Croner-i

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Crucial insight from the Croner-i in-house team of tax writers

Autumn Budget 2018 -
More treat than trick?

Foreword

Contributed by Paul Robbins

Welcome to the latest of Croner-i's Budget briefings.

Our expanded team of tax experts (welcome Sarah Arnold, Sarah Kay, Stephanie Webber and Lindsey Wicks) has considered the announcements under the following headings:

- Income tax and NIC
- Pensions and savings tax
- Charity taxes
- Capital gains tax
- Inheritance tax
- Business tax
- Enterprise tax
- Corporate tax
- Property tax
- Stamp taxes and ATED
- VAT
- Energy and transport tax
- Environmental tax
- Indirect tax
- EU exit
- Administration
- Avoidance and evasion

I won't steal their collective thunder by covering particular announcements here. Suffice to say that while the Spring Statement 2018 had more tax than was promised the Autumn Budget 2018 has more tax than first meets the eye.

I would also say that the international context continues to be important. Not just the all-pervasive uncertainty over Brexit but also the new digital services tax and attempts to counteract tax avoidance via the BEPS project. The latest edition of our Schwarz on Tax Treaties covers these and other tax treaty developments and provides the most authoritative commentary on the multilateral instrument currently available.

At Croner-i we have just launched Navigate Tax and will shortly be launching Practical International Tax Planning. Both these new services have the same goal – to enable practitioners to provide authoritative tax advice on a cost-effective basis. Both do this by focussing on real-life scenarios and providing clear and concise commentary supported by many useful tools.

We continue to invest heavily in our other tax commentaries and our source materials databases to help you get to grips with all planned and unplanned changes as they happen.

Paul Robbins ACA, CTA

Paul Robbins is the content and innovation manager for Croner-i Tax.

After graduating, Paul worked in the tax departments of two large firms now absorbed into the Big 4 before joining Croner-i as a tax technical writer specialising in corporates.

At Croner-i he has held various publishing posts whilst also managing the team of in-house tax writers and being lead technical editor on a number of core titles. He is now responsible for the quality and development of the Croner-i tax portfolio.

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The next date for your diary is the 7 November when the Finance Bill 2019 will be published. Finance Act 2019 is then expected to get Royal Assent in February 2019 as the government clears the decks ahead of Brexit.

As ever, Tax Update, Croner-i's weekly e-alert, will keep our customers fully abreast of all the developments in the tax world during what promises to be an eventful 2019.

When the next Budget will be and who will be delivering it are less predictable than ever.

Summary

Contributed by Stephen Relf

More treat than trick?

October is a strange month. In the supermarket, Halloween costumes and Christmas decorations compete for our attention, making us choose between broomsticks and baubles, between horror and joy. The Chancellor faced a similar dilemma in the run-up to the Budget. Should he continue to chase a budget surplus, slashing tax reliefs and making deeper cuts to public spending; or should he signal an end to austerity, borrowing to fund gifts for the NHS and others?

Buoyed by improved fiscal forecasts, the Chancellor opted for mince pies over pumpkins; to use his own words, his speech was less ‘Hammo House of Horrors’ and more ‘Spreadsheet Phil turns Santa Claus’. Almost all of us made it onto the nice list in some way or another, thanks in large part to the Chancellor’s decision to accelerate increases in the income tax personal allowance and the higher rate threshold. However, the Budget was not short of shock; some may shiver at the changes to the IR35 rules for larger businesses, for example.

A summary of the main Budget announcements is provided below. For detailed commentary on the changes to the tax rules, rates and allowances, see the sections that follow.

The economy

The outlook is much improved on the Spring Statement: borrowing for the year is £11.6bn lower than expected, coming in at 1.2% of GDP and it is set to fall to 0.8% of GDP by 2022-23; and national debt, which peaked at 85.2% of GDP in 2016-17, will fall to 83.7% this year and to 74.1% in 2023-24. Add to this the continued ‘jobs miracle’ – the OBR predicts 800,000 more jobs by 2023 and sustained real wage growth in each of the next five years – and you begin to understand why the government feels able to loosen the purse strings to such a significant extent.

Stephen Relf Mphil, FCA, CTA

Stephen specialises in the tax affairs of owner-managed businesses. Before joining Croner-i, Stephen was Head of the Technical Team at the Chartered Institute of Taxation (CIOT) and before that he worked in practice, for PwC, and in industry, for Northern Rock. He continues to be involved with the CIOT as chair of the CIOT's Working Together committee.

Stephen combines his role as a tax writer at Croner-i with day-to-day tax work as a director of Applause Accountancy Services Ltd.

As Lead Technical Writer Stephen helps lead the team of writers.

Income tax and National Insurance (NI)

In the run-up to the Budget, there had been speculation that the Chancellor would abandon planned increases in the personal allowance and the higher rate threshold. Not so. Rather, the Chancellor has chosen to ‘double down’; the personal allowance will stand at £12,500, and the higher rate threshold at £50,000 one year ahead of schedule, from April 2019. Recent changes to the personal allowance in particular have been staggering; by next spring, it will have almost doubled compared to 2010-11.

There is little to report from a NI perspective, other than the reform of the £3,000 employment allowance. From April 2020, this will be restricted to employers with an employer NI bill below £100,000. This looks to be a smart move for the government; larger businesses are unlikely to complain too loudly about losing £3,000 per year, and the government will save £1.3bn by 2023-24 as a result of the measure.

Business taxes

Probably best to get the bad news out of the way first.

As expected – some may say, feared – the government has confirmed that it will reform the off-payroll working rules (IR35) in the private sector, bringing businesses in line with public-sector organisations. This will be a hugely unpopular move in some quarters but if there is some good news, it's that the changes will not take effect until April 2020. Further, the changes will not apply to smaller businesses. The government has pledged that HMRC will provide support and guidance to medium and large organisations ahead of implementation.

Another revenue-raiser for the government is the introduction of a new digital services tax (DST). From April 2020, the government will charge a 2% tax on the 'global giants' with regard to search engines, social media platforms and online marketplaces with UK users. The government will apply the DST until such time as a multinational solution to the digital services issue is in place.

Other changes include:

- a new tax on income from intangible property held in low-tax jurisdictions to the extent that it is referable to UK sales. You may remember this one as the Royalties Withholding Tax;
- a new restriction for brought forward capital losses similar to that applying for other types of losses (eg relief restricted to 50% of the gain; large businesses only);
- reducing the administrative burden on charities by, amongst other things, increasing the threshold for small trades;
- a tightening of the rules for entrepreneur's relief. With immediate effect, shareholders must be entitled to at least 5% of the distributable profits and net assets of a company; and with effect from 6 April 2019, the minimum qualifying period will be extended from 12 months to 24 months;
- the return of a PAYE and NIC cap for the payable R&D tax credit for SMEs. To prevent abuse of the rules, the amount of the payable credit will be restricted to three times the company's total PAYE and NIC liability for that year; and
- a reduction in the capital allowances special rate from 8% to 6% from April 2019.

That said, it's not all bad news for businesses. Positive measures include:

- the temporary increase from 1 January 2019 of the annual investment allowance to £1 million;
- a new 2% capital allowance for new non-residential structures and buildings where contracts are entered into on or after 29 October 2018; and
- changes to the intangible fixed assets rules to give relief for goodwill on the acquisition of a business with eligible intellectual property from April 2019; and the reform of the de-grouping rules with effect from 7 November 2018 so that they more closely align with equivalent rules for other assets.

Importantly, the reduction in the rate of corporation tax to 17% from April 2020 remains on the statute book.

Property taxes

The Chancellor continues to follow some clear trends with regard to property taxes; there is support for payers of business rates, more help for first-time buyers and a further tightening of the rules for landlords.

The main winner under the business rates heading is the high street. From April 2019, the government will cut business rates bills by one-third for retail properties with a rateable value below £51,000, benefiting up to 90% of retail properties. To prevent abuse of the business rates rules, the government will consult on the criteria under which self-catering and holiday lets become chargeable to business rates rather than to council tax.

First-time buyers' relief from Stamp Duty Land Tax (SDLT) will be extended and backdated to 22 November 2017 so that all qualifying shared ownership property purchasers can benefit from the relief. The government will consult on a SDLT surcharge of 1% for non-residents buying residential property in England and Northern Ireland.

Pity the landlord. Often the target of tax hikes, the landlord has been hit again, this time when they come to sell the property. From April 2020, principal private residence relief lettings relief will be restricted so that it only applies where the landlord is in shared occupancy with the tenant. In a related move, the final period exemption will be reduced from 18 months to 9 months.

Indirect taxes

The government had been looking at options to reform the design of the VAT threshold. However, this will be put on the back-burner with the current VAT threshold of £85,000 to be maintained until April 2022. There was no mention of Making Tax Digital which will begin with VAT, from April next year.

Subject to consultation, from April 2022 the government will introduce a tax on the production and import of plastic packaging which does not contain at least 30% recycled plastic.

Avoidance and evasion

As for previous budgets, there are a raft of measures under this heading, some of which have immediate effect.

A headline announcement is that HMRC will be made a preferred creditor in business insolvencies. The changes will apply from April 2020 with regard to taxes collected and held by businesses on behalf of other taxpayers (eg VAT, PAYE, employee NI contributions and construction industry scheme deductions). In a related move, directors and others involved in tax avoidance, evasion or phoenixism will be jointly and severally liable for company tax liabilities, where there is a risk that the company may deliberately enter insolvency.

