Report

April 2019 tax changes

This report, which sets out the key tax changes taking effect from April, was prepared by Deloitte's Mark Groom (partner), Patricia Mock (tax director), Dan Nazarian (associate director) and Donna Huggard (associate director).

Business and corporate

Business rates

From 1 April 2019, there will be a business rates retail discount scheme for occupied retail properties with a rateable value of less than £51,000. The value of the discount will be one third of the bill and will last for two years. Retail premises are defined as 'shops, restaurants, cafes and drinking establishments'.

Capital allowances

- **Writing down allowances for special rate expenditure:** For chargeable periods beginning on or after 1 April 2019 (for corporation tax purposes) and 6 April 2019 (for income tax period), the reduced rate at which writing-down allowances are available in respect of special rate expenditure – for example, capital expenditure on the integral features of buildings, long-life assets and high emission cars – falls from 8% to 6%. Transitional rules apply for chargeable periods straddling 1 April 2019 / 6 April 2019.
- **First-year allowances for electric vehicle charge points extended:** The availability of 100% first-year allowances (FYAs) under CAA 2001 s 45EA in respect of capital expenditure on plant and machinery installed for the purposes of charging electric vehicles, was set to expire on 31 March 2019 for corporation tax purposes and 5 April 2019 for income tax purposes. The availability of the allowances has been extended to 2023.

Charities: exemptions for profits of small-scale trades

Monetary limits applicable to exemptions from income tax and corporation tax – available to charitable trusts and charitable companies with profits from small-scale trades – will increase with effect from 6 April 2019 (for trusts) and with effect for accounting periods beginning on or after 1 April 2019 (for companies).

Corporation tax instalment payments for very large companies

For accounting periods starting on or after 1 April 2019, new corporation tax instalment payment dates will be introduced for 'very large' companies (broadly, those with annual taxable profits of £20m or more (and a corporation tax liability in excess of £10,000) for a 12 month accounting period). Where a company is a member of a group, the £20m threshold is divided by the number of 'related 51% group companies' in the group. The £20m and £10,000 limits are reduced proportionately for shorter accounting periods.

In respect of a 12 month accounting period, four instalments will be payable by 'very large' companies as follows:

1. Two months and 13 days from the first day of the accounting period;
2. Three months after the first instalment;
3. Three months after the second instalment; and
4. Three months after the third instalment.

Existing instalment payment rules and dates will remain applicable for 'large' companies – broadly those with annual taxable profits greater than £1.5m but now less than £20m (with limits adjusted as above for related 51% group companies and for shorter accounting periods).

Corporation tax relief for goodwill and certain other intangible fixed assets

Corporation tax relief for goodwill and certain other intangible fixed assets is being partially reinstated through the introduction of a 6.5% per annum fixed-rate writing down allowance. The relief will only apply to relevant assets acquired or created on or after 1 April 2019: assets acquired or created prior to this date will broadly continue to be subject to prevailing intangible asset tax treatments.

Relief for acquired assets will only be available where the relevant assets are acquired as part of the acquisition of a business. Relief will be capped at a multiple of six times the expenditure incurred on 'qualifying IP assets' for use on a continuing basis in the course of the acquired business. 'Qualifying IP assets' include certain patents, registered designs, and copyright or design rights, to the extent that they would themselves qualify for relief under the Intangible Fixed Assets regime. Additional restrictions apply where relevant assets are acquired from an individual, or from a partnership with individual members.

Non-UK resident companies: UK land gains

Since 6 April 2015, non-UK resident companies making a disposal of residential UK property have been subject to capital gains tax, subject to certain exemptions. From 6 April 2019, such gains will become subject to corporation tax instead of capital gains tax. In addition, some existing exemptions will be abolished.

From 6 April 2019, non-UK resident companies will also become subject to corporation tax on gains made on the disposal of non-residential UK property, and on the disposal of interests in certain companies (and similar entities) that derive at least 75% of their value from UK land (see above). Exemptions are available.

