JOHNSTON CARMICHAEL

Where sharp minds meet

Autumn Budget

November 2017

Helping you understand how proposed changes might impact you or your business

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Foreword by Susie Walker

In the Autumn Budget, Chancellor Philip Hammond delivered his Government's plans to build a Britain that is fit for the future and future-proofed, post Brexit. A Britain that businesses want to invest in and build their future plans around with confidence.

His Budget sought to establish a balanced approach around fiscal responsibility and investing in the country's future, recognising that debt is still too high, although is expected to peak this year.

The Government's strategic goals include significant investment in core education and computer skills, research and innovation, better housing supply and affordability for first time buyers, further clamping down on offshore tax evasion and avoidance, improving Britain's infrastructure and putting the NHS on a strong and sustainable footing.

An additional £3 billion will be set aside over the next two years for Brexit. With a backdrop of slower productivity growth expected over the economic forecast period, the Chancellor's clear goal was to reset Britain to become a world leader in new technologies and embrace the technological revolution that is upon us.

There was something in the Budget affecting everyone and, for those of us north of the border, we will need to await the Scottish Budget on 14 December 2017 to see if there is a response to the favourable Stamp Duty and Income Tax changes announced.

In this publication, we have covered in wider detail the changes announced in this Autumn Budget and others previously announced. Should you wish to discuss any aspect in more detail please contact either myself or your usual Johnston Carmichael adviser.

Susie Walker, Head of Tax

Personal Tax

Personal allowance and higher rate threshold

The Chancellor confirmed increases in the personal allowance and higher rate threshold to take effect from April 2018 as follows:

	2017/18	2018/19
Personal Allowance	£11,500	£11,850
Basic Rate Band	£33,500	£34,500
Higher Rate Threshold	£45,000	£46,350
Additional Rate Threshold	£150,000	£150,000

The Chancellor reiterated the UK Government's plans to increase the personal allowance to £12,500 and basic rate band to £37,500 by 2020. This would mean the higher rate threshold will rise to £50,000.

The setting of the personal allowance remains the preserve of the UK Government. However, the Scottish Government can vary tax rates and bands for Scottish taxpayers' earned income (employment/self-employment income), pensions and rental income. The basic rate band in Scotland is currently set at £31,500 for 2017/18, meaning higher rate tax is paid on earned income and rental income, where this exceeds £43,000. Scottish taxpayers with income in excess of £45,000 currently pay £400 more income tax than taxpayers in the other parts of the UK.

The Scottish Government recently published "The Role of Income Tax in Scotland's Budget", designed as a consultation document in advance of setting Scotland's Budget for 2018/19. The publication considers a number of income tax options including the introduction of more tax rates and tax bands ranging from 19% to 50%.

Dividend allowance

The tax-free dividend allowance will remain at £5,000 for 2017/18. Dividends within this allowance will be subject to tax at 0%. However, the tax-free dividend allowance will be reduced from £5,000 to £2,000 from 6 April 2018. Therefore, following the reduction in the dividend allowance, taxpayers will be worse off as follows:

	Additional Tax Due
Basic Rate Taxpayers	£225
Higher Rate Taxpayers	£975
Additional Rate Taxpayers	£1,143

Rent-a-room relief

The tax-free income threshold increased from £4,250 to £7,500 with effect from 6 April 2016. This applies where individuals let out a room in their only or main home. The Government has confirmed that it will consult on proposals to redesign rent-a-room relief.

Partnership taxation: proposals to clarify tax treatment

New rules for the allocation of partnership profits and losses are being introduced in 2018/19 to “clarify in particular circumstances where the current rules for partnerships are seen as creating uncertainty”. The new rules cover a number of circumstances including:

Partners in nominee or bare trust arrangements – beneficiaries absolutely entitled to income of the trust which consists of partnership profits, but are not themselves partners, will be subject to the same rules for calculating profits and will have the same reporting requirements as actual partners.

Partnerships with partnerships as partners - Partnerships will be required to report the share of income or loss on four possible bases of calculation unless details of all partners are included on the partnership statement.

Partnerships that are partners in other partnerships - will be required to report profits and losses from each partnership interest separately.

Investment partnerships – non-trading partnerships (excluding property business partnerships) will not be required to provide tax reference details if that partner is neither liable to income tax or corporation tax in the UK.

Allocation of partnership profit – must be allocated between partners in the same ratio as commercial profits. The allocation of profits appearing in the partnership tax return will be the allocation that applies for tax purposes for each partner and there will be a new process to allow disputes to be referred to a tribunal.

National Insurance and the self employed

The proposed changes to Class 4 National Insurance Contributions (NIC) were removed from the Spring Finance Bill and now the proposed abolition of Class 2 NIC from April 2018 has been delayed by one year. Class 2 NIC is currently paid at a flat rate of £2.85 per week (£148.20 pa) and is collected through Self Assessment. This will increase to £2.95 per week for the 2018/19 tax year.

Pensions and investments

There were no major changes to tax reliefs and allowances for pensions other than to confirm that the Lifetime Allowance will increase by the Consumer Prices Index (CPI) from April 2018 as originally confirmed by the previous Chancellor in 2015. The new Lifetime Allowance will increase from £1 million to £1,030,000 from April 2018.

Individual Savings Accounts (ISA) continue to provide a wrapper for tax free savings. The subscription limit for 2018/19 will remain the same as for 2017/18 meaning that up to £20,000 can be invested. The Junior ISA/Child Trust Fund subscription limit will increase from £4,128 in 2017/18 to £4,260 in 2018/19.

Tax rates on savings

The starting rate for savings income will remain at £5,000 for 2018/19.

On 6 April 2015 the 10% starting rate was abolished and replaced by the 0% starting rate applying to savings income (e.g. bank interest). The 0% band for 2015/16, 2016/17 & 2017/18 is £5,000 and the Chancellor confirmed that this will continue for 2018/19. It is restricted by non-savings taxable income so that none of the band will be available if that income is above your personal allowance (and blind person’s allowance if claimed) plus the £5,000 starting rate.

The starting rate of tax is in addition to the Personal Savings Allowance which also applies to income on savings and is taxed at 0%. Basic rate taxpayers can earn up to £1,000 of savings income per year. For higher rate taxpayers, the Personal Savings Allowance is £500 and additional rate taxpayers are not entitled to any Personal Savings Allowance.

Tax Administration

Late submission

On 1 December 2017, the Government will publish its response to its consultation on proposals for changing and simplifying the rules around penalties and interest for late submission and payment of tax.

Making Tax Digital (MTD)

The Government confirmed in the Autumn Budget announcement that no business will be required to report digitally to HMRC until April 2019. Only those with turnover above the VAT threshold will be mandated to report quarterly and digitally from this date, and then only for VAT reporting obligations. The scope of MTD mandatory digital quarterly reporting of income and expenses to HMRC for unincorporated businesses and companies will not be widened until the new MTD system has been shown to work, and this will not be before April 2020 at the earliest.

Tax avoidance and evasion

On 1 December 2017, the Government will issue a response document detailing plans to require businesses or intermediaries creating or promoting certain types of complex offshore financial arrangements to disclose the structure and users to HMRC.

Stamp Duty Land Tax (SDLT) – First time buyers

A new relief was announced from Budget day (22 November 2017) for first time buyers who buy a residential property in England, Wales and Northern Ireland.

This relief does not apply in Scotland, where Land and Buildings Transaction Tax has applied from 1 April 2015. From 1 April 2018, SDLT is also devolved to the Welsh Assembly where it will be replaced by Land Transaction Tax. It will be for the Scottish and Welsh Governments to decide whether to provide similar reliefs for their own devolved taxes. The Scottish Government's Budget is on 14 December 2017.

The new relief applies to individuals of any age, who are first time buyers – this will therefore exclude anyone who has previously held a residential property interest anywhere in the world. If there are joint buyers, all buyers must qualify as first time buyers. Leasehold interests with fewer than 21 years to run (when acquired) would not count as a previously held residential interest. Those who own a rental property, but have never had a main residence, will not qualify for this relief.

The purchase must be a single dwelling, although a separate purchase of, for example, a garden attached to the property may also qualify for relief, provided the same individual(s) is the buyer.

Subject to meeting all of the conditions, the relief will exempt all first time purchases up to the value of £300,000. Purchases in excess of £300,000 but not exceeding £500,000 will suffer the 5% rate on the excess amount. This offers a maximum saving of £5,000 for those purchasing a property worth between £300,000 and £500,000.

Higher rate of SDLT for additional dwellings

From 1 April 2016, the purchase of a second (additional) dwelling has attracted a higher rate of SDLT on a property purchase. In effect, this means that a 3% supplement applies to the whole consideration for the transaction. On a property purchase of £200,000, this can add £6,000 to the SDLT bill.