Other changes include:

- aligning the consideration rules for Stamp Duty and Stamp Duty Reserve Tax and introducing a general market value rule for transfers between connected persons. A targeted market value rule will apply to prevent forestalling; and
- the publication by HMRC of revised VAT grouping guidance effective from April 2019. The guidance will amend the definition of 'bought-in services' to ensure that such services are subject to UK VAT, and will provide clarity on HMRC's protection of revenue powers and treatment of UK fixed establishments.

Concluding comments

Not only did the Chancellor speak for longer than expected, he also hinted at a return to the spotlight in the near future. With Brexit negotiations stepping-up a gear, the Chancellor suggested that Spring Statement 2019 could be upgraded to a full fiscal event or in other words, another Budget. There may well be more to come.

Income tax and NIC

Contributed by Julie Clift

Income tax: Rates and thresholds: tax year 2019 to 2020

The Government will legislate in Finance Bill 2018-19 to set the charge for income tax, and the corresponding rates, as it does every year. Finance Bill 2018-19 will set:

- The main rates, which will apply to non-savings, non-dividend income of taxpayers in England, Wales and Northern Ireland;
- The savings rates, which will apply to savings income of all UK taxpayers;
- The default rates, which will apply to a very limited category of income taxpayers that will not fall within the above two groups, made up primarily of trustees and non-residents;

Income tax rates and thresholds on non-savings, non-dividend income for Scottish taxpayers are set by the Scottish Parliament. From April 2019 the Welsh Government will set a Welsh rate of income tax for non-savings, non-dividend income for Welsh taxpayers.

Personal allowance and higher rate threshold

The Government will legislate in Finance Bill 2018-19 to increase the personal allowance to £12,500 for 2019-20. The basic rate limit will be increased to £37,500 for 2019-20. The Government also set the personal allowance at £12,500 and basic rate limit at £37,500 for 2020-21, bringing forward the government's manifesto commitment to raise the personal allowance and higher rate threshold to these amounts by one year. For future years, increases to the personal allowance and basic rate limit will be indexed with the consumer prices index (CPI). Changes to the basic rate limit, and higher rate threshold, will apply to England, Wales and Northern Ireland, and to savings and dividends income in the UK. Income tax rates and thresholds on non-savings, non-dividend income for Scottish taxpayers are set by the Scottish Parliament. Changes to the personal allowance will apply to the whole of the UK.

Tax treatment of social security benefits

The Chancellor announced that the Government will legislate in Finance Bill 2018-19 to confirm the income tax treatment of nine new and existing social security benefits. The legislation will confirm that the following eight benefits are exempt from income tax: Young Carer Grant, Best Start Grant, Funeral Expense Assistance and Discretionary Housing Payment (introduced by the Scottish government); Discretionary Support Scheme (overseen by the Northern Ireland Executive); and, Council Tax Reduction Scheme, Discretionary Housing Payment and the Flexible Support Fund (overseen by the UK government).

Julie Clift BA (Hons), CTA

Julie has significant Big Four international and UK practice experience having worked at Arthur Andersen in their UK-US Expatriate team, Ernst & Young's Entertainment and Media Group and Deloitte and Touche's Tax Policy Group.

She was also Deputy Editor of The Tax Journal.

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The legislation will confirm the Carer's Allowance Supplement in Scotland is subject to income tax in accordance with the 2016 agreement between the Scottish Government and the UK Government on the Scottish Government's Fiscal Framework.

The changes will have effect on and after Royal Assent to Finance Bill 2018-19.

Van and fuel benefit charges for cars and vans from 6 April 2019

The Government will increase the car and van fuel benefit charges by the September 2018 RPI. The van benefit charge will increase by the September 2018 CPI. These changes will have effect on and after 6 April 2019. The Government will legislate by Statutory Instrument shortly after the publication of Finance Bill 2018-19 to ensure the changes are reflected in tax codes for 2019-2020.

Legislating the existing tax treatment of expenses for unpaid officeholders

The Chancellor announced at Budget 2018 that the Government will legislate in Finance Bill 2019-20 so that expenses paid or reimbursed to unpaid office-holders are exempt from income tax when incurred because of their voluntary duties. This places the existing concessionary treatment on to a statutory basis, providing certainty for those organisations engaging unpaid office-holders. Corresponding legislation will also be introduced to mirror the income tax exemption for National Insurance contributions. The change will have effect on and after Royal Assent to Finance Bill 2019-20.

Shared occupancy test for rent-a-room relief

Following consultation on draft legislation, to maintain the simplicity of the system, the Government has announced that it will not include legislation for the 'shared occupancy test' in Finance Bill 2018-19.

Employment Allowance reform

The Chancellor announced that the Government will legislate to restrict access to the National Insurance contributions (NICs) Employment Allowance to employers with an employer NICs liability below £100,000 in their previous tax year. Where employers are connected under the Employment Allowance rules the threshold will apply to their aggregated liability. This change will take effect from 2020-21.

Address non-compliance with the off-payroll working rules

As announced at Budget 2018, the Government will legislate in Finance Bill 2019-20 to reform the off-payroll rules in the private sector. Responsibility for operating the existing off-payroll working rules, and deducting any tax and NICs due, will move from individuals to the organisation, agency or other third party paying an individual's personal service company. Small organisations will be exempt and this change will bring private sector organisations in line with public sector bodies and agencies. The change will come into effect from 6 April 2020.

Delay to National Insurance Contributions Reforms of Termination Payments and income from sporting testimonials

As announced at Budget 2018, the Government will not abolish Class 2 NICs during this Parliament. There are two remaining measures in the draft NICs Bill published on 5 December 2016: reforms to the NICs treatment of termination payments and income from sporting testimonials. The government still intends to legislate for these reforms, which will take effect from April 2020.

Response to the consultation on taxation of self-funded work-related training costs

Following consultation responses indicating that tax relief is unlikely to be effective in addressing the barriers to learning or incentivising training, the government is maintaining the scope of tax relief currently available to employees and the self-employed for work-related training costs.
The consultation response document has been published alongside Budget 2018.

Tax and administrative treatment of short-term business visitors

It was announced at Budget 2018 that the Government will introduce secondary legislation to amend the Income Tax (Pay As You Earn) Regulations 2003, extending the Pay As You Earn (PAYE) reporting and payment deadlines to 31 May for companies using the PAYE special arrangement for Short Term Business Visitors. The PAYE special arrangement limit for UK workdays in the tax year will be extended from 30 days or less to 60 days or less. These changes follow the consultation which closed on 6 August 2018. The changes will have effect from 6 April 2020.

Offshore receipts from intangible property

This measure will apply a UK income tax charge to the proportion of a foreign resident entity's intangible property income that is referable to the sale of goods or services in the UK. It will apply in relation to entities located in jurisdictions with whom the UK does not have a full tax treaty (one containing a non-discrimination clause) and in relation to payments made via both related and unrelated parties

It should apply, for example, where a non-UK entity receives income from the sale of goods or services in the UK, and where that entity makes a payment to the holder of intangible property in a low tax jurisdiction, in which case an income tax charge will arise to the extent that the income receivable in the low tax jurisdiction is referable to the sale of goods or services in the UK.

Income tax will be charged on the gross income referable to the sale of goods or services in the UK and realised by the non-UK resident entity from the ownership, or rights over, relevant intangible property.

The measure will:

- include joint and several provisions to enable the collection of the debt from connected parties in the event of non-payment by the non-UK resident entity;
- include a £10 million de minimis UK sales threshold;
- exclude income from charge where the tax payable by the foreign entity in relation to income referable to the sale of goods or services in the UK is at least 50% of the UK income tax charge that would otherwise arise;
- include an exemption for income arising in entities that have not acquired their intangible property from related parties and where all, or substantially all, of the trading activities have always been undertaken in the low tax jurisdiction;
- a targeted anti-abuse rule, effective from 29 October 2018, to protect against arrangements designed to avoid the charge, including arrangements which involve transferring the ownership of intangible property to another group entity resident in a full treaty jurisdiction.

The measures will otherwise be effective from 6 April 2019.

Pensions and Savings tax

Contributed by Lindsey Wicks

Pensions

Lifetime allowance

The pensions lifetime allowance will increase in line with CPI from £1,030,000 in 2018–19 to £1,055,000 in 2019–20.

Ban on cold calling in relation to pensions

The consultation outcome on the ban on cold calling in relation to pensions was announced at Budget 2018. It is proposed that regulations will be laid in autumn 2018 to amend the Privacy and Electronic Communications (EC Directive) Regulations 2003 (SI 2003/2426) to ban calls for direct marketing in relation to pension schemes.

This measure is designed to tackle pension scams that often lead to savers losing their entire pension fund. Once the regulations come into force, the government plans to proactively communicate the ban and the Information Commissioner's Office (ICO) will publish guidance for the pensions industry.

Savings

Starting rate for savings

It was announced at Budget 2018 that the band for the 0% starting rate for savings would remain unchanged at £5,000 for 2019–20.

Individual Savings Account (ISA) subscription limits

The adult ISA subscription limit remains unchanged at £20,000 for 2019–20. The annual subscription limit for Junior ISAs will increase in line with CPI from £4,260 in 2018–19 to £4,368 in 2019–20.

Child Trust Funds

The annual subscription limit for Child Trust Funds will increase in line with CPI from £4,260 in 2018–19 to £4,368 in 2019–20.
Budget 2018 also announced a consultation to take place in 2019 on draft regulations to ensure that Child Trust Fund accounts retain their tax-free status after maturity.

Lindsey Wicks BSc (Hons), ACA, CTA

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She was then a freelance writer for a number of years before joining Croner-i in 2018.

Her main specialism is business taxation but she covers a range of other topics including pensions, investment income and the annual tax on enveloped dwellings.

