

Spring  
Statement  
2019



**A reassuring vision  
of business as usual**



0121 778 6278

[www.lowsonward.com](http://www.lowsonward.com)

[accounts@lowsonward.com](mailto:accounts@lowsonward.com)

# INTRODUCTION

Once again, Chancellor Philip Hammond has demonstrated his commitment to the principle of the Spring Statement as a low-key event, at least in terms of tax and public spending announcements.

With none of the pomp and circumstance of the Autumn Budget, Hammond stuck in large part to summarising key points from the updated economic forecast from the Office for Budget Responsibility (OBR). Though he presented the numbers with a flourish, the OBR was mildly pessimistic in its own presentation, especially around a reduced estimate for growth in 2019, down from 1.6% to 1.2%.

In political terms, however, the real substance of the speech was – like seemingly everything else in 2019 – focused on Brexit. Landing the day after the second ‘meaningful vote’ on Prime Minister Theresa May’s proposal for the terms of the UK’s exit from the EU (defeated only slightly less comprehensively than in January), and only a few hours before a follow-up vote on whether to leave with no deal (no-deal was rejected by only four votes), this was perhaps inevitable.

The Chancellor used his 35-minute speech to hammer home the likely economic impact of leaving the EU without a deal – “significant disruption in the short and medium-term and a smaller, less prosperous economy in the long-term”.

He also took the opportunity to reiterate that planned investment in public services – schools, hospitals, infrastructure – was on the assumption of an orderly exit from the EU, and that it would be back to the drawing board otherwise.

The Chancellor stopped short of firming up plans for a ‘full fiscal event’ (that is, an emergency Budget) in the summer in the event of no-deal, and instead confirmed the launch of a full three-year spending review, to feed into the scheduled Autumn Budget.

In its own way, the speech was quietly pointed: wouldn’t it be nice to continue on this straight and straightforward path, with few surprises or shocks? Wouldn’t it be good to keep investing in, rather than shoring up, the economy?

After all, something like business as usual is usually good for business.

## Important information

The way in which tax charges (or tax relief, as appropriate) are applied depends on individual circumstances and may be subject to future change.

The information in this report is based on our understanding of the Chancellor’s 2019 Spring Statement, in respect of which specific implementation details may change when the final legislation and supporting documentation are published.

This document is solely for information purposes and nothing in it is intended to constitute advice or a recommendation.

You should not make any decisions based on its content.

While considerable care has been taken to ensure the information contained in this document is accurate and up-to-date, no warranty is given as to the accuracy or completeness of any information.

# CONTENTS



---

**Business updates**

4



---

**Tackling tech giants**

6



---

**Publications for 2019**

7



---

**Consultations: 12 months on**

8



---

**Preparing for a no-deal Brexit**

9



---

**Upcoming changes**

10



---

**Notes**

12



# BUSINESS UPDATES

While the Spring Statement speech itself was short on anything you might justifiably call a substantial announcement there was some information of substance for businesses to be aware of squirreled away in supporting documentation.

## Tax avoidance, evasion and non-compliance

The Government announced that since 2010 more than 100 measures had been introduced to reduce tax avoidance, evasion and other forms of non-compliance. In addition to publishing a policy paper setting out their results in tackling unpaid tax, a new policy paper has been published outlining HMRC's updated strategy for offshore tax compliance.

Further consultations and reports will be published in the coming months on the following topics:

- Preventing abuse of research and development tax relief for small or medium-sized enterprises, with a focus on how the measure can be applied without undue impact on genuine businesses.
- The operation of insurance premium tax (IPT) with a call for evidence on where improvements can be made to ensure that IPT operates fairly and efficiently.
- The VAT administration in the Isle of Man. Following the 'Paradise Papers' allegations, the Isle of Man Government invited HM Treasury to review its VAT administration procedures for the importation of aircraft and yachts. This report will present findings with recommendations to ensure the right VAT continues to be paid and collected.

## Apprenticeship levy

Further to the announcement in Budget 2018 that the apprenticeship co-investment rate would be halved from 10% to 5%, and that the amount employers can transfer to their supply chains would increase to 25%, it was confirmed this will take effect from 1 April 2019.