The Budget has brought in a number of changes to improve the operation of the additional 3% charge. Some of these measures are designed to prevent abuse (e.g. where only part of a previous main residence had been disposed of), and some measures provide additional reliefs where the charge is unfairly levied (for example, on divorce or exchanges between spouses).

Annual Tax on Enveloped Dwellings (ATED)

ATED was introduced from 1 April 2013, where residential properties held in an "envelope" are subject to an annual charge. It applies to properties held in companies, certain partnerships and collective vehicles. The charge was seen as a disincentive for property owners to hold valuable residential properties in a corporate structure which could later help the buyer to avoid SDLT on the purchase of the property.

As expected, the ATED charges have been increased in line with inflation. The annual charges for the 2018/19 year are listed below. The ATED charge is payable on, or before, 30 April 2018. A number of reliefs apply to exempt certain properties from the charge (e.g. rental properties, farmhouses). It is important to note that the charge is based on the relevant band of the property. For the 2018/19 charge, it will be necessary to use the valuation of the property at 1 April 2017 (or cost of the property if bought subsequently). For those properties which are close to a relevant band threshold, it may be prudent to obtain an independent valuation.

ATED bands from 1 April 2018	Charges
£500,001 to £1,000,000	£3,600
£1,000,001 to £2,000,000	£7,250
£2,000,001 to £5,000,000	£24,250
£5,000,001 to £10,000,000	£56,550
£10,000,001 to £20,000,000	£113,400
Over £20,000,000	£226,950

Capital Gains Tax (CGT)

CGT rates remain the same at 10%/20% for individuals disposing of all assets, except residential property and carried interest, where the rates are 18%/28%.

The CGT rate for Trusts remains at 20%, or 28% if a disposal of residential property.

Entrepreneurs' Relief and Investors' Relief, if available, means a 10% CGT rate.

Annual exemption

The CGT annual exemption will increase from £11,300 to £11,700 for the 2018/19 tax year, as previously announced.

The Trust CGT annual exemption will increase from £5,650 to £5,850 for 2018/19.

CGT payment window for residential property

The introduction of the 30-day payment window between the point when a capital gain arises on a residential property and payment being due will be deferred until April 2020. Thereafter, capital gains arising on the disposal of a residential property will be required to be settled within 30-days of the date of disposal.

Taxing gains made by non-residents on immoveable property

To align the UK with other countries and remove any advantage non-residents have over UK residents, all gains on non-resident disposals of UK property will be within the scope of UK tax. This will apply to gains accrued on or after April 2019, although the Government has advised it will apply some exemptions for institutional investors such as pension funds.

For the non-resident company holding UK land and property, it will be subject to CGT on all property gains arising from April 2019 until April 2020, thereafter the gains arising will be liable to corporation tax.

Non-resident owners of UK residential property have already been paying CGT on the gains accruing on such property since 6 April 2015. These proposed changes will widen the requirement for non-residents to pay tax on all UK property.

CGT: Entrepreneurs' relief – relief after dilution of holdings

The Government has announced they will consult in spring 2018 on how access to Entrepreneurs' Relief might be given to those entrepreneurs in a business who find their shareholding reduced below the normal 5% qualifying level because of funds being raised for commercial purposes by means of an issue of new shares. The Government believe that allowing relief in these circumstances will incentivise entrepreneurs to remain involved in their businesses after receiving external investment.

CGT and carried interest

Legislation will be introduced in the 2017/18 Finance Bill to remove certain transitional provisions which were introduced under the carried interest rules in July 2015.

The transitional rules related to:

- Exclusions from the 2015 rules for certain amounts of carried interest arising to an investment manager after 8 July 2015 in connection with disposals of partnership assets before that date.
- The application of provisions in "disguised investment management fee rules" which determined the time at which amounts of carried interest would arise to a manager including where the right to carried interest was assigned to someone else.

The new legislation will mean that the transitional rules will not apply to carried interest arising on or after 22 November 2017.

Taxation of Trusts

No additional changes were made to the taxation of UK trusts in this Budget. However, the Government has announced they will publish a consultation in 2018 on how to make the taxation of trusts simpler, fairer and more transparent.

Reform of Non-Domicile Rules & Offshore Trusts

Whilst a number of changes were originally introduced in the March 2017 Budget around reform of the non-domicile rules, many of these changes were put on hold and instead were enacted in the Finance (No.2) Act 2017, which received Royal Assent on 16 November 2017. A number of these changes have been backdated and take effect from 6 April 2017, others come into effect from 6 April 2018.

The following changes take effect from 6 April 2017:

• Returning non-domiciled

Individuals with a UK domicile of origin who were born in the UK and who have since left the UK, will be treated as UK deemed domicile for income tax and CGT purposes on their return. For Inheritance Tax (IHT) purposes, they are treated as UK domiciled from the start of the tax year they become UK Resident. For IHT purposes, they will be deemed domiciled at the start of the following tax year. However, they will not be able to benefit from the rebasing, cleansing of mixed funds, reorganisation and special tax rules for trusts.

• Long-term non-domiciled - 15 out of 20 rule

Individuals who are tax resident in the UK for at least 15 out of 20 tax years will become deemed domiciled in the UK for all tax purposes from their 16th tax year of residence (15 out of 20 rule). Until 5 April 2017, a person who has been resident in the UK for 17 out of the last 20 years will be deemed domiciled in the UK for IHT purposes only.

• Losing UK deemed domicile status

An individual's UK deemed domicile status will fall away once they have been non-resident for six whole consecutive tax years for income tax purposes and CGT purposes. Therefore, an individual who has become deemed UK domiciled and ceases to be UK resident, will continue to be deemed UK domiciled for up to six whole years following their departure from the UK for income tax purposes and CGT purposes. However, an individual will only need to leave the UK and remain non-UK resident for four whole consecutive UK tax years to lose their deemed UK domicile for IHT purposes. Please note stricter rules apply for returning UK domiciliaries.

• Rebasing of foreign assets for CGT

Individuals who become UK domiciled on 6 April 2017 will be able to 'rebase' the costs of their foreign assets to their market value as at 5 April 2017. This proposed new rule only applies to individuals who become UK deemed domicile on 6 April 2017 and does not apply to individuals who become UK deemed domiciled in a later tax year. The rule is limited to taxpayers who have paid the Remittance Base Charge (RBC) in any year before 6 April 2017.

• "Cleansing of Mixed Funds"

There is a two year temporary window (in the 2017/18 and 2018/19 tax year) in which individuals can rearrange and "cleanse" their mixed funds by separating them into their constituent parts of capital and income. Individuals can separate the capital from the mixed funds by transferring them to a different bank account so that it can be remitted to the UK potentially tax free in the future. The cleansing will be available to non-domiciled individuals who have unremitted foreign income and gains regardless of how long an individual has been UK resident, but is not available to individuals born in the UK with a UK domicile of origin.

• Non-Domiciled and UK Residential Properties

UK residential property which is held by offshore structures such as Offshore Trusts, Offshore Companies and Offshore Partnerships will be brought within the scope of UK inheritance tax from 6 April 2017.

• Protections for foreign settlor-interested Trusts

Protections will apply to any foreign settlor-interested Trusts set up by non-domiciled individuals, except those established by returning non-domiciled individuals.

Changes to take effect from 6 April 2018 aimed at Offshore Trusts:

The Government will legislate in Finance Bill 2017/18 to introduce new anti-avoidance rules that relate to the taxation of income and gains accruing to Offshore Trusts. This is to ensure that payments from an Offshore Trust intended for a UK resident individual do not escape tax when they are made via an overseas beneficiary or a remittance basis user. Draft legislation on this was issued on 13 September 2017 and following consultation, some minor changes have been made to this legislation. These revised rules will have effect on and after 6 April 2018 and will cover the following:

• Where capital payments are made to a close family member of a UK resident settlor, the capital payment will be taxable as if received by the settlor.

• In addition, if capital payments are made to a non-resident on or after 6 April 2018, these payments will not be matched to the pool of Trust gains, regardless of the domicile status of the settlor of the Trust and regardless of who receives the payment.

• The legislation is also being revised to ensure that where a benefit is provided to a close family member of a UK resident settlor, the benefits will be taxable as if received by the settlor.

Furthermore, a change is being made to ensure that if a capital payment or benefit is received by an individual who doesn't pay UK tax on the distribution (perhaps because they are non-resident or a non-domiciled remittance basis user) and that person then makes an onward gift to someone resident in the UK, the UK resident recipient is to be treated as having received the payment or benefit from the Trust directly.

Corporate Tax

The UK's main rate of corporation tax (for all profits except ring fence profits) remains at 19%, with no rate changes announced. The 19% rate applies for the years starting on 1 April 2017, 2018 and 2019, with 17% for the year starting 1 April 2020.

Leasing

A new accounting standard for leasing means that the tax legislation will need to change. Two consultations are to be released on 1 December 2017 relating to this area.

