The budget, in full

Autumn Budget

November 2017

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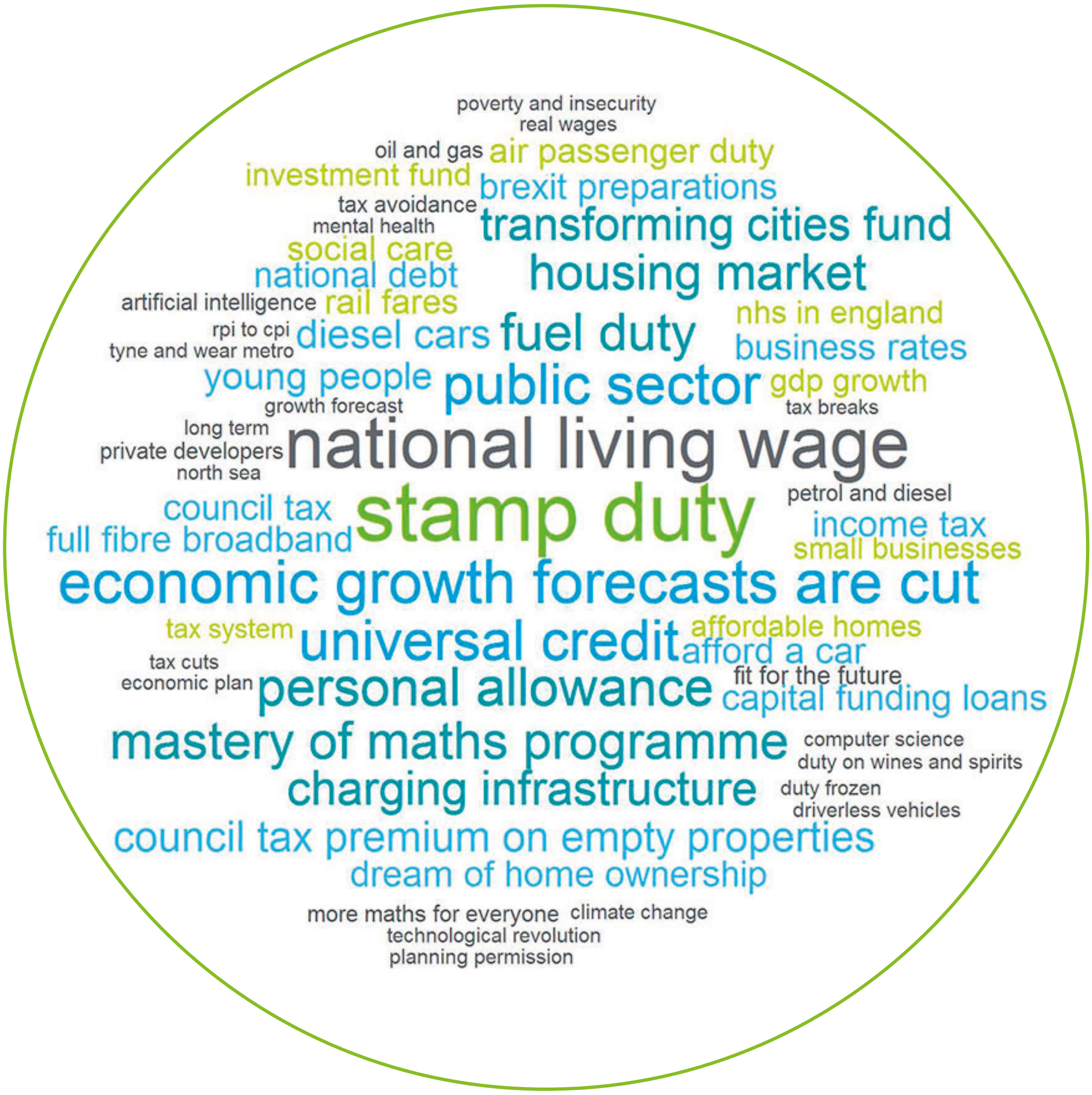
Commentary

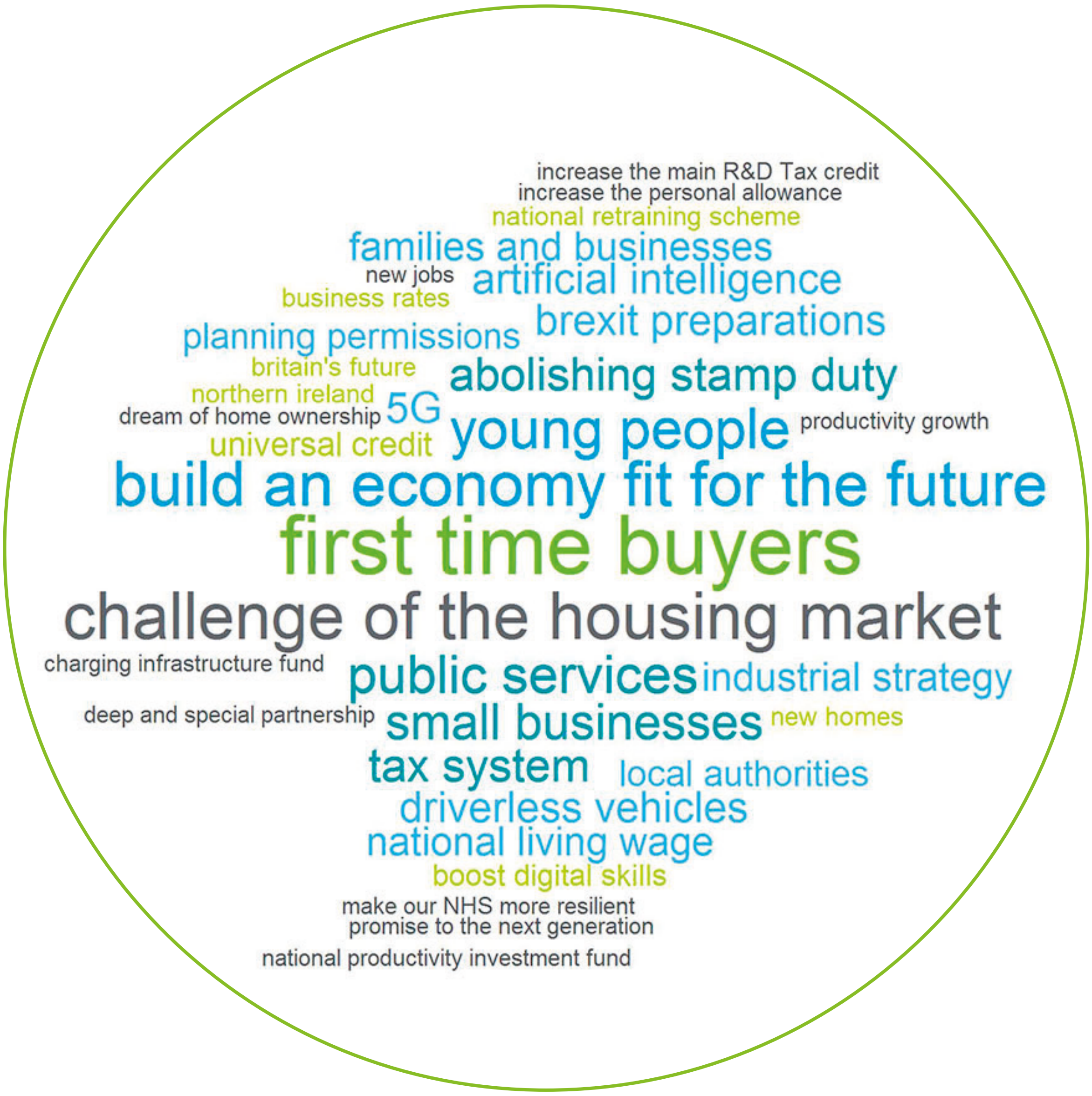
Twitter word cloud

The most popular phrases tweeted during Philip Hammond's 2017 Autumn Budget speech



Autumn Budget speech word cloud

The most popular phrases during Philip Hammond's 2017 Autumn Budget speech.



Business measures

Anti-hybrid mismatch rules

The measure

A small number of technical changes are being introduced to the regime on hybrid and other mismatches (the regime having taken effect from 1 January 2017). At the time of writing, draft legislation for the technical changes has not been published, but the government has set out an overview. There are eight changes mentioned, and these include:

- Amendments to generally disregard taxes charged at a nil rate for the purposes of the regime;
- Amendments to clarify the scope of the legislation in relation to multinational companies (multinational companies in this context generally means entities that have a branch outside their territory of residence). The nature of the amendments is not described;
- Amendments to the definition of tax so that withholding taxes are ignored for the purposes of the regime;
- Amendment to the hybrid payee rules, which could be particularly beneficial to some funds. The current rules could lead to a disproportionate restriction where one investor in a fund partnership views the partnership as opaque. The change will result in there being more proportionate counteraction; and
- Amendment to the double deduction rules although the changes are not clear.