## Making Tax Digital

Mandatory digital record keeping for VAT comes into force from 1 April 2019 for businesses over the VAT threshold (that is, with turnover over £85,000). The Government has confirmed it will take what it calls a 'light touch' approach to penalties in the first year of implementation. The written announcement suggests that where businesses are doing their best to comply, no filing or record keeping penalties will be issued – clearly a subjective test, which will concern many.

## Review of the aggregates levy

A discussion paper has been published to review the aggregates levy, setting out the terms of reference and providing information on its timing and scope. The levy has remained frozen at £2 per tonne since 2009 and the review is intended to establish its fairness, simplicity and clarity and whether its structure can be amended in line with the principles of tax design.

## Structures and buildings allowance

The Government published further draft legislation on the introduction of the new capital allowance for non-residential structures and buildings, and has invited responses by 24 April 2019. A response will be published in May 2019, before the structures and buildings allowance (SBA) is passed into legislation.

The SBA is set to be at a flat rate of 2% per annum over a 50 year period and applies to eligible costs incurred on or after 29 October 2018. The draft legislation sets out certain exclusions, for instance, land-related costs or residential use.

Other key points of the relief include:

- costs for new conversions or renovations
- availability for overseas structures and buildings, where the business is within the charge to UK tax
- continuing relief even for periods of disuse
- sale of the asset will not result in a balancing adjustment, instead the remaining allowances are transferred to the purchaser
- where leases exceed 35 years and at least 75% of the interest in property is retained and 75% or more of the capital sum has been paid, the allowance is transferred to the lessee.

## Minimum and living wage

The low pay commission (LPC) is charged with responsibility to ensure that work pays for lower-paid workers. The Commission has also been given

responsibility to recommend whether economic conditions allow for the rate effective from April 2020 to meet 60% of median earnings by October 2020.

The LPC intends to report later this year on whether the current youth rate structure best supports their stated remit. The Government wants to ensure these rates continue to support young people in the labour market.

The Government announced its aspiration to end low pay in the UK at Budget 2018. It was announced it would confirm a remit for the LPC for the years beyond 2020 and engage with employers and the Trades Union Congress (TUC), to gather evidence and views. The LPC's remit post-2020 will be confirmed by Budget 2019.

At Spring Statement 2019, the Chancellor announced the appointment of Professor Arindrajit Dube (Professor of Economics, UMass Amherst) to review the international evidence on the impact of minimum wage. The review will cover a range of areas including the impact on productivity and economic growth, as well as the ability of the labour market to absorb future minimum wages rises.

“Our underlying borrowing forecast has been revised down thanks to higher tax receipts and lower debt interest. The Chancellor’s net giveaway offsets a little of that improvement.”

“Since October our borrowing forecast is down by £2.7bn in 2018/19, and by £6.3bn by 2023/24.”

Office for Budget Responsibility



# TACKLING TECH GIANTS

In his speech, Philip Hammond gave a nod to an independent panel of experts led by Harvard professor Jason Furman, formerly chief economist for Barack Obama, which says UK competition rules must be updated for the digital age.

Dr Furman says that this would permit more companies “to join the market on a more equal footing – ushering in a new wave of innovation and the creation of new social media and online search platforms”.

The panel’s report, *Unlocking digital competition*, was published alongside the Spring Statement and its recommendations include:

- The establishment of a new digital markets unit, with expertise in technology, economics and behavioural science, and the legal powers to back it up.
- The new unit should give people more control over their data, enabling people to switch between platforms more easily.
- It should also develop a code of conduct so the largest digital companies know the competitive rules of the game.

- Regulators’ existing powers for tackling illegal anti-competitive practices should be strengthened, making it quicker and simpler to prosecute breaches, such as bullying tactics by market leaders.
- Changes to merger rules are needed so the Competition and Markets Authority (CMA) can do more to stop digital mergers that are likely to damage future competition, innovation and consumer choice.
- The CMA should launch a formal market study into the digital advertising market which is currently dominated by two players, Facebook and Google, and suffers from a lack of transparency.
- Powers to force the largest companies to open up to smaller firms, providing access to key data sets, when doing so does not affect privacy.
- That the UK should engage internationally on all of these issues.

