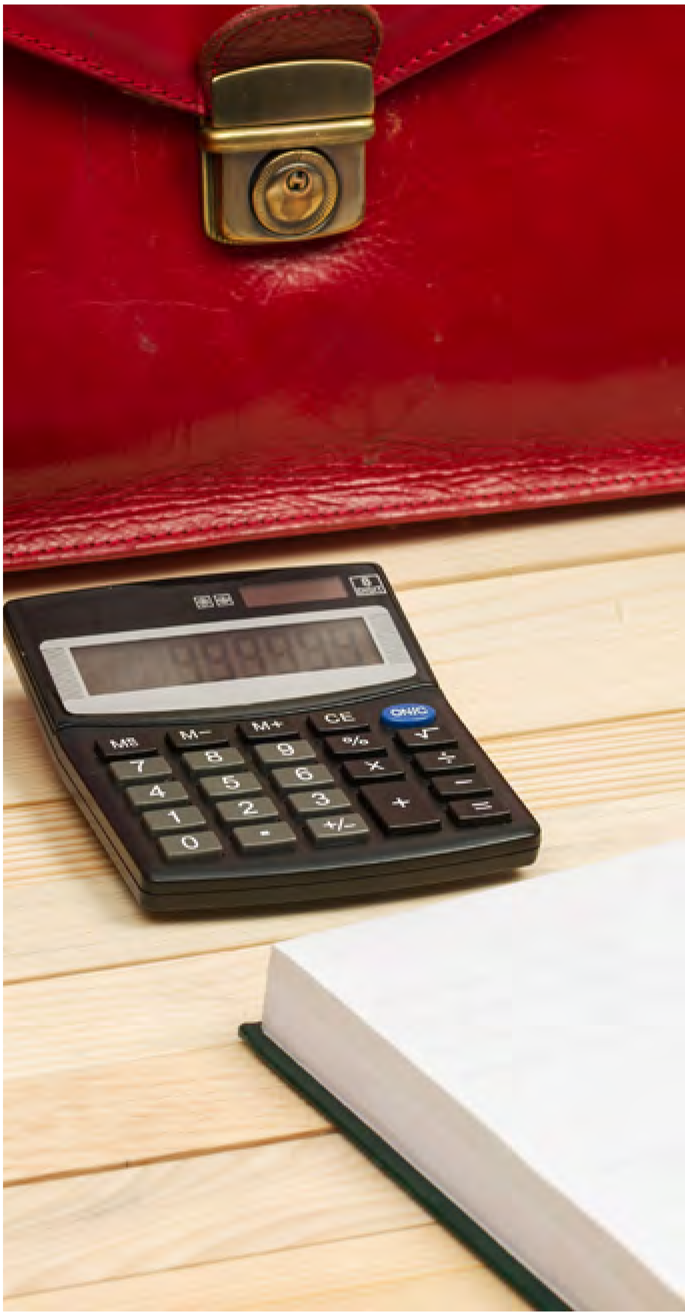
The rates of tax have now become slightly more complicated as the power to vary the tax rates and thresholds of Non-Savings, Non-Dividend income for Scottish taxpayers were devolved to the Scottish Parliament in April 2017. The Income Tax Personal Allowance and all other elements of the Income Tax system remain part of the Chancellors responsibility.

With this in mind, from April 2018 the Personal Tax Allowance is increased to £11,850 and this is for all UK taxpayers.

There will be no change to the income limit for the phased withdrawal of the personal allowance which remains at £100,000.

Top Tip – it is always worth considering if there is any action which can be taken to ensure individual income is below this £100,000 threshold. Bearing in mind, the effective rate of tax on the proportion of income between £100,000 and £123,700 is **60%**!

All other personal tax allowances will increase by around 3% from April 2018.



Income Tax Rate Bands for taxpayers in England, Wales and Northern Ireland

Starting Rate for savings will not be increased in line with inflation but will remain at £5,000.

Once the individuals Personal Tax allowance has been exceeded the balance is then taxed as follows:

- On the taxable income between £1 and £34,500, basic rate tax will be payable at 20%.
- On the taxable income between £34,501 and £150,000, higher rate tax will be payable at 40%.
- On the taxable income over £150,000, additional rate tax will be payable at 45%.

Income Tax rates and thresholds on non-savings, non-dividend income for Scottish taxpayers are set by the Scottish Parliament. The rates and thresholds have not been set as yet for 2018/19 for Scottish Taxpayers.

It is worth noting that the Dividend Allowance is confirmed as reducing from £5,000 to £2,000 from April 2018 with the potential for further tax liabilities.

