

# 2018 SPRING STATEMENT



The Oxford Advisory Partnership Ltd  
Independent Financial Advisers

## INTRODUCTION

The 25 minutes of Mr Hammond’s first Spring Statement came as a welcome relief after 2017 – a year that that contained two Budgets and three Finance Bills.

The Spring Statement was relatively brief, whereas previous Chancellors have used their Autumn Statements as mini-Budgets. Instead, it was what the Autumn Statement was originally meant to be: a between-Budgets review of the public finances. No doubt the Chancellor was helped by revised projections from the Office for Budget Responsibility (OBR), which were marginally better than last November’s numbers.

One reason Mr Hammond revived the Autumn Budget was to give more time for tax legislation to reach the statute book. In theory, a Spring Statement lets the Chancellor publish consultations, including early-stage discussion papers or calls for evidence, before announcing specific measures in the following Autumn Budget. These can then be subject to further, policy-specific consultations, eventually reaching the legislative stage about a year later. It ought to prevent anomalous situations such as in 2017, when the tax rules changed seven months before the relevant law was passed.

The outcomes of the consultations announced in the Spring Statement may not take effect until 2020/21. And consultations there were aplenty, ranging from ‘Tackling the plastic problem’ to a call for evidence on the VAT registration threshold.

## CONTENTS

Economic update	2
Consultations and other papers	3
2018/19 changes already announced	5
2018/19 tax data	9

## ECONOMIC UPDATE

Mr Hammond came under pressure ahead of the Spring Statement to loosen the purse strings, but he chose to announce no new spending measures or tax changes. If these are to come, they will be in the Autumn Budget, the sole 'fiscal event' of the year. Meanwhile the focus of the Spring Statement was on the economy and the public sector's finances.

In the November 2017 Budget, the OBR projected a government deficit of £49.9 billion for 2017/18, £4.1 billion higher than in 2016/17. Wind forward four months to March 2018 and the OBR now projects that the current year's deficit calculation will be £45.2 billion. This £4.7 billion drop in deficit from November's figure is primarily due to marginally higher than expected tax receipts. In particular the all-important month of January produced a £10 billion surplus.

The improvements to the OBR's government borrowing projections were not as large as some pundits had expected, helping to justify Mr Hammond's caution. As he (and the OBR) are only too aware, just as the government's fortunes have improved since last November, they could also deteriorate by the 2018 Budget this autumn. A do-nothing Spring Statement has the benefit of keeping the financial powder dry for the issues still to come.

UK economic growth remains disappointing, even if the OBR has lifted its forecast marginally for this year – 2018 is now forecast to produce 1.5% growth. The Brexit negotiations continue to be a major unknown, with the OBR noting, "the absence of a meaningful basis to predict the precise outcome of the current negotiations with the EU". Inflation, at 3.0% in January, is above the government's target, adding to the government's borrowing costs – over a quarter of government bonds are index-linked. Conventional interest rates are also on the rise, with the markets expecting another 0.25% increase to the base rate in May.

With such uncertainties, Mr Hammond's strategy of one Budget a year and a thin Spring Statement is arguably wise.

## CONSULTATIONS AND OTHER PAPERS

### Corporate tax and the digital economy

The government will explore ways to raise revenue from digital businesses such as introducing a tax on revenues that they derive from the UK market. The government is ready to take unilateral action in the absence of sufficient progress on multilateral solutions.

There will also be immediate action against multinational groups, primarily in the digital sector, who achieve low-tax outcomes by holding their valuable intangible assets such as intellectual property in low-tax countries where they have limited economic substance.

### VAT split collection

The government is launching a consultation on VAT split payments, with an emphasis on overseas sales into the UK. It is seeking views on options for using payments industry technology to collect VAT on online sales and transfer the tax directly to HMRC.

### VAT threshold

The Chancellor has said he would consult on whether the design of the VAT threshold could incentivise growth more effectively. In the meantime, the threshold will remain at £85,000 for two years from April 2018. The EU is also proposing reform and key parts include:

- National thresholds will be capped at €85,000 (about £75,000).
- There will be a EU-wide threshold of €100,000 (about £89,000). So that if a business's total supplies in the EU reaches this threshold, they will no longer be able to benefit from any national thresholds.
- Small businesses up to a turnover of €2 million (about £1.77 million) will benefit from simplification schemes such as

removing interim payments and increasing return periods to a year.

