**ICAEW**
REPRESENTATION 124/18

# TRAFFIC LIGHT ASSESSMENT - BUDGET 2018

Issued 2 November 2018

ICAEW welcomes the opportunity to comment on Budget 2018 to the Treasury Select Committee.

This response of 2 November 2018 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, the Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business.

We should be happy to discuss any aspect of our comments and to take part in all further consultations on this area.

ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 150,000 chartered accountant members in over 160 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.

**ICAEW** Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
T +44 (0)20 7920 8100 **icaew.com**

# BUDGET 2018

## TRAFFIC LIGHT ASSESSMENT

The Treasury committee has six principles for tax policy: that it should be **fair, support growth and competitiveness, certain** (i.e. legally clear, targeted and simple), **stable, practical, and coherent.** Pending review of the relevant detailed legislation, our initial assessment of how Budget 2018's new tax policies match up to the principles is set out below.

| Measure | Fair? | Supports growth? | Certain? | Stable? | Practical? | Coherent? | OVERALL |
|---|---|---|---|---|---|---|---|
| **Autumn Budget announcements** | | | | | | | |
| Personal allowance/higher rate threshold | Amber | Amber | Green | Green | Green | Amber | Green |
| Fuel duty freeze | Green | Green | Green | Green | Green | Amber | Green |
| Annual investment allowance | Amber | Green | Amber | Red | Amber | Amber | Amber |
| Structures and buildings allowance | Amber | Green | Amber | Amber | Amber | Amber | Amber |
| Special writing down allowance | Amber | Amber | Amber | Red | Amber | Red | Amber |
| Apprenticeships: halve co-investment rate | Amber | Green | Amber | Amber | Amber | Amber | Amber |
| VAT threshold | Amber | Amber | Amber | Green | Amber | Amber | Amber |
| Business rates | Green | Green | Amber | Amber | Amber | Amber | Amber |
| R&D tax credit: preventing abuse of the SME payable credit | Green | Amber | Amber | Amber | Amber | Green | Amber |
| NICs: delay NICs Bill by one year and maintain Class 2 NICs | Amber | Amber | Amber | Amber | Amber | Amber | Amber |
| Employment allowance: restrict to businesses below a £100,000 employer NICs threshold | Green | Amber | Amber | Amber | Amber | Green | Amber |
| Private residence relief: reform lettings relief and final period exemption | Amber | Amber | Amber | Amber | Amber | Green | Amber |
| Capital gains tax: extend entrepreneurs relief minimum qualifying period | Green | Amber | Amber | Amber | Green | Green | Amber |
| Off-payroll Working: extend reforms to private sector | Amber | Red | Red | Red | Red | Amber | Amber |
| Digital services tax | Amber | Red | Red | Red | Red | Amber | Red |

© ICAEW 2018

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Restriction to rent a room relief | Pass | Neutral | Neutral | Pass | Pass | Pass | Pass |
| Extending scope of self-funded training | Neutral | Pass | Pass | Pass | Pass | Neutral | Neutral |
| SDLT first-time buyers relief for shared ownership properties | Pass | Pass | Pass | Pass | Pass | Pass | Pass |

**Key**

- Pass
- Neutral
- Fail

As noted above, these are our initial assessments of the measures announced in the Autumn Budget. These assessments may change once we have studied the proposed measures in more detail.

## OVERVIEW

The 2018 Budget was delivered by the Chancellor, Philip Hammond, on 29 October 2018.

Given the Chancellor had been handed a difficult job, he gave a pretty impressive performance but, as Chancellors go, he is getting to be quite an old hand at this game. With less than six months to go before the UK leaves the EU, it was hardly surprising that the shadow of Brexit would loom over this Budget. He made it clear that if the UK leaves the EU without a deal, then it is likely that the 2019 Spring Statement will be ‘upgraded’ to a full Budget. Was this the warm-up act for an Emergency Budget in the Spring of 2019?

### Business taxes

Given the uncertainty of Brexit and the need to encourage business and entrepreneurship, the Chancellor announced a number of business-friendly measures. In view of growing concern about the death of the High Street, he announced some further relief from business rates for smaller businesses: one-third off the rates bill for retail businesses with a rateable value below £51,000. That will be welcome news for many struggling retail businesses but will not help larger retailers trying to compete with internet-based businesses (for which he announced a new tax, see below).