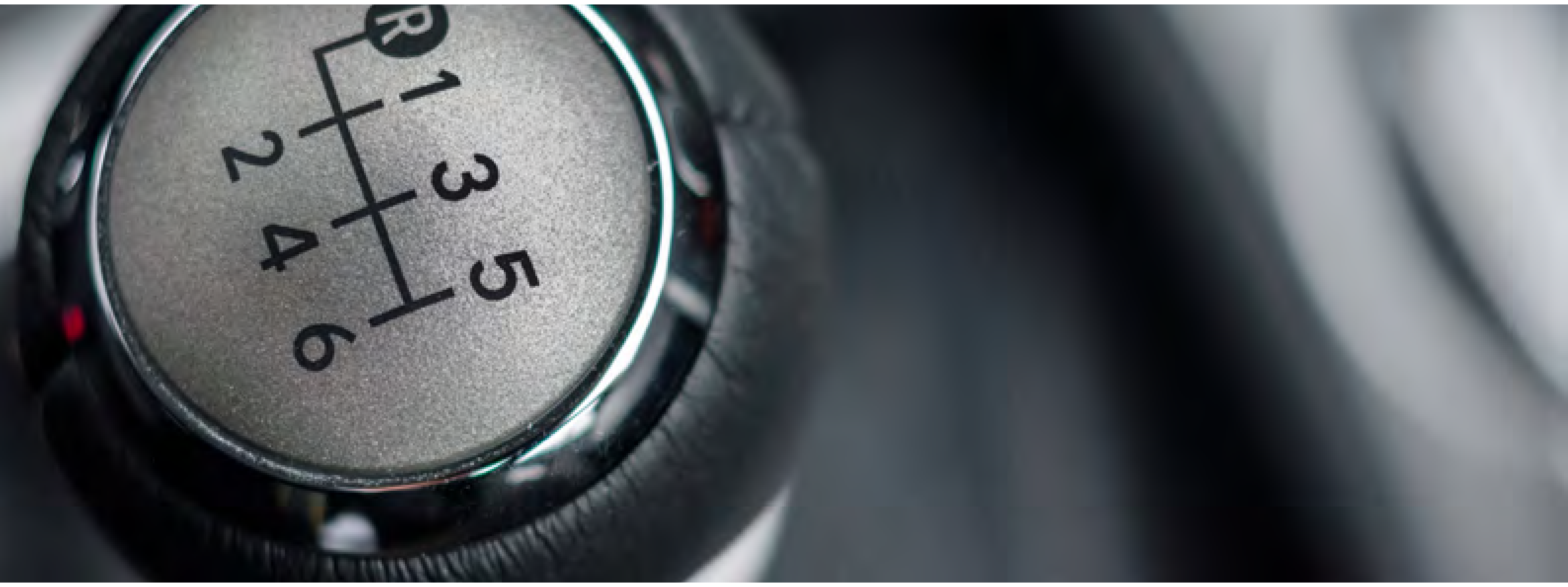
Top Tip – if you would like to review the potential tax liabilities as a result of the changes to the Dividend Allowance, please contact us.

Diesel Cars

Diesel cars were targeted in the budget with those cars not meeting the Real Driving Emissions Standard subject to a 4% higher scale charge for the purposes of company car tax. This is in comparison with their petrol counterpart. Previously the supplement was only 3% more. The effect of this will be to increase the taxable benefit of using a diesel company car.

For Vehicle Excise Duty (VED commonly known as Road Tax), new diesel cars first registered after 1st April 2018 will have their VED First-Year rate calculated as if they were in the VED charging band above.

Top Tip – If you are considering your options regarding a company car, leasing or purchasing a vehicle or taking a cash allowance from your business for mileage, why not ask us to review the most cost effective option for you?



New diesel cars first registered after 1st April 2018 will have their VED First-Year rate calculated as if they were in the VED charging band above.

