

BEYOND THE BREXIT HORIZON

Tolley's Budget 2018 coverage

Employment Taxes

Free in-depth analysis,
practical guidance and
commentary on the Budget.

For more in-depth analysis on the Budget visit
[tolley.co.uk/budget18](https://www.tolley.co.uk/budget18)

Tolley®

Tax intelligence
from LexisNexis®

BUDGET 2018 COVERAGE PROVIDED BY TOLLEY®GUIDANCE

The tax industry is renowned for its complexity and its speed of change. The annual budget brings a whole new set of rules, which tax practitioners need to grasp swiftly in order to advise clients. The Tolley®Guidance writers have put together their expert analysis and commentary on Budget 2018 to help you understand what the changes mean to you and your clients.

Embracing anything new is always difficult, embracing something you know little or nothing about can feel like you're venturing into darkness alone. Tolley®Guidance will carefully guide you through the specific activities and transactions that are undertaken by tax practitioners.

Tolley®Guidance is designed to provide comprehensive information to help all levels of staff from junior employees to long serving partners. The tools you need to deal with common and complex client situations on a daily basis.

Tolley®Guidance is split into six modules which focus on different areas of taxation:

- > Personal Tax
- > Owner-Managed Businesses
- > Corporate Tax
- > IHT, Trusts & Estates
- > VAT
- > Employment Taxes

**Request your free
Tolley® Guidance trial**

Disclaimer

Tolley® takes every care when preparing this material. However, no responsibility can be accepted for any losses arising to any person acting or refraining from acting as a result of the material contained in these notes.

All rights reserved. No part of these notes may be reproduced or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of Tolley.

Whilst some of the links within this document resolve to publicly available websites, other links into documents within Tolley®Guidance are subscription sensitive. If you do not have a subscription to Tolley®Guidance then you can [request a free trial](#).

Normally Chancellors relish the prospect of delivering a budget – it is an opportunity to make a mark as a great tax reformer and to show off their conjuring skills with announcements to wrong-foot the opposition. But the run up to today's speech felt very different. Expectations were deliberately being dampened down. Was it going to be just a holding exercise, with the 'real' budget to be announced post-Brexit? Indeed, did the Chancellor want to deliver a Budget at all? Some people thought that he wanted to postpone it until the spring, but was trapped by his own decision a couple of years ago to move to an Autumn Budget. So, we were waiting with more than the usual amount of anticipation when he stood up to speak at 3:30.

For a man whose job is widely said to be on the line, his delivery was assured and he had the command of the House of Commons. He threw in several light-hearted comments – I can't imagine many of his predecessors coming up with the line "Fiscal Phil says fiscal rules OK", let alone making a series of increasingly laboured jokes about public lavatories: what would Gladstone have said?! He painted a very positive picture of the public finances, and was able to say that "austerity was coming to an end", not, you will notice, that it has actually ended.

So, what did he say about tax?

The biggest headline will be the proposal for a tax on digital services. It is intended to be restricted to only established tech giants and will be subject to consultation coming into effect in 2020, subject to no new international agreement being introduced before then.

The massive increase in the annual investment allowance to £1m was a big surprise, and comes with a reform of capital allowances to give a measure of relief for some commercial buildings, but at the expense of some of the existing allowances for plant and machinery. The small print of this will be important. Business owners will breathe a sigh of relief that entrepreneur's relief is to remain, although in future it will be necessary to own the business for two years to qualify for relief. That is a reasonable compromise.

Large and medium-sized businesses will also have to get to grips with new rules when they engage workers through personal service companies, but at least these are not going to be introduced until 2020, and there will be a period of consultation – it will be critically important to get the details right.

Home owners will not be faced with capital gains tax on selling their private residences, although there is a tightening up of the rules where property has been let or where there is an overlap between buying one house and selling another.

The major announcement for income tax payers was the bringing forward of the personal allowance and higher rate threshold a year earlier than expected. So, the personal allowance will be £12,500 and the higher rate threshold will be £50,000 from April 2019. Those are substantial changes and will have an impact on almost all taxpayers.

