AUTUMN BUDGET 2018

Autumn Budget 2018

SUMMARY

There was wide-ranging speculation in the run up to this year's Budget, with experts predicting that, whilst Brexit and ending austerity would be the most prominent features, Chancellor Phillip Hammond would also take the opportunity to make changes in other areas such as pension contributions tax relief and the tax regime for digital-only businesses. As is usually the case, some of the predictions (in particular those relating to austerity, Brexit and digital-only businesses) proved to be correct, but it will be of great relief to many individuals that the Budget did not include proposals to change the current rules for pensions tax relief.

The Chancellor said that this Budget - the first Budget to take place on a Monday since 1962 - would be a 'Budget for hard-working families.... for strivers, grafters and carers'. He said that the last eight years had been 'driven by necessity', but public finances have now reached a defining moment where 'austerity is coming to an end'. The economy has grown every year since 2010, and is projected to continue growing in each year of the current forecast. The unemployment rate is at its lowest for over 40 years, and the Office for Budget Responsibility (OBR) forecasts 800,000 more jobs by 2022.

Around 2.4 million people are expected to benefit from an increase in the National Living Wage from April 2019, when the rate for those aged 25 and over will rise from £7.83 per hour to £8.21 per hour. For a full-time worker, this increase represents a pay increase of £690 a year.

The Chancellor confirmed that the Government would meet its manifesto pledge of raising the personal tax allowance to £12,500 and the basic rate threshold to £50,000 within the current parliamentary term. These increases will take effect from April 2019 - a year earlier than originally planned - and will be maintained in 2020.

The Government is to allocate £1.7 billion to increase existing work allowances in Universal Credit (UC), which should mean that working parents and people with disabilities claiming UC will be £630 a year better off. People will also receive extra help as they move from their existing benefits to UC and there will be targeted support for people repaying debts.

Announcements affecting businesses include an increase in the Annual Investment Allowance (AIA) from £200,000 to £1 million for two years until January 2019. Also, from October 2018, businesses will be able to deduct 2% of the cost of any new non-residential structures and buildings from their profits before they pay tax.

For digital-only businesses, in line with the pre-Budget speculation, it was announced that from April 2020, large social media platforms, search engines and online marketplaces will pay a 2% tax on the revenues they earn which are linked to UK users. Full details of this new tax are to be unveiled in due course.

Following strong lobbying against a possible abolition of entrepreneurs' relief, the Chancellor committed to retaining it for the present time. However, in a bid to support longer-term business investments, from 6 April 2019, the minimum period throughout which the qualifying conditions for relief must be met will be extended from 12 months to 24 months.

Many experts expected the Budget to include proposals for changes to the existing IR35 rules. The Chancellor announced that IR35 off-payroll working rules, which have already been introduced for the public sector, will be extended to the private sector. However, in response to representations made during the consultation earlier this year, implementation will be delayed until April 2020 and will only apply to large and medium sized businesses. Under the reforms, responsibility for operating the off-payroll working rules will move from individuals to the organisation, agency or other third party engaging the worker. According to HMRC, small organisations will be exempt, minimising administrative burdens for the vast majority of engagers, and HMRC will provide support and guidance to medium and large organisations ahead of implementation.

The following paragraphs summarise the key tax points arising from the 2018 Autumn Budget based on the documents released on 29 October 2018. Please remember that these proposals are subject to amendment during the passage of the Finance Bill through Parliament. We will, of course, keep you informed of any significant developments.

INDIVIDUALS

PERSONAL ALLOWANCE AND INCOME TAX THRESHOLD

The personal allowance for 2019/20 is set at £12,500 (£11,850 in 2018/19), and the basic rate limit will be increased to £37,500 (£34,500 in 2018-19). As a result, the higher rate threshold will be £50,000 in 2019/20. The additional rate threshold will remain at £150,000 in 2019/20. From 2021/22 onwards, the Personal Allowance and basic rate limit will be indexed with the Consumer Price Index (CPI). Changes to the basic rate limit, and higher rate threshold, will apply to non-savings, non-dividend income in England, Wales and Northern Ireland, and to savings and dividend income in the UK.

