

Umesh Modi

# What does Philip Hammond's 2018 autumn budget mean for you?

*How do changes to the IR35 rules potentially effect pharmacists.*

**Umesh Modi explains...**



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Key measures that were in the budget include: -

## Income tax

- No major changes in tax rates and some increases in the personal allowance and other rate bands.

## IR35 extension

- The anticipated but unwelcome change to the "IR35 rules" which will require private companies who engage contractors to determine if those contractors fall within the IR35 regime is being introduced. However, the implementation date has been pushed back to 6 April 2020 and will be restricted to large and medium sized private companies.
- We expect to see further guidance on this issue in the near future to prevent or address the numerous problems that public sector companies have had in applying the IR35 provisions.

## Capital gains tax

- The qualifying time period for entrepreneurs' relief (10% capital gains tax rate) to be available has been extended from one year to two years and there are some other refinements as well. This change comes in from April 2019, so gains made up to this date are still based on the



existing rules.

- For Principal Private Residence Relief on your main home, the deemed qualifying period at the end of your ownership of the home of 18 months has been reduced to 9 months for gains made after 6 April 2020. This effects people who are selling a property previously occupied as a main residence. There are also restrictions to lettings relief for individuals who let out a former main residence.
- From April 2019, capital gains tax will be extended to non-residents who dispose of any UK land or property, whether commercial or residential. In addition, non-residents who sell shares in companies which derive more than 75% of their value from UK land or property will also be subject to capital gains tax.

## Corporation tax

- The main rate remains at 19%

for now.

- Research and development tax credits – for expenditure incurred after April 2020, the repayable tax credit will now be restricted to THREE times the company's PAYE/NIC bill. This may affect some claims where companies mainly use contractors for R&D work and do not employ many staff.
- The headline grabbing Digital Services Tax applying from April 2020, will introduce a new 2% tax on the revenues of certain digital businesses which derive value from their UK users. However, this is very much targeted towards large multinationals, as only groups with global revenues in excess of £500 million are in scope.

## Capital allowances

- The annual investment allowance increases from £200,000 to £1 million for a 2-year period, beginning 1

January 2019 to 31 December 2020.

- The special rate pool allowances are reducing from 8% to 6% from April 2019.
- Importantly, a new Structures and Buildings allowance of 2% per annum straight line has been introduced, but some of the details are yet to be decided upon. This will apply to new constructions of non-residential buildings used in a company's trade with respect to expenditure incurred after the budget date.

This article is based on current legislation and practice and is for guidance only. Specific professional advice should be taken before acting on matters mentioned here.

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