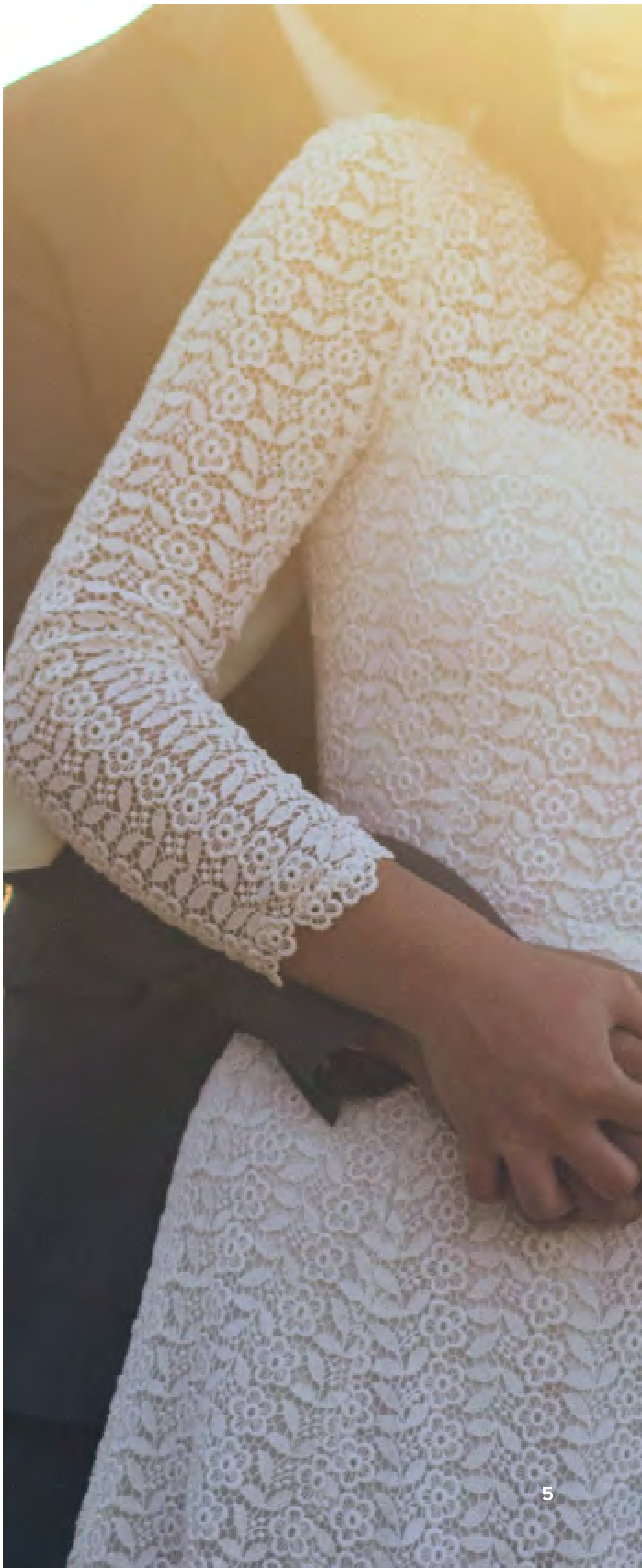
Marriage Allowance

It will be possible from 29th November 2017 for a claim for the Marriage Allowance to be made in respect of a deceased spouse or civil partner and for that claim to be backdated for up to four years.

The Marriage Allowance allows individuals to transfer 10% of their personal allowance to their spouse or civil partner where the recipient is not a higher rate or additional rate taxpayer and they are not in receipt of the Married Couple's Allowance.

Individuals are able to backdate claims for up to four years.

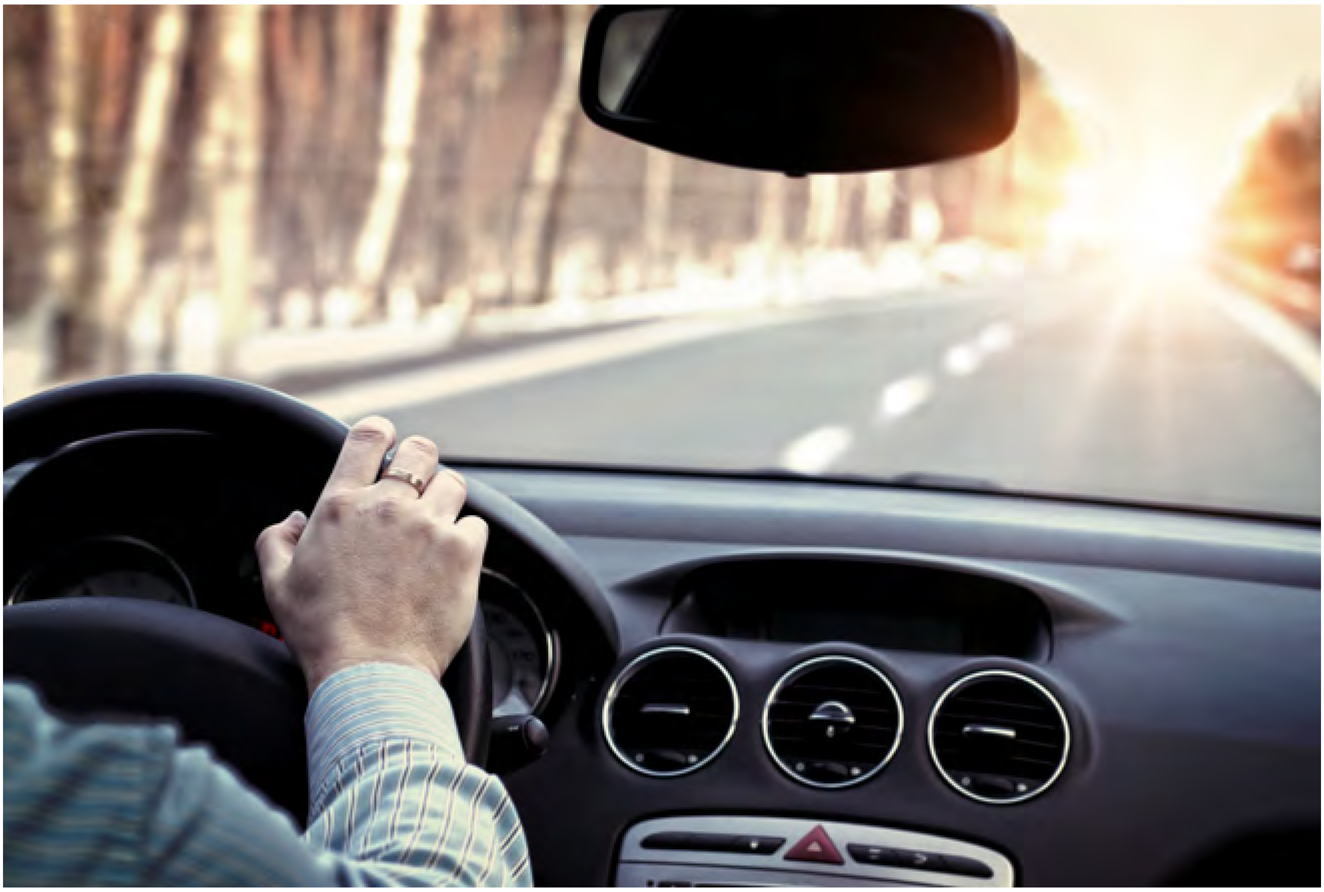
The allowance is increased to £1,185 from April 2018 resulting in the potential for an additional £237 saving for that year and a total of around £900 if all four years are claimed and meet the criteria.