Social Investment Tax Relief review

A review of Social Investment Tax Relief was announced at Autumn Statement 2016 and a call for evidence will be published early in 2019. At Budget 2018, it was stated that this review will consider why the take up for the scheme is lower than anticipated as well as the design and targeting of the relief.

Enterprise Investment Scheme (EIS) knowledge-intensive fund structure

Changes to the EIS rules for approved funds were the subject of a policy consultation in spring 2018. The government plans to introduce changes to EIS approved funds in Finance Bill 2019–20 with effect from 6 April 2020 to:

- require approved funds to focus on investments in knowledge-intensive companies;
- give funds a longer period over which to invest fund capital; and
- allow investors in approved funds to set their income tax relief against liabilities in the year before the fund closes.

It is proposed that draft legislation will be published for consultation in summer 2019.

Charity taxes

Contributed by Julie Clift

The Government has announced it will introduce a package of measures from April 2019 designed to reduce administrative burdens on charities. These will include:

- increasing the upper limit for trading that charities can carry out without incurring a tax liability from £5,000 to £8,000 where turnover is under £20,000, and from £50,000 to £80,000 where turnover exceeds £200,000 (changes will have effect on and after 6 April 2019 for unincorporated charities and from 1 April 2019 for incorporated charities);
- allowing charity shops using the Retail Gift Aid Scheme to send letters to donors every three years when their goods raise less than £20 a year, rather than every tax year;
- and increasing the individual donation limit under the Gift Aid Small Donations Scheme to £30, which applies to small collections where it is impractical to obtain a Gift Aid declaration (this change will be made by Regulations if Parliamentary time permits).

Julie Clift BA (Hons), CTA

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Capital Gains tax

Contributed by Stephanie Webber

Annual exempt amount

The annual exempt amount for 2019-20 will be as follows:

- £12,000 for individuals and personal representatives; and
- £6,000 for most trustees of a settlement.

Residential property

Private residence relief

It has been announced that, from April 2020, two changes will be made to the operation of private residence relief.

First, the 18 month final period exemption will be reduced to nine months (although this will not affect the 36 month final period exemption available to the disabled or those in a care home).

Second, lettings relief will be reformed and will only be available where the owner of the property is in shared occupancy with a tenant,
There will be consultation on both the detail of these changes and other technical aspects.

Capital gains tax payment window

As announced at Autumn Budget 2017, draft legislation was published on 6 July 2018 for inclusion in Finance Bill 2018-19 to introduce a requirement for UK residents to make a payment on account of CGT following completion of a residential property disposal and to replace and extend the existing reporting and payment on account rules for non-UK residents.

Following consultation, the legislation has been amended to:

- Allow reasonable estimates of valuations and apportionments for calculation purposes if the information is not available by the payment deadline;
- Remove disposals of non-UK properties from the rules; and
- Remove non-UK resident companies from the reporting requirement.

Stephanie Webber ACA, CTA

Following a career in tax training, Stephanie joined the CCH in-house writing team in the mid-1990s. After several years back in practice, where her main focus was owner-managed businesses and high net worth individuals, followed by a career break in France, she spent a number of years doing freelance writing work before joining Croner-i in 2018.

She writes in-depth and quick overview commentary on capital gains tax, inheritance tax and trusts and pensions as well as preparing case reports for tribunal and court decisions in her commentary areas.

She is also involved in writing new modules and updating existing ones for the Tax Workflow service.

Entrepreneurs' relief

Definition of a 'personal company'

For disposals on or after 29 October 2018, the conditions that must be satisfied to obtain entrepreneurs' relief on disposals of shares (other than relevant EMI shares) have been tightened by the addition of two new tests that the company must meet to qualify as the individual's 'personal company'. The new conditions require the individual to be beneficially entitled to at least five per cent of the company's distributable profits and to at least five per cent of its assets available to equity holders in a winding-up (in addition to the existing share capital and voting rights conditions). The new conditions will also apply to associated disposals so that they must be met in relation to a material disposal of shares before an associated disposal of an asset can qualify for relief. In addition, if goodwill is transferred to a close company and immediately after the disposal the transferor satisfies either condition, entrepreneurs' relief will be denied.

Minimum qualifying period extension

For disposals on or after 6 April 2019, the minimum period throughout which the entrepreneurs' relief conditions must have been satisfied is increased from one to two years. The effect is as follows:

- for disposals of a business or an interest in a business, that business must have been carried on for at least two years;
- for disposals of assets used when business ceased, the business must have been carried on for at least two years (unless the cessation was before 29 October 2018, in which case the old one year rule applies);
- for disposals of shares, the qualifying conditions in relation to the company must have been met for at least two years (the policy paper states three years, it is assumed in error) – and again, if the claimant's personal company ceased to be a trading company before 29 October 2018, the old one year rule continues to apply to disposals of shares within three years of cessation;
- for associated disposals, the asset that is disposed of must have been used in the business for at least two years; and
- for trust disposals, the qualifying conditions in relation to trust assets must have been met for at least two years.

Where a business has been transferred to a company in exchange for shares, the pre-transfer period can be included in applying the two year rule.

Shareholding 'diluted' below the five per cent threshold

Following the announcement at Autumn Budget 2017 that individuals whose shareholding was reduced below five per cent as a result of a new share issue on or after 6 April 2019 would be able to obtain relief for gains up to that time, draft legislation was published on 6 July 2018.

Following consultation, changes have been made to clarify and improve the computational and qualifying rules.

Inheritance tax

Contributed by Stephanie Webber

IHT changes to nil rate band

In relation to deaths occurring on or after 29 October 2018, two technical amendments are to be made to the operation of the residence nil rate band.

The first amendment relates to the calculation of the 'lost relievable amount' where a claim for the downsizing addition is made. It ensures that the value of any part of a residence that is inherited by an exempt beneficiary is taken into account in determining the lost relievable amount.

The second amendment treats property included in a person's estate by the operation of the reservation of benefit rules as being inherited by a direct descendant if it became comprised in the direct descendant's estate as a result of the original gift.

Trusts

Consultation on the taxation of trusts

As announced at Autumn Budget 2017, the government will publish a consultation on the taxation of trusts, intended to make it simpler, fairer and more transparent.

Trusts settlements definition

Legislation will be included in Finance Bill 2019-20 to confirm the IHT position in relation to additions to settlements made by an individual whilst non-UK domiciled. Where additions are made to such a settlement when the individual has become UK domiciled (or is deemed to be UK domiciled), those additions will not be excluded property. This will apply to all occasions of charge arising on or after the date of Royal Assent to Finance Bill 2019-20, irrespective of the date of the addition. Further legislation will also provide for the treatment of transfers between trusts made after the date of Royal Assent.

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Business tax

Contributed by Lindsey Wicks

Capital allowances

Temporary increase in the annual investment allowance

The annual investment allowance (AIA) provides a 100% allowance on qualifying expenditure, subject to an annual limit. Budget 2018 announced a temporary two-year increase in this limit from £200,000 to £1,000,000 from 1 January 2019.

As with previous changes to the limit, transitional rules will apply to businesses with chargeable periods spanning 1 January 2019 (when the limit is increased) and 1 January 2021 (when the limit reverts to £200,000).

For periods spanning 1 January 2019, no more than £200,000 of the actual expenditure in the part of the period falling prior to 1 January 2019 will qualify for the AIA. The maximum AIA for the whole period will be based on a time apportionment of the period for which the allowance is £200,000 and the period for which the allowance is £1,000,000. Therefore, for a period from 1 July 2018 to 30 June 2019, the maximum AIA would be £600,000 ((6/12 x £200,000) + (6/12 x £1,000,000)).

For periods spanning 1 January 2021, no more than the proportionate amount of the £200,000 AIA relating to the period falling after 1 January 2021 will qualify for the AIA. Therefore, if a period runs from 1 April 2020 to 31 March 2021, the maximum AIA qualifying expenditure in the period from 1 January 2021 to 31 March 2021 will be £50,000 (3/12 x £200,000). This proportionate restriction when the limit falls has been the subject of much lobbying in the past, so it is interesting that this rule is being adopted again. The maximum AIA for the whole period will be based on a time apportionment of the period for which the allowance is £1,000,000 and the period for which the allowance returns to £200,000. Therefore, for a period from 1 April 2020 to 31 March 2021, the maximum AIA would be £800,000 ((9/12 x £1,000,000) + (3/12 x £200,000)).

More detailed transitional rules will apply to:

- businesses subject to income tax with chargeable periods spanning 1 January 2019;
- groups and businesses under common control.

Further details are expected in the Finance Bill to be published on 7 November 2018.

Lindsey Wicks BSc (Hons), ACA, CTA

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Clarification of capital allowances for costs of altering land

The legislation will be amended to clarify that the costs of altering land to install assets that do not qualify for capital allowances (i.e. buildings and structures excluded by the Capital Allowances Act 2001 (CAA 2001), s. 21 and 22) are ineligible for capital allowances. This change will apply to claims made on or after 29 October 2018, but the law will be treated as always having had effect.

Although not specifically mentioned in the budget documents, this measure appears to be a reaction to the First-tier Tribunal decision in SSE Generation Ltd [2018] TC 06618 where the tribunal judge decided that land excavation costs for the purpose of creating an asset that functions as plant in common law were allowable, despite the fact that the structures fell within CAA 2001, s.22. The way in which the measure is being introduced will prevent potential claimants from making claims following a review of historic expenditure in relation to assets still held.

This measure is also linked to a new capital allowance for structures and buildings costs (see below).

Capital allowances for structures and buildings

This new allowance will apply to qualifying expenditure incurred on or after 29 October 2018, although the detail will be subject to consultation. To allow for this consultation, it is proposed that a power to introduce the new allowance (to be known as the structures and buildings allowance (SBA)) will be contained in the Finance Bill 2018–19 and the detailed legislation will be included in a Statutory Instrument to be introduced after Royal Assent to Finance Bill 2018–19.