The government states that the changes are not intended to alter the overall scope of the regime.

Our view

Although draft legislation has not yet been released, clarifications to areas of uncertainty (particularly those related to the hybrid payee rules) are welcome. That said, the decision to apply some of these retrospectively indicates that it is important that complex law has adequate consultation prior to enactment so far as possible.

Who will be affected by this measure?

The anti-hybrid and other mismatches regime applies to counter mismatches that would otherwise arise in the tax treatment of transactions. Typically this would be in the context of cross-border transactions within a multinational corporate group.

The changes will impact a smaller number of corporate groups whose arrangements fall within the specific circumstances targeted and some funds. Determining the precise impact will require analysis of the legislation once available.

When will the measure come into effect?

The government states that the amendments concerning the treatment of nil rate taxes, and multinational companies, will have effect from 1 January 2018. The other changes took effect from 1 January 2017 i.e. the commencement date of the current rules.

Business rates changes

The measure

The Chancellor has announced that the annual inflationary uplift in business rates, which is currently linked to RPI, will be linked to CPI from 2018.

Also announced was a change to the frequency with which non-domestic properties are valued for the purposes of business rates, which will result in revaluations every three, rather than five years.

Our view

The acceleration of the change of annual inflationary increase from RPI to CPI, which was originally planned for 2020, will be welcomed by businesses.

The increased frequency of valuations, for which ratepayers will be required to provide regular information to the Valuations Office Agency (VOA) will, however, increase the administrative burden.

Who will be affected by this measure?

Business ratepayers.

When will the measure come into effect?

The change from RPI to CPI will take effect from 1 April 2018.

The increased frequency of valuations will commence following the next planned revaluation, currently due in 2022.

Capital gains: depreciatory transactions within a group

The measure

When disposing of shares in a subsidiary at a capital loss, a company must look back and take account of earlier depreciatory transactions that have materially reduced the value of the shares and decrease the allowable loss by this amount. This prevents companies claiming capital losses where there has been no economic loss to the group. Currently, companies only have to look back to depreciatory transactions within the previous six years, but in future the entire history of the shareholding will need to be considered.

Our view

This measure will require some increased record keeping, but as capital losses have been less useful since the introduction of the substantial shareholdings exemption in 2002, this should not be a huge burden.

Who will be affected by this measure?

Companies that dispose of shares in a subsidiary company giving rise to a capital loss.

When will the measure come into effect?

The measure will apply to disposals made on or after 22 November 2017.

For negligible value claims, the measure will apply to the date of the claim and not any earlier date that might be specified.

Capital gains: Foreign branch incorporation

The measure

Current UK tax law provides for a deferral of capital gains arising where a UK resident company transfers the assets of a foreign branch into a foreign company in exchange for an issue of shares (a 'branch incorporation').

The government today announced a measure to correct an anomaly in the current rules, whereby the gains are potentially crystallised if the UK company subsequently makes a disposal of the shares acquired in exchange for the transfer of the assets.

If the shares are subsequently involved in a share reorganisation this would typically be deemed to involve no disposal (therefore not crystallising the deferred gains). However the UK substantial shareholding exemption (SSE) takes priority over the share reorganisation rules and displaces the no-disposal fiction. In cases where the SSE applies to a subsequent share reorganisation, the deferred gains might be crystallised. The government has announced that the no-disposal fiction will be retained for this purpose, notwithstanding that SSE would apply. This should avoid the unintended crystallisation of the gains.

Our view

This change deals with an anomaly in the current law. Whilst the number of taxpayers impacted is probably small it will be welcomed.

Who will be affected by this measure?

UK resident companies that have claimed capital gains deferral relief on transferring the assets of a foreign branch into a foreign company, where the shares issued are subsequently involved in a share reorganisation.

When will the measure come into effect?

The law change will have effect for disposals on or after 22 November 2017.

Corporate interest restriction rules: amendments

The measure

Background
The corporate interest restriction rules (CIR) were enacted on 16 November 2017, in Finance (No. 2) Act 2017, but apply from 1 April 2017.

The rules broadly limit tax-deductible finance costs of UK stand-alone companies, or UK members of a worldwide group, to 30% of their 'tax-EBITDA' subject to:

- A 'cap' based on the worldwide group's net finance costs; and
- An option to apply a group ratio subject to a similar cap.

Companies/groups with UK tax deductible finance costs of less than £2m in a period of account do not suffer a restriction.

Proposed changes
A number of technical amendments to these provisions have been announced. The objective of these amendments is to ensure that the rules operate as intended.

The proposed amendments include:

01. Changes to the relevant derivative contract rules – to ensure that debits and credits on derivatives hedging a financial trade that is not a banking business are not inappropriately excluded from tax-interest amounts.

02. Changes to the treatment of Research & Development Expenditure Credits (RDECs) amounts in the calculation of Group-EBITDA – so that this is aligned with the calculation of tax-EBITDA.

03. Changes to the definition of a group – so that this aligns with accounting standards and to ensure that otherwise unrelated businesses are not treated as a group for the purposes of these rules purely as a result of having a common asset manager.

04. Various changes to the Public Benefit Infrastructure Exemption (PBIE):

- Ensuring that insignificant amounts of non-taxable income do not affect qualification for the PBIE;

- Confirming that if a third party acquires an asset from a qualifying infrastructure company, that third party is not automatically treated as having elected into the rules;

- Extending the deadline for making the PBIE election to the last day of the accounting period for which the election first applies; and

- Ensuring that the limitation on relief for related party interest expense cannot be avoided through the use of a conduit company.

05. Finally, an administrative change, so that when an interest restriction return is submitted, companies will be required to amend their company tax returns if their tax position is changed.

Draft legislation has not yet been released. The proposed changes primarily appear to deal with matters raised through consultation with HMRC on the practical impact of the proposed rules.

Our view

These proposals are generally aimed at resolving unintended mismatches and making the Public Benefit Infrastructure Exemption more workable. No changes have been announced that should fundamentally affect the operation of these rules for most corporate groups.

The CIR rules are complex and, through consultation with HMRC and HM Treasury, a number of potential mismatches (e.g. between accounting and tax measures) and distortions have been identified. The proposed changes appear to deal with some of those, but others will remain and we can expect further changes to the CIR over time, which companies will need to monitor.

Indeed, we expect regulations to be laid before the end of the year to resolve a number of other mismatches, and no doubt others will come to light as companies seek to apply the rules in practice.

Who will be affected by this measure?

In relation to the proposed substantive measures:

01. Profits and losses on derivative contracts which hedge trading risks (e.g. sales and purchases) are generally excluded from the definition of finance costs which are subject to the rules. An identified issue for companies conducting financial trades, but not covered by the specific rules for banking companies, is that their trading risks would be included within this definition, but derivatives hedging those risks would not. This change appears to be aimed at those companies.

02. This proposes to fix a potential mismatch between the calculation of taxable profits and accounting profits (for applying the group ratio) for companies claiming RDECs.

03. This appears to relate to a potential distortion between the definition of a group for the purposes of the CIR rules and that for accounting purposes, for economic groups managed by the same asset manager.

04. These changes appear to deal with a number of identified issues with the practical application of the PBIE (which can exempt certain finance costs of infrastructure projects meeting a number of conditions) – both potential restrictions on qualifying for the PBIE (which could arise from income from activities outside the charge to corporation tax), and possible practical impediments to making the election (e.g. having to elect in advance of fully assessing the impact, or locking in future investors in projects which could distort commercial transactions).

When will the measure come into effect?

The proposal is that some changes will have retroactive effect from 1 April 2017 with the remainder coming into effect from 1 January 2018. However, it is not clear at present which changes will have which operative date.

Corporate tax and the digital economy: position paper

The measure

The government has published a position paper on the challenges of corporate taxation of the digital economy, including the fundamental changes to business models that can arise from digitalisation. In particular, the paper focuses on models that rely on the collection of information from 'users' as a driver of value for the business, usually resulting in advertising revenues.

The UK government sees the longer term solution as requiring international consensus, through the work being done by the G20/OECD in this area. However, the paper looks at turnover taxes as an interim measure. A number of design decisions are identified as needing consideration, including the ability to clearly distinguish 'digital' companies subject to the digital turnover tax from other businesses. It would also be necessary to determine the appropriate rate so that it represents a reasonable proxy for tax on profits.

