

The Autumn Budget 2017

**How will it affect you and your
business?**

Bishop Grosseteste University, Lincoln

Friday 24th November



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#AutumnBudget2017

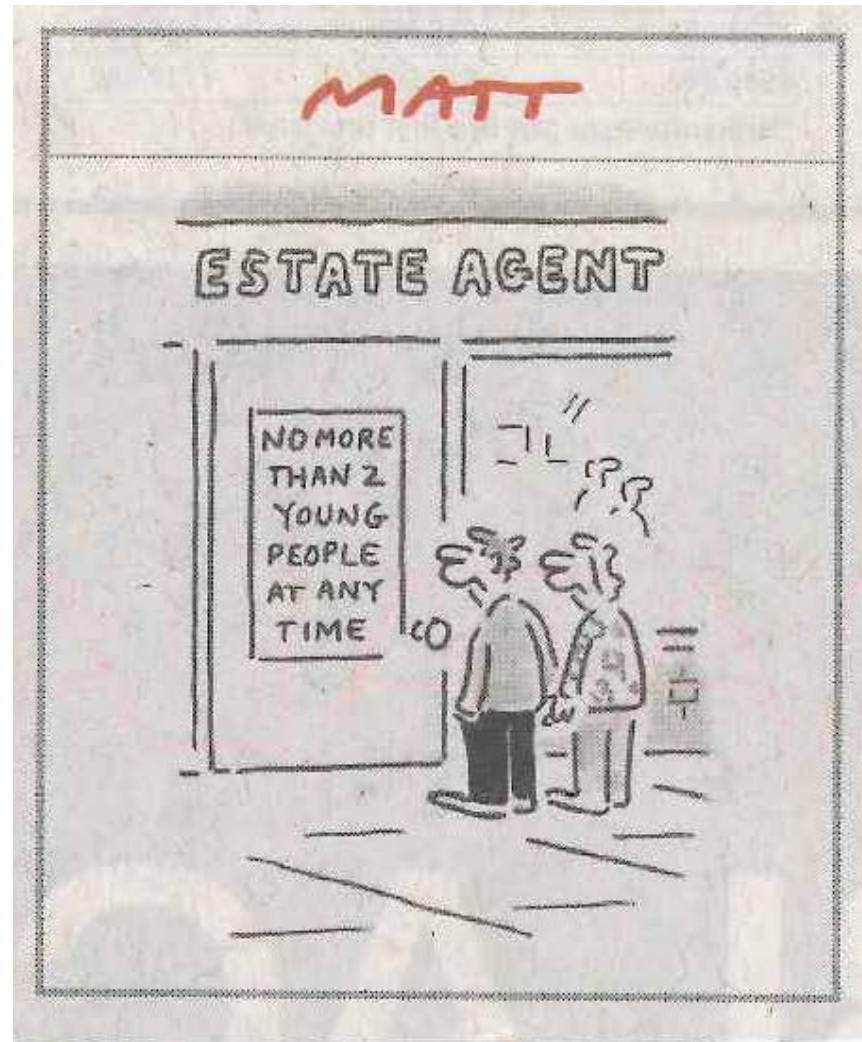


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The Daily Telegraph, Thursday 23rd November 2017

Welcome

James Pinchbeck
Marketing Partner



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Agenda

- **Personal and Property Tax**
Katie De Niese, Tax Manager
- **Business Tax**
Chris Connor, Tax Partner
- **Financial Planning Review**
Patrick Varley, Financial Planning Manager

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Personal and Property Tax

Katie De Niese
Tax Manager



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Personal Tax Rates and Bands

- The personal allowance for all increases to £11,850
- Basic rate tax band increased to £34,500

	Non-dividend income	Dividend income
Starting rate (0-£5,000)	0%	N/A
Basic rate (0-£34,500)	20%	7.5%
Higher rate (£34,501 -£150,000)	40%	32.5%
Additional rate (over £150,000)	45%	38.1%

Personal Savings and Dividend Allowances

- **Personal Savings Allowance**
- Exempts from tax for 2018/19
 - first £1,000 of interest income for basic rate taxpayers
 - first £500 of interest income for higher rate taxpayers
 - no exemption for additional rate taxpayers
- **Dividend Allowance**
 - First £2,000 of dividends received tax free – reduced from £5,000

National Insurance Contribution Rates

Class 1 National Insurance

	Employee		Employer	
	2017/2018	2018/2019	2017/2018	2018/2019
Primary/ secondary threshold*	£8,164	£8,424	£8,164	£8,424
Below threshold	Nil	Nil	Nil	Nil
Above threshold	12%	12%	13.8%	13.8%
Upper earnings limit	£45,032	£46,384	£45,032	£46,384
Above upper earnings limit	2%	2%	13.8%	13.8%

* Secondary threshold for under 21s is £46,384. Therefore no Employers' NI until salary exceeds this amount.