The proposed features of the allowance are:

- relief will be given at a 2% flat rate over a 50-year period;
- relief will be available for new commercial structures and buildings, including costs for new conversions or renovations;
- relief will be available for UK and overseas structures and buildings, where the business is within the charge to UK tax;
- relief will be limited to the costs of physically constructing the structure or building, including costs of demolition or land alterations necessary for construction, and direct costs required to bring the asset into existence;
- relief will be available for eligible expenditure incurred where all the contracts for the physical construction works were entered into on or after 29 October 2018;
- it will only be possible to make claims from when a structure or building first comes into use;
- relief will not be available for land costs or rights over land;
- relief will not be available for costs of obtaining planning permission;
- the claimant must have an interest in the land on which the structure or building is constructed;
- relief will not be available for dwelling houses, nor any part of a building used as a dwelling where the remainder of the building is commercial;
- the sale of the asset will not result in a balancing adjustment (the purchaser will take over the remainder of the allowances written down over the remainder of the 50-year period);
- expenditure on integral features and fittings of a structure or building that are currently allowable as expenditure on plant and machinery, will continue to qualify for writing down allowances for plant and machinery including the AIA, up to its annual limit;
- SBA expenditure will not qualify for the AIA;
- where a structure or building is renovated or converted so that it becomes a qualifying asset, the expenditure will qualify for a separate 2% relief over the next 50 years.

Ending enhanced allowances for energy and water efficient plant and machinery

First-year allowances at a rate of 100% are currently available for expenditure on certain energy efficient and environmentally beneficial technologies and products. These are often known as enhanced capital allowances (ECAs). Loss-making companies can currently claim a first-year tax credit instead.

The tax credit was due to expire on 31 March 2023 (having been extended by Finance Act 2018). However, both the allowance and the credit will come to an end on 31 March 2020 for companies and 5 April 2020 for unincorporated businesses.

In the meantime, the lists of qualifying technologies will be amended by statutory instrument to take effect in 2019.

First-year allowance for electric charge-points

The current 100% first-year allowance for electric vehicle charging points was due to expire on 31 March 2019 for corporation tax and 5 April 2019 for income tax. The end date will be extended by a further four years to 31 March 2023 for corporation tax and 5 April 2023 for income tax.

Reduction of rate of special writing down allowance

A special rate of capital allowances applies to:

- thermal insulation of buildings;
- integral features;
- long life asset expenditure;
- cars (excluding main rate cars (first registered before 1 March 2001, cars with low CO2 emissions, electrically-propelled cars));
- provision of cushion gas;
- solar panels.

The rate will reduce from 8% to 6% from 1 April 2019 for corporation tax and 6 April 2019 for income tax.

Other measures affecting businesses

Business rates

Details of the announcements relating to business rates can be found in the Property tax section.

Profit fragmentation

Details of the announcements relating to profit fragmentation can be found in the Avoidance, evasion and “unfair outcomes” tax section.

Changes affecting businesses within the charge to corporation tax

Details of the announcements applying to businesses within the charge to corporation tax can be found in the Corporation tax section.

Corporate tax

Contributed by Paul Davies

General measures

Corporation tax rates

No changes were made to enacted corporation tax rates which remain as follows:

- 19% for financial year 2019; and
- 17% for financial year 2020.

Carried-forward losses

Changes will be made to ensure that relief for carried-forward losses works as intended and to prevent excess claims. Changes will be made to:

- the definition of relevant profits;
- the computation of basic life assurance and general annuity business (BLAGAB) profits;
- the deductions allowance where a company is a member of more than one group;
- the calculation of terminal relief;
- shock losses of insurance companies being surrendered as group relief;
- the cap on profits against which group relief for carried-forward losses may be allowed in certain circumstances; and
- other minor and consequential provisions.

The draft legislation published on 6 July 2018 has been amended to include changes to the group relief cap on profits. The group relief cap changes apply from 1 April 2017; the relevant profits and BLAGAB changes apply from 6 July 2018 and the other changes apply from 1 April 2019.

Capital losses

Effective 1 April 2020, Finance Bill 2019-20 will restrict companies' use of carried-forward capital losses to 50% of capital gains subject to an annual allowance of up to £5m capital or income losses. A consultation paper was published on 29 October 2018 and draft legislation will be published in summer 2019.

An anti-forestalling measure to support this change will be effective from 29 October 2018.

Paul Davies MA (Cantab), ACA

Paul qualified as a Chartered Accountant with Price Waterhouse before moving to Northern Rock as Head of Tax. There he spent 16 years managing the bank's tax planning, compliance and risk management activities in addition to special projects including its conversion to plc status; successful litigation before the special commissioners; and advising on the restructuring of the bank following the 2008 financial crisis.

More lately Paul managed the global tax affairs of a fast growing venture capital-backed hi-tech communications company. Paul writes in-depth corporation tax content for Croner-i including loan relationships and derivative contracts; intangible fixed assets; reconstructions; transfer-pricing; anti-avoidance and other international issues.

Intangible fixed assets

Finance Bill 2018-19 will:

- partially reinstate relief for acquired goodwill on the acquisition of businesses with eligible intellectual property; and
- prevent the de-grouping charge from applying where de-grouping is the result of a share disposal that qualifies for the substantial shareholding exemption.

The de-grouping changes will be effective in relation to de-groupings occurring on or after 7 November 2018.

It is expected that explanatory notes will be published on 7 November.

Research and Development (R&D) tax relief

Subject to consultation, Finance Bill 2019-20 will introduce a limit on the payable tax credit that can be claimed by a company under the R&D SME tax relief. The limit will be three times the company's total PAYE and NIC payment for the period. Any loss that a company cannot surrender for a payable credit may be carried forward for relief against future profits.

The measure will be effective for accounting periods beginning on or after 1 April 2020.

Digital businesses

Digital services tax

A digital services tax will be introduced from April 2020 at a rate of 2% of the revenues of certain digital businesses which derive value from UK users. The tax will apply to revenues from the provision of search engines; social media platforms; and online marketplaces. It will apply:

- to revenues from activities linked to the participation of UK users, subject to a £25m annual allowance;
- to global revenues from business activities within scope of the tax which exceed £500m per annum; and
- subject to a safe harbour provision exempting loss-makers and reducing the effective rate of tax on businesses with very low profit margins.

The government will consult on the detailed design of the digital services tax and will legislate in Finance Bill 2019-20.
Property businesses

UK property income of non-UK resident companies

Non-UK resident companies carrying on a UK property business (or receiving other UK property income) after 6 April 2020 will be charged to corporation tax rather than income tax. This measure takes effect after the end of fiscal year 2019-20 on 5 April 2020.
Draft legislation was published in Finance Bill 2018-19 on 6 July 2018 and the technical consultation concluded on 31 August 2018.

Consequential amendments to tax legislation will ensure that a non-UK resident company:

- will not have a disposal event for capital allowances purposes; its income will neither be taxed twice nor fall out of account and its expenses will be relieved only once;
- will not need to notify its chargeability to corporation tax in cases where its only UK income source is from a UK property business and the UK tax deducted at source from its rental income fully satisfies its liability to corporation tax on the profits of that business.

Transitional provisions will:

- allow the carry forward of existing income tax losses against future UK property business profits;
- prevent the deduction of derivative contracts amounts referable to pre-commencement periods which would not have been relievable under the income tax rules, e.g. because they are capital in nature; and
- allow companies to apply the Disregard Regulations (SI 2004/3256) to hedging derivatives with certain modifications to ensure the rules apply appropriately.

Oil taxation

Transferable tax history mechanism

Following consultation in 2018, Finance Bill 2018-19 will introduce a transferable tax history mechanism for oil and gas companies to encourage new investment in the North Sea. The measure is effective for transactions that receive Oil and Gas Authority approval on or after 1 November 2018.

Petroleum revenue tax simplification

Also following consultation in 2018, the petroleum revenue tax rules on retained decommissioning costs will be amended to simplify the way that older fields can be sold to new investors. The measure is effective for transactions that receive Oil and Gas Authority approval on or after 1 November 2018.

Capital instruments

Hybrid capital instruments

This measure provides certainty of tax treatment for hybrid capital instruments which allow deferral or cancellation of interest payments. Subject to qualifying conditions, interest payable on hybrid capital instruments will be:

- deductible for the issuer;
- taxable for the holder; and
- not subject to stamp duty or stamp duty reserve tax in relation to transfers.

The measure will also eliminate differences in the way that two linked loan relationships are taxed where companies raise loan capital from third parties and distribute that capital within a group in such a way that the internal and external loan relationships would be taxed on different bases.

It will apply to hybrid capital instruments not covered by the regulatory capital securities regulations effective from 1 January 2019.
An associated HMRC technical note is available here.

Regulatory capital securities

As a consequence of the hybrid capital instruments measure above, HMRC have reviewed the treatment of hybrid capital instruments generally to ensure that interest payments on all debt-like instruments are deductible.

Following this review, the regulatory capital securities regulations will be revoked and replaced with new tax rules for:

- hybrid capital instruments that can be issued by any sector; and
- tax mismatches, which align the tax treatment of linked loan relationships.

This measure will be effective from 1 January 2019.

Insurance companies

IFRS 17 Insurance contracts

IFRS 17, effective from 1 January 2021, introduces significant changes to how insurance contracts are recognised, measured, presented and disclosed which may impact the timing of revenue recognition. A consultation process will help determine if changes are required in Finance Bill 2019-20 to the taxation treatment of insurance contracts in the light of the accounting changes.
Anti-avoidance

Corporate interest restriction

As announced at Autumn Budget 2017, Finance Bill 2018-19 will amend the corporate interest restriction rules to ensure the regime works as intended. Following consultation, changes have been made to the legislation and explanatory notes originally published on 6 July 2018.