As had been widely trailed, the Chancellor has decided that the amended IR35 rules that currently apply only to those in the public sector will be extended to the private sector. However, this change will be introduced with effect from 6 April 2020 rather than 2019 as had been feared. But make no mistake, businesses will need the next year and half to prepare for this change. It was also interesting that smaller businesses will be exempt from the extension of the IR35 rules. The extra revenue this measure will bring in is estimated at more than £3bn over the five years to 2023/24.

On the business investment front, the Chancellor announced a major increase for a two-year period in the annual investment allowance, up from £200,000 to £1m for investments made on or after 1 January 2019. In addition, a new 2% structures and buildings allowance is being introduced on new non-residential structures and buildings. This sounds rather like a modern form of the old, and much missed, industrial and agricultural buildings allowances, and will allow you to write off

the cost of otherwise non-tax-relievable buildings over a 50-year period. As a *quid pro quo*, however, the capital allowances special rate on qualifying plant and machinery will be reduced from 8% to 6%. The phrase ‘what goes around comes around’ springs to mind.

**Taxing digital services**

Given the current environment perhaps the biggest surprise, although not entirely left-field, was the announcement of a proposed tax on digital services. The Chancellor had stated previously that, while he preferred a global solution to this problem, he would not be afraid to act unilaterally, and the government consulted on what such a tax might look like.

He has clearly lost patience with the slow progress on the international front and has announced that the proposed new tax will be introduced with effect from April 2020. However, it will only be aimed at the largest internet businesses with global revenues from in-scope business activities of more than £500m. The amount raised looks to be very modest at only £400m per annum, small change in the greater scheme of the UK government finances. But it will be another tax for HMRC to administer, along with a proposed new tax on plastic packaging.

**VAT**

With Making Tax Digital (MTD) due to take effect from 1 April 2019, it always looked unlikely that the VAT registration threshold of £85,000 would be reduced. That would be one double whammy too many – hands up all those who remember that famous phrase from the era of Margaret Thatcher? In the event the Chancellor announced a further freeze in the registration threshold for two years with effect from April 2020. Given the uncertainty over the introduction of MTD for VAT, this was a welcome announcement.

**Personal tax**

The Conservative manifesto commitment to raise the personal allowance to £12,500 and the higher rate threshold to £50,000 by 2020 has been brought forward a year and will now happen with effect from 6 April 2019 rather than 2020 as planned.

**The public finances**

As we have said many times previously, the task of bringing the UK budget back into balance, let alone surplus, remains a huge challenge. The Chancellor confirmed that austerity was coming to an end, which was code for taking the brakes off public spending. To decode the message it was necessary to have a look at the figures in the Red Book, which laid bare the increase. Table 1 of the Red Book shows that the total forecast cost of the spending decisions announced for the period up to 2023/24 weigh in at just over £100bn.

Ironically, given the above, the Office for Budget Responsibility’s forecasts for the government deficit over the period to 2022/23 were better that those forecast at the time of the 2018 Spring Statement and the 2017 Autumn Budget. In this Budget, the OBR forecast that the deficit for 2018/19 would be £25.5bn, down from £37.1bn in the 2018 Spring Statement. There were smaller reductions in the public spending for each of the following years up to 2022/23. The expected outturn for 2017/18 also improved. At the time of the Spring Statement, it was estimated to be £45.2bn, which was itself down from £49.9bn in the 2017 Autumn Budget. A year on, and this deficit has been reduced further, this time to £39.8bn. Forecasting is not an exact science and these figures show an improved position over the past year, but how all this reconciles with the spending commitments remains an enigma that the code-breakers at Bletchley Park might struggle to crack.

**In conclusion**

It seems difficult to believe this was the Chancellor’s fourth proper Budget. Given that it was delivered at a time of considerable uncertainty, he struck a positive ‘steady as she goes’ tone, which was probably about the best he could manage in the circumstances. But the reality is that this was really a holding Budget. Attention is now on whether we will have a 2019 Spring Statement or a full-blown Emergency Budget. Hopefully by that stage we may have some clarity about how the UK will be leaving the EU and on what terms. Pending that, the fall-out from Brexit is

© ICAEW 2018

likely to have a far-reaching impact on Budget decisions and revenue and spending projections that might well dwarf those seen this time around.

