U.K. TAX 2018/2019

This section applies to the whole of the UK

**Summary**

Despite significant tax changes over the last few years, the UK still remains a favourable destination both to live and do business. Capital gains tax remains at 10%/20% (18/28% in respect of land) depending on other gross income with Entrepreneurs Relief reducing this still further in certain circumstances. With careful tax planning companies and individuals can still profit from UK’s longterm stability and position as one of the leading financial centres.

**Companies**

Companies tax resident in UK are liable to pay UK corporation tax on total profits arising. Companies not tax resident in the UK are only liable to corporation tax profits on profits generated by UK branch or agency.

A company is tax resident in England, if it is an English incorporated company or if it is managed and controlled in England.

The standard rate of corporation tax in England is 19%

**Value Added Tax** (generally) 20%

**Stamp Duty – on land transactions – England & Wales**

For a commercial property this is a percentage payable depending on the value of the transaction and is payable on the whole of the purchase price and may be summarised as follows:

**Rate** **Commercial Property**

Zero £0 - £150,000

2% £150,001 - £250,000

5% £250,001 or over

For freehold residential properties and second-hand leasehold residential properties, the rates vary from band to band in accordance with the following scale so that the amounts due for each band are added together to arrive at the total payable; a 3% surcharge is applied in cases where the buyer already owns a property anywhere in the world. The rates are as follows:

|  |  |  |
| --- | --- | --- |
| **Rate** | **Residential Property** | **Buy to Let / Additional Home Rate** |
|  |  |  |
| Zero | £0 - £125,000 | 3% |
| 2% | £125,001 - £250,000 | 5% |
| 5% | £250,001 - £925,000 | 8% |
| 10% | £925,001 - £1,500,000 | 13% |
| 12% | £1,500,001 and over | 15% |

For new build leasehold residential properties stamp duty is payable on the purchase price (lease premium) in accordance with the above rates and on a factor of the total rent payable over the life of the lease.

Stamp Duty is charged at 15% on residential properties costing more than £500,000 bought by certain corporate bodies, including companies, partnerships and collective investment schemes. There are various exemptions however, including property trading and developer companies.

**N.B.** VAT at 20% may also be payable on certain commercial properties, depending upon whether or not the owner or seller has opted to waive the exemption to tax.

**Stamp Duty – on share transactions**

The Stamp Duty on the transfer of shares in a company is at a rate of ½%.

**Stamp Duty – on land transactions –SCOTLAND**

**In Scotland, Stamp Duty was replaced by Land & Buildings Transaction Tax on 1st April 2015.**

For a commercial property this is a percentage payable depending on the value of the transaction and is payable on the whole of the purchase price and may be summarised as follows:

**Rate** **Commercial Property**

Zero £0 - £150,000

3% £150,001 - £350,000

4.5% £350,001 or over

For freehold residential properties and second-hand leasehold residential properties, the rates vary from band to band in accordance with the following scale so that the amounts due for each band are added together to arrive at the total payable; a 3% surcharge is applied in cases where the buyer already owns a property anywhere in the world. The rates are as follows:

|  |  |  |
| --- | --- | --- |
| **Rate** | **Residential Property** | **Buy to Let / Additional Home Rate** |
|  |  |  |
| Zero | £0 - £145,000 | 3% |
| 2% | £145,001 - £250,000 | 5% |
| 5% | £250,001 - £325,000 | 8% |
| 10% | £325,001 - £750,000 | 13% |
| 12% | £750,001 and over | 15% |

For new build leasehold residential properties stamp duty is payable on the purchase price (lease premium) in accordance with the above rates and on a factor of the total rent payable over the life of the lease.

Stamp Duty is charged at 15% on residential properties costing more than £500,000 bought by certain corporate bodies, including companies, partnerships and collective investment schemes. There are various exemptions however, including property trading and developer companies.

**N.B.** VAT at 20% may also be payable on certain commercial properties, depending upon whether or not the owner or seller has opted to waive the exemption to tax.

**High Value UK Residences held by Companies**

**Annual Tax on Enveloped Dwellings (ATED)**

The “annual charge” is imposed from 1st April 2013 on a company, a partnership having one or more companies among its members or a collective investment scheme which owns a UK dwelling with a “taxable value” exceeding £500,000 on a “valuation day”.