The corporate interest restriction rules will also be amended by Finance Bill 2018-19 to ensure that they continue to operate as intended after the introduction of IFRS 16 Leases.

The draft legislation has been revised to include minor changes to the rules for structured finance arrangements, writing down allowances for finance lessors and the treatment of long funding leases on adoption of IFRS 16.

A change has also been made to the computational rules for the spreading of the transitional adjustment upon adoption of IFRS 16.

This measure will have effect for periods of account beginning on or after 1 January 2019. Certain amendments to the long funding lease rules are only effective for leases entered into on or after 1 January 2019.

Hybrid and other mismatch anti-avoidance rules

Consequential changes will be made to the hybrid mismatch anti-avoidance rules to reflect the adoption of the Anti-Tax Avoidance Directive (EU Directive 2016/1164) (ATAD) on 12 July 2016.
The hybrid mismatch rules introduced by Finance Act 2016, effective from 1 January 2017, include almost all the minimum standards required by ATAD. Two changes are however necessary to ensure that the rules are fully aligned with the ATAD requirements.

The measures will be effective from 1 January 2020 and relate to specific requirements in relation to:

- the treatment of certain mismatches involving permanent establishments; and
- the exemption of regulatory capital.

Any legislative change required to comply with ATAD requirements in relation to the treatment of certain reverse hybrids will be considered later because the implementation date for those requirements is 1 January 2022.

Controlled foreign companies

Consequential changes will also be made to the controlled foreign company rules to reflect the adoption of ATAD.

Two changes will be made in relation to the definition of control and the treatment of certain profits generated by UK activity.
The measures will be effective from 1 January 2019.

UK permanent establishments

The definition of permanent establishment for UK tax purposes will be changed to prevent foreign businesses operating in the UK taking advantage of exemptions for preparatory or auxiliary activities by splitting their business activities between different locations and related companies.

A non-UK resident company is liable to UK corporation tax only if it has a UK permanent establishment. The exemption from permanent establishment status for preparatory and auxiliary activities normally applies to low value activities such as storing the company's own products; purchasing goods; or collecting information for the non-resident company.

Finance Bill 2018-19 will amend CTA 2010, s. 1143 to deny exemption from permanent establishment status to a non-UK resident company for such activities if they are part of a fragmented business operation, for example if:

- that company, either alone or with related entities, whether foreign or UK, carries on a cohesive business operation, either at the same place, or at different places in the UK;
- at least one of them has a permanent establishment where complementary functions are carried on; and
- the activities together would create a permanent establishment if they were in a single company.

The UK has already adopted this change in its tax treaties by virtue of the BEPS multilateral instrument which became effective in the UK on 1 October 2018. This measure, newly announced at Budget 2018, replicates in UK domestic law the change already made to tax treaties and will be effective from 1 January 2019.

Diverted profits tax

Effective 20 October 2018, the diverted profits tax legislation will be amended to close planning loop holes and to make minor modifications to the mechanics of the legislation. The changes will:

- close a tax planning opportunity under which amendments to a company's corporation tax return can be made after the review period has ended and after the diverted profits tax time limits have expired;
- make clear that diverted profits will only be taxed under either the diverted profits tax or the corporation tax rules, but not both;
- extend the review period, within which HMRC and taxpayer companies are encouraged to work collaboratively to determine the extent of diverted profits, from 12 to 15 months;
- extend a company's right to amend their corporation tax return during the first 12 months of the extended 15-month review period, but only for the purposes of including the diverted profits into a corporation tax charge;
- make clear that diverted profits liable to diverted profits tax can be reduced by amendment to the company's corporation tax return during the first 12 months of the review period.

Property tax

Contributed by Stephanie Webber

Changes to taxing gains made by non-residents on UK immovable property

As announced at Autumn Budget 2017, from 6 April 2019 all non-UK residents who dispose of interests in UK land will be brought within the scope of either capital gains tax or corporation tax, as appropriate, and a further rule will also tax indirect disposals of UK land where a person disposes of an entity that derives 75 per cent or more of its gross asset value from UK land.

Draft legislation was published on 6 July 2018 and there was then a period of technical consultation, during which HMRC and HM Treasury worked with industry on provisions applying specifically to collective investment vehicles investing in UK land. It has now been announced that Collective investment schemes and Alternative Investment Funds (other than partnerships) will be treated as if they were companies chargeable to corporation tax and an investment in the fund will be treated as if the interests of investors were shares in a company, with the consequence that if the fund is UK property rich, a disposal of an interest in it by a non-UK resident will fall within the new provisions. UK Real Estate Investment Trusts will be exempted in relation to gains on disposals of UK property rich entities under the same mechanism as disposals of property under existing CTA 2010, s. 535.

Shared occupancy test for rent-a-room relief

Following consultation on the draft legislation published on 6 July 2018, the legislation for the shared occupancy test for rent-a-room relief will not now be included in Finance Bill 2018-19.

Business rates

In order to provide upfront support to high street businesses, business rates will be cut by one third for retail properties with a rateable value below £51,000, benefiting up to 90 per cent of retail properties. This will apply for two years from April 2019, subject to state aid limits.

Stamp duty land tax

For details of the proposed stamp duty land tax changes, see the section Stamp taxes and ATED.

Stephanie Webber ACA, CTA

Following a career in tax training, Stephanie joined the CCH in-house writing team in the mid-1990s. After several years back in practice, where her main focus was owner-managed businesses and high net worth individuals, followed by a career break in France, she spent a number of years doing freelance writing work before joining Croner-i in 2018.

She writes in-depth and quick overview commentary on capital gains tax, inheritance tax and trusts and pensions as well as preparing case reports for tribunal and court decisions in her commentary areas.

She is also involved in writing new modules and updating existing ones for the Tax Workflow service.

Stamp taxes and ATED

Contributed by Mark Cawthron

Stamp Duty Land Tax

SDLT for non-residents

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

First time buyers' relief – extension of relief to all purchasers of qualifying shared ownership property

First-time buyers' relief is extended to include qualifying shared ownership property purchases, whether or not the purchaser elects to pay SDLT on the market value of the property. The first £300,000 of an initial share purchased will not be liable to SDLT. The remainder of the initial share will be chargeable at 5% on amounts over £300,000. No SDLT will be chargeable on the lease. Relief is not available on any further shares purchased.

The relief will not apply to purchases of properties valued over £500,000.

This change will apply to relevant transactions with an effective date on or after 29 October 2018; and will also be backdated to 22 November 2017, to enable claims for refunds to be made.

Higher rates for additional dwellings – time within which to reclaim

Someone selling their old home after they buy their new home must pay upfront. A purchaser can reclaim the higher rates for additional dwellings provided they sell their old home within 3 years of buying their new home. A successful reclaim must be made by the later of:

- 3 months from selling the old home
- a year from the filing date for the SDLT return for the new home.

In practice this means that anyone who fails to sell their old home within 12 months of the filing date of the SDLT return for their new home must rely on Finance Act 2003, Sch. 4ZA para. 8(3)(a) and reclaim their higher rates for additional dwellings within 3 months of the sale of their old home.
Paragraph 8(3)(a) will be amended so that a successful reclaim must be made by the later of:

- 12 months from selling the old home
- a year from the filing date for the SDLT return for the new home.
- This change will take effect from 29 October 2018, where the effective date of sale of the old home is on or after that date.

Mark Cawthron LLB, Solicitor, CTA

Mark is a tax lawyer and was formerly a partner in the City office of law firm Pinsent Masons (and its predecessor firms) from 1990 to 2007 and of the US law firm, Bryan Cave, from 2007 to 2010.

He has wide experience of the corporate and business tax fields: M&A, corporate finance and restructurings; private equity; real estate investment and development; employee share incentives; employment arrangements and their termination; handling disputes with tax authorities.

Mark writes tax commentary for Croner-i on residence and domicile, employee shares, real estate taxation, and double taxation, as well as authoring feature articles on a range of topics.

Higher rates for additional dwellings – 'major interests'

The design of higher rates for additional dwellings broadly means that tax is charged when someone buys and already owns a 'major interest' in a dwelling. The term 'major interest' is used to ensure that the higher rates for additional dwellings apply to only meaningful purchases of residential property and does not apply to 'minor interests', for example a right of way or a right to light.

It has been suggested that it is unclear whether the legal definition of 'major interest' includes an 'undivided share in land' and, consequently, whether transfers involving an 'undivided share in land' are within the scope of the higher rates for additional dwellings.

While HMRC's view is that the higher rates for additional dwellings legislation as it stands enables all purchases of undivided shares in land to be taxed, Finance Act 2003, Sch. 4ZA, para. 2 will be amended to put the position beyond doubt, and make clearer that a major interest in a dwelling includes an undivided share in a dwelling for the purpose of the higher rates for additional dwellings.

The change will take effect from 29 October 2018.

ATED (Annual Tax on Enveloped Dwellings)

Increase in Annual chargeable amounts

ATED charges will rise by 2.4% from 1 April 2019 in line with the September 2018 Consumer Prices Index. This will be delivered by Statutory Instrument.

Stamp Duty/Stamp Duty Reserve Tax (SDRT)

Stamp Duty, Stamp duty reserve tax: aligning the consideration rules

The Government will consult on aligning the Stamp Duty and SDRT consideration rules and introducing a general connected party market value rule.

Reforming the consideration rules will, it is said, 'simplify Stamp Taxes on shares and prevent contrived arrangements being used to avoid tax'.