There was more meat in this Budget than we might have expected. As ever though, the detail will be important, and I'll leave the analysis of that to our resident Tolley experts who have worked indefatigably through the evening and night to deliver insight on not only what the statements are, but also what they mean to you and your clients. We are also very fortunate to have a wider team of editors and technicians supporting us and making it all possible. We hope you find the commentary useful and informative.



Andrew Hubbard

Andrew is Editor-in-Chief of New Tolley and Taxation magazine and a consultant at RSM. Andrew initially trained as an inspector of taxes before joining the accountancy profession. He has worked in a 'big four' environment and was a partner in BDO Hayward and then Tenon before joining RSM and LexisNexis. He is also past president of both ATT and CIOT as well as an accomplished musician.

OUR EXPERT WRITERS:



ELLIE KEGGIN,
Employment Tax Manager,
Tolley

Ellie started her tax career with KPMG in 2005, working as an employment tax specialist throughout her career. She worked across sectors covering all areas of employment tax as well as international work. She then spent 3 years in-house at Adecco Group focussing on implementing the off-payroll worker rules amongst other large projects. She joined Tolley in March 2018.



YVANNA PERT,
Employment Tax
Assistant Manager,
Tolley

Yvanna is a Chartered Tax Advisor. She qualified with EY, specialising in global mobility and expatriate tax. During her time at EY, Yvanna assisted various clients, from FTSE 100 companies to smaller middle market corporates. She advised on various cross border tax issues, including tax planning for UK non-domiciled individuals, assignment structuring and employment tax matters. Yvanna is also a committee member of the London branch of ATT and CIOT and joined Tolley in November 2017.

Budget 2018 – overview for employers

In his Budget, the Chancellor made a number of important updates following on from the latest round of consultations, together with the announcement of plans for potential changes in 2019 and beyond. This news item provides a summary of the relevant announcements affecting employers and employees.

Details of the tax and NIC changes can be found in Chapter 3 of the [Budget 2018 document](#). This is supported by the [Overview of Tax Legislation and Rates](#) (OOTLAR), which summarises all changes in the pipeline, including those previously announced.

Rates and allowances

Income tax

The Budget announced the new main tax rates and allowances for the 2019/20 tax year:

- > the main personal allowance will be £12,500
- > the basic rate band limit is set at £37,500, which means that the level at which higher rate tax applies is £50,000
- > the additional rate band threshold remains unchanged at £150,000

The main rates of tax will remain at 20% basic rate, 40% higher rate and 45% additional rate.

Note that the income tax rate bands may be different for Scottish taxpayers. The Scottish Budget 2018 will take place on Wednesday 12 December 2018, and will include the announcement of the Scottish income tax rates and tax bands for 2019/20.

The Welsh Budget 2018 was held on 2 October 2018 ([Draft Welsh Budget 2019/20](#), para 3.10). The Welsh rate of income tax is set at 10% for 2019/20, which means that Welsh taxpayers are subject to exactly the same rates as taxpayers in the rest of the UK (outside Scotland).

Request your free
Tolley® Guidance trial

National Insurance Contributions (NIC)

The National Insurance thresholds and allowances relevant to employers for 2019/20 are:

	2019/20 FIGURES	
Lower earnings limit, primary Class 1	£118 per week	£511 per month
Upper earnings limit, primary Class 1	£962 per week	£4,168 per month
Primary threshold	£166 per week	£719 per month
Secondary threshold	£166 per week	£719 per month
Upper secondary threshold (above which secondary NICs are due for U-21s and apprentices under 25)	£962 per week	£4,168 per month
Employees' primary Class 1 rate between primary threshold and upper earnings limit	12%	
Employees' primary Class 1 rate above upper earnings limit	2%	
Class 1A rate on employer-provided benefits	13.8%	
Class 1B rate on amounts included in a PAYE settlement agreement	13.8%	