National Insurance Contribution Rates

Class 2/4 National Insurance

Class 4	2017/18	2018/19
Lower profits limit	£8,164	£8,424
Upper profits limit	£45,000	£46,350
Lower profits limit to upper profits limit	9%	9%
Above upper profits limit	2%	2%
Class 2	£2.85 per week	£2.95 per week

Voluntary National Insurance

- Relevant for self-employed wanting to top up state pension
- Currently pay Class 2 NIC rate of £2.85 per week
- From 6 April 2019 only Class 3 NIC rate of £14.25 available
- Make up gaps for 2011/12 onwards before then

Capital Gains Tax Rates and Bands

	2017/18		2018/19	
	Non. Res	Res	Non. Res	Res
Annual exemption	£11,300		£11,700	
Gain within basic rate band	10%	18%	10%	18%
Gain within higher rate band	20%	28%	20%	28%
Gain qualifying for Entrepreneurs' Relief	10%	N/A	10%	N/A

Enterprise Investment Scheme

- Tax Reliefs available for investments in qualifying companies
- 30% income tax relief
- Capital Gains Tax deferral relief
- Budget changes:-
 - Anti-avoidance rule for investments after 6 April 2018 to prevent schemes where there is little risk of losing capital and the majority of the investment return comes from the tax relief
 - Increased capacity where investments are in Knowledge Intensive companies – individual annual limit up from £1m to £2m and company limit increased from £5m to £10m

IHT – Residence Nil Rate Band

- Up to £175,000 increased band
- Only where home passes to direct descendent
- For estates up to £2,000,000 (ignoring reliefs)
- Review existing Wills (especially Discretionary Will Trusts)
- Consider lifetime gifts to reduce Estate
- Review assets passing to surviving spouse
- Consider equalising estates

Residence Nil Rate Band - Example

	Wife	Husband
Main residence	£300,000	£300,000
Second property	£200,000	£200,000
Shares in personal trading company	£2,000,000	
Value of Estate	£2,500,000	£500,000

- No Planning - Inheritance Tax bill of £140K
- Planning - Reduce Inheritance Tax Bill to £nil
- Review situation

Dividend or Salary

- The optimum strategy for extraction of profits from a company is usually a small salary topped up by dividends.
- Plus qualifying year for State Pension
- In most cases optimum salary will be £8,424
- Multiple £2,000 allowances?

Bonus vs Dividend

The cost of getting it wrong for 2018/19

- Ben is the sole shareholder of a company and is a higher rate taxpayer with no other dividend income
- The company makes additional profits in the year of £50,000
- He can either pay
 - A dividend of £40,500 (and CT of £9,500)
 - A bonus of £43,937 (and employers NIC of £6,063)
- Dividend after tax £27,987
- Bonus after tax and NIC £25,483
- Cost of getting it wrong - £2,504 (17/18 - £3,480, 16/17 - £3,142, 15/16 - £4,517)

Using interest as an alternative?

- The interaction of the personal allowance, personal savings allowance, the savings rate and the dividend allowance means that it may be possible to extract £19,850 from a company tax free
- Take £8,424 as a salary, £9,426 as interest and £2,000 as a dividend
- Need to have a substantial directors' loan account
- Husband and wife could get £39,700

Tax Benefits of Incorporation

Profits	2017/18			2018/19		
	Sole trader	Company	Saving	Sole trader	Company	Saving
£20,000	£2,913	£2,372	£541	£2,825	£2,570	£255
£30,000	£5,813	£4,879	£934	£5,725	£5,078	£647
£40,000	£8,713	£7,387	£1,326	£8,625	£7,585	£1,040
£50,000	£12,263	£9,894	£2,369	£12,000	£10,093	£1,907
£75,000	£22,763	£20,480	£2,283	£22,500	£20,342	£2,158
£100,000	£33,263	£31,812	£1,451	£33,000	£31,673	£1,327

Taxation of Buy to Lets – Recent Changes

- Restriction of interest relief effective from 6 April 2017
- Property allowance
- Cash basis
- From April 2017 confirmation that mileage rates can be used for motoring expenses incurred within a property business
- Rent-a-room relief – continued review
- Capital gains tax payment within 30 days deferred to 2020