Our view

With this position paper the UK government is sending a signal that it wishes to see change, primarily through the work of the G20/OECD Digital task force, which will deliver an interim report in April 2018.

The complexities are many and identifiable, including ensuring that profits are taxed only once, and that reward for people activities and capital investment remains appropriate.

The practical questions of valuation of users' data and setting a rate for a turnover tax that will not deter cross-border trade will need to be dealt with. It will be essential to ensure that any changes do not disadvantage start-up and growing businesses, particularly those with initial losses.

Any moves made are likely to be mirrored by other countries, so UK digital businesses operating overseas will be equally affected.

Who will be affected by this measure?

Certain digital businesses for whom the participation of, and relationship with, users is central to the success of the business model and has a clear link to the generation of revenue.

When will the measure come into effect?

The position paper is open for consultation and comments are invited by 31 January 2018.

Corporation Tax: Indexation allowance on chargeable gains

The measure

When a company disposes of an asset resulting in a chargeable gain, for tax purposes the gain is adjusted for inflation by calculating a reduction in the gain using an indexation allowance.

When a company makes a chargeable gain on or after 1 January 2018, the indexation allowance that is applied in order to determine the amount of the chargeable gain will only be calculated up until 31 December 2017, irrespective of the date of disposal. There will no longer be relief for inflation from 1 January 2018.

Our view

The government's announcement aligns the treatment of capital gains made by companies with that for individuals and non-incorporated businesses for whom indexation allowance was abolished in 2008. However, it does not appear to take account of the fact that individuals benefit from the annual However, exempt amount, which companies do not.

The measure is expected to raise minimal additional tax revenue initially, however the cost to companies will magnify over time and we encourage the government to carefully consider the impact of the proposed measures on the property and retail sector and the wider economic impacts.

Who will be affected by this measure?

Any company that disposes of a capital asset which gives rise to a chargeable gain.

When will the measure come into effect?

Legislation will be introduced in Finance Bill 2017-18, affecting disposals of assets on or after 1 January 2018.

Energy and water saving technologies

The measure

The government will extend first year tax credits available to loss-making companies for another five years up to 31 March 2023. The measure applies to expenditure on assets qualifying for the energy saving and water efficient first year allowances schemes. The benefit of this extension is moderated to some degree with a reduction in the level of the tax credit available from 19% of the expenditure incurred, to two-thirds of the prevailing corporation tax rate (i.e. currently 12.67%).

Our view

The scheme was due to expire on 31 March 2018 and this measure will extend the availability of first year tax credits until 31 March 2023.

The reduction in the rate of eligible claim compensates for the decrease in the rate of corporation tax from 28% since the introduction of the scheme in 2008, restoring the rate to the same proportion of the corporation tax rate effective when the scheme was introduced. The fact that the credit rate is less than the corporation tax rate recognises the benefit of the acceleration of the tax relief.

Who will be affected by this measure?

Loss-making businesses investing in designated energy efficient or water saving plant and machinery.

When will the measure come into effect?

The provisions will apply to expenditure incurred in relation to the provision of the designated energy efficient or water saving plant and machinery on or after 1 April 2018.

Enterprise Investment Scheme

The measure

The Enterprise Investment Scheme (EIS) exists in order to encourage investment in qualifying unquoted trading companies, by providing income tax and capital gains tax reliefs. Subject to various conditions, individuals are currently able to invest up to £1m per annum in the scheme and obtain income tax relief of up to 30% of the amount invested.

From 6 April 2018, the annual EIS limit will be increased to £2m, provided that the excess over £1m is invested in qualifying 'knowledge-intensive' companies. Knowledge-intensive companies are those which are primarily engaged in the creation of intellectual property and/or which employ a high proportion of skilled employees.

The annual limit on funding which a qualifying company may attract under the EIS, as well as the Venture Capital Trust (VCT) regime will also be increased from £5m to £10m.

A new condition, the 'risk to capital condition' will be added to the EIS and VCT legislation, requiring that companies are genuine entrepreneurial companies with objectives to grow and develop. This change is being introduced in order exclude investments which are perceived by HMRC as purely 'tax-motivated', which currently receive tax relief but with limited risk to the investor's capital.

The government will also consult in 2018 on the introduction of a new knowledge-intensive EIS fund structure in which funds would have flexibility to deploy capital raised over a longer period.

Our view

We welcome these changes, which are expected by the government to attract additional investment of £7 billion to this growing sector. However, the additional requirement introduced by the risk to capital condition will create additional uncertainty to business.

Who will be affected by this measure?

Companies and individuals using EIS and VCT schemes, fund managers and other promoters and advisers associated with the EIS and VCTs.

When will the measure come into effect?

The changes are intended to come into effect from 6 April 2018.

Entrepreneurs' relief

The measure

The government intends to consult on how individuals who own at least 5% of the shares in a trading company can retain entrepreneurs' relief after their shareholding falls below the 5% threshold, required to qualify for the relief, in certain circumstances. The proposal is for relief to remain available on gains accrued up to the date new shares are issued as a result of raising funds for commercial purposes. The intention is to incentivise entrepreneurs to remain involved in their businesses after receiving external investment.

Our view

Enabling entrepreneurs' relief to be retained after a company raises external investment is a sensible measure to support business growth, as it encourages entrepreneurs to remain involved with business, and should go some way to ending the dilemma between increased personal taxation and limiting growth due to concerns around raising external finance.

Who will be affected by this measure?

Entrepreneurs whose companies may seek to raise external finance, with the result that the entrepreneur would no longer hold sufficient shares for entrepreneurs' relief to be available.

When will the measure come into effect?

The government will consult in spring 2018 and intend to introduce this measure with effect from April 2019.

Intangible fixed asset regime consultation

The measure

The government intends to consult on the intangible fixed asset regime. The consultation will consider whether there is an economic case for targeted changes to the regime, with the aim of better supporting UK companies investing in intellectual property.

Our view

This consultation is welcomed to ensure that the UK remains an attractive holding location for intangible assets.

Who will be affected by this measure?

UK companies holding or looking to acquire intangibles.

When will the measure come into effect?

The consultation is expected to open in 2018.

Intangibles: Grant of licence between related parties

The measure

The existing anti-avoidance provisions that treat transfers of intangible fixed assets between related parties as being at market value have been extended to apply to the grant of a licence or other right in respect of chargeable intangible assets where the grantor and grantee are related parties.

Our view

The provisions correct the previous anomaly of the market value provisions not applying to the grant of a licence between related parties. It is noted that these provisions may give rise to mismatches in tax treatment between two UK-resident related parties.

Who will be affected by this measure?

These provisions will apply to related parties entering into licence arrangements.

When will the measure come into effect?

The changes apply with effect from 22 November 2017.

IR35: Off-payroll working in the private sector

The measure

The government has announced that it will consult on how to tackle non-compliance with the IR35 rules in the private sector.

In broad terms, the IR35 rules deem payments made to individuals providing services through a personal service company (PSC) to be employment income if the underlying engagement has the character of an employment. Where it does, the PSC has to operate PAYE and account for NIC.

The rules were reformed for the public sector with effect from 6 April 2017 so that the responsibility for operating PAYE and NIC moved from the PSC to the engager or the person with responsibility for paying the PSC. The government believes that the early indications are that this has led to increased compliance. And therefore its view is that a possible next step is to extend this reform to the private sector.

This consultation will take account of the needs of business and individuals who would implement any change and will also draw on external research which the government has already commissioned.

Our view

It was always anticipated that reform of the IR35 regime in the public sector, if successful, would also be extended to the private sector. We welcome the use of external research to inform the likely changes, and it will be important to draw upon the experiences encountered by the public sector changes.

Who will be affected by this measure?

Businesses who engage or pay personal service companies for the services of individuals, the personal service companies and the individuals themselves.

When will the measure come into effect?

The consultation will be published during 2018.

Late tax return submission and late tax payment sanctions

The measure

The government will reform the penalty system for late or missing tax returns, adopting a new points-based model, following a consultation in March 2017. Under the new model, a taxpayer would incur a point each time they failed to provide a submission on time. When the points reach a certain threshold the customer would become liable to a penalty. A sustained period of good compliance will reset the points to zero.

The government will also consult on whether to simplify and harmonise late payment sanctions, in particular, on whether to align late payment interest across taxes.

Our view

The new points-based model is expected to achieve simplicity and to motivate good compliance. However, this is a significant change and businesses and individuals will need to familiarise themselves with the new system.

Who will be affected by this measure?

The late submission sanctions will apply to all businesses and individuals who submit tax returns.

The taxpayers affected by the late payment sanctions will depend on the content of the consultation document.

