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Tax rates 2019/20

Budget 2018

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These tables are a summary and do not cover all situations.

They are based on primarily upon information in the Budget announcements on 29 October 2018. These may be subject to further amendment.

Whilst changes announced after 29 October 2018 are not generally reflected in these tables, changes to the income tax and land transaction taxes sections were incorporated on 6 March 2019 to reflect subsequent devolved decisions made by the Scottish and Welsh administrations affecting tax rates applicable in 2019/20.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication.

Personal tax

Income tax rates 2019/20 (2018/19)

Income band (£)	Dividends (%)	Other savings income (%)
Up to 37,500^{a, b} (up to 34,500)	7.5	20
37,500-150,000^b (34,500-150,000)	32.5	40
Over 150,000^b (over 150,000)	38.1	45

Income band (£)	Other income (%)	Cumulative tax (£)
Up to 37,500^c (up to 34,500)	Basic rate: 20	7,500 (6,900)
37,500-150,000^c (34,500-150,000)	Higher rate: 40	52,500 (53,100)
Over 150,000^c (over 150,000)	Additional rate: 45	

a. A 0% starting rate applies to the first £5,000 of savings income. For many taxpayers this is not relevant as the starting rate does not apply if their taxable non-savings income exceeds the starting rate limit.

b. Subject to Personal Allowance, Personal Savings Allowance, and Dividend Allowance (see page 3).

c. Subject to Personal Allowance, Property Allowance, and Trading Allowance (see page 3).

The income bands are broadly used in the following order:

- Non-savings income
- Savings income
- Dividends

Discretionary trusts and accumulation and maintenance trusts are entitled to a standard rate band of £1,000. Income in excess of this amount is subject to income tax at the top rate of income tax which is 45%. The rate of tax on dividend income received in excess of the standard rate band is 38.1%.

Income tax rates – Scotland

The Scottish Parliament has the power to set income tax rates and bands for **non-savings, non-dividend income** of Scottish resident taxpayers. (The dividend and other savings tax rates and bands on page 1 apply to the dividend and other savings income of Scottish taxpayers.)

The following five tax rates and bands for non-savings, non-dividend income for **2019/20** were passed by the Scottish Parliament on 19 February 2019:

Income band (£) – 2018/19	Other income (%)	Cumulative tax (£)
Up to 2,049	Starter rate: 19	389
2,049-12,444	Scottish basic rate: 20	2,468
12,444-30,930	Intermediate rate: 21	6,350
30,930-150,000	Higher rate: 41	55,169
Over 150,000	Top rate: 46	

Subject to Personal Allowance, Property Allowance, and Trading Allowance for 2018/19 (see page 3).

The following five tax rates and bands for non-savings, non-dividend income applied in **2018/19**:

Income band (£) – 2018/19	Other income (%)	Cumulative tax (£)
Up to 2,000	Starter rate: 19	380
2,000-12,150	Scottish basic rate: 20	2,410
12,150-31,580	Intermediate rate: 21	6,490
31,580-150,000	Higher rate: 41	55,043
Over 150,000	Top rate: 46	

Subject to Personal Allowance, Property Allowance, and Trading Allowance for 2018/19 (see page 3).

Income tax rates – Wales

Starting from April 2019, the Welsh Assembly has the power to vary the income tax rates (but not the bands) for **non-savings, non-dividend income** of Welsh resident taxpayers. (The dividend and other savings tax rates and bands on page 1 will apply to the dividend and other savings income of Welsh taxpayers.)

On 2 October 2018, the Welsh Cabinet Secretary for Finance proposed keeping Welsh income tax rates the same as those on page 1 applicable in England and Northern Ireland for **2019/20**. This decision was confirmed by a resolution of the Welsh Assembly on 15 January 2019.

Income tax allowances

	2019/20 (£)	2018/19 (£)
Personal Allowance – Individuals ^{a, d, e}	12,500	11,850
Married Couple's Allowance (elder aged 84 or over on 6 April 2019) ^{b, c, d}	8,915	8,695
Personal Savings Allowance for basic rate taxpayers ^f	1,000	1,000
Personal Savings Allowance for higher rate taxpayers ^f	500	500
Dividend Allowance ^g	2,000	2,000
Property Allowance ^h	1,000	1,000
Trading Allowance ^h	1,000	1,000

- a. Reduced by £1 for each £2 of income (less deductions) in excess of £100,000.
- b. Reduced by £1 for each £2 of income (less deductions) which exceeds £29,600 (2018/19: £28,900). The minimum age-related married couple's allowance is £3,450 (2018/19: £3,360).
- c. Restricted to relief at 10%.
- d. None of these allowances are available to a non-UK domiciled individual who makes a claim to pay tax on the remittance basis of taxation.
- e. Spouses or civil partners will be able to transfer £1,250 (2018/19: £1,190) of their unused Personal Allowance to their partner. This is available provided neither person pays income tax at the higher rate (or Scottish equivalents). This is not available if the couple are in receipt of the married couple's allowance.
- f. A 0% tax rate for personal savings income for basic and higher rate taxpayers only.
- g. A 0% tax rate for dividend income available to all taxpayers.
- h. Subject to some exceptions, allowances for property income and trading income available to all UK taxpayers. Where individuals are in receipt of gross property income or gross trading income below the new allowances, the income will not be subject to income tax. Where gross receipts are in excess of these amounts, the recipient can choose to take the £1,000 allowance as a deduction against their gross income instead of deducting actual expenses to arrive at their taxable income figure.

