

BUDGET - OCTOBER 2018 - KEY UPDATES

Blue Peak Commentary

This budget provides relief for businesses, particularly smaller companies that will benefit from lower tax rates and additional reliefs. It will also benefit individuals paying basic and higher rate tax. Some notable points include the Chancellor's intention to introduce a tax on certain large digital organisations. Certain announcements will be well-received from an environmental angle, with an extension in 100% first year allowance for electrical charging points (to 2023) as well as the introduction of a tax for manufacturers producing plastic which uses less than 30% recycled materials.

Personal Allowance and Higher Rate Tax Threshold

From the 2019/20 year (beginning 6 April 2019) the amount of tax-free income an individual can earn before paying tax increases to £12,500. From the same date, the threshold at which you start paying higher rate tax (40%) increases to £50,000.

As an example, for an individual earning £20,000 per year, they will typically benefit from an additional £154 per year after tax and National Insurance.

For an individual earning £60,000 per year, they will typically benefit from an additional £520 per year after tax and National Insurance.

Don't forget - if you are married or in a civil partnership and you don't use your personal allowance, you may be able to transfer some of it to your spouse (as long as they are a basic rate tax payer) to reduce the tax they pay.

Universal Credit Work Allowance

From 6 April 2019 the amount you are allowed to earn before your Universal Tax Credits are reduced is going to rise by £1,000; this will mean additional take-home for individuals claiming Universal Credits whilst working.

Stamp Duty for First Time Buyers

Stamp duty relief will be available to first time buyers on the purchase of shared-ownership properties up to the value of £500,000. If you have purchased a property since the last Budget (22 November 2017), you may be able to claim a refund.

Private Residence Relief

Two key changes may adversely impact individuals subject to Capital Gains Tax on the sale of a property. Firstly, the automatic relief for the final 18 months of ownership will reduce to 9 months. Secondly, where a main residence is let, the £40,000 relief previously available will now only apply for periods where the owner jointly occupies the property.

SPEED READ - INDIVIDUALS

- **Increase in personal allowance**
- **Increase in higher rate tax threshold**
- **Increase in Universal Credit Working Allowance**
- **Stamp duty relief for certain first-time buyers**
- **Restrictions in Private Residence Relief**

SPEED READ - COMPANIES

- **Reduction in Corporation Tax rate**
- **Reduction in business rates for some smaller businesses**
- **Changes to Entrepreneur's Relief**
- **Limit on R&D relief for small and medium sized businesses**

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Corporation Tax Rate

From the 2020/21 year (beginning 6 April 2020) the corporation tax rate is reducing to 17%.

Business Rates

Business rates will reduce for the next two years by a third; this applies for companies with a rateable value of £51,000 or less.

Contractors (IR35)

As widely anticipated, the Chancellor announced that the taxation of individuals who are contracting through a personal **service** company will undergo a reform within the private sector (similar to recent changes in the public sector). Although there is an exemption for smaller businesses, this is something that companies and contractors should keep **in** mind as the payroll obligations (and employer's NIC liabilities) may shift to the Company.

Entrepreneur's Relief

This relief, which means a reduced rate of Capital Gains Tax (10%) is due on certain disposals by individuals selling shares in a personal company remains in place, however small changes have been introduced:

- A minimum holding period of two years (rather than the current one year requirement) has been introduced; this is not likely to impact many individuals as it typically takes a number of years to build and sell a profitable business.
- The ownership conditions that need to be met have been increased to mean the individual must have a 5% interest in both the distributable profits as well as the net assets of the company. (This is in addition to the existing 5% voting and share ownership tests)

Digital Services Tax

The Government is looking to introduce a tax of 2% on the revenues of certain large digital businesses. This will come in from April 2020 and will apply to companies with large global revenues, as well as UK revenues of at least £25 million per annum.

Duties on certain consumables

The Chancellor announced that the duties on beer, cider and spirits will be frozen for the next year. Although Air Passenger Duty will increase for long-haul flights, it will remain the same for short-haul flights.

HOW CAN BLUE-PEAK HELP?

We have a wealth of experience assisting individuals and businesses with all aspects of tax and accounting, from tax compliance through to tax efficiencies. Contact us to discuss your personal circumstances, or talk through your business in more detail and find out how the Budget may impact you.

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