Mileage rates for landlords

Mileage claims for business use of vehicles in property businesses will be allowed as a fixed rate deduction to simplify the tax computations for unincorporated property businesses.

This is to bring the allowance back in line with a previous concession. To ensure continuity this measure is backdated to April 2017.



National Insurance

Despite calls for the amalgamation of tax and national insurance this option was not considered by Philip Hammond. The cost, timescale and departmental upheaval which this would cause being too great at this time.

Abolition of Class 2 NI contributions

The former chancellor, George Osborne announced plans to abolish *Class 2* NI contributions from April 2018 and reform *Class 4* NI contributions to include a new threshold (to be called the Small Profits Limit) however following the announcement of the *Class 4* NI reforms in the Spring 2017 Budget, Philip Hammond was forced to make a U-turn, resulting in the potential for the self-employed having no means of contributing to their state pensions or accessing contribution based benefits (access to state pension and benefits for the self-employed is currently gained through *Class 2* NI contributions).

The Autumn Budget has pushed the NIC Bill back to 2018 and the measures that bill was intended to implement will now take effect one year later, from April 2019, giving the Chancellor more time to explain the increases in the rate of *Class 4* NI to the media and the general public!

Benefits in Kind

Currently if an employer provides fuel for a vehicle then this value is taxed as a benefit of employment. In line with the Chancellor's desire to promote the use of electric cars there will be no taxable benefit incurred when a car is charged in the work place, using employer provided fuel.

Venture Capital Investments

For a while the government has been concerned that the tax reliefs available on investments in Venture Capital Schemes where too great in comparison with the perceived low risk to the capital invested.

The government wants to reward entrepreneurial companies and investors who are prepared to take some risk to support British businesses. The

> The Autumn Budget has pushed the NIC Bill back to 2018 and the measures that bill was intended to implement will now take effect one year later.

Autumn Budget brings in restrictions to ensure a greater degree of risk to the capital invested before tax reliefs are granted on the investment.

If you are a sophisticated investor, planning to invest in any of the Venture Capital Schemes (the Enterprise Investment Scheme (EIS), Seed EIS and VCTs) you may wish to review the new Risk Condition which will take effect for investments made after this Finance Bill receives Royal Assent.

If you plan to invest through EIS and VCTs after April 2018 in **knowledge intensive companies** the Finance Bill 2017-18 doubles the limits on the amount an individual can invest to £2million.

