Tolley® Exam Training

ATT & CTA

FA UPDATE SUMMARY

FA 2019

2020 Sittings

May and November

CONTENTS

INTRODUCTION

If you are sitting the examinations in 2020 you will primarily be examined on UK tax law as it stands up to and including Finance Act 2019.

This update has been prepared to highlight the key changes within the various ATT and CTA examination paper syllabuses as a result of Finance Act 2019.

You can identify whether a topic is relevant for the paper(s) you are sitting by reviewing the grids included before the details for each topic as follows:

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
			√					√							√	

The ATT and CTA Tax Tables for the 2020 examinations are included in this document and should be reviewed to identify the relevant changes in rates, reliefs and allowances.

ATT EXAMINATIONS
2020
TAX TABLES

INCOME TAX

	2019/20
Rates (Note 1)	%
Starting rate for savings income only	0
Basic rate for non-savings and savings income only	20
Higher rate for non-savings and savings income only	40
Additional and trust rate for non-savings and savings income only	45
Dividend ordinary rate	7.5
Dividend upper rate	32.5
Dividend additional rate and trust rate for dividends	38.1

Thresholds	£
Savings income starting rate band	1 – 5,000
Basic rate band	1 – 37,500
Higher rate band	37,501 – 150,000
Dividend Allowance	2,000
Personal Savings Allowance	
- Taxpayer with basic rate income	1,000
- Taxpayer with higher rate income	500
- Taxpayer with additional rate income	Nil
Standard rate band for trusts	1,000

Scottish Tax Rates and Thresholds (Note 2)

£	%
1 – 2,049	19
2,050 – 12,444	20
12,445 – 30,930	21
30,931 – 150,000	41
150,000 +	46

Reliefs	£
Personal allowance (Note 3)	12,500
Married couple's allowance (Note 4)	8,915
– Maximum income before abatement of relief - £1 for £2	29,600
– Minimum allowance	3,450
Transferable tax allowance for married couples and civil partners (Note 5)	1,250
Blind person's allowance	2,450
Enterprise investment scheme relief limit (Relief at 30%) (Note 6)	1,000,000
Venture capital trust relief limit (Relief at 30%)	200,000
Seed enterprise investment scheme relief limit (Relief at 50%)	100,000
Social investment relief limit (Relief at 30%)	1,000,000

Notes
(1) Welsh taxpayers pay Welsh income tax on non-savings income from 6 April 2019. For 2019/20, Welsh taxpayers pay income tax using the same rates and thresholds as other UK (but not-Scottish) taxpayers.
(2) Scottish taxpayers pay Scottish income tax on non-savings income.
(3) The personal allowance of an individual with adjusted net income above £100,000 is reduced by £1 for every £2 of adjusted net income above the £100,000 limit.
(4) Only available where at least one partner was born before 6 April 1935. Relief restricted to 10%.
(5) The recipient must not be liable to tax above the basic rate. The recipient is eligible for a tax reduction of 20% of the transferred amount.
(6) The limit is £2 million, where over £1 million is invested in knowledge-intensive companies.

ATT EXAMINATIONS
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TAX TABLES

ISA limits

	Maximum subscription
	£
'Adult' ISAs	20,000
Junior ISAs	4,368

Pension contributions

Basic amount qualifying for tax relief £3,600

	Annual allowance (Note)	Lifetime allowance	Minimum pension age
	£	£	
2019/20	40,000	1,055,000	55

Note The annual allowance is tapered by £1 for every £2 of adjusted income above £150,000 for individuals with threshold income above £110,000. It cannot be reduced below £10,000.

ITEPA mileage rates

Vehicles

Car or van (Note)	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Note For NIC purposes, a rate of 45p applies irrespective of mileage.

Company cars and fuel – 2019/20

Emissions	**Car benefit %** (Note)	
0 – 50g/km	16%	
51 – 75g/km	19%	
76 – 94g/km	22%	
95g/km or more	23%	+ 1% for every additional whole 5g/km above 95g/km
165g/km or more	37%	

Fuel benefit base figure £24,100

Note 4% supplement for diesel cars, excluding those that meet the Real Driving Emissions Step 2 (RDE2) standard.

Taxable benefits for vans – 2019/20	**£**
Van benefit – No CO_2 emissions	2,058
Van benefit – CO_2 emissions > 0g/km	3,430
Fuel benefit	655

Childcare

Employer supported childcare – basic rate taxpayer (Note) £55 per week

Note For schemes joined on or after 6 April 2011 the exempt childcare amounts for higher and additional rate taxpayers (based on the employer's earning assessment only) are £28 and £25 respectively.

2019/20 Official rate of interest 2.5%

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STUDENT AND POSTGRADUATE LOAN RECOVERY

Student Loans
Plan 1 (loan taken out pre 1.9.12 or at any time if taken out in Scotland)

Employee earnings threshold at which repayment begins is £1,577 per month.

Plan 2 (loan taken out in England and Wales on/after 1.9.12)

Employee earnings threshold at which repayment begins is £2,143 per month.

Rate of deductions is 9% of earnings above the threshold rounded down to the nearest whole pound.

Postgraduate Loans
Employee earnings threshold at which repayment begins is £1,750 per month.

Rate of deductions is 6% of earnings above the threshold rounded down to the nearest whole pound.

STATUTORY SICK PAY

		Weekly rate
Year to 5 April 2020		**£**
Average weekly gross earnings	£118.00 or more	94.25

STATUTORY MATERNITY PAY

Period	First 6 weeks	Remaining weeks
From 6 April 2019	90% average weekly earnings	Lower of 90% of weekly earnings & £148.68

QUALIFYING CARE RELIEF

	Flat rate	Placement < 11	Placement ≥ 11
Year to 5 April 2020	£10,000 per year	£200 per week	£250 per week

CHILD BENEFIT

Year to 5 April 2020

Rates	Weekly rate
First child	£20.70
Each subsequent child	£13.70

Child benefit charge	Withdrawal rate
Adjusted net income >£50,000	1% of benefit per £100 of income between £50,000 and £60,000
Adjusted net income >£60,000	Full child benefit amount assessable in that tax year

HARMONISED INTEREST REGIME – HMRC INTEREST RATES

Late payment	3.25%
Underpaid corporation tax instalments	1.75%
Repayment	0.5%

ATT EXAMINATIONS
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TAX TABLES

NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits	**2019/20**		
	Annual	**Monthly**	**Weekly**
Lower earnings limit (LEL)	£6,136	£512	£118
Primary threshold (PT)	£8,632	£719	£166
Secondary threshold (ST)	£8,632	£719	£166
Upper earnings limit (UEL)	£50,000	£4,167	£962
Upper secondary threshold for U21 (UST) (Note 1)	£50,000	£4,167	£962
Apprentice upper secondary threshold for U25 (AUST) (Note 2)	£50,000	£4,167	£962

	2019/20
Employment allowance	
Per year, per employer	£3,000
Class 1 primary contribution rates	
Earnings between PT and UEL (Note 3)	12%
Earnings above UEL	2%
Class 1 secondary contribution rates	
Earnings above ST (Notes 1 & 2)	13.8%
Other contribution limits and rates	
Class 1A contributions	13.8%
Class 1B contributions	13.8%
Class 2 contributions	
Normal rate	£3.00 pw
Small profits threshold	£6,365 pa
Class 3 contributions	£15.00 pw
Class 4 contributions	
Annual lower profits limit (LPL)	£8,632
Annual upper profits limit (UPL)	£50,000
Percentage rate between LPL and UPL	9%
Percentage rate above UPL	2%

Notes (1) The rate of secondary NICs for employees under the age of 21 on earnings between the ST and UST is 0%.
(2) The rate of secondary NICs for apprentices under the age of 25 on earnings between the ST and AUST is 0%.
(3) The married women's reduced rate payable with a valid reduced rate election is 5.85%

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SIMPLIFICATION MEASURES

'Rent-a-room' limit	£7,500
Property allowance/Trading allowance	£1,000

FLAT RATE EXPENSES FOR UNINCORPORATED BUSINESSES

Motoring expenses	First 10,000 business miles		45p per mile
	Additional business mile		25p per mile
Business use of home	25 – 50 hours use		£10 per month
	51 – 100 hours use		£18 per month
	101+ hours use		£26 per month
Private use of business premises	No of persons living there:	1	£350 per month
		2	£500 per month
		3+	£650 per month

CASH BASIS

Turnover threshold to join scheme	£150,000
Turnover threshold to leave scheme	£300,000

CAPITAL ALLOWANCES

Annual investment allowance for plant and machinery (AIA) (Note 1)	100%
WDA on plant and machinery in main pool (Note 2)	18%
WDA on plant and machinery in special rate pool (Notes 3 & 4)	6%
WDA on structures and buildings allowance (SBA) (Note 5)	2%

Notes
(1) 100% on the first £1,000,000 of investment in plant and machinery (except cars) from 1 January 2019 to 31 December 2020 (£200,000 prior to 31 December 2018 and from 1 January 2021).
(2) The main pool rate applies to cars with CO_2 emissions of not more than 110 g/km.
(3) The special pool rate applies to cars with CO_2 emissions greater than 110 g/km.
(4) The special pool rate was 8% prior to 6 April 2019 (1 April 2019 for companies).
(5) The SBA rate of 2% applies to expenditure from 29 October 2018 on new qualifying non-residential structures and buildings on a straight-line basis.

First year allowances available to all businesses

1) New energy-saving plant and machinery and water efficient plant and machinery (until April 2020).
2) Capital expenditure incurred by a person on research and development.
3) New zero-emission goods vehicles (until April 2021).
4) New cars registered before 31 March 2021 if the car either emits not more than 50 g/km of CO_2 or it is electrically propelled.
5) Electric vehicle charging points expenditure incurred from 23 November 2016 until April 2023.

CORPORATION TAX

Financial year	**2019**	**2018**
Patent box	10%	10%
Main rate	19%	19%

Research and development expenditure

SMEs (Note)	230%
Large companies - RDEC	12%

Note Small and medium sized enterprises (SMEs) must have < 500 employees and *either* turnover ≤ €100m or assets ≤ €86m.

ATT EXAMINATIONS
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TAX TABLES

VALUE ADDED TAX

Standard rate	20%
VAT fraction	1/6

Limits	**From 1.4.19**
Annual registration limit	£85,000
De-registration limit	£83,000

Thresholds	**Cash accounting**	**Annual accounting**
Turnover threshold to join scheme	£1,350,000	£1,350,000
Turnover threshold to leave scheme	£1,600,000	£1,600,000

INHERITANCE TAX

Death rate	40% (Note)	**Lifetime rate**	20%

Note A lower rate of IHT of 36% applies where 10% of more of the deceased person's net chargeable estate is left to charity.

Nil rate bands

6 April 1996 – 5 April 1997	£200,000	6 April 2003 – 5 April 2004	£255,000
6 April 1997 – 5 April 1998	£215,000	6 April 2004 – 5 April 2005	£263,000
6 April 1998 – 5 April 1999	£223,000	6 April 2005 – 5 April 2006	£275,000
6 April 1999 – 5 April 2000	£231,000	6 April 2006 – 5 April 2007	£285,000
6 April 2000 – 5 April 2001	£234,000	6 April 2007 – 5 April 2008	£300,000
6 April 2001 – 5 April 2002	£242,000	6 April 2008 – 5 April 2009	£312,000
6 April 2002 – 5 April 2003	£250,000	6 April 2009 – 5 April 2021	£325,000

Residence nil rate bands (Note)

6 April 2017 – 5 April 2018	£100,000	6 April 2019 – 5 April 2020	£150,000
6 April 2018 – 5 April 2019	£125,000	6 April 2020 – 5 April 2021	£175,000

Note An additional nil rate band is available where a main residence is passed on death to a direct descendant. Tapered withdrawal for estates > £2 million.