Cash basis for landlords

Total receipts	Default basis of taxation	Alternative treatment
Up to £1,000	Covered by property allowance so no charge to tax	Elect for allowance not to be given (for example, if wish to claim losses)
Up to £150,000	Profits calculated on cash basis	May elect to deduct property allowance instead of actual expenses May elect to calculate profits on accruals basis
Above £150,000	Profits calculated on accruals basis in accordance with GAAP	May elect to deduct property allowance instead of actual expenses (but unlikely to be of benefit)

Restriction of Interest

- Currently relief at marginal rate e.g. 20%, 40% or 45%
- New rules will eventually restrict to 20%
- Phased in over 4 years from 2017/18

Restriction of Interest - Example

- Higher rate taxpayer has rental income of £18,000, expenses of £2,000 and mortgage interest of £9,000
- In 2016/17 tax liability would have been £2,800
- In 2020/21 tax liability will be £4,600 – effective tax rate of over 65%

Restriction of Interest

- Should I incorporate my rental business?
 - Capital gains tax – incorporation relief?
 - Stamp Duty Land Tax – partnership?
 - New acquisitions?
- Transfer ownership to basic rate taxed spouse?
- Review the position

Stamp Duty Land Tax for first time buyers

- For those that qualify for first-time buyer relief the first £300K of acquisition cost will be at 0% (rather than a combination of 0%, 2% and 5%)
- Next £200K of acquisition cost is at 5%
 - Applies to England, Wales and Northern Ireland
 - Saving of £5K on a purchase for £500K
 - Applies to those who have never owned an interest in a residential property anywhere in the world who intend to occupy as their main residence

Making Tax Digital

- What is MTD:
 - New legislation which will require that records are kept digitally and regular, quarterly submissions, are made to HMRC.
- Timeline for rollout has changed a lot in the last few months.
- Income Tax, which was due to start in 2018, has been delayed until 2020 at the earliest.
- Although the Income Tax pilot is still ongoing.
- MTD is now planned to begin with VAT in April 2019.

MTD for VAT

- Will apply to VAT registered businesses with turnover above the VAT threshold.
- Voluntary registered will be optional.
- From April 2019 will need to:
 1. Keep digital records
 2. Submit your VAT returns via software
- What to do?
 - Plan early and think about your record keeping now.
 - Attend one of our specialist events - 6 March 2018 in Huntingdon or 8 March 2018 in Lincoln
 - Read our MTD guide – finalised soon
 - Speak to your usual Streets contact.

Business Tax

Chris Connor
Tax Partner

Corporation Tax Rates

Financial Year	FY 2018	FY 2019	FY 2020	FY 2021
Main Rate	19%	19%	17%	17%

Corporation Tax – Digital Economy

- Consulting on a Royalty Withholding Tax.
- Relating to UK sales but payment made to low tax jurisdictions under current rules.
- Will apply from April 2019.
- Expected to generate £200m per year extra tax.

Corporation Tax Losses

- Changed from 1 April 2017
- Carried forward trading losses can be set against:
 - Total profits
 - Group company profits
- Loss offset restricted to 50% of profits in excess of £5m.

Corporation Tax on Capital Gains

- Indexation Relief to be frozen at 1 January 2018.
- Currently gives an element of relief for inflation on qualifying costs.
- Retail Prices Index December 2017 sets level.
- Example – costs of £100,000 incurred in January 2000 would have indexed to £165,200 by October 2017.

Employment Taxation – It's Christmas!

- Consider rewarding your employees at Christmas
 - Gifts
 - Tax free for employees up to a value of £50 per employee
 - Cannot be cash or a cash voucher
 - But it can be a turkey or alcohol...
 - Christmas Party
 - Tax free for employees up to a value of £150 per head
 - £150 needs to cover all costs e.g. Food accommodation and transport
 - Applies to all attendees including spouses and partners
 - Note – not an allowance therefore if exceed £150 per head the whole amount is taxable as a benefit

Off payroll working – “IR35”

- IR35 applied to services provided through intermediaries
- New public sector rules from 6 April 2017
- Who decides?
 - Private sector – service provider
 - Public sector – service user
- Consultation on “private sector non-compliance”

Research & Development Relief

- R & D expenditure credit (RDEC)
- 11% relief for large companies to 31 December 2017
- Increases to **12%** from 1 January 2018.

Research & Development Small and Medium Enterprises Relief

- HMRC going to encourage further take up of this relief
- Eligible cost uplift of 130%
 - Offset against profits in year
 - Surrender as group relief
 - Carry forward against future profits
- Surrender for repayable tax credit at 14.5%.