### **Future of digital payments**

The government is supporting delivery of a revamped payments architecture, which will increase the efficiency of the UK's payments infrastructure and is consulting on this. The Bank of England is also renewing its settlement system, which will be more adaptable to new technologies and offer greater functionality for all users. The consultation also covers the future of cash.

### **Entrepreneurs' relief**

The government proposes that individuals who have ceased to hold a 5% interest in a company should be able to claim entrepreneurs' relief, where the reduction in their percentage shareholding is because of the company issuing shares to raise capital for its trade. New rules in the Finance Bill 2018-19 will apply to latent gains in shares and securities held at the time of fundraising events on or after 6 April 2019.

### **Financing growth in innovative firms**

Many knowledge-intensive companies struggle to receive the capital they need to grow and scale up. The government is consulting on the introduction of a new approved fund structure within the enterprise investment scheme (EIS), and possible extra incentives to attract investment. Such a fund structure would be focused on mainly investing in knowledge-intensive companies.

### **Business rates**

The government sought views on how to deliver more frequent revaluations for business properties in England. A summary of responses was published alongside the Spring Statement with an announcement that the first of the new three-yearly revaluations will be in 2021, a year earlier than previously proposed.

### **Taxation of self-funded work-related training**

The government is consulting on extending the existing tax relief available for self-funded work-related training by employees and the self-employed. The focus will be on lessons from previous initiatives, and ways to extend the existing tax relief, preventing its



misuse, and making it sustainable for the public finances, as well as simple to understand and administer.

### **Online platforms**

The government is consulting on how online platforms could help their users understand and comply with their obligation to pay tax on their earnings.

### **Extending the tax security deposit scheme**

HMRC has the power to require high-risk businesses to provide an upfront security deposit, where it believes that there is a serious risk to the revenue. The scope of this security deposit legislation will be extended to include corporation tax and Construction Industry Scheme deductions with effect from April 2019.

### **Tax and insolvency**

HMRC will seek views in *Tax Abuse and Insolvency: A Discussion Document* on how to tackle taxpayers who abuse the insolvency regime to avoid or evade their tax liabilities through the use of companies or other limited liability entities.

### **Single-use plastic waste**

The government is consulting on how changes to the tax system or initiatives like deposit return schemes could be used to encourage more sustainable behaviour.

## **2018/19 CHANGES ALREADY ANNOUNCED**

April will still see a raft of tax and other changes, some of which date back to the pre-election 2017 Spring Budget. However, the Chancellor did not introduce any new tax measures in his Spring Statement, although he did announce no less than 13 consultations.

### **Income tax: UK**

The income tax allowances and bands were increased in line with statutory indexation in the November 2017 Budget. For 2018/19 the personal allowance rises by 3% to £11,850 and the basic rate band increases by the same percentage to £34,500 (outside Scotland), making the higher rate threshold (the sum of the two) £46,350.

The one tax allowance that will fall in 2018/19 is the dividend tax allowance. This has been £5,000, but will reduce to £2,000 for the coming tax year and could mean extra tax of up to £1,143 on dividend income in 2018/19.

### **Income tax: Scotland**

The same income tax allowances will apply throughout the UK, but there will be differences in some of the tax bands and rates. In Scotland, a different set of rates and bands will apply to non-savings, non-dividend income – primarily earnings.

For 2018/19, Scotland will have five tax bands with rates ranging from 19% to 46%. The higher rate of income tax will be 41%, not 40%, and the threshold at which it starts will be £43,430, £2,920 below the rest of the UK. For someone with earnings of £50,000 a year, that means an extra tax charge of £824 a year for being resident north of the border.

### **National insurance contributions**

The national insurance contributions (NICs) thresholds will also be increased by 3%. The upper earnings limit (for employees) and upper profits limit (for the self-employed) will rise to £46,350, matching the UK higher rate income tax threshold. Class 2 NICs, which were originally intended to end in April, will survive for 2018/19 (at £2.95 a week) before disappearing for 2019/20.