Taper relief	
Death within 3 years of gift	Nil%
Between 3 and 4 years	20%
Between 4 and 5 years	40%
Between 5 and 6 years	60%
Between 6 and 7 years	80%

Quick succession relief	
Period between transfers less than one year	100%
Between 1 and 2 years	80%
Between 2 and 3 years	60%
Between 3 and 4 years	40%
Between 4 and 5 years	20%

Lifetime exemptions		
Annual exemption		£3,000
Small gifts		£250
Wedding gifts	– Child	£5,000
	– Grandchild or remoter issue or other party to marriage	£2,500
	– Other	£1,000

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CAPITAL GAINS TAX

	2019/20
Annual exempt amount	£12,000

CGT rates for individuals (Notes 1 & 2)

Gains qualifying for entrepreneurs' relief	10%
Gains falling within remaining basic rate band (Notes 3 & 4)	10%
Gains exceeding basic rate band (Note 5)	20%

CGT rates for trusts & individuals paying the remittance basis charge

Gains qualifying for entrepreneurs' relief/investors' relief	10%
Other gains (Note 5)	20%

CGT Rate for PRs

All gains (Note 5)	20%

Entrepreneurs' relief

Relevant gains (lifetime maximum)	£10 million

Notes
(1) For individuals, gains are taxed as if they are the top slice of income.
(2) Capital losses and the annual exempt amount may be offset in the most beneficial manner, ie against gains not qualifying for entrepreneurs' relief/investors' relief first.
(3) The remaining basic rate band is calculated as £37,500 (2019/20) less taxable income less any gains on which entrepreneurs' relief has been claimed. The remaining basic rate band can be allocated in the most beneficial manner.
(4) The rate is 18% if the gain is in respect of a residential property
(5) The rate is 28% if the gain is in respect of a residential property

Lease percentage table

Years	Percentage	Years	Percentage	Years	Percentage
50 or more	100.000	33	90.280	16	64.116
49	99.657	32	89.354	15	61.617
48	99.289	31	88.371	14	58.971
47	98.902	30	87.330	13	56.167
46	98.490	29	86.226	12	53.191
45	98.059	28	85.053	11	50.038
44	97.595	27	83.816	10	46.695
43	97.107	26	82.496	9	43.154
42	96.593	25	81.100	8	39.399
41	96.041	24	79.622	7	35.414
40	95.457	23	78.055	6	31.195
39	94.842	22	76.399	5	26.722
38	94.189	21	74.635	4	21.983
37	93.497	20	72.770	3	16.959
36	92.761	19	70.791	2	11.629
35	91.981	18	68.697	1	5.983
34	91.156	17	66.470	0	0.000

ATT EXAMINATIONS
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TAX TABLES

Retail Prices Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1982	–	–	79.44	81.04	81.62	81.85	81.88	81.90	81.85	82.26	82.66	82.51
1983	82.61	82.97	83.12	84.28	84.64	84.84	85.30	85.68	86.06	86.36	86.67	86.89
1984	86.84	87.20	87.48	88.64	88.97	89.20	89.10	89.94	90.11	90.67	90.95	90.87
1985	91.20	91.94	92.80	94.78	95.21	95.41	95.23	95.49	95.44	95.59	95.92	96.05
1986	96.25	96.60	96.73	97.67	97.85	97.79	97.52	97.82	98.30	98.45	99.29	99.62
1987	100.0	100.4	100.6	101.8	101.9	101.9	101.8	102.1	102.4	102.9	103.4	103.3
1988	103.3	103.7	104.1	105.8	106.2	106.6	106.7	107.9	108.4	109.5	110.0	110.3
1989	111.0	111.8	112.3	114.3	115.0	115.4	115.5	115.8	116.6	117.5	118.5	118.8
1990	119.5	120.2	121.4	125.1	126.2	126.7	126.8	128.1	129.3	130.3	130.0	129.9
1991	130.2	130.9	131.4	133.1	133.5	134.1	133.8	134.1	134.6	135.1	135.6	135.7
1992	135.6	136.3	136.7	138.8	139.3	139.3	138.8	138.9	139.4	139.9	139.7	139.2
1993	137.9	138.8	139.3	140.6	141.1	141.0	140.7	141.3	141.9	141.8	141.6	141.9
1994	141.3	142.1	142.5	144.2	144.7	144.7	144.0	144.7	145.0	145.2	145.3	146.0
1995	146.0	146.9	147.5	149.0	149.6	149.8	149.1	149.9	150.6	149.8	149.8	150.7
1996	150.2	150.9	151.5	152.6	152.9	153.0	152.4	153.1	153.8	153.8	153.9	154.4
1997	154.4	155.0	155.4	156.3	156.9	157.5	157.5	158.5	159.3	159.5	159.6	160.0
1998	159.5	160.3	160.8	162.6	163.5	163.4	163.0	163.7	164.4	164.5	164.4	164.4
1999	163.4	163.7	164.1	165.2	165.6	165.6	165.1	165.5	166.2	166.5	166.7	167.3
2000	166.6	167.5	168.4	170.1	170.7	171.1	170.5	170.5	171.7	171.6	172.1	172.2
2001	171.1	172.0	172.2	173.1	174.2	174.4	173.3	174.0	174.6	174.3	173.6	173.4
2002	173.3	173.8	174.5	175.7	176.2	176.2	175.9	176.4	177.6	177.9	178.2	178.5
2003	178.4	179.3	179.9	181.2	181.5	181.3	181.3	181.6	182.5	182.6	182.7	183.5
2004	183.1	183.8	184.6	185.7	186.5	186.8	186.8	187.4	188.1	188.6	189.0	189.9
2005	188.9	189.6	190.5	191.6	192.0	192.2	192.2	192.6	193.1	193.3	193.6	194.1
2006	193.4	194.2	195.0	196.5	197.7	198.5	198.5	199.2	200.1	200.4	201.1	202.7
2007	201.6	203.1	204.4	205.4	206.2	207.3	206.1	207.3	208.0	208.9	209.7	210.9
2008	209.8	211.4	212.1	214.0	215.1	216.8	216.5	217.2	218.4	217.7	216.0	212.9
2009	210.1	211.4	211.3	211.5	212.8	213.4	213.4	214.4	215.3	216.0	216.6	218.0
2010	217.9	219.2	220.7	222.8	223.6	224.1	223.6	224.5	225.3	225.8	226.8	228.4
2011	229.0	231.3	232.5	234.4	235.2	235.2	234.7	236.1	237.9	238.0	238.5	239.4
2012	238.0	239.9	240.8	242.5	242.4	241.8	242.1	243.0	244.2	245.6	245.6	246.8
2013	245.8	247.6	248.7	249.5	250.0	249.7	249.7	251.0	251.9	251.9	252.1	253.4
2014	252.6	254.2	254.8	255.7	255.9	256.3	256.0	257.0	257.6	257.7	257.1	257.5
2015	255.4	256.7	257.1	258.0	258.5	258.9	258.6	259.8	259.6	259.5	259.8	260.6
2016	258.8	260.0	261.1	261.4	262.1	263.1	263.4	264.4	264.9	264.8	265.5	267.1
2017	265.5	268.4	269.3	270.6	271.7	272.3	272.9	274.7	275.1	275.3	275.8	278.1

CTA EXAMINATIONS

2020

TAX TABLES

INCOME TAX - RATES AND THRESHOLDS

	2019/20	2018/19
Rates	%	%
Starting rate for savings income only	0	0
Basic rate for non-savings and savings income only	20	20
Higher rate for non-savings and savings income only	40	40
Additional and trust rate for non-savings and savings income	45	45
Dividend ordinary rate	7.5	7.5
Dividend upper rate	32.5	32.5
Dividend additional rate and trust rate for dividends	38.1	38.1
Thresholds	£	£
Savings income starting rate band	1 – 5,000	1 – 5,000
Basic rate band	1 – 37,500	1 – 34,500
Higher rate band	37,501 – 150,000	34,501– 150,000
Dividend allowance	2,000	2,000
Personal Savings Allowance		
- Taxpayer with basic rate income	1,000	1,000
- Taxpayer with higher rate income	500	500
- Taxpayer with additional rate income	Nil	Nil
Standard rate band for trusts	1,000	1,000
Scottish Tax Rates(1)	%	%
Starter rate	19	19
Scottish basic rate	20	20
Intermediate rate	21	21
Higher rate	41	41
Top rate	46	46
Scottish Tax Thresholds(1)	£	£
Starter rate	1 – 2,049	1 – 2,000
Scottish basic rate	2,050 – 12,444	2,001 – 12,150
Intermediate rate	12,445 – 30,930	12,151 – 31,580
Higher rate	30,931 – 150,000	31,581 – 150,000
Top rate	150,000 +	150,000 +

INCOME TAX - RELIEFS

	2019/20	2018/19
	£	£
Personal allowance(2)	12,500	11,850
Married couple's allowance(3)	8,915	8,695
- Maximum income before abatement of relief - £1 for £2	29,600	28,900
- Minimum allowance	3,450	3,360
Transferable Tax allowance for married couples and civil partners(4)	1,250	1,190
Blind person's allowance	2,450	2,390
Enterprise investment scheme relief limit(5)	1,000,000	1,000,000
Venture capital trust relief limit	200,000	200,000
Seed enterprise investment scheme relief limit	100,000	100,000
Social investment relief	1,000,000	1,000,000

Notes (1) Scottish taxpayers pay Scottish income tax on non-savings income.
(2) The personal allowance of any individual with adjusted net income above £100,000 is reduced by £1 for every £2 of adjusted net income above the £100,000 limit.
(3) Only available where at least one partner was born before 6 April 1935. Relief restricted to 10%.
(4) The recipient must not be liable to tax above the basic rate. The recipient is eligible for a tax reduction of 20% of the transferred amount.
(5) From 6.4.18, the limit is £2 million, where over £1 million is invested in knowledge intensive companies.

CTA EXAMINATIONS

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TAX TABLES

ISA limits	**2019/20**	**2018/19**
Maximum subscription:	£	£
'Adult' ISAs	20,000	20,000
Junior ISAs	4,368	4,260

Pension contributions

	Annual allowance[(1)]	**Lifetime allowance**	**Minimum pension age**
	£	£	
2018/19	40,000	1,030,000	55
2019/20	40,000	1,055,000	55

Basic amount qualifying for tax relief £3,600

Notes (1) The annual allowance is tapered by £1 for every £2 of adjusted income above £150,000 for individuals with threshold income above £110,000. It cannot be reduced below £10,000.

Employer Supported Childcare

Exemption – basic rate taxpayer[(1)]	£55 per week	£55 per week

Notes (1) For schemes joined on or after 6 April 2011 the exempt childcare amounts for higher and additional rate taxpayers (based on the employer's earning assessment only) are £28 and £25 respectively.

ITEPA mileage rates

Car or van[(1)]	First 10,000 business miles	45p
	Additional business miles	25p
Motorcycles		24p
Bicycles		20p
Passenger payments		5p

Notes (1) For NIC purposes, a rate of 45p applies irrespective of mileage.

INCOME TAX - CHARGES

Child benefit charge	**Withdrawal rate**
Adjusted net income >£50,000	1% of benefit per £100 of income between £50,000 and £60,000
Adjusted net income >£60,000	Full child benefit amount assessable in that tax year

INCOME TAX - BENEFITS

Car benefits

Emissions	**2019/20[(1)]**	**2018/19[(1)]**
0 – 50 g/km	16%	13%
51 – 75 g/km	19%	16%
76 – 94 g/km	22%	19%
95 g/km or more	23% + 1% for every additional whole 5g/km above threshold	20% + 1% for every additional whole 5g/km above threshold
165 g/km or more	37%	
180g/km or more		37%

Fuel benefit base figure	**2019/20**	**2018/19**
	£24,100	£23,400

Notes (1) 4% supplement for diesel cars excluding those that meet the Real Driving Emissions Step 2 (RDE2) standard.