When will the measure come into effect?

Responses to the consultation on the points-based model will be published on 1 December 2017. Draft legislation on the points-based model will be published for consultation in summer 2018.

A separate consultation on the late payment sanctions is to be published on 1 December 2017.

North Sea oil and gas

The measure

The government has announced a Transferable Tax History, an innovative "world first" mechanism which will allow companies to pass the tax history associated with an oil and gas licence from the seller to the buyer.

Additionally the government:

- will conduct a technical consultation on allowing a petroleum revenue tax deduction for decommissioning costs incurred by a previous licence holder;
- clarified that any tariff income earned by licence holders for use of infrastructure will be subject to the ring fence oil and gas regime; and
- committed to additional guidance on the application of the 'major change in the nature and conduct of a trade' (MCINOCOT) rules to the oil & gas sector.

Our view

It is crucial that the companies who are best placed to operate assets in the most efficient way possible are given the opportunity to obtain these assets as the UK continental shelf (UKCS) enters its next phase of life.

Up until now, issues regarding decommissioning tax relief have acted as blocker to potential deals because of the value gap this created between incumbents and new entrants. Consequently, newer companies with the potential to innovate alternative approaches may not have been able to acquire appropriate assets.

The findings of the expert panel convened by the government and the announcement of the Transferable Tax History will be greatly welcomed by the industry. Given the complexity and pioneering nature of the proposed changes, the devil will be in the detail.

The commitment to consult on allowing a petroleum revenue tax deduction for decommissioning costs incurred by a previous licence holder builds on action taken in 2016. This provided a similar clarification in respect of ring fence corporation tax and the supplementary charge, providing an important support to transfers of assets where the seller retains the decommissioning liability.

The clarification of the treatment of tariff income will be reassuring to companies who have treated income and expenditure on key infrastructure as falling within the ring fence regime, but could cause concern to those who have taken a literal interpretation of current legislation.

Given the depressed oil & gas prices in recent years, companies have built up substantial commercial and tax losses. In the context of an upturn of M&A activity, the additional guidance which should provide greater clarity on the MCINOCOT rules is very welcome.

Who will be affected by this measure?

Businesses investing in oil and gas exploration and production activities on the UKCS which are subject to the UK ring fence tax regime.

When will the measure come into effect?

Draft legislation on the Transferable Tax History will be released in early 2018 with a technical consultation commencing in spring 2018 for final legislation to be included in the finance bill at the end of 2018. To ensure that companies are able to take decisions based on the new rules sooner rather than later, the legislation will be retroactively effective from November 2018.

The technical consultation on the petroleum revenue tax change will also commence in spring 2018, while the legislation clarifying the treatment of tariff income will be in Finance Bill 2017-18.

It is not clear when the updated MCINOCOT guidance will be published, but it is expected to build on existing examples that Deloitte has previously agreed with HMRC.

Property income: non-resident companies

The measure

Following a government consultation over the summer, it has been confirmed that income received by non-UK resident companies from UK property will be chargeable to corporation tax, rather than income tax, from April 2020.

Our view

This change could have a significant impact for affected companies as it is expected to bring these non-resident landlords within the scope of the corporate interest restrictions, loss restriction and hybrids rules.

Who will be affected by this measure?

Non-UK resident companies owning UK property.

When will the measure come into effect?

The changes will apply from April 2020.

R&D tax relief

The measure

The Research & Development Expenditure Credit (RDEC) rate available to companies claiming under the Large Company R&D scheme is set to rise from 11% to 12% from 1 January 2018, increasing the net benefit from 8.91% to 9.72%. The reduction in the corporation tax rate in April 2020 will boost the benefit to 9.96%.

A new advanced clearance service which will provide pre-filing agreement for three years for RDEC claims is to be piloted. Whilst a campaign to increase awareness of eligibility for R&D tax credits among SMEs will also be launched to reduce the barriers to make a claim for R&D tax credits.

Our view

This increase in the RDEC rate is further evidence of the government's continued support for investment in innovation and technology in the UK. Efforts to increase awareness of the regimes available and the proposal to widen the advance clearance process to include RDEC claimants will be welcomed by many companies.

Who will be affected by this measure?

The increased RDEC rate will benefit large companies claiming under the RDEC scheme, together with certain SMEs making claims under the RDEC scheme for subcontracted or funded work.

Increased awareness of the R&D regimes and the potential to increase claim certainty will benefit all potential claimant companies.

When will the measure come into effect?

The increased rate will have effect for expenditure incurred on or after 1 January 2018.

Royalties withholding tax

The measure

The Chancellor announced the government's intention to expand the circumstances in which a royalty payment to non-UK residents will have a liability to UK income tax.

Our view

The full scope of this measure has yet to be announced, but we look forward to participating in the consultation process.

Who will be affected by this measure?

It is clear from the Chancellor's speech that the focus will be multinational digital businesses that pay royalties to low tax jurisdictions in respect of UK sales. The proposal is to bring non-UK resident companies within the scope of UK income tax, where goods or services are provided to UK customers and a royalty is paid to a company resident in a no/low tax country.

When will the measure come into effect?

A consultation will open on this measure on 1 December 2017, with legislation expected to be introduced in Finance Bill 2018-19. The changes will have effect from April 2019.

Stamp duty reserve tax

The measure

The government has announced its intention not to bring back into force a 1.5% SDRT on the issue of shares by UK companies into non-UK depositary systems or clearance services. UK domestic law provides for such a charge, but this has not been applied following court cases in 2009 and 2012, which held that the charge is contrary to EU law. Today's announcement indicates that the government does not intend to take the opportunity presented by UK leaving the EU to re-introduce the charge.

Our view

This announcement is welcome and will dispel some quite significant tax uncertainty regarding Brexit. It is worth noting, however, that there may not be anything to stop a future government reintroducing the charge. Additionally, it does not address uncertainty around the extent to which the government will, despite losing an EU case on the point this year, continue to assert the 1.5% charge on the placing of existing shares into a clearance service or depositary receipt system.

Who will be affected by this measure?

The charge is usually borne by companies raising capital in non-UK capital markets, whether on an initial public offering or a secondary listing. It would, for example, affect companies acquiring another public company listed on a non-UK exchange and doing so, wholly or partly in consideration for shares issued onto that exchange.

When will the measure come into effect?

Before this announcement, there was a real prospect that this 1.5% charge would be re-imposed when, or relatively soon after, the UK leaves the EU.

Taxation of gains by non-residents

The measure

All property gains by non-residents will be brought within the scope of UK taxation from April 2019. The rules will apply to:

- direct disposals of commercial and residential property (to the extent not already within the residential property capital gains tax (CGT) rules introduced in 2015);
- indirect disposals through the sale of entities if the entity disposed of derives at least 75% of its value from UK land and the non-resident seller holds a 25% or greater interest in the entity over the five years prior to disposal. The 75% test will be assessed on a gross asset market value basis. Non-UK land will not count towards the 75%.

Existing commercial property holdings (held both directly and indirectly) and indirect residential property holdings will be rebased as at April 2019, so only gains after that date should fall within the new rules (although this can be revoked by the taxpayer on the direct disposal of an asset if the rebasing would increase the gain).

Anti-forestalling measures against 'treaty shopping' will be applicable from 22 November 2017. This is relevant to indirect disposals, where certain existing double tax treaties may not contain property-rich clauses (so that gains on disposals of shares are only taxable in the state of residence of the person making the disposal).

The existing exemption within the residential property CGT rules for certain widely-held companies will be abolished from April 2019. Widely-held companies will therefore have a rebasing of their residential properties as at that date. Closely held companies will retain the existing April 2015 rebasing point for residential property.

The substantial shareholdings exemption may be available on indirect disposals for certain qualifying institutional investors.

Our view

Whilst the government's announcement will bring the UK into line with the current position in most other countries, it represents the biggest change to the taxation of commercial property in the UK since the introduction of stamp duty land tax in 2003.

Although the proposals are subject to consultation, the core features of the measures are described as 'fixed'. It appears the consultation will focus on ensuring the legislation is effectively targeted and does not place unnecessary burdens on affected taxpayers.

Investment into the UK commercial property market contributes billions to the UK economy and supports millions of jobs. We encourage the government to carefully consider the impact of the proposed measures on the sector and the wider economic impacts.

Who will be affected by this measure?

Non-resident investors in UK property, held either directly or indirectly.

Certain existing exempt investors may not be within the scope of the new rules, such as pension funds and certain collective investment vehicles.

When will the measure come into effect?

