Further coverage at:
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Autumn Budget

Highlights from Rouse Partners Accountants in Beaconsfield

This year's Budget was always likely to be centred on setting the scene for Brexit and sending a positive message on the government's efforts.

Overall, the economy appears in relatively good shape with growth over the next 5 years slightly revised up and the deficit continuing to fall. From a tax perspective, as expected we saw a series of small tweaks, rather than any major shake ups.

On the personal tax side, clearly the 'rabbit in the hat' was bringing forward the longstanding pledge to increase the personal allowance to £12,500 and higher rate to £50,000 From April next year. For those earning more than £50,000 this will amount to a tax saving to the tune of £800 per year.

For businesses and in particular the high street there will be some respite from business rates and those making capital purchases through the Annual Investment Allowance will benefit from an increased threshold of £1million. There may therefore be some planning points for businesses to consider.

That is all for now, though we may see another full Budget in the Spring, should the Chancellor need to make any adjustments with Brexit in mind. As always, if you have any questions on how the changes will impact your tax position, please contact our team.

Kind regards,
Oscar Wingham
Tax Partner

Inside

Individuals

As usual, there were some positives as well as negatives for individuals to take away from this year's Autumn Budget depending on personal circumstance.

On the positive side for individuals, the Personal Allowance will be raised to £12,500 and the higher rate threshold raised to £50,000 from April 2019. This is a year earlier than we had expected and will be widely welcomed by employees. In the coming tax year it is expected to take around half a million people out of income tax completely.

However, there was yet more bad news for property investors with another key relief set to be removed. It was announced that from April 2020, landlords will only be able to take advantage of private residence relief on Capital Gains Tax (CGT) if they are living in shared occupancy with the tenant, such as those with rented annexe flats. The final period exemption will also be reduced from 18 months to nine months. Whilst the government will consult on the finer details, it seems likely these will be introduced.

A further change in the property sector, which was announced amongst the smaller print of the Budget documentation, was that there will be a consultation in January on introducing a 1% stamp duty surcharge to non-residents buying residential property in England and Northern Ireland. At a time when the government is trying to encourage overseas investment in the UK, this could hit the property market particularly in London whilst raising relatively modest income for the Chancellor.

As expected, there was also some tightening of the rules around Entrepreneurs Relief for investors and IR35 rules for private sector off-payroll workers, as shown to the right. These may require forward planning and consideration if you are impacted.

So all in all, it was a fairly insignificant Budget announcement from a personal tax perspective.

Kind regards
Sucheta Thomas
Senior Personal
Tax Manager

General

- The Personal Allowance and Higher Rate Thresholds will increase one year ahead of schedule to April 2019. With Personal Allowance raising to £12,500 and the Higher Rate Threshold increasing to £50,000;
- National Living Wage will increase by 4.9%, from £7.83 to £8.21 an hour, from April 2019;
- Responsibility for assessing IR35 will move from individuals to organisations, agencies or third parties engaging the worker. Small organisations will be exempt and HMRC will issue further guidance.

Property

- First-time buyers of shared equity homes up to £500,000 will be exempt from Stamp Duty;
- Lettings relief limited to properties where the owner is in shared occupancy with the tenant;
- Government will publish a consultation in January 2019 on a SDLT surcharge of 1% for non-residents buying residential property in England and Northern Ireland.

Other

- From April 2019, individuals will now only qualify for Entrepreneurs Relief if conditions are met for 24 months, as opposed to the current 12 months;
- Trusts consultation – the government will publish a consultation on the taxation of trusts, to make the taxation of trusts simpler, fairer and more transparent.

Businesses

For me, the key highlights from the Autumn Budget were the increase to the Annual Investment Allowance, the cap on R&D relief and HMRC becoming preferential creditors in liquidations.

The increase in Annual Investment Allowance will increase from £200,000 to £1million from January 2019. This is certainly a welcome announcement and may throw up some planning opportunities around the timing of purchases if you are close to the thresholds. The Chancellor also touched on a new permanent tax break for non-residential structures and building, a 2% capital allowance will be introduced with immediate effect which will benefit the construction sector.