Income tax reliefs and incentives

Annual limits	2019/20 (£)
Enterprise Investment Scheme (EIS) (maximum) ^a	1,000,000
Seed Enterprise Investment Scheme (SEIS) (maximum) ^b	100,000
Venture Capital Trust (VCT) (maximum) ^c	200,000
Individual Savings Account (ISA) (maximum) ^{d, e}	20,000
Junior ISA (maximum per child)	4,368

- a. Income tax relief restricted to 30%. Capital gains tax deferral on gains on disposal of other assets is also available. From 6 April 2018, the annual limit has doubled to £2 million, provided any amount over £1 million is invested in one or more 'knowledge-intensive companies'.
- b. Rate of income tax relief is 50%. The relief applies to shares in qualifying trading companies with fewer than 25 full-time equivalent employees, and assets of up to £200,000 issued after 6 April 2012. Maximum stake 30% of share capital and voting rights. Total SEIS financing per company is limited to £150,000 cumulatively (within three years preceding the share issue).
- c. Rate of income tax relief for investors in VCTs is 30%. Dividends received on qualifying VCT investments are exempt from income tax.
- d. A Help to Buy ISA enables first time buyers saving up to £200 per month plus an initial amount of up to £1,000 towards their first home to receive a government bonus of 25% of the amount saved. The Government will contribute a maximum of £3,000 on £12,000 of savings. From 1 December 2019, Help to Buy ISAs will no longer be available to new savers.
- e. A Lifetime ISA can be opened by individuals between the ages of 18 and 40. Individuals can save up to £4,000 each tax year into an account which will be topped up at the end of the tax year with a government bonus of 25%. The money saved, including the bonus, can be used to buy a first home worth up to £450,000 or can be withdrawn from the age of 60. Any contribution to this new Lifetime ISA counts towards the overall ISA subscription limit.

Relief is available at the taxpayer's marginal rate of income tax for charitable donations via the Gift Aid and Payroll Giving schemes and for charitable gifts of quoted shares and securities and real property.

Pensions

	2019/20 (£)	2018/19 (£)
Annual allowance	40,000 ^{a, b, c}	40,000 ^{a, b, c}
Money purchase annual allowance	4,000 ^{c, b}	4,000 ^{c, b}
Lifetime allowance	1,055,000 ^d	1,030,000 ^d

- a. The annual allowance is reduced by £1 for every £2 of income over £150,000, including relievable contributions, to a minimum of £10,000.
- b. The annual allowance may be increased by up to £120,000 with unused relief from the previous three years.
- c. Where a member has flexibly accessed his uncrystallised or drawdown fund, the annual allowance for contributions to a money purchase scheme is capped at the level of the money purchase annual allowance, with no unused allowance brought forward. A potentially higher limit for defined benefit schemes remains.
- d. The standard lifetime allowance, which is the total value of pensions savings that can be accumulated without a tax recovery charge when a pension or lump sum is taken, has reduced on a number of occasions in recent years. Various transitional protection rules exist and, subject to conditions, members who have elected into them may continue to benefit from higher tax-free limits.

Aggregate contributions made by employers and employees to a money purchase (defined contribution) registered pension scheme attract an annual allowance charge to the extent they exceed the annual allowance for the tax year in which the pension input period ends, augmented by any brought forward unused relief from the previous three years. No charge arises where the member dies in the year or is medically assessed as unable to work ever again.

An annual allowance charge similarly applies to salary-related pension accrual where the inflation-adjusted increase in pension entitlement, multiplied by a valuation factor of 16, exceeds the annual limit. No charge applies where the member's active participation in the scheme has ceased.

Where the annual limit is exceeded, tax is payable on the excess at the individual's marginal rate ie normally 20%, 40% or 45%. (Scottish rates, excluding the 19% starter rate, apply to Scottish residents). This is normally payable by the individual via self-assessment, but in some cases they may elect for the pension scheme to pay the tax instead.

On drawing a pension, the maximum tax-free pension commencement lump sum payable is the lesser of 25% of the value of an individual's uncrystallised fund, 25% of the member's lifetime allowance and one third of the amount crystallised for the payment of a pension or annuity for life, or as funds available for drawdown.

Subject to the agreement of the scheme administrator, members of money purchase schemes who have reached the minimum pension age of 55 will be able to take funds from their drawdown account flexibly – whenever they want, and in any desired amount. Members will also have the option of taking an 'uncrystallised funds pension lump sum', 25% of which is tax-free, provided they have sufficient lifetime allowance available. If the member dies before age 75 any unused drawdown or undrawn uncrystallised funds can be paid to dependants free of tax. After that age lump sums are taxable. Death benefit lump sums will normally be taxed as pension income of the recipient (ie marginal income tax rates).

In certain circumstances, including when a member takes a pension or lifetime annuity, designates funds for drawdown, dies holding uncrystallised funds or takes a pension commencement or uncrystallised funds pension lump sum, his aggregate pension savings are also tested against the lifetime limit, taking account of any previous benefit crystallisation event. Any excess is taxed at 25%, or 55% if taken as a lifetime allowance excess lump sum.

Any unauthorised lump sum is taxed on the member at rates of 40% or 55%, with a further charge on the scheme.

Making contributions to pensions is a long term investment decision and individuals should take advice on the suitability of making pension contributions in their particular circumstances.

