ATT welcome, January 2020

Welcomes

01 January 2020

Self assessing the months ahead

Back to work after a break – an all too short break. The Christmas break seems to pass quicker each year. I have heard a lot of chat about New Year's Resolutions, but I have yet to hear (out loud at least) the one possibly most favoured by those of us working in personal tax: 'I am definitely not going to let this happen again next year!' Think positive thoughts – just one final push during our busiest time of the year and you will see the finishing line.

A new calendar year will lead swiftly into a new tax year. Once all those Self Assessment tax returns have been filed, we must look to the future (but not too far into the future – only two months) to see what tax changes come into effect. Some of these may not be immediately relevant to your workload, but it is always worth having a brief reminder. Some have already been legislated, some will be dependent on whatever comes out of a post-election Budget and others assume that the draft legislation from July 2019 will be enacted. And, of course, this is not a complete list, just the ones I find most interesting.

Loan interest relief as a direct deduction against UK residential lettings income will cease as we move out of the transition period. This restriction over the past number of years has led to a phased and sometimes surprising increase in income tax liabilities. I hope that whatever planning you wanted to put into place before April 2020 is all complete and reaping benefits.

For capital gains tax on the disposal of residential property, there are likely to be three important changes of general application. Item 1 has already been legislated for, items 2 and 3 were proposed in draft in July 2019:

For all UK residents who sell a UK residential property after 5 April 2020, details of a taxable disposal must be reported to HMRC within 30 days of completion. Payment of capital gains tax on such a disposal will be expected within that same 30 day window. There are more details on page 25.

The deemed period of qualifying occupation for the principal private residence (PPR) relief is expected to reduce from 18 months to just nine months. There is no transitional period so, where an individual vacated their home in July 2019, every month a sale is delayed after April 2020 increases the chances of having to pay some capital gains tax.

Lettings relief, which in the right circumstances could reduce a chargeable gain of less than £40,000 to nil, will be restricted to situations where the owner is in shared occupation with the tenant. Again, there is no transitional period so beware the cliff edge.

As regards business taxes, it appears that the planned reduction of corporation tax to 17% may no longer be implemented, and the Employment Allowance (the credit of £3,000 towards an employer's Class 1 secondary NI contributions) will be restricted to employers whose previous year's liability to secondary Class 1 NI was less than £100,000. A great explanation of this can be found on the CIOT website.

Additionally, non-UK resident companies carrying on a rental business in the UK will no longer be liable to income tax on profits but rather corporation tax at 19%. At first glance, this appears to offer some small benefit, but the company could now be subject to the loss restriction or the interest restriction rules.

The personal allowance (currently £12,500) is to be indexed with the Consumer Price Index but we have to wait until April 2021 for that. In the meantime, there may be no increase for the 2020/ 21 tax year. But the inheritance tax residential nil rate band is set to increase to its target level of £175,000 for deaths occurring on or after 6 April 2020.

Of course, there is no better way to keep up to date with what is happening in the world of tax than through the ATT annual tax conferences. Dates and venues can be found on the CIOT website, along with course joining instructions. These courses will provide you with relevant CPD.

And now news from Monck Street – the 2019 Annual Returns were issued in November 2019. If you have already completed and returned the form, thank you; if you have yet to return it, please do so as soon as possible – it makes everyone's work that little bit easier to manage.

And finally, for those students who will shortly receive the results from the November 2019 examination sittings, may I take this opportunity to wish you all the very best.

Richard Todd
ATT Deputy President