

TRAVERS SMITH

Tax Facts

2018/2019

INCOME TAX

INCOME TAX RATES AND PERSONAL ALLOWANCE*

	BANDS	RATE	TAX ON BAND
BASIC RATE	Up to £34,500	20%	£6,900
HIGHER RATE	£34,501– £150,000	40%	£46,200
ADDITIONAL RATE	Over £150,000	45%	-

PERSONAL ALLOWANCE	2018/2019	£11,850
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* Income Tax bands given for UK income taxpayers not subject to the Scottish Rate of Income Tax. The personal allowance decreases for those with an income over £100,000 (£1 less for every £2 over £100,000), irrespective of age.

INCOME TAX RELIEFS AND INCENTIVES

ENTERPRISE INVESTMENT SCHEME (EIS)	£1,000,000 maximum investment p.a. per investor. Additional £1,000,000 investment limit for investments in "knowledge-intensive companies" (£5,000,000 investment cap per qualifying company; £10,000,000 cap per knowledge-intensive company). 30% income tax relief on qualifying share subscriptions. Shares must be held for three years.
SEED EIS (SEIS)	£100,000 maximum investment p.a. £150,000 cap on investment per company. 50% income tax relief on qualifying investments (subject to £100,000 cap). Shares must be held for three years.
VENTURE CAPITAL TRUST (VCT)	£200,000 maximum investment p.a. 30% income tax relief on investment. Shares must be held for five years.
INDIVIDUAL SAVINGS ACCOUNT (ISA)	Maximum total investment: £20,000.
PERSONAL SAVINGS ALLOWANCE	Basic rate taxpayers do not pay tax on their first £1,000 of savings income and higher rate taxpayers do not pay tax on their first £500 of savings income.
DIVIDEND ALLOWANCE	The tax-free dividend allowance is £2,000. Dividend income in excess of the tax-free allowance is taxed at the following rates: (i) 7.5% for basic rate taxpayers; (ii) 32.5% for higher rate taxpayers; and (iii) 38.1% for additional rate taxpayers and trustees.

LOANS TO EMPLOYEES

An income tax charge arises on the difference between the actual interest paid, if any, and the interest which would have been charged had the loan been made at the official Treasury interest rate (which is 2.5% from 6 April 2018). The charge does not apply to loans totalling less than £10,000.

PENSIONS

EMPLOYEE CONTRIBUTIONS (with income tax relief)	Up to amount of taxable earnings.
ANNUAL ALLOWANCE (employee and employer pension input) *	£40,000 – tax charge on excess. A taper, potentially reducing the annual allowance to £10,000, applies to individuals with "adjusted income" (broadly, income plus the value of employer-funded pension input) above £150,000, but not to those with "unadjusted income" (broadly, income excluding employer-funded pension input) below £110,000. A £4,000 money purchase annual allowance also applies to individuals who have accessed the new DC pension flexibilities.
STANDARD LIFETIME ALLOWANCE (LTA) **	£1,030,000 – tax charge on excess.

* Pension input periods are aligned with tax years. There is a three year "carry forward" facility for unused annual allowances.

** Individuals may have higher LTAs if they qualify for transitional protections available when the standard LTA was first introduced in 2006 or when it was subsequently reduced.

CAPITAL GAINS TAX

ANNUAL EXEMPTION

INDIVIDUALS:	£11,700	MOST TRUSTEES:	£5,850
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CGT RATES AND ENTREPRENEURS' RELIEF

BASIC RATE TAXPAYERS	10% where total taxable income and gains fall within the Basic Rate upper limit (£34,500).
HIGHER AND ADDITIONAL RATE TAXPAYERS	20% to the extent that taxable income and gains fall above the Basic Rate upper limit (£34,500).
ALL TAXPAYERS – gains on disposals of chargeable residential property and receipts of carried interest	8% surcharge.
ALL TAXPAYERS - Entrepreneurs' Relief *	10% on first £10,000,000 of lifetime gains.
ALL TAXPAYERS - Investors' Relief **	10% on first £10,000,000 of lifetime gains.

* Applies to lifetime gains made by an individual/trustee on the disposal of certain qualifying assets (including shares in a trading company in which the individual held at least a 5% qualifying interest and is an officer/employee).