1 April 2019 (for companies) or 6 April 2019 (for other persons).

Indirect tax measures

Aggregates levy

The measure

It has been announced that the aggregates levy rate will continue to be frozen for the next tax year 2018/19 at £2 per tonne, having been frozen since 2009. There are, however, plans to return to indexing rate increases at some unspecified future date.

After reviewing responses and representations following a consultation into the possible exemption for material produced as a by-product from utility works, the government has announced its decision not to introduce any relief.

Our view

If the current rates of aggregates levy achieve the environmental aims of the tax then there is limited benefit changing it, avoiding the need for registered aggregate exploiters to amend systems.
Given the aggregates levy is designed to increase the cost of deliberately exploiting rock, sand and gravel, and encouraging the use of recycled material, it is disappointing to see no exemption being introduced for an unavoidable by-product of utility works.

Who will be affected by this measure?

Aggregates levy applies where virgin rock sand and gravel is commercially exploited. The freezing of the rate will therefore avoid pressure to increase the price of aggregate and aggregate-based products.

Utilities that incidentally extract aggregates in the course of their regulated activities include those in the energy distribution, telecoms, water and sewerage industries. The reluctance of the government to introduce an exemption will leave contractors in these sectors with a liability to identify and account for aggregates levy.

When will the measure come into effect?

The current rate will remain in force for the near future.

Air Passenger Duty rates

The measure

The Air Passenger Duty (APD) rates for short-haul flights will remain at the same rate for 2019/20.

Long-haul economy flights will have their rates frozen at the 2018/19 levels. Premium economy and above will face a rate increase, as will private jet use.

Our view

As expected, the standard and higher rates of ADP have largely increased with inflation.

Who will be affected by this measure?

The travel and aviation industry, and travellers, especially those flying in premium economy and above and by private jet.

When will the measure come into effect?

The ADP rates will be as follows:

From 1 April 2019

Bands (distance in miles from London)	Reduced rate (lowest class of travel)	Standard rate (other than the lowest class of travel) (1)	Higher rate (2)
Band A (0 to 2,000 miles)	£13	£26	£78
Band B (over 2,000 miles)	£78	£172	£515

(1) If any class of travel provides a seat pitch in excess of 1.016 metres (40 inches) the standard rate is the minimum rate that applies.

(2) The higher rate applies to flights aboard aircraft of 20 tonnes and above with fewer than 19 seats.

Alcohol duty rates and bands

The measure

The government has announced that the duty rates on beer, cider, wine and spirits will be frozen.

Following a consultation, announced at Spring Budget 2017, a new duty band is to be introduced. This will apply to still cider and perry from 6.9% to 7.5% abv – aimed at 'white ciders'.

Our view

The introduction of the new duty on still cider and perry is in line with expectations. Further details on the exact rates will be released in due course.

Who will be affected by this measure?

Businesses and individuals responsible for accounting for excise duty prior to consumption, as well as individuals that consume any of the included products.

When will the measure come into effect?

Legislation for the new duty band will be included in Finance Bill 2018-19 and it will be implemented from 2019.

Climate Change Levy

The measure

It is announced that the main rates for Climate Change Levy (CCL) for 2020/21 and 2021/22 will be set in the 2018 Budget (other than those for LPG fuel which will be frozen at the 2019/20 level until April 2022).

Also announced are plans to legislate next year to ensure that the current exemption for energy used in mineral and metallurgical processes will continue to be available after the UK's exit from the EU.

Our view

As a tax based upon the carbon content of taxable fuels, the variation of rates correctly recognises trend changes in the fuels used in electricity generation processes.

Exemption for mineralogical and metallurgical processes was introduced much later than exemption for fuels used in other industrial processes, and it is pleasing to see that it should not be lost as a result of the EU exit process.

Who will be affected by this measure?

The continued increase to the main rates of CCL is expected and will probably be passed on by energy suppliers to relevant customers.

Exemption for energy used in mineral and metallurgical processes was introduced with effect from July 2014 and this measure will ensure continued enjoyment of the exemption by relevant businesses.

When will the measure come into effect?

Rate changes will be effective annually except where frozen as set out above.

Late tax return submission and late tax payment sanctions

The measure

The government will reform the penalty system for late or missing tax returns, adopting a new points-based model, following a consultation in March 2017. Under the new model, a taxpayer would incur a point each time they failed to provide a submission on time. When the points reach a certain threshold the customer would become liable to a penalty. A sustained period of good compliance will reset the points to zero.

The government will also consult on whether to simplify and harmonise late payment sanctions, in particular, on whether to align late payment interest across taxes.

Our view

The new points-based model is expected to achieve simplicity and to motivate good compliance. However, this is a significant change and businesses and individuals will need to familiarise themselves with the new system.

Who will be affected by this measure?

The late submission sanctions will apply to all businesses and individuals who submit tax returns.

The taxpayers affected by the late payment sanctions will depend on the content of the consultation document.

When will the measure come into effect?

Responses to the consultation on the points-based model will be published on 1 December 2017. Draft legislation on the points-based model will be published for consultation in summer 2018.

A separate consultation on the late payment sanctions is to be published on 1 December 2017.

Reducing plastics waste

The measure

Following the relative success of the carrier bag charge, the Budget announces a call for evidence in 2018 on how a tax system could be designed to reduce the volume of single use plastics waste, such as coffee cups, toothpaste tubes, and polystyrene takeaway boxes.

Our view

Most analyses conclude that the carrier bag charge has been a success in changing the behaviour of consumers. The products identified by the government in relation to this call for evidence appear to be limited, and it is possible that the call for evidence could lead to a broader scope.

Who will be affected by this measure?

The packaging and waste industries will be the likely responders to this call for evidence next year.

When will the measure come into effect?

Any change will be announced after completion of the call for evidence and further government review.

Tobacco duty and Minimum Excise Tax

The measure

As announced in Budget 2014: duty rates on all tobacco products will increase by 2% above RPI. Hand rolling tobacco will increase by 3% above RPI.

The government will continue to enforce a Minimum Excise Tax to target the cheapest cigarettes. The rate will be set at £280.15 per 1,000 cigarettes.

The general impact of the change in excise duty rates will mean that the price of:

- a packet of 20 cigarettes will increase by approximately 19p;
- a 30g packet of hand rolling tobacco will increase by approximately 34p;
- 10g weight of cigars will increase by approximately 11p; and
- a 30g packet of pipe tobacco will increase by approximately 15p.

Our view

The increases are in line with expectations.

Who will be affected by this measure?

Manufacturers, importers, distributors and consumers of tobacco.

When will the measure come into effect?

The general rate increases and Minimum Excise Tax will come into effect from 6pm on 22 November 2017.

VAT: Access to refunds

The measure

There will be amendments to allow certain bodies, including certain fire and rescue authorities, the Scottish Fire and Rescue Service, and the Scottish Police Authority, to recover VAT incurred on purchases made to support their non-business activities.

The objective of the amendments, which will be included in the Finance Bill 2017-18, is to ensure VAT is not a cost to public bodies in relation to their statutory activities.

Local authorities and other specified bodies are able to recover VAT incurred on undertaking statutory duties. Due to changes to local government legislation, certain bodies are no longer included in this provision. This amendment will mean that such bodies can recover VAT in the same way as equivalent entities.

Our view

This measure ensures consistency between similar organisations.

Who will be affected by this measure?

Combined authorities, fire and rescue authorities will be impacted.

When will the measure come into effect?

The measure will have effect from the date of Royal Assent to Finance Bill 2017-18.

VAT fraud in labour provision in the construction sector

The measure

Following consultation, the Budget announced the implementation of a domestic reverse charge on certain supplies made in the construction sector. The domestic reverse charge will shift the VAT liability to the recipient of the supplies.

Our view

The government has previously introduced similar measures to counter VAT fraud in transactions which have been the target of missing trader fraud. These transactions have all been subject to a single rate of VAT, whereas applying the domestic reverse charge to the construction sector will be more complex because of the varying VAT rates. Today's announcement provides a clear indication of the government's intent. However, businesses will lack clarity on the appropriate steps to prepare for the measure until the draft guidance and legislation is published in October 2018.

Who will be affected by this measure?

Businesses supplying and contracting for construction and related services will be affected by the measure. Suppliers will need to confirm whether the supplies they make are subject to the domestic reverse charge and therefore whether to charge VAT. Their customers may, accordingly, need to self-account for VAT on the supplies they receive.

When will the measure come into effect?

Responses to the consultation will be published on 1 December 2017.

The government intends to introduce the measure on or after 1 October 2019, with draft legislation and guidance to be published in October 2018.

The government anticipates that the long lead time prior to implementation should give businesses sufficient opportunity to prepare for the changes.

