

Autumn Budget 2018

Our guide to the main changes to tax rates and allowances for individuals, companies and trustees

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Sanlam UK is a leading provider of high-quality investment products and services. Through our national network of offices, we help individuals, couples and families protect and grow their wealth over the long term.

We are part of Sanlam Limited, an international financial services group with a listing on the Johannesburg Stock Exchange. Established in 1918, the group provides a broad range of services to more than 10 million clients globally, including insurance, financial planning, investments and wealth management.

Autumn Budget 2018

Despite Halloween looming, there was no Hammond House of Horrors. The Chancellor's third Budget confirmed two things we already knew: more money for the NHS and a promise of more spending to end austerity.

The financial services industry breathed a collective sigh of relief at the lack of tinkering in our area. Speculation of a flat rate of pension contribution tax relief proved to be unfounded. But could the idea survive to see another day?

There was good news in terms of personal taxation, with the government meeting its commitments on the level of personal allowance and the higher-rate tax threshold a year earlier than planned.

There is the possibility of another Budget to look forward to in Spring 2019 if the UK leaves the EU without a deal. But for now we set out the main changes to tax rates and allowances for individuals, companies and trustees. We have also highlighted other notable changes that may be of interest to advisers.

Income tax

- The annual tax-free personal allowance will increase to £12,500 on 6 April 2019 and remain at this figure for the 2020/21 tax year.
- The higher-rate tax threshold will increase to £50,000 from 6 April 2019 and again will remain at this level for the 2020/21 tax year.
- Income tax bands and rates for Scotland and Wales will be announced in due course.
- The starting rate for savings income, dividend allowance and personal savings allowance are all unchanged for the 2019/20 tax year.

Capital gains tax (CGT)

- The annual exempt amount increases to £12,000 from 6 April 2019.
- Trustees will benefit from an annual exempt amount of £6,000 although this amount will be diluted where the settlor has created more than one trust subject to a minimum of £1,200 per trust.

- To better target private residence relief for owner occupiers, from April 2020 the government will reform lettings relief so that it only applies in circumstances where the owner of the property is in shared occupancy with the tenant.
- The final period exemption will be reduced from 18 months to nine months. There will be no changes to the 36-month final period exemption available to disabled people or those in a care home.
- A couple of revisions have or will be made to entrepreneurs' relief. First, from 29 October 2018 shareholders must also be entitled to at least 5% of the distributable profits and net assets of a company to claim the relief. Second, from 6 April 2019 the minimum period throughout which the qualifying conditions for relief must be met will be extended from 12 months to 24 months.

Inheritance tax (IHT)

- The residence nil rate band came into effect on 6 April 2017. Initially set at £100,000, it will increase to £150,000 on 6 April 2019.
- The main nil rate band remains at £325,000.

Corporation tax

- The main corporation tax rate will remain at 19%.

Pensions

- The standard lifetime allowance is to be set at £1,055,000 for the tax year 2019/20, based on the increase in the Consumer Prices Index (CPI) for the year to September 2018.
- Despite speculation, no changes have been made to annual allowances and pensions tax relief.

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- There is a proposal to ban pensions cold calling. Alongside the Budget statement, the Treasury's published a response to its July 2018 consultation (available online [here](#)), together with regulations. This will prohibit cold calling in relation to pensions unless the caller has been authorised by the FCA, or is a trustee/manager of an occupational or personal pension scheme. Subject to parliamentary approval, the regulations will be brought into force as soon as possible and just before this happens the government will launch an awareness campaign.
- The DWP will consult later this year on the detailed design for an industry-led pensions dashboard. This will allow individuals to see their pension pots, including their state pension, all in one place online. The Budget provides £5 million for this initiative in 2019/20.
- This winter the DWP will publish a paper setting out the government's approach to increasing pension participation and savings persistency among the self-employed.

£12,500

the annual tax-free personal allowance from 6 April 2019

£50,000

the higher-rate annual tax threshold from 6 April 2019

26–30

the eligible ages for a new digital-only railcard

£12,000

the annual capital gains tax (CGT) exempt amount from 6 April 2019

£20.5 billion

the extra the NHS will receive after inflation over the next five years

50p

the Royal Mint will create a commemorative Brexit coin

- Following reforms in 2015, further changes are likely in 2019/20 to improve pension benefits for those working in the public sector, including teachers, police, armed forces and NHS staff.
- The government will support pension funds to invest in growing UK business. Various consultations are expected later this year and in 2019.
- The Triple lock on state pensions remains despite a recommendation by a Treasury committee back in the summer to change this. (This is a government commitment to uprate state pensions by the highest of earnings, price rises or 2.5%).