The panel found that these proposals, if actioned, could boost the economy by encouraging the development of new platforms to compete with established players. Opening markets up, the argument goes, would also lead to new services that revolutionise how we use digital apps and programmes. For example, an aggregator service could bring together a person’s content and data from several social media platforms and make it easier to browse and message friends and family who use different apps.

Customers would therefore be able to switch services more easily.

The Government plans to formally respond to the panel’s recommendations in the summer of 2019.





# PUBLICATIONS FOR 2019

In the coming months, the Government intends to publish a number of regulations, papers and guides, the most relevant of which are outlined below.

1. **National insurance contributions (NICs) employment allowance draft regulations** – a document inviting technical comments on the draft regulations for the reform of the NICs employment allowance to restrict it to those businesses with an employer NICs bill below £100,000 per annum.
2. **Child trust funds (CTF)** – consultation on maturing CTFs to ensure that these accounts can retain their tax-free status after maturity.
3. **VAT partial exemption and capital goods scheme simplification** – a call for evidence on potential simplification and improvement of the VAT partial exemption regime and the capital goods scheme to ensure they are as simple and efficient for taxpayers as possible.
4. **Social investment tax relief (SITR)** – a call for evidence on the use of the SITR scheme to date, including why it has been used less than anticipated and what impact it has had on access to finance for social enterprises.
5. **Enterprise investment scheme approved funds guidelines** – containing guidelines stating HMRC's proposed policy and practice for approving funds.
6. **Capital gains tax private residence relief** – a consultation on the changes announced to lettings relief at Budget 2018 and the final period exemption for private residence relief.

The Government will also publish summaries of responses to the following documents, launched at recent fiscal events, including:

1. **Protecting your taxes in insolvency** – a consultation launched in February 2019, following the announcement at Budget 2018 of plans to make HMRC a secondary preferential creditor for certain tax debts paid by employees and customers on the insolvency of a business.
2. **Corporate capital loss restriction** – a consultation on a change announced at Budget 2018 to restrict, from 1 April 2020, the amount of carried-forward capital losses a company can offset to no more than 50% of the chargeable gains arising in a later accounting period.
3. **Stamp taxes on shares consideration rules** – a consultation on aligning the consideration rules of stamp duty and stamp duty reserve tax and introducing a general market value rule for transfers between connected persons.
4. **Digital services tax** – a consultation on the detailed design and implementation of the digital services tax that will take effect from 1 April 2020.





# CONSULTATIONS: 12 MONTHS ON

Last year's lightweight Spring Statement focused on a raft of consultations on tax policy.

One year on, we take stock of how some of those consultations progressed, and reflect more generally on the role of consultations in fiscal policy decisions.

## Why consult?

Cynics claim consultations rarely make a difference to the policy that emerges from the process.

The motivation is usually to build consensus behind a policy change, to identify and head off objections, and to pin down the technical details with input from those most likely to be affected.

All of the following consultations were announced in last year's Spring Statement on 13 March 2018.

## Tackling the plastic problem

With single-use plastic a hot-button topic in 2018, this consultation received 162,000 responses – the largest number of submissions to a call for evidence in the history of the Treasury.

The proposed response in Budget 2018: a tax on all plastics with less than 30% recycled content, along with investing into research around plastic and recycling.

Subject to further consultation, the new tax will come into effect from 6 April 2022.

## VAT-registration threshold

The Government was concerned the cliff-edge nature of the VAT-registration threshold might encourage some smaller businesses to take steps to avoid growing.

The call for evidence asked for input from affected businesses, insight into what might make them reluctant to grow above the threshold, and for suggestions on how it might be redesigned.

There were more than 50 responses, most supporting the introduction of a 'smoothing mechanism', but the Government's response, published alongside Budget 2018, deferred this decision until after the terms of the UK's withdrawal from the EU are finalised.

## Entrepreneurs' relief

The Government sought views on entrepreneurs' relief (ER) to ensure "it does not discourage entrepreneurs from seeking external finance for their companies". The issue was that the entitlement to ER could have been lost where shareholdings were diluted below 5% as a result of the issue of new shares for commercial reasons.

Twenty-one responses were received, and the Government published draft legislation in July 2018.

