Autumn 2018 Update

The Chancellor of the Exchequer delivered his budget on the 29 October 2018 and the Finance Bill 2019 was published on the 7 November 2018. Below are some of the points from the budget announcement which will have relevance to our clients:

Stamp Duty Land Tax ('SDLT')

Some changes to SDLT were announced including:

- **For first time buyers –** the relief available for purchases up to £500,000 has been extended from 29 October 2018 to include purchases through the shared ownership scheme where the buyer did not elect to pay SDLT on the market value of the property, but instead paid SDLT in stages through a staircasing arrangement. In addition, and to possibly to avoid criticism, those who purchased shared ownership properties on or after the 22 November 2017 will be able to obtain the relief retrospectively.

- **Higher rate SDLT –** the window of opportunity for claiming back the 3% SDLT surcharge paid on a new home, where the former home had not been sold by the date of purchase, has been extended. Previously if the sale of the former home took place more than 12 months after the new home was purchased, the buyer only had 3 months to reclaim the 3% surcharge. This has been extended to 12 months for sales of former homes taking place on or after the 29 October 2018. This is a sensible extension, as the 3 month period may have inadvertently been missed.

- **Non-resident buyers –** the government are consulting on the introduction of a further 1% SDLT surcharge for non-residents purchasing residential property in England and Northern Ireland.

Capital Gains Tax ('CGT')

- **Entrepreneurs Relief -** following the announcement in the budget the Finance Bill 2019 includes legislation to increase the period, for which the qualifying conditions must be met for entrepreneurs' relief purposes, from one to two years. This is because a longer-term holding is more characteristic of genuine entrepreneurial activity.

- Also, in addition to an individual holding at least 5% of the company's ordinary share capital and voting rights, they must now also be entitled to 5% of the distributable profits (dividends) as well as 5% of the assets available on the winding up of the company. This change will take effect from April 2019 with the aim of combating abuse of the current Entrepreneur's Relief requirements. For further detailed information on the changes to Entrepreneur's Relief, please see our dedicated briefing note.

- **Restrictions for Principal Private Residence Relief ('PPR') -** the following measures will be introduced for disposals of an individuals' only or main residence as follows:
  - The automatic exemption for the final period of ownership will be reduced from eighteen months to nine months; and
  - Lettings relief will apply only where the owner is in shared occupancy with the tenant(s). Currently the relief applies to any property which has been the tax payers' only or main home at any time and has been let without the owner being in occupation. For such circumstances, relief is available for up to £40,000 of the gain.

The government will consult on these PPR relief changes which are intended to take effect from the 6 April 2020.

Rates and allowances

- **Income Tax -** the government previously stated that their intention was to raise the personal income tax allowance to £12,500 (from £11,850) and the higher rate income tax threshold to £50,000 (from £46,350) by April 2020.

  The Chancellor was, however, able in this budget to fulfil this commitment one year earlier with the changes taking effect from 6 April 2019. It has been confirmed that these thresholds will remain at the same level for the year ending 5 April 2021.

  The basic threshold will increase from £34,580 in the current year to £37,500 for the year ending 5 April 2021. The additional rate threshold of income tax is unchanged at £150,000 for 2019/2020.

- **Capital Gains Tax -** the annual exempt amount for CGT for the year 2019/2020 will be £12,000, which is an increase from £11,700 for the year 2018/2019 for individuals. For trustees, the increase will be from £5,850 to £6,000.

Inheritance tax

There was not much change in relation to inheritance tax but two minor amendments were made:

- **Residence Nil-Rate Band ('RNRB') –** there is a change which amends the way the relief is calculated in relation to downsizing, to ensure that the relief does not apply where the property is gifted, subject to reservation of benefit, to trusts for entitled descendants. The amendment will ensure that the relief is only available, in relation to downsizing, where the property was gifted absolutely and so became immediately part of the donee's estate as a result of a lifetime gift.

- The government will propose legislation in the Finance Bill 2020 so that where a settlor establishes a trust when they are not UK-domiciled but then adds property, at a later date, when they are UK-domiciled (or deemed domiciled) then the added property will not qualify as excluded property. The provision will apply once the Finance Bill 2020 receives Royal Assent.

Trusts

In the Autumn 2017 budget the government announced a consultation of trust taxation on the basis that it should be simpler, fairer, more neutral and transparent. Since the announcement, the consultation has been published. For further information on this, please see our separate briefing note 'HMRC Trust Taxation Consultation 2018'.

Non-UK domiciliaries and non-UK trusts

- **CGT on Property -** the Finance Bill 2019 includes the measures which will extend the scope of non-resident CGT to gains realised by non-residents on the disposal of all UK immovable property and the disposal of interests in property rich vehicles. This measure was first announced in, and a consultation was launched as part of, the Autumn 2017 budget. Non-UK resident persons, including individuals, companies and trusts, will be currently subject to the changes. The Finance Bill 2019 now includes the legislation which will cover how the new charge applies to diversely held funds.

- **Offshore Non-Compliance -** the government has also announced that it will update its 2014 offshore tax strategy in its attempt to deter offshore tax non-compliance. For further information please see our briefing note 'Offshore Non-Compliance: The Requirement to Correct'.

2019/2020 Annual Tax on Enveloped Dwellings ('ATED') rates

The ATED rates for 2019/2020 will, as expected, see an increase to the rate charged from 1 April 2019 based on the rise in the Consumer Price Index (CPI).

The chargeable amounts payable for 2019/2020 will therefore be as follows:

Property value	**Charge**
Over £500,000 but not more than £1m	£3,650
Over £1m up to £2m	£7,400
Over £2m up to £5m	£24,800
Over £5m up to £10m	£57,900
Over £10m up to £20m	£116,100
Over £20m	£232,350

ATED related CGT will be abolished with effect from the 6 April 2019.

Immigration

It was announced that that Tier 1 Investor Visas would been suspended with effect from the 7 December 2018, however the Home Office have now reported that the Visa is not currently suspended, but is subject to review for reform.

The Visa provides a fast track for people willing to invest substantial sums in the UK and has been criticised for providing an easy route to settle in the UK. In the year ending September 2018, it has been estimated that more than 1,000 applications had been granted.

There is expected to be a reformed Visa which should introduce more comprehensive audits of each applicant's financial and business interests and include investing in active and trading UK companies rather than government bonds. We will provide further information on this as it becomes available.

If you have any questions or concerns following the 2018 budget announcement then please contact a member of the Wealth Planning team below, who would be happy to assist you.

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