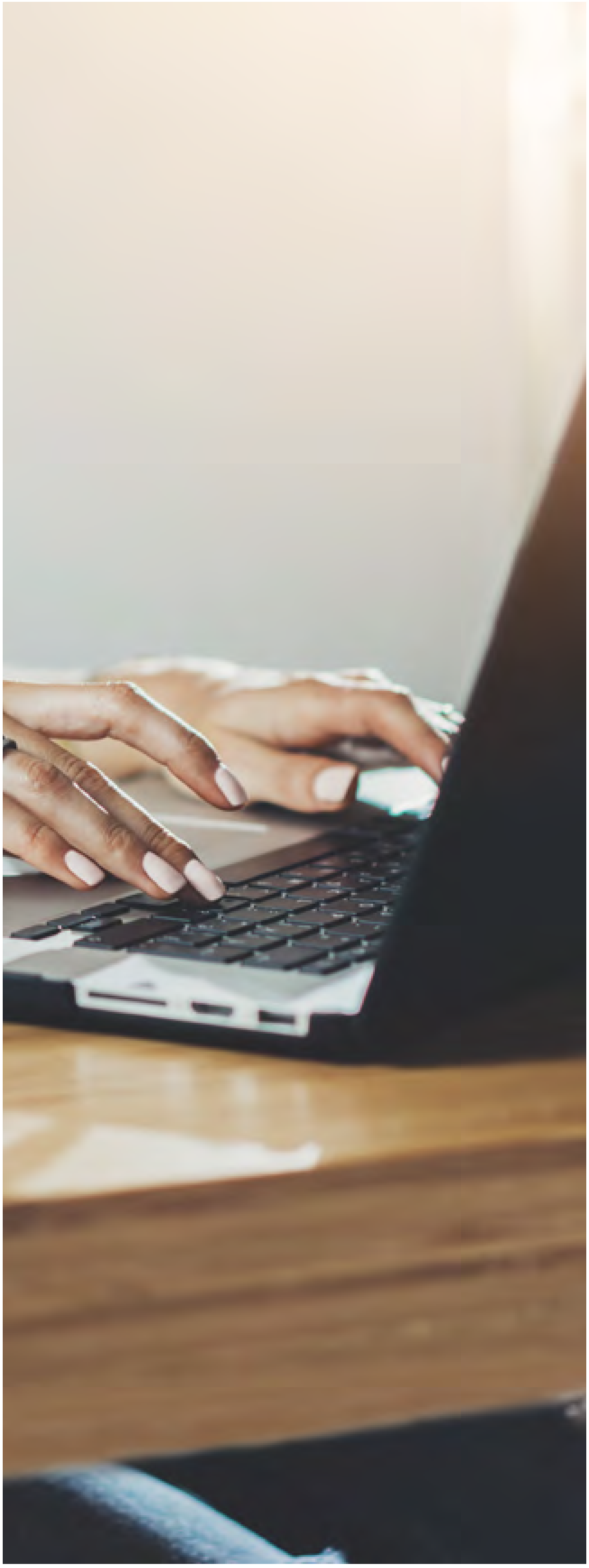
Extension of the recent reforms to the public sector contractor's legislation (commonly known as IR35) to the private sector

Whilst not legislated for in this Finance Bill the government are opening a consultation on this subject during 2018.

Top Tip – A contract review for contractors working in the public and private sector may give peace of mind or highlight areas of potential challenge by HM Revenue and Customs. (HMRC). Please contact us if you wish to discuss undertaking a review.

ISA's and Child Trust Funds

The ISA subscription limit from April 2018 will remain unchanged at £20,000. The annual subscription limit for Junior ISAs and Child Trust Funds from April 2018 will be increased to £4,260.



Company Taxation

Accounting for Sale of Licenses

A new rule will be introduced which will affect companies entering into licensing arrangements.

The Finance Bill 2017-18 will ensure that in licencing arrangements where a licence is sold there is consistency between the accounting value used for the licensor, who in the past has been able to use the lower net book value and the licensee who was able to account for the higher commercial value.

Research and Development (R&D) Expenditure Credit

Large companies can claim R&D expenditure credit, which will increase from 11% to 12% of the company's qualifying R&D expenditure with effect from 1st January 2018.

R&D Tax Credit

The government intends to pilot an advanced clearance system for SME's claiming R&D tax credit to give them certainty of the credit they will receive for a period of 3 years.

Top Tip – R&D Expenditure Credit and R&D Tax Credits are often overlooked by businesses. The projects must relate to the trade undertaken by the business and can obtain relief if the project:

- looked for an advance in science and technology
- had to overcome uncertainty
- tried to overcome this uncertainty
- couldn't be easily worked out by a professional in the field

The project may research or develop a new process, product or service or improve on an existing one. If you have any questions about the availability of R&D tax credits for your business projects please give us a call.

> If you have any questions about the availability for your business projects please give us a call.

Corporate Capital Gains Tax – Indexation Allowance

The Indexation Allowance was introduced to prevent taxpayers from paying Capital Gains Tax (CGT) on the inflationary growth in the value of their assets. It was abolished for individuals in April 2008 but continues for companies giving relief from corporation tax on disposal for the growth in asset value.