Depreciatory transactions

A clampdown from the date of the Autumn Budget (22 November 2017) will affect some disposals of shares or securities in a company. The six year time limit within which companies must adjust for "depreciatory transactions" that have reduced the value of shares being disposed of in a group company will be removed, ensuring that the loss claimed equates to the overall economic loss.

Intangible assets

Measures announced and effective from the Autumn Budget 2017 will address tax avoidance in this area, the changes being to apply market value on any intangible fixed asset licence granted between related parties. Similarly, any non-cash consideration will be required to have market value applied to it.

Removal of capital gains indexation allowance

For companies making chargeable gains on or after 1 January 2018, the benefit of indexation allowance will be frozen from that date. The allowance is an inflationary uplift, calculated by reference to the base cost of the asset and its ownership period. This measure will freeze the level of indexation relief at 1 January 2018 levels, with no recognition of inflation beyond this date.

This is likely to impact companies with significant unrealised gains within their asset base, most typically property. This measure aligns the treatment going forward with that for individuals and non-corporate businesses.

Withholding Tax on Royalties

With effect from April 2019, the rules relating to when income tax withholding (at 20%) is required on royalties (and certain other payments) to low or no tax jurisdictions in connection with sales to UK customers, has been expanded.

Those with Intellectual Property held overseas should pay attention.

Non-Resident companies UK property income

From April 2020, income that non-resident companies receive from UK property will be chargeable to corporation tax rather than income tax. Also from that date, gains that arise to non-resident companies on the disposal of UK property will be charged to corporation tax rather than CGT. This could have a significant impact on the UK property market.

Corporate Interest Restriction ("CIR")

Thankfully, the Autumn Budget only brought a simple "tinkering" of new complex interest relief rules brought in earlier this year. There are several, largely technical, amendments to be included within the Finance Bill 2018-19 to ensure the rules operate as the Government intended.

Business Rates

Further changes were announced by the Government to business rates, some of these changes being brought forward in light of the recent rise in inflation. The changes announced will apply only to England, as Scotland has its own business rates system.

In summary the announcements included:

- Bringing forward to 1 April 2018 the planned switch in indexation from Retail Price Index (RPI) to the main measure of inflation, Consumer Price Index (CPI).
- Legislating retrospectively to address the "staircase tax". In other words, affected businesses will be able to ask the Valuation Office Agency to recalculate bills based on previous practice, back to April 2010.
- Continuing the £1,000 business rate discount for public houses with a rateable value of up to £100,000, for one more year to 1 March 2019.
- Increasing the frequency with which non-domestic properties are revalued, by moving to three year valuations following the next revaluation date which is 2022. It is hoped that this will smooth the level of rates being paid, rather than dramatic increases at each revaluation date.

Entrepreneurial Taxes

Seed Enterprise Investment Scheme (SEIS), Enterprise Investment Scheme (EIS) and Venture Capital Trust Scheme (VCT)

As expected, provisions have been introduced to guard against the use of funds raised under SEIS/EIS/VCT when the main intention is deemed to be capital preservation and providing a low risk return to investors.

A new 'risk to capital' condition will be introduced to the legislation which will determine whether a company is considered to be 'entrepreneurial'. This goes beyond conditions introduced in 2015 that required funds raised to be spent on activities seeking to advance the growth and development of a company, and introduces a consideration to be made as to whether there is a 'significant' risk to loss of capital. A list of relevant factors that should form part of this thought process will be included in draft legislation, and it is noted that this list won't be exhaustive. This will no doubt increase investor and company focus on the requirement for advance assurance from HMRC in advance of any fundraising. This measure comes into play for shares issued on or after 6 April 2018, but HMRC will cease to provide advance assurance on investments they believe fall foul of these 'risk to capital' rules from the date they publish draft legislation.

One significant and positive extension of these schemes sees an increase in investment limits for knowledge-intensive companies receiving investments under the EIS and VCT schemes.

The annual investment limit for individuals investing in these companies is doubled from £1 million to £2 million (effective for shares issued/new qualifying investments made on or after 6 April 2018). Paired with this, the maximum amount of tax-advantaged investments that this type of company can receive is also doubled from £5 million to £10 million.

The final move, which will no doubt see an increase in the number of companies seeking to meet the definition of 'knowledge-intensive', changes the date that such a company is deemed to be considered to be 'trading'. This had previously been 10 years from the date of the first commercial sale, but this has now been amended to 10 years from when annual turnover exceeds £200,000.

A number of changes, to be phased in over time, have been introduced in relation to VCTs. These include:

- restrictions around a VCT offering secured loans to investee companies.
- a requirement for any VCT to invest 30% of funds raised in an accounting period beginning on or after 6 April 2018 within a period of 12 months after the end of the accounting period.
- the period for reinvestment of gains on disposal of qualifying holdings investments increasing from 6 to 12 months.
- the proportion of VCT funds that must be held in qualifying holdings increasing from 70% to 80%.

Further rules, mainly anti-avoidance provisions, have been introduced to clarify a number of points. These include a clarification of the definition and scope of 'relevant investments' to take into account provisions in existing legislation.

Indirect Taxes

Value Added Tax (VAT)

The Chancellor announced that the threshold for businesses requiring to register for VAT will remain at £85,000 until 31 March 2020. The de-registration limit of £83,000 will also remain unchanged during that period. However, in response to the Office of Tax Simplification's recommendations, the Government will consult on the design of the VAT registration threshold.

A number of measures were announced to reduce online VAT fraud. These included giving HMRC the power to hold online marketplaces, e.g. Amazon, jointly and severally liable for any future VAT that a UK business selling goods via that online marketplace fails to account to HMRC for. Additionally, it will enable HMRC to hold online marketplaces jointly and severally liable for any VAT that a non-UK business selling goods via the online marketplace fails to account for, where the business was not registered for VAT in the UK and that online marketplace knew or should have known that business should be registered for VAT in the UK. Online marketplaces will also be required to verify and display a valid VAT number for all their sellers using their platform, when they are provided with one.

A measure was announced which will entitle combined authorities, fire and rescue authorities which are a function of police and crime commissioners, the London Fire Commissioner, the Scottish Fire and Rescue Service, and the Scottish Police Authority to recover the VAT incurred on purchases made to support their non-business activities. This is in line with other public sector bodies.

The Government will consult on plans to legislate in Finance Bill 2018-19 to ensure that when customers pay with vouchers, businesses account for the same amount of VAT as when other methods of payment are used.

A VAT domestic reverse charge for tackling fraud in construction labour supply chains was announced. This will be effective on or after 1 October 2019 and shift responsibility for paying VAT along the supply chain.

Early in 2018, the Government will open a consultation on the impact of VAT and Air Passenger Duty on tourism in Northern Ireland.

The Government will publish a summary of responses on 1 December 2017 to a consultation on changes to the VAT grouping provisions.

Air Passenger Duty (APD)

Rates of APD for short-haul flights will remain at present levels, and rates for long-haul economy passengers will be frozen at the 2018/19 level. Other long-haul passengers will see an increase in APD.

Plans to devolve powers on this duty to Scotland have been delayed to 2019/20, instead of 2018/19 as previously agreed.

Tobacco Duty

The duty on all tobacco products will continue to increase by 2% above RPI inflation each year. The new rate will take effect from 22 November 2017. This also applies to Minimum Excise Tax.

The new average price for a packet of 20 cigarettes will be £10.40.

Vehicle Excise Duty (VED)

VED rates for vans, motorcycles and pre-2017 cars, as well as first-year rates for cars under the post-April 2017 VED system will increase by RPI in 2018/19.

A diesel supplement will apply to new diesel vehicles registered on or after 1 April 2018, the result being these cars will go up one VED band in their first-year rate. This applies to cars not meeting the Road Driving Emissions 2 (RDE2) standard. Cars meeting this standard will be exempt from the diesel supplement.

Company Car Tax diesel supplement will also increase from 3% to 4% from 6 April 2018, again affecting only non RDE2 standard vehicles.

VED for HGVs will be frozen for the tax year 2018/19, along with HGV Levy rates, however there is a call to revisit current Levy rates.

Fuel Duty

The rate of Fuel Duty will be frozen at current levels for all fuels, including conventional fuels such as petrol, along with others like LPG, natural gas and fuel oil.

Alcohol Duty

The rates of duty on spirits, beer, wine and cider will be frozen, except on still cider and perry (6.9% to 7.5% abv), which will see a new rate applied. This will come into effect in 2019 once new legislation has been ratified, and is expected to combat the consumption of white ciders.

Gaming Duty

A consultation has been announced for early 2018 on gaming duty return periods with a view to bringing in the administration of gaming duty more in line with the other gambling duties.

Aggregate Levy

A freeze in the Aggregate Levy rates at £2 per tonne for 2018-2019 was announced but it is proposed there will be a return to index-linking the Levy in the longer term.

Landfill Tax

The Government proposes changing the criteria when Landfill Tax is due and to extend the scope of Landfill Tax to disposals of material at sites operating without the appropriate environmental licence. In Scotland, a separate regime applies - Scottish Landfill Tax.