National Living Wage / National Minimum Wage

The Chancellor announced that the National Living Wage will be increased to £8.21 per hour from April 2019. The following table shows all minimum wage rates for all age groups:

Category	Current rate	New rate from 1 April 2019
Workers 25 and over	£7.83 per hour	£8.21 per hour
21–24 year olds	£7.38 per hour	£7.70 per hour
18–20 year olds	£5.90 per hour	£6.15 per hour
16–17 year olds	£4.20 per hour	£4.35 per hour
Apprentices	£3.70 per hour	£3.90 per hour

For more on the National Minimum Wage / National Living Wage, see the [National Minimum Wage Campaign](#) guidance note.

Company cars and vans

There were no changes to the company car tax rates already announced. For convenience, a table showing the future bands and percentages, alongside those applicable for the current tax year, can be found here:

[Click here to view pdf](#)

From April 2019, the multiplier for the car fuel benefit charge will increase to £24,100 from £23,400, the flat rate van benefit charge will increase to £3,430 from its current rate of £3,350, and the flat rate van fuel benefit charge will increase to £655 from £633.

Off-payroll working in the private sector

As expected, it has been announced that the off-payroll rules (known as IR35) already introduced to the public sector from April 2017 will be applied to the private sector (see para 3.8 of the [Budget](#)). The change will apply in April 2020, giving engagers, employment intermediaries (including agencies and umbrella companies) and contractors time to prepare for the changes.

In overview, these changes will move the requirement to assess whether a contractor is employed or self employed, and responsibility for operating PAYE. Currently, where a contractor works through their own limited company (known as a personal service company), the limited company will need

to assess whether the worker would be employed or self-employed according to the relevant case law and operate IR35 as necessary. When the new rules come in, the person paying that personal service company will be required to operate PAYE. The end engager will be required to make the decision on whether the engagement falls inside IR35 or not.

Details of how this will operate have not been announced; however, it is likely to be similar to the rules for the public sector. See the [Service companies and the public sector](#) guidance note for more information. The Budget states that small organisations will be exempt, but no details of the definition of 'small organisations' have yet been given. However, support and guidance for those organisations affected has been promised.

NIC Employment allowance reform

From April 2020, in order to better target the employment allowance, it will only be available to small businesses (see para 3.11 of the [Budget Report](#) and para 2.13 of the [OOTLAR](#)). Those employers with an annual NIC bill in the previous tax year of less than £100,000 will continue to benefit from the employment allowance, and those with a higher NIC bill will no longer receive it. The employment allowance currently applies to all employers so that they do not pay the first £3,000 of their NIC bill. 99% of micro-businesses and 93% of small businesses will continue to be eligible for the employment allowance.

NIC treatment of termination payments and income from sporting testimonials

Reforms to the NICs treatment of termination payments and income from sporting testimonials were both due to be made from April 2019 (see para 2.14 of the [OOTLAR](#)). The Government now intends to make these changes from April 2020. For termination payments, this is expected to make amounts above the £30,000 threshold subject to Class 1A NIC, so only employers will pay NIC. See the [Termination payments – overview](#) guidance note.

PAYE special arrangement for Short Term Business Visitors from overseas branches

Following a [consultation](#) issued in 2018, the Government announced two changes to simplify the tax and administrative treatment of short term business visitors (STBV) from foreign permanent establishments ('overseas branches') of UK companies.

Currently, for STBVs from overseas branches with 30 or fewer workdays in the UK in a tax year, the UK company can operate an annual PAYE scheme and does not have to report payments to HMRC in real time. From 6 April 2020, the workday limit will be extended from 30 days or less to 60 days or less.

The Income Tax (Pay As You Earn) Regulations 2003 will be amended to extend the PAYE reporting and payment deadlines to 31 May for companies using the PAYE special arrangement for Short Term Business Visitors to allow employers more time to gather relevant information about their STBVs to operate PAYE accurately. The Government recognised that accurate reporting under the existing deadlines of 19 April and 22 April is 'not always achievable and puts unnecessary pressure on businesses at an already busy time'. This change will also be effective from 6 April 2020.