The marriage allowance will rise from £1,190 in 2018/19 to £1,250 in 2019/20.

Blind person's allowance will rise from £2,390 in 2018/19 to £2,450 in 2019/20.

SAVINGS ALLOWANCE AND RATE

The 0% band for the starting rate for savings income will be retained at its current level of £5,000 for 2019/20 and will not be uprated in line with inflation.

For 2019/20, the personal savings allowance will remain at £1,000 for basic rate taxpayers and £500 for higher rate tax payers.

INDIVIDUAL SAVINGS ACCOUNT (ISA) AND CHILD TRUST FUNDS ANNUAL SUBSCRIPTION LIMITS

The ISA subscription limit for 2019/20 will remain unchanged at £20,000. The annual subscription limit for Junior ISAs and Child Trust Funds for 2019/20 will be uprated in line with the Consumer Prices Index to £4,368.

VAN BENEFIT CHARGE AND FUEL BENEFIT CHARGES FOR CARS AND VANS FROM 6 APRIL 2019

From 6 April 2019, the flat-rate van benefit charge will increase to £3,430 (from £3,350 in 2018/19), the multiplier for the car fuel benefit charge will increase to £24,100 (from £23,400 in 2018/19), and the flat-rate van fuel benefit charge will increase to £655 (from £633 in 2018/19).

LEGISLATING THE EXISTING TAX TREATMENT OF EXPENSES FOR UNPAID OFFICEHOLDERS

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

INCREASING COMPLIANCE WITH THE OFF-PAYROLL WORKING RULES IN THE PRIVATE SECTOR ("IR35")

To increase compliance with the existing off-payroll working rules (known as IR35) in the private sector, businesses will become responsible for assessing an individual's employment status. The reform does not apply to the self-employed or introduce a new tax. It brings the private sector in line with the public sector. The reform will not apply to the smallest 1.5 million businesses, and large and medium businesses will have longer to adjust, with the changes being introduced in April 2020.

The reform will bring the private sector in line with the public sector, where evidence suggests compliance has improved since the reform was introduced in 2017. HMRC estimate the reform has raised £550 million in income tax and NICs in its first year.

PENSIONS LIFETIME ALLOWANCE UPLIFT

The lifetime allowance for pension savings will increase in line with the Consumer Prices Index (CPI), rising to £1,055,000 for 2019/20.

GIFT AID SMALL DONATIONS SCHEME

Currently the Gift Aid Small Donations Scheme (GASDS) applies to donations of £20 or less made by individuals in cash or by contactless payment. This limit is to be raised to £30. Contactless donations have been included in GASDS from April 2017. The limit for contactless payments in the UK is £30 and raising the small donations limit for GASDS to £30 will be in line with this. The increase is subject to approval by a resolution of the House of Commons and is expected to take effect from 6 April 2019.

PRIVATE RESIDENCE RELIEF: CHANGES TO ANCILLARY RELIEFS

From April 2020, the government will change two ancillary reliefs that provide relief on rented property and on gains made in the final period of ownership, regardless of occupancy.

LETTINGS RELIEF

Lettings relief currently provides up to £40,000 of relief (£80,000 for a couple) to those who let out a property that is, or has been in the past, their main residence. This means that individuals can claim the relief on a property even if they have not lived in it for a long time.

From April 2020 the relief will change and only be available to those who are in shared occupancy with a tenant. This change will not affect owner-occupiers or landlords who have never lived in the property they are renting out.

FINAL PERIOD EXEMPTION

Final period exemption currently means people do not have to pay CGT on gains made in the final 18 months of ownership, even if they are not an owner-occupier during that period. However, a long exemption period means that more relief can accrue on two properties (an unsold one and a new one) simultaneously. This is out of line with the intention of the exemption, which is meant to protect those who move to a new main residence but are unable to sell their original home immediately. From April 2020, the exemption will be reduced to 9 months. This is still twice the length of an average property transaction. The special rules that give those in or moving into care homes, and people with a disability, 36 months of exemption will not change.

