



For intermediaries only

Autumn Budget 2018 – initial analysis

29 October 2018

The following summary provides an overview of the main points set out in the Autumn Budget and accompanying notes.

Pensions

Lifetime allowance

Confirmation was provided that the lifetime allowance will be £1,055,000 for the 2019/20 tax year. It was reported that it would be set at £1,054,800 prior to the budget so this slight adjustment in rounding is welcome if only to make it easier to remember the figure.

Inflation indices

Inflation indices are widely used by both the government and the private sector and the most widely used are the Consumer Price Index (CPI) and the Retail Price Index (RPI). The government intends to make more use of CPIH in future – CPI including owner occupiers housing costs. However, it recognises that for the public and private sectors, any move away from using RPI can be complex and costly.

Pension fund investment in patient capital

Last year's budget announced an action plan to address barriers to pension fund investment in patient capital (essentially long-term investment in innovative high-growth firms). This budget provides an update on progress with this initiative through ongoing work involving the Pensions Regulator, the British Business Bank, the FCA, the DWP and several large defined contribution pension providers.

Pensions cold calling

Alongside the budget, the government has published a [response](#) to its consultation on pensions cold calling and will shortly be implementing legislation to make pensions cold calling illegal.

Pensions Dashboard

Confirmation was provided that the DWP will consult later in 2018 on the detailed design for the Pensions dashboard and on how an industry-led approach could harness innovation while protecting consumers. The DWP will work closely with the pensions industry and technology firms and extra funding has been provided in the budget towards making this happen.

Pensions for the self employed

The DWP will publish a paper over the winter setting out the government's approach to increasing pension participation by the self-employed. This follows the 2017 review of automatic enrolment and will focus on expanding evidence through a programme of targeted interventions and partnerships.

Other

Income tax

The personal allowance will rise to £12,500 for 2019-20. The higher rate threshold will rise to £50,000 (except for Scottish tax residents). These changes meet the Government's commitment to increase the personal allowance and the higher rate threshold a year early. There will be no increases for 2020-21, and indexation in line with CPI will start again for 2021-22. The zero percent starting band for savings income remains at £5,000.

Capital gains tax (CGT) annual exemptions

The annual exemption for 2019-20 will be £12,000 for individuals and £6,000 for trusts.

CGT private residence relief

There will be changes to CGT private residence from April 2020. These will restrict the reliefs currently available to people who haven't lived in their home for the full period of ownership and also to people who have let out their homes. There will be a consultation on the detail of these changes.

CGT tax entrepreneurs' relief

New qualifying conditions for entrepreneurs' relief were announced. This is a relief that fixes the CGT rate at 10% for individuals selling interests in their businesses and personal companies. The relief is being restricted from 29 October 2019 so that when the disposal is of shares in a personal company, the relief is only available if the individual selling the shares has an interest of 5% or more in both the business's distributable profits and its net assets. This means that it's only available to people with a material interest in the business. The qualifying ownership period for entrepreneurs' relief will also change for most disposals from 6 April 2019 onwards, increasing from one to two years.

Tax treatment of trusts

A consultation into the tax treatment of trusts was announced again, having first been announced in the 2017 budget. This consultation will look at making the taxation of trusts simpler, fairer and more transparent. There's still no date for its publication.

ISA threshold

The threshold remains at £20,000 for 2019-2020. The junior ISA threshold is £4,368.

Stamp duty land tax (England and Northern Ireland only)

Relief for first time buyers of property is being extended to shared ownership, so there'll be no SDLT on an initial share purchased for up to £300,000 where the property is valued at up to £500,000. SDLT on the purchase price of the share over £300,000 will be at 5%. This change is being backdated to 22 November 2017.

The budget also included a timing change benefitting people who have to pay the additional 3% SDLT when they buy a new home before they sell their old one. At the moment the extra SDLT has to be claimed back within three months of selling the old home, and this is being extended to 12 months for homes sold on or after 29 October.

There will be a consultation in January 2019 on an SDLT surcharge of 1% for non-residents.

Capital allowances for investment by business

In a move to stimulate business investment in response to Brexit, businesses will be able to claim faster tax relief for investment in plant in machinery from 1 January 2019. The usual maximum limit on which Annual Investment Allowance can be claimed is £200,000, but this is rising to £1million for two years. An allowance for new non-residential buildings is also being introduced as part of a package of wider capital allowances changes.