Company car, van and fuel benefitsFor more detail see www.cartaxguide.co.uk.

A company car benefit is calculated by multiplying the car's list price (including selected optional accessories) by the relevant percentage graduated according to the car's carbon dioxide (CO₂) emissions. The relevant percentages of list price for the next three tax years are as follows:

CO ₂ emissions (g/km) ^a			% of list price ^b
2018/19	2019/20	2020/21	
		0, 1-50 ^c	2
		1-50 ^d	5
		1-50 ^e	8
		1-50 ^f	12
0 – 50			13
		1-50 ^g	14
		51-54	15
51 – 75	0 – 50	55	16
		60	17
		65	18
76 – 94	51 – 75	70	19
95		75	20
100		80	21
105	76 – 94	85	22
110	95	90	23
115	100	95	24
120	105	100	25
125	110	105	26
130	115	110	27
135	120	115	28
140	125	120	29
145	130	125	30
150	135	130	31
155	140	135	32
160	145	140	33
165	150	145	34
170	155	150	35

CO ₂ emissions (g/km) ^a			% of list price ^b
2018/19	2019/20	2020/21	
175	160	155	36
180+	165+	160+	37

a. Unless otherwise specified, CO₂ emissions should be rounded down to the nearest 5g/km.

b. Add 4% to the '% of list price' if the car runs solely on diesel, up to the limit of 37%. Cars that meet the Real Driving Emissions Step 2 (RDE2) standard are exempt from the supplement.

From 2020/21, for cars in the 1-50g/km of CO₂ band, the 'electric range figure' determines the appropriate percentage. The 'electric range figure' is the number of miles which is the equivalent of the number of kilometres specified in an EC certificate of conformity, an EC type-approval certificate or a UK approval certificate on the basis of which a car is registered, as being the maximum distance for which the car can be driven in electric mode without recharging the battery:

- c. Car with electric range figure of 130 miles or more.
- d. Car with electric range figure of 70-129 miles.
- e. Car with electric range figure of 40-69 miles.
- f. Car with electric range figure of 30-39 miles.
- g. Car with electric range figure of less than 30 miles

The list price of the car is reduced by up to a maximum of £5,000 for capital contributions made by an employee. Employees' contributions towards private use reduce the taxable benefit pound for pound.

Fuel benefit for company cars is calculated by applying the relevant car CO₂ emissions percentage to a pre-set figure which is £24,100 (2018/19: £23,400).

The private use of vans attracts a scale charge of £3,430 (2018/19: £3,350), regardless of the age of the vehicle. In addition, if free or subsidised fuel is provided for private use in a company van, a taxable fuel benefit will arise of £655 (2018/19: £633).

Optional Remuneration Arrangements

Where employees select a company car via either a salary sacrifice arrangement or instead of a cash allowance (where they have that choice), then rules, which came into effect from 6 April 2017, may affect the calculation of company car benefit. These rules do not affect cars with CO₂ emissions of 75 g/km and below.

Where an employee entered into an Optional Remuneration Arrangement for a car before 6 April 2017 (which includes where a car was ordered, but not delivered, prior to this date), then the calculation described above stands, until a variation of that arrangement or its expiry.

Where employees entered into arrangements on or after 6 April 2017, then their company car benefit will equal the greater of (i) the amount as calculated above, and (ii) the gross salary sacrifice/gross cash allowance forgone.

Electric vehicles

The appropriate percentage for electric cars for the purposes of company car tax for 2019/20 is 16% (2018/19: 13%). The percentage is due to drop significantly to 2% from 2020/21.

In 2019/20, the van benefit charge for zero emission vans will be 60% of the rate paid by conventionally fuelled vans (2018/19: 40%). The percentage will be 80% in 2020/21 and 90% in 2021/22, with the rates equalised in 2022/23.

The Government will legislate, with retrospective effect from April 2018, so that employer-provided electricity will be exempt from tax as a benefit in kind. This already applies where the cars in question are company cars, but this will now additionally apply to electricity provided in workplace charging points for fully electric or hybrid cars owned by employees.

Approved mileage rates

Employers can make tax – and NIC-free payments to employees using their own vehicle for business travel, as follows:

- cars and vans – 45p per mile for the first 10,000 miles and 25p per mile thereafter (For NIC purposes there is no mileage limit for the 45p per mile rate);
- motor cycles – 24p per mile;
- bicycles – 20p per mile; and
- passengers – an optional 5p per mile for each passenger who is an employee travelling on business.

Capital Gains Tax (CGT)

	2019/20 (£)	2018/19 (£)
Combined income and gains less than the upper limit of the income tax basic rate band ^{a, b, c}	10%	10%
Combined income and gains above the upper limit of the income tax basic rate band ^{a, b, c}	20%	20%
<p>a. Chargeable gains are treated as the top slice of an individual's combined gains and income. Any part of a taxable gain exceeding the upper limit of the income tax basic rate band (£37,500 for 2019/20) is taxed at 20%.</p> <p>b. An 8 percentage point surcharge applies on the rates for gains on residential property and carried interest.</p> <p>c. For trustees and personal representatives of deceased persons, the CGT rate is 20%.</p>		

Annual CGT exemptions apply for individuals and trusts, as follows:

	2019/20 (£)	2018/19 (£)
Individual	12,000	11,700
Trust	6,000	5,850

Gains realised on the disposal of an EIS or SEIS investment are exempt from CGT provided certain conditions are met including that the shares are held for at least three years, and both the investor and company remain eligible for EIS/SEIS throughout this period.