CAPITAL GAINS TAX: ANNUAL EXEMPT AMOUNT

For 2019/20, the capital gains tax annual exempt amount will rise from £11,700 for individuals and personal representatives and £5,850 for most trustees of a settlement, to £12,000 and £6,000 respectively.

TAXING GAINS MADE BY NON-RESIDENTS ON UK IMMOVABLE PROPERTY

The scope of the UK's taxation of gains accruing to non-UK residents is to be extended to include gains on disposals of interests in non-residential UK property. The charge on gains on disposals of interests in residential property is also to be extended to diversely held companies, those widely held funds not previously included, and to life assurance companies. The legislation will also be amended to tax non-UK residents' gains on interests in UK property rich entities (for example, selling shares in a company that derives 75% or more of its value from UK land).

The changes will have effect for disposals made on or after 6 April 2019, subject to the anti-forestalling rule detailed in a Technical Note published at Autumn Budget 2017.

ENTREPRENEURS' RELIEF: DEFINITION OF A 'PERSONAL COMPANY'

Two new tests are to be added to the definition of a 'personal company' for entrepreneurs' relief. Both conditions, as well as the existing 'share capital' and 'voting rights' conditions must be met throughout the specified period in order for relief to be due. The new conditions require the individual to be beneficially entitled to at least:

- 5% of the company's distributable profits
- 5% of its assets available for distribution to equity holders in a winding up

The new tests will have effect for disposals on or after 29 October 2019.

ENTREPRENEURS' RELIEF: MINIMUM QUALIFYING PERIOD EXTENSION

The minimum period throughout which certain conditions must be met to be eligible for Entrepreneurs Relief is to be increased from one year to two years in respect of disposals on or after 6 April 2019. However, where the claimant's business ceased, or their personal company ceased to be a trading company (or the holding company of a trading group), before 29 October 2018, the existing one year qualifying period will continue to apply.

IHT: CHANGES TO RESIDENCE NIL RATE BAND

Minor technical amendments are to be made to the residence nil rate band (RNRB) for IHT purposes. The amendments seek to clarify the working of the downsizing rules, and provide certainty over when a person is treated as 'inheriting' property. Finance Bill 2018/19 will include provisions to ensure that the value of any part of a residence that is inherited by an exempt beneficiary is taken into account in determining a person's lost relievable amount. New provisions will also ensure that where a residence forms part of a person's estate immediately before their death as a gift with reservation of benefit (in accordance with FA 1986, s 102(3)), it will only be treated as being inherited by a direct descendant if the property became immediately comprised in the direct descendant's estate as a result of the original gift. These changes will have effect for deaths applying on or after 29 October 2018.

BUSINESS

TEMPORARY INCREASE IN THE AIA

Legislation will be introduced in Finance Bill 2018/19 to temporarily increase the annual investment allowance (AIA) limit to £1,000,000 from 1 January 2019 for two years.

Transitional rules will apply where a business has a chargeable period that spans either of:

- the operative date of the increase to £1,000,000 on 1 January 2019, or
- the operative date of the reversion to £200,000 on 1 January 2021.

CAPITAL ALLOWANCES FOR STRUCTURES AND BUILDINGS

The government will introduce a new Structures and Buildings Allowance (SBA) for new 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.

Businesses that incur qualifying capital expenditure on structures or buildings used for qualifying activities will be able to claim the SBA over a 50 year period to encourage investment in the construction of new structures and buildings and the improvement of existing ones. The SBA will be allowed as a deduction from profits at an annual rate of two percent. The relief will be available to businesses that chargeable to income tax and companies chargeable to corporation tax.

The 2% writing down allowance will be at a flat rate, calculated on the amount of original construction expenditure. There will not be a system of balancing charges or balancing allowances on a subsequent disposal of the asset. Instead, a purchaser will continue to claim the annual allowance of two percent of the original cost. This is intended to ensure that the cost of construction and renovation will be relieved over an average life of buildings. The amount eligible for relief will not be increased where a structure or building is purchased and where it has appreciated in value as this does not represent the cost of construction.