CTA EXAMINATIONS

2020

TAX TABLES

Van benefits	**2019/20**	**2018/19**
	£	£
No CO_2 emissions	2,058	1,340
CO_2 emissions > 0g/km	3,430	3,350
Fuel benefit for vans	655	633

	2019/20	**2018/19**
Official rate of interest	2.5%	2.5%

INCOME TAX - SIMPLIFICATION MEASURES

Allowances

	2019/20	**2018/19**
	£	£
'Rent-a-room' limit	7,500	7,500
Property allowance/Trading allowance	1,000	1,000

Flat Rate Expenses for Unincorporated Businesses

Motoring expenses	First 10,000 business miles		45p per mile
	Additional business miles		25p per mile
Business use of home	25 – 50 hours use		£10 per month
	51 – 100 hours use		£18 per month
	101+ hours use		£26 per month
Private use of business premises	No of persons living there:	1	£350 per month
		2	£500 per month
		3+	£650 per month

Cash Basis for Unincorporated Businesses	£
Turnover threshold to join scheme	150,000
Turnover threshold to leave scheme	300,000

CAPITAL ALLOWANCES

Annual investment allowance for plant and machinery (AIA)(1)	100%
WDA on plant and machinery in main pool(2)	18%
WDA on plant and machinery in special rate pool(3)(4)	6%
WDA on patent rights and know-how	25%
WDA on structures and buildings (SBA) (5)	2%

Notes (1) On first £1,000,000 of investment in plant & machinery (not cars) from 1 January 2019 to 31 December 2020 (£200,000 before 31 December 2018 & from 1 January 2021).

(2) The main pool rate applies to cars with CO_2 emissions of not more than 110 g/km (130 g/km for expenditure incurred before 1 April 2018).

(3) The special pool rate applies to cars with CO_2 emissions greater than 110 g/km (130 g/km for expenditure incurred before 1 April 2018).

(4) The special pool rate was 8% prior to 6 April 2019 (1 April 2019 for companies).

(5) The 2% rate applies to expenditure from 29 October 2018 on new qualifying non-residential structures and buildings on a straight-line basis.

100% First year allowances available to all businesses

1) New energy saving plant and machinery, and water efficient plant and machinery (until April 2020).
2) Capital expenditure incurred by a person on research and development.
3) New zero-emission goods vehicles (until April 2021).
4) New cars registered before 31 March 2021 if the car either emits not more than 50 g/km of CO_2 (75g/km before 1 April 2018) or it is electrically propelled.
5) Electric vehicle charging points expenditure incurred from 23 November 2016 until April 2023.

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TAX TABLES

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NATIONAL INSURANCE CONTRIBUTIONS

Class 1 limits	**2019/20**			**2018/19**		
	Annual	**Monthly**	**Weekly**	**Annual**	**Monthly**	**Weekly**
	£	£	£	£	£	£
Lower earnings limit (LEL)	6,136	512	118	6,032	503	116
Primary threshold (PT)/ Secondary threshold (ST)	8,632	719	166	8,424	702	162
Upper earnings limit (UEL)/ Upper secondary threshold for under 21 (UST)(1)/ Apprentice upper secondary threshold for under 25 (AUST)(2)	50,000	4,167	962	46,350	3,863	892

	2019/20	2018/19
Class 1 primary contribution rates		
Earnings between PT and UEL	12%	12%
Earnings above UEL	2%	2%
Class 1 secondary contribution rates		
Earnings above ST (1)(2)	13.8%	13.8%

Notes (1) Rate of secondary NICs for employees < age 21 on earnings between ST&UST is 0%.
(2) Rate of secondary NICs for apprentices < age 25 on earnings between ST&AUST is 0%.

	2019/20	**2018/19**
Employment allowance		
Per year, per employer	£3,000	£3,000
Class 1A contributions	13.8%	13.8%
Class 1B contributions	13.8%	13.8%
Class 2 contributions		
Normal rate	£3.00 pw	£2.95 pw
Small profits threshold	£6,365 pa	£6,205 pa
Class 3 contributions	£15.00 pw	£14.65 pw
Class 4 contributions		
Annual lower profits limit (LPL)	£8,632	£8,424
Annual upper profits limit (UPL)	£50,000	£46,350
Percentage rate between LPL and UPL	9%	9%
Percentage rate above UPL	2%	2%

OTHER PAYROLL INFORMATION

Statutory maternity/adoption pay First 6 weeks @ 90% of AWE
Next 33 weeks @ the lower of £148.68 and 90% of AWE

Statutory shared parental pay /paternity pay For each qualifying week, the lower of 90% of AWE and £148.68

Student Loan Plan 1: 9% of earnings exceeding £1,577 per month
Plan 2: 9% of earnings exceeding £2,143 per month

Postgraduate Loan 6% of earnings exceeding £1,750 per month

National living/minimum wage (April 2019 onwards)

Category of Worker	**Rate per hour**	**Category of Worker**	**Rate per hour**
Workers aged 25 and over	£8.21	18–20 year olds	£6.15
21–24 year olds	£7.70	16–17 year olds	£4.35
		Apprentices	£3.90

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CAPITAL GAINS TAX

	2019/20	2018/19
Annual exempt amount for individuals	£12,000	£11,700

CGT rates for individuals, trusts and estates

Gains qualifying for entrepreneurs' relief/investors' relief	10%	10%
Gains for individuals falling within remaining basic rate band(1)	10%	10%
Gains for individuals exceeding basic rate band and gains for trusts and estates(2)	20%	20%

Notes (1) The rate is 18% if the gain is in respect of a residential property
(2) The rate is 28% if the gain is in respect of a residential property

Entrepreneurs' relief and Investors' relief(1)	**2019/20**	**2018/19**
Relevant gains (lifetime maximum)	£10 million	£10 million

Notes (1) The first claims for investors' relief can be made in 2019/20.

Retail Prices Index

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1982	–	–	79.44	81.04	81.62	81.85	81.88	81.90	81.85	82.26	82.66	82.51
1983	82.61	82.97	83.12	84.28	84.64	84.84	85.30	85.68	86.06	86.36	86.67	86.89
1984	86.84	87.20	87.48	88.64	88.97	89.20	89.10	89.94	90.11	90.67	90.95	90.87
1985	91.20	91.94	92.80	94.78	95.21	95.41	95.23	95.49	95.44	95.59	95.92	96.05
1986	96.25	96.60	96.73	97.67	97.85	97.79	97.52	97.82	98.30	98.45	99.29	99.62
1987	100.0	100.4	100.6	101.8	101.9	101.9	101.8	102.1	102.4	102.9	103.4	103.3
1988	103.3	103.7	104.1	105.8	106.2	106.6	106.7	107.9	108.4	109.5	110.0	110.3
1989	111.0	111.8	112.3	114.3	115.0	115.4	115.5	115.8	116.6	117.5	118.5	118.8
1990	119.5	120.2	121.4	125.1	126.2	126.7	126.8	128.1	129.3	130.3	130.0	129.9
1991	130.2	130.9	131.4	133.1	133.5	134.1	133.8	134.1	134.6	135.1	135.6	135.7
1992	135.6	136.3	136.7	138.8	139.3	139.3	138.8	138.9	139.4	139.9	139.7	139.2
1993	137.9	138.8	139.3	140.6	141.1	141.0	140.7	141.3	141.9	141.8	141.6	141.9
1994	141.3	142.1	142.5	144.2	144.7	144.7	144.0	144.7	145.0	145.2	145.3	146.0
1995	146.0	146.9	147.5	149.0	149.6	149.8	149.1	149.9	150.6	149.8	149.8	150.7
1996	150.2	150.9	151.5	152.6	152.9	153.0	152.4	153.1	153.8	153.8	153.9	154.4
1997	154.4	155.0	155.4	156.3	156.9	157.5	157.5	158.5	159.3	159.5	159.6	160.0
1998	159.5	160.3	160.8	162.6	163.5	163.4	163.0	163.7	164.4	164.5	164.4	164.4
1999	163.4	163.7	164.1	165.2	165.6	165.6	165.1	165.5	166.2	166.5	166.7	167.3
2000	166.6	167.5	168.4	170.1	170.7	171.1	170.5	170.5	171.7	171.6	172.1	172.2
2001	171.1	172.0	172.2	173.1	174.2	174.4	173.3	174.0	174.6	174.3	173.6	173.4
2002	173.3	173.8	174.5	175.7	176.2	176.2	175.9	176.4	177.6	177.9	178.2	178.5
2003	178.4	179.3	179.9	181.2	181.5	181.3	181.3	181.6	182.5	182.6	182.7	183.5
2004	183.1	183.8	184.6	185.7	186.5	186.8	186.8	187.4	188.1	188.6	189.0	189.9
2005	188.9	189.6	190.5	191.6	192.0	192.2	192.2	192.6	193.1	193.3	193.6	194.1
2006	193.4	194.2	195.0	196.5	197.7	198.5	198.5	199.2	200.1	200.4	201.1	202.7
2007	201.6	203.1	204.4	205.4	206.2	207.3	206.1	207.3	208.0	208.9	209.7	210.9
2008	209.8	211.4	212.1	214.0	215.1	216.8	216.5	217.2	218.4	217.7	216.0	212.9
2009	210.1	211.4	211.3	211.5	212.8	213.4	213.4	214.4	215.3	216.0	216.6	218.0
2010	217.9	219.2	220.7	222.8	223.6	224.1	223.6	224.5	225.3	225.8	226.8	228.4
2011	229.0	231.3	232.5	234.4	235.2	235.2	234.7	236.1	237.9	238.0	238.5	239.4
2012	238.0	239.9	240.8	242.5	242.4	241.8	242.1	243.0	244.2	245.6	245.6	246.8
2013	245.8	247.6	248.7	249.5	250.0	249.7	249.7	251.0	251.9	251.9	252.1	253.4
2014	252.6	254.2	254.8	255.7	255.9	256.3	256.0	257.0	257.6	257.7	257.1	257.5
2015	255.4	256.7	257.1	258.0	258.5	258.9	258.6	259.8	259.6	259.5	259.8	260.6
2016	258.8	260.0	261.1	261.4	262.1	263.1	263.4	264.4	264.9	264.8	265.5	267.1
2017	265.5	268.4	269.3	270.6	271.7	272.3	272.9	274.7	275.1	275.3	275.8	278.1

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Lease percentage table

Years	Percentage	Years	Percentage	Years	Percentage	Years	Percentage
50+	100.000	37	93.497	24	79.622	11	50.038
49	99.657	36	92.761	23	78.055	10	46.695
48	99.289	35	91.981	22	76.399	9	43.154
47	98.902	34	91.156	21	74.635	8	39.399
46	98.490	33	90.280	20	72.770	7	35.414
45	98.059	32	89.354	19	70.791	6	31.195
44	97.595	31	88.371	18	68.697	5	26.722
43	97.107	30	87.330	17	66.470	4	21.983
42	96.593	29	86.226	16	64.116	3	16.959
41	96.041	28	85.053	15	61.617	2	11.629
40	95.457	27	83.816	14	58.971	1	5.983
39	94.842	26	82.496	13	56.167	0	0.000
38	94.189	25	81.100	12	53.191		

CORPORATION TAX

Financial year	**2019**	**2018**	**2017**
Main rate	19%	19%	19%

EU definition of small and medium sized enterprises	Small (2)	Medium (2)	Extended definition for R&D expenditure
Employees(1)	< 50	< 250	<500
Turnover(1)	≤ €10m	≤ €50m	≤ €100m
Balance sheet assets(1)	≤ €10m	≤ €43m	≤ €86m

Notes (1) Must meet employees criteria and either turnover or balance sheet assets criteria.
(2) Thresholds apply for transfer pricing and distributions received by small companies.