Employment Taxes

Company car changes

Where an employee or director is provided with a company car, the percentage used for calculating company car and fuel benefit is currently increased by 3% in respect of diesel cars. The Chancellor announced that this will increase from 3% to 4% from 6 April 2018 if the car does not comply with the Real Driving Emissions Step 2 (RDE2) standards. The company car fuel benefit multiplier and the van benefit charge will increase. Both changes could potentially affect a decision as to whether it is beneficial to continue to receive a company car, but this will depend on the car manufacturer's list price and CO_2 emissions.

Electric vehicles

In an attempt to increase the attractiveness of electric or hybrid vehicles, the Chancellor clarified the benefit in kind position on electricity provided by employers to charge an employee's electric vehicle. There will now be a statutory exemption from 6 April 2018 to avoid a benefit in kind arising on the provision of electricity by employers, where this is used to charge employees' electric vehicles. There was previously some ambiguity regarding the tax position, however this move puts the issue beyond doubt.

Off-payroll working in the private sector

Since April 2017, there have been special rules affecting the use of intermediaries (such as a limited company) to disguise what would otherwise be an employee-employer relationship where the engagement was being carried out for the public sector. There had been some expectation that these off-payroll working rules would be extended to engagements in both the public and private sectors. This Budget indicated a clear step in that direction, however, for the meantime there will be a consultation to determine the extent to which workers in the private sector are believed to have avoided tax. If similar rules are introduced in future to the private sector, this could transfer the additional burden of payroll taxes onto the end client.

Employment status

A discussion paper will be issued to consider possibilities for reforming the employment status tests that may affect whether a worker is treated as an employee for both employment law and tax purposes.

National Insurance Contributions Bill

The Government has confirmed that previously announced changes to the National Insurance system will be delayed by one year. This is expected to result in the move of the changes to introduce employer's National Insurance on termination payments above £30,000 from April 2018 to April 2019. This will be confirmed when the National Insurance Contributions Bill is published in due course.

Changes to the National Living Wage and the National Minimum Wage

The Chancellor confirmed in his speech that the National Living Wage for employees aged 25 and over will increase from £7.50 per hour to £7.83 per hour from April 2018. The Government has also approved the recommendations of the Low Pay Commission to increase the National Minimum Wage from £7.05 per hour to £7.38 per hour for 21 to 24 year olds, from £5.60 to £5.90 per hour from 18 to 20 year olds, from £4.05 per hour to £4.20 per hour for 16 to 17 year olds and from £3.50 per hour to £3.70 per hour for apprentices.

Taxation of employee business expenses

HMRC will issue new guidance on the tax treatment on employee expenses and travel and subsistence rules. This will include the process by which an employee can claim tax relief for business expenses that have not been reimbursed by their employer. There are also proposals to remove the requirement for employees to produce receipts from April 2019 where the employer has used HMRC subsistence benchmark scale rates.

Other miscellaneous changes affecting employers

• **Self-funded training** – The Government will consult on extending tax relief available for work-related training costs.

• **Employment Allowance** – In response to perceived abuse of the Employment Allowance rules, HMRC will require upfront security from employers with a history of avoiding National Insurance. This is designed to respond to the use of offshore arrangements to manipulate the rules.

• **Apprenticeship Levy** – the Government has indicated that it is committed to working with employers to allow them to access Apprenticeship Levy funds more flexibly. This is not expected to affect employers who do not operate in England and do not have employees who live in England, as decisions on apprenticeships are devolved to the Scottish, Welsh and Northern Ireland administrations.

• **Life assurance and overseas pension schemes** – the rules affecting tax relief for employer premiums paid into life assurance products or certain overseas pension schemes will be updated from April 2019.

• **Disguised remuneration** – The Government will introduce tax avoidance measures in respect of disguised remuneration avoidance schemes used by close companies, which will affect companies with five or fewer shareholders. Further details are awaited.

Research and Development (R&D) Tax Credits

The amount of relief available under the Research and Development Expenditure Credit (RDEC) regime will be increased, with the rate of the credit increasing from 11% to 12%. The rate of relief under the more generous SME regime is unchanged. The RDEC regime applies to all large companies, but it also applies to many small and medium sized companies (for example, where they are working on contracted R&D for large companies or where they have received subsidies in respect of their R&D). The increased rate will apply for expenditure incurred on or after 1 January 2018.

In addition, an Advanced Clearance Service will be introduced for companies claiming under the RDEC regime. No further details of this service were published with the Budget documents, other than that the objective is to provide companies with "the confidence to make R&D investment decisions". That would suggest companies would be able to discuss their proposed projects with HMRC and get some comfort of their qualifying status before committing to undertake them. This would be a welcome change, but it is not clear why this clearance service should be limited to the RDEC regime. Whilst there is an existing advance assurance process for some of the smallest companies, this is only available for first time claimants and companies with 50 or more staff are excluded. For larger SMEs or those that have claimed in the past but are moving into completely new and uncertain territory with their R&D activities, it would appear this new Advanced Clearance Service would only be available if they intend to claim under the RDEC regime. Perhaps the policy behind this will become clearer when the details are published, but for now the distinction is unclear, especially if it would mean that one SME which intended to claim relief under the RDEC regime (because it will be receiving a notified State aid grant) could gain access to the Advanced Clearance Service, whereas an equivalent SME intending to use its own resources to fund its R&D project (therefore claiming under the SME regime) could not.

Capital Allowances

Enhanced Capital Allowances (ECAs)

The list of designated energy-saving technologies qualifying for ECAs, will be updated through Finance Bill 2017-18.

The Government will also extend the First Year Tax Credit scheme for five years until 31 March 2023, making sure that loss-making companies are encouraged to invest in energy-efficient technology. The credit rate will be set at two-thirds of the rate of the corporation tax in line with the original policy intention. When the scheme was introduced, the claim percentage was set at 19% which was two-thirds of the 28% Corporate Tax rate.

The changes to the scheme will come into effect on 1 April 2018.

Enhanced Capital Allowances (ECAs) are available to support investment in energy-saving, water-saving, plant and machinery and came into effect in April 2001 and July 2003 respectively. Under the scheme, businesses are able to claim 100% First Year Allowances (FYA).

International Tax

Double Taxation Arrangement: Multilateral Instrument

The Autumn Budget confirmed that the OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosions and Profit Shifting (BEPS) will now be implemented. The UK signed this 'MLI' in June 2017 along with over 70 other Governments from around the world. The MLI offers solutions for governments to work together to close the gaps in existing international tax agreements by transposing the OECD agreed terms into bilateral tax treaties.

The MLI modifies Double Tax Agreement (DTA) so as to prevent tax avoidance and improve dispute resolution. In order for the MLI to modify UK DTAs it must be given effect in UK Law. The measures will take effect from the date of Royal Assent of Finance Bill 2017/18.

Once this is effected, we shall issue a separate bulletin for businesses operating across borders.

Avoidance

The Government is to release a consultation document on the best way to prevent UK traders or professionals from avoiding UK tax by arranging for UK trading income to be transferred to unrelated entities and thereby avoid paying UK tax.

Withholding tax on royalties

Withholding tax obligations will be extended to royalty payments and payments for certain other IP rights, where the payments are made to low or nil tax jurisdictions in connection with sales to UK customers. This will apply from April 2019 and regardless of where the ultimate buyer is located. This is being introduced as an interim measure and a longer term solution for raising taxes in a digital economy is being worked on with other jurisdictions across the world. Further details are awaited.

Double Taxation Relief

From 22 November 2017, UK companies with an overseas permanent establishment (PE) or branch, where losses of that PE or branch have already been relieved against profits not of the PE or branch, will now be restricted. The amount of double taxation relief available in the UK will be calculated by: the amount of foreign tax suffered by the PE or branch less the amount of the reduction in foreign tax which results from the PE's losses having been relieved against non-PE or non-branch profits in the same or any earlier periods. This is to ensure that the UK company will not receive the tax relief twice for the same loss, i.e. it cannot claim the same loss relief against the UK company's taxable profits and against any other related entity's profits.

A Sector Snapshot

Food and Drink

Brewers

According to a recent YouGov poll there was significant public support for action to help brewers. Of those surveyed, 55% were in favour of Government action to support the brewing industry, compared to 24% of respondents who favoured no action. The same survey found that 78% of those surveyed thought pubs important to local communities.

Even so, there was little succour in the Budget for the sector. There is to be no cut in the rate of duty for beer, cider, spirits and wines and instead an increase in the duty rate for cider of high alcoholic strength. The Government will introduce a new duty band for still cider and perry from 6.9% to 7.5% alcohol by volume (abv), to target white ciders. Legislation will be brought forward in Finance Bill 2018-19, for implementation in 2019, to allow producers time to reformulate and lower their abv.