Research & Development Small and Medium Enterprises Relief

- SME definition (includes linked enterprises)
 - Headcount below 500
 - Plus turnover below £100 million
 - Balance sheet total below £86 million

R&D Guidelines (DTI)

- **Guidelines – Key points**
 - Projects seeks to achieve an advance in overall knowledge or capability in a field of science or technology, not a company's own state of knowledge or capability alone (S3 of DTI Guidelines 2004)
 - R&D activities within the project: directly contribute to achieving the advance through resolution or scientific or technological uncertainty (S19)
 - Project does not have to succeed
 - Relevant/related to trade

Boundary Qualifying/NQ R&D

- Project activities – appreciable innovation
- Advance in science or technology
- Undertaken with view to extension of knowledge
- New – substances, materials, design, processes, technology, knowledge

Capital Allowance and Commercial Property

- Energy Saving products and technologies
 - 100% First Year Allowance
 - Designated plant and machinery

- First Year Tax Credits
 - Available for loss making companies
 - Extended to 31 March 2023
 - 2/3rds of the corporation tax rate

Capital Allowance and Commercial Property

- Tax relief available to businesses where they incur capital expenditure on eligible plant and machinery for use in trade or letting business
- This includes plant and fixtures within commercial buildings and applies on:
 - First purchase or new build
 - Second hand purchase
 - Refurbishment/extension

Eligible items can represent a significant proportion of the building cost:

Proportion of Plant in Buildings

Typical proportions:

- Prestige air conditioned office 25 – 40%
- Air conditioned office 18 – 30%
- Hotel 20 – 35%
- Modern office 10 – 25%
- Industrial unit 5 – 20%
- Shop shell 2 – 8%

What qualifies?

Integral features

- Electrical systems (including lighting systems)
- Cold water systems
- Space or water heating systems, powered systems of ventilation, air cooling or purification and any floor or ceiling comprised in such systems
- Lift, escalators and moving walkways
- External solar shading
- Active facades

What qualifies?

Plant:

Based on legislation and established case law, items such as:

- Sanitary ware
- Alarms
- Data installations
- Motors for mechanical items such as doors etc
- Security equipment

Allowances currently available

- Main pool 18% PA reducing balance (plant items)
- Special rate pool 8% (integral features)
- AIA - £200,000 PA – accounting periods falling within 1 Jan 2016 onwards
- Interaction
- Make claim at appropriate rate when cost incurred
- Often cost within buildings difficult to identify

Allowances currently available

- **New build/extension**
 - Need cost analysis to value eligible items
 - Stage payment invoices – no information
- **Refurbishment**
 - Careful consideration on capital or revenue
- **Second hand acquisition**
 - Complicated
 - No allowance if buying from seller who was entitled to claim allowance. If we don't agree by s198 CAA 2001 election and satisfy mandatory pooling requirement.

Allowances currently available

- **Second hand disposal**
 - Well advised buyers will be looking to agree apportionments favourable to them
 - Specialist advice required to protect your position and prevent a Capital Allowance claw back

Company Car?

- Choice – have a company car or use own car and charge for business mileage?
- If have a company car, then fuel too? Expensive
- No hard and fast rules – need to consider business v private mileage, servicing costs, ability to claim capital allowances etc
- Company car – tax on BIK but all costs paid by company. If no fuel reclaim for business miles 11-22p per mile
- Private car – reclaim 45p/25p for business miles, but bear all costs.

Company Car – changes

- Diesel supplement increasing from 3% to 4%
 - **Cars** registered from 1 January 1998
 - Don't meet RDE2 standard
 - Applies from 6 April 2018
- No diesel supplement for cars that meet RDE2 standard
- No Benefit in Kind for charging electric cars at work from April 2018.
- Cancelled fuel duty increase planned for April 2018.
- First Year car duty on non RDE2 diesels increased one band from April 2018..

Car and Van Provision

BIK position	2017/18	2018/19	2019/20
50g/km or below	9	13	16
51 – 75g/km	13	16	19
Above 75g/km to relevant threshold	17	19	22
Equal to threshold	18	20	23
Above threshold	1% for 5g/km max 37%	1% for 5g/km max 37%	1% for 5g/km max 37%
Diesel supplement (non RDE2)	3%	4%	4%
Company Van flat rate	£3,230	£3,350	TBA

Car Provision

BIK position	2020/21
0 g/km	2
1 – 50 g/km - greater than 130 miles at zero emissions	2
- 70 – 129 miles at zero emissions	5
- 40 – 69 miles at zero emissions	8
- 30 – 39 miles at zero emissions	12
- less than 30 miles at zero emissions	14
51 g/km and above	1% for 5g/km max 37%
Diesel supplement (non RDE2)	4%