VALUE ADDED TAX

	Standard rate	**VAT fraction**
From 4.1.11	20%	1/6

Limits	**From 1.4.19**	**From 1.4.18**
Annual registration limit	£85,000	£85,000
De-registration limit	£83,000	£83,000

Thresholds	**Cash accounting**	**Annual accounting**
Turnover threshold to join scheme	£1,350,000	£1,350,000
Turnover threshold to leave scheme	£1,600,000	£1,600,000

OTHER INDIRECT TAXES

	2019/20	**2018/19**
Insurance premium tax(1)		
Standard rate	12%	12%
Higher rate	20%	20%

Tobacco products duty	**From 29.10.18**	**Until 28.10.18**
Cigarettes	16.5% x retail price + £228.29 (or £293.95 (2)) per thousand cigarettes	16.5% x retail price + £217.23 (or £280.15 (2)) per thousand cigarettes
Cigars	£284.76 per kg	£270.96 per kg
Hand-rolling tobacco	£234.65 per kg	£221.18 per kg
Other smoking/chewing tobacco	£125.20 per kg	£119.13 per kg
Tobacco for heating from 1 July 2019	£234.65 per kg	N/A

Notes (1) Premium is tax inclusive (3/28 for 12% rate and 1/6 for 20% rate).
(2) The £293.95/£280.15 per thousand cigarettes is a minimum excise duty (if higher than the first calculation).

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TAX TABLES

INHERITANCE TAX

Death rate	40%[1]	**Lifetime rate**	20%

Notes (1) 36% rate applies where 10% or more of the deceased person's net chargeable estate is left to charity.

Nil rate bands

6 April 1996 – 5 April 1997	£200,000	6 April 2003 – 5 April 2004	£255,000
6 April 1997 – 5 April 1998	£215,000	6 April 2004 – 5 April 2005	£263,000
6 April 1998 – 5 April 1999	£223,000	6 April 2005 – 5 April 2006	£275,000
6 April 1999 – 5 April 2000	£231,000	6 April 2006 – 5 April 2007	£285,000
6 April 2000 – 5 April 2001	£234,000	6 April 2007 – 5 April 2008	£300,000
6 April 2001 – 5 April 2002	£242,000	6 April 2008 – 5 April 2009	£312,000
6 April 2002 – 5 April 2003	£250,000	6 April 2009 – 5 April 2021	£325,000

Residence nil rate bands[2]

6 April 2017 – 5 April 2018	£100,000	6 April 2019 – 5 April 2020	£150,000
6 April 2018 – 5 April 2019	£125,000	6 April 2020 – 5 April 2021	£175,000

Notes (2) An additional nil rate band is available where a main residence is passed on death to a direct descendant. Tapered withdrawal for estates > £2million.

Taper relief		
Death within 3 years of gift		Nil%
Between 3 and 4 years		20%
Between 4 and 5 years		40%
Between 5 and 6 years		60%
Between 6 and 7 years		80%
Quick Succession relief		
Period between transfers less than one year		100%
Between 1 and 2 years		80%
Between 2 and 3 years		60%
Between 3 and 4 years		40%
Between 4 and 5 years		20%
Lifetime exemptions		
Annual exemption		£3,000
Small gifts		£250
Wedding gifts	Child	£5,000
	Grandchild or remoter issue or other party to marriage	£2,500
	Other	£1,000

ANNUAL TAX ON ENVELOPED DWELLINGS (ATED)

Residential property value	**From 1.4.19**	**From 1.4.18**
>£0.5m - ≤ 1m	£3,650	£3,600
> £1m - ≤ 2m	£7,400	£7,250
> £2m – ≤ 5m	£24,800	£24,250
> £5m – ≤ 10m	£57,900	£56,550
> £10m – ≤ 20m	£116,100	£113,400
> £20m	£232,350	£226,950

STAMP DUTY/SDRT

Stamp duty[1]	- On shares transferred by physical stock transfer form	0.5%
Stamp duty reserve tax[1]	- On agreements to transfer shares[2]	0.5%
	- On shares transferred to depositary receipt schemes	1.5%

Notes (1) Does not apply to UK securities traded on a recognised growth market (eg AIM).
(2) Does not apply to units in UK unit trust schemes or shares in UK OEICS bought from fund managers.

CTA EXAMINATIONS

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TAX TABLES

STAMP DUTY LAND TAX

Stamp Duty Land Tax on purchase price / lease premium / transfer value – England & NI

Basic Rate %(1)(2)(3)	Higher Rate %(1)(2)	Residential(1)(2)(3)	Non-Residential
0	3	£0 - £125,000	£0 - £150,000
2	5	£125,001 - £250,000	£150,001 - £250,000
5	8	£250,001 - £925,000	£250,001 +
10	13	£925,001 - £1,500,000	N/A
12	15	£1,500,001 +	N/A

Notes (1) The basic rates are increased by 3% where the purchase is of an additional residential property for individuals (see column 2 for the rates that apply). Companies and trusts pay the additional 3% on all purchases of residential properties, subject to note 2 below.

(2) Companies pay 15% on purchases of residential property valued > £500,000.

(3) First-time buyers purchasing a single dwelling as their only or main residence on or after 22.11.17 may benefit from a reduced rate. (This includes qualifying shared ownership properties.) SDLT will not be due on properties up to £300,000. For homes up to £500,000, SDLT will be payable on £200,000 at 5%. Homes bought for more than £500,000 will incur the rates as per column 1 of the table above.

New leases – Stamp Duty Land Tax on lease rentals – England & NI

Rate (%)	Net present value of rent	
	Residential	**Non-residential**
Zero	Up to £125,000	Up to £150,000
1%	Excess over £125,000	£150,001-£5m
2%		Over £5m

Land and Buildings Transaction Tax (LBTT) on purchase price – Scotland

Basic Rate %(1)(2)(3)	Residential	Rate %(1)(4)	Non-Residential
0	up to £145,000	0	£0 - £150,000
2	£145,001 - £250,000	1	£150,001 - £250,000
5	£250,001 - £325,000	5	£250,001 +
10	£325,001 - £750,000		
12	£750,001 +		

Notes (1) Rates are charged on the portion of consideration that falls in each band. The same tax is payable for a premium granted for a land transaction, except for residential leases which are generally exempt. Special rules apply to a premium for non-residential property where the rent exceeds £1,000 a year.

(2) An additional amount of tax equal to 4% (for effective dates on or after 25 January 2019) of the relevant consideration applies broadly to purchases of an additional dwelling by individuals and trusts (over which the beneficiary has substantial rights) and to purchases of a dwelling by certain businesses, companies and other trusts. Where the effective date is on or after 25 January 2019 but the contract was entered into prior to 12 December 2018, the 3% (prior) rate will apply.

(3) For contracts entered into after 8 February 2018, where the effective date of the transaction is on or after 30 June 2018, there is a relief for first-time buyers where a 0% rate is applied to the first £175,000 of the purchase consideration.

(4) These rates apply where the effective date is on or after 25 January 2019. Prior to this date the 0% band was the same, £150,001-£350,000 was 3%, £350,001+ was 4.5%.

New leases – Land and Buildings Transaction Tax (LBTT) on lease rentals - Scotland

Rate (%)	Net present value of rent(1)
	Non-residential
Zero	Up to £150,000
1%	£150,001+

Note (1) Residential leases are generally exempt

CHAPTER 1

PERSONAL INCOME TAX

1.1. Welsh Taxpayers

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
√		√														

Welsh taxpayers pay **Welsh rates of income tax** in respect of their non-savings income. ITA 2007, s.11B

The Wales Act 2014 gives the Welsh Government the power to set Welsh rates of income tax. The normal income tax rates are reduced by 10% for Welsh taxpayers, who will also pay the additional Welsh income tax. The Welsh Government does not have the power to alter or create new tax bands for Welsh taxpayers. It cannot amend the level of the personal allowance for Welsh taxpayers and cannot create or remove income tax reliefs.

The Welsh rate of income tax is **10%** for 2019/20, which means that Welsh taxpayers will pay the **same rates** of income tax as other non-Scottish taxpayers.

The computation for a Welsh taxpayer will be exactly the same as for any other non-Scottish taxpayer.

1.2. Gift Aid – The Limit on Donor Benefits

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
												√				

The amended limits on donor's benefits are as follows:

i. Where the gift is £100 or less, the maximum value of any benefit received is limited to 25% of the amount of the gift;
ii. Where the gift exceeds £100, the maximum benefit is £25 plus 5% of the amount of the gift in excess of £100.

In addition, there is an overall maximum value of £2,500. ITA 2007, s.418

1.3. Discovery Assessments – Time Limits

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
√											√	√	√			

Where the loss of tax involves an offshore matter or an offshore transfer, the time limit for making a discovery assessment is extended to 12 years from the end of the tax year to which the assessment relates (unless the 20 year limit applies). TMA 1970, s.36A

1.4. Tax Exempt Benefits

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
√		√							√		√	√		√		

The provision of charging facilities for an employee's own car at or near the workplace is an exempt benefit. ITEPA 2003, s.237A

1.5. Optional Remuneration Arrangements - Cars

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
														√		

When assessing the **amount of salary foregone** for a car which forms part of an optional remuneration arrangement, **amounts given up for benefits "connected" to the car** (which would not attract a separate benefits charge) eg insurance or servicing must be included. ITEPA 2003, 120A

In any tax year where the car is not provided for the full year, when deducting the capital contribution from the relevant amount, it will be scaled down appropriately. ITEPA 2003, s.132A

1.6. Postgraduate Loans

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
		√												√		

A **postgraduate loan repayment plan** applies to English and Welsh students who took out a postgraduate master's loan on or after 1 August 2016 or a postgraduate doctoral loan on or after 1 August 2018.

Repayments are due where earnings **exceed £21,000 per tax year** (£1,750 per month/£404 per week). The deduction is calculated as **6%** of the earnings **in excess of the limit**, rounded down to the nearest whole £.

CHAPTER 2

CAPITAL GAINS TAX

2.1 Entrepreneurs' Relief – Definition of a Personal Company

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
√	√		√	√					√	√	√	√	√			

The definition of a personal company is now a company where the shareholder owns **at least 5% of the ordinary share capital** and by virtue of that holding is able to **exercise at least 5% of the voting rights**. In addition, the shareholder must **either** be entitled to **at least 5% of the distributable profits** available to equity holders and **5% of the assets available on a winding up**, **and/or** be entitled to **at least 5% of the proceeds of a disposal of the whole of the ordinary share capital** of the company. TCGA 1992, s.169S(3)

2.2 Entrepreneurs' Relief – Period for which conditions must be met

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
√	√		√	√					√	√	√	√	√			

The **length of time** prior to disposal that various conditions need to be met in order to qualify for entrepreneurs' relief has **increased from 1 year to 2 years**. For example, in order for there to be a material disposal of business assets on the disposal of a business, the business must have been owned by the taxpayer **for at least 2 years** prior to the disposal.

2.3 Entrepreneurs' Relief – Relief following Incorporation

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
			√							√	√					

Where shares are disposed of following an incorporation, when considering whether the conditions for entrepreneurs' relief have been met for the required two years prior to the sale of the shares, it is possible to **'look through'** the incorporation and **include the period during which the business was owned by the individual**, provided the shares were issued wholly or partly in exchange for the transfer of a business as a going concern. The conditions are treated as having been met in any period during which the individual owned the business. So, provided the business and the shares in the personal company have been owned for a combined period of two years and the individual works for the company, entrepreneurs' relief will be available. TCGA 1992, s.169I(7ZA; 7ZB)

2.4 Entrepreneurs' Relief – Company ceases to be a Personal Company

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
√	√		√						√		√	√	√			

From 6 April 2019**, relief is available for gains made before an individual's shareholding is 'diluted'** to less than 5%.

An irrevocable election can be made for a **deemed disposal and reacquisition of the shares immediately before the dilution**. The election will result in a **notional gain in respect of which a claim for entrepreneurs' relief can be made**.

The election must be made by the **first anniversary of 31 January following the tax year in which the notional disposal is made**.

The amount of the deemed sale proceeds is the **value of the shares on the assumption that all of the share capital of the company had been disposed of at market value** prior to the new share issue. This value will become the base cost of the actual shares going forward. TCGA 1992, s.169SC

In order for an election to be possible, the company must cease to be the individual's personal company as a result of **an issue of shares wholly for cash**, where the shares are **subscribed for and issued for commercial reasons**.

The shares must not be issued to secure a tax advantage for any person.