VAT: Online fraud

The measure

The Budget announces a series of additional measures designed to counter online VAT fraud, with HMRC's powers to hold online marketplaces jointly and severally liable being extended.

HMRC will now be able to hold marketplaces liable for VAT in relation to UK traders, in the same way that they can currently for overseas traders.

In relation to overseas traders, the trigger for HMRC to hold marketplaces liable will become whether they "knew or should have known" that the trader should be registered for UK VAT.

Marketplaces will also need to check and display valid VAT numbers for businesses operating on their platforms.

Other ongoing measures include HMRC's consideration of a split payments mechanism, and a call for evidence about how digital platforms can ensure compliance with VAT rules.

Our view

There have been a number of recent initiatives designed to counter online VAT fraud, which is estimated to cost £1.2 billion per annum. The measures announced today will place even greater responsibility on online marketplaces to ensure that businesses operating through their platforms are accounting for UK VAT correctly. The objective is welcome. However, further consideration will need to be given to precisely what an online marketplace should, or can, do to help prevent online VAT fraud.

Who will be affected by this measure?

Online marketplaces are most directly affected by the measures. Businesses trading through online marketplaces may have to go through additional due diligence exercises imposed by the marketplaces.

When will the measure come into effect?

The new powers on joint and several liability and requirement to check VAT numbers will be introduced in Finance Bill 2017-18.

Responses to the consultation on split payments will be published in December 2017.

The call for evidence on what else digital platforms can do to ensure compliance with the VAT rules will be published in spring 2018.

VAT registration thresholds maintained

The measure

The VAT registration threshold (currently £85,000) and deregistration threshold (currently £83,000) will remain unchanged for two years from 1 April 2018.

The registration and deregistration threshold for relevant acquisitions from other EU Member States will remain at £85,000 whilst the UK remains a member of the EU.

The recent Office of Tax Simplification report recommended that the government should examine the current approach to the VAT registration threshold "with a view to seeking out a future direction of travel". The government has announced that it will consult on the design of the threshold, but in the meantime, will maintain the VAT registration and deregistration thresholds for the two years to 31 March 2020.

Our view

Further consultation on this issue is welcomed.

Who will be affected by this measure?

Any business whose taxable turnover is close to the VAT thresholds for registration and deregistration.

When will the measure come into effect?

The current thresholds will remain until 31 March 2020.

VAT: Vouchers

The measure

A consultation will be published in relation to proposed new VAT legislation on vouchers. This is intended to ensure that businesses account for the same amount of VAT whether customers pay with vouchers or other means of payment. It will therefore seek to simplify the VAT treatment of vouchers, including the point at which they will become subject to VAT, and how they are valued.

Our view

Recent litigation has highlighted how the current VAT rules and HMRC's associated guidance on vouchers do not always produce a rational result, in particular where intermediaries are involved in the sale of vouchers. When considered alongside the Vouchers Directive 2016, which must be implemented by Member States by 31 December 2018, it is an opportune moment to consider how the UK should overhaul the rules on VAT and vouchers.

Who will be affected by this measure?

The consultation will be of interest to businesses who issue or resell vouchers, as well as those which use them in business promotions or to incentivise staff.

When will the measure come into effect?

The consultation will be published on 1 December 2017. The new rules on vouchers will be legislated in Finance Bill 2018-19.

Vehicle excise duty

The measure

In line with the National Air Quality Plan, there will be a £220m Clean Air Fund. This will be funded by the introduction of a vehicle excise duty (VED) supplement and a rise in the company car tax supplement for diesel cars.

The VED supplement will apply to new diesel cars first registered from 1 April 2018 meeting emissions limits. It will not apply to next generation, cleaner diesel engines. The supplement will have the effect of pushing the car into the VED band above that which it would otherwise have been in.

Additionally, VED generally will increase by RPI for 2018/19 for all cars, vans and motorbikes. The heavy goods vehicle VED rate remains frozen and there is to be a new exemption from the VED supplement for zero-emission capable taxis.

Our view

The VED diesel supplement and company car tax diesel supplement are in line with other government policies on diesel cars and clean air initiatives. The VED diesel supplement will only apply until around 2021 when it is expected that all cars will have to meet tighter pollution regulations.

VED has risen in line with inflation since 2010 and so this increase was to be expected.

We await further details on the exemption for zero-emission capable taxis.

Who will be affected by this measure?

Sellers, dealers and purchasers of new diesel cars, as well as companies leasing diesel cars for their employees through company car schemes.

When will the measure come into effect?

The VED diesel supplement will apply to new diesel cars registered from 1 April 2018.

The general VED increase will take effect from 1 April 2018 for all cars registered before 1 April 2017 and will impact the first year rates of any new cars.

The exemption for zero-emission capable taxis will take effect from April 2019.

Individuals measures

Certificate of Tax Deposit Scheme closure

The measure

Until today, taxpayers have been able to purchase a Certificate of Tax Deposit (CTD) to deposit money with HMRC and use it at a later date to cover tax liabilities, with interest being paid on the CTD depending on the amount deposited.

The government will close the scheme for new certificates from 23 November 2017. Existing certificates will continue to be honoured for six years.

Our view

The CTD scheme has been used by a range of taxpayers to meet their liabilities with HMRC, including to protect them from late payment interest and penalties where tax liabilities become due following disputes with HMRC. However, the administration involved in holding CTDs can be burdensome, so closing the scheme should be seen as a simplification.

Who will be affected by this measure?

Taxpayers wishing to use CTDs to prepay tax liabilities.

When will the measure come into effect?

The scheme will close for new certificates from 23 November 2017. Existing certificates will continue to be honoured for six years.

Electric vehicles: Charging

The measure

The provision of electricity by employers to employees to charge their electric vehicles will not result in a benefit in kind.

Our view

This is a welcome change providing certainty to employers and their employees when they provide free charge points for plug-in vehicles. It may also encourage more employers to provide onsite charging points, where that is practical, and the take up of plug-in electric and hybrid vehicles by their employees.

Who will be affected by this measure?

Employers who provide charging points for electric vehicles and their employees who drive plug-in electrical or hybrid vehicles.

When will the measure come into effect?

The new rules will apply from 6 April 2018.

Enterprise Investment Scheme

The measure

The Enterprise Investment Scheme (EIS) exists in order to encourage investment in qualifying unquoted trading companies, by providing income tax and capital gains tax reliefs. Subject to various conditions, individuals are currently able to invest up to £1m per annum in the scheme and obtain income tax relief of up to 30% of the amount invested.

From 6 April 2018, the annual EIS limit will be increased to £2m, provided that the excess over £1m is invested in qualifying 'knowledge-intensive' companies. Knowledge-intensive companies are those which are primarily engaged in the creation of intellectual property and/or which employ a high proportion of skilled employees.

The annual limit on funding which a qualifying company may attract under the EIS, as well as the Venture Capital Trust (VCT) regime will also be increased from £5m to £10m.

A new condition, the 'risk to capital condition' will be added to the EIS and VCT legislation, requiring that companies are genuine entrepreneurial companies with objectives to grow and develop. This change is being introduced in order exclude investments which are perceived by HMRC as purely 'tax-motivated', which currently receive tax relief but with limited risk to the investor's capital.

The government will also consult in 2018 on the introduction of a new knowledge-intensive EIS fund structure in which funds would have flexibility to deploy capital raised over a longer period.

Our view

We welcome these changes, which are expected by the government to attract additional investment of £7 billion to this growing sector. However, the additional requirement introduced by the risk to capital condition will create additional uncertainty to business.

Who will be affected by this measure?

Companies and individuals using EIS and VCT schemes, fund managers and other promoters and advisers associated with the EIS and VCTs.

When will the measure come into effect?

The changes are intended to come into effect from 6 April 2018.

Entrepreneurs' relief

The measure

The government intends to consult on how individuals who own at least 5% of the shares in a trading company can retain entrepreneurs' relief after their shareholding falls below the 5% threshold, required to qualify for the relief, in certain circumstances. The proposal is for relief to remain available on gains accrued up to the date new shares are issued as a result of raising funds for commercial purposes. The intention is to incentivise entrepreneurs to remain involved in their businesses after receiving external investment.

Our view

Enabling entrepreneurs' relief to be retained after a company raises external investment is a sensible measure to support business growth, as it encourages entrepreneurs to remain involved with business, and should go some way to ending the dilemma between increased personal taxation and limiting growth due to concerns around raising external finance.

Who will be affected by this measure?

Entrepreneurs whose companies may seek to raise external finance, with the result that the entrepreneur would no longer hold sufficient shares for entrepreneurs' relief to be available.

When will the measure come into effect?

The government will consult in spring 2018 and intend to introduce this measure with effect from April 2019.