Relief will not be available for structures or buildings where a contract for the physical construction works is entered into before 29 October 2018. For speculative building and those structures or buildings constructed 'in house', relief will not be available where the construction activity began before 29 October 2018.

Anti-avoidance rules will apply to prevent manipulation of these rules.

Further details of the new relief can be found in HMRC's technical note Capital allowances for structures and buildings

FIRST-YEAR ALLOWANCE FOR ELECTRIC CHARGE-POINTS

The 100% first year allowance for expenditure incurred on electric charge-point equipment is to be extended for a further four years. The allowance will expire on 31 March 2023 for corporation tax purposes and 5 April 2023 for income tax purposes.

CAPITAL ALLOWANCES: CLARIFICATION OF ALLOWANCES FOR COSTS OF ALTERING LAND

Finance Bill 2018/19 will include provisions to clarify which expenditure on altering land may qualify for capital allowances for the purposes of installing plant or machinery. Allowances are intended to relieve the cost of altering land necessary to install only plant or machinery eligible for capital allowances. They are not intended to relieve the cost of altering land to install assets (most buildings and structures) that are ineligible for capital allowances.

This change will have effect for claims on or after 29 October 2018.

ENDING ENHANCED CAPITAL ALLOWANCES FOR ENERGY AND WATER EFFICIENT PLANT AND MACHINERY

The lists of energy efficient and environmentally beneficial technologies and products which are eligible for first-year allowances (also known as Enhanced Capital Allowances (ECA)) are being updated.

In addition, the first year allowance for products on the Energy Technology List (ETL) and Water Technology List (WTL), including the associated first year tax credit, are to end from April 2020 onwards. The first year allowance schemes currently allow 100% of the cost of an investment in qualifying plant and machinery to be written off against the taxable income of the period in which the investment is made, improving cash flow for businesses.

CAPITAL ALLOWANCES: REDUCTION OF RATE OF SPECIAL WRITING DOWN ALLOWANCE

The rate of writing down allowance on the special rate pool of plant and machinery will be reduced from 8% to 6% with effect from 1 April 2019 for corporation tax and 6 April 2019 for income tax. For businesses whose chargeable period spans the applicable effective date, a hybrid rate will have effect for unrelieved expenditure in the special rate pool. The hybrid rate will be based on the proportion of a chargeable period falling before the change date and the corresponding proportion falling after the change date.

UK PROPERTY INCOME OF NON-UK RESIDENT COMPANIES

From 6 April 2020, non-UK resident companies that carry on a UK property business, or have other UK property income, will be charged to corporation tax, rather than being charged to income tax as at present. This change will align with the end of tax year 2019/20 on 5 April 2020.

As part of these changes, a non-UK resident company:

- will not have a disposal event for capital allowances purposes (which could, for example, apply on transition to the new regime) and its income is neither taxed twice nor falls out of account - its expenses are relieved only once
- will not need to notify its chargeability to corporation tax in cases where its only UK income source is its UK property business provided that UK tax deducted at source from its rental income fully satisfies its liability to corporation tax on the profits of that business

There are also a number of transitional provisions so that a non-UK resident company:

- can carry forward any existing income tax losses to be offset only against future UK property business profits chargeable to corporation tax

- cannot deduct amounts on derivative contracts that are referable to the period before commencement, and which would not have been relievable under the income tax rules (for example, because they are capital in nature)
- can apply the Disregard Regulations (SI 2004/3256) to hedging derivatives with certain modifications to ensure the rules apply appropriately.

CHANGE TO THE DEFINITION OF PERMANENT ESTABLISHMENT

Currently, a non-resident company is liable to UK corporation tax only if it has a permanent establishment here. Certain preparatory or auxiliary activities, which are normally low value, such as storing the company's own products, purchasing goods, or collecting information for the non-resident company, are classed as exempt activities and do not create a permanent establishment. A tweak to the existing legislation is designed to ensure that foreign businesses operating in the UK cannot take advantage of those exemptions by splitting up their activities between different locations and related companies.