In addition, **all the conditions for a disposal of shares to qualify for entrepreneurs' relief must be met immediately before the share issue.**

A further election can also be made **within 4 years of the end of the tax year of the notional disposal** for the notional gain to be **deferred** until the actual shares are sold. The individual must have been an employee for the 2 years prior to the date the notional gain becomes chargeable in order to claim entrepreneurs' relief on the deferred gain. TCGA 1992, s.169SD; s.169SG

2.5 Offset of Capital Losses

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
√	√			√					√	√	√	√	√			

When a capital loss is carried forward (or back) the annual exempt amount is deducted before relief is given for the loss.

2.6 Direct and Indirect Disposals of Interests in UK Land by Non-Residents

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
√									√			√	√	√		

Direct Disposals

From 6 April 2019, **disposals of interests in all UK land** (which includes buildings) by non-UK residents (including non-UK resident trusts) are subject to UK CGT.

Where an interest in land which is not a residential property is sold, **only the part of the gain arising after 6 April 2019 is chargeable**.

Where the asset was acquired before 6 April 2019, the gain is calculated using the **default method** ie the chargeable gain or allowable loss is the **difference between the sale proceeds and the value at 5 April 2019**. Alternatively, the individual can elect for the **retrospective method** which calculates the gain or loss by deducting the original cost from the sale proceeds. In this case the whole of the gain is chargeable.

Indirect Disposals

From 6 April 2019, a non-UK resident (including a non-UK resident trust) is chargeable to UK CGT on the **disposal of shares in a company** whose **interests in UK land**, at the date of disposal, make up **at least 75% of its gross assets**. TCGA 1992, s.1A(3)(c)

The gain on the disposal will only be chargeable to UK CGT if the non-resident owns **at least 25% of the company** at any point in the two years prior to the disposal. If the 25% ownership was only for an insignificant period the gain will not be chargeable. TCGA 1992, Sch 1A, para 8

In addition, if at the time of the disposal **at least 90% of the land** owned by the company is used for **a qualifying trading purpose**, the gain on the disposal will not be chargeable (or loss allowable). TCGA 1992, Sch 1A, para 5

Only the gain since 6 April 2019 is chargeable. The **default method** of calculation applies unless the individual elects for the **retrospective method.** If the retrospective method is used, any **capital loss arising is not allowable**.

Returns and Payment in respect of Disposals of UK Land

All disposals (direct or indirect) by non-UK residents of UK land must be disclosed on a **specific return** (return for disposals of UK land) within **30 days of the date of "completion"** of the disposal. FA 2019, Sch 2, para 3(1)

There is an exception to the requirement to file a return if the disposal has already been reported on a self-assessment return or the deadline for the self-assessment return is before the deadline for the return reporting the disposal.

As well as submitting a return, the individual must also make a **payment on account** of the tax due in respect of the disposal within 30 days of completion, being a best estimate of the CGT due at that time.

There is no requirement to make a payment on account in respect of a disposal in 2019/20 if a notice to file a self assessment return has been issued for 2018/19 or 2019/20.

The requirement for a payment on account is **extended to UK resident individuals** in respect of gains on disposals of UK residential property on or after 6 April 2020. FA 2019, Sch 2 paras 1, 6, 7

CHAPTER 3

INHERITANCE TAX AND TRUSTS

3.1 Trusts – Exit Charge Payment Plans

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
													√			

Where a trust is emigrating to an EU member state, trustees liable for emigration charges under s.80 TCGA 1992 can claim to defer payment by entering a CGT "exit charge payment plan" (ECPP).

The ECPP allows for the CGT to be paid in six equal instalments with the first payment being due on the normal 31 January due date. Interest will accrue on the outstanding balance and will be added to each instalment.

The trustees are free to pay any outstanding balance, with interest, before the end of the ECPP period.

CHAPTER 4

BUSINESS TAX

4.1 Long Funding Leases

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
															√	

Where a lease is entered into on or after 1 January 2019, it is a long funding lease if it lasts more than 7 years.

4.2 Capital Allowances – First Year Allowances

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
	√		√					√		√	√				√	

Expenditure on designated energy saving plant and machinery and designated environmentally beneficial plant and machinery incurred from 6 April 2020 (1 April 2020 for corporation tax) no longer qualifies for a 100% FYA**.** FA 2019, s.33

4.3 Capital Allowances – The Annual Investment Allowance

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
	√		√					√		√	√				√	

From 1 January 2019 the AIA limit is £1,000,000. It is expected to revert to £200,000 from 1 January 2021.

If a business has an accounting period which **straddles 1 January 2019** the maximum AIA for the period must be calculated by **time apportioning the 'old' and the 'new' limits** using the number of months in the accounting period before and after 1 January 2019. (In practice, the AIA limit is calculated to the nearest day.)

The maximum AIA available to set against expenditure incurred before 1 January 2019 is capped at what the AIA would have been for the whole of the accounting period if the increase in the AIA limit had not taken place on 1 January 2019.

The maximum AIA for expenditure incurred from 1 January 2019 is the maximum amount calculated for the whole period less the AIA claimed for expenditure incurred prior to 1 January 2019.

Where an accounting period straddles 1 January 2021 the maximum AIA for the accounting period will be calculated by **time apportioning** the relevant **AIA limit using the number of months in the accounting period before and after 1 January 2021**.

There will be no further restriction when calculating the AIA available to set against expenditure incurred before 1 January 2021. However, the maximum expenditure incurred after 1 January 2021 which will be eligible for the AIA will be restricted to the time apportioned AIA for the part of the accounting period which falls after 1 January 2021. If this amount of AIA was utilised in respect of expenditure incurred prior to 1 January 2021, then no further relief is available.

4.4 Capital Allowances – Special Rate Pool Writing Down Allowance

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
	√		√					√		√	√				√	

The rate of WDA is 6% from 6 April 2019 (1 April 2019 for corporation tax purposes).

Where an accounting period straddles the change in the rate, a hybrid rate is calculated for the period by time apportioning the 8% and 6% rates using the number of months before and after the date of change. The hybrid rate is rounded up to 2 decimal places.

4.5 Structures and Buildings Allowance

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
	√		√					√		√	√				√	

A Structures and Buildings Allowance (SBA) of **2% per annum of qualifying expenditure** can be claimed in respect of a building (or structure) that is used for the purposes of a business, where **construction begins on or after 29 October 2018**. Relief is not available for residential buildings. CAA 2001, s.270AA

The SBA can be claimed when the building or structure is first brought into use and is **proportionately increased or reduced** for long or short accounting periods. CAA 2001, s.270EA

There is **no balancing adjustment** if a building in respect of which an SBA has been claimed is disposed of. A new owner can claim an SBA of 2% of the original qualifying expenditure, over the remainder of the original 50 year period.

The SBA for the periods of disposal and acquisition will be time-apportioned.

Qualifying expenditure is generally **the capital expenditure incurred on the construction** of the building (or structure). The costs of acquiring the land (including Stamp Duty Land Tax and other fees) and obtaining planning permission do not qualify for relief. However, any costs of land preparation necessary for construction and demolition costs are eligible. CAA 2001, ss.270BG and 270BK

If an existing property is renovated or converted, this expenditure is treated as new construction expenditure and will also qualify for an SBA for 50 years from the date the expenditure is incurred. This rule also applies where the original building was brought into use before 29 October 2018. CAA 2001, s.270BJ

If **a building which has not been used is purchased from a developer**, it is the **purchase price** which is eligible for the SBA. The amount of the price will need to be split between the land and the actual building — only the price relating to the building will be eligible for the SBA. CAA 2001, s.270BD

In addition, if **a building which has not been used is purchased from someone other than a developer** (such as another business), then **the lower of the price paid for the building (excluding land) or the qualifying construction costs** will qualify for relief. CAA 2001, ss.270BG and 270BC

The qualifying expenditure is adjusted at the beginning of a chargeable period in which an **additional VAT liability or rebate** occurs.

Expenditure which qualifies for the SBA is **not qualifying expenditure for the purposes of the AIA.**

Expenditure on integral features and fixtures which qualifies for plant and machinery capital allowances is not qualifying expenditure for the purposes of the SBA. CAA 2001, s.270BI

When a building (or structure) in respect of which an SBA has been claimed is disposed of, **the consideration for the disposal is increased by the total amount of SBAs claimed** when calculating the gain (or loss) for Capital Gains Tax purposes. TCGA 1992, s.37B

4.6 Capital Allowances – Long Funding Leases

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
															√	

For periods of account starting on or after 1 January 2019, companies using FRS 101/IFRS are required to **adopt IFRS 16 which changes the accounting treatment of leases**. IFRS 16 removes the distinction between finance leases and operating leases for a lessee (but not a lessor) and seeks to align the accounting presentation of leased assets more closely to owned assets. Going forward, under IFRS 16 a lessee will recognise all leases on its balance sheet leading to a financial lease liability and a right of use (ROU) asset. (other than leases that are short term or of low value).

Changes in FA 2019 mean that the previous tax treatment will be maintained.

Where leases are accounted for under IFRS 16, all ROU assets are regarded as long funding finance leases. CAA 2001, s.70YI(1)

CHAPTER 5

CORPORATION TAX

5.1 Loan Relationships – Qualifying Link

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
			√													

A loan relationship with an **unconnected company** (ie an external loan) must be accounted for under the **amortised cost basis** if there is a **qualifying link** to one or more loan relationships between connected companies. There is a qualifying link if the capital raised by the external loan is wholly or mainly used to fund loan relationships between connected companies. CTA 2009, s.352B

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
															√	

Where:

- a company has a connected party loan relationship which is accounted for under s.349 CTA 2009 at amortised cost;
- the company is party to another, external loan relationship in respect of which s.349 CTA 2009 does not apply;
- the external relationship is a debtor relationship accounted for under fair value accounting; and
- the external relationship has a qualifying link with one or more of the company's loan relationships,

the **debits and credits** to be brought into account (from 1 January 2019) in respect of the **external loan** are to be calculated on an **amortised cost basis**. CTA 2009, s.352B

There is a **qualifying link** between the external loan relationship and one or more of the company's other loan relationships if the latter is or are valued at amortised cost under s.349 CTA 2009 and the money received by the company under the external loan relationship is wholly or mainly used to lend money to the connected company or companies.

5.2 Trading Losses – Deductions Allowance

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
			√					√							√	

With effect from 1 April 2019, a company cannot be allocated a share of the deductions allowance from a group of which it is an ultimate parent if it is also a member of another group. CTA 2010, s.269ZV

5.3 First Year Tax Credits

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
			√					√			√				√	

First Year Tax Credits in respect of losses attributable to enhanced capital allowances on designated energy-saving or environmentally-beneficial plant and machinery cannot be claimed in respect of expenditure incurred from 1 April 2020. FA 2019, s.33

5.4 Intangible Fixed Assets - Goodwill

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
			√					√			√				√	

From 1 April 2019, tax relief is available provided the relevant asset (essentially goodwill and other customer related intangible assets) **is acquired as part of the acquisition of a business** in which the company **also acquires qualifying intellectual property**.

The allowable deduction is **6.5% of cost per annum** (restricted for periods of less than 12 months), but the maximum cost on which the deduction is based is six times the value of the qualifying intellectual property acquired.

There is no provision for the company to alternatively claim a deduction based on the amount charged in the accounts. CTA 2009, s.879B

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
			√								√					

If goodwill is acquired by a company as a result of an incorporations on or after 1 April 2019, if the goodwill was acquired by the sole trader in a third party transaction involving the acquisition of the business either before 8 July 2015 or after 31 March 2019, relief is available at 6.5% per annum of the cost of the asset. CTA 2009, s.879K

5.5 Group Relief – Worldwide Groups

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
															√	

In order for one company to surrender losses to another for group relief, both the surrendering company and the claimant company must be "UK related".