Car Provision

Capital Allowances	Currently	From April 2018
100% allowance	Up to 75g/km	Up to 50g/km
18% reducing basis	Up to 130g/km	Up to 110g/km
8% reducing basis	Over 130g/km	Over 110g/km

Car benefit example

	e Golf	Golf 1.4 SE nav
Benefit in Kind Value	£27,690 <i>(£23,190 actual cost)</i>	£20,980
Co2	0 g/km	120 g/km
Car benefit – 2018/19	£3,600	£6,922
Car benefit – 2019/20	£4,430	£7,753
Car benefit – 2020/21	£554	£8,030
Capital allowances – Year1	£23,190	£4,984

VAT

- VAT registration thresholds
 - Registration remains at £85,000 until 31 March 2020
 - Deregistration threshold remains at £83,000

- VAT liability for online marketplaces will become joint from Royal Assent of the Finance Bill.

Closing in on Tax Evasion

- Techniques to identify and fight tax evasion includes:
 - Information from other countries
 - Information from third parties (Land Registry, banks, property agents etc)
 - Campaigns
 - Taskforces (raised more than half a billion)
- Use the “Connect System” which holds data from taxpayers and 3rd parties which can be analysed to show tax gaps.

Closing in on Tax Evasion

- Campaigns
 - Let property
 - Second incomes
 - Card transactions
- Disclosures – Worldwide Disclosure Facility
- Interest and penalties regime
 - 12 years for offshore non-compliance
- Certificates of Tax Deposit withdrawn
- Consider insurance for cost of investigation

Online Trust Register

- Replaces paper registration form
- To implement new Money Laundering Regulations
- Deadline 31 January for existing trusts
- Details of trust assets, settlor, trustee, beneficiaries
- Penalty framework not yet published



The Daily Telegraph, Thursday 23rd November 2017

Financial Planning Review

Patrick Varley
Financial Planning Manager



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Agenda

- 1 General Comments
- 2 Pensions – **things have gone quiet...**
- 3 Savings and Investments
- 4 Inheritance Tax and Trusts
- 5 Summary and practical planning

PENSIONS

- Lifetime Limit increases with CPI to £1,030,000
- Annual Allowance remains at £40,000
- No change to Taper for high earners
- Potential for Pension Funds to invest in innovative companies
- **What we expected, and what could still happen!**

Pension Opportunities

- Carry forward of unused relief
- DB to DC Transfers
- Review of Risk in Retirement

Savings and Investments

- £5000 dividend allowance unchanged but will reduce from 2018 to £2,000
- ISA allowance of £20,000 unchanged
- Child ISA to rise with CPI £4260
- Tax allowance on deposits unchanged

Savings and Investments

- EIS/VCT some changes
- Who should consider investing
- Risks and Rewards

Please Note: The value of an investment and the income from it could go down as well as up. You may not get back what you invest

Succession Planning – Inheritance Tax and Trusts

Individual Nil Rate Band Remains = £325,000

Main Residence Nil Rate Band

- £100,000 introduced in April 2017
- Rising by £25,000 per year until 2021
- Maximum of £1,000,000 per couple IHT free from 2021
- Not everyone qualifies.....
- Probate costs – squashed for now...

Forthcoming Reviews Announced

- Consultation on Taxation of Trusts to commence 2018
- Objective to make Tax simpler and more transparent
- Working research on IHT, likely to be more to come

Reducing your IHT bill

1. Spend it
2. Gifting (outright and also exempt gifts)
3. Gifting – into trust (7 year rule)
4. Effective Pension Planning
5. Investments into Business Property
Relief qualifying plans (2 years)
6. EIS
7. Pay IHT via Life Assurance written under trust

SUMMARY and PRACTICAL PLANNING

- Review your finances and plan your financial future
- Plan today – tomorrow is unknown
- Be Cautious, only risk what you can afford to lose...
- Its good to talk and Team Streets can help!

This communication is for general information only and is not intended to be individual advice. It represents our understanding of law and HM Revenue & Customs practice as at 23/11/2017. You are recommended to seek competent professional advice before taking any actions



The Daily Telegraph, Thursday 23rd November 2017

Following The Autumn Budget 2017 How Can We Help You?

- Please take away with our compliments our Budget Summary
- Please complete the feedback form
- Information and advice on our website - www.streetsweb.co.uk
- Register to receive our monthly e-bulletin
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- Download our app 'Streets iAccountant' for tax rates and dates