IR35: Off-payroll working in the private sector

The measure

The government has announced that it will consult on how to tackle non-compliance with the IR35 rules in the private sector.

In broad terms, the IR35 rules deem payments made to individuals providing services through a personal service company (PSC) to be employment income if the underlying engagement has the character of an employment. Where it does, the PSC has to operate PAYE and account for NIC.

The rules were reformed for the public sector with effect from 6 April 2017 so that the responsibility for operating PAYE and NIC moved from the PSC to the engager or the person with responsibility for paying the PSC. The government believes that the early indications are that this has led to increased compliance. And therefore its view is that a possible next step is to extend this reform to the private sector.

This consultation will take account of the needs of business and individuals who would implement any change and will also draw on external research which the government has already commissioned.

Our view

It was always anticipated that reform of the IR35 regime in the public sector, if successful, would also be extended to the private sector. We welcome the use of external research to inform the likely changes, and it will be important to draw upon the experiences encountered by the public sector changes.

Who will be affected by this measure?

Businesses who engage or pay personal service companies for the services of individuals, the personal service companies and the individuals themselves.

When will the measure come into effect?

The consultation will be published during 2018.

Late tax return submission and late tax payment sanctions

The measure

The government will reform the penalty system for late or missing tax returns, adopting a new points-based model, following a consultation in March 2017. Under the new model, a taxpayer would incur a point each time they failed to provide a submission on time. When the points reach a certain threshold the customer would become liable to a penalty. A sustained period of good compliance will reset the points to zero.

The government will also consult on whether to simplify and harmonise late payment sanctions, in particular, on whether to align late payment interest across taxes.

Our view

The new points-based model is expected to achieve simplicity and to motivate good compliance. However, this is a significant change and businesses and individuals will need to familiarise themselves with the new system.

Who will be affected by this measure?

The late submission sanctions will apply to all businesses and individuals who submit tax returns.

The taxpayers affected by the late payment sanctions will depend on the content of the consultation document.

When will the measure come into effect?

Responses to the consultation on the points-based model will be published on 1 December 2017. Draft legislation on the points-based model will be published for consultation in summer 2018.

A separate consultation on the late payment sanctions is to be published on 1 December 2017.

National insurance changes

The measure

The government announced that national insurance contributions rates for 2018/19 remain the same as for 2017/18. However, the primary threshold has increased from £157 per week to £162 per week, and the upper earnings limit has increased from £866 per week to £892 per week.

Changes to a series of NIC policies will be pushed back from April 2018 to April 2019. These are the abolition of Class 2 NIC, the reforms to the NIC treatment of termination payments and the changes to the NIC treatment of sporting testimonials. In addition, it was confirmed that the previously announced rise in Class 4 NIC rate would not go ahead.

Our view

The change in the NIC thresholds represents a small saving that affected employees are likely to welcome.

Taxpayers may also be grateful for the deferred abolition of the Class 2 NIC. However, those who currently pay NIC at the lower Class 2 rate, including employers of internationally mobile individuals who pay voluntary NIC at the Class 2 rate, will still need to consider the cost impact of the higher Class 3 rate from 6 April 2019.

Termination payments are currently subject to a package of changes which are being introduced in a piecemeal fashion. Employers may find this additional complexity in identifying the correct tax and NIC treatment confusing.

Who will be affected by this measure?

Employers, employees and the self-employed.

When will the measure come into effect?

The changes to thresholds will take effect from April 2018. The delayed changes will now take effect from April 2019.

Rates and allowances

The measure

Income tax
The Chancellor has increased the income tax personal allowance to £11,850 (from £11,500) and the basic rate band to £34,500 (from £33,500), giving a higher rate threshold of £46,350 for 2018/19. This increase keeps the Chancellor on track to reach a personal allowance of £12,500 and higher rate threshold £50,000 by 2020/21.

The combined personal allowance and higher rate threshold changes will mean that a basic rate taxpayer will increase their post-tax income in 2018/19 by £70 compared to 2017/18 and a higher-rate taxpayer by £340 in 2018/19 compared to 2017/18. Those with income over £123,700 who do not receive a personal allowance will see a tax saving of £200.

The Chancellor has decided not to accelerate the increase in the personal allowance and higher rate threshold but has another two years to meet his £12,500/£50,000 commitment. If he continues to limit the increase to CPI and this continues to rise at the 3% rate he is still on course to meet the commitment by 2020/21.

National insurance
The NIC limits for 2018/19 also rise broadly with CPI. The upper earnings limit rises to £46,350 in line with the higher rate threshold, but the primary threshold for employees (above which NICs are payable) increases from £8,164 per annum to £8,424.

Taking account of NICs, a basic rate taxpayer will see an overall reduction of £101 (income tax reduction £70 and NIC reduction £31), and a higher rate taxpayer will see a net reduction of £236 (tax reduction £340 and NIC increase of £104). Those with income over £123,700 will see a net reduction of £96 (tax reduction of £200 and NIC increase of £104).

Capital gains tax
The annual exemption will increase to £11,700 (from £11,300) from April 2018.

Our view

The increases in the personal allowance, higher rate threshold and annual exemption will be welcome news to all taxpayers. Although national insurance costs will increase for many taxpayers, the income tax savings should more than offset this.

Who will be affected by this measure?

Individual taxpayers.

When will the measure come into effect?

With effect from 6 April 2018.

Stamp duty land tax (SDLT) relief for first-time buyers

The measure

As of today all individuals purchasing dwellings for the first time, for £500,000 or less will pay no, or a reduced rate, of SDLT. The changes mean that first-time buyers will pay no SDLT on purchases up to £300,000. The part of the purchase price between £300,000 but not above £500,000 will be charged at the standard 5% rate.

The relief for first-time buyers is not available on any part of the purchase price if the purchase price of the property is above £500,000.

Before today, first-time buyers would have paid SDLT once the purchase price was above £125,000. The average price paid by a first-time buyer is £210,000 and the tax on this was £1,700 which will now be saved. The SDLT saving for purchases of £300,000 or more (but not exceeding £500,000) will be £5,000. Purchases of £500,000 will pay SDLT of £10,000 in comparison to £15,000 payable without the relief. If the price is £500,001, however, the tax increases by £5,000 at that point.

Our view

Limiting the relief to acquisitions for up to £500,000 will mean a purchaser marginally exceeding that limit will have an additional SDLT liability of £5,000. This means that the cliff edge distortion removed from residential property in 2014 is re-introduced at this one point.

We also note that first time buyers' relief was not thought to be a success last time it was put in place between March 2010 and March 2012. HMRC's own research suggested that the total number of additional transactions was only about 2,000 and concluded that it had a "small impact". The government will hope that the outcome will be different this time. The estimated cost of the relief to the Exchequer in 2018/19 of £560m compares with a cost of only £150m in 2010/11.

The research also thought that the majority of the benefit is capitalised into a higher price and so benefits the seller more than the first-time buyer.

This change does not apply to Scotland which has its own Land and Buildings Transaction Tax, and only up to April 2018 to Wales which is to have its own system from then onward. It will be interesting to see whether Scotland and Wales introduce a similar relief in due course.

Who will be affected by this measure?

The relief is only available to the first-time buyer intending to occupy the purchased dwelling as their only or main residence. First-time buyers are individuals who have never owned a freehold or leasehold interest of more than 21 years, or equivalent abroad, in a building before.

The relief will therefore not be available if the individual intends to purchase the property for use as a buy-to-let or second home. In the case of joint acquisitions, all the purchasers must be first-time buyers in order to qualify for the relief.

When will the measure come into effect?

The relief is not time limited and will apply to transactions with an effective date on or after 22 November 2017. The relief must be claimed in the SDLT land transaction return which must be submitted for each acquisition.

The Taylor Review and the 'gig economy': discussion paper to be implemented

The measure

Published in July 2017, 'Good Work: The Taylor Review of Modern Working Practices' set out a wide ranging vision for change in working practices. The report highlighted that tax considerations are a source of tension and may drive the engagement of individuals in a particular way. The government announced that it will issue a discussion paper exploring the case for longer-term reform. In particular, it intends to explore whether reforms are required to make the employment status tests for employment rights and tax clearer.

Our view

The Taylor Review received widespread coverage at the time of publication and subsequent cases have highlighted the challenges in this area. It is clear that technological change, in particular, is driving changes in working practices and that the impact of these changes from a tax and national insurance contribution perspective is unclear.

In announcing its intention to issue a discussion paper, the government has acknowledged that this is a complex and important issue which requires wide consultation. Employers and individuals are likely to welcome the opportunity to discuss with the government the impact of the gig economy. However, given the challenges in finding the balance between flexibility, rights and protections, any legislative change may be a few years away.