The £1,000 business rate relief for pubs (in England) with a rateable value below £100,000 is to continue for a further year to March 2019. This will be some small comfort for the on-trade south of the border.

Oil and Gas

The biggest development for the oil and gas industry was the announcement of reform to permit the transfer of tax histories. This move will be very well received by the industry, and is one that has been sought for some time. It should make it easier to buy and sell North Sea assets, attracting new investment to the sector. Transferring the tax history on the sale of an asset would permit the new owner to offset decommissioning costs against the taxes paid by the former owner while the asset was operating.

As well as bringing in new investment, this move should allow new entrants to drive efficiencies, extending the lives of mature fields and stimulating technological innovation in decommissioning. All of this should generate more activity for those in the supply chain. We await further details of the reform, with draft legislation expected in Spring 2018.

Measures have been introduced to clarify the availability of the Investment and Cluster Area Allowances to tariff income. The measure makes it clear that third party income arising from both old fields (which are subject to petroleum revenue tax) and new oil fields (which are not) will be within the ring-fence corporation tax regime. This means that the Investment and Cluster Area Allowances will be available in respect of capital expenditure, including expenditure on decommissioning, to reduce profits subject to supplementary charge. The objective is to provide increased incentive for owners to maintain their investment in key infrastructure, reducing a trend to early decommissioning and maximising recovery of resources from the United Kingdom Continental Shelf (UKCS).

Third Sector

Charities

The Government will include legislation in Finance Bill 2018/19 to simplify the donor benefit rules applying to charities that claim Gift Aid tax relief on donations. Current rules will be replaced by two percentage thresholds whereby the benefit threshold for the first £100 of the donation will remain at 25% of the amount of the donation and, for larger donations, charities will be able to offer an additional benefit to donors of up to 5% of the amount of the donation that exceeds £100. The total value of the benefit that a donor will be able to receive remains at £2,500. More details will be issued on 1 December 2017.

Scottish Taxes

Income Tax

The Chancellor's decision to increase the tax-free personal allowance from £11,500 to £11,850 next April will benefit nearly 2.4 million Scottish taxpayers.

The Chancellor also announced an increase in the basic rate income tax (20%) band from £45,000 to £46,350 from next April. This represents a 3% increase in line with the Consumer Prices Index (CPI). But income tax rates and bands for Scottish taxpayers are now set by the Scottish Parliament (for all income sources apart from dividends and interest).

The current basic rate band in Scotland ends at £43,000 so it will be really interesting to see what Finance Cabinet Secretary, Derek Mackay presents in his Budget on 14 December 2017.

Last year the Budget presented by Derek Mackay planned to increase the £43,000 by the CPI rate at that time. But without a majority in the Chamber, the Green Party support was required to pass the Budget and after negotiations, the basic rate band was frozen at £43,000.

Earlier this month, the Scottish Government issued the paper "The Role of Income Tax in Scotland's Budget" which outlines a number of possible options for setting income tax rates and bands. Choosing an option will be a difficult decision and one that will require an element of cross-party co-operation. Watch this space!

Stamp Duty Land Tax (SDLT) / Land & Buildings Transaction Tax (LBTT)

Although it won't affect Scottish property transactions, the decision by Philip Hammond to raise the price at which a property becomes liable for SDLT to £300,000 for first-time home buyers on properties up to the price of £500,000 was an interesting development from a Scottish perspective.

Will the Scottish Government follow suit with LBTT and apply a similar relief to support first-time buyers in Scotland?

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JOHNSTON CARMICHAEL WEALTH

In his 2017 Autumn Budget announcement, the Chancellor focused on making Britain fit for the modern world.

Whilst pensions were not put under the microscope this time, there were a few surprises that will affect financial planning.

Abolishing stamp duty for first time buyers for properties up to £300,000, a change in personal allowances, and a clamp down on low-risk capital preservation schemes qualifying for Enterprise Investment Schemes (EIS) and Venture Capital Trusts (VCTs), came to the fore.

In this section we provide our views on the announcements from the Chancellor from a wealth perspective.

Craig Hendry, Managing Director,
Johnston Carmichael Wealth

The Chancellor stated the Government's desire to ensure investors were taking a risk in return for significant tax reliefs. This would appear to be targeting tax efficient investments such as EIS, Business Property Relief (BPR) and VCTs. The Patient Capital Review was published at the same time as the Budget announcement. This is a Treasury based initiative looking to review the way in which tax efficient investments are operating. In the detail of the report it would appear, for example, that there are to be changes to the underlying investments being made within VCTs. Loans to investee companies cannot be secured and can only represent 10% of the capital.

However, for EIS it would appear that there will be double the amount which can be invested from £1 million to £2 million; the proviso being the EIS must be taking investment risk. This could fundamentally alter the landscape going forward – bringing the risk into line with the reliefs on offer.

The pension lifetime allowance benefits from the slight increase in inflation measured by Consumer Price Index (CPI). The £1 million lifetime allowance figure is now increased to £1,030,000. The intention is for the allowance to increase each year by CPI, which could feed through to a greater tax-free lump sum at retirement.

Pension contribution allowances and tax reliefs have not been altered, allowing you to maximise allowances and tax reliefs before your business year and tax year end. We do wonder how many times we can suggest changes are coming in the run up to a Budget only for it not to come to fruition. However, should the Government finances remain under pressure it is not unreasonable to expect this will become a reality.

One of the key announcements included the removal of stamp duty on property purchases of £300,000 for first time buyers. Outwith Scotland, this would reduce first time buyer transaction costs by up to £5,000. However, we will need to wait to see if the Scottish Government will follow suit as there is already a separation in the tax regime in this regard.

Another area where we await the Scottish response is in changes to income tax rates and bands.

We will update you following the Scottish Budget announcement on 14 December 2017.

Appendix 1: UK Rates and Allowances

https://www.gov.uk/government/publications/autumn-budget-2017-overview-of-tax-legislation-and-rates-ootlar

Contents

1. Personal tax and benefits

1.1 Income tax bands of taxable income (£ per year) (Scottish taxpayers)

	2017-18
Basic rate	£1 – £31,500
Higher rate	£31,501 - £150,000
Additional rate	Over £150,000

1.2 Income tax bands of taxable income (£ per year) (Rest of UK taxpayers)

	2017-18	2018-19
Basic rate	£1 – £33,500	£1 - £34,500
Higher rate	£33,501 - £150,000	£34,501 - £150,000
Additional rate	Over £150,000	Over £150,000

1.3 Income tax rates - 2017-18 and 2018-19

	Tax year 2017-18	Tax year 2018-19
Main rates	(*1)	(*5)
Basic rate	20%	20%
Higher rate	40%	40%
Additional rate	45%	45%
Savings rates	(*2)	(*6)
Starting rate for savings	0%	0%
Savings basic rate	20%	20%
Savings higher rate	40%	40%
Savings additional rate	45%	45%
Dividend rates	(*3)	(*7)
Dividend ordinary rate - for dividends otherwise taxable at the basic rate	7.5%	7.5%
Dividend upper rate - for dividends otherwise taxable at the higher rate	32.5%	32.5%

	Tax year 2017-18	Tax year 2018-19
Dividend additional rate - for dividends otherwise taxable at the additional rate	38.1%	38.1%
Default rates	(*4)	(*8)
Default basic rate	20%	20%
Default higher rate	40%	40%
Default additional rate	45%	45%

1.4 Starting rates for savings income

	Tax year 2017-18	Tax year 2018-19
Starting rate for savings	0%	0%
Starting rate limit for savings	£5,000	£5,000

1.5 Special rates for trustees' income

	Tax year 2017-18	Tax year 2018-19
Standard rate on first £1,000 of income which would otherwise be taxable at the special rates for trustees	Up to 20%, depends on the type of income	Up to 20%, depends on the type of income
Trust rate	45%	45%
Dividend trust rate	38.1%	38.1%

1.6 Income tax allowances

	Tax year 2017-18	Tax year 2018-19
Personal allowance (*9)	£11,500	£11,850
Income limit for personal allowance	£100,000	£100,000
Income limit for Married couple's allowance (*10)	£28,000	£28,900
	Tax year 2017-18	Tax year 2018-19
Marriage allowance (*11)	£1,150	£1,185
Married couple's allowance for those born before 6 April 1935		
Maximum amount of married couple's allowance (*12)	£8,445	£8,695
Minimum amount of married couple's allowance (*12)	£3,260	£3,360
Blind person's allowance	£2,320	£2,390
Dividend allowance	£5,000	£2,000
Personal savings allowance		
Personal savings allowance for basic rate taxpayers	£1,000	£1,000
Personal savings allowance for higher rate taxpayers	£500	£500

2. Company Car Tax

2018 to 2019 CO2 emissions, g/km	2018 to 2019 Appropriate percentage of car list price taxed	2019 to 2020 CO2 emissions, g/km	2019 to 2020 Appropriate percentage of car list price taxed	2020 to 2021 CO2 emissions, g/km	2020 to 2021 Appropriate percentage of car list price taxed
0-50	13	0-50	16	0	2
51-75	16	51-75	19	1-50 (split by zero emission miles)	>130
76-94	19	76-94	22	51-54	15
95-99	20	95-99	23	55-59	16
100-104	21	100-104	24	60-64	17
105-109	22	105-109	25	65-69	18
110-114	23	110-114	26	70-74	19
115-119	24	115-119	27	75-79	20
120-124	25	120-124	28	80-84	21
125-129	26	125-129	29	85-89	22
130-134	27	130-134	30	90-94	23
135-139	28	135-139	31	95-99	24
140-144	29	140-144	32	100-104	25
145-149	30	145-149	33	105-109	26
150-154	31	150-154	34	110-114	27
155-159	32	155-159	35	115-119	28
160-164	33	160-164	36	120-124	29
165-169	34	165+	37	125-129	30
170-174	35			130-134	31
175-179	36			135-139	32
180+	37			140-144	33
				145-149	34
				150-154	35
				155-159	36
				160+	37

From 6 April 2018 drivers must add 4% (increased from 3% at Autumn Budget 2017) to their appropriate percentage if the car is propelled solely by diesel (up to a maximum of 37%). Cars that meet the Real Driving Emissions Step 2 (RDE2) standard are exempt from the diesel supplement.