See para 3.14 of the [Budget Report](#) and para 2.15 of the [OOTLAR](#).

Pensions

From 2019/20, the lifetime allowance for pension savings will increase to £1,055,000. The Budget did not include any new proposals in respect of the annual allowance for pension contributions (see para 3.17 of the [Budget Report](#)).

Taxation of self-funded work-related training

Following a consultation issued in 2018 on extending the scope of tax relief currently available to employees and the self-employed for work-related training costs (in the case of employees, self-funded training rarely qualifies for tax relief), the Government has decided not to introduce any changes and will maintain the scope of tax relief currently available. This is mainly due to the fact that the consultation responses indicated that tax relief would unlikely be effective in addressing the barriers to learning or incentivising training.

See para 2.12 of the [OOTLAR](#).

The rules for tax relief on training costs will therefore continue to depend on whether the individual is employed or self-employed. Currently, an employee can have work-related training paid for, or be reimbursed for training costs by their employer without any tax consequences. However, if an employee pays for their own training costs, which are not subsequently reimbursed by their employer, there are limited circumstances in which that individual can obtain tax relief. For the self-employed, relief is generally allowed where the costs are incurred to update the individual's existing skills, but denied if the individual invests in training to develop new skills.

Apprenticeships

There have been no major changes to the way that the Apprenticeship levy is charged and collected. Please see the [Apprenticeships levy](#) guidance note on this. The Government has announced (see paras 4.48 and 4.49 of the [Budget Report](#)) that:

- > levy-paying employers will be able to transfer up to 25% of their funds to those in their supply chains, and
- > employers who do not pay the levy will have their contribution levels for apprenticeship training halved to 5%

Expenses for unpaid office-holders

Legislation will be introduced to exempt from income tax and NIC expenses paid by or reimbursed to unpaid office-holders. This tax treatment is currently given on a concessionary basis and will be brought into a statutory basis after Royal Assent of Finance Bill 2019/20. (see para 2.5 of the [OOTLAR](#)).

Measures included in the draft Finance Bill

The [OOTLAR](#) lists a number of measures that have already been included in the draft Finance Bill and remain unchanged and have not therefore been included in the Budget document:

- > optional remuneration rules for company cars and vans, which was addressed in [Draft Finance Bill 2019 – surprising change in the treatment of cars and vans under salary sacrifice](#)
- > workplace charging for all-electric and plug-in hybrid vehicles
- > abolition of receipt checking for benchmark scale rates and changes to overseas scale rates
- > changes to the treatment of emergency vehicles for private use
- > beneficiaries of tax-exempt employer-provided pension benefits

Update on consultations and calls for evidence previously announced

Taxation of benefits in kind

In the Autumn Statement 2016, the Government announced that it would publish a call for evidence on how benefits in kind are valued for tax purposes. It was scheduled to be published in Spring 2017, but this has not yet been issued, nor was it mentioned in today's budget.

Employer provided accommodation

In the Autumn Statement 2016, the Government announced that it will publish a consultation on employer provided living accommodation, including proposals on when such provision would be exempt. It was scheduled to be published in Spring 2017, but this has not yet been issued, nor was it mentioned in today's budget.

Employment status

The Government issued in February 2018 a consultation on simplifying employment status. Employment status is at the core of the tax system. It determines the taxes a worker, and the business the individual works for, must pay. However, establishing the correct employment status of a worker can often be far from straightforward. The consultation closed in June 2018 and no response has been published at this stage.

ABOUT TOLLEY

Your partner in UK tax and accountancy

When Charles Henry Tolley published the world's first tax table in September 1916 he transformed the tax industry, fundamentally changing the way accountants look up tax rates and allowances to this day. Frustrated by the effort of keeping up-to-date with the all the changes to the UK tax code brought about by wartime budgets, he turned pages of text into one simple sheet of tables.