## DETAILED COMMENTS

### Personal allowance/higher rate threshold

The Conservative manifesto commitment to raise the personal allowance to £12,500 and the higher rate threshold to £50,000 by 2020 has been brought forward a year and will now happen with effect from 6 April 2019 rather than 2020 as planned.

Although welcome, this lacks coherence with other tax and benefit decisions, for example, Universal Credit (UC) claimants will not receive the full benefit. As tax paid goes down by raising the personal allowance from £11,850 to £12,500, a basic rate taxpayer would expect to be £130 better off. Because like other means tested benefits, UC is based on net income, those in receipt of £130 more net income will lose UC at the taper rate of 63%, and will only gain £48 of the £130 received by others.

**Impact of rate change measures on tax devolution**
Several of the changes in this Budget will not apply in Scotland and Wales.

In 2018/19, the higher rate threshold for income tax in Scotland, was already £3,350 higher than the rest of the UK. Following this Budget, the difference will increase.

As more differences are legislated, tax simplification becomes more problematic. Employers near the Scottish border will already have people working for them who have different residence status such that people doing the same job will be taking home different net pay. We suggest that now might be the time to reflect on whether and to what extent the public will be able to understand this and whether in the interest of clarity, a simple list of the different taxes and benefits available in the different jurisdictions could be maintained on GOV.UK?

### Fuel duty freeze

The continuing freeze in fuel duty is once again welcomed by business.

### Annual investment allowance

The annual investment allowance (AIA) is to be increased temporarily from £200,000 to £1m. The increased allowance will apply for two years, for qualifying expenditure incurred between 1 January 2019 and 31 December 2020. The legislation will be included in FB 2018-19 which means that the measure is expected to apply before the legislation receives Royal Assent; thus introducing some uncertainty that the relief will be available when the expenditure is incurred.

The measure is aimed at larger businesses. Very few businesses make annual investments of more than the current limit of £200,000. Such businesses will need to take great care to time their investments to make best use of the allowance, particularly where the business does not have a 31 December year-end. When the AIA was increased for a temporary period in the past, the legislation for the accounting periods affected by the change in rate had to be considered in two parts. For example the year ended 31 March 2019 would require looking at expenditure in the nine months to 31 December 2018 and in the 3 months to 31 March 2019, and then comparing each with a proportion of the two separate AIA rates (9/12 of £200,000 and 3/12 of £1,000,000).

We suggest that the allowance could be made much simpler to calculate in the years of change if the increased AIA could, by election, be available for the company/group to be treated as relating to expenditure in the accounting period. We would be happy to help Treasury work this simplification into the proposal.

© ICAEW 2018

### Structures and buildings allowance

Industrial and agricultural buildings allowances were abolished in 2011. The Chancellor has announced a new structures and buildings allowance (SBA) which has some of the characteristics of the former reliefs.

SBA will provide relief for qualifying capital expenditure on new non-residential structures and buildings. Expenditure on office accommodation (not within a dwelling) is expected to qualify but expenditure on land or residential buildings will not. The extension beyond industrial buildings reflects the modern UK economy and is welcome.

Relief will be given at 2% on a straight line basis and will apply to contracts for physical construction works entered into on or after 29 October 2018.

The government has published a detailed technical note in advance of draft legislation, which will be included in FB 2018-19. The government is inviting comment on a number of aspects of the SBA (details and a contact email address are included in the technical note). The legislation in the Bill is expected to be largely enabling; the detailed rules will be included in secondary legislation which will be published for technical consultation before being laid before parliament after the Bill receives Royal Assent. As with the extension to the AIA, the new relief will be available to expenditure incurred before the legislation receives Royal Assent and so will also carry an element of uncertainty as to whether the expenditure incurred will actually qualify for relief.

### Capital allowances special rate reduction

Special rate expenditure includes expenditure on long-life assets, thermal insulation, integral features and expenditure incurred on or after 1 April 2018 on cars with $CO_2$ emissions of more than 110 grams per kilometre driven. The capital allowances rate applying to this asset pool is to be reduced from 8% to 6% from April 2019, which we note will raise a significant sum. The reduction in this relief, by deferring tax relief from capital expenditure already incurred in the past, is effectively been switched to incentivise future expenditure through the AIA increase and new SBA.