Up to 50% of capital gains of up to £100,000 realised on disposals of assets are exempt from CGT if a qualifying SEIS investment and appropriate claims are made.

The lifetime limit for entrepreneurs' relief is £10 million. Qualifying gains made within this limit are subject to a reduced capital gains tax rate of 10%.

An extension to entrepreneurs' relief called investors' relief, for external investors in unlisted trading companies, applies to newly-issued shares purchased on or after 17 March 2016, provided they are held for a minimum of three years from 6 April 2016, and subject to a lifetime limit of £10 million of gains. This limit is separate from the lifetime limit of gains for entrepreneurs' relief.

There is no chargeable gain on the disposal of a single chattel if the gross consideration does not exceed £6,000.

Inheritance tax (IHT)

IHT is charged on an individual's estate at death, on gifts within seven years of death, and on chargeable lifetime transfers of value (e.g. a transfer to a trust). The nil rate band is £325,000. Cumulative chargeable transfers up to the limit of the nil rate band do not result in an IHT charge. To the extent that chargeable transfers exceed the nil rate band, the tax rate is 20% for lifetime transfers where the donor survives seven years, and 40% for transfers on death and in the three years preceding death. A tapered inheritance tax rate applies to gifts made between three and seven years before death.

When a surviving spouse or civil partner dies, relief is due on that death in respect of any unused proportion of the nil rate band of the spouse or civil partner who died first. This is in addition to any unused nil rate band of the survivor. Transfers between spouses or civil partners who are both UK-domiciled or both non-UK domiciled are exempt.

When a transferor spouse or civil partner is UK-domiciled and a transferee spouse or civil partner is not, the spouse exemption is limited to the level of the IHT nil rate band. Also a non-UK domiciled spouse or civil partner can elect to be treated for IHT as UK-domiciled. If he or she does so the full spouse/civil partner exemption will be due.

Where 10% or more of a person's net estate is left to charity, the rate of IHT is reduced to 36%.

An additional residence nil rate band (RNRB) was introduced with effect from 6 April 2017, which applies when a residence is passed to a direct descendant. The RNRB was £125,000 for 2018/19, is £150,000 for 2019/20 and will be £175,000 for 2020/21 onwards. Any unused RNRB can be transferred to a surviving spouse or civil partner. It will also be available when a person downsizes or ceases to own a home and assets of an equivalent value, up to the value of the additional nil-rate band, are passed on death to direct descendants. There is a tapered withdrawal of the RNRB for estates with a net value of over £2 million, at a rate of £1 for every £2 over this threshold.

National Insurance Contributions 2019/20

Class 1 (employees and employers) rates

Weekly earnings (£)	Employees	Weekly earnings (£)	Employers
118.00 or less ^a	-	166.00 or less ^c	-
118.01-166.00 ^b	0%	Over 166.00	13.8%
166.01-962.00 ^d	12%		
Over 962.00 ^d	2%		

- a. At the time of publication, the monthly and annual equivalents have not been published. However, based on SI 2001/1004, these are expected to be £512 and £6,136 respectively.
- b. A zero rate of NIC applies to earnings between the lower earnings limit of £118 per week and the primary earnings threshold of £166 per week to protect employees' contributory benefit entitlements. At the time of publication, the monthly and annual equivalents of the primary earnings threshold have not been published. Based on previous years, these are expected to be £719 and £8,632 respectively.
- c. At the time of publication, the monthly and annual equivalents have not been published. These are expected to be £719 and £8,632 respectively.
- d. At the time of publication, the monthly and annual equivalents have not been published. These are expected to be £4,167 and £50,000 respectively.

Employees' qualifying business travel and subsistence expenses are excluded from earnings for Class 1 NICs purposes. Employers can pay up to 45p per mile to employees travelling on business in their own cars without incurring a NIC charge. This rate applies, for NICs purposes, irrespective of the business mileage incurred.

The employment allowance of £3,000 per year for 2019/20 is available to all businesses and charities to offset against their employer Class 1 NICs. From April 2020, the allowance will be limited to employers with an employer NICs bill below £100,000 in the previous tax year.

Employers are not required to pay employer Class 1 NICs in respect of the wages they pay to employees under the age of 21 up to £962 per week.

For apprentices under the age of 25, the Apprentice Upper Secondary

Threshold is also £962 per week. This means that employers will not be required to pay employer Class 1 NICs in respect of the wages they pay to apprentice employees under the age of 25 up to £962 per week.

Class 1A (employers providing benefits-in-kind)

Employers are liable to Class 1A NICs at 13.8% on most benefits-in-kind subject to income tax. Scale rate allowances covered by an approval notice or benefits-in-kind included in a PAYE Settlement Agreement (but see below) are not subject to Class 1A NICs. Certain other benefits are specifically exempt from both income tax and Class 1A NICs.

Class 1B (employers settling tax liabilities via PAYE settlement agreements)

Class 1B NICs are employer-only contributions, similar to Class 1A, payable by employers on the value of the tax and on certain benefits paid via PAYE Settlement Agreements. The rate is tied to the Class 1 secondary rate (13.8%) and contributions are payable by 19 October following the end of the tax year, along with the tax under the PAYE settlement agreement.

Other Classes

Class 2 (self-employed)

Weekly rate	£3.00
Small profits threshold (annual)	£6,365

Class 2 NICs are weekly flat-rate contributions payable by self-employed individuals and may be paid as a voluntary contribution by certain individuals working overseas who are not liable to pay compulsory NICs.

