

The Chancellor gets the Budget done

by Jon Croxford, partner



The Budget was supposed to be about the Prime Minister appealing to a diverse collection of voters who had turned out to support the Conservative Party in the last General Election, primarily on the back of "Getting Brexit Done". What the Budget turned out to be about was coronavirus and a huge increase in public spending.

The likelihood that the Budget would focus on measures to lessen the impact of the coronavirus on businesses was becoming apparent in the final days leading up to the Budget. This was reinforced on the morning of the Budget by the announcement of an interest rate cut

of 0.5% to an historic low of 0.25%. The interest rate cut is aimed at helping businesses and stimulating spending in what may turn out to be a dark few months for the economy as businesses struggle with imports, cashflow and workforce issues.

Other than business rate holidays and the like for small businesses in certain sectors, meaningful tax changes seemed to take a bit of a back seat, and probably rightly so. There were no particularly significant changes to the main headline rates of tax. Corporation Tax remains at 19%, the top rate of Income Tax at 45%, the top rate of Capital Gains Tax stays at 20% (28% for residential property not covered by the exemption for the family home) and Inheritance Tax remains at 40%.

For many of our clients who are business owners, the main change came in the form of the modification of Entrepreneurs' Relief and will be unwelcome. A review of this relief had been a stated part of the Conservative manifesto at the time

of the last General Election and the impact of this change is discussed in this bulletin by one of our partners, Natasha Smith.

The Chancellor also announced a review of EMI share schemes which provide a tax efficient mechanism to incentivise key employees. This review will partly consider whether EMI schemes should be made available to more companies, which would be a positive step.

Another strand of the Budget is to tackle tax evasion with a focus on promoters of tax avoidance schemes and standards of tax advice in the market.

Finally, changes to the taxation of UK property continue to feature in successive Budgets and this one was no different, incorporating a change to the rate of Stamp Duty Land Tax for non-residents acquiring UK properties. Various other changes are coming into force this year and this is discussed overleaf by another of the firm's partners, Vicki Bennett.



Entrepreneurs' Relief slashed

by Natasha Smith, partner



The main rate of Capital Gains Tax for assets other than residential property is 20%. However, prior to the changes announced in the Budget, business owners selling their businesses could pay Capital Gains Tax at only 10% on the gains they made, provided they met the criteria for Entrepreneurs' Relief to apply. The 10% rate was available

on up to £10 million of gains during an entrepreneur's lifetime. That lifetime allowance has now been slashed to just £1 million. This means that, without planning, an entrepreneur will now pay up to £900,000 more in Capital Gains Tax than under the previous rules.

This change takes the lifetime allowance in a full circle back to the amount available when Entrepreneurs' Relief was first introduced in 2008.

There are also anti-avoidance rules being introduced to block some forms of planning undertaken before the Budget whereby individuals may have tried artificially to lock into Entrepreneurs' Relief. Unfortunately, some relatively innocent transactions may be caught as well. Any business owner falling foul of these rules will

only be entitled to claim relief on any gains within the reduced £1 million lifetime allowance.

The Chancellor said Entrepreneurs' Relief was expensive for the nation at a cost of over £2 billion a year, ineffective with fewer than 1 in 10 claimants saying the relief had been an incentive to set up a business and unfair, with nearly three quarters of the cost benefitting just 5,000 individuals. He said 80 per cent of small businesses would be unaffected by these changes. However, many business owners will be significantly impacted and there are still opportunities to maximise the availability of the relief. These are arguably more important now than ever before.

Would anyone like to buy a house?

by Vicki Bennett, partner



Over recent years there have been significant changes to the taxation of UK residential property. This includes the introduction of Capital Gains Tax for non-residents disposing of UK property, increased Stamp Duty Land Tax ("SDLT") charges on acquiring UK property, new Inheritance Tax charges for non-domiciled individuals, the ATED charge for residential properties enveloped in companies, bringing non-resident companies within the scope of Corporation Tax for rental

properties, and the restriction of tax relief for interest paid on loans to acquire rental properties. That wasn't the end of it.

After consultation, the Chancellor has now announced the introduction of a 2% SDLT surcharge from April 2021 for all non-UK residents purchasing UK residential property. This 2% surcharge is in addition to the 3% surcharge which applies to second homes and, therefore, takes the highest rate of SDLT to 17% for a non-UK resident already owning property.

Although previously announced, from 6 April 2020 new rules also come into effect to bring the reporting requirements of UK residents disposing of UK residential property in line with that for non-UK residents. Under these new rules, a return reporting the disposal must be made to HMRC within 30 days of completion and any tax liability must also be settled within this timeframe.

This takes it outside of the usual annual tax return cycle and puts real time pressure on the taxpayer. No return will be required where there is no tax due.

However, it is now even more important to consider the limitations of reliefs such as principal private residence relief ("PPR") which normally exempt a gain from tax on the sale of the family home but which might be restricted on a disposal by way of sale or gift where, for example, the amount of land attaching to the house exceeds the basic half a hectare allowance.

Finally, in relation to PPR relief, as previously announced the Government is reducing the period of automatic exemption for PPR for the final 18 months of ownership to 9 months for disposals after 5 April 2020. With the slowdown of the property market in some areas making it increasingly difficult to sell higher value properties, this may become increasingly important.

For further information, contact Jon Croxford on 01675 442430
email: jon.croxford@meridianpc.co.uk
www.meridianprivateclient.co.uk

Meridian Private Client LLP, Wood Rydings Court,
Packington Lane, Little Packington,
Warwickshire CV7 7HN