

# Budget Summary 2018

## October 2018

# Budget Summary 2018

---

Thankfully the Chancellor didn't make any major changes to the workings of the pensions, savings and personal tax systems. Looking more closely at the Budget supporting documentation however does reveal some tinkering.

We have summarised below what we think are the highlights.

If you would like to discuss any of the content in more detail, please feel free to contact us.

## **Personal Taxation**

### **Personal allowance and higher rate threshold**

The Personal Allowance will increase to £12,500 from 6 April 2019. At the same time, the basic rate threshold increases to £37,500 and the higher rate threshold to £50,000. These thresholds will remain at the same levels in tax year 2020/21 before increasing by CPI from tax year 2021/22 onwards.

### **National Insurance**

There are no changes to national insurance rates. The upper earnings limit will increase to £50,000 in line with the higher rate income tax threshold. This means higher earners will pay 12% national insurance contributions on earnings up to £50,000, before reducing to 2% on income greater than £50,000.

### **Capital Gains Tax: annual exempt amount for tax year 2019/20**

The Capital Gains Tax annual exempt amount increases to £12,000 for individuals and personal representatives and £6,000 for trustees of settlements for the tax year 2019/20.

### **Off-payroll working in the private sector**

To increase compliance with existing off-payroll working rules (IR35) in the private sector, Budget 2018 confirms that businesses will become responsible for assessing an individual's employment status and determining whether the rules apply. The reform will not apply to the smallest 1.5 million businesses and will be introduced in April 2020, giving firms longer to adjust.

### **Starting rate band for savings**

The band of savings income that is subject to the 0% starting rate will remain at its current level of £5,000 for tax year 2019/20.

### **Dividend allowance and Personal Savings Allowance**

The dividend and personal savings allowances will remain the same in tax year 2019/20. That is, the first £2,000 of dividend income will be received tax free. For basic rate taxpayers, the first £1,000 of savings income will be received tax free, reducing to £500 for higher rate taxpayers.

### **Taxation of trusts**

The government will publish a consultation in 2018 on how to make the taxation of trusts simpler, fairer, and more transparent.

# Budget Summary 2018

---

## **Pensions**

### **Lifetime Allowance**

The Lifetime Allowance is the cap on pensions above which excess benefits are subject to additional tax charges. The lifetime allowance for pension savings will increase in line with CPI for tax year 2019/20, rising to £1,055,000.

### **Annual Allowance**

The Annual Allowance is the amount payable into pension (or the annual benefit accrual for a defined benefit scheme) above which tax relief is lost.

No changes were made to the levels of the annual allowance (£40,000), money purchase annual allowance (£4,000) or the tapered annual allowance rules and limits.

### **Pension Dashboards**

The government is taking steps to support the launch of Pensions Dashboards, that will for the first time allow an individual to see their pension pots, including their State Pension, in one place. The Budget confirms that the Department for Work and Pensions (DWP) will consult later this year on the detailed design for Pensions Dashboards, and on how an industry-led approach could harness innovation while protecting consumers. The DWP will work closely with the pensions industry and financial technology firms. The Budget provides extra funding in tax year 2019/20 to help make this a reality.

### **Boosting pensions for the self-employed**

This winter, the DWP will publish a paper setting out the government's approach to increasing pension participation and savings among the self-employed. This follows the 2017 review of automatic enrolment and will focus on expanding evidence through a programme of targeted interventions and partnerships.

# Budget Summary 2018

---

## **Stamp Duty Land Tax (SDLT)**

### **Relief for First-time buyers**

The government will extend first-time buyers relief in England and Northern Ireland so that all qualifying shared ownership property purchasers can benefit, whether or not the purchaser elects to pay SDLT on the market value of the property. This change will apply to relevant transactions with an effective date on or after 29 October 2018 and will also be back-dated to 22 November 2017 so that those eligible who have not previously claimed first-time buyers relief will be able to amend their return to claim a refund.

### **Consultation on SDLT charge for non-residents**

The government will publish a consultation in January 2019 on a SDLT surcharge of 1% for non-residents buying residential property in England and Northern Ireland.

### **Higher rates of SDLT for additional dwellings - minor amendments.**

This measure applies to individuals liable to higher rates of Stamp Duty for additional dwellings by virtue of buying a new home before selling their old home. It applies solely to purchasers of property in England and Northern Ireland. It extends the time allowed to claim back higher rates for additional dwellings where an individual sells their old home within 3 years of buying their new one.