Class 3 (voluntary)

Weekly rate	£15.00
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Class 4 (self-employed)

Lower limit of profit or gains (annual)	£8,632
Upper limit of profit or gains (annual)	£50,000
Rate on profits between lower and upper limits	9%
Rate on profits above upper limit	2%

Apprenticeship Levy

Since 6 April 2017, employers are required to pay the Apprenticeship Levy. The Levy is set at a rate of 0.5% of an employer's annual pay bill and is collected through the PAYE system.

The pay bill is the total amount of earnings liable to employer's Class 1 NIC, including earnings below the secondary threshold (see page 12 – approximately £8,632 for 2019/20). Similarly, where the age-related secondary percentage of NIC is 0%, e.g. for employees under the age of 21, such earnings are included in calculating the pay bill.

Employers receive an annual allowance of £15,000 to offset against payment of the Levy, and therefore the Levy will be payable only by employers who have pay bills in excess of £3 million per year. Where two or more companies are connected, only one company can claim the allowance.

Indirect taxes

Value Added Tax (VAT)

VAT registration is required where taxable supplies exceed £85,000 (2018/19: £85,000) for the previous 12 months or are expected to do so within the next 30 days. The deregistration threshold is £83,000 (2018/19: £83,000).

At Budget 2018, the Government announced that the VAT registration and deregistration thresholds above will be frozen for a further two years until 31 March 2022.

Rates	(%)
Zero rate (newspapers, children's clothes etc.)	0
Reduced rate (certain fuel and power, some energy saving materials, some residential property works etc.)	5
Standard rate	20
VAT fraction for standard rate VAT inclusive price	1/6

Insurance premium tax

Since 1 June 2017, the standard rate of insurance premium tax applying to most general insurance is 12%. Life and other long-term insurance is exempt.

A higher rate applies to some mechanical breakdown and travel insurance, and insurance sold with certain goods. The higher rate is 20%.

Stamp Duty Land Tax (SDLT) – England, Northern Ireland

SDLT applies to purchases of properties in England and Northern Ireland. SDLT rates for residential properties apply to slices of consideration rather than to all the consideration. This is different to the slab system that applied to residential property purchases prior to 4 December 2014 where the whole of the consideration was taxed at the applicable rate. The current SDLT rates on residential purchases are provided in the table below:

Relevant consideration (£) – residential property	Rate (%)
Up to 125,000	0
Above 125,000-250,000	2
Above 250,000-925,000	5
Above 925,000-1,500,000	10
Over 1,500,000	12

For example, SDLT of £3,750 is payable on a residential property bought for £275,000, made up of nothing on the first £125,000, £2,500 (2%) on the next £125,000 and £1,250 (5%) on the remaining £25,000.

Reduced rates are available for first-time buyers purchasing a single dwelling (and intending to occupy the purchased dwelling as their only or main residence) on or after 22 November 2017 for £500,000 or less. Those claiming the relief will pay no SDLT on the first £300,000 of the consideration, and will pay 5% on any excess over £300,000. No relief will be available where the total consideration is more than £500,000.

Higher rates of SDLT apply to purchases of additional residential properties such as second homes and buy-to-let properties acquired for more than £40,000. The higher rates will levy an additional 3% on the total price paid for the property – such that, as shown below, the nil rate band will increase to 3% and so on up to the top slice of SDLT (which increases to 15%).

Relevant consideration, above £40k (£) - residential property	Normal rate (%)	Additional rate (%)
Up to 125,000	0	3
Above 125,000-250,000	2	5
Above 250,000-925,000	5	8
Above 925,000-1,500,000	10	13
Over 1,500,000	12	15

Purchasers will not incur the additional charge if they replace a main residence which has been sold within the last 36 months. Where the purchaser has paid the additional charge because they have not been able to sell their previous main residence before the acquisition of the new property, they will be able to claim a refund if they then sell their previous main residence within 36 months.

A higher rate of 15% may apply to all the consideration where certain 'non-natural' persons, such as a company, purchase an interest in a single residential property and consideration of more than £500,000 is attributable to the property. This 15% charge will apply instead of the normal SDLT rates unless a relief is available to disapply the 15% rate. The reliefs available are broadly the same as those available in respect of ATED (discussed below).

From 17 March 2016, SDLT for non-residential or mixed use properties moved to the same progressive slice system as for residential property so that SDLT will be chargeable on the portion of the purchase price which falls within each tax band as set out below:

Relevant consideration (£) - non-residential or mixed use property	Rate (%)
Up to £150,000	0
Above £150,000-£250,000	2
Over £250,000	5

For example, SDLT of £3,250 is payable on a non-residential property bought for £275,000, made up of nothing on the first £150,000, £2,000 (2%) on the next £100,000 and £1,250 (5%) on the remaining £25,000.

The relevant consideration is determined by aggregating the consideration of all linked transactions. The relevant consideration is the VAT inclusive amount or value of any consideration given by the purchaser (or persons connected with him) in money or money's worth.

Although no SDLT will be payable until the relevant consideration exceeds the nil rate band, a transaction may nonetheless be notifiable (such that an SDLT land transaction return is required) where the relevant consideration is £40,000 or more.