Legislation has been included in Finance Bill 2018/19 to deny exemption from permanent establishment to a non-UK resident company for these activities if they are part of a fragmented business operation, for example if:

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

This change will have effect for companies from 1 January 2019. Where an accounting period straddles that date the provision applies to that part of the company's accounting period that falls after that date.

CORPORATE CAPITAL LOSS RESTRICTION

The government will legislate in Finance Bill 2019/20 to restrict companies' use of carried-forward capital losses to 50% of capital gains from 1 April 2020. The provisions will include an allowance that permits companies unrestricted use of up to £5m capital or income losses each year, meaning that 99% of companies will be financially unaffected. A consultation paper was published on 29 October 2018 and draft legislation will be published in summer 2019. An anti-forestalling measure to support this change will have effect on and after 29 October 2018.

PREVENTING ABUSE OF THE R & D TAX RELIEF FOR SMES

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

DIGITAL SERVICES TAX

From April 2020, the government will introduce a new 2% tax on the revenues of certain digital businesses which derive value from their UK users. The tax will:

- apply to revenues generated from the provision of the following business activities: search engines, social media platforms and online marketplaces;
- apply to revenues from those activities that are linked to the participation of UK users, subject to a £25m per annum allowance;
- only apply to groups that generate global revenues from inscope business activities in excess of £500m per annum; and
- include a safe harbour provision that exempts loss-makers and reduces the effective rate of tax on businesses with very low profit margins.

The government will consult on the detailed design of the Digital Services Tax and legislate in Finance Bill 2019/20.

RETAIL GIFT AID REDUCING THE FREQUENCY OF LETTERS TO DONORS

The government will introduce a change to the Retail Gift Aid scheme from April 2019, relaxing the requirement to issue letters annually to donors. Charities will be able to choose to issue letters once every three years rather than every year, where a donor's total donations in a tax year are worth less than £20.

INCREASES TO CHARITIES' SMALL TRADING EXEMPTION LIMITS

The small trading tax exemption limits for charities that apply to trading that does not relate to a charity's primary purpose, are to be increased from April 2019. The new limits will be as follows:

- annual charity income under £32,000: maximum non-primary purpose trading is £8,000

- annual charity income between £32,000 and £320,000: maximum non-primary purpose trading is 25% of income
- annual charity income over £320,000: maximum non-primary purpose trading is £80,000

VAT

VAT: NO CHANGE IN REGISTRATION AND DEREGISTRATION THRESHOLDS

The VAT registration and deregistration thresholds will remain unchanged for 2019/20.

Therefore legislation will continue as follows:

- the taxable turnover threshold that determines whether a person must be registered for VAT will remain at £85,000;
- the taxable turnover threshold that determines whether a person may apply for deregistration will remain at £83,000;
- the registration and deregistration threshold for relevant acquisitions from other EU Member States will also remain at £85,000.

VAT: TREATMENT OF VOUCHERS FROM 1 JANUARY 2019

The government will implement an EU Directive on the VAT treatment of vouchers in time for the required date of 1 January 2019. This will simplify the rules for the tax treatment of vouchers, especially where they can be used either in the UK or more widely in the EU. This will prevent either non-taxation or double taxation of goods or services which relate to vouchers.

The legislation provides for the VAT treatment of vouchers issued on or after 1 January 2019. It affects only vouchers for which a payment has been made and which will be used to buy something. It does not apply to vouchers issued before 1 January 2019, for which existing rules will continue to apply.

Vouchers, in this context, are gift cards and gift tokens, with examples including simple book tokens, gift vouchers, and electronic vouchers purchased from specialist businesses. The changes do not apply to discount vouchers or money-off tokens.

Under current UK VAT legislation, the customer is deemed to be receiving two supplies, namely a voucher; and an underlying supply of goods or services. The new rules determine that for VAT purposes there will no longer be a separate supply of a voucher. Instead the rules will be simplified so that there is only the supply of the underlying goods or services, which will be provided in exchange for the voucher at a later date.