A UK related company is defined as either a company which is resident in the UK or a non-resident company which is within the charge to UK corporation tax. CTA 2010, s.134

Losses may be transferred to **UK Permanent Establishments ("PE") of non-resident companies**, and by **non-resident companies carrying on a trade of dealing in or developing UK land** or (on or after 6 April 2020) **carrying on a UK property business**, by a fellow 75% UK subsidiary and vice versa. CTA 2010, s.107

5.6 Group Capital Gains – Rollover Relief

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
			√					√							√	

From 6 April 2019, gains made by non-resident group companies from disposals of UK land and buildings used for the purposes of a trade are also eligible for group rollover relief.

5.7 Group Gains – IFA Degrouping Charge

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
			√					√							√	

No degrouping charge will arise on any IFAs previously transferred intra-group if:

- the transferee **leaves the gains group within 6 years** of the tax-neutral transfer, still holding the IFA, and
- the **SSE applies, and**
- the transferee company **leaves the group on or after 7 November 2018**.

The cost on which amortisation is calculated remains at the original cost rather than the market value of the asset at the date of transfer. CTA 2009, s.782A

5.8 Non-Resident Companies – Disposals of Interests in UK Land

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
			√					√							√	

From 6 April 2019 non-resident companies are charged to corporation tax on gains from disposals of interests in UK land and buildings. TCGA 1992, Sch 2 para 2B(4). Generally it will only be the gain accruing from 6 April 2019 that is taxable.

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
															√	

Non-resident companies are also charged to corporation tax on gains on assets which **derive at least 75% of their value from UK land** in which the company has a **substantial indirect interest** (at least 25%).

An asset will derive at least 75% of its gross value from UK land where the asset consists of a right or an interest in a company (eg shares in a company) and, at the time of disposal, at least **75% of the total market value of the company's qualifying assets** derives **directly or indirectly** from interests in **UK land**. TCGA 1992, Sch.1A, para 3

The 75% UK land requirement is deemed **not to be met** where all of the UK land owned by a company is **used for the purposes of a qualifying trade** carried on by the company (such as Hotels or Care Homes).

5.9 Non-Resident Companies – UK Property Businesses

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
															√	

With effect **from 6 April 2020**, a non-UK resident company which carries on **a UK property business** or has other UK property income comes within the charge to **corporation tax** (and the charge to UK income tax that applies until that time ceases to apply). Where a company's accounting period straddles that date, its profits are time-apportioned around 5 April 2020 and are computed and charged to income tax and corporation tax as appropriate. FA 2019, Sch.5, para 36

The affected company is **not required to give notice of chargeability** to corporation tax for an accounting period if its liability to corporation tax is fully offset by **income tax deducted from its rental profits** (ie under the non-resident landlord scheme) **and** it has **no chargeable gains** for that period. Otherwise the company will have to register for corporation tax with HMRC. FA 2019, Sch.5, para 6

An affected company that leaves the income tax regime and comes within the corporation tax regime on 6 April 2020 does **not have to pay** its corporation tax in instalments under the **QIP regime** for the **accounting period that begins on that day**. FA 2019, Sch.5, para 48

5.10 Non-Resident Companies – Trading through a UK Permanent Establishment

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
															√	

The exclusion from the definition of a PE in respect of preparatory or auxiliary activities is not available where a non-resident company artificially fragments its operations to take advantage of the exclusion.

From 1 January 2019, **activities** are treated as being part of a **fragmented business operation** if they: CTA 2010, s.1143(2A), (2B)

- are **carried on by the company** or a person closely related to the company (ie a person under the control of the company) in a way that would otherwise **not create a PE as part of a cohesive business operation**, either at the same place or at different places in the UK;
- constitute **complementary functions** that are part of a cohesive business operation; and
- together are **more than ancillary** to the company's trade and would give rise to a PE if they were performed in a single company.

5.11 Non-Resident Companies – Offshore Receipts in respect of Intangible Property

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
															√	

With effect from 2019/20, a non-UK resident company is within the charge to income tax in respect of certain receipts derived from intangible property to the extent to which those receipts are attributable to the sale of goods or services in the UK, provided an exemption does not apply.

The charge arises in respect of 'UK-derived amounts' that arise in a tax year to a company that is (at any time in the tax year) both not resident in the UK and not resident in a country with which the UK has a double tax agreement that contains a non-discrimination provision. Hence it is very much an anti-haven measure. ITTOIA 2005, ss.608A–608C & 608E

The charge to income tax does not arise in the following cases:

a. Where the total value of the company's (or a connected person's) UK sales in a tax year does not exceed £10 million. ITTOIA 2005, s.608J

b. On a claim being made for the exemption, where all or substantially all of the activity that generates the UK-derived amount takes place in the territory in which the company is resident. ITTOIA 2005, s.608K

c. Where the foreign tax suffered in relation to UK-derived amounts is at least 50% of the UK income tax that would have arisen. Only local tax suffered in the territory where the company is resident is considered. ITTOIA 2005, s.608L

5.12 Migration of a Company

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
															√	

Capital Gains and Intangible Fixed Assets

For companies ceasing to be UK resident on or after 1 January 2020, the deferral provisions in s.187 TCGA 1992 and ss.860-862 CTA 2009 have been repealed. Consequently there will be exit charges on foreign assets.

Exit Charge Payment Plans (ECPP)

For accounting periods ending on or after 1 January 2020, a single payment method is available so that the tax deferred under an ECPP is payable in six equal instalments, the first of which is due nine months and one day after the end of the accounting period in which the migration took place, and the remaining five on the same date in each of the following five years. TMA 1970, Sch 3ZB, para 11

5.13 Controlled Foreign Companies

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
															√	

Control

For accounting periods of CFCs beginning on or after 1 January 2019, a company is also controlled by a UK resident company if the UK resident company, whether alone or together with associated enterprises, directly or indirectly has **more than a 50% investment** in it. TIOPA 2010, s.371RG

A person is an **associated enterprise** if it directly or indirectly has a 25% investment in the UK company (or vice versa) or if another person directly or indirectly has a 25% investment in both it and the UK company.

Finance Company Exemption

In order to make a claim the non-trading finance profits must arise from **qualifying loan relationships**. For CFC accounting periods beginning on or after 1 January 2019, only profits of qualifying loan relationships that are derived from UK capital investments (see s.371EC TIOPA 2010) and are not generated by UK activities (see s.371EB TIOPA 2010) are considered. TIOPA 2010, s.371IA

5.14 Diverted Profits Tax

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
															√	

Process for Imposing a Charge

Where a preliminary notice relates to a company that uses entities or transactions which lack economic substance, it must be **issued within six months** after the last day on which the company's tax return for the accounting period concerned could be amended.

Where there is an arrangement involving a non-UK company avoiding a UK taxable presence, the preliminary notice must be **issued within two years** of the end of the accounting period in question.

In both cases, the time limits are **extended to 4 years** where the company has failed to notify HMRC of its potential liability to DPT and HMRC believes that an amount of DPT that should have been charged has not been charged). FA 2015, s.93(6)

Review

A company subject to a charging notice by virtue of ss.80 or 81 FA 2015 may make an amendment to its corporation tax return during the first 12 months of the review period to bring into account the taxable diverted profits. Where a foreign company has been issued with a charging notice under s.86 FA 2015, the avoided PE may amend its corporation tax return during the first 12 months of the review period to bring into account the taxable diverted profits arising to the foreign company. FA 2015, ss.101A & 101B

5.15 Corporate Interest Restriction

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
															√	

Discussions with the CIOT about how the CIR will be examined led to the following guidance being issued and the FA 2019 material has been adapted to reflect what has been agreed as examinable.

1) Candidates will need a high level understanding of how NGIE, ANGIE, QNGIE and Group-EBITDA are derived. Based on this high level knowledge, candidates may need to come up with these figures using the information provided by the examiner. For example, if the examiner states that the group's earnings are a certain amount, the candidate will need to deduce the group-EBITDA amount. Similarly if the elements of NGIE/ANGIE/QNGIE are provided, the candidate will be expected to do simple calculations to derive those figures.

2) The period of account of a worldwide group and the accounting period of a UK member of a group will always coincide.

3) Candidates should have a detailed understanding of the CIR compliance regime including; the appointment of a reporting company, the contents of interest restriction returns (IRRs), the difference between an abbreviated and full IRR and the submission of IRR returns. Candidates should be able to use their legislation to determine other areas of compliance, for example, penalties applying on a late filing of an IRR.

4) Candidates need a detailed understanding of Rules 1 and 2 for calculating the brought forward Interest Allowance of a worldwide group. Candidates should be aware that there are detailed computational rules for Rules 3 to 5, although they will not be required to apply them.

5) Candidates should be aware that there are specialist rules within TIOPA 2010; the effect of group ratio (blended) election on group ratio percentage, public infrastructure and cases involving particular types of company or business. Candidates would not be expected to learn these rules but should have the ability to look them up if needed. Note that the public infrastructure rules are only examinable from the May 2020 sitting onwards.

6) The worldwide debt cap rules will not be examined however candidates should be aware that these have been replaced with the CIR rules and that the CIR rules have effect from 1 April 2017.

7) Candidates will not be examined on any of the transitional rules within Finance (No.2) Act 2017.

CHAPTER 6

VALUE ADDED TAX

6.1 Energy saving materials

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
					√	√										√

From **1 October 2019 certain types of energy-saving materials are no longer reduced-rated** and only supplies to qualifying customers will come within the scope of the reduced-rate.

6.2 Personal contract purchases

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
					√											√

[For ATT only the following is mentioned: Sch 9 Group 5 item 3 excludes personal contract purchases, which are now likely to be treated as a lease and all of the amount is liable to VAT.]

For CTA Indirect, extra detail is included as follows:

HMRC have revised the VAT treatment of supplies involving personal contract purchases relating to the purchase of a new car, following the CJEU decision in *Mercedes Benz Financial Services*. These contracts may now **be treated as single supplies of taxable leasing services, depending on the level of the final optional payment**. If the final balloon payment is set at or above the anticipated market value of the goods at the end of the contract then this will indicate that the parties have entered into a leasing contract, with VAT due on the value of each instalment. If the balloon payment is set at an amount below market value the contract is likely to be a supply of goods, with VAT due in full at the outset, and a separate exempt supply of credit finance. Businesses must adopt the correct treatment for all new contracts after 1 June 2019.

Revenue & Customs Brief 1/2019 contains the details and is in the Orange Part 1 Handbook starting on page 3,526 of the 2019/20 version.

6.3 Forfeited deposits

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
					√	√										√

The VAT treatment of forfeited deposits has changed:

• **Forfeited deposits prior to 1 March 2019** - these are **not viewed as consideration for a supply because they are a payment for damages**.

For example, a deposit for a hotel room that is not used is treated as compensation even though the payment would originally be advance consideration for the supply of the room and would be taxable if the customer had used the accommodation. However, if the booking is cancelled, the payment becomes compensation/ damages for breach of contract and is therefore **outside the scope of VAT.**

• **Forfeited deposits post 1 March 2019** - if VAT has been accounted for on an advance payment (deposit) received from a customer, **VAT cannot be reclaimed if the customer subsequently cancels the booking and the business retains the deposit**.

The output **VAT paid can only be reclaimed if the business refunds the advance payment to the customer**. There are transitional provisions in place and if a payment had been made before 1 March 2019 and the customer cancels before this date then the VAT accounted for can be reclaimed, even if the supply was due to take place after 1 March 2019. However, if the payment was taken before 1 March 2019 and the customer cancels after that date then the new VAT treatment will apply, and VAT already accounted for cannot be reclaimed. See Revenue and Customs Brief 13/2018 which is in the Orange Part 1 Handbook starting on page 3,525 of the 2019/20 version.

6.4 Advisory fuel rates

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
					√	√										√

HMRC have published details of the advisory fuel rates that can be used from 1 March 2019. They are contained in the tax tables at the front of the Orange Part 1 Handbook.

6.5 Making Tax Digital (MTD)

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
					√	√										√

HMRC have published Notice 700/22 which contains further details on the MTD provisions. This is contained in the Orange Part 1 Handbook starting on page 2,296 of the 2019/20 version.