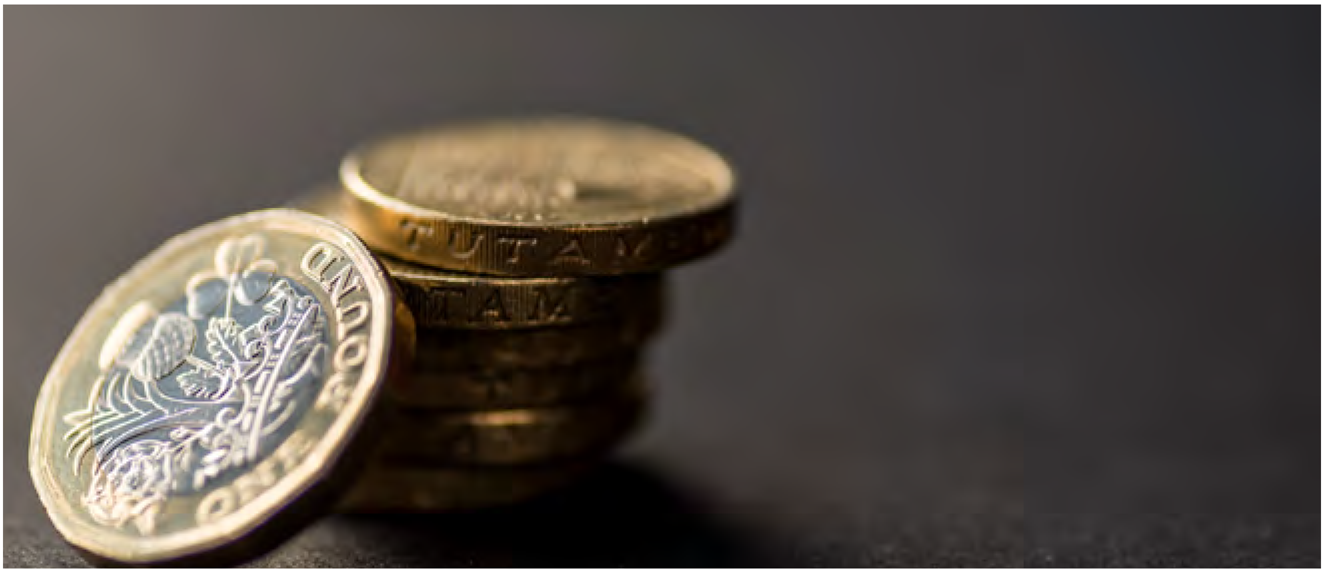
The Indexation Allowance will be frozen for disposals after 1st January 2018 with the allowance calculated by reference to the Retail Prices index for December 2017.

Top Tip – when considering disposing of any company asset why not call us to discuss the most tax efficient timescale and method for the disposal?

Disincorporation Relief

It has been widely speculated that the current deadline for beneficial treatment of companies wishing to disincorporate may be extended from the 5 years granted in 2013. The Autumn Budget confirmed however that the beneficial treatment will cease on 31st March 2018.

Top Tip – if you are considering the disincorporation of your business there may be tax advantages, however there may also be disadvantages, for example, the potential for earlier compliance with the Making Tax Digital regime. We will be happy to discuss the implications of disincorporation with you. Please give us a call.

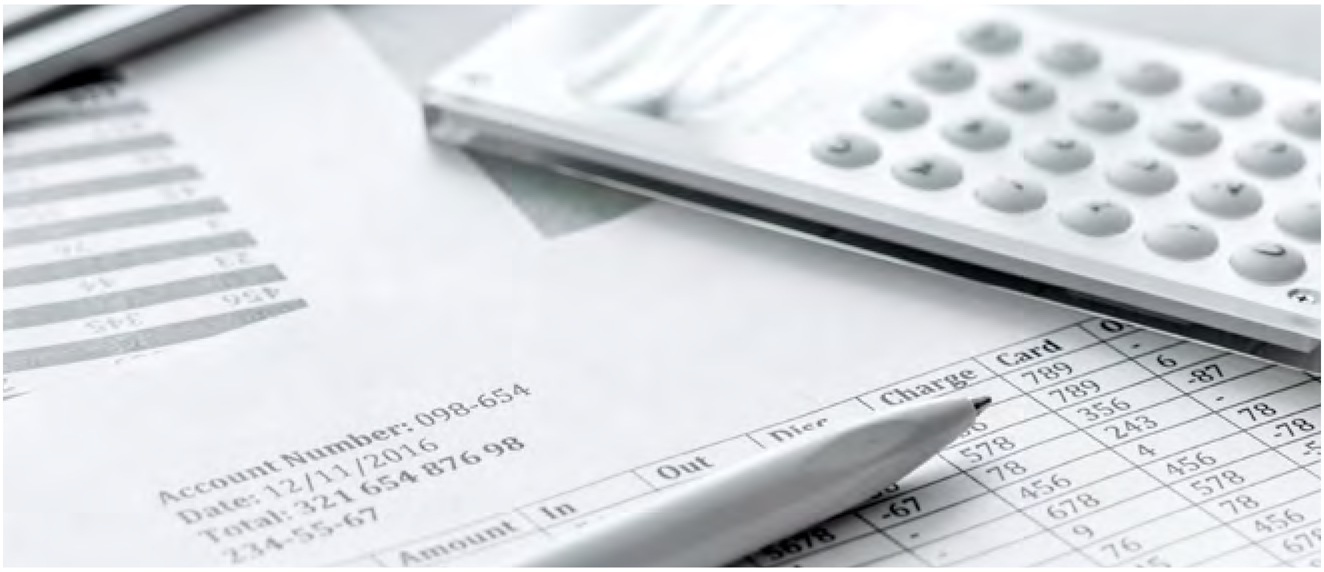


VAT

Online Market Place to be held responsible for unpaid VAT

The Autumn Budget announcement creates additional obligations for online marketplaces to pay any unpaid VAT for *all* traders on their platforms. Making e-commerce marketplaces jointly and severally liable for unpaid VAT if the platform knew, or should have known, a merchant should be VAT registered and was not.