CHANGES TO THE VAT SPECIFIED SUPPLIES ANTI-AVOIDANCE

Article 3 of the Value Added Tax (Input Tax) (Specified Supplies) Order 1999 is to be amended to restrict its application in certain circumstances in order to prevent avoidance. The specified supplies order allows companies who export certain financial services from the European Union to reclaim the VAT they incur while providing those services. When these services are supplied inside the EU, this VAT cannot be reclaimed.

The Government believes that specified supplies order is currently being exploited by companies that form arrangements with organisations outside of the EU to re-supply or 'loop' those services back to United Kingdom consumers, allowing themselves to reclaim the VAT and thereby gaining a competitive advantage over purely UK based companies.

This order seeks to prevent a particular form of this 'looping' involving insurance intermediaries by restricting the application of the specified supplies order to cases where the final consumer is not in the UK, as was intended.

The expected implementation date for this change is 1 March 2019.

INDIRECT TAXES

ANNUAL TAX ON ENVELOPED DWELLINGS

The annual charges for the Annual Tax on Enveloped Dwellings (ATED) will rise in line with inflation for the 2019/20 chargeable period.

Annual chargeable amounts for the 2019/20 chargeable period will be as follows (2018/19 rates shown in brackets):

- Property value £500,001 to £1 million - £3,650 (£3,600)
- Property value £1,000,001 to £2 million - £7,400 (£7,250)
- Property value £2,000,001 to £5 million - £24,800 (£24,250)
- Property value £5,000,001 to £10 million - £57,900 (£56,550)
- Property value £10,000,001 to £20 million - £116,100 (£113,400)
- Property value £20,000,0001 and over - £232,350 (£226,950)

CHANGES TO THE HIGHER RATES OF STAMP DUTY LAND TAX FOR ADDITIONAL DWELLINGS

The time allowed to claim back higher rates for additional dwellings where an individual sells their old home is to be extended. Currently, a successful reclaim must be made by the later of:

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

Where the effective date of sale of the old home is on or after 29 October 2018, the time limit will be the later of:

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

The meaning of 'major interest' in land for the general purpose of higher rates for additional dwellings is also to be clarified by legislation.

SDLT RELIEF FOR FIRST-TIME BUYERS EXTENDED

The existing Stamp duty land tax (SDLT) exemption for first-time buyers will be extended to shared ownership purchases. The Chancellor stated that the exemption of 'first-time buyers' SDLT on properties up to £300,000 will be extended to first-time buyers of shared ownership properties up to £500,000,' adding that this 'relief will be retrospective for anyone who has purchased property since the last Budget'. The extension will cover property sales to first-time buyers in England and Northern Ireland, but not Wales and Scotland where property taxes are devolved.

This change will apply to relevant transactions with an effective date on or after 29 October 2018, and will also be backdated to 22 November 2017 so that those eligible who have not previously claimed first-time buyers relief will be able to amend their return to claim a refund.

STAMP DUTY, STAMP DUTY RESERVE TAX: TRANSFERS OF LISTED SECURITIES AND CONNECTED PERSONS

A new targeted market value rule is to be introduced, applicable from 29 October 2018, where listed securities are transferred to a connected company where stamp taxes on shares group relief is not available. The measure will apply where money is paid or there is nil consideration or where the consideration is other than money. In these circumstances, the transfer will be chargeable to stamp taxes on shares based on the higher of the amount or value of the consideration (if any) for the transfer or the market value of the securities.

PLASTICS TAX

The government plans to introduce a tax on the production and import of plastic packaging from April 2022. This follows the government's response to the call for evidence on tackling the plastic problem, which was published on 18 August 2018. Subject to consultation, this tax will apply to plastic packaging which does not contain at least 30% recycled plastic. The consultation will launch in the coming months. Any resulting legislation will be introduced in a future Finance Bill.