100 years on, finding ways to simplify the complex is still the driving force behind Tolley. Over the years, Tolley has been focused on harnessing new formats and technologies to make the tax code easier to navigate.

Tolley now provides research, practical guidance, career development and training solutions to tax and accountancy professionals to help tax professionals helping them work faster, easier and in more effective ways.

You can trust Tolley's comprehensive range of tax products to make it easier than ever to keep up-to-date with the constant changes in tax. Our products are written by tax specialists for tax specialists and designed to suit the way you work.

Our knowledge - We work with the most authoritative voices in the industry to produce trusted guidance, research and training materials.

Our heritage - With over 100 years' experience in the tax profession, Tolley is a respected name you can rely on throughout your career.

Ongoing support - We guide you throughout your career, from exam training to helping you understand and apply legislation at a senior position.

Our pass rates - The quality of best-in-class tax exam training is reflected in our pass rates – consistently above the national average.

RESEARCH

No matter what sort of organisation you work in, it's hard to stay fully informed on all the important new tax cases and amendments to tax legislation. Your clients want you to be able to take advantage of new tax planning opportunities. Your employer needs to be sure that your advice reflects the latest changes to compliance rules.

Five reasons to rely on Tolley for your research

1. Authoritative, trusted, comprehensive information
2. Flexible delivery: online, in print or both
3. Pricing to suit the needs of your business
4. Intuitive online search for faster results
5. Enhanced with news alerts, updates and cross-references

Tolley®Library

For the whole picture, including analysis and commentary plus cases and legislation, and the broadest choice of our books, looseleaves and magazines, subscribe to [Tolley®Library](#).

We're proud that it's the most user-friendly online library for tax and accountancy practitioners, containing the most comprehensive, up-to-date and trusted information. And you can manage your costs with subscriptions and payment options that fit the size and style of your business.

Blending the best of the traditional and the modern, we've built [Tolley®Library Light](#) to give smaller practices online access to our most popular titles. It's easy to search, always up-to-date and keeps your costs in control – and you benefit from links to the relevant HMRC manuals. Opt in to regular news updates to keep in touch with the areas of tax that most interest you.

PwC's Inform

As a busy financial professional it is essential that you're applying the latest accounting reporting requirements. Take advantage of the easiest and most practical way to keep up with UK accounting and reporting regulatory change. [PwC's Inform](#), offered by Tolley, helps you to stay up to date, simplify compliance and apply best practices.

Developed by PwC UK for its own audit practice, Inform is the gold standard in practical guidance for accountancy firms and financial professionals, whether dealing with UK GAAP or IFRS. Improve your quality and speed of work using practical guidance and illustrative examples that reflect PwC's knowledge and experience.

For more information on research visit tolley.co.uk/research

PRACTICAL GUIDANCE

The tax industry is renowned for its complexity and its speed of change. Undue risk is often the result of misunderstanding. Mistakes occur when the way ahead isn't clear.

With us by your side, there's no need to have sleepless nights fearing litigation for inaccurate or incorrect advice – or not meeting HMRC statutory requirements. We give you the tools to check that nothing slips your mind, and help us provide evidence that you have taken reasonable care.

Five reasons to choose Tolley for practical guidance

1. Written by tax experts, based on real-life experience
2. Guidance that's detailed, practical and reliable
3. Information that's robust, up-to-date and complete, and stands up in court
4. Acts as a simple refresher or a step-by-step guide
5. Modular format helps you to control your costs

Tolley® Guidance

Tolley® Guidance is written by tax experts, who use their knowledge and experience to explain how tax really works. Expand your understanding, refresh your knowledge and explore new areas of specialism.

Tolley® Guidance provides answers that are straightforward and up-to-date.

Find practical, technical commentary on unfamiliar areas, with easy-to-apply examples based on real-life cases. Get step-by-step help to tackle the issue, with simple to understand "how-to" guides and easy to complete template documents. For many of our clients, Tolley® Guidance reduces their need to use external specialists, and that can only reduce your costs.