This was passed into law as part of Finance Act 2019, and comes into effect from 6 April 2019. A taxpayer will be able to elect to treat themselves as making a deemed disposal and reacquisition immediately before the dilution to secure ER. The gain shall also be able to be deferred.

## Cash and digital payments

This review is part of the Government's programme to encourage British businesses to use electronic payments, which make money laundering and other forms of fraud more difficult.

Those organisations which made their responses public tended to reject the idea of a cashless society, and to echo a sentiment well-expressed by the ICAEW that "any move to digital should be at the pace and choice of those businesses and individuals affected and not mandated".

The period for submitting evidence ran until June 2018, but a response is yet to be published.





# PREPARING FOR A NO-DEAL BREXIT

Despite a vote in the House of Commons which rejected leaving without a deal, it remains a possibility right up until a deal is struck. Here are some ways businesses can deal with the transition.

As the clock ticks down to the 29 March 2019, when the UK is scheduled to officially leave the EU at 11pm, there is still much uncertainty around what Brexit will mean for UK business.

Planning for it has been difficult for businesses of every size and sector, but for firms that buy and sell to the EU it's important to have contingency plans.

Almost half (43%) of the UK's exports are to the EU and generate £235 billion in export revenue, so the EU will remain an important trade partner.

## Changing trade rules

If the UK should leave the EU without a deal, the expectation is that trade will immediately revert to World Trade Organisation (WTO) rules.

For another two weeks, goods moving between the EU and UK do not need to be checked at borders and have no tariffs imposed.

Under WTO rules, goods would be subject to customs checks and tariffs, which could increase processing times at borders.

## Relaxed rules for importers

The Government has said custom checks would be relaxed for businesses importing goods to the UK in the event of no-deal, but this does not guarantee the same for those exporting to the EU.

Importers will file a simplified online form up to two hours before a lorry is due to cross the English Channel by ferry, or one hour if arriving by Eurostar.

Importers will have to update the online entry within 24 hours to notify HMRC of the goods' arrival, with the duty payable up to a month later.

## Manage your supply chain

Businesses that rely on EU imports – particularly those that operate on a just-in-time stock system – will need to plan ahead.

Sourcing an alternative supplier within the UK, or from outside the EU, could help eliminate this issue, or you could look at alternative planning arrangements which might include building up stock lines that you know will be in demand and are imported from the EU.

## Currency fluctuations

Three in five UK businesses with suppliers in the EU are already reporting that currency fluctuations have increased their costs.

Sourcing within the UK could help protect your profitability as payments and invoices would be paid in one currency, reducing the risk of uncertainty.

If sourcing within the UK is not an option, paying your suppliers in their local currency can reduce currency volatility, while forward exchange contracts might allow you to lock in favourable exchange rates.

## Know your target market

The UK is home to the third largest e-commerce market in the world and online giants, such as Amazon and Alibaba, are an easy way to reach new international customers.

Research from the Office for National Statistics in 2017 showed 54% of UK businesses had no website, and getting online is something any business should immediately take advantage of.



# UPCOMING CHANGES

These rates were confirmed by Chancellor Philip Hammond in Budget 2018 and are subject to future change should the UK fail to reach an agreement with the EU over its exit.

## Personal

### Income tax bands and rates

The bands and rates at which people in England, Northern Ireland and Wales pay income tax will change for 2019/20, but it will be business as usual for taxpayers in Scotland.

The following income tax bands and thresholds will be in place from 6 April 2019:

**Table 1: England, Northern Ireland & Wales**

Band	Taxable income 2019/20	Rate
Personal allowance	Up to £12,500	0%
Basic rate	£12,501 to £50,000	20%
Higher rate*	£50,001 to £150,000	40%
Additional rate*	Above £150,000	45%

**Table 2: Scotland**

Band	Taxable income 2019/20	Rate
Personal allowance	Up to £12,500	0%
Starter rate	£12,501 to £14,549	19%
Basic rate	£14,550 to £24,944	20%
Intermediate rate	£24,945 to £43,430	21%
Higher rate*	£43,431 to £150,000	41%
Top rate*	Above £150,000	46%

\* The personal allowance is reduced by £1 for each £2 of income from £100,000 to £125,000 (2018/19, £123,700).