The consultation will be published on 7 November 2018.

Stamp duty, Stamp duty reserve tax: transfers of listed securities and connected companies

Legislation will be introduced in Finance Bill 2018-19 to provide for a new market value rule where listed securities are transferred to a company (whether or not for consideration), and the person transferring the securities is connected with the company.

In these circumstances, the transfer will be chargeable to stamp taxes on shares based on the higher of the amount or value of the consideration (if any) for the transfer or the market value of the securities.

HMRC say they are aware of contrived arrangements involving the transfer of listed shares to connected companies to minimise stamp taxes on shares liability on the acquisition of high-value share portfolios. The measure will introduce a new targeted market value rule where listed securities are transferred to a connected company where stamp taxes on shares group relief is not available. It will apply where money is paid or there is nil consideration or where the consideration is other than money.

The effective dates of this new measure is as follows:

- for Stamp Duty under Finance Act 1999, Sch. 13, para. 1, the measure will have effect in relation to instruments executed on or after 29 October 2018;
- for SDRT under Finance Act 1986, s. 87 the measure will have effect for agreements to transfer made on or after 29 October 2018. Where the agreement to transfer is conditional, the measure will have effect where the condition is satisfied on or after 29 October 2018;
- where the Stamp Duty or SDRT charge is under Finance Act 1986, s. 67, 70, 93 or 96 in relation to transfers to depositary receipt issuers or clearance services the measure will have effect for transfers on or after 29 October 2018 (whenever the arrangement was made).

Stamp duty relief for Share Incentive Plans

Finance Act 2001, s. 95(3) provides that where, under an approved share incentive plan, partnership shares or dividend shares are transferred by the trustees to an employee:

a) no ad valorem stamp duty is chargeable on any instrument by which the transfer is made, and
b) no SDRT is chargeable on any agreement by the trustees to make the transfer.

Legislation will be introduced in Finance Bill 2018-19 to amend s. 95. This will remove references to 'approved' in subsections (1) and (2) and in the heading and in subsection (3) 'an approved share incentive plan' will be substituted by 'a Schedule 2 SIP'. This will align the section with the other provisions of the SIP code.

This is a minor correcting measure, which will be backdated effective from 6 April 2014 (the date from which self-certification of the several 'tax-advantaged' share schemes took effect). The change clarifies the availability of stamp duty and stamp duty reserve tax relief for SIPs, and puts the legislation onto the basis as already operated by HMRC.

Stamp duty, SDRT and SDLT: resolution of financial institutions

The Government announced at Autumn Budget 2017 it would legislate in Finance Bill 2018-19 to ensure that Stamp Duty, SDRT and SDLT were not chargeable on exercise of resolution powers under the UK special resolution regime for managing failing financial institutions. The exemption would be limited to the temporary transfer of shares or land to a bridge entity, and the transfer of shares in exchange for temporary certificates issued to creditors that identify their entitlement to the shares.

This would, it was said, 'simplify and strengthen the process of resolving a failed financial institution and help to ensure that the 'no creditor worse off' principle is upheld'.

Following publication of draft legislation on 6 July 2018, changes have been made which will extend the exemption to other types of financial institutions in resolution and certain transfers covered by the resolution regime.

The change will have effect for transfers made on and after Royal Assent to Finance Bill 2018-19.

VAT

Contributed by Sarah Kay

No change to registration thresholds

There will be no change to the VAT registration or deregistration thresholds, which will remain fixed at £85,000 and £83,000 per annum until 31 March 2022.

At the Spring budget a call for evidence on reducing the VAT threshold was announced and a summary of the responses received has been published. Although the Government considers that there are problems with the current threshold, it will not make any changes until the terms of the UK's exit from the EU are clear.

Changes to the VAT treatment of vouchers

There will be changes to the VAT treatment of vouchers issued on or after 1 January 2019, the changes will simplify the rules relating to vouchers. For the purposes of the new rules a 'voucher' can have a physical or electronic form and will meet the following conditions:

- one or more persons are under an obligation to accept it as consideration or part-consideration for the supply of goods or services
- the identities of those goods or services and of their potential suppliers are limited and expressly indicated
- is transferable by gift

The rules will exclude discount vouchers, transport tickets, admission tickets and postage stamps.

Under the new rules vouchers will be either single purpose vouchers or multi-purpose vouchers.

A single purpose voucher will be one where, at the time of issue, both the liability to VAT and the place of supply of the underlying goods or services are known. Any VAT due on those underlying goods or services is paid at the point of issue of the voucher and at the point of each transfer of it, where these are done for consideration. VAT is not payable when the voucher is redeemed, but if the business redeeming the voucher in exchange for taxable goods or services is different from the business which issued it, there is also a supply of those goods or services from the former business to the latter.

Sarah Kay BSc (Hons), PhD, CTA

Sarah writes VAT commentary for Croner-i.

She trained with Ernst & Young as part of their indirect tax graduate training scheme and qualified as a CTA in 2001.

Since leaving Ernst & Young in 2004 she has worked for specialist VAT Consultancy firms helping a range of businesses to navigate round the increasingly complex VAT regime.

A multi-purpose voucher will be one which is not a single purpose voucher. Any VAT due is only payable when the voucher is redeemed for goods or services. The consideration for that supply will be amount last paid for the voucher or, in the absence of this information, its face value.
There will be a new section in the VAT Act 1994 to deal with postage stamps to maintain the current treatment.

Reverse charge anti avoidance amendment

As an anti-avoidance rule, the receipt of reverse charge supplies contributes to a business's taxable turnover for the purposes of the VAT registration threshold. Thus, the receipt of certain supplies can result in a business whose sales are below the threshold becoming liable to register for VAT.

The budget contained a measure which will enable this anti-avoidance rule to be disapplied in relation to any specified VAT reverse charge if HMRC deem it necessary. Any such disapplication will be introduced by Statutory Instrument.

Energy and Transport Tax

Contributed by Paul Robbins

Transport tax

Fuel duty

Fuel duty will be frozen for the ninth successive year.

Alternative fuels

The government is to maintain the difference between alternative and main road fuel duty rates until 2032.

Vehicle excise duty

Various changes have been announced to the rates for 2019-20:

- the rates for cars, vans and motorcycles is to increase in line with RPI; and
- the rate for heavy goods vehicles is to be frozen.

Following consultation on the reform of the regime for vans, the government is to set out its proposals shortly.

An exemption for purpose-built vehicles operated by Blood Bikes is to be introduced from April 2020.

Company vehicles

From 6 April 2019 fuel benefit charges will increase in line with RPI with van benefit charge increasing in line with CPI.

Air passenger duty

The long-haul rates of air passenger duty will increase in line with RPI for 2020-21 but short-haul rates will not rise.

Energy tax

Carbon emissions tax

If post-Brexit no mutually satisfactory agreement can be reached about the UK's withdrawal from the EU Emissions Trading System (ETS), then the Government will introduce a carbon emissions tax.

A rate of £16 per tonne would be applied over and above an installations emissions allowance which would be based on the installations free allowances under the ETS.

Paul Robbins ACA, CTA

Paul Robbins is the content and innovation manager for Croner-i Tax.

After graduating, Paul worked in the tax departments of two large firms now absorbed into the Big 4 before joining Croner-i as a tax technical writer specialising in corporates.

At Croner-i he has held various publishing posts whilst also managing the team of in-house tax writers and being lead technical editor on a number of core titles. He is now responsible for the quality and development of the Croner-i tax portfolio.

Climate change levy

The main rates for 2020-21 and 2021-22 are to change as follows:

- the electricity rate will be lowered in both years; and
- the gas rate will increase in both years

the net effect being that the gas rate will be 60% of the electricity rate.
Other fuels will continue to align with the gas rate.

Enhanced capital allowances

To reduce complexity, the enhanced capital allowances and first year tax credits for technologies on the Energy Technology List and the Water Technology List will come to an end from April 2020.

The Government will also extend the enhanced capital allowances regime for electric vehicle charging points to 31 March 2023.

Environmental Tax

Contributed by Paul Robbins

Single-use plastics

Plastic packaging

The government will be consulting on the following measures to reduce the problems caused by "excessive and environmentally harmful plastic packaging":

- from April 2022 introduce a tax on the production and import of plastic packaging which doesn't contain at least 30% recycled plastic; and
- reform the Packaging Producer Responsibility System to increase producer responsibility for costs of their packaging waste.

Disposable cups

The Chancellor announced that the Government will not at this point pursue a levy on all such cups but will revisit that if the industry does not take steps to limit the environmental impact.

Aggregates levy

The government will freeze rates for 2019-20.

Paul Robbins ACA, CTA

Paul Robbins is the content and innovation manager for Croner-i Tax.

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Indirect tax

Contributed by Sarah Kay

Soft drinks industry levy: movement of soft drinks between the UK and Isle of Man

Provided that rates of SDIL remain aligned, the movement of liable soft drinks between the Isle of Man and the UK will not be an import or export. This will apply with effect from 1 April 2019.

Soft drinks industry levy: penalties

With effect from April 2019 penalties will apply for the non-payment of SDIL and failure to submit a timely quarterly return.

HGV road user levy

With effect from 1 February 2019 vehicles which meet the latest Euro IV emissions standards will qualify for a 10% reduction in the levy. There will be increases in the levy for the most polluting vehicles.

Remote gaming duty increase

Remote gaming duty will increase to 21% with effect from 1 October 2019.

Excise duty: Heated tobacco

With effect from 1 July 2019 there will be a new duty category for 'Heated Tobacco' and it will be 234.65 per kg.