Where six or more residential properties are acquired in a single transaction, they are treated as non-residential property, such that instead of the residential rates, the rates applicable to commercial or mixed property will apply (unless the relief for bulk purchases is claimed). However, for a bulk purchase of residential properties the rate of SDLT may in certain circumstances be payable at the residential rates determined by the average amount paid per dwelling. This is however subject to a minimum rate of 3% since the additional charge will generally be payable in respect of such transactions. This is achieved through claiming a relief in the SDLT land transaction return.

SDLT will also be charged on the grant of a lease under which rent is payable at the rate of 1% of the net present value of the (VAT inclusive) rent payable over the term of the lease, to the extent that value exceeds £125,000 in the case of residential property and £150,000 in the case of other property. Since 17 March 2016, a 2% SDLT rate also applies in respect of the grant of a lease of mixed use or non-residential property where the net present value (NPV) of the rent exceeds £5m.

SDLT is also charged on any premium paid by the tenant on the grant of the lease at the rate applicable to residential, non-residential or mixed use properties, as set out above.

Prior to 1 March 2019, the time limit to file an SDLT return and pay the tax due is 30 days after the effective date of the transaction. For transactions with an effective date on or after 1 March 2019, the time limit is 14 days.

Land and Buildings Transaction Tax (LBTT) – Scotland

LBTT (instead of SDLT) applies to property purchases in Scotland. A progressive system is used.

LBTT rates and bands for residential transactions were unchanged following the Scottish Budget on 12 December 2018. However, a number of the rates and bands for non-residential transactions changed with effect from 25 January 2019. As at 25 January 2019, the following LBTT rates apply to slices of consideration in the following bands:

Consideration (£) - residential transactions	Rate (%)	Consideration (£) - non-residential transactions	Rate (%)
Up to 145,000	0	Up to 150,000	0
Above 145,000-250,000	2	Above 150,000-250,000	1
Above 250,000-325,000	5	Above 250,000	5
Above 325,000-750,000	10		
Over 750,000	12		

For example, LBTT of £3,350 is payable on a residential property in Scotland bought for £275,000, made up of nothing on the first £145,000, £2,100 (2%) on the next £105,000 and £1,250 (5%) on the remaining £25,000.

As for SDLT, an additional LBTT charge (the Additional Dwelling Supplement) applies to purchases of investment properties and second homes for more than £40,000. There are, however, some technical differences between the SDLT and LBTT regimes. With effect from 25 January 2019, the Additional Dwelling Supplement rate increased from 3 percentage points to 4 percentage points.

Generally, leases of residential property that are under 175 years are exempt from LBTT.

For chargeable leases, LBTT is payable at the rate of 1% of the net present value of the (VAT inclusive) rent payable over the term of the lease, to the extent that value exceeds £150,000.

A relief from LBTT for first-time buyers came into force on 30 June 2018. Subject to conditions, the relief raises the 0% threshold for eligible first-time buyers purchasing a dwelling to £175,000. First-time buyers purchasing a dwelling above £175,000 are also entitled to a relief on the portion of the price below the threshold.

Land Transaction Tax (LTT) – Wales (from 1 April 2018)

LTT (instead of SDLT) applies to property purchases in Wales. A progressive system is used.

LTT rates were left unchanged following the 2018 Welsh Budget. As at the time of publication, the following LTT rates for apply to slices of consideration in the following bands:

Consideration (£) – residential transactions	Rate (%)	Consideration (£) – non-residential transactions	Rate (%)
Up to 180,000	0	Up to 150,000	0
Above 180,000-250,000	3.5	Above 150,000-250,000	1
Above 250,000-400,000	5	Above 250,000-1,000,000	5
Above 400,000-750,000	7.5	Over 1,000,000	6
Above 750,000-1,500,000	10		
Over 1,500,000	12		

For example, LTT of £3,700 is expected to be payable on a residential property in Wales bought for £275,000 after 1 April 2018, made up of nothing on the first £180,000, £2,450 (3.5%) on the next £70,000 and £1,250 (5%) on the remaining £25,000.

As with SDLT, an additional 3 percentage point LTT charge will apply to purchases of investment properties and second homes for more than £40,000. There are, however, some technical differences between the 3% regimes.

For chargeable leases, LTT will be charged on the grant of a lease of non-residential property under which rent is payable at the rate of 1% of the net present value of the (VAT inclusive) rent payable over the term of the lease, to the extent that value exceeds £150,000, and 2% rate where the net present value (NPV) of the rent exceeds £2m.

Unlike for the equivalent taxes in the rest of the UK, there is no specific relief from LTT for the purchase of dwellings by first-time buyers.

Stamp duty and Stamp Duty Reserve Tax (SDRT)

Stamp duty and SDRT generally apply to transfers of UK shares (being shares in a company that is incorporated in the UK or which maintains its share register here) and UK securities at a rate of 0.5% of the consideration given by the purchaser. Payment of the appropriate amount of stamp duty (or a valid claim for relief from stamp duty) generally cancels the charge to SDRT. As such, SDRT is generally only paid in the context of electronic trading, where shares are held in dematerialised form.

Share transfers where the value of the consideration is £1,000 or less are exempt from stamp duty, provided they do not form part of a larger transaction or series of transactions where the combined value of the consideration exceeds £1,000 and a certificate confirming this is given on the reverse of the instrument of transfer.

There is a higher 1.5% rate of stamp duty and SDRT which applies to transfers of shares to depositary receipt issuers and persons providing clearance services.

