



UK Budget: shareholders of private companies

Insights into the new Government's potential Budget announcements as the Chancellor announces the date for the first Budget of the new Parliament.

Following the Conservative Party's General Election success, the Chancellor has confirmed that the next Budget will be held on Wednesday 11 March 2020.



Budget predictions

The Chancellor's announcement said little about tax but confirmed that the Budget would 'deliver on the Government's promises on tax, to help tackle the cost of living for hard-working people'. Statements made in the pre-election run-up as well as in the Conservative Party's 2019 Manifesto help to shed some light on the promises referred to here, and we have summarised some of the key points for Shareholders in this document.



Income tax & national insurance

The Manifesto has guaranteed to not increase the rates of income tax and national insurance contributions during the next Parliament.

Confirmation that the Seed Enterprise Investment Scheme and the Enterprise Investment Scheme will be continued.



Capital gains tax

The Manifesto states the Party will 'review and reform' Entrepreneurs' Relief stating that the tax measures 'haven't fully delivered on their objectives'.

Spotlight on Entrepreneurs' Relief

Entrepreneurs' Relief was brought in to stimulate and encourage entrepreneurial behaviour in the UK. If the conditions are met to qualify for Entrepreneurs' Relief a reduced rate of tax is payable of 10 percent on the gains made on shares up to £10 million. This is significantly lower than the tax rates paid on residential property (18 percent/28 percent) and other capital gains tax assets (10 percent/20 percent) resulting in a potentially significant tax saving.

Small changes to capital gains tax Entrepreneurs' Relief were made in the October 2018 Budget.

As we look ahead to the 11 March 2020 Budget it is anticipated that changes will be made to Entrepreneurs' Relief.

It is strongly advised that shareholders review their position and consider if action should be taken in advance of the anticipated changes.





Inheritance tax

No explicit comments on this matter were made in the Manifesto, however the Office of Tax Simplification reviews have made comments on the administration aspects of inheritance tax and recommendations to make the tax easier to understand and simpler to operate.



Corporate tax

The planned corporation tax reduction would be put 'on hold', following plans to reduce from 19 percent to 17 percent from 1 April 2020.

There were however a number of measures which are expected to result in tax cuts for companies:

- Increasing the structures and building allowance from two percent to three percent;
- Increasing the research and development (R&D) tax credit rate from 12 percent to 13 percent as well as conducting a review of the definition of R&D so that important investments in cloud computing and data which boost productivity and innovation, are also incentivised.



Stamp duty land tax

A commitment to introducing stamp duty surcharge on non-UK resident buyers.



VAT

The Manifesto has guaranteed to not increase the rates of VAT.



Next steps

A review of your tax strategy with the current and future tax regime in play should be considered, giving particular thought to the use of Entrepreneurs' Relief in its current form.

Looking forward there are no guarantees as to what will happen with Entrepreneurs' Relief. If you have any concerns with any of the proposed changes the KPMG Belfast team would be delighted to discuss with you further.

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