### Apprenticeships: halve co-investment rate

The rate of the compulsory contribution that smaller businesses have to make toward the cost of training their apprentices will be halved from 10% to 5%.

Employers who do not pay the apprenticeship levy have to share the cost of training and assessing their apprentices with government – this is called ‘co-investment’.

Since May 2017, employers have had to pay 10% towards the cost of apprenticeship training and government has paid the balance (90%), up to the specific funding band maximum which applies to that particular apprenticeship.

This decrease to the co-investment rate is part of a package of reforms designed to strengthen the role of employers in the apprenticeship programme, and is welcome.

The government’s commitment to working with businesses to align apprenticeships more closely to business need is also welcome. This includes:

- employers paying the apprenticeship levy being able to transfer up to 25% of their funds to pay for apprenticeship training in their supply chains;
- asking the Institute for Apprenticeships and National Apprenticeship Service to identify gaps in the training provider market and increase the number of employer-designed apprenticeship standards available to employers. All new apprentices will start on these new courses from September 2020; and
- working with a range of employers and providers to consider how they are responding to the apprenticeship levy across different sectors and regions in England.

© ICAEW 2018

## VAT threshold

To the relief of many businesses there will be no immediate change to the VAT registration threshold which is frozen at £85,000 until April 2022. It is anticipated that this decision will increase VAT receipts by an additional 0.5bn over the next 5 years as inflation causes more businesses to cross the VAT registration threshold. We note that Making Tax Digital will be compulsory for these businesses once they register for VAT, which will add to the administrative burden and complexity for many.

We already know that approaching the VAT registration threshold leads to behavioural changes, such as reducing business hours, by some who sell to the public and whose profit margins cannot absorb the additional 20% price rise. We were pleased to note that the government will explore how this cliff edge might be alleviated post Brexit.

## Business rates

Business rates remain a major concern of business and the Chancellor announced further measures to provide help and support for smaller businesses. The change in the way we shop, buying more online and less in the high street shops, has been causing problems, with many shops (including very large chains) going under, and there have been many calls on the government to help. The government has clearly listened and there is some help for small businesses:

- Through the government's 'Our Plan for the High Street', support will be given by cutting the business rates bill by one-third for retail properties with a rateable value below £51,000 for two years from April 2019.
- The plan includes a £675m Future High Streets Fund, a High Streets Task Force to support local leadership and funding to strengthen community assets.
- The £1,500 business rates discount for office space occupied by local newspapers will continue in 2019/20.
- Local authorities will be compensated for these measures.

The Chancellor announcedthat a 100% business rates relief will be given for all public lavatories. More than a quarter of public toilets have been closed down since 2000 as they are an easy target for cash strapped councils.

Business rates are payable by owners of self-catering and holiday letting accommodation and these are generally lower than the council tax would be on the same property. We note there are no restrictions on how many weeks the property must be let, unlike the rules for furnished holiday lets for income tax, and the government is concerned that not all those paying business rates are genuine businesses. A consultation will be published on the criteria for chargeability to business rates.

Business rates remain a problem tax, based as they are on property values rather than profitability. They are a way of funding local government's needs and raise a substantial proportion of the UK's annual income, £30bn estimated for 2018-19. As business through internet sales begins to replace the high street, a longer term review of the sustainability of the current system is going to be needed.

## R&D tax credit: preventing abuse of the SME payable credit

The government will consult on changes to the current research and development (R&D) tax relief for small and medium-sized enterprises (SMEs), with the aim of preventing abuse of the relief.

Currently, non-tax paying SMEs can surrender their losses in exchange for an unrestricted cash credit. The proposal will introduce a limit on the tax credit that can be claimed, set at three times the company's total PAYE and NIC liability for the period. The size of this limit is considerably more generous than the equivalent limit which was abolished in 2012 and is welcome.

The change will have effect for accounting periods beginning on or after 1 April 2020. Any loss that a company cannot surrender for a payable credit can be carried forward and used against future profits.

We note that this change could have an adverse impact on those businesses which use a significant amount of third party or sub contracted labour for their R&D work.

### NICs: delay NICs Bill by one year and maintain Class 2 NICs

The decision to retain class 2 NIC, announced in September 2018, will affect all self employed individuals. Class 2 NIC will not be abolished during this parliament as had been previously planned, but instead, the rate increases to £3.00 per week from April 2019 (2018/19: £2.95) and the small profits threshold increases to £6,365 per annum from April 2019 (2018/19: £6,205).