Who will be affected by this measure?

Businesses who are engaging workers in the gig economy and individuals who are currently treated as self-employed.

When will the measure come into effect?

No date has been announced.

Employers measures

Company car tax diesel supplement increase

The measure

The current company car tax diesel supplement of 3% will increase to 4% for diesel cars that do not meet the Real Driving Emissions Step 2 standard (RDE2).

Our view

The increase in the diesel supplement is part of a package of measures designed to encourage users of diesel cars to consider alternatives. This is a key part of the National Air Quality Plan.

People who already own diesel cars privately will not be affected. However, company car drivers, who may be tied to an existing car for a period of time, are impacted. The scheduled abolition of diesel supplement was overturned a couple of years ago and has now been further increased. Given that most current diesel company cars will not meet RDE2 standards, this measure is unlikely to be popular with this population.

It may further extend the trend of businesses removing company car provision in favour of cash allowances, which employees would use to fund private cars. It has been shown that these cars are likely to be older and have higher CO2 emissions, which is detrimental to the air quality objective.

Who will be affected by this measure?

Employers who provide diesel (not diesel hybrid) company cars that do not meet RDE2 standards to their employees and those employees themselves. Cars which are certified to the RDE2 standard will be exempt from the diesel supplement altogether.

When will the measure come into effect?

The increased supplement will apply from 6 April 2018.

Electric vehicles: Charging

The measure

The provision of electricity by employers to employees to charge their electric vehicles will not result in a benefit in kind.

Our view

This is a welcome change providing certainty to employers and their employees when they provide free charge points for plug-in vehicles. It may also encourage more employers to provide onsite charging points, where that is practical, and the take up of plug-in electric and hybrid vehicles by their employees.

Who will be affected by this measure?

Employers who provide charging points for electric vehicles and their employees who drive plug-in electrical or hybrid vehicles.

When will the measure come into effect?

The new rules will apply from 6 April 2018.

Employee expenses

The measure

Following on from the government's call for evidence in relation to employee business expenses which was published in March 2017, it has today announced the following changes:

- From April 2019, employers will no longer be required to check receipts when reimbursing subsistence costs using the benchmark scale rates – employers will only be asked to ensure that employees are carrying out qualifying business travel;
- The existing, concessionary, overseas hotel and subsistence scale rates will be put into legislation from 6 April 2019 to provide greater certainty for employers. There will be no requirement to check receipts but again employers will have to check that journeys qualify as business travel;
- HMRC will seek to improve guidance on employee expenses, particularly in relation to travel and subsistence. They also will clarify the process for employees claiming relief on expenses incurred which have not been reimbursed by their employer; and
- The government will consult in 2018 on extending the scope of tax relief available to employees (and the self-employed) for work-related training.

The government response to the call for evidence will be published on 1 December 2017.

Our view

The removal of the requirement to check receipts where benchmark scale rates are paid is welcomed. Previously, the administrative burden of checking receipts could have outweighed the benefits of simplifying the payment of expenses by using HMRC's benchmark rates. However, this does not extend to bespoke or industry-wide scale rates, so the requirement to check receipts in these cases will continue.

Who will be affected by this measure?

Employers who either pay benchmark scale rates or pay allowances to employees travelling on business overseas. Employees who incur expenses which are not paid by their employer may also be impacted.

When will the measure come into effect?

The changes to the scale rates will apply from 6 April 2019.

Increased flexibility for SAYE employee share schemes

The measure

Employees on maternity and parental leave will be able to take a 12 month pause from saving into their SAYE (also known as Sharesave) employee share scheme, increased from six months currently.

Our view

Whilst this is a small change, the increased flexibility for participants is welcomed and will be beneficial for many SAYE participants on maternity or parental leave and who cannot currently keep up their monthly contributions.

Employers who operate SAYE employee share schemes should review their plan rules to check whether any amendments are required to the rules to allow for this increased flexibility.

Who will be affected by this measure?

Companies who operate SAYE employee share schemes.

When will the measure come into effect?

Effective from 6 April 2018.

IR35: Off-payroll working in the private sector

The measure

The government has announced that it will consult on how to tackle non-compliance with the IR35 rules in the private sector.

In broad terms, the IR35 rules deem payments made to individuals providing services through a personal service company (PSC) to be employment income if the underlying engagement has the character of an employment. Where it does, the PSC has to operate PAYE and account for NIC.

The rules were reformed for the public sector with effect from 6 April 2017 so that the responsibility for operating PAYE and NIC moved from the PSC to the engager or the person with responsibility for paying the PSC. The government believes that the early indications are that this has led to increased compliance. And therefore its view is that a possible next step is to extend this reform to the private sector.

This consultation will take account of the needs of business and individuals who would implement any change and will also draw on external research which the government has already commissioned.

Our view

It was always anticipated that reform of the IR35 regime in the public sector, if successful, would also be extended to the private sector. We welcome the use of external research to inform the likely changes, and it will be important to draw upon the experiences encountered by the public sector changes.

Who will be affected by this measure?

Businesses who engage or pay personal service companies for the services of individuals, the personal service companies and the individuals themselves.

When will the measure come into effect?

The consultation will be published during 2018.

Late tax return submission and late tax payment sanctions

The measure

The government will reform the penalty system for late or missing tax returns, adopting a new points-based model, following a consultation in March 2017. Under the new model, a taxpayer would incur a point each time they failed to provide a submission on time. When the points reach a certain threshold the customer would become liable to a penalty. A sustained period of good compliance will reset the points to zero.

The government will also consult on whether to simplify and harmonise late payment sanctions, in particular, on whether to align late payment interest across taxes.

Our view

The new points-based model is expected to achieve simplicity and to motivate good compliance. However, this is a significant change and businesses and individuals will need to familiarise themselves with the new system.

Who will be affected by this measure?

The late submission sanctions will apply to all businesses and individuals who submit tax returns.

The taxpayers affected by the late payment sanctions will depend on the content of the consultation document.

When will the measure come into effect?

Responses to the consultation on the points-based model will be published on 1 December 2017. Draft legislation on the points-based model will be published for consultation in summer 2018.

A separate consultation on the late payment sanctions is to be published on 1 December 2017.

National insurance changes

The measure

The government announced that national insurance contributions rates for 2018/19 remain the same as for 2017/18. However, the primary threshold has increased from £157 per week to £162 per week, and the upper earnings limit has increased from £866 per week to £892 per week.

Changes to a series of NIC policies will be pushed back from April 2018 to April 2019. These are the abolition of Class 2 NIC, the reforms to the NIC treatment of termination payments and the changes to the NIC treatment of sporting testimonials. In addition, it was confirmed that the previously announced rise in Class 4 NIC rate would not go ahead.

Our view

The change in the NIC thresholds represents a small saving that affected employees are likely to welcome.

Taxpayers may also be grateful for the deferred abolition of the Class 2 NIC. However, those who currently pay NIC at the lower Class 2 rate, including employers of internationally mobile individuals who pay voluntary NIC at the Class 2 rate, will still need to consider the cost impact of the higher Class 3 rate from 6 April 2019.

Termination payments are currently subject to a package of changes which are being introduced in a piecemeal fashion. Employers may find this additional complexity in identifying the correct tax and NIC treatment confusing.

Who will be affected by this measure?

Employers, employees and the self-employed.

When will the measure come into effect?

The changes to thresholds will take effect from April 2018. The delayed changes will now take effect from April 2019.

The Taylor Review and the 'gig economy': discussion paper to be implemented

The measure

Published in July 2017, 'Good Work: The Taylor Review of Modern Working Practices' set out a wide ranging vision for change in working practices. The report highlighted that tax considerations are a source of tension and may drive the engagement of individuals in a particular way. The government announced that it will issue a discussion paper exploring the case for longer-term reform. In particular, it intends to explore whether reforms are required to make the employment status tests for employment rights and tax clearer.

Our view

The Taylor Review received widespread coverage at the time of publication and subsequent cases have highlighted the challenges in this area. It is clear that technological change, in particular, is driving changes in working practices and that the impact of these changes from a tax and national insurance contribution perspective is unclear.

In announcing its intention to issue a discussion paper, the government has acknowledged that this is a complex and important issue which requires wide consultation. Employers and individuals are likely to welcome the opportunity to discuss with the government the impact of the gig economy. However, given the challenges in finding the balance between flexibility, rights and protections, any legislative change may be a few years away.

Who will be affected by this measure?

Businesses who are engaging workers in the gig economy and individuals who are currently treated as self-employed.

When will the measure come into effect?

No date has been announced.

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