ISAs

- The ISA annual subscription limit will remain at £20,000 for the 2019/20 tax year.
- JISA and Child Trust Fund subscription limits will be increased in line with CPI for 2019/20 to £4,368.

- The lifetime ISA annual subscription limit for the 2019/20 tax year will remain unchanged at £4,000.

National Insurance (NI)

- Employees will pay class 1 NI at 12% on earnings between the primary threshold (£166 a week or £8,632 a year) and upper earnings limit (£962 a week or £50,000 a year) from 6 April 2019. Earnings above £50,000 carry a 2% employee NI rate.
- Self-employed individuals will pay class 4 NI at 9% on profits between the lower profits limit (£8,632 a year) and upper profits limit (£50,000 a year). Profits exceeding £50,000 will carry a 2% NI rate.
- The self-employed class 2 flat rate contribution will be £3 a week when profits exceed £6,365 a year.

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Stamp duty

- The government will extend first-time buyer's relief in England and Northern Ireland so that all qualifying shared ownership property purchasers can benefit. The relief will not apply to purchases of properties valued at more than £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 so that those eligible who have not previously claimed first-time buyer's relief will be able to amend their return to claim a refund.

Trusts

- Although it has been previously promised, the Chancellor reiterated that the government will publish a consultation on the taxation of trusts with the aim being to make the taxation of trusts simpler, fairer and more transparent.

Miscellaneous

- As a 70th birthday present, the NHS will get an additional £20.5 billion after inflation over the next five years. Spending on mental health will increase by more than £2 billion a year over the same period with a 10-year plan put in place for a new mental health crisis service. Next year, a further £650 million will be given to local authorities in England for social care funding.
- Over £1.5 billion has been allocated to help reverse the decline of the high street. Business rates for small retail businesses will be cut by a third for two years from April 2019. Local high streets will benefit from £675 million to improve transport links, and redevelop empty shops as homes and offices. Not a flash in the pan – public lavatories will receive 100% business rates relief.

A digital-only railcard for all people aged 26–30 will be available nationally by the end of next year.

- To help protect the UK against changing threats such as the rise in cyber attacks and state based threats, the Ministry of Defence will receive an extra £1 billion.
- With the Brexit deadline looming, additional funding of £500 million on top of the £1.5 billion already announced will be provided to help government departments prepare for Brexit in 2019–2020.
- Roads will be improved with a £30 billion investment, with £420 million going to local authorities to fix potholes, bridges and tunnels. This will also help fund a new network of local roads and projects.
- Subject to consultation, a new tax on plastic packaging that does not include at least 30% recycled content produced in the UK and imported will come into force in April 2022.
- A digital-only railcard for all people aged 26–30 will be available nationally by the end of next year.
- Short-haul air passengers and drivers will not see air passenger duty or fuel duty rise for the eighth and ninth consecutive year respectively, keeping costs down against oil prices rises in September. Long-haul rates will increase in line with inflation.
- In order to alleviate the housing crisis, the cap on the amount of money local authorities in England are able to borrow to build housing will be lifted.
- Schools will benefit from an additional £400 million. This will mean £10,000 for the average primary school and £50,000 for the average secondary school.
- To mark the UK's exit from the EU, the Royal Mint will create a new commemorative 50p Brexit coin.

- In commemoration of the centenary of the WWI Armistice, up to £19 million will be available to support veterans with mental health needs, fund the cost of repairs and alterations to village halls, miners' welfare facilities and Armed Forces organisational facilities and to provide money for school students to visit First World War battlefields.
- Lastly, duty on beer, cider and spirits remains frozen.

The Finance Bill 2019 is scheduled to be published on 7 November 2018.

Inevitably, the impact of some of these changes will become clearer and further details of changes will emerge as new information becomes available. In the meantime, if you have any questions regarding any of the above, please email technical@sanlam.co.uk

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