

## UK Budget 2018 Highlights

The Chancellor, Philip Hammond, presented his 2018 Budget on 29 October 2018. There were no particular surprises or major changes in his Budget. The key tax measures announced include:

### ***Income Tax***

- An increase in the higher rate threshold to £50,000, effective from 6 April 2019. The personal allowance will also be increased to £12,500 from the same date.

### ***Capital Gains Tax***

- The annual exemption for capital gains tax is increased to £12,000 for 2019/20.
- Entrepreneurs' Relief: The minimum period throughout which the qualifying conditions for relief must be met will be extended from 12 months to 24 months, with effect from 6 April 2019. In addition, for disposals on or after 29 October 2018, the definition of a personal service company includes two new conditions that require the individual to be beneficially entitled to at least:
  - 5% of the company's distributable profits
  - 5% of its assets available for distribution to equity holders in a winding up.
- Lettings relief on the disposal of a principal private residence will effectively be abolished from April 2020, unless the landlord is in shared occupancy with the tenant. In addition, the final exemption period that applies to sales of main residences will be reduced from 18 months to 9 months, also effective from April 2020. The government will consult on the detail of these two changes.
- As announced at Autumn Budget 2017, legislation will be introduced in Finance Bill 2018/19 requiring UK residents to make a payment on account of capital gains tax following disposal of a UK residential property.
- The deadline for reporting and paying capital gains tax on the disposal of UK property will be reduced to 30 days from the date of completion, as follows:
  - For non-residents disposing of UK property directly or indirectly, from 6 April 2019

- For UK residents disposing of UK residential property directly, from 6 April 2020.

The 30 day deadline will not apply to disposals by UK residents of non-UK property. Reasonable estimates of valuations will be accepted where this information is not available before the payment deadline.

### ***Non-residents***

- The government will consult on imposing a 1% Stamp Duty Land Tax surcharge for non-residents acquiring residential property in England and Northern Ireland.
- As announced at the Autumn Budget 2017, non-resident capital gains tax will be extended to gains arising on the disposal of all UK real estate, including indirect disposals of 'property-rich' entities, with effect from 6 April 2019. In addition, non-resident companies deriving income from UK real estate will be brought within the corporation tax regime from April 2020, whereas currently the income tax regime applies unless the company is operating through a UK permanent establishment.

### ***Businesses and Companies***

- The VAT threshold will be frozen at £85,000 until 2022.
- The Annual Investment Allowance will be increased on a temporary basis from £200,000 to £1m, from 1 January 2019 to 31 December 2020.
- From April 2020, a new 2% tax will be introduced on the revenues of certain digital businesses (search engines, social media platforms and online marketplaces) which derive value from their UK users. The tax will only apply to groups that generate global revenues in excess of £500m per year and revenues from UK users in excess of £25m per year. A consultation on the detail of the Digital Services Tax will follow and legislation will be included in Finance Bill 2019.
- A new Structures and Buildings Allowance (SBA) will be introduced to provide relief for qualifying capital expenditure on new non-residential structures and buildings incurred on or after 29 October 2018. Relief will be given at a rate of 2% per annum over a 50 year period.

## ***Inheritance Tax and Overseas Trusts***

- The government will introduce legislation in Finance Bill 2019/20 to confirm that additions of assets by UK-domiciled (or deemed domiciled) individuals to trusts established when they were non-domiciled are not excluded property for inheritance tax purposes. This reflects HMRC's established legal position on this point.

## ***Offshore Time Limits***

- As announced at Autumn Budget 2017 the government will legislate in Finance Bill 2018/19 to increase the assessment time limit for offshore tax non-compliance to 12 years for income tax, capital gains tax and inheritance tax. The time limit remains at 20 years for deliberate behaviour.

## **Would you like to know more?**

Verfides will be pleased to provide further advice in relation to any of the above measures, or provide specific tax advice in relation to your particular circumstances. Please contact your usual Verfides adviser or e-mail [tax\\_team@verfides.com](mailto:tax_team@verfides.com).

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