'ATED-related capital gains tax' will be abolished from 6 April 2019.

Offshore receipts in respect of intangible property

New 'offshore receipts in respect of intangible property' rules will have effect from 6 April 2019. The measure provides for a 20% self-assessed UK income tax charge on the income realised by an entity resident in certain low-taxed jurisdictions, in respect of intangible property used to enable, facilitate or promote UK sales. Various detailed exemptions and de minimis thresholds apply. The scope of measure is expected to be clarified through the publication of draft guidance and secondary legislation in 2019.

Employment

There are a number of employment tax changes coming into effect from April 2019. The most significant are in relation to the various tax and NIC thresholds and a new anti-avoidance measures that will apply to loans falling under the disguised remuneration rules, which are outstanding at that date.

Apprenticeship levy

The government will make £450m available to enable levy-paying employers to transfer up to 25% of their funds to pay for apprenticeship training in their supply chains.

The apprenticeship levy will remain at 0.5% and the apprenticeship levy allowance will remain at £15,000 for 2019/20.

Company cars, vans and fuel

The percentages for calculating company car benefits in kind will increase by 3% for most cars from 6 April 2019. The cleanest electric cars will be taxed at 16% of list price, rising up to 37% for cars emitting 165g/km or more. Diesel supplement will be an additional 4% of list price (except for cars certified to the RDE2 standard.)

The benefit in kind for private fuel provided in company cars or vans, will be calculated at the relevant percentage x £24,100. The van benefit charge will increase to £3,430 and the fuel benefit charge for vans will increase to £655.

Expenses: scale rates

Employers will no longer be required to check receipts when reimbursing subsistence costs using the statutory scale rates from 6 April 2019. When using these rates, employers will only need to ensure that employees are carrying out qualifying business travel. However, this does not apply to any bespoke or industry scale rates (specific rates agreed between HMRC and individual employers or for employees in certain industries, e.g. flight attendants). When paying such scale rates, employers will need to continue carrying out checks to ensure that the scale rates they pay are reasonably representative of expenses being incurred by employees. If employers pay allowances under working rule agreements (agreements between HMRC and certain unions), the employer will need to continue to check that the specific requirements for each allowance are met.

Existing concessionary scale rates for overseas hotel and subsistence expenses will be put into legislation from 19 March 2019 to provide even greater certainty for employers.

Loan charge

Certain outstanding loans made since 6 April 1999, generally via offshore trusts, which are not repaid in full by 5 April 2019 will become subject to income tax and NICs under the disguised remuneration rules (aka 'the loan charge'). As the amounts involved can be significant (HMRC estimate that the average user of these arrangements avoided £20,000 of income tax and NICs per year), HMRC has offered special time to pay arrangements in some cases to those who choose to settle their liabilities and come forward to agree payment terms with HMRC before 6 April 2019.

Pensions

From 6 April 2019, the lifetime allowance will increase from £1,030,000 to £1,055,000. The standard annual allowance will remain at £40,000 and will continue to be subject to tapering to a minimum of £10,000 for individuals with adjusted income in excess of £150,000.

Personal

Rates and allowances from 6 April 2019

For taxpayers resident across the whole of the UK:

- the personal allowance will be increased from £11,850 to £12,500;
- the dividend allowance for 2019/20 will remain at £2,000;
- the savings allowance will remain at £1,000 for basic rate taxpayers, £500 for higher rate taxpayers and zero for additional rate taxpayers;
- CGT rates remain unchanged; and
- the CGT annual exemption will increase from £11,700 to £12,000.

For taxpayers resident in England, Wales and Northern Ireland:

- the basic rate limit will be increased from £34,500 to £37,500;
- the basic, higher and additional rates of tax will remain at 20%, 40% and 45% respectively.