For self employed individuals earning below the earnings threshold, the ability to pay voluntary class 2 contributions instead of the relatively more expensive class 3 contributions, will allow them a way of continuing to build up their entitlement to contributory social security benefits, such as the State pension.

Confirmation that the deferral of the changes to the NIC treatment of termination payments from April 2019 to April 2020 is also welcome.

### Employment allowance: restrict to businesses below a £100,000 employer NICs threshold

The employment allowance (EA) provides businesses with a reduction of up to £3,000 in their employer NIC. The EA will be restricted from April 2020 to employers with an employer NIC liability below £100,000 in their previous tax year. Where employers are connected under the EA rules the threshold will apply to their aggregated liability. These restrictions are designed to target the EA towards smaller businesses. The continued availability of EA will be welcomed by smaller businesses that meet the criteria.

### Private residence relief: reform of lettings relief and final period exemption

Relief from capital gains on the sale of the principal private residence is one of the most valuable reliefs available to individuals and trustees. It allows all the sale proceeds, subject to occupation rules and a restriction to 0.5 hectares for the size of the plot, to be invested in purchasing a replacement property without a slice being taken out for capital gains tax (CGT).

When the relief was introduced it was extended to cover a further period of 12 months after the owner had ceased to occupy the property up until the actual sale. Over the life of the relief this period has been 24 months and 36 months to reflect difficult market conditions when it was taking longer to sell. The extension period is currently 18 months unless the owner has left the home to go into a care home, in which case the period is 36 months.

In this Budget, the Chancellor has announced a reduction from 18 months to nine months, from April 2020. The 36 months final period exemption available to those entering a care home is retained. There will be consultation on this change.

Another CGT relief often used by people who have had difficulty selling their home is lettings relief where a maximum of £40,000 of gain per owner is exempt if the home has been rented out.

From April 2020 lettings relief will be reformed so it is only available where the owner and tenant are in shared occupation and not for a period when the entire property is rented out. Again, there will be a consultation on this change.

It is to be hoped that the property market has picked up by 2020 otherwise some homeowners will find themselves subject to an unexpected CGT charge when they do eventually sell their home.

© ICAEW 2018

## Capital gains tax: extend entrepreneurs relief minimum qualifying period

Changes to entrepreneurs' relief (ER) were announced in the Budget to try and focus relief on its intended target, genuine entrepreneurs. ER applies a reduced rate of CGT, 10%, where an individual sells their business, which they must have owned for at least 12 months prior to the sale.

Generally, to qualify for ER on the sale of a company the requirement has been that at least 5% of the business and voting rights were owned by the vendor and that the vendor was an employee or officer of the company and these conditions had to be met for at least a year before sale.

The changes announced by the Chancellor are:

- The minimum holding period will be increased from one year to two years for sales on or after 6 April 2019
- From 29 October 2018, shareholders must be entitled to at least 5% of the distributable profits and net assets of a company to claim the relief, as well as meeting the current requirements on share capital and voting rights.

## Off-payroll working in the private sector

Many individuals provide services to their clients through an intermediary, often their own personal service company (PSC). This may be the choice of the individual, for example because it provides the protection of limited liability, or it may be at the insistence of the client. The company invoices the client and the individual collects remuneration from the company either as a salary or as a dividend. Where the contract for the work looks more akin to one of employment than self employment, the intermediaries legislation (commonly known as IR35) applies and employment levels of income tax and NIC (employees' and employers') must be deducted and paid to HMRC by the PSC.

It is not always easy to determine whether a contract is one of employment or self employment, but in a PSC currently any risk of additional tax due where IR35 applies lies with the worker rather than the engager.

Several high profile cases highlighted some individuals who had been working for the public sector, who were being remunerated through their PSCs, so saving tax both for the individual and also employers' NIC for the public sector. In April 2017, new legislation was introduced to tackle alleged non-compliance with the intermediaries legislation in the public sector and as a result compliance responsibilities for complying with the intermediaries legislation has now passed to the client (the public sector body), or the intermediary nearest the personal service company where another entity such as an agency is involved.

From April 2020, responsibility for operating the off-payroll working rules in the private sector will move from the individual worker to the organisation, agency or other third party engaging that worker through their personal service company (PSC). This measure is not unexpected and will bring much of the private sector into line with the public sector off-payroll working system.