A successful reclaim must be made by the later of 12 months from selling the old home and a year from the filing date for the tax return for the new home.

The changes will take immediate effect from 29 October 2018. The time limit changes will apply where the effective date of sale of the old home is on or after that date.

## **Entrepreneur's Relief**

### **Minimum qualifying period**

To support longer-term business investments, for disposals on or after 6 April 2019 the minimum period throughout which the qualifying conditions for relief must be met will be extended from 12 months to 24 months. This could affect individuals who dispose of all or part of their business, individuals who dispose of shares in their personal company on or after 6 April 2019 and trustees who dispose of trust business assets. There are special provisions for cases where the business ceased before 29 October 2018. The measure aims to improve the effectiveness and value for money of Entrepreneurs' Relief by requiring claimants to have an interest in their business for a longer period of time.

### **Definition of a 'personal company'**

This could affect individuals who, on or after 29 October 2018, realise gains on disposals of shares in a company by which they are employed or in which they hold an office. The measure adds 2 new tests to the definition of a 'personal company', requiring the claimant to have a 5% interest in both the distributable profits and the net assets of the company. The new tests must be met, in addition to the existing tests, throughout the specified period in order for relief to be due. This measure ensures that the claimant has a true material stake in business in order to claim entrepreneurs' relief.

# Budget Summary 2018

---

## **Private Residence Relief**

**Lettings relief** can reduce the capital gains tax on the sale of a property which was at some point used as the taxpayer's residence but which has since been let out as residential accommodation. To better target private residence relief at owner occupiers, from April 2020 the government will reform lettings relief so that it only applies in circumstances where the owner of the property is in shared occupancy with the tenant. This represents another blow to some landlords.

The **final period exemption** for private residence relief (whereby exemption from CGT always applies as long as the home has been the main residence at some time) will be reduced from 18 months to 9 months. The government will consult on these changes. There will be no changes to the 36 months' final period exemption available to disabled people or those in a care home.

## **Investments**

### **Individual Savings Account (ISA) annual subscription limits**

The adult ISA annual subscription limit for tax year 2019/20 will remain unchanged at £20,000. The annual subscription limit for Junior ISAs for tax year 2019/20 will be uprated in line with CPI to £4,368.

### **Child Trust Funds**

The government will publish a consultation in 2019 on draft regulations for maturing Child Trust Fund accounts. The annual subscription limit for Child Trust Funds for tax year 2019/20 will be uprated in line with CPI to £4,368.

### **Improving NS&I's offer to customers**

NS&I will allow people other than parents and grandparents to gift Premium Bonds to a child. This, alongside a lower minimum investment of just £25 and the launch of a new app, will make saving with NS&I easier.

## **Corporate Tax**

### **Annual Investment Allowance (AIA)**

The government will increase the Annual Investment Allowance to £1 million for all qualifying investment in plant and machinery made on or after 1 January 2019 until 31 December 2020, to help stimulate business investment.

### **Digital services tax (DST)**

From April 2020, the government will introduce a new 2% tax on the revenues of certain digital businesses to ensure that the amount of tax paid in the UK is reflective of the value they derive from their UK users. The government will consult on the detailed design of the DST and legislate in Finance Bill 2019-20.

# Budget Summary 2018

---

## **VAT registration threshold**

Alongside the Budget, the government is publishing a response to the call for evidence on the design of the VAT threshold. The responses to the call for evidence did not provide a clear option for reform. The VAT threshold will therefore be maintained at the current level of £85,000 for a further 2 years until April 2022. The government will look again at the possibility of introducing a smoothing mechanism once the terms of EU exit are clear.

## **Rates and allowances for tax year 2019/20**

Further details, including an overview of tax legislation and rates for tax year 2019/20, can be accessed [here](#).

## **Important Information**

This summary is not intended as tax advice. It is for information purposes only so please do not act on the contents without taking expert tax advice first.

Queries on any of the areas covered in this summary should be directed by email or by phone on 020 7287 2225.



6 Duke Street St James's, London, SW1Y 6BN, United Kingdom  
+44 (0)20 7287 2225 [hello@edisonwm.com](mailto:hello@edisonwm.com) [edisonwm.com](http://edisonwm.com)

Registered in England and Wales no. 06198377. VAT Registration no. 909 8003 22. Authorised and regulated by the Financial Conduct Authority.