In addition, all businesses on these platforms will have to display their VAT numbers and the marketplace will be responsible for ensuring these numbers are valid.



Stamp Duty Land Tax

For transactions completed on or after 22nd November 2017 in England, Wales and Northern Ireland buyers will pay *no* Stamp Duty Land Tax (SDLT) on the purchase of their first property if the purchase price is £300,000 or less.

If the purchase price is between £300,000 and £500,000 the first time buyer will pay 5% on the excess over £300,000. This is a saving of £5,000 on what would have previously been paid.

First time buyers purchasing property for more than £500,000 will not be entitled to *any* relief and will pay SDLT at the normal rates.

The legislation defines a first time buyer as someone who has *never* owned an interest in a residential property anywhere in the world *and* intends to occupy the property as their main residence.

This help for first time buyers does not apply to those buying in Scotland and will cease to apply to those buying in Wales on 1st April 2018 due to the devolved power to raise land taxes.

This help for first time buyers does not apply to those buying in Scotland and will cease to apply to those buying in Wales on 1st April 2018.

Capital Gains Tax

The Annual Exemption for Individuals

The annual exempt amount for individuals for gains on the disposals of assets will increase from April 2018 to £11,700.

Top Tip – if you plan to dispose of any chargeable assets why not give us a call to review if there is a tax efficient method or a preferential timescale for undertaking the disposal?

Payment of Capital Gains Tax on Residential Property Disposals

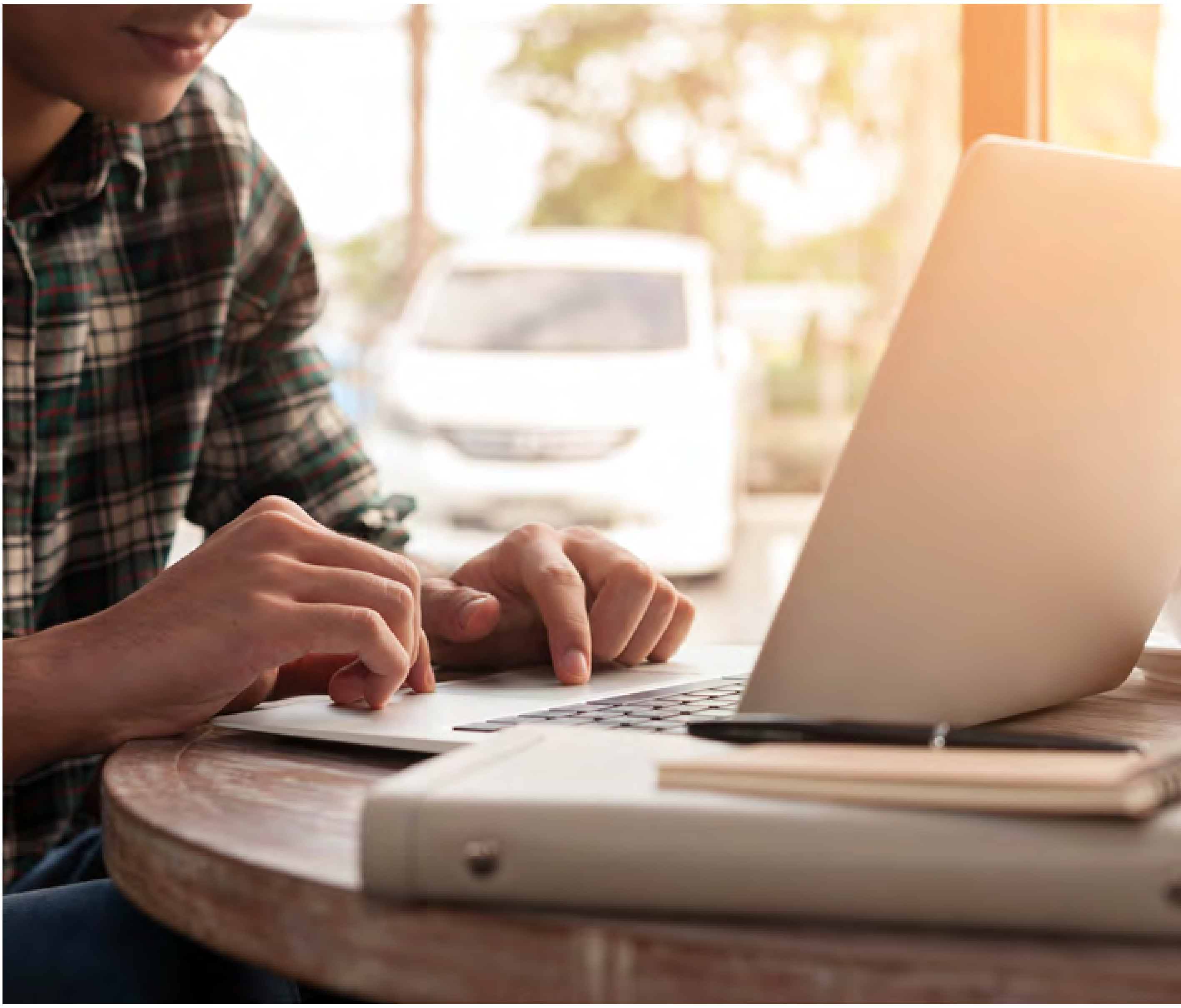
Proposals were introduced in the Autumn 2015 Spending Review which would make it necessary to pay the Capital Gains Tax (CGT) due on the gain following the disposal of a residential property within 30 days of completion of the sale.