We are pleased that the roll out will not take place until April 2020, which does allow some time for planning what will be a momentous change.

The new rules for the private sector will apply only to those individuals whose PSCs supply the workers' services to end clients that are large or medium sized businesses. Where end clients are small private sector organisations, PSCs will continue to be responsible for applying the current IR35 rules.

We have already made representations to government and to HMRC on the issues which need to be resolved in the operation of the change in the public sector as a matter of priority and would like a commitment to resolving these before the further roll out.

© ICAEW 2018

We anticipate some immediate additional problems with making the change in the private sector.

- Educating the contracting workforce will be more challenging in the private sector since the population will be much larger and more difficult to reach.
- It will not always be obvious to the worker whether they are working for a small or larger business and it will be unclear where responsibility lies.

There will be consultation on the detailed operation of the reform, which will be published in the coming months. This will inform the draft Finance Bill legislation, which is expected to be published in Summer 2019. HMRC will provide support and guidance to medium and large organisations ahead of implementation.

Matthew Taylor's report in 2017 highlighted the problems caused by having two different sets of rules for determining status in tax and employment law, along with the problems caused for employment law of having three status', employed, worker and self-employed. We still need a national debate about this rather than more tinkering with the tax system.

### Digital services tax

The Chancellor has stated previously that, while he preferred a global solution to this problem, he would not be afraid to act unilaterally, and the government previously published a consultation on what such a tax might look like. He now proposes to take action and introduce a digital services tax (DST) with effect from April 2020. There will be a consultation shortly to consider the details of the new regime which will introduce a new 2% tax on the revenues of certain digital businesses.

The tax will be aimed at the largest internet businesses with global revenues from in-scope businesses of more than £500m. The amount raised looks to be very modest when compared with the UK government finances overall, at only £400m per annum. But it will be another tax for HMRC to administer, along with a proposed new tax on plastic packaging.

While a global solution supported by the OECD and G20 would be preferable and more sustainable in the longer term, we understand the Chancellor's decision to act now and welcome the government's commitment to continuing to discuss an international solution. Pending such a solution, legislation for the new DST will be in FB 2019-20.

### Restriction to rent a room relief

Having participated in an extensive early consultation exercise on a possible restriction to this relief, we are pleased to note that it will not be going ahead. The proposed change would have been very difficult to implement and was not practicable.

### Self-funded work-related training costs

The existing tax reliefs for work-related training costs for employees and the self-employed will not be extended to self-funded work-related training costs. The discussion on this reform, in which we participated earlier in 2018, was a different style of consultation where Treasury was asking for views very early in the process. We had asked for this approach to feedback on new policy proposals and so this was welcome.

The government has decided that at this time tax relief is unlikely to be effective in addressing barriers to learning or incentivising training. Instead, it believes other policy interventions will be more effective in delivering support, such as the National Retraining Scheme and skills training pilots. Nevertheless, we would like to see this kept under review as using the tax system to encourage targeted skills training would seem to encourage greater productivity.

© ICAEW 2018

## SDLT: first-time buyers relief for shared ownership properties

First-time buyers relief for stamp duty land tax (SDLT) was introduced from 22 November 2017. It applies to purchases of residential property for £500,000 or less, provided the purchaser is a first-time buyer and intends to occupy the property as their only or main residence. First-time buyers purchasing their first home for £300,000 or less pay no SDLT. Where the purchase price is over £300,000 but below £500,000, 5% is payable on the amount exceeding £300,000.

The relief for first time buyers will be extended to purchasers of qualifying shared ownership properties who choose to pay SDLT in stages (rather than paying it on the market value of the whole property when they purchase their first share).

This extension, which will be welcome, is backdated to 22 November 2017 so first-time buyers in this position will be able to amend their return to claim a refund.

The boost for first time buyers is welcome, but it is another bolt on to the taxation of property which has been compiled in bits and pieces over several years with no coherent policy running through it and we have long called for an overall review.

## APPENDIX 1

### ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. Simple: the tax rules should aim to be simple, understandable and clear in their objectives.
4. Easy to collect and to calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. Constant: Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see http://www.icaew.com/-/media/corporate/files/technical/tax/tax-news/taxguides/taxguide-0499.ashx).

© ICAEW 2018