UK Budget Summary - 22 November 2017

For Distribution to Authorised Financial Advisers Only

Below is a summary of the UK Budget announcements applicable to personal wealth and finance.

The UK Budget, traditionally held in spring time, is now taking place in the autumn.

General

There were no announcements in the UK Budget that would have an adverse impact on Friends Provident International's propositions for UK expatriates.

Income Tax

From 6th April 2018 the personal allowance will rise from GBP 11,500 to GBP 11,850. The higher rate threshold will increase to GBP 46,350. The government has restated its commitment to raising both the personal allowance to GBP12,500 and the higher rate threshold to GBP 50,000 by 2020.

There was no announcement in relation to non-UK residents' ability to claim a UK personal allowance.

Capital Gains Tax

The previously planned introduction of a 30-day payment window between a gain arising on the disposal of a residential property and the payment of tax on that gain will be deferred until April 2020.

Stamp Duty Land Tax

For transactions with an effective date on or after 22nd November 2017 there will be a new set of Stamp Duty Land Tax (SDLT) rates for first time buyers of residential property. Where the purchase price is GBP 300,000 or less, there will no SDLT. Where the purchase price is between GBP 300,000 and GBP 500,000 SDLT will be 0% on the first GBP 300,000 and 5% of the amount in excess of GBP 300,000. Normal rates will apply to first time buyers where the purchase price exceeds GBP 500,000.

Pensions

The lifetime allowance for saving in to a UK registered pension scheme will increase to GBP 1,030,000 for the tax year 2018-19.

Trusts

The government has announced that it will publish a consultation in 2018 on "simplifying" the taxation of trusts.

Taxation of gains made by non-UK residents on UK immoveable property

A consultation document has been published that contains proposals into creating a single regime for disposing of interests in residential and non-residential property. Since 6th April 2016 gains made on the disposal of UK residential property by non-UK residents have been subject to non-resident capital gains tax (NRCGT).

Most significantly, the consultation document proposes introducing a similar charge for disposals of UK commercial property.

The following are the main proposals:

- Extending NRCGT to disposals of commercial property
- Extending NRCGT to indirect disposals of UK immovable property - for example, where shares in an overseas property holding company are sold. Such disposals will be subject to NRCGT where:
    - At least 75% of the entity's value is made up of UK immovable property, and
    - The non resident individual holds at least a 25% shareholding in the entity
- Removal of the exemption for disposals of UK residential property by "widely held" investment entities (e.g. property funds) and insurance companies
- Charging NRCGT on disposals of shares in collective investments investing in UK commercial property by non residents where they hold more than 25% of the collective investment.

The consultation runs until 16 February 2018, with a view to introducing legislation in 2019.

These changes will have a significant impact on the attractiveness of UK property, from a tax perspective, for non UK resident investors.

Inheritance tax

Published as part of the Budget documents was research entitled 'The influence of Inheritance Tax reliefs and exemptions on estate planning and inheritances' commissioned by HMRC. Among HMRC's stated objectives was to understand the influence of IHT reliefs on the decisions of testators with regards to agricultural or business assets when planning what to do with their estate. The associated press release does not give a reason as to why this document has been released now (the actual publication date was 24th May 2017). Could this be an indication that IHT changes are planned in the near future?

Offshore time limits for tax assessments

It is proposed that, following a consultation in spring 2018, the assessment times for non-deliberate offshore tax non-compliance will be extended so that HMRC can always assess at least 12 years of back taxes without needing to establish deliberate non-compliance.

The above information is based on the UK Autumn Budget 2017 released on 22nd November 2017 and is not guaranteed to become law.