### **Company cars**

Company car tax will rise for all but the highest emission vehicles from 6 April. The taxable cash equivalents will increase as follows:

- Cars with CO<sub>2</sub> emissions of up to 50 g/km will see a 4% increase (from 9% to 13%). Cars with emissions between 51 and 75 g/km will increase by 3% (from 13% to 16%).
- Charges for cars with CO<sub>2</sub> emissions above 75 g/km will rise by 2%, subject to the current ceiling of 37% of list price for all vehicles.

- The diesel surcharge will increase by 1% to 4% for diesel cars that do not meet the RDE2 emission standard (which in 2018/19 means almost every diesel car on the road).

While the increases look small, the cumulative effect can be substantial. For example, in 2017/18 the taxable benefit for a Mercedes C300h SE Auto (P11D value £36,595, CO<sub>2</sub> 94 g/km) is £7,319. In 2018/19 the taxable benefit rises to £8,417.

### Inheritance tax (IHT)

The residence nil rate band, which was introduced in the current tax year, will rise by £25,000 to £125,000 in 2018/19. The main nil rate band will remain at £325,000, the level set in 2009.

In the longer term, changes may be coming to IHT. In January 2018, Mr Hammond asked the Office of Tax Simplification (OTS) to, 'carry out a review of the IHT regime'. The OTS will focus on simplification of the 'particularly complex' system and will issue its report in time for the Autumn Budget.

### Automatic pensions enrolment

The minimum contribution levels for workplace pensions operating under automatic enrolment provisions will rise from 6 April 2018:

	2017/18	2018/19
Employer minimum contribution	1% of band earnings (£5,876 - £45,000)	2% of band earnings (£6,032- £46,350)
Employee contribution*	1% of band earnings (£5,876 - £45,000)	3% of band earnings (£6,032- £46,350)
Total minimum contribution	2% of band earnings (£5,876 - £45,000)	5% of band earnings (£6,032- £46,350)

\* Assuming employer pays minimum required by law

For many auto-enrolled employees the increased pension contribution will undo the effects of the changes to income tax and NICs. For example, in 2018/19 an English resident employee earning £27,000 a year could see an annual saving in income tax of £70 and an NIC saving of £31.20. But their net pension contributions will rise by £334.24, leaving a net income loss of £233.04 – or over £19 a month.



### **Pensions – the lifetime allowance**

The lifetime allowance, which sets the effective maximum tax-efficient value of pension benefits, will rise in line with inflation from £1 million to £1.03 million for 2018/19. The lifetime allowance has been on a downward path since 2012, when it was cut from £1.8 million to £1.5 million. Two further cuts followed in 2014 and 2016. There is no corresponding increase to the annual allowance, which remains at a maximum of £40,000.

### **Payments in lieu of notice**

All payments in lieu of notice (PILONs), whether or not contractual, will be subject to income tax and NICs in 2018/19. These will include payments made in circumstances where employees do not work their notice for any reason. Tax and NICs will be charged on any payment that corresponds to the earnings they would have received if they had worked their notice.

The £30,000 exemption will continue to apply to tribunal awards for unfair dismissal, redundancy payments and contractual payments in lieu of redundancy.

The first £30,000 of a non-contractual termination payment will be tax-free. Any balance over £30,000 will be subject to income tax. From 2019/20, a year later than originally planned, employer NICs, but not employee NICs, will also be applied to taxable payments in excess of £30,000.

### **Venture capital trusts and enterprise investment schemes**

Last year the government undertook a ‘patient capital’ review, which was followed by a raft of revisions to venture capital schemes announced in November’s Budget. The changes are intended to increase the emphasis on investment for growth and reduce the scope for structuring schemes to target capital preservation.

From 6 April 2018, the maximum EIS subscription that can qualify for 30% income tax relief will double to £2 million, subject to at least £1 million being invested in knowledge-intensive companies.