3. National Insurance Contributions

3.1 Class 1 NICs: Employee and employer rates and thresholds (£ per week)

	Tax year 2017-18	Tax year 2018-19
Weekly Lower Earnings Limit (LEL)	£113	£116
Weekly Primary Threshold (PT)	£157	£162
Weekly Secondary Threshold (ST) (*13)	£157	£162
Upper Earnings Limit (UEL) (*14)	£866	£892
Upper Secondary Threshold for under 21s	£866	£892
Apprentice Upper Secondary Threshold (AUST) for under 25s	£866	£892
Employment Allowance (per employer)	£3,000 per year	£3,000 per year

Employee's (primary) Class 1 contribution rates	Tax year 2017-18	Tax year 2018-19
Earnings band	NIC rate	NIC rate
Below LEL	0%	0%
LEL - PT (*15)	0%	0%
PT - UEL	12%	12%
Above UEL	2%	2%

Married woman's reduced rate for (primary) Class 1 contribution rates	Tax year 2017-18	Tax year 2018-19
Weekly earnings from between the PT and UEL	5.85%	5.85%
Weekly earnings from above UEL	2%	2%

Employer's (secondary) Class 1 contribution rates	Tax year 2017-18	Tax year 2018-19
Earnings band (*13)		
Below ST	0%	0%
Above ST	13.8%	13.8%

Employer's (secondary) Class 1 contribution rates for employees under 21	Tax year 2017-18	Tax year 2018-19
Earnings band (*16)		
Below UST	0%	0%
Above UST	13.8%	13.8%

Employer's (secondary) Class 1 contribution rates for Apprentices under 25	Tax year 2017-18	Tax year 2018-19
Earnings band (*17)		
Below AUST	0%	0%
Above AUST	13.8%	13.8%

3.2 Class 2 NICs: Self-employed rates and thresholds (£ per week)

	Tax year 2017-18	Tax year 2018-19
Small Profits Threshold (SPT)	£6,025 per year	£6,205 per year
Class 2 contribution rates	**Tax year 2017-18**	**Tax year 2018-19**
Annual Profits (£ a year)	£ per week	£ per week
Below SPT (*18)	0	0
Above SPT	£2.85	£2.95
Special Class 2 rate for share fishermen	£3.50	£3.60
Special Class 2 rate for volunteer development workers	£5.65	£5.80

3.3 Class 3 NICs: Other rates and thresholds (£ per week)

	Tax year 2017-18	Tax year 2018-19
Voluntary contributions (*19)	£14.25	£14.65

3.4 Class 4 NICs: Self-employed rates and thresholds (£ per year)

	Tax year 2017-18	Tax year 2018-19
Lower Profits Limit (LPL)	£8,164	£8,424
Upper Profits Limit (UPL)	£45,000	£46,350
Class 4 contribution rates	**Tax year 2017-18**	**Tax year 2018-19**
Annual profits band	NIC rate	NIC rate
Below LPL	0%	0%
LPL to UPL	9%	9%
Above UPL	2%	2%

4. Apprenticeship Levy

	Tax year 2017-18	Tax year 2018-19
Apprenticeship Levy allowance (per employer)	£15,000	£15,000
Apprenticeship Levy rate	0.5%	0.5%

5. Working and child tax credits, child benefit and guardian's allowance

5.1 Working and child tax credits

£ per year (unless stated)	Tax year 2017-18	Tax year 2018-19
Basic element	£1,960	£1,960
Couple and lone parent element	£2,010	£2,010
30 hour element	£810	£810
Disabled worker element	£3,000	£3,090
Severe disability element	£1,290	£1,330
Childcare element of the working tax credit		
Maximum eligible cost for one child	£175 per week	£175 per week
Maximum eligible cost for two or more children	£300 per week	£300 per week
Percentage of eligible costs covered	70%	70%
Child tax credit		
Family element	£545	£545
Child element	£2,780	£2,780
Disabled child element	£3,175	£3,275
Severely disabled child element	£4,465	£4,600
Income thresholds and withdrawal rates		
Income threshold	£6,420	£6,420
Withdrawal rate (per cent)	41%	41%
First threshold for those entitled to child tax credit only	£16,105	£16,105
Income rise disregard	£2,500	£2,500
Income fall disregard	£2,500	£2,500

5.2 Child benefit (£ per week)

	Tax year 2017-18	Tax year 2018-19
Eldest/only child	£20.70	£20.70
Other children	£13.70	£13.70
Guardians allowance (£ per week)		
Guardians allowance	£16.70	£17.20

6. Capital, assets and property

6.1 Pensions tax relief

	Tax year 2017 to 2018	Tax year 2018 to 2019
Lifetime Allowance limit	£1 million	£1,030,000
Annual Allowance limit	£40,000	£40,000
Tapered Annual Allowance (applies to income over this amount)	£150,000 (including pension contributions)	£150,000 (including pension contributions)
Money Purchase Annual Allowance	£4,000	£4,000

6.2 Tax-free savings accounts

	Tax year 2017-18	Tax year 2018-19
Individual Savings Account (ISA) subscription limit	£20,000 of which £4,000 can be saved into a lifetime ISA	£20,000 of which £4,000 can be saved into a lifetime ISA
Junior ISA subscription limit	£4,128	£4,260
Child Trust Fund (CTF) subscription limit	£4,128	£4,260

6.3 CGT

	2017-18	2018-19
Main rates for individuals	10% / 20%	10% / 20%
Rates for individuals (for gains on residential property not eligible for Private Residence Relief, and carried interest)	18% / 28%	18% / 28%
Main rate for trustees and personal representatives	20%	20%
Rate for trustees and personal representatives (for gains on residential property not eligible for Private Residence Relief)	28%	28%
Annual exempt amount (AEA) for individuals and personal representatives	£11,300	£11,700
AEA for most trustees	£5,650	£5,850
Rate on gains subject to entrepreneurs' relief	10%	10%
Rate on gains subject to investors' relief	10%	10%
Entrepreneurs' relief: lifetime limit on gains for entrepreneurs	£10,000,000	£10,000,000
Investors' relief: lifetime limit on gains for external investors	£10,000,000	£10,000,000

6.4 Inheritance Tax

	Tax year 2017-18	Tax year 2018-19
Rate (for estates)	40%	40%
Reduced rate (for estates leaving 10% or more to charity)	36%	36%
Rate (for chargeable lifetime transfers)	20%	20%
Nil rate band limit	£325,000	£325,000
Residence nil rate band limit	£100,000	£125,000

6.5 Stamp Duty Land Tax - residential property

Property value	Rate (on portion of value above threshold)	Rate (on portion of value above threshold) on or after 1 April 2016 if purchase is of an additional residential property (20*)
0 to £125k	0%	3%
£125k to £250k	2%	5%
£250k to £925k	5%	8%
£925k to £1.5m	10%	13%
£1.5m+	12%	15%

Stamp Duty Land Tax - non-residential property

6.6 Purchase and Premium Transactions

Property value	Rate on or after 17 March 2016 (on portion of value above threshold)
0 to £150k	Zero
£150k to £250k	2%
£250k+	5%

Net Present Value (NPV) of the Lease	Rate on or after 17 March 2016 (on portion of value above threshold)
0 to £150k	Zero
£150K to £5m	1%
£5m+	2%

6.7 Stamp Duty Land Tax - rates for first-time buyers purchasing properties worth £500,000 or less

Property value	Rate (on portion of value above threshold) on or after 22 November 17 if purchase qualifies for first-time buyer relief
0 to £300k	0%
£300k to £500k	5%
£500k+	Standard rates above apply