SME R&D tax relief will be capped up to 3 times the PAYE paid, therefore those who contract out the work will be restricted in their claim from April 2020. This is a shame since it is a relief that has long been promoted by the government and the outsourcing of projects occurs particularly frequently with SMEs, who do not have the in-house capabilities and facilities.

Another point to note was that from April 2019, HMRC will become preferential creditors for company insolvencies where tax is due. This is aimed at those who wind up companies with large tax sums outstanding, but may be in detriment to other creditors awaiting payment.

These are my key highlights, and if you have any questions on your business tax, please do get in touch to discuss how our team can assist.

Kind regards,

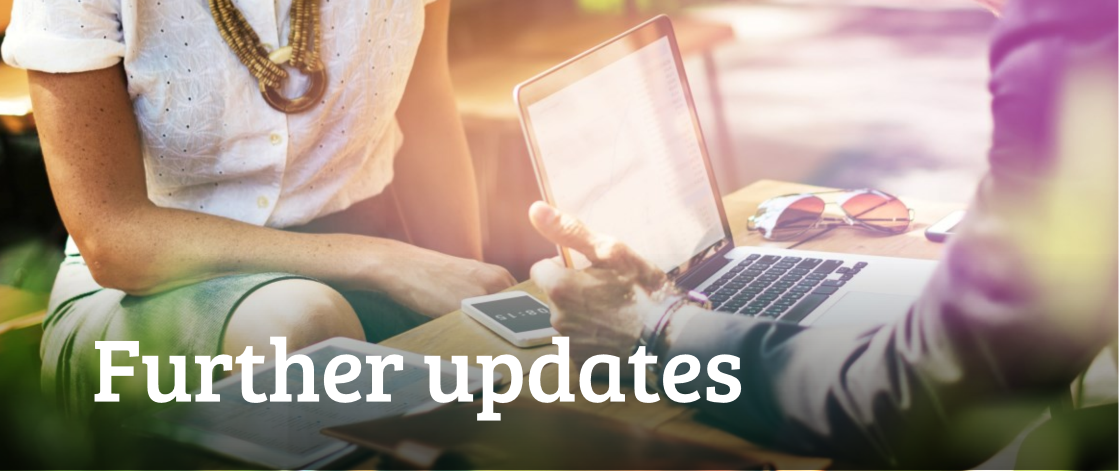
Paul Woodward
Senior Corporate Tax Manager

General

- From 1 January 2019 to December 2020, Annual Investment Allowance will increase to £1 million for all qualifying investment in plant and machinery;
- The VAT threshold will be maintained at the current level of £85,000 for a further 2 years until April 2022;
- £500m for the Housing Infrastructure Fund, designed to enable a further 650,000 homes to be built;
- From April 2019, business rates will be cut by a third over two years for those with a rateable value under £51k;
- £900m in business rates relief for small businesses and £650m to rejuvenate High Streets;
- From 1 April 2020, the government will restrict the proportion of annual capital gains that can be relieved by brought-forward capital losses to 50%.

Other

- From April 2020, the government will introduce a new 2% tax on revenues for large digital businesses;
- New non-residential structures and buildings will be eligible for a 2% capital allowance where all the contracts for the physical construction works are entered into on or after 29 October 2018;
- Private finance initiative (PFI) contracts to be abolished in future;
- Extending changes to the way self-employment status is taxed, from the public sector to medium and large private companies, from 2020.



Further updates

Pension and savings tax

- The lifetime allowance for pension savings will increase in line with CPI for 2019-20, rising to £1,055,000;
- The starting rate for savings (the band of savings income that is subject to the 0% starting rate) will be kept at its current level of £5,000 for 2019-20;
- The adult ISA annual limit for 2019-20 will remain unchanged at £20,000. The annual subscription limit for Junior ISAs for 2019-20 will be uprated in line with CPI to £4,368;
- Child Trust Funds – The government will publish a consultation in 2019 on draft regulations for maturing Child Trust Fund accounts. The annual subscription limit for Child Trust Funds for 2019-20 will be uprated in line with CPI to £4,368.

Duties

- Fuel duty has again been frozen;
- Beers, cider and spirits duty has been frozen;
- Wine duty will rise by 8p inline with inflation from February 2019;
- Remote gaming duty to increase to 21% for online gambling from 2019.