** Applies to lifetime gains made by an individual on the disposal of qualifying shares.

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CORPORATION TAX

FINANCIAL YEAR 2018	PROFIT BAND (£)	RATE
Unified corporation tax rate	All profits	19%

NATIONAL INSURANCE CONTRIBUTIONS

CLASS 1	
TOTAL WEEKLY EARNINGS	RATE
EMPLOYEE	
£162 or less	NIL
£162.01 - £892	12%
Over £866	2%
EMPLOYER	
£162 or less	NIL
Over £162	13.8%

CLASS 1A (BENEFITS IN KIND)

Employers are liable to pay Class 1A NIC at 13.8% on most benefits in kind that are subject to income tax.

CLASS 1B (PAYE SETTLEMENT AGREEMENTS)

Where employers settle tax liabilities under a PAYE settlement agreement, they are also liable to pay Class 1B NIC at 13.8%.

CLASS 2 (SELF-EMPLOYED)

Weekly rate of £2.95.
Small earnings annual exemption of £6,205.

CLASS 3 (VOLUNTARY)

Weekly rate of £14.65.

CLASS 4 (SELF-EMPLOYED)

9% annual profits between £8,424 and £46,350.
2% annual profits above £46,350.

EMPLOYMENT ALLOWANCE

The employment allowance (which reduces an employer's NICs each year) is £3,000 but is not available to companies with a single employee.

APPRENTICESHIP LEVY

ALLOWANCE (PER EMPLOYER)	RATE
£15,000	0.5%

EMPLOYEE SHARE PLANS

PLAN	MAXIMUM PARTICIPATION	TAX TREATMENT	REPORTING OBLIGATIONS
CSOP	£30,000	CGT if qualifying exercise	Online registration and reporting requirements apply. All share scheme returns must be filed electronically by 6 July after the tax year end. EMI grant notifications must be made online.
SAYE	£500 per month	CGT if qualifying exercise	
SIP	Free shares: £3,600 per tax year Partnership shares: £1,800 per tax year Matching shares: £3,600 per tax year	Tax free on qualifying holding	
EMI	£250,000	CGT if qualifying exercise (entrepreneurs' relief available)	
Unapproved	Not applicable	Income tax and, possibly, employee and employer NIC on option gain	
Employee Shareholder Status (ESS)	No longer applicable	No Income Tax or NIC on the first £2,000 of share value, normal rules apply on any value received above this. CGT exemption on disposal of up to £50,000 worth of shares for arrangements entered into before 17 March 2016. For arrangements entered into on or after this date there is an individual lifetime limit of £100,000 on gains eligible for CGT exemption.	ESS has been withdrawn for arrangements entered into on, or after, 1 December 2016

FILING AND RETURNS

FORM	DEADLINE
P11D	6 July after tax year end.
RT1	Full Payment Submission (FPS) on or before the last payday in the tax year; Employer Payment Summary (EPS) if no payments made within a pay period.
P45	Update FPS on employee leaving. P45 to be provided to employees.
P60	31 May after tax year end.

PAYE and NICs are normally due for payment within 14 days of the end of the tax month (17 days if made electronically). Interest and penalties may be levied for late filing and/or payment. Corporation Tax must be paid electronically and Company Tax Returns must also be filed online (including supporting documents).

VAT

RATE	FROM 1 APRIL 2018
Standard Rate	20%
Reduced Rate: Limited range of goods and services including fuel and power for domestic and non-business charity use; installation of energy saving material in homes; certain residential conversions and renovations	5%
VAT fraction of gross price	1/6
VAT Registration threshold – annual turnover limit	£85,000
VAT Deregistration threshold – annual turnover limit	£83,000

STAMP TAXES

STAMP DUTY	0.5%
STAMP DUTY LAND TAX	Payable on residential and commercial land transactions, the rate applicable depends on the value of the transaction and whether any applicable exemptions or reliefs are available

The information contained in this booklet is based on information available at the time of publication. Travers Smith LLP has made every effort to ensure the accuracy of the information in this booklet. However, readers should always obtain professional advice before deciding to take any action (or not, as the case may be) in relation to information contained in this booklet.

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