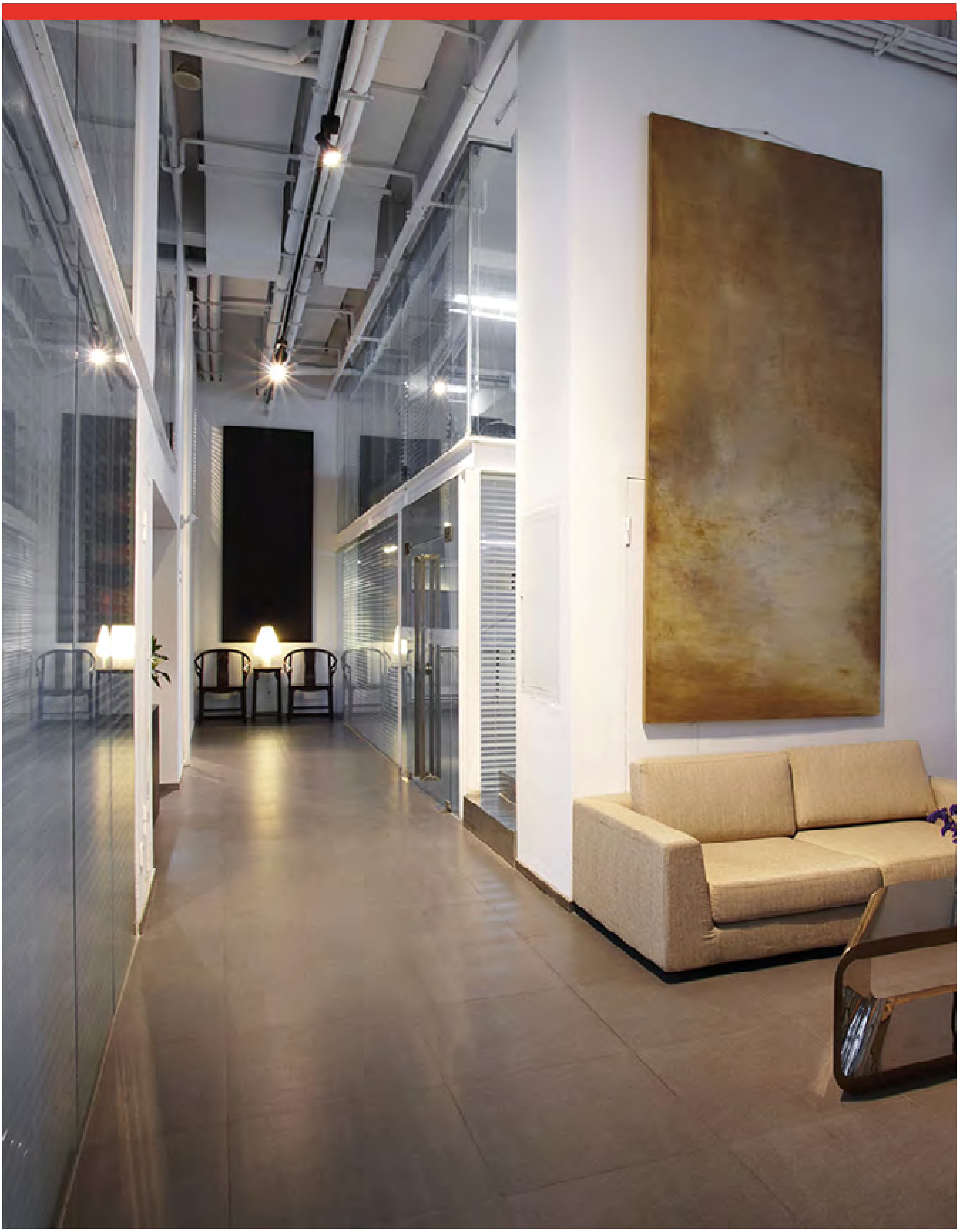
This policy has been deferred until April 2020 giving some relief to those landlords suffering from the additional liabilities following the changes to property taxation.

If you plan to dispose of any chargeable assets why not give us a call to review if there is a tax efficient method or a preferential timescale for undertaking the disposal?

Get In Touch

If you would like to discuss any of the topics we've outlined then please get in touch with us – we'd be more than happy to answer any questions that you may have.





Bartfields (UK) Limited
4th Floor, Stockdale House
Headingley Office Park
8 Victoria Road
Leeds
LS6 1PF

0113 2449051
info@bartfield.co.uk
www.bartfield.co.uk

BARTFIELDS