Wales has a devolved power to set income tax rates applying to non-savings and non-dividend income for Welsh resident taxpayers from 2019/20 onwards. However, for 2019/20 the rates for Welsh resident taxpayers will be the same as those applying to England and Northern Ireland residents, as set out above.

Different rates and thresholds apply to non-savings, non-dividend income for Scottish taxpayers. The changes from 6 April 2019 are:

Scottish rates and bands for 2019/20

Income after personal allowance (£)	Band	Rate for non-savings and non-dividend income (%)
0–2,049	Starter rate	19
2,050–12,444	2,050–12,444	20
12,445–30,930	12,445–30,930	21
30,931–150,000	30,931–150,000	41
Over 150,000	over 150,000	46

Anti-profit fragmentation rules

Anti-avoidance legislation will apply from 6 April 2019 to ensure that business profits cannot be taken out of the charge to UK tax by arranging for them to be attributed to offshore persons or entities. The new legislation has effect for value transferred on or after 6th April 2019 (income tax) or 1st April 2019 (corporation tax).

The legislation will apply (broadly) if value relating to business profits is transferred between a UK resident and an overseas resident and there is a tax mismatch as a result. This would mean that the overseas entity pays less than 80% of the tax the UK entity would have paid on the relevant profits.

ATED

The annual tax on enveloped dwellings (ATED) annual charges will rise by CPI (2.4%) from 1 April (with the ATED increase rounded down to the nearest £50).

The 2019/20 ATED charges are as follows:

Property value (for ATED purposes)	2019/20 ATED charge
£500,001– £1m	£3,650
£1,000,001–£2m	£7,400
£2,000,001–£5m	£24,800
£5,000,001–£10m	£57,900
£10,000,001–£20m	£116,100
Over £20m	£232,350

Entrepreneurs' relief

Three changes have been made to the entrepreneurs' relief (ER) rules.

- **Holding period:** In order to be eligible for ER on interests in companies (e.g. shares), various conditions (a minimum shareholding of 5% and director or employee status in the company) must be met throughout a minimum period immediately preceding a disposal of shares or securities. This period will increase from 12 months to 24 months in respect of disposals on or after 6 April 2019. A claim is necessary to secure ER.

- **Dilution:** Because the tests for ER need to be satisfied for a two year period prior to disposal, ER could cease to be available if an individual's shareholding is diluted below 5% due to a company issuing further shares. From 6 April 2019, if the further share issue is made for commercial reasons, ER will remain available on the gain accrued on shares or securities up to the point an individual's shareholding falls below 5% due to the share issue, although an election will be required to achieve this treatment. This relief will not be available to trustees. A further election can be made to defer capital gains tax on the gain until a later disposal of the shares.
- **The 5% shareholding test:** This test has, to date, been based on a requirement for the individual to own at least 5% of the ordinary share capital in the company, and by virtue of that shareholding, to be able to exercise at least 5% of the voting rights in the company. For disposals made on or after 29 October 2018, either or both of the following conditions must also be satisfied:
  - Condition 1: the individual, by virtue of his or her ordinary shareholding, must (broadly) be entitled to receive at least 5% of amounts available for distribution to 'equity holders' of the company, and at least 5% of amounts that would be payable to equity holders on a winding up.
  - Condition 2: the individual would reasonably expect to receive at least 5% of the sale proceeds if the entire ordinary share capital of the company was sold for market value, assuming that any arrangements with a main purpose of falling into or out of any aspect of the ER legislation were ignored.
- In practice, the application of condition 2 will often be more straightforward to assess than that of condition 1.

CGT exit charge

A CGT exit charge arises when a trust ceases to be resident in the UK for tax purposes or, in the case of a non-UK resident individual who trades through a UK branch, assets cease to be used in that UK trade. The charge is based on a deemed disposal at market value of the relevant assets. For deemed disposals from 6 April 2019 the tax may, in certain circumstances, be paid in six equal annual instalments. This is to ensure that the UK rules in this regard are compatible with EU law.