CARBON EMISSIONS TAX

Details of a proposed carbon emissions tax have been confirmed, but the measure will take effect only if the UK leaves the EU without an agreement. If implemented, it will affect permit holders of stationary installations currently covered by the EU Emissions Trading System (EU ETS), including power generators; certain large industrial premises and manufacturers, including food processing plants; certain public sector facilities; and those small emitters and hospitals that are subject to simplified reporting arrangements.

In a 'no deal' scenario, the UK would cease to participate in the EU ETS from exit day. This proposals would introduce a tax on carbon dioxide emissions (and other greenhouse gas emissions on a carbon equivalent basis) produced by UK stationary installations currently in the EU ETS. The new tax will be introduced from 1 April 2019, with the first tax period ending on 31 December 2019.

ADMINISTRATION AND OTHER MATTERS

VOLUNTARY TAX RETURNS

Historically HMRC have exercised discretionary collection and management powers to accept and treat voluntary income and corporation tax self-assessment returns received on the same basis as tax returns received under a statutory notice to file. In the light of recent legal challenges to the practice and the validity of returns received voluntarily, legislation will be introduced with retrospective effect to put the practice onto a statutory basis. This change is intended to remove any doubt for taxpayers that voluntary tax returns have and will continue to be accepted as valid returns. The measure will have retrospective and prospective effect from the date of Royal Assent to Finance Bill 2018-19.

INTEREST PROVISIONS FOR LATE PAYMENT, REPAYMENT AND PENALTIES

The detail of how interest is applied to late payments for corporation tax, Stamp Duty and SDLT and to penalties imposed for failure to comply with obligations under PAYE, is to be clarified.

New provisions will also clarify and confirm the basis for interest calculations in respect of Diverted Profit Tax and repayment interest by HMRC, and ensure that the 2009 interest provisions apply in relation to penalties charged under the Promoters of Tax Avoidance Schemes (POTAS) legislation.

From Royal Assent of the Finance Bill 2018/19, the changes will have retrospective and prospective effect from the date the relevant interest was first applied.

HMRC TO JOIN PREFERRED CREDITOR LIST

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

TAX TREATMENT OF SOCIAL SECURITY BENEFITS

Legislation will be introduced in Finance Bill 2018/19 to clarify the income tax treatment of nine social security benefits. The tax treatment of these benefits will be legislated for as follows:

- Young Carer Grant, Best Start Grant, Funeral Expense Assistance and Discretionary Housing Payments, payable under the Social Security (Scotland) Act 2018, will be legislated for as tax exempt.
- Carer’s Allowance Supplement payable under the Social Security (Scotland) Act 2018 will be legislated to confirm the payments are taxable
- Discretionary Support Scheme payable under the Discretionary Support Regulations (Northern Ireland) 2016, will be legislated for as tax exempt
- Council Tax Reduction Scheme payable under the Local Government Finance Act 1992 will be legislated for as tax exempt
- Discretionary Housing Payments payable under the Child Support, Pensions and Social Security Act 2000 will be legislated for as tax exempt
- Flexible Support Fund payable under the Employment and Training Act 1973 will be legislated for as tax exempt

NATIONAL LIVING WAGE/NATIONAL MINIMUM WAGE

The Low Pay Commission (LPC) has recommended, and the Government has accepted, that the hourly rates should increase in April 2019 as follows:

- from £7.83 to £8.21 for workers aged 25 and over (the National Living Wage)
- from £7.38 to £7.70 for 21-24 year olds
- from £5.90 to £6.15 for 18-20 year olds
- from £4.20 to £4.35 for 16-17 year olds
- from £3.70 to £3.90 for apprentices aged under 19 or in the first year of their apprenticeship.

SOCIAL INVESTMENT TAX RELIEF REVIEW

As announced at Autumn Statement 2016, the government will publish a call for evidence on the Social Investment Tax Relief early in 2019. The review will consider why take up of the scheme is lower than anticipated, and the design and targeting of the relief.

CONSULTATION ON THE TAXATION OF TRUSTS

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

ONLINE PLATFORMS ROLE IN ENSURING TAX COMPLIANCE

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