## 2018/19 TAX DATA

### Main income tax allowances

Main personal allowances and reliefs	2018/19	2017/18
Personal allowance <sup>1</sup>	£11,850	£11,500
Marriage / civil partner's transferable allowance	£1,190	£1,150
Married couple's / civil partner's allowance at 10% <sup>2</sup> (if at least one born before 6/4/35)	maximum	£8,445
	minimum	£3,260
Blind person's allowance	£2,390	£2,320
Rent-a-room relief tax-free income	£7,500	£7,500
Property allowance and Trading allowance (each)	£1,000	£1,000

<sup>1</sup> Personal allowance reduced by £1 for every £2 of adjusted net income over £100,000

<sup>2</sup> Married couple's allowance reduced by £1 for every £2 of adjusted net income over £28,900 (£28,000 for 2017/18), until minimum reached

**High Income Child Benefit charge** 1% of benefit per £100 of adjusted net income of £50,000 – £60,000

### Income tax rates and bands

UK excluding Scottish taxpayers' non-savings income	2018/19	2017/18
20% basic rate on income up to:	£34,500	£33,500
40% higher rate on income over:	£34,500	£33,500
45% additional rate on income over:	£150,000	£150,000

All UK taxpayers	2018/19	2017/18
Starting rate at 0% on savings income up to <sup>3</sup>	£5,000	£5,000
Savings allowance at 0% tax rate:		
• Basic rate taxpayer	£1,000	£1,000
• Higher rate taxpayer	£500	£500
• Additional rate taxpayer	£0	£0
Dividend allowance at 0% tax – all individuals	£2,000	£5,000
Tax rates on dividend income:		
• Basic rate	7.5%	7.5%
• Higher rate	32.5%	32.5%
• Additional rate	38.1%	38.1%

<sup>3</sup> Not available if taxable non-savings income exceeds the starting rate band

<b>Trusts</b>	<b>2018/19</b>	<b>2017/18</b>
Standard rate band generally	<b>£1,000</b>	£1,000
Rate applicable to trusts: Dividends	<b>38.1%</b>	38.1%
Other income	<b>45%</b>	45%

<b>Non-domicile remittance basis charge</b>	<b>2018/19</b>	<b>2017/18</b>
After UK residence in at least 7 of the last 9 tax years	<b>£30,000</b>	£30,000
After UK residence in at least 12 of the last 14 tax years	<b>£60,000</b>	£60,000

## Scottish income tax rates and bands

From 6 April 2018 Scottish taxpayers are using a new set of income tax rates and thresholds.

<b>Scottish taxpayers – non-dividend, non-savings income</b>	<b>2018/19</b>	<b>2017/18</b>
19% (18/19 only) starter rate on income up to	<b>£2,000</b>	N/A
20% basic rate on slice of income up to	<b>£12,150</b>	£31,500
21% (18/19 only) intermediate rate on next slice up to	<b>£31,580</b>	N/A
41% (40% in 17/18) higher rate on next slice up to	<b>£150,000</b>	£150,000
46% (45% additional rate in 17/18) top rate on income over	<b>£150,000</b>	£150,000

## Registered pensions

	<b>2018/19</b>	<b>2017/18</b>
Lifetime allowance	<b>£1,030,000</b>	£1,000,000
Money purchase annual allowance	<b>£4,000</b>	£4,000
Annual allowance <sup>4</sup>	<b>£40,000</b>	£40,000
Annual allowance charge on excess	Applicable tax rate on earnings	
Lifetime allowance charge if excess is drawn	As cash 55%; as income 25%	
Max. pension commencement lump sum	25% of pension benefit value	

<sup>4</sup> Subject to 50% taper down to £10,000 if threshold income over £110,000 and adjusted income over £150,000

## Property taxes

Devolution across the UK is leading to different rules and tax rates. This is particularly the case with property transaction taxes, which now use different rates and names depending on where in the UK a purchase takes place.