Annual Tax on Enveloped Dwellings (ATED)

There is an ATED charge in respect of single interests in UK residential property valued at more than £500,000 held by 'non-natural' persons, such as companies. ATED generally increases each year based on inflation. The rates for 2019/20 (1 April 2019 – 31 March 2020) are set out below:

Taxable value of property	ATED charge per annum – 2019/20 (£)
£500,001-£1,000,000	3,650
£1,000,001-£2,000,000	7,400
£2,000,001-£5,000,000	24,800
£5,000,001-£10,000,000	57,900
£10,000,001-£20,000,000	116,100
Over £20,000,000	232,350

Relief from ATED is available for certain businesses and investors. Reliefs are available to, amongst others, property rental businesses, property developers and property traders. Relief must be claimed annually.

The taxable value of a property for ATED purposes is the market value of the property on 1 April 2017 if the property was owned on this date, otherwise the market value of the property on acquisition is used.

Properties need to be revalued, and thus may move into a different ATED band, if there is a substantial acquisition of an additional chargeable interest in a dwelling or a substantial disposal of part of a chargeable interest where the acquisition cost or disposal proceeds are £40,000 or more. For transactions not at arm's length, for example, gifts or sales between connected persons, market values should be used.

For disposals made before 6 April 2019, a CGT charge at 28% applies to gains on disposal where ATED has been payable at any point during the ownership period. Broadly, the ATED-related CGT charge is calculated taking into account the uplift in value of the property from the date it first came within the scope of ATED, and depending on the proportion of days since that time that ATED has been payable in respect of the property.

Subject to enactment of the relevant legislation, ATED-related CGT is to be abolished for disposals made from 6 April 2019. From 6 April 2019, the rules that generally apply to non-UK residents on disposal of UK property will apply instead of ATED-related CGT.

Business tax

Corporation tax rates

	Year ending 31 March 2020	Year ending 31 March 2019
Main rate	19%	19%

The main rate of corporation tax is due to decrease to 17% for the year ending 31 March 2021.

Corporation tax payments

Large and very large companies pay corporation tax in instalments.

Large companies are broadly those with taxable profits of at least £1.5 million and a corporation tax liability in excess of £10,000 for a 12-month accounting period. The £1.5 million threshold is reduced pro rata for '51% related group companies' and for accounting periods of less than 12 months. The £10,000 is also reduced proportionately for shorter accounting periods.

In a 12-month accounting period, four instalments are payable as follows:

- 6 months and 13 days from the first day of the accounting period;
- 3 months after the first instalment;
- 3 months after the second instalment; and
- 3 months and 14 days from the last day of the accounting period.

Large companies are not required to make instalment payments in the first year in which the £1.5 million threshold is reached unless their profits exceed £10 million. The £10 million threshold is also reduced pro rata for '51% related group companies' and for accounting periods of less than 12 months.

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

In a 12-month accounting period, four instalments are payable as follows:

- 2 months and 13 days from the first day of the accounting period;
- 3 months after the first instalment;
- 3 months after the second instalment; and
- 3 months after the third instalment.

Different instalment arrangements apply for "ring-fence" profits and the bank levy.

Capital expenditure

	Year ending 31 March 2020	Year ending 31 March 2019
Annual investment allowance ^a	1,000,000	200,000/ 1,000,000 ^b
Plant and machinery ^c	18%	18%
High emission cars ^c , Long-life assets ^d , integral features ^e , thermal insulation, solar panels ("special rate pool")	6%	8%
Low emission cars ^f	100%	100%
Research and development (R&D) ^g	100%	100%
Structures and Buildings Allowance (SBA) ^h	2%	2% ^h

- a. Annual investment allowance (AIA) is given per business or per group of companies only. AIA is allocated against total expenditure on plant and machinery (other than cars), long-life assets and integral features. It is optional which class of asset the AIA is allocated against.
- b. At Budget 2018 the Government announced a temporary increase in the AIA from £200,000 to £1,000,000, for a two year period, on expenditure from 1 January 2019.
- c. Cars with CO₂ emissions between 51g/km and 110g/km are added to the main pool. Cars with CO₂ emissions that exceed 110g/km are added to the special rate pool.
- d. Applies to businesses spending more than £100,000 per annum (the monetary limit) on certain assets with a useful life of 25 years or more.
- e. Applies to a prescribed list of assets covering: electrical systems; cold water systems; space or water heating systems, ventilation, air cooling or purification systems (and any floor or ceiling comprised in such systems) lifts, escalators or moving walkways; and external solar shading.
- f. New and unused cars with CO₂ emissions not exceeding 50g/km and electric vans are eligible for a 100% first-year allowance.
- g. Applies to businesses incurring capital expenditure in carrying out R&D or providing facilities for carrying out R&D relating to their trade.
- h. At Budget 2018, the Government announced the introduction of a new Structures and Buildings Allowance (SBA) for new qualifying non-residential structures and buildings. Relief will be provided on eligible construction costs incurred on or after 29 October 2018, at an annual rate of two percent on a straight-line basis.

Under the enhanced capital allowances (ECA) scheme, a 100% first-year allowance is available for expenditure on designated energy efficient and environmentally friendly plant and machinery and for the purchase of 'green' vehicles or refuelling equipment. The ECA regime is revised annually to include some new technologies and remove other existing ones. Qualifying products are listed on a dedicated website at <https://etl.beis.gov.uk/etl/site/etl.html>. ECAs for products listed on the Energy Technology List (ETL) and Water Technology List (WTL) will cease to be available on 31 March 2020 for companies and 5 April 2020 for unincorporated businesses.