**Table 3: Tax on dividends (throughout the UK)**

Dividend allowance	£2,000
Basic rate	7.5%
Higher rate	32.5%
Additional rate	38.1%

## ISAs

The overall annual ISA subscription limit remains at £20,000, although the junior ISA allowance increases to £4,368.

## Pensions

The lifetime allowance, which is the maximum amount an individual can draw from pensions without incurring extra tax charges, rises to £1.055 million.

## Business

### Auto-enrolment

From 6 April 2019, the minimum employer contribution towards an employee's workplace pension will increase from 2% to 3%, while eligible employees will see their minimum contributions increase from 3% to 5% of their pensionable earnings.

These contributions are mandatory for workers aged between 22 and state pension age, earning more than £10,000 a year, unless they opt out.

### Capital gains tax

The CGT annual exempt amount for individuals rises from £11,700 to £12,000 from 6 April 2019. At the same time, the annual exemption for trusts increases from £5,850 to £6,000.

### Corporation tax

Financial year from 1 April	2019	2018
Corporation tax rate	19%	19%
Loans to participators	32.5%	32.5%

The intention to cut the rate of corporation tax to 17% in 2020/21 remains on course.

### National minimum wage rates

National minimum wage rates for all ages and apprentices are increasing from 1 April 2019.

#### 2019/20 rates

- Over-25s – £8.21
- 21 to 24 – £7.70
- 18 to 20 – £6.15
- Under-18s – £4.35
- Apprentice – £3.90\*

\* If under 19 or in the first year of apprenticeship.

## VAT

From 1 April	2019	2018
Standard rate	20%	20%
VAT fraction	1/6	1/6
Reduced rate e.g. on domestic fuel	5%	5%
VAT fraction	1/21	1/21

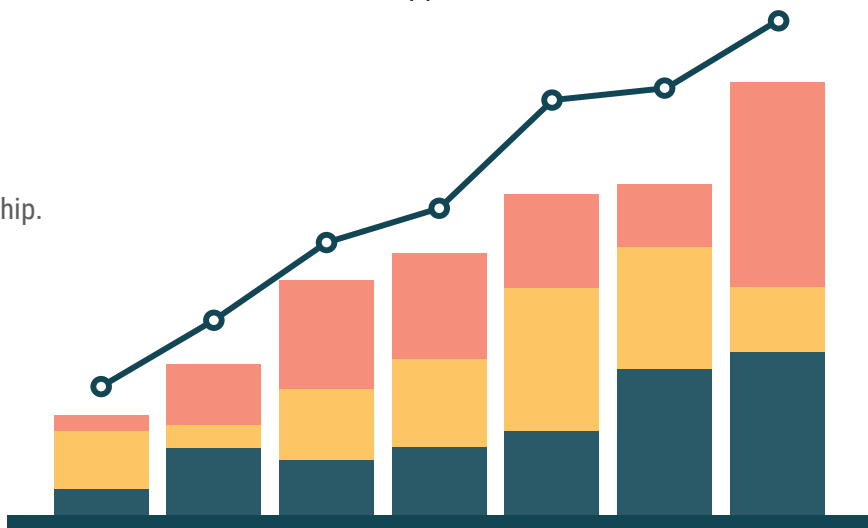
#### 2019/20 rates

From 1 April	2019	2018
Registration (last 12 months or next 30 days) over	£85,000	£85,000
Deregistration (next year) under	£83,000	£83,000
Registration for distance selling into the UK (last 12 months or next 30 days) over	£70,000	£70,000
Annual and cash accounting schemes turnover limit	£1.35m	£1.35m
Flat rate scheme turnover limit	£150,000	£150,000

The VAT-registration threshold is to stay at £85,000 until April 2022.

A new VAT reverse charge for construction businesses will come into effect on 1 October 2019.

This reverse charge could put the onus on customers who buy supplies or construction services to account for VAT and report it to HMRC, instead of the supplier.









0121 778 6278

[www.lowsonward.com](http://www.lowsonward.com)

[accounts@lowsonward.com](mailto:accounts@lowsonward.com)

292 Wake Green Road Birmingham

B13 9QP

Spring  
Statement  
**2019**