

Think Ahead

ACCA

# Taxation UK

## Syllabus Changes under FA 2019

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## Main Points

- The change of syllabus is minor.
- Most of the differences are actually to do with the rates and allowances applied.
- The transition to prepare for the June 2020 exams should be reasonably straightforward.

## Changes of Rates

Name of rates	Changes
Basic rate band	£34,500-£37,500
Car benefit percentage	95g/km: 20%-23%
Car fuel benefit base figure	£23,400-£24,100
Capital allowances -special rate pool rate	8%-6%
Class 1 Employee threshold	£8,424-£8,632
Residence nil rate band	£125,000-£150,000
Rate of interest on unpaid tax	3.00%-3.25%

## Changes of Allowances

Name of Allowances	Changes
Personal Allowance	£11,850-£12,500
Transferable Personal Allowance	£1,190-£1,250
Annual Investment Allowance	£200,000-£1,000,000
Pension Fund Lifetime Allowance	£1,030,000-£1,055,000
Annual exempt amount	£11,700-£12,000

## Rules Being Phased In: Property Business-Finance Costs

- A rule was introduced from 2017/18 relating to finance costs for property businesses carried on by individuals(not companies) to restrict tax relief on these costs to the basic rate.
- The rule is being phased in over four tax years, in 2019/20, 25% of the finance costs are deductible.
- The remaining 75% multiplied by the basic rate of tax is a tax reducer.

## Question: Millicent

- Millicent lets out a house throughout the tax year 2018/19 at a monthly rental of £1,500. She has a mortgage loan on the house and in 2018/19 she makes capital repayments of £1,000 and pays interest of £4,000. Millicent has other allowable expenses of £2,500 for 2018/19. Millicent has other taxable income(after deduction of her PA) of £60,000 in 2018/19.
- Compute Millicent's income tax liability in respect of her property business income for the tax year.

## Answer: Millicent (2018/19)

	£
Rental income $1,500 \times 12$	18,000
Less expense	
finance costs $4,000 \times 50\%$	(2,000)
other allowable expenses	<u>(2,500)</u>
Property business income	13,500
Income tax on property business income $13,500 \times 40\%$	5,400
<b><i>Less property business finance cost tax reducer</i></b>	
$4,000 \times 50\% \times 20\%$	<u>(400)</u>
<b><i>Property business income tax liability</i></b>	5,000

## Answer: Millicent(2019/20)

	£
Rental income $1,500 \times 12$	18,000
Less expense	
finance costs $4,000 \times 25\%$	(1,000)
other allowable expenses	<u>(2,500)</u>
Property business income	14,500
Income tax on property business income $14,500 \times 40\%$	5,800
<b><i>Less property business finance cost tax reducer</i></b>	
$4,000 \times 75\% \times 20\%$	<u>(600)</u>
<b><i>Property business income tax liability</i></b>	<b>5,200</b>



## Rules Being Phased In: Investors' Relief

- Investors' relief was introduced in FA 2016, but due to the minimum holding period required for it to apply on disposals.
- Investors' relief will apply to gains on qualifying shares disposed in 2019/20, must satisfying the following conditions:
- (1) must be new ordinary shares in an unlisted trading company which have been subscribed for by the individual making the disposal.
- (2) must have been issued by the company on or after 17 March 2016 and held continuously by that individual for at least three years.

## CGT: Order of offset brought forward losses and AEM

- Previous rule: brought forward capital losses are only set off to reduce the net current year gains to the annual exempt amount, that is, brought forward capital losses are offset first, but to a certain extent.
- Current rule: the annual exempt amount should be offset after current year capital losses, but before brought forward capital losses, that is, annual exempt amount is offset first.

## Question: Tara

Tara makes a gain(not residential) in 2018/19 of £14,000. She makes no other disposals in the tax year. Tara has capital losses brought forward from last year of £12,000.

Required

Show how the gain is relieved by loss relief and the loss to carry forward to 2019/20.

## Answer: Tara (previous rule)

	£
Gain	14,000
Less: Losses b/f (14,000 – 11,700)	<u>(2,300)</u>
	<u>11,700</u>
Gain	11,700
Annual exempt amount	<u>(11,700)</u>
	<u>—</u>
Losses c/fwd (12,000 – 2,300)	<u>9,700</u>

## Answer: Tara (current rule)

	£
Gain	14,000
Less: Annual exempt amount	<u>(12,000)</u>
	2,000
	<u>(2,000)</u>
	<u>—</u>
Losses c/fwd (12,000 – 2,000)	<u>10,000</u>

## Entrepreneurs' Relief

- The only change which impacts TX-UK is the minimum holding period which has been increased from one to two years.
- The expanded definition of the 5% shareholding condition is as follows:
- Personal company is (1) the individual holds at least 5% of the ordinary share capital and (2) can exercise at least 5% of the voting rights in the company.

## Some New Additions

- Structures and buildings allowance (SBA) is a new capital allowance for candidates to be aware of, but it is not examinable in exams in the period June 2020 – March 2021, so there is no change here for the candidates.
- For VAT period starting on or after 1 April 2019, businesses which are VAT-registered must follow the Making Tax Digital(MTD)rules, they now have to keep digital records.



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**Thank you!**