Individuals carrying on a trade are eligible for the instalment basis where they can demonstrate a right to freedom of establishment or carry on that trade (after leaving the UK) in another EEA state. Trustees must have a right to freedom of establishment and the assets must be used for an economically significant activity.

Gift aid: benefits received by donors

The benefit to donor rules are to be simplified for gifts by individuals and payments by companies from 6 April 2019. Gift aid will be available where:

- For gifts of less than £100, benefits of up to 25% of the gift can be received;
- For gifts of more than £100, the limit is £25 + 5% of amount given in excess of £100, subject to a maximum benefit of £2,500.

Inheritance tax

The inheritance nil rate band remains at £325,000 for 2019/20. The residence nil rate band which was introduced in 2017/18 will increase from £125,000 to £150,000 for deaths in 2019/20, £175,000 for deaths on or after 6 April 2020. It is tapered at £1 for £2 for estates over £2m.

Investors' relief

Investors' relief results in a 10% CGT rate on up to £10m of qualifying gains over an individual's lifetime. Individuals who subscribe for ordinary shares in an unlisted trading company, in cash, on or after 17 March 2016 may be eligible to claim investors' relief on shares held for at least three years following 6 April 2016. Investors' relief will therefore be available on qualifying disposals from 6 April 2019. It is important to be aware of the conditions and the holding period, so that relief can be claimed on disposals from 6 April 2019 where appropriate.

ISAs

The ISA annual subscription limit remains at £20,000. For junior ISAs and child trust funds, the limit will be increased to £4,368 on 6 April 2019.

Marriage allowance

The marriage allowance allows a transfer of 10% of one spouse's personal allowance to the other, reducing their overall tax bill by up to £250 a year in 2019/20. Certain conditions must be met. Claims can be backdated by up to 4 years.

Mortgage interest restriction

There will be further restriction of mortgage interest on rental properties. Phasing in since 2017/18, the deduction for mortgage interest in respect of let properties will continue to be restricted to a basic rate tax reducer from 6 April 2019. In 2019/20, finance costs on residential properties will be further restricted, such that only 25% of finance costs will be an allowable deduction (down from 50% in 2018/19) and the remaining 75% will be given as a basic rate tax reduction (up from 50% in 2018/19). 2019/20 will be the last transitional phasing year and from 2020/21 solely a basic rate reducer will be available.

NIC rates

In 2019/20, the NIC rates will be as follows:

Class 1			
Employer		*Employee*	
Earnings per week	Rate of NI	Earnings per week	Rate of NI
£0–£166	0%	0–£166	0%
£166.01–£962	13.8%	£166.01–£962	12%
Over £962	13.8%	Over £962	2%
Class 2 (self-employed):		£3.00 per week (small profits threshold £6,365)	
Class 3 (voluntary):		£15.00 per week	
Class 4 (self-employed):			
Profits up to £8,632		0%	
Profits from £8,632–£50,000		9%	
Profits above £50,000:		2%	

Non-UK resident individuals and trustees: UK land gains

Since 6 April 2015, non-UK resident individuals and trustees have been subject to CGT on gains made on disposal of residential UK property, though the gain may not be chargeable if the property disposed of is the main home of the individual or a trust beneficiary and certain conditions are met.

From 6 April 2019, non-UK resident individuals and trustees will also be chargeable on gains made on the disposal of *non-residential* UK property, and on the disposal of interests in certain companies (and similar entities) that derive at least 75% of their value from UK land. Gross asset values are considered for this purpose. Broadly, the person disposing of the interest must have had at least a 25% interest in the company at some point in the two years before disposal. An exemption is available in respect of disposals of interests in eligible companies using UK land for trading purposes. Gains on non-residential UK property and land rich entities will normally be calculated based on the uplift in value from 5 April 2019

Offshore assessment time limits

A longer time limit of 12 years will apply in cases of non-deliberate offshore matters and certain offshore transfers within the scope of income tax, capital gains tax or inheritance tax.