<b>Stamp Duty and SDRT:</b> stocks and marketable securities	0.5%
<b>Second residential properties:</b> £40,000 or more (added to relevant SDLT/LBTT/LTT rate)	3%

### England & N Ireland – Stamp Duty Land Tax (SDLT) on slices of value

Residential property		Commercial property	
Up to £125,000	0%	Up to £150,000	0%
£125,001 – £250,000	2%	£150,001 – £250,000	2%
£250,001 – £925,000	5%	Over £250,000	5%
£925,001 – £1,500,000	10%		
Over £1,500,000	12%		

**First-time buyers:** 0% on first £300,000 for properties up to £500,000

**Residential properties** bought by companies etc over £500,000 – 15% on total consideration

### Scotland – Land and Buildings Transaction Tax (LBTT) on slices of value

Residential property		Commercial property	
Up to £145,000	0%	Up to £150,000	0%
£145,001 – £250,000	2%	£150,001 – £350,000	3%
£250,001 – £325,000	5%	Over £350,000	4.5%
£325,001 – £750,000	10%		
Over £750,000	12%		

**First-time buyers:** 0% on first £175,000: max relief £600 from 6/18 (to be confirmed)

### Wales – Land Transaction Tax (LTT) on slices of value (from 1/4/18)

Residential property		Commercial property	
Up to £180,000	0%	Up to £150,000	0%
£180,001 – £250,000	3.5%	£150,001 – £250,000	1%
£250,001 – £400,000	5%	£250,001 – £1,000,000	5%
£400,001 – £750,000	7.5%	Over £1,000,000	6%
£750,001 – £1,500,000	10%		
Over £1,500,000	12%		

## National insurance contributions

Class 1 employee	2018/19		2017/18	
	Employee	Employer	Employee	Employer
NIC rate	12%	13.8%	12%	13.8%
No NICs for younger employees <sup>5</sup> on the first	£162 pw	£892 pw	£157 pw	£866pw
No NICs for employees generally on the first	£162 pw	£162 pw	£157 pw	£157 pw
NICs rate charged up to	£892 pw	No limit	£866 pw	No limit
2% NICs on earnings over	£892 pw	N/A	£866 pw	N/A
Certain married women	5.85%	13.8%	5.85%	13.8%

<sup>5</sup> Employees generally under 21 years and apprentices under 25 years

Employment allowance	2018/19	2017/18
Per business	£3,000	£3,000
Not available if the sole employee is a director		

Earnings limits and thresholds	2018/19		2017/18	
	Weekly	Monthly	Weekly	Monthly
Lower earnings limit	£116	£503	£113	£490
Primary threshold	£162	£702	£157	£680
Secondary threshold	£162	£702	£157	£680
Upper earnings limit (and upper secondary thresholds <sup>6</sup> )	£892	£3,863	£866	£3,750
		£46,350		£45,000

<sup>6</sup> Employees generally under 21 years and apprentices under 25 years

Class 1A (Employers)	2018/19	2017/18
Most taxable employee benefits	13.8%	13.8%

Class 2 (Self-Employed)	2018/19	2017/18
Flat rate	£2.95 pw £153.40 pa	£2.85 pw £148.20 pa
Small profits threshold: No NICs if profits do not exceed	£6,205 pa	£6,025 pa

Class 4 (Self-Employed)	2018/19	2017/18
On profits	£8,424–£46,350 pa 9% Over £46,350 pa 2%	£8,164–£45,000 pa 9% Over £45,000 pa 2%

Voluntary	2018/19	2017/18
Class 3 flat rate	£14.65 pw £761.80 pa	£14.25 pw £741 pa



The Oxford Advisory Partnership Ltd  
Independent Financial Advisers

**The Oxford Advisory Partnership Ltd**  
2-4 High Street  
Kidlington  
OX5 2DH

Tel: 01865 848770

Fax: 01865 849543

E-mail: [enquiries@oxfordadvisory.com](mailto:enquiries@oxfordadvisory.com)

Website: [www.oxfordadvisory.com](http://www.oxfordadvisory.com)

### **Directors**

K J Fell DipPFS, Cert CII (MP)

S M Penniston DipPFS, Cert CII (MP)

S C Pitson DipPFS, Cert CII (MP)

A J Watts APFS, Cert II (MP)

The Oxford Advisory Partnership Ltd is authorised and regulated by the  
Financial Conduct Authority.