Technical Bulletin

UK Budget Summary – 29 October 2018

For Distribution to Authorised Financial Advisers Only

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

The UK Chancellor has delivered his final Budget before the UK exits the European Union.

There were no changes announced in the Budget that would adversely affect Friends Provident International's UK expatriate proposition.

The main proposals relevant to personal financial planning are as follows:

UK personal allowance and higher rate threshold

One year earlier than promised, the UK personal allowance will rise to £12,500, and the higher rate threshold will rise to £50,000 with effect from 6th April 2019.

The annual exempt amount for capital gains tax will rise to £12,000 from 6th April 2019.

Trusts consultation

As announced at Autumn Budget 2017, the government will publish a consultation on the taxation of trusts, to make the taxation of trusts "simpler, fairer and more transparent".

Pensions and savings

The lifetime allowance for pension savings will increase in line with CPI for 2019-20, rising to £1,055,000.

In a related measure, the Government intends to ban pensions cold calling, or unsolicited direct marketing calls relating to pensions products and services.

Starting rate for savings – The band of savings income that is subject to the 0% starting rate will be kept at its current level of £5,000 for 2019-20.

Individual Savings Account (ISA) annual subscription limits – The adult ISA annual subscription limit for 2019-20 will remain unchanged at £20,000. The annual subscription limit for Junior ISAs for 2019-20 will be uprated in line with CPI to £4,368.

Child Trust Funds – The government will publish a consultation in 2019 on draft regulations for maturing Child Trust Fund accounts. The annual subscription limit for Child Trust Funds for 2019-20 will be uprated in line with CPI to £4,368.

Taxation of UK Property

Several proposals have been announced in relation to the taxation of UK property, which will have a direct impact on non-residents owning UK property.

(i) Additional Stamp Duty land tax for non-UK residents

The government will publish a consultation in January 2019 on proposal to introduce a Stamp Duty Land Tax surcharge of 1% for non-residents buying residential property in England and Northern Ireland.

(ii) Private Residence relief

Private residence relief is available to individuals who sell a residential property that is, or was, their primary residence, in order to reduce or eliminate capital gains tax on the gain. Two measures designed to restrict this relief were announced:

Lettings relief currently provides up to £40,000 of relief (£80,000 for a couple) to those who let out a property that is, or has been in the past, their main residence. This means that individuals can claim the relief on a property even if they have not lived in it for a long time. From April 2020 the relief will change and only be available to those who are in shared occupancy with a tenant.

Final period exemption currently means people do not have to pay CGT on gains made in the final 18 months of ownership, even if they are not an owner-occupier during that period. From April 2020, the exemption will be reduced to 9 months. The special rules that give those in or moving into care homes, and people with a disability, 36 months of exemption will not change.

(iii) Capital gains tax on property held by non-UK residents

The Government intends to introduce previously announced measures to extend the scope of the UK's taxation of gains accruing to non-UK residents to include gains on disposals of interests in non-residential UK property. It also extends the charge on gains on disposals of interests in residential property to diversely held companies, those widely held funds not previously included, and to life assurance companies. The measures will also tax non-UK residents' gains on interests in UK property rich entities (for example, selling shares in a company that derives 75% or more of its value from UK land).

Offshore tax compliance

The government is enacting new legislation to allow the introduction of international disclosure rules about offshore structures that could avoid tax, or could be misused to evade tax.

The government will publish an updated offshore tax compliance strategy. This will build on the substantial progress the UK has made in tackling offshore tax evasion and non-compliance since the government's previous strategy was published in 2014.

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