

# INSIDER

## APRIL 2019

 **SADLER  
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### GOVERNMENT CONSULTS ON NEW STAMP DUTY SURCHARGE

The Government is considering introducing a new stamp duty surcharge, which is designed to clamp down on overseas wealth being used to buy homes in England.

Ministers have expressed concerns that affluent foreign investors, particularly those buying properties in London, have been driving up house prices for domestic buyers.

Figures from the Land Registry showed that nearly half of all foreign-owned properties in England and Northern Ireland, where stamp duty applies, are in London.

This has resulted in thousands of people fleeing the capital to purchase homes in places like Scotland, Birmingham and Bristol, where their money goes considerably further.

As such, the Government is consulting on introducing a new stamp duty surcharge of 1% to work on top of all existing stamp duty rates in England and Northern Ireland.

If approved, the non-UK resident surcharge will apply to purchases of residential properties made by non-UK resident individuals and certain non-natural persons.

The surcharge will apply to freehold and leasehold purchases of residential properties, including rates applicable to the rental element of leasehold properties.

Mel Stride, Financial Secretary to the Treasury, said:

“Some evidence shows that non-UK resident buyers of UK property could be inflating house prices. A 1% surcharge could help more people own their own homes in the future.”

 **We can advise on property taxes.**

### THOUSANDS FACE HUGE TAX AVOIDANCE BILLS

Contractors whose employers paid them through loans from offshore trusts are being urged to speak to HMRC as soon as possible or risk receiving massive tax bills.

Up to 50,000 contractors in the UK are believed to have benefitted from the lower income tax rates applied under loan advances, instead of being paid salaries.

Those yet to have settled outstanding loans dating back to when the schemes first arose in 1999 could be facing a hefty tax bill.

Anyone who is affected by these loan arrangements will need to pay a loan charge to the Revenue on the outstanding balance by 5 April 2019.

HMRC has confirmed that payment arrangements are available for those who would struggle to pay back what is owed.

Chas Roy-Chowdhury, head of taxation at the Association of Chartered Certified Accountants (ACCA), said:

“Anybody who used a loan scheme, or even thinks they may have been enrolled on one, should seek advice from a qualified accountant.

“It is important to check if you are still enrolled, as HMRC will only offer you help if you are no longer using loan schemes.”

 **Speak to us urgently if this affects you.**

## MINISTERS GIVE THUMBS-UP FOR PROBATE REVAMP

Affluent families in England and Wales face paying probate charges of up to £6,000 from this month after ministers confirmed it as a fee rather than a tax.

Families have been used to paying flat fees of up to £215 to obtain the grant of probate needed in England and Wales to administer estates worth more than £5,000.

Critics had labelled the move as a “stealth tax”. Taxes are usually introduced in parliamentary bills, before going through a committee stage, and being voted on by MPs and Lords.

Ministers, however, circumnavigated this by classifying the charges as a fee, which saw the legislation narrowly approved by MPs and passed as a statutory instrument.

Instead of the flat rate, which is in place until 5 April 2019, the proposed system sets fees on the following sliding scale based on the value of an estate.

Value of estate before inheritance tax	Proposed fee
Up to £50,000 or exempt from requiring a grant of probate	£0
£50,000 – £300,000	£250
£300,000 – £500,000	£750
£500,000 – £1m	£2,500
£1m – £1.6m	£4,000
£1.6m – £2m	£5,000
Above £2m	£6,000

Source: parliament.uk (5 November 2018)

The probate changes have been in the pipeline for at least two years but were scuppered by Prime Minister Theresa May’s decision to call a snap general election in June 2017.

Back then, the proposed maximum charge on estates worth more than £2 million was £20,000.

Around 200,000 estates are expected to be liable to pay the new probate charges, despite being exempt from inheritance tax.

Lucy Frazer, minister of justice, said:

“The reform of the [probate] service aims to reduce the burden on applicants, by providing a more efficient and simpler application process.

“By raising the estate value threshold from £5,000 to £50,000, we will be lifting around 25,000 estates annually out of fees altogether.

“For those who do pay, around 80% of estates will pay £750 or less.”

👉 **Talk to us about estate planning.**

## APPRENTICESHIP ‘STARTS’ FALL BY A QUARTER

The number of people starting apprenticeships has fallen by 26% since the Government’s reforms to the apprenticeship system, according to a report from the National Audit Office (NAO).

In April 2017, the Department for Education (DfE) introduced several changes to the apprenticeships scheme, including a levy on large employers and a co-funding requirement from smaller firms.

The changes were intended to improve the quality of apprenticeships and meet employers’ needs, but instead seem to have caused participation in the scheme to decrease “substantially”.

In the 2017/18 academic year, there were 375,800 new apprenticeship ‘starts’ – down from 509,400 in 2015/16.

This would need to double for the Government to achieve its target of three million new starts by March 2020.

The report also shows a low take-up of apprenticeship levy funds among businesses, with levy-paying employers using only 9% of the funds available to them in 2017/18.

Amyas Morse, head of the NAO, said:

“Despite making changes to the apprenticeships programme, the DfE has not enticed employers to use available funds or encouraged enough potential recruits to start an apprenticeship.

“It has much more to do to meet its ambitions. If the DfE is serious about boosting the country’s productivity, it needs to set out clearly whether its efforts are on track to meet that aim.”

The public spending watchdog’s findings prompted the Confederation of British Industry (CBI) to lead calls for a “second wave of reform” to the under-fire apprenticeships system.

Matthew Fell, chief UK policy director at the CBI, said:

“The apprenticeship levy is not yet working as intended and is holding back the Government’s welcome efforts to modernise the skills system.

“Companies are committed to apprenticeships, so what’s needed now is a second wave of reform.

“The Government must use its review of the apprenticeship levy to work with business and the sector to build a system that supports, rather than frustrates, employers offering a first step to people in their career.”

👉 **Get in touch to discuss the apprenticeship levy.**