Payable ECAs allow loss-making companies to surrender the element of their losses attributable to their qualifying expenditure in return for a cash payment from Government. From 1 April 2018, the rate of payable ECAs is two-thirds of the corporation tax rate – i.e. 12.67% for years ending 31 March 2019 and 31 March 2020. Payable ECAs are subject to a cap equal to the level of a company's PAYE and NIC liabilities or £250,000, whichever is the greater. As above, the Government has confirmed that payable ECAs will cease to be available on plant and machinery listed on the ETL and WTL from 2020.

100% capital allowances are available for trading companies investing in plant and machinery for use within certain designated enterprise zones for expenditure from 1 April 2012 to 31 March 2020. Businesses in certain sectors are not permitted to benefit from these allowances. The limit for investment is €125m.

Tax relief is available for the cost of intangible assets (including goodwill and intangible property). This will, in most cases, be the level of amortisation/impairment recognised in the accounts. A fixed rate of 4% per annum may be applied on election. However, for goodwill and certain customer-related intangible fixed assets acquired on or after 8 July 2015 no amortisation or fixed-rate deduction is allowed. For such assets, debits arising on realisation are treated as non-trading debits. In Budget 2018, the Government confirmed its intention to partially re-instate relief for acquired goodwill in the acquisition of businesses with eligible intellectual property. At the time of writing, the detail of this measure was unavailable.

Patent Box

The Patent Box regime was introduced with effect from 1 April 2013. The regime effectively enables companies to apply a lower rate of Corporation Tax to profits attributable to patented products, processes and services. The relief provides for an effective Corporation Tax rate of 10% to the patented profits, achieved by deducting an additional amount from trading profits. The relief was phased in gradually from 1 April 2013, and 100% of the relief is available from 1 April 2017.

The G20/OECD Base Erosion and Profit Shifting ('BEPS') project has driven a change in preferential intangibles regimes, including the UK's Patent Box. The principles behind the changes have been agreed by the Forum for Harmful Tax Practices and form part of BEPS Action 5 – 'Countering Harmful Tax Practices'. The changes are intended to limit access to preferential intangibles regimes to companies that can demonstrate that they were engaged in the substantive activities which gave rise to the profits benefiting from the preferential regime. R&D activity is used as the proxy for substance in this case.

As a result of these changes, grandfathering under the original UK Patent Box regime will only be available for companies elected into the regime for accounting periods straddling 1 July 2016, and only in respect of patents that were filed (or acquired from a third party) before 1 July 2016. These grandfathering provisions are available until 30 June 2021. It is important to note that, although a company must have been a qualifying company by 30 June 2016 and elected into the regime in respect of an accounting period straddling 1 July 2016, in order to be eligible for grandfathering provisions, the standard two year time limits for making the election into the regime apply.

For those companies not eligible for the grandfathering provisions, the updated Patent Box regime applies from 1 July 2016, and adds an extra step to the calculation of Patent Box benefit. In broad terms, the updated regime limits the benefit by reference to the company's expenditure on developing, licensing or acquiring patents (i.e. as a proxy for substance). All companies within the Patent Box regime and intending to claim under the updated regime will be required to track their IP income and R&D expenditure from 1 July 2016, and trace it to the creation of specific IP assets, products or product families.

Research and development relief: revenue costs

The meaning of Research & Development (R&D) for these purposes and for the Capital Research & Development Allowances is set out in the BEIS guidelines issued on 5 March 2004.

Large companies (i.e. those that are not SMEs – see below) can make claims under the R&D expenditure credits (RDEC) regime. Under this regime the benefit will be recorded as a taxable credit in operating profit and will be equal to 12% of the qualifying expenditure (11% prior to 1 January 2018).

Non-tax paying large companies can receive a cash payment equal to the net value of the credit subject to a cap based on the PAYE/NIC paid over to HMRC in respect of the staff costs included in the R&D claim and being a going concern at the time the claim is made.

Companies that are SMEs (see below) are entitled to an additional deduction of 130% of qualifying R&D expenditure. For non-taxpaying SMEs a cash alternative of up to 33.35 pence for every pound of qualifying expenditure may be available depending on their current year tax losses. At Budget 2018, the Government proposed capping the cash credit otherwise available to SMEs to three times the amount paid in respect of PAYE and NIC liabilities. This change is set to come into effect for accounting periods beginning on or after 1 April 2020.

A cap limits the total amount of SME R&D a company can claim on each project to €7.5 million and a going concern requirement applies.

An SME for R&D purposes is a company which, together with certain related enterprises, meets the EU definition but with higher limits such that it has fewer than 500 employees and **either** turnover not exceeding €100 million **or** total assets not exceeding €86 million.

For expenditure incurred on consumables that form part of a product which is then sold or transferred in the ordinary course of business, the cost of the consumable cannot be included in an R&D claim where that expenditure was incurred on or after 1 April 2015.

Diverted profits tax

With effect from 1 April 2015, the Government introduced a diverted profits tax.

The tax applies in two situations:

1. Where a non-UK company has artificially avoided having a taxable presence (permanent establishment) in the UK; or
2. Where a group has a UK company (or UK permanent establishment of a non-UK company) and there is a tax advantage as a result of an entity or transactions that lack economic substance.

The diverted profits tax applies to diverted profits arising on or after 1 April 2015 at a rate of 25%.

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Notes

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