6.8 Annual Tax on Enveloped Dwellings

	Tax year 2017-18	Tax year 2018-19
Property value		
More than £500,000 but not more than £1m	£3,500	£3,600
More than £1m but not more than £2m	£7,050	£7,250
More than £2m but not more than £5m	£23,550	£24,250
More than £5m but not more than £10m	£54,950	£56,550
More than £10m but not more than £20m	£110,100	£113,400
More than £20m	£220,350	£226,950

7. Business and financial services

7.1 Corporation tax rates

Level of profits	Financial year 2017 to 2018 (*21)	Financial year 2018 to 2019	Financial year 2019 to 2020
Main rate	19%	19%	19%
North Sea oil and gas ring fence profits (*22)	See footnote	See footnote	See footnote

7.2 Corporation tax rates

	Financial year 2017 to 2018 (*21)	Financial year 2018 to 2019	Financial year 2019 to 2020
Plant and machinery: main rate expenditure	18%	18%	18%
Plant and machinery: special rate expenditure	8%	8%	8%
Annual investment allowance (AIA)	£200,000	£200,000	£200,000
First year allowances (e.g. for certain energy-saving/water efficient products)	100%	100%	100%
Research and Developement (R&D) tax credits small and medium sized business (SME) scheme	230%	230%	230%
R&D SME payable credit	14.5%	14.5%	14.5%
R&D Expenditure Credit	11% (*23)	12%	12%
Patent Box (24*)	10%	10%	10%
Film tax relief	25%	25%	25%
High-end TV tax relief	25%	25%	25%
Videogames tax relief	25%	25%	25%
Open ended investment companies and authorised unit trusts (*25)	20%	20%	20%

7.3 Bank levy

	Chargeable equity and long-term chargeable liabilities	Short-term chargeable liabilities
1 January 2016 to 31 December 2016	0.09%	0.18%
1 January 2017 to 31 December 2017	0.085%	0.17%
1 January 2018 to 31 December 2018	0.08%	0.16%
1 January 2019 to 31 December 2019	0.075%	0.15%
1 January 2020 to 31 December 2020	0.07%	0.14%
1 January 2021 onwards	0.05%	0.10%

7.4 Bank Surcharge

1 January 2016 onwards	8% on profits

7.5 UK oil and gas taxes

	Financial year 2017 to 2018	Financial year 2018 to 2019	Financial year 2019 to 2020
Petroleum revenue tax	0%	0%	0%
Ring fence corporation tax (*26)	30%	30%	30%
Supplementary charge	10%	10%	10%

7.6 Business rates

	Financial year 2017 to 2018	Financial year 2018 to 2019
England standard multiplier	47.9p	49.3p
England small business multiplier (*27)	46.6p	48.0p

8. Indirect Tax

Autumn Budget 2017 confirmed that alcohol duty rates are frozen at the previous rates. These are shown in the table below.

8.1 Alcohol duty

	Duty rate from 13 March 2017
Rate per litre of pure alcohol	
Spirits	£28.74
Spirits-based RTDs	£28.74
Wine and made-wine: exceeding 22% alcohol by volume (abv)	£28.74
Rate per hectolitre %of alcohol in the beer	
Beer - lower strength: exceeding 1.2% - not exceeding 2.8% abv.	£8.42
Beer - General Beer Duty: exceeding 2.8% - not exceeding 7.5% abv.	£19.08
Beer - High strength: exceeding 7.5% - in addition to the General Beer Duty	£19.08 + £5.69
Rate per hectolitre of product	
Still cider and perry: exceeding 1.2% - not exceeding 7.5% abv.	£40.38
Still cider and perry: exceeding 7.5% - less than 8.5% abv.	£61.04
Sparkling cider and perry: exceeding 1.2% - not exceeding 5.5% abv.	£40.38
Sparkling cider and perry: exceeding 5.5% - less than 8.5% abv.	£279.46
Wine and made-wine: exceeding 1.2% - not exceeding 4% abv.	£88.93
Wine and made-wine: exceeding 4% - not exceeding 5.5% abv.	£122.30
Still wine and made-wine: exceeding 5.5% - not exceeding 15% abv.	£288.65
Wine and made-wine: exceeding 15% - not exceeding 22% abv.	£384.82
Sparkling wine and made-wine: exceeding 5.5% - less than 8.5% abv.	£279.46
Sparkling wine and made-wine: at least 8.5% - not exceeding 15% abv.	£369.72

8.2 Tobacco duty

Autumn Budget 2017 announced that duty rates for all tobacco products will be increased by 2% above retail price index (RPI) inflation until the end of the Parliament. It was also announced that hand-rolling tobacco would rise by an additional 1% above this to 3% above RPI inflation this year, from 6.00 pm on 22 November 2017.

8.3 Tobacco Products

	From 8 March 2017	Ad valorem Element	From 00:01am 20 May 2017	Ad valorem Element	From 6pm 22 November 2017	Minimum Excise Tax
Cigarettes	£207.99 per 1000 cigarettes	16.5% of the retail price	£268.63 per 1000 cigarettes	16.5% of the retail price	An amount equal to the higher of the following alternatives: either £217.23 per 1000 cigarettes plus 16.5% of retail price	An amount equal to the higher of the following alternatives or £280.15 per 1000 cigarettes
Cigars	£259.44/kg	N/A	£259.44/kg	N/A	£270.96/kg	N/A

	From 8 March 2017	Ad valorem Element	From 00:01am 20 May 2017	Ad valorem Element	From 6pm 22 November 2017	Minimum Excise Tax
Hand-rolling tobacco	£209.77/kg	N/A	£209.77/kg	N/A	£221.18/kg	N/A
Other smoking tobacco and chewing tobacco	£114.06/kg	N/A	£114.06/kg	N/A	£119.13/kg	N/A

8.4 Gambling duties

	Tax year 2017 to 2018	Tax year 2018 to 2019
Bingo duty		
Percentage of bingo promotion profits	10%	10%
General betting duty		
Percentage of 'net stake receipts' for fixed odds bets and totalisator bets on horse or dog races	15%	15%
Percentage of 'net stake receipts' for financial spread bets	3%	3%
Percentage of 'net stake receipts' for all other spread bets	10%	10%
Pool betting duty		
Percentage of net pool betting receipts	15%	15%
Lottery duty		
Percentage of the price paid or payable on taking a ticket or chance in a lottery	12%	12%
Remote gaming duty		
Percentage of remote gaming profits	15%	15%
Machine games duty		
Percentage of the net takings from dutiable machine games with a maximum cost to play not more than 20p and a maximum cash prize not more than £10 (Type 1 machines)	5%	5%
Percentage of net takings from machines which are not Type 1 machines but where the cost to play cannot exceed £5	20%	20%
Percentage of net takings from dutiable machine games where the maximum cost to play can exceed £5	25%	25%

8.5 Gaming duty 2017 to 2018

Tax rate	15%	20%	30%	40%	50%
Gross gaming yield	£2,423,500	£1,670,500	£2,925,500	£6,175,500	Remainder
Figures for accounting periods beginning on or after 1 April 2018					
Tax rate	15%	20%	30%	40%	50%
Gross gaming yield	£2,423,500	£1,670,500	£2,925,500	£6,175,500	Remainder

8.6 Insurance Premium Tax

	Tax year 2017 to 2018	Tax year 2018 to 2019
Standard rate	10% 12% (from 1 June 2017)	12%
Higher rate	20%	20%

8.7 Climate Change Levy

Budget 2016 announced that the main rates of Climate Change Levy (CCL) would increase in line with RPI in tax year 2017 to 2018 and tax year 2018 to 2019. It also announced above-RPI increases in tax year 2019 to 2020, with rebalancing of the rates and changes to the reduced rates payable by businesses in the Climate Change Agreement scheme.

Autumn Budget 2017 has announced that the Government will set CCL main rates for the tax years 2020 to 2021 and 2021 and 2022 at Budget 2018, with the exception of the rate for liquefied petroleum gas. To ensure better consistency between portable fuels in the off-gas grid market, this rate will be frozen at the tax year 2019 to 2020 level in both tax years 2020 to 2021 and 2021 to 2022. The main and reduced rates of CCL across the period will be as follows.

8.8 Climate Change Levy main rates

Taxable commodity	Rate from 1 April 2017	Rate from 1 April 2018	Rate from 1 April 2019	Rate from 1 April 2020
Electricity (£ per kilowatt hour)	0.00568	0.00583	0.00847	To be announced at Budget 2018
Natural gas (£ per kilowatt hour)	0.00198	0.00203	0.00339	To be announced at Budget 2018
Liquefied petroleum gas (£ per kilogram)	0.01272	0.01304	0.02175	0.02175
Any other taxable commodity (£ per kilogram)	0.01551	0.01591	0.02653	To be announced at Budget 2018

8.9 Climate Change Levy reduced rates

Taxable commodity	Rate from 1 April 2017	Rate from 1 April 2018	Rate from 1 April 2019
Electricity	10%	10%	7%
Natural gas	35%	35%	22%
Liquefied petroleum gas	35%	35%	22%
Any other taxable commodity	35%	35%	22%

8.10 Carbon Price Support

Budgets 2014, 2015 and 2016 announced that the Carbon Price Support (CPS) rate per tonne of carbon dioxide would be capped at a maximum of £18 from tax year 2016 to 2017 until tax year 2019 to 2020, setting maximum rates at around tax year 2015 to 2016 levels for each of the individual taxable commodities across this period.