Making Tax Digital is on the way.
Is your accounting system ready?

Making Tax Digital (MTD) is on the horizon and is due to come into force in April 2019 for all VAT registered charities and businesses whose VAT-able turnover is in excess of £85,000.

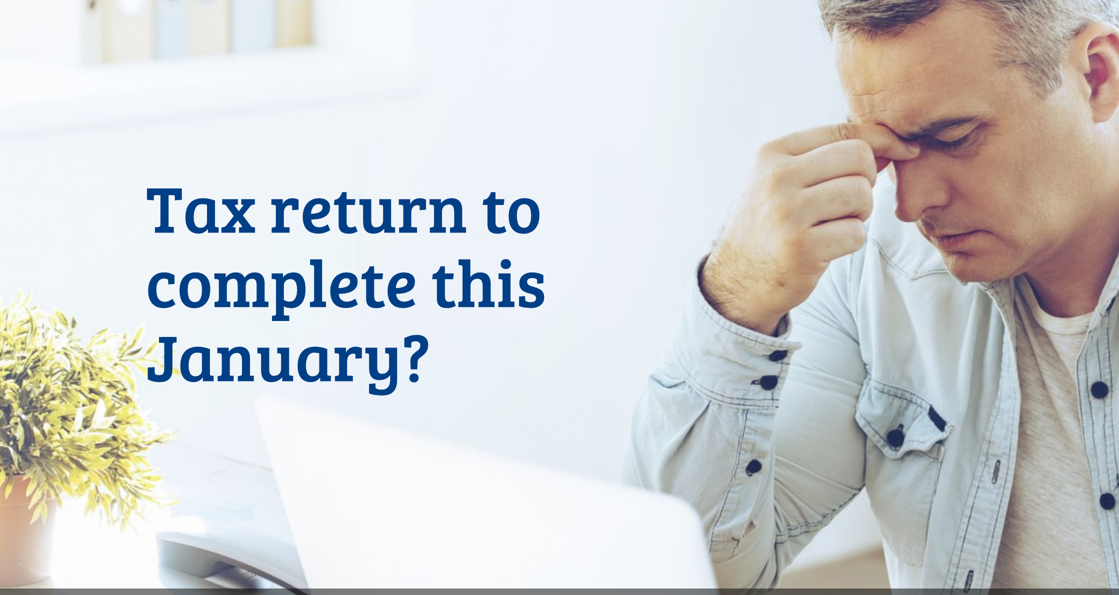
Whilst this might seem like some time away, it may mean significant changes or upgrades are needed to your accounting system, so early planning is advised.

This is particularly the case if your current accounting software is not compatible with the new reporting requirements.

Key requirements of MTD are:

1. **Maintain digital records**: You will need to use compliant software to maintain your digital records. There will be no requirement to store invoices and receipts digitally, so you can continue to keep documents in paper format. However, transactional data (such as the time and value of each supply and the applicable VAT rate) will need to be stored digitally.
2. **Have digital links to records**: VAT returns must have be linked to digital records. HMRC has announced a soft landing period of 12 months, however digital links will be mandatory from April 2020.
3. **Submit VAT information**: At present, most businesses submit their VAT returns through manually inputting them into HMRC's online portal. From April 2019 this portal will close and you will no longer be able to submit VAT returns this way. Instead, all submissions must be done digitally via HMRC's Making Tax Digital API.

We have good relationships with major software providers including Xero, QuickBooks and Sage, and can help if you are uncertain whether your software will comply, or if you are considering changing or upgrading.



Tax return to complete this January?

Sometimes it's best leaving matters to an experienced advisor so that you can spend your time with your family, your business or things that you find more rewarding.

We are an award-winning team of accountants and trusted advisors, supporting businesses and individuals.

From removing the worry if you have simple tax affairs, to advising on complex tax matters including capital gains, inheritance tax, property portfolios and investments, contact our tax team to see how we can assist you.

01494 675321 info@rousepartners.co.uk

Trusted advice, imaginative solutions.

rouse
Chartered Accountants

Rouse Partners LLP
55 Station Road,
Beaconsfield, HP9 1QL

t: +44 (0)1494 675321
e: info@rousepartners.co.uk
www.rousepartners.co.uk