Tobacco duty rates

From 6pm on 29 October 2018 the following increases will take place:

- The duty rates for all tobacco products will be increased by 2% above RPI inflation
- Hand-rolling tobacco will rise by an additional 1% above this to 3% above retail price inflation; and
- The Minimum Excise Tax will be set at £293.95 per 1000 cigarettes.

Vehicle excise duty

Rates for cars, vans, motorcycles and motorcycle trade licences will increase by RPI with effect from 1 April 2019. Rates for HGVs will be frozen for 2019-20.
The government will shortly publish its response to the consultation on reforming VED to incentivise van drivers to purchase lease polluting models.
The Finance Bill for 2019-20 will include a provision to exempt from VED motor cars and bikes owned by the Nationwide Association of Blood Bikes and used for the transportation of medical products.

Sarah Kay BSc (Hons), PhD, CTA

Sarah writes VAT commentary for Croner-i.

She trained with Ernst & Young as part of their indirect tax graduate training scheme and qualified as a CTA in 2001.

Since leaving Ernst & Young in 2004 she has worked for specialist VAT Consultancy firms helping a range of businesses to navigate round the increasingly complex VAT regime.

Fuel duty

Fuel duty will remain frozen for 2019-20.

Alcohol duty

With effect from 1 February 2019 the following alcohol duty rates will increase inline with inflation (based on RPI):

- All wine and made-wine rates at or below 22% alcohol by volume (abv); and
- Sparkling cider and perry exceeding 5.5% abv but less than 8.5% abv.

The duty rates on beer, spirits, wine and made wine exceeding 22% abv, still cider and perry, and sparkling cider and perry of a strength not exceeding 5.5% abv have been frozen.

With effect from 1 February 2019 a new duty band will be introduced to encourage the production and consumption of lower-strength ciders. It will apply to still cider of a strength of at least 6.9% but not exceeding 7.5% alcohol by volume. The rate for the new band will be £50.71.

The Government will not be undertaking further consultation of the simplification of Alcohol Duty although it 'remains committed to consulting on and implementing reforms'.

This amendment was prompted by the extension of the domestic reverse charge to construction services from 1st October 2019. There are concerns that without this disapplication, an unintended consequence of the extension will be that small businesses trading below the registration threshold will be required to register for VAT.

Specified supplies anti-avoidance measure

Suppliers of 'specified supplies' can recover input tax when those supplies are made to non-EU customers, even though the 'specified supplies' are exempt from VAT (and thus do not normally give rise to a right to recover input tax). This anti-avoidance measure aims to combat exploitation of the rules by insurance intermediaries who use an artificial off-shore loop to enable them to recover input tax.

With effect from 1 March 2019, the right of insurance intermediaries to recover input tax will be restricted to circumstances where the final consumer does not belong in the UK.

Higher education amendment

English higher education providers will be able to exempt their supplies of education if they are registered with the Office for Students in the Approved (fee cap) category. HMRC will publish detailed guidance in advance of the 2019-20 academic year.

Effect of VAT and air passenger duty on tourism in Northern Ireland

The government launched a call for evidence on the impact of VAT and APD on tourism at the Spring Statement 2018 and is publishing its response. However, there will be no changes to the VAT or APD regimes in Northern Ireland at this time.

Effect of VAT and air passenger duty on tourism in Northern Ireland

The government launched a call for evidence on the impact of VAT and APD on tourism at the Spring Statement 2018 and is publishing its response. However, there will be no changes to the VAT or APD regimes in Northern Ireland at this time.

Split payment for online payments

The government response to the consultation on this issue which followed the Spring Statement 2018 will be published on 7 November.

Reverse unfulfilled supplies

With effect from 1 March 2019 all prepayments made for goods or services will be within the scope of VAT where customers have failed to collect what they paid for and not received a refund.

Amendment to guidance for VAT groups on bought in services

Draft guidance clarifying when UK VAT is due on when overseas services should be classified as bought in services will be published in November in advance of changes taking effect from 1 April 2019.

EU exit

Contributed by Sarah Arnold

Amendments to tax legislation to reflect EU exit

Legislation will be introduced in Finance Bill 2018-19 to provide for a power to make minor consequential amendments to various parts of tax legislation pursuant to the UK leaving the EU.

The Government proposes to use the power to amend tax legislation in a way that maintains the same effect in the event of a no deal exit from the EU. It will also ensure that HMRC can continue to co-operate with other tax administrations to the widest possible extent, whilst ensuring that UK information is only used for specified legitimate purposes and that it remains confidential, in the same way as it would be in the UK, in the hands of the overseas recipient. It will also ensure that the consideration of whether (and by how much) a taxpayer is unjustly enriched only refers to sums of tax wrongly paid as a result of a mistake of UK legislation (and not of EU legislation).

The legislation will have effect on and after the Royal Assent to Finance Bill 2018-19.

Sarah Arnold FCA, CTA

Sarah joined Croner-i in 2018 where she is responsible for the

tax news stories in Accountancy Daily and Tax Update and runs the tax legislation and treaty databases. Previously, Sarah worked as a freelance tax writer and tax adviser for a number of years and co- authored Taxation of Partnerships.

Sarah trained as a Chartered Accountant initially as an auditor before joining a top 50 London LLP as PA to the senior tax partner. Sarah went on to qualify as a Chartered Tax Adviser and moved back to the North East into a role as Director of Tax for a large independent regional practice before setting up her own tax consultancy specialising in the taxation of sportspersons.

Sarah is experienced in advising high net worth individuals on all aspects of personal taxation including utilising trusts and the taxation of estates.

Tax Administration

Contributed by Julie Clift

Changes to interest provisions for late payment, repayment and penalties

As announced on 19 July 2018, legislation will be introduced in Finance Bill 2018-19 to regularise historical arrangements for charging interest in relation to payments and repayments of certain taxes (including corporation tax and diverted profits tax) and the charging of interest on unpaid and late paid penalties for PAYE.

Currently there are separate legislative provisions covering the charging of interest on the taxes and penalties involved.

Current powers are contained in:

- Finance Act 1989, s. 178, in relation to interest on corporation tax, diverted profit tax, inheritance tax, stamp duty, SDLT and promoters of tax avoidance schemes (POTAS).
- Finance Act 2009, s. 101, in relation to interest charged on penalties in relation to PAYE.

The legislation will have immediate retrospective and prospective effect with retrospection dating back to:

- 18 August 1989 in respect of FA 1989, s. 178
- 6 May 2014 for FA 2009, s. 101.

The legislation will also ensure that in future the interest provisions in Finance Act 2009 apply in relation to penalties charged under POTAS.

Income tax, capital gains tax and corporation tax: voluntary tax returns

Legislation will be introduced in Finance Bill 2018 to 2019 with retrospective and prospective effect to put HMRC's longstanding practice of accepting voluntary tax returns onto a statutory basis.

These voluntary returns will be put on an equal footing with returns delivered under a formal notice to file.

The measure has retrospective and prospective effect from the date of Royal Assent to Finance Bill 2018-19. The legislation will apply retrospectively from April 1996.

Julie Clift BA (Hons), CTA

Julie has significant Big Four international and UK practice experience having worked at Arthur Andersen in their UK-US Expatriate team, Ernst & Young's Entertainment and Media Group and Deloitte and Touche's Tax Policy Group.

She was also Deputy Editor of The Tax Journal.

She writes in-depth and quick overview commentary on income tax and employment tax.

Julie also prepares case reports for decisions released by the tribunals and courts for her commentary areas.

Extension of security deposit legislation

As announced at Budget 2017, the Government will legislate in Finance Bill 2018-19 to extend existing security deposit legislation to include corporation tax and Construction Industry Scheme deductions. The Government consulted on the implementation of this change between 13 March and 8 June 2018. A summary of responses and draft Finance Bill Legislation was published on 6 July. Since then minor changes have been made to the draft legislation, including to remove provision for new information powers that are now considered unnecessary, and to include a technical amendment to the existing PAYE provisions. Detailed provisions will be set out in regulations, which will be published for comment.

Power to make consequential amendments

The Chancellor announced at Budget 2018 that the Government will legislate in Finance Bill 2018-19 to introduce a power which permits the government to make minor amendments to ensure that tax law continues to operate as it does now if the UK leaves the EU without a deal.

This measure allows the Government to make minor technical amendments, including: replacing references to the 'EU' with references to the 'EU and UK' in legislation; amendments consequential to other changes to the law in preparation for EU exit; and amendments to change values in euros into values in sterling. It also provides for technical changes to an existing power which permits the government to bring international tax agreements into effect in UK law, mirroring a provision currently contained in legislation that gives effect to EU law; and removes references to EU legislation when HMRC are considering whether, and to the extent which, a taxpayer may be unjustly enriched by repayment of Insurance Premium Tax, Landfill Tax, or Excise Duty.

Statutory remedy re advance corporation tax

The Government will legislate in Finance Bill 2018-19 to introduce a new statutory remedy in relation to advance corporation tax. The measure will apply from Royal Assent to the Finance Bill 2018-19.

Extension of 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. Where there is deliberate behaviour the time limit remains at 20 years. Public consultation opened on 19 February 2018 and closed on 14 May 2018. The response document, draft legislation and a TIIN were published on 6 July 2018. Following consultation in summer 2018, the legislation clarifies that the extended time limits will apply unless international agreements mean HMRC already has the information needed to assess the tax due.

Protecting Your Taxes in Insolvency

As announced at Budget 2018, from 6 April 2020, the Government will change the rules so that when a business enters insolvency, more of the taxes paid in good faith by its employees and customers and temporarily held in trust by the business go to fund public services, rather than being distributed to other creditors. This reform will only apply to taxes collected and held by businesses on behalf of other taxpayers (VAT, PAYE income tax, employee National Insurance contributions and Construction Industry Scheme deductions). The rules will remain unchanged for taxes owed by businesses themselves, such as corporation tax and employer National Insurance contributions. This will be legislated for in Finance Bill 2019-20.