Tax changes for consultants

The off-payroll working rules (known as IR35) will be extended to medium and large private sector organisations, making the employer or agency responsible for operating the tax and NI rules on their consultants as if they were employees. This change will be introduced in April 2020.

2019/20 allowances and rates

	Tax year 2018/19	Tax year 2019/20
Income tax – allowances		
Personal Allowance*	£11,850	£12,500
Income limit for personal allowance	£100,000	£100,000
Marriage allowance	£1,190	£1,250
Dividend allowance	£2,000	£2,000
Personal savings allowance- basic	£1,000	£1,000

	Tax year 2018/19	Tax year 2019/20
rate taxpayer		
Personal savings allowance – higher rate taxpayer	£500	£500
Personal savings allowance – additional rate taxpayer	Nil	Nil
<i>* Reduced by £1 for every £2 of income over £100,000</i>		
Rest of UK income tax – rates		
Basic	20%	20%
Higher	40%	40%
Additional	45%	45%
Scottish income tax - rates		
Starter	19%	**
Basic	20%	**
Intermediate	21%	**
Higher	41%	**
Top	46%	**
** The Scottish Government will announce tax rates and bands for Scottish taxpayers in its budget on 12 December 2018		
Welsh income tax - rates		
Basic	Rest of UK rates apply	***
Higher	Rest of UK rates apply	***
Additional	Rest of UK rates apply	***
*** From April 2019, the Welsh Government will be able to vary the rates of income tax paid by Welsh taxpayers. The current proposal is to keep the rates the same as those paid by English and Northern Ireland taxpayers.		
Savings rates		
Starting rate – limit first £5,000 of savings income	0%	0%
Savings rate – basic rate	20%	20%
Savings rate – higher rate	40%	40%
Savings rate – additional rate	45%	45%

	Tax year 2018/19	Tax year 2019/20
Dividend rates		
Ordinary rate	7.5%	7.5%
Upper rate	32.5%	32.5%
Additional rate	38.1%	38.1%
Rest of UK (including Wales) income tax - bands		
Basic rate	Up to £34,500	Up to £37,500
Higher rate	£34,501 to £150,000	£37,501 to £150,000
Additional rate	Over £150,000	Over £150,000
Scottish income tax - bands		
Starter rate	Up to £2,000	**
Basic rate	£2,001 to £12,150	**
Intermediate rate	£12,151 to £31,580	**
Higher rate	£31,581 to £150,000	**
Top rate	Over £150,000	**
** The Scottish Government will announce tax rates and bands for Scottish taxpayers in its budget on 12 December 2018		
Rate applicable to discretionary trusts		
First £1,000 of income	7.5% for dividend income or 20% for other income	7.5% for dividend income or 20% for other income
Rate applicable to trusts	45%	45%
Dividend rate	38.1%	38.1%
Pensions tax		
Standard lifetime allowance	£1,030,000	£1,055,000
Annual allowance****	£40,000	£40,000
Money purchase annual allowance	£4,000	£4,000
**** Reduced by £1 for every £2 of adjusted income above £150,000, to a minimum of £10,000		
Capital gains tax		

	Tax year 2018/19	Tax year 2019/20
Annual exemption (individuals and personal representatives)	£11,700	£12,000
Annual exemption (trustees)	£5,850	£6,000
Basic rate (other than residential property)	10%	10%
Basic rate (residential property)	18%	18%
Higher rate (other than residential property)	20%	20%
Higher rate (residential property)	28%	28%
Trust rate (other than residential property)	20%	20%
Trust rate (residential property)	28%	28%
Inheritance tax		
Rate	40%	40%
Nil rate band	Up to £325,000	Up to £325,000
Residence nil rate band	£125,000	£150,000
ISA thresholds		
Maximum investment	£20,000	£20,000
Junior ISAs	£4,260	£4,368
Class 1 National insurance thresholds		
Weekly Lower earnings limit (LEL)	£116	£118
Weekly Primary threshold (PT)	£162	£166
Weekly Secondary threshold (ST)	£162	£166
Weekly Upper earnings limit (UEL)	£892	£962

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	Tax year 2018/19	Tax year 2019/20
Class 1 National insurance rates		
Employee contribution rates		
Below LEL	0%	0%
Between LEL and PT	0%	0%
Between PT and UEL	12%	12%
Above UEL	2%	2%
Employer contribution rates		
Below ST	0%	0%
Above ST*****	13.8%	13.8%
***** Special rules for under 21 years old and apprentices under 25 years old		



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