

# PwC Hotline

## Hot topics for Japanese Companies in the UK

8 March 2017

### 2017 UK Budget

#### Business tax

**Business rates** - The business rates revaluation takes effect in England from April 2017. Three measures are introduced to support businesses facing increases in their business rates bill as a result. These include:

- Support for businesses losing Small Business Rate Relief - capping the increase to the greater of £600 or the transitional relief cap.
- A specific £1,000 business rates discount for public houses with a rateable value of less than £100,000.
- Providing funding to local authorities in England to support local discretionary relief.

**Research & Development tax relief** - Administrative changes to the Research & Development Expenditure Credit (RDEC) will be made to increase clarity and simplicity of claims.

**Tax for late life oil and gas assets** - A discussion paper will be published alongside Finance Bill 2017 on the case for allowing transfers of tax history between buyers and sellers.

**Finance Bill 2017** - As announced at Autumn Statement and included in draft Finance Bill 2017 legislation will be introduced on:

- Substantial Shareholdings Exemption - amendments have been made to the draft legislation to provide clarity and certainty.
- Loss relief reform - these draft rules will be revised to include provisions for oil and gas companies and oil contractors.
- Hybrids and other mismatches - no changes from previous announcements
- Interest deductibility - following comments on the draft legislation these rules will be amended to make sure they don't give rise to unintended consequences or impose unnecessary compliance burdens.

#### Personal tax

##### Class 4 National Insurance

**Contributions (NIC's)** - The main rate of Class 4 NIC's will increase by 1% in 2018 & 2019, to 10% in April 2018 and 11% in April 2019.

**Dividend allowance** - The tax free dividend allowance will be reduced to £2,000 from April 2018.

**Non-Domiciles** - previous announcements will come into force from 6 April 2017. In summary:

Non doms will be deemed domicile in the UK for tax purposes where they have been UK

resident for 15 of the past 20 tax years. Individuals who were born in the UK with a UK domicile of origin, have acquired a domicile of choice elsewhere, will be deemed domiciled in the UK for all tax purposes while they are UK resident.

There are protections for non-doms who have set up a non-UK resident trust before becoming deemed domiciled.

**UK residential property** - as previously announced, UK IHT will be charged on all UK residential property from 6 April 2016, regardless of its ownership structure. The limit below which minor interests in UK property are disregarded has been increased from 1% to 5% of an individual's total property interest.

**Cleansing of mixed accounts** - as previously announced, non-doms will be able to segregate amounts of income, gain and capital within their overseas mixed funds to provide certainty on how amounts remitted to the UK will be taxed. Cleansing is available for mixed funds before 2007/08, as well as those from subsequent years.

**Different forms of remuneration** - The Government will consult on:

- Taxation of benefits in kind - review of exemptions and valuation methodology.
- Accommodation benefits - proposals to being the tax treatment of employer-provided accommodation and board and lodgings up to date.
- Employee expenses - a call for evidence to better understand the use of income tax relief for employees' expenses.

**Image rights** - HMRC will publish guidelines for employers eg football clubs,

who make payments of image rights to their employees.

### **Avoidance and evasion provisions**

**Tax treatment of appropriations to trading stock** - The ability to convert capital losses into trading losses will be eliminated from 8 March 2017.

**Qualifying recognised overseas pension schemes (QROPS)** - A 25% charge will be introduced on transfers to QROPs.

**VAT: overseas roaming charges** - The VAT rules will be amended to make sure that UK VAT is applied to mobile phone use by UK residents when outside of the EU, to align the rules to the existing treatment of use when in the EU.

**Enablers of tax avoidance** - A new penalty is introduced for a person who has enabled a taxpayers to use an abusive tax avoidance arrangement that is later defeated by HMRC.

### **Other**

**Making tax digital** - The start date for unincorporated businesses and landlords with turnover below the VAT registration threshold is deferred by one year to April 2019. Unincorporated business and landlord with turnover above the VAT registration threshold will be required to keep records in a digital format, and make quarterly reports of their results, from April 2018, using appropriate software.

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