Amendments harmonisation

The Government is publishing a call for evidence into how tax returns are amended. The current process can be complex, and the government is keen to modernise and simplify it.

Amendments to the General Anti-abuse Rule (GAAR)

Legislation will be introduced in Finance Bill 2019-20 to make minor procedural and technical changes to the General Anti-abuse Rule (GAAR). The changes will come into effect following Royal Assent.

Penalties reform

As announced at Autumn Budget 2017, the Government consulted in summer 2018 on draft legislation for new late payment and late submission sanctions. The Government remains committed to the reform and intends to legislate in a future Finance Bill, to allow for more time to consider further the communications needed for successful implementation. The Government will provide notice before these measures are implemented.

Amending HMRC's Civil Information Powers

The Government's consultation on proposed technical changes to Schedule 36 to Finance Act 2008 closed on 2 October 2018. The proposed changes aim to improve HMRC's processes for accessing third party information. A response to this consultation, including next steps for implementation, will be published in due course.

Avoidance, evasion and unfair outcomes

Contributed by Mark Cawthron

The Government suggests the 'tax gap', the difference between the tax that 'should be paid' and the tax actually paid, has fallen from 7.3% in 2005/06 to 5.7% in 2016/17. This is the lowest tax gap in five years, and the second lowest ever. At Autumn Budget 2017, a list of over 100 measures introduced since 2010 to tackle tax avoidance, evasion and other forms of non-compliance was published. These had, the Chancellor said, raised £185bn since 2010.

At Budget 2018, HM Treasury announced a further package to tackle tax avoidance, evasion and (in possibly a new phrase for the lexicon) 'unfair outcomes', with 21 measures, aiming to raise £2.1 billion by 2023/24. Of these, 12 aim to protect revenue and 9 to result in more tax coming to the Exchequer by tackling fraud, avoidance and unfair outcomes and clamping down on non-compliance both offshore and domestically.

Those measures included in the release issued by HM Treasury are listed below under the two heads 'Direct taxes' and 'VAT'.

Further measures included in Budget materials published by HMRC (though under the shorter heading 'Avoidance and Evasion') are listed separately.

Finally, it's worth bearing in mind that anti-avoidance provisions can invariably be found appended to other Budget announcements. Examples include:

- an anti-avoidance rule that applies from 29 October 2018, in connection with the legislation that will be introduced in Finance Bill 2018-19 to tax income from intangible property held in low-tax jurisdictions to the extent referable to UK sales (a measure generally taking effect from 6 April 2019);
- legislation to be included in Finance Bill 2018-19 to amend the Diverted Profits Tax rules, that will 'close a tax planning opportunity';
- the suggestion that a split payment model, as an alternative method of VAT collection (and one developed in close cooperation with stakeholders in the banking and payments sectors), could radically improve the way VAT is collected and reduce fraud. Following the consultation launched at Spring Statement 2018, the Government will publish a government response document on 7 November 2018.

Mark Cawthron LLB, Solicitor, CTA

Mark is a tax lawyer and was formerly a partner in the City office of law firm Pinsent Masons (and its predecessor firms) from 1990 to 2007 and of the US law firm, Bryan Cave, from 2007 to 2010.

He has wide experience of the corporate and business tax fields: M&A, corporate finance and restructurings; private equity; real estate investment and development; employee share incentives; employment arrangements and their termination; handling disputes with tax authorities.

Mark writes tax commentary for Croner-i on residence and domicile, employee shares, real estate taxation, and double taxation, as well as authoring feature articles on a range of topics.

Direct taxes

Tackling profit fragmentation

Targeted legislation to prevent UK traders and professionals from avoiding tax by arranging for their taxable business profits to arise in territories where significantly lower tax is paid than in the UK. The taxable UK profits will be increased to the actual, commercial level.

This comes into force on 1 April 2019 for corporation tax, and 6 April 2019 for income tax and Class 4 NICs, aiming to raise £120m.

Draft legislation and a TIIN–Profit Fragmentation were published on 6 July 2018. Following consultation, changes have been made to the draft legislation to remove the duty to notify HMRC of relevant arrangements meeting certain criteria, to clarify the adjustments required to be made under this legislation, and to make a number of small technical changes.

Abuse of the R&D tax credit for SMEs

Finance Bill 2019-20 will introduce a limit on the amount of payable tax credit that can be claimed by a company under the R&D SME tax relief. The limit will be set at three times the company's total PAYE and National Insurance contribution (NICs) payment for the period.
The change will have effect for accounting periods beginning on or after 1 April 2020. Any loss that a company cannot surrender for a payable credit can be carried forward and used against future profits. The Government indicates it will consult on this change.

Abuse of entrepreneurs' relief

Removing a loophole where companies issue shares with little or no economic rights so that employees can claim a lower CGT rate on disposal. New tests will require the claimant to have a minimum 5% interest in both the distributable profits and the net assets of the company, throughout the relevant qualifying period. This comes into force on 29 October 2018, aiming to raise £50m.

Making directors liable for business taxes owed

Making directors liable for business taxes owed, where there is a risk of a company deliberately entering insolvency to avoid or evade tax. This comes into force following Royal Assent to Finance Bill 2019-20, aiming to raise £35m.

Protecting taxes in insolvency

From 6 April 2020, the Government will change the rules so that when a business enters insolvency, more of the taxes paid by its employees and customers and temporarily held in trust by the business go to HMRC, rather than being distributed to other creditors.
This reform will apply only to taxes collected and held by businesses on behalf of other taxpayers (VAT, PAYE income tax, employee National Insurance contributions and Construction Industry Scheme deductions).

The rules will remain unchanged for taxes owed by businesses themselves, such as corporation tax and employer National Insurance contributions.
This will be legislated for in Finance Bill 2019-20.

Value Added Tax

Clamping down on VAT avoidance from 'VAT looping'

'VAT looping' is where insurers reclaim otherwise irrecoverable VAT by exporting their services and then arranging for supply to a UK consumer to be made via an offshore-based associate.

The measure to combat this will come into force on 1 March 2019 (though elsewhere a date of 29 March 2019 is indicated), aiming to raise £40m.

This was first announced in a Written Ministerial Statement on 19 July 2018, proposing legislating to restrict the application of the VAT (Input Tax) Specified Supplies Order 1999 (SI 1999/3121) in certain circumstances.

Tightening the guidance for VAT groups

To ensure that UK VAT is paid by businesses on services bought through their overseas establishments. This comes into force on 1 April 2019, aiming to raise £240m.

HMRC will revise existing guidance for VAT groups to clarify which overseas services can be classified as bought-in services to ensure that such services are subject to UK VAT. HMRC will share the draft guidance with businesses and provide a lead in time for implementation.

The draft guidance will be made available to business groups in November 2018.

Amendment to 'regulation 38'

Ensuring that the correct VAT is paid to HMRC when the price of a good or service changes. This comes into force on 1 September 2019, aiming to raise £515m.
This change will introduce new rules for the adjustments to VAT following retrospective reductions in the price of goods or services. Businesses will have to adjust their VAT returns within set time limits and send a credit note to their customers. This will ensure that such adjustments are only made in respect of genuine price reductions.

The changes will be made by secondary legislation Draft legislation will be published in 2019 and a TIIN for this measure will be published alongside the draft legislation.

'Unfulfilled supplies'

Ensuring that VAT is paid to HMRC even when a good or service is paid for by the consumer but not taken up. This comes into force on 1 March 2019, aiming to raise £425m.

The Government says this will bring consistency to the VAT treatment of prepayments. The change will bring all prepayments for goods and services into the scope of VAT where customers have failed to collect what they have paid for and have not received a refund.
A Revenue & Customs Brief giving full details of the change will be published before the end of the year.

HMRC Budget announcements

Tax abuse and insolvency

The Government will introduce legislation in Finance Bill 2019-20 to allow HMRC to make directors and other persons involved in tax avoidance, evasion or phoenixism jointly and severally liable for company tax liabilities, where there is a risk that the company may deliberately enter insolvency.

This will have effect from Royal Assent to Finance Bill 2019-20.

Offshore tax compliance strategy

The Government will publish an updated offshore tax compliance strategy. This will build on the substantial progress the UK has made in tackling offshore tax evasion and non-compliance since the Government's previous strategy was published in 2014.

Online platforms role in ensuring tax compliance

The Government will publish its response to the call for evidence 'The Role of Online Platforms in Ensuring Tax Compliance by Their Users', which was launched at Spring Statement 2018. This will set out the Government's intention to improve guidance for people and businesses earning money through online platforms, and to explore how greater use of data can further support sustainable compliance with the tax rules.

Electronic sales suppression

The Government will publish a call for evidence later in the year on electronic sales suppression. ESS refers to the misuse of electronic point of sale functions (i.e. till systems) in order to hide or reduce the value of individual transactions and the corresponding tax liabilities.

Conditionality: hidden economy

Following consultation ('Tackling the hidden economy: public sector licensing'), published in December 2017, the Government says it will consider legislating at Finance Bill 2019-20 to introduce a tax registration check linked to licence renewal processes for some public sector licences. Applicants would need to provide proof they are correctly registered for tax in order to be granted licences. This would make it more difficult to operate in the hidden economy, helping to level the playing field for compliant businesses.

Amendments to the GAAR (General Anti-Abuse Rule)

Legislation will be introduced to make minor procedural and technical changes to the General Anti Abuse Rule (GAAR).

The changes will come into effect following Royal Assent to Finance Bill 2019-20.

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