**Chargeable amounts for 1st April 2018 to 31st March 2019**

|  |  |
| --- | --- |
| **Property value** | **Annual charge** |
|  |  |
| More than £500,000 but not more than £1 million | £3, 600 |
| More than £1 million but not more than £2 million | £7,250 |
| More than £2 million but not more than £5 million | £24,250 |
| More than £5 million but not more than £10 million | £56,550 |
| More than £10 million but not more than £20 million | £113,400 |
| More than £20 million | £226,950 |

**Individuals**

**Capital Gains**

Capital Gains Tax is 10% on all gains to the extent that any income tax basic rate band is available, 20% for gains which are above that figure, and 18% and 28% respectively on gains from residential property and carried interests.

There is also Entrepreneur’s Relief on the sale of a business, with an effective rate of 10% on gains to a maximum lifetime limit of £10m.

Investors’ Relief enables qualifying investors to pay tax on up to £10 million of gains realised after a 3 year holding period at half the usual tax rate i.e. 10% instead of 20%. The relief potentially applies to investments in new issue unlisted ordinary shares (including shares listed on AIM) made on or after 17th March 2016.

The individual has a tax allowance of £11, 700 per tax year on all gains.

**Income Tax**

Income Tax is payable by individuals and is charged on an annual basis, the tax year running from 6th April to 5th April. The tax rates for 2018/2019 for income above the personal allowance of £11,850 are:-

Basic rate at 20% 0 - £34,500

Higher rate at 40% from £34,500 - £150,000

Additional at 45% from £150,000 or above

In 2018/19 the band of income taxable at the basic rate will be different for taxpayers who are resident in Scotland to residents elsewhere in the UK. The Scottish government has decided to reduce the band of income taxable at the basic rate to £31,500 so that the threshold at which the 40% band applies remains at £43,000.

**Inheritance Tax** (on donor/testator) is:-

Nil rate: £325,000

20% (life time rates) on transfers

40% (on death)

**IHT residence nil rate band**

An additional nil rate band has been introduced for deaths on or after 6 April 2017, where an interest in a main residence passes to direct descendants. The amount of relief is being phased in over four years; starting at £100,000 in the first year and rising to £175,000 for 2020/21. For many married couples and civil partners the relief is effectively doubled as each individual has a main nil rate band and each will potentially benefit from the residence nil rate band.

The additional band can only be used in respect of one residential property, which does not have to be the main family home, but must at some point have been a residence of the deceased. Restrictions apply where estates are in excess of £2 million.

**Non-UK domiciles**

A number of changes are to be made from 6 April 2017.

* for individuals who are non-UK domiciled but who have been resident for 15 of the previous 20 tax years or
* where an individual was born in the UK with a UK domicile of origin and resumes UK residence having obtained a domicile of choice elsewhere.

Such individuals will be classed as ‘deemed’ UK domiciles for income tax, CGT and IHT purposes. For income tax and CGT, a deemed UK domicile will be assessable on worldwide arising income and gains. They will not be able to access the remittance basis. For IHT, a deemed UK domicile is chargeable on worldwide assets rather than only on UK assets.

Legislation will allow a non-UK domiciled individual who has been taxed on the remittance basis to transfer amounts between overseas mixed fund bank accounts without being subject to the offshore transfer rules. This will allow the different elements within the accounts to be separated, thereby allowing clean capital to be remitted to the UK in priority to income and gains.

The draft legislation also provides that the market value of an asset at 5 April 2017 will be able to be used as the acquisition cost for CGT purposes when computing the gain or loss on its disposal where the asset was situated outside the UK between 16 March 2016 and 5 April 2017. This will apply to any individual who becomes a deemed UK domicile in April 2017, other than one who is born in the UK with a UK domicile of origin.

Non-UK domiciles who set up an overseas resident trust before becoming a deemed UK domicile will generally not be taxed on any income and gains retained in that trust and the trust remains non chargeable property for IHT purposes. However, there are a number of changes which modify the tax treatment on the occurrence of certain events for settlor interested overseas asset trusts.

**UK residential property**

Changes are also proposed for UK residential property. Currently all residential property in the UK is within the charge to IHT if owned by a UK or non-UK domiciled individual. It is proposed that all residential properties in the UK will be within the charge to IHT where they are held within an overseas structure. This charge will apply whether the overseas structure is held by an individual or trust.

**Business Investment Relief**

The government will change the rules for the Business Investment Relief scheme from April 2017 to make it easier for non-UK domiciled individuals, who are taxed on the remittance basis, to bring offshore money into the UK for the purpose of investing in UK businesses. The government will continue to consider further improvements to the rules for the scheme to attract more capital investment in UK businesses by non-UK domiciled individuals.

These notes are intended for guidance only. Professional advice should always be obtained.