6.6 Interest

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
					√											√

Interest can be charged on the late payment of penalties assessed under the DASVOIT rules.

6.7 MOSS

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
						√										√

From 1 January 2019 there is a £8,818 threshold before a business needs to register for MOSS.

6.8 Land and Buildings

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
					√	√										√

HMRC brief 6/18 has been added to clarify that any services provided by a management company to a landlord cannot be exempt from VAT as the exemption only covers supplies made directly to the tenant. This service charge assumes the same VAT liability as the premium or rent payable under the lease.

The Domestic Reverse Charge for certain building and construction services has been deferred until 2020. [Note this is not in the CTA AW Mod A syllabus.]

<u>The following cases have been added to CTA AT Indirect (not relevant for ATT or CTA AW)</u>:

Balhousie Holdings Ltd v HMRC

Balhousie (B) Ltd operates care homes. The Huntly care home had been zero rated when supplied to B Ltd. B Ltd had then entered into a sale and leaseback transaction and the issue was whether the sale had constituted the disposal of an 'entire interest' within VATA 1994, Sch 10 para 36(2), thus triggering VATA 1994, Sch 10 para 37(1), and creating a standard-rated self-supply in the hands of B Ltd. The Court of Session observed that 'residential property and care homes differ in two important respects from most other categories of zero-rated supply: the property acquired is normally of greater value, and it remains in existence for many years.

Those features give rise to a risk of abuse: a building originally constructed as residential property might be converted into commercial property relatively soon after construction.' The purpose of paragraphs 35-37 is to prevent such potential abuse.

Pointing to the 'transactional nature of VAT', the Court rejected the taxpayer's argument that the sale and leaseback should be treated as a single transaction. 'As a matter of substance, considered objectively, it is obvious that **the sale and leaseback are distinct transactions.** One is an outright transfer of land made for payment of a consideration; the other is the grant of the exclusive possession of land for a limited period, 30 years in this case, in exchange for a series of periodic payments.' Furthermore, the intention of B Ltd was irrelevant. The **sale, even though it was followed by a leaseback, was a disposal of an 'entire interest'** for the purpose of VATA 1994, Sch 10 para 36(2).

Mydibel

Mydibel (M) is a taxable business involved in the production of potato-based products. M owned a number of properties and it deducted all of the input tax incurred on construction, renovation and conversion work in respect of these properties. The company entered into a sale and leaseback of a property with two banks during 2009 in order to increase its liquidity. This transaction was treated as a financial services transaction and therefore exempt from VAT. The Belgian tax authorities considered that the sale and leaseback created a liability for M to repay some of the VAT previously recovered under the Belgian equivalent of the capital goods scheme. M considered that this was a separate financial services transaction and should have no impact on the previously deducted input tax as the property would be used for taxable business purposes before and after the transaction took place. The matter was referred to the CJEU for a preliminary ruling.

The **CJEU held that the property continued to be used in respect of M's taxable business activities and the input tax incurred on costs associated with the property also appeared to be used in respect of its taxable business activities.** The Court considered that the **sale and creation of a long-term leasehold interest cannot be considered as a change than needs consideration when determining the extent to which input tax can be recovered**. The financial transaction should not have the effect of breaking the close and direction relationship between the taxable use of the goods and services and the right to recover input tax.

The CJEU did note that the arrangements were implemented for purely financial purposes in order to increase the liquidity of the business and that it continued to have possession of the property. These facts indicated that this was **a single transaction under which there was a simultaneous sale and leaseback transaction.**

As a result, subject to verification by the referring court, if each transaction constituted a single transaction which cannot be classified as a supply of goods due to the fact that the right transferred to the banks following the sale and leaseback does not create a right for the banks to dispose of the property as if they were owners. Consequently, PVD, articles 187 and 188 do not impose a requirement for the business to adjust the VAT initially deducted in circumstances that are the subject of these proceedings. However, the Court stated that it was for the national courts to determine. The CJEU did, however, state that if the referring court determined that the transfer did in fact constitute a change in the criteria used to determine the amount of deductible VAT pursuant to article 185, or a supply for the purposes of article 188, then a requirement to adjust the amount of input VAT recovered on prior costs would be consistent with the principles of neutrality and equal treatment. The CJEU did however note that in those circumstances, from a VAT perspective, a taxable person would not be in a situation that is comparable to that of a taxable person who has owned a property continuously since the completion of the work which gave rise to the right to deduct input tax.

6.9 Imports

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
																√

HMRC latest guidance in Brief 2/19 has been added which clarifies imports by non-owners and that if title passes to the customer before the goods arrive in the UK, the customer should act as the importer of record as only this party can recover the import VAT incurred. If the supplier incurs the import VAT then they are not able to recover this as input tax.

6.10 Online Marketplaces and Fulfilment House Due Diligence Scheme (FHDDS)

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
																√

Online marketplaces are also required to undertake the following **checks on new sellers** that set up an account on their website in order to check and confirm that the seller is correctly registered for UK VAT. The online marketplace should check:

- the VAT registration number provided by the seller to confirm that it is valid and relates to that business
- the location of the seller
- the location of the goods supplied by the seller
- the seller or any person directing the seller has been removed from the website before if they previously refused to register for UK VAT
- how quickly the seller fulfils his UK orders and if this seems reasonable based on the stated location of the goods
- how the seller fulfils orders for UK customers

- if the online marketplace has any reason to suspect that the seller is involved in any dishonest conduct or is failing to adhere to the UK VAT registration requirements to ensure that the sellers are monitored when they start offering to sell goods via the website

If HMRC establishes that a marketplace is allowing online sellers to trade on their website where that seller has not fulfilled its UK VAT obligations, then HMRC can issue a **joint and several liability notice** to the online marketplace. The marketplace will have a specified period, normally 30 days, to stop that seller from selling any further goods to UK consumers on the marketplace.

Further information has been added on FHDDS. If the business suspects that its customer is not complying with the obligations set out in the notice provided then it must:

- tell HMRC within 30 days of finding out
- stop trading with that customer if they do not correct it within 60 days of finding out
- not start trading with a new customer

Businesses that are approved to trade as a fulfilment house must advise HMRC of any relevant changes within 30 days of the relevant date. If the business ceases to trade as a fulfilment house it must notify HMRC within 30 days of ceasing to trade.

6.11 International Services - insurance

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
																√

Under the rules in place before 1 March 2019, intermediary services supplied to a person outside of the EU were 'specified supplies', which enabled the business to recover input VAT regardless of where the final consumer of those supplies was located. This VAT treatment **enabled businesses to implement an off-shore VAT planning arrangement known as 'looping'** that involves UK insurers setting up associates in non-EU countries and using those associated businesses to supply services to their UK customers.

The Government announced in July 2018 that legislation would be introduced to prevent this VAT avoidance arrangement achieving its desired objective and that the Value Added Tax (Input Tax) (Specified Supplies) Order 1999, article 3 would be amended in order to restrict its application in certain circumstances in order to prevent avoidance.

The revised legislation **restricts the right of recovery of input VAT for insurance intermediaries and it will only be allowed where the final consumer of the insurance service they are arranging belongs outside of the UK.** This measure came into effect from 1 March 2019 and from this date, intermediary services made in respect of a principal supply which is made to a customer belonging in the UK is no longer specified, and therefore no longer has a right to recover associated input tax. [The Value Added Tax (Input Tax) (Specified Supplies) (Amendment) Order 2018, SI 2018/1328]

6.12 Missing trader intra-community fraud

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
																√

There is a reverse charge on trading in renewable energy certificates from 14 June 2019.

The CJEU held in the EN.SA case that where fictitious transactions had taken place, it was acceptable for the tax authorities to refuse to allow the input tax to be deducted, to impose a requirement to account for VAT on the supplies and to apply a penalty, providing that the action taken by the tax authorities was proportionate and they gave the taxpayer a right to make an adjustment where appropriate.

6.13 Zero rating: E-publications & transport in emergency ambulances

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
																√

The EU Commission proposal to tax e-publications at the same rate as printed versions has been approved by the Member States but the UK has not announced any intention to implement this.

In *Jigsaw Medical Services Limited*, the taxpayer tried to argue that transport provided in emergency ambulances should be treated as zero-rated passenger transport rather than exempt healthcare. The Upper Tribunal held that the supply was not zero-rated for VAT purposes. HMRC have issued Revenue & Customs Brief 3/19 which clarifies that HMRC has not changed its policy on the scope of the VAT zero rate for transport services following the Upper Tribunal decision in Jigsaw Medical Services Limited. Broadly, the position remains that **if a vehicle would seat 10 or more passengers, were it not for adaptations made to accommodate wheelchair users, the supply of passenger transport in such a vehicle is zero-rated**.

6.14 Exemptions: Relevant cases and HMRC practice

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
																√

SAE Education Ltd concerned whether a separate trading company that provided courses in association with Middlesex university could be treated as an eligible body for the purposes of the education exemption. The matter was referred to the Supreme Court who held that the following should be considered when determining if a company was a college or university for the purposes of applying the exemption:

any college of a university, as an eligible body, must provide education

- in order to be exempt from VAT, the education must be provided by bodies governed by public law or by other bodies recognised by the member state as having similar objectives
- nothing in VATA 1994, Sch 9, Group 6, Item 1, Note (1) or in the broader context justifies limiting the scope of the phrase 'any college of such a university' to colleges which are a constituent part of a university in a constitutional or structural sense

The characteristics of the educational services must be considered and the way they are delivered, rather than the precise nature of the constitutional and legal relationship between the body that provides the services and its university.

The Supreme Court also considered that the following questions would be useful in determining whether it is a college or university within the meaning of note 1(b) in the absence of any foundation, constitutional document or other legal relationship that establishes that the college is part of the university in a structural or constitutional sense:

- is it commonly understood that the body is a college of the university?
- is the body able to enrol people as students of the university?
- does the body provide courses that are approved by the university?
- is the body able to present its students for examination for a degree issued by the university?

The Supreme Court held that the First-tier Tribunal had sufficient grounds to justify its conclusion that **SAE's activities were integrated into those of the university and that it shared the same objectives as the university**. As a result, it was a college of the university and **could exempt its supplies of education**.

HMRC has also updated its policy in respect of pension fund management services provided by **regulated insurance companies**. Historically HMRC has accepted that these services are exempt from VAT. However, with effect from **1 April 2019**, pension fund management services provided by regulated insurance companies in connection with non-SIF pension funds will no longer be exempt from VAT.

6.15 Recovery of input tax: Relevant cases

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
																√

In *Praesto Consulting UK Ltd*, the Court of Appeal held that a company is **entitled to recover input tax on legal fees incurred in defending civil proceedings brought against its director by his former employer**. The Court concluded that whilst the company was not party to the proceedings it had a **vested interest in the claims brought by his former employee being dismissed.** As a result, there was a direct link between the legal costs and the taxable supplies made by Praesto. The Court held that the purpose of the legal fees was to limit any liability arising from the taxable activities of the business. In particular:

- the services were supplied to both the director and Praesto under a joint Retainer
- the proceedings were effectively being brought against both the director and Praesto and were intended to target the profits made by Praesto with the aim of putting it out of business
- there was an identifiable risk of a successful claim against Praesto by the former employer if breach of fiduciary duty by the director was established
- Praesto retained the law firm's services in order to avoid the risk of being held liable to the director's former employer which could have resulted in it being unable to continue to trade

However, in *Becker* the CJEU held that **input tax could not be recovered on legal fees invoiced to a company because the lawyers in that case were defending two company directors who had been charged in their personal capacity** with making illegal payments to secure a contract for the company.

6.16 VAT Groups: HMRC's latest position and case law

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
																√

HMRC has clarified its position on transfers in and out of VAT groups in relation to a TOGC.

If a business, or part of a business that is capable of separate operation, is **transferred between group members** then this can be treated as an on-going business activity provided that it is used to make supplies outside the group.

If a business that is included in a VAT group is **transferred outside of the group** then the normal TOGC provisions outlined above are applicable.