Budget 2016 also announced that the £18 per tonne of carbon dioxide cap would be uprated in line with RPI from tax year 2020 to 2021, and set out indicative CPS rates for tax year 2020 to 2021.

Spring Budget 2017 announced that, starting in tax year 2021 to 2022, the Government intended to target a total carbon price and set the specific CPS rates at a later date, giving businesses greater clarity on the total price they pay. It also announced that further details on carbon prices for the 2020s would be set out at Autumn Budget 2017.

Autumn Budget 2017 has announced revised indicative CPS rates for the tax year 2020 to 2021.

8.11 CPS rates of CCL and fuel duty

	Indicative capped rate from 1 April 2019 to 31 March 2020	Indicative rate from 1 April 2020 to 31 March 2021
Carbon price equivalent (£ per tonne of carbon dioxide)	18.00	18.52
Supplies of commodity used in electricity generation		
Natural gas (£ per kilowatt hour)	0.00331	0.00341
LPG (£ per kilogram)	0.05280	0.05432
Coal and other taxable solid fossil fuels (£ per gross gigajoule)	1.54790	1.59259
Gas oil; rebated bio blend; and kerosene (£ per litre)	0.04916	0.05058
Fuel oil; other heavy oil and rebated light oil (£ per litre)	0.05711	0.05876

8.12 Aggregates Levy

Budget 2016 announced that the rate of Aggregates Levy would remain at £2 per tonne in 2017 to 2018. Autumn Budget 2017 has announced that the rate of Aggregates Levy will be frozen in 2018 to 2019. The levy rate has been frozen since 2009 and the Government intends to return to index linking the levy in the longer term.

	Rate from 1 April 2017	Rate from 1 April 2018
Commercially exploited taxable aggregate	£2 per tonne	£2 per tonne

8.13 Landfill Tax

Budget 2016 announced that both the standard and lower rates of Landfill Tax will increase in line with RPI, rounded to the nearest 5 pence, in 2017 to 2018 and 2018 to 2019.

Autumn Budget 2017 has announced that both rates will increase in line with RPI in 2019 to 2020, rounded to the nearest 5 pence.

Landfill Tax was devolved to the Scottish Parliament in April 2015 and will be devolved to the Welsh Assembly from 1 April 2018.

Waste sent to landfill	Rate from 1 April 2017	Rate from 1 April 2018	Rate from 1 April 2019
Coverage	England, Wales and Northern Ireland	England and Northern Ireland	England and Northern Ireland
Standard rated (per tonne)	£86.10	£88.95	£91.35
Lower rated (per tonne)	£2.70	£2.80	£2.90

8.14 Air Passenger Duty

Air Passenger Duty rates (APD) for 2018 to 2019 were set out at Spring Budget 2017. The APD rates for 2019 to 2020 are set out below:

8.15 Air Passenger Duty rates (*28) (*29)

Bands (approximate distance in miles from London)	Reduced rate (lowest class of travel)	Standard rate (*30) (other than the lowest class of travel)	Rate from 1 April 2019 (*31)
Band A (0 - 2,000 miles)	From 1 April 2017 £13 From 1 April 2018 £13 From 1 April 2019 £13	From 1 April 2017 £26 From 1 April 2018 £26 From 1 April 2019 £26	From 1 April 2017 £78 From 1 April 2018 £78 From 1 April 2019 £78
Band B (over 2,000 miles)	From 1 April 2017 £75 From 1 April 2018 £78 From 1 April 2019 £78	From 1 April 2017 £150 From 1 April 2018 £156 From 1 April 2019 £172	From 1 April 2017 £450 From 1 April 2018 £468 From 1 April 2019 £515

8.16 Fuel duty - pound per litre unless stated

	Rates on and after 6pm on 23 March 2011
Light oils	
Unleaded petrol	0.5795
Light oil (other than unleaded petrol or aviation gasoline)	0.6767
Aviation gasoline (Avgas)	0.3770
Light oil delivered to an approved person for use as furnace fuel	0.1070
Heavy oils	
Heavy oil (diesel)	0.5795
Marked gas oil	0.1114
Fuel oil	0.1070
Heavy oil other than fuel oil, gas oil or kerosene used as fuel	0.1070
Kerosene to be used as motor fuel off road or in an excepted vehicle	0.1114
Biofuels	
Bio-ethanol	0.5795
Bio-diesel	0.5795
Bio-diesel for non-road use	0.1114
Bio-diesel blended with gas oil not for road fuel use	0.1114
Road fuel gases	
Liquefied petroleum gas (£ per kilogram)	0.3161
Road fuel natural gas including biogas (£ per kilogram)	0.2470

8.17 Other fuel

	Rate on and after 1 October 2016
Aqua-methanol set aside for road use	0.07900

8.18 VAT

	April 2017 to 2018	April 2018 to 2019
Standard rate	20%	20%
Reduced rate	5%	5%
Zero rate	0%	0%
Exempt	N/A	N/A

8.19 VAT registration and deregistration thresholds

	From April 2017	From April 2018
VAT registration thresholds	£85,000	£85,000
VAT deregistration threshold	£83,000	£83,000

1. Apply to non-savings, non-dividend income, including earnings from employment, self-employment, pension income, foreign income, taxable benefits and income from property.
2. Apply to savings income.
3. Apply to dividend income above the £5,000 tax-free Dividend Allowance.
4. Apply to non-savings, non-dividend income.
5. Apply to non-savings, non-dividend income
6. Apply to savings income.
7. Apply to dividend income above the £2,000 tax-free Dividend Allowance.
8. Apply to non-savings, non-dividend income.
9. The Personal Allowance reduces where the income is above £100,000 - by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of date of birth.
10. This age-related allowance is reduced by £1 for every £2 of income over this limit.
11. This transferable allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax; or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates.
12. The relief for this allowance is given at 10%.
13. Employers begin paying Employer's National Insurance Contributions above the Secondary Threshold. They pay a zero rate up to this point.
14. This threshold is uprated in line with the Income Tax Higher Rate Threshold to maintain alignment.
15. No National Insurance contributions (NICs) are actually payable but a notional Class 1 NIC is deemed to have been paid in respect of earnings between the LEL and PT to protect contributory benefit entitlement.
16. Employers begin paying Employer's National Insurance Contributions above the Upper Secondary Threshold for U21s. They pay a zero rate up to this point.
17. Employers begin paying Employer's National Insurance Contributions with respect to certain apprentices who are under 25 above the Apprentice Secondary Threshold. They pay a zero rate up to this point.
18. Class 2 NICs are liable to be paid by all self-employed persons with profits above the Small Profits Threshold (SPT). The self-employed may choose to pay Class 2 if their profits are below the SPT.
19. Class 3 NICs can be paid by any contributor (employed or non-employed) to make the year a qualifying year for the basic State Pension (new State Pension from 6 April 2016) and Bereavement Benefit purposes.
20. See HMRC guidance note on whether the higher rate applies.
21. From 1 April 2015, for all profits except North Sea oil and gas ring fence profits, corporation tax is paid at a single rate. For 2017 to 2018 the rate is 19%.
22. For North Sea oil and gas ring fence profits the main rate is 30% and the small profits rate is 19%. The marginal relief ring fence fraction is 11/400ths.
23. From 1st January 2018, the rate of the R&D Expenditure Credit (RDEC) will increase from 11% to 12%.
24. The Patent Box has been phased in from April 2013, with companies being able to claim 60% of the benefit in 2013 to 2014, 70% in 2014 to 2015, 80% in 2015 to 2016, 90% in 2016 to 2017 and 100% in 2017 to 2018.
25. For open ended investment companies and authorised unit trusts the applicable corporation tax rate is 20%.
26. For North Sea oil and gas ring fence profits the main rate is 30% and the small profits rate is 19%. The marginal relief ring fence fraction is 11/400ths.
27. Small business multiplier applies to properties with a rateable value of less than £51,000.
28. APD applies to all flights aboard aircraft 5.7 tonnes and above.
29. Rates for direct long-haul flights from Northern Ireland are devolved and set at £0. Direct long haul journeys are those where the first leg of the journey is to a destination outside Band A.
30. Where a class of travel provides a seat pitch in excess of 1.016 metres (40 inches), the standard rate is the minimum rate that applies.
31. The higher rate applies to flights on aircraft of 20 tonnes and above, with fewer than 19 seats.

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