Non-deliberate matters cover both situations where taxpayers take reasonable care and situations where taxpayers have been careless in their tax filings. As a result of these changes, HMRC's assessment windows for offshore matters will increase from four to 12 years for reasonable care scenarios, and from six to 12 years for careless errors. The 12 year time limit does not apply if HMRC receive information before the end of the 12 year period, using which they could have been reasonably expected to assess the tax due. This is relevant to, for example, information HMRC receive under the common reporting standard.

A longer time limit of 20 years already applies to deliberate or deliberate and concealed errors, and this time limit remains in force.

For income tax and capital gains tax, the extended time limit will apply from 2013/14 for careless errors and will otherwise apply from 2015/16. For inheritance tax, the rules will apply to tax lost in relation to chargeable transfers from 1 April 2013 onwards if reasonable care was not taken and 1 April 2015 onwards in other cases.

Social investment tax relief

Social investment tax relief (SITR) provides an income tax reducer of 30% on qualifying investments up to £1,000,000 per annum. It also permits any gains realised on the disposal of shares and loans in qualifying entities to be exempt from CGT, and allows gains on disposal of other assets to be deferred if the proceeds are invested in qualifying SITR investments.

SITR was originally due to expire for new investments from 6 April 2019. The relief has been extended so that income tax relief and the CGT exemption on disposal of the social enterprise will be available for new investments made before 6 April 2021. However, the legislation relating to deferral of CGT on gains made on disposal of other assets has not been so extended. This means that, in the absence of a change to the rules, it is only possible to hold-over gains made before 6 April 2019. The government has announced that they intend to open a review into SITR in 'early 2019', at which point further information on the intentions in this area may become available.

VCT changes

- The Venture Capital Trust (VCT) qualifying holding condition (i.e. the minimum percentage of its investments which must be shares and securities) will increase from 70% to 80% for accounting periods beginning on or after 6 April 2019; and
- The period VCTs have to reinvest proceeds of disposals of shares or securities before considering whether the 80% test is met is doubled from 6 months to 12 months for disposals made on or after 6 April 2019.

Indirect tax

Air passenger duty (APD)

APD rates for flights over 2,000 miles ('band B' destinations) increase on 1 April 2019. The standard rate will rise by £16 to £172, and the higher rate will rise by £47 to £515.

Climate change levy (CCL)

The main rates of CCL increase from 1 April 2019.

Fulfilment house due diligence scheme

This scheme applies to businesses that store goods imported from outside the EU for or on behalf of someone outside the EU. Businesses covered by the scheme must be registered by 1 April 2019, and from that date will be required to keep records of overseas customers' details (including verified VAT registration numbers) and report suspect vendors to HMRC.

Landfill tax

The landfill tax rates increase from 1 April 2019. The standard rate is increased by £2.40 to £91.35 per tonne and the lower rate by 10p from £2.80 to £2.90 per tonne.

Making tax digital (MTD)

VAT-registered businesses with taxable turnover above the VAT threshold (£85,000) are generally required to use the MTD service to keep records digitally and use software to submit their VAT returns for VAT periods starting on or after 1 April 2019. The exception to this is VAT-registered businesses with more complex requirements; mandation for these businesses does not apply until 1 October 2019. HMRC will allow a period of time (the 'soft landing' period) for businesses to have in place digital links between all parts of their functional compatible software. For the first year of mandation, businesses will not be required to have digital links between software programs.

Remote gaming duty

The rate of remote gaming is to rise to 21% (from 15%) for accounting periods beginning on or after 1 April 2019.

Vehicle excise duty (VED)

From 1 April 2019, VED rates for cars, vans and motorcycles will increase.

Purpose-built zero emissions-capable taxis will be exempt from the VED supplement for cars with a list price over £40,000 first registered on or after 1 April 2019. Eligible taxis first registered from 1 April 2017 will be exempt from the VED supplement when their licence is renewed on or after 1 April 2019. ■