If a business is **transferred to a company in a VAT group**, the initial transfer of the business, or part of a business which is capable of separate operation, will be treated as a TOGC where:

- it intends to continue to use the transferred assets to operate the same kind of business
- will provide supplies of that business to other group members, and those other group members use or intend to use them to make supplies outside the group

This also remains the case if, after the initial transfer into the group, the business is transferred between group members, provided that ultimately the services provided by that company are made to a group member that makes or intends to make supplies outside the group. If the buyer uses the assets to make supplies directly outside the VAT group, this would also be treated as a TOGC.

Whether a TOGC has occurred will depend upon the facts of that particular case, but it is important to note that the assets transferred into a VAT group are used to make supplies outside the group and not merely consumed within the VAT group. In relation to HMRC's refusal to allow a VAT group it will refuse to allow certain companies to join a VAT group under its '**protection of the revenue**' powers where they believe that the essential aim or primary benefit from VAT grouping a particular company is to disregard supplies from **overseas establishments of that company** to other VAT group members. This applies whether that company is established in the UK or has a UK fixed establishment.

The following case has been added concerning holding companies:

W Resources plc (WR) was a holding company for a group of companies that are involved in mineral exploration and exploitation. WR incurred VAT in respect of two of its subsidiaries – Iberian Resources Portugal and Iberian Resources Spain, relating to obtaining funding to enable these two companies to conduct exploration activities, to obtain management services and have financial control over these subsidiaries. Part of the VAT incurred related to expenditure made before WR acquired these two subsidiaries and WR was intending to recharge these costs to the subsidiaries once they started to generate income. HMRC considered that this input tax could not be recovered because the recharge was conditional upon the subsidiaries starting to generate income. There was no direct link between the costs and an economic activity. HMRC cancelled WR's VAT registration and refused to reinstate the registration at a later date. The taxpayer appealed.

The First-tier Tribunal concluded the following:

WR was making supplies to its subsidiaries because it had entered into contractual arrangements in order to obtain the services for the benefit of the two subsidiaries. It also entered into a contract with the subsidiaries to make an onward supply of those services to the subsidiary.

The fact that the payment was contingent on the subsidiary generating income could break the link between the provision of services and consideration, WR had not made the supplies in question for consideration because WR's ability to issue an invoice was contingent upon the subsidiaries generating taxable income. One subsidiary, Iberian Resources Spain, eventually did start to generate taxable income of a certain level and this enabled WR to issue invoices for services supplied to that entity and therefore consideration was received in respect of supplies made to this subsidiary after this point. The other subsidiary had not generated income of a sufficient level, so no invoices had been issued to that entity.

That during the period before WR was able to issue invoices to Iberian Resources Spain, that it was not making supplies for consideration so there was not making supplies in the course of carrying on a business activity. This conclusion was in line with the decision reached in Norseman Gold.

The Tribunal allowed the appeal in part concluding the following:

WR was not making supplies for consideration to Iberian Resources Portugal as it had never issued an invoice or received consideration because that entity was not generating sufficient income. Supplies made to Iberian Resources Spain before it started to generate income was also not carrying on an economic activity.

Supplies to Iberian Resources Spain were treated as supplies in the furtherance of a business from the date the subsidiary started to generate income above a certain threshold. As a result, WR's VAT registration should not have been cancelled, as it was a taxable person from this date, and its application to voluntarily register for VAT should have been allowed .

WR was not entitled to recover input tax on any costs incurred before it started to issue invoices for consideration to Iberian Resources Spain. VAT incurred after this date was recoverable in respect of supplies made to Iberian Resources Spain. No input tax was recoverable on costs associated with supplies to Iberian Resources Portugal.

HMRC have issued updated guidance in Notice 700/2, para 7 regarding the application of the anti-avoidance provisions contained in s.43(2A).

A supply between a member of a VAT group ('the supplier') and another member of the group ('the UK member') is not disregarded if the following conditions are satisfied:

a. If there were no group, the supply would be a supply of services to which VATA 1994 s.7A(2)(a) applies, to a person belonging in the UK;
b. Those services are not exempt within VATA 1994, Sch 9;
c. The supplier has been supplied (whether or not by a person belonging in the UK) with any services where VATA 1994 s.7A(2)(a) applied to the supply, which are not within any of the descriptions specified in VATA 1994, Sch 9;

d. The supplier belonged outside the UK when it was supplied with the services in (c) above.
e. Those services have been used by the supplier for making the onward supply to the UK member.

For all the details see Notice 700/2.

6.17 Face value vouchers

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
																√

The EU Commission announced changes to the treatment of face value vouchers and all EU Member States were required to introduce the changes by 31 December 2018 at the latest. The UK has implemented the changes with effect from 1 January 2019.

The term '*voucher*' means an instrument where there is an obligation to accept it as consideration or part consideration for a supply of goods or services and where either the goods or services to be supplied or the identities of the potential suppliers are indicated on the instrument.

HMRC has published **VAT information sheet 09/18** which explains the changes in more detail. https://www.gov.uk/guidance/find-out-about-changes-to-vat-legislation-on-face-value-vouchers-vat-information-sheet-0918

CHAPTER 7

STAMP TAXES

7.1 Stamp Duty on Shares

ATT						CTA AW					CTA AD					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
						√									√	√

A statutory instrument was enacted in March 2019 allowing HMRC the **use of a machine to stamp documents.**

A **transfer of a hybrid capital instrument (in s475C CTA 2009) is exempt** from SD.

A **targeted market value rule was introduced for listed securities transferred to connected companies from 29 October 2018.** The purpose was to simplify stamp taxes on shares and prevent contrived arrangements being used to avoid tax. The tax is charged on the higher of the actual consideration and the market value of the securities.

There will be a consultation in November 2019 on introducing a **general connected party market value rule.**

7.2 Stamp Duty Reserve Tax

ATT						CTA AW					CTA AD					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
															APS paper only	

A **transfer of a hybrid capital instrument (in s475C CTA 2009) is exempt** from SDRT.

A **targeted market value rule was introduced for listed securities transferred to connected companies from 29 October 2018**. The purpose was to simplify stamp taxes on shares and prevent contrived arrangements being used to avoid tax. The tax is charged on the higher of the actual consideration and the market value of the securities.

There will be a consultation in November 2019 on introducing a **general connected party market value rule.**

7.3 Stamp Duty Land Tax

ATT						CTA AW					CTA AD					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
						√									√	√

A consultation was published in January 2019 **proposing a 1% surcharge for non-residents buying residential property.**

From 22 November 2017 first-time buyers that purchase their only or main residence benefit from a reduced rate. The relief now **also applies to first-time buyers who purchase a house through a 'shared ownership' scheme**. Those who choose to pay their SDLT in stages and those that pay it all in one go on the full market value benefit from the relief. In the former situation, the £300,000 limit applies to the first share purchased as well as rental payments.

The 15% higher rate of SDLT is charged on acquisitions of residential property where the consideration given exceeds £500,000 and the person or persons acquiring the property are certain types of non-natural persons. The case of **Sequence Care Group** has been added concerning the '**relievable trade' exclusion** in the legislation. **No relief was available from the 15% rate where a company had acquired a dwelling to convert to a care home**. However, the legislation was amended, and this would now fall within the purposes of a 'relievable trade'. This means a trade run on a commercial basis with a view to a profit. In this case, had the property been purchased on or after 1 April 2016, it would have qualified for relief.

The time limit for filing and paying SDLT has been reduced from 30 days to 14 days.

CHAPTER 8

INSURANCE PREMIUM TAX

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
																√

8.1 UK risks

The Kvaerner case has since been re-affirmed in the case of **A Ltd v Finland** (Case C-74/18), which concerned **cross border acquisitions of a company's shares**. In that case a UK company offered insurance in Finland. It offered **warranty and indemnity and tax liability insurance to pay out for the decreased value of shares in a company that had been purchased by another company**. This decrease might result from misrepresentations made by the seller. Finland did not tax insurance premiums in Finland where insurance was offered to a Finnish company that was acquiring a foreign company, as it said that the risk related to the foreign company. The CJEU disagreed and said that the **location of the risk is the member state of the policy holder's establishment to which the contract relates**. In this case it was the **loss incurred by the Finnish company that had bought the shares in the foreign company** that was being insured and the insurance did not relate to the operation of the foreign target company. **This case emphasises that you look at who is going to suffer the loss and it is their risk that is relevant.**

8.2 General administration

'Credit charges' (whether or not called 'interest') are not chargeable to IPT as part of the premium, as they do not fall within the definition of 'facilities for paying in instalments'. This is where the charge is made under a separate contract, eg one regulated by the Consumer Credit Act.

The **IPT1 application form for registration can be completed online**, except for partnerships, Lloyds' syndicates or where an agent is being used.

The **rate of interest for late payment has risen to 3.25%** from 3%.

CHAPTER 9

CUSTOMS & EXCISE DUITIES

ATT						CTA AW					CTA AT					
P1	P2	P3	P4	P5	P6	A	B	C	D	E	OMB	IND	IHTTE	HC	TOMC	Indirect
																√

9.1 General

Generally, throughout all chapters, references to CHIEF also now say 'CDS' as the new system is gradually replacing CHIEF

Under the 'Customs Declaration Service' (CDS), it will be a **fully digitised service so printed C88s and E2s will no longer be issued.** In addition, the C88 'boxes' will no longer exist, and the **declaration will consist of 'data sets'** instead. A trader will be able to log in and check their deferment statement. **C79s will be issued under a different process** under the CDS and traders will be able to download them from the system

AEO applications must now be submitted **online using forms C117 and C118.**

The UCC set a time limit of 31 December 2020 for all communications between operators and the Customs Authorities to be electronic but has had to **extend the period to 2022** for national electronic systems to be in place and 2025 for trans-European wide systems.

The **rate of interest for underpayments of Customs Duties has gone up to 3.25%** (from 3%).

The 'Right to Be Heard' (RTBH) is no longer available to applicants who have been asked to provide relevant information to the Customs authorities, but have failed to do so, resulting in the Customs authorities not being able to accept their application.

The new Tariff was published in Reg 1602/2018.

The UCC has introduced a **total relief for products sent for repair to a country with which the EU has concluded an international agreement** providing for such relief.

The definition of an exporter in Reg 2015/2446 has changed and has been made less restrictive.

Authorised consignors can benefit from the use of special seals.

9.2 Preferences

17 more GSP countries joined the Registered Exporter's Scheme (REX) from 1 January 2018 and 1 January 2019.

The EU concluded a preferential trade agreement with Japan from 1 February 2019.

9.3 Valuation

The Commission published a results document in July 2018 indicating that most respondents to its consultation on **the need for BVIs were in favour**. The Commission is exploring its next steps and will consult further with member states on the legal basis for establishing a BVI decisions system.

9.4 End Use

The 'airworthiness certificate' is now called the '**authorised release certificate'** and the **document is electronic** and parts for military aircraft are included from 2018.

9.5 International admin and the WCO

There are now **183 countries in the WCO**.

The Harmonized System Review Sub-Committee is now the **Harmonized System Revised Sub-Committee.**

9.6 Excise Duties

Most of the forms, for applying for an Excise Warehouse, can now be completed **online**.

<u>Alcoholic Liquor Duties</u>

The rates have been updated for new cider bands and there are increased rates on wine (the rates are not actually in the syllabus but are included for completeness).

The Commission proposal to amend directive 92/83/EEC gives member states until **31 December 2020 to adopt and publish required laws** and the measures are due to take effect from 1 January 2021.

There are now **five bands for cider** (previously there were three).

<u>Tobacco Product Duties</u>

Draft UK legislation concerning 'track and trace' and security features for cigarettes and hand-rolling tobacco was published in early 2019 and is currently being consulted on.

The rates have been updated and are contained on the tax tables.

Heated tobacco is brought within the scope of excise duties from 1 July 2019 at a rate of **£234.65 per kg.** This is contained on the tax tables.

<u>Registered Consignees</u>

The time limit for HMRC **processing an RC/RCI application has been changed to 45 working days** (from one calendar month - in accordance with their practice).