We've worked with tax practitioners to create a modular service so you can choose the subject areas that are right for your business. Whatever your question, on whatever aspect of tax, you can find guidance, tools and associated information quickly, easily and with an eye on controlling your costs.

For more information on practical guidance visit tolley.co.uk/practicalguidance

CPD / DEVELOPMENT

Passing your tax exams is just a part of your learning. Continuing professional development is important because it ensures you continue to be competent in your profession.

You can achieve a certain amount of learning 'on the job', but you need to bolster that with regular formal education and training. It's certainly worth the time investment. Professionals who plan their skills development tend to make faster progress in their careers, in the direction they choose. Tolley's professional development products and services make it easier, with a wide choice of subject matter and delivery routes.

Online

Designed to help tax and accountancy professionals quickly and easily expand their knowledge and keep up-to-date with the latest insights Tolley®CPD is your essential e-learning tool.

Get our leading lecturers' view of what's going on in tax, accountancy and audit with our monthly [Seminars Online](#), on your desktop, laptop or mobile. Need a refresher or keen to expand your knowledge, access our annual 15-minute interactive [Tax Tutor](#) tutorials. Or if you want to stay on top of what's going on with VAT, access lectures from VAT experts with [VAT Update](#).

Our online tax law [Webinars](#) also let you pose questions to tax barristers and discuss the latest issues with other attendees in the live sessions, as well as watching again how and when you like.

Magazines and Journals

For the ultimate in flexible learning, it's hard to beat our magazines – [Taxation](#), [Tax Journal](#) or [Tax Adviser](#). Browse and learn, in print or online, across everything that's going on. They're the simplest way to make sure you're always right up-to-date with what matters in your areas of tax.

For more information on CPD visit tolley.co.uk/cpd

QUALIFICATIONS

Whether you're just starting out in tax or accountancy, or already have years of experience, it's hard work gaining the qualifications you need to progress in your career. Tolley® Exam Training can help you succeed in gaining those vital tax qualifications. We are experts in tax and our exam pass rates are the best in the industry. We can help you right from the start, when you're choosing the qualification that's right for your experience and your interest.

Association of Taxation Technicians (ATT) qualification

Once you're working in tax compliance, you can demonstrate your competence with the [ATT exam](#). Tolley® Exam Training gives you the choice of mixing traditional correspondence courses with live lectures and online training, so you can design your learning to fit your location and your work.

Chartered Tax Advisor (CTA) qualification

If you want to widen your possible career routes then you also need to be able to give advice to clients. The [CTA qualification](#) from the Chartered Institute of Taxation is the highest level tax qualification in the UK. Our experts are on hand with practical advice on exam choices that can save you hours of study as well as helping you to succeed.

Advanced Diploma in International Taxation (ADIT)

ADIT meets the demand, both in and outside the UK, for a specialist qualification for international tax practitioners in the corporate area. It recognises that international tax advisers need to understand more than one tax system. So talk to us, we're one of the very few bodies in the UK who can prepare you for the [Advanced Diploma in International Taxation](#).

ATT Foundation Qualifications

[The ATT foundation qualifications](#) provide an entry level qualification for those starting their studies in tax or who wish to improve their technical knowledge in the areas of personal taxation, business taxation and VAT compliance.

For more information on qualifications visit [tolley.co.uk/qualifications](https://www.tolley.co.uk/qualifications)

As the UK's only provider of critical tax information, in-depth reference, ground-breaking training and learning resources and unique market insight, Tolley is there by your side with four product families designed for tax professionals.

Research | Practical Guidance | CPD/Development | Qualifications

Visit **tolley.co.uk**
or call us on 0331 161 1234

Tolley, Lexis House, 30 Farringdon Street, London, EC4A 4HH

Tolley[®]

Tax intelligence
from LexisNexis[®]