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# Spring Statement 2018

## Our top 5 tax picks

Some of the most interesting points of the Spring Statement weren't included explicitly in the Chancellor's address to the House of Commons but are in the accompanying consultation papers.

This is our top 5 of the 13 consultations in progress:



### 1. VAT registration threshold

- The UK VAT registration threshold is £85,000 until March 2020; the average in the EU and OECD is around £29,000.
- The consultation sets out to explore "growing anecdotal, academic and data-based evidence that the cliff-edge nature of the VAT threshold acts as a disincentive for small business owners who want to expand."



### 2. Entrepreneurs' relief on gains made before dilution

- Entrepreneurs' relief (ER) provides a 10% Capital Gains Tax (CGT) rate for gains on qualifying business assets, compared with the main higher rate of 20% (or 28% on residential property). This means that entrepreneurs can keep more of the rewards when their business is successful. However, entitlement to the special 10% rate of CGT may be lost when an entrepreneur's company issues new shares and as a result causes their personal stake to fall below 5%. The government may introduce legislation in Finance Bill 2018-19 to allow an individual in this position to elect to be treated as if they had disposed of their shares and reacquired them at their market value just before the time the company issued new shares.



### 3. Corporate tax and the digital economy

- The Spring Statement continues from the Autumn Budget where the government set out its position on multinationals, corporate tax and the impact and scale of change of digitalisation, and in particular the impact of digitalisation on the principle of business profits being taxed in the countries in which it creates value. The updated position paper released today looks at the possibility of revenue-based taxes as an interim measure.



### 4. Taxation of self-funded work-related training

- The Autumn Budget 2017 announced that the government would consult on how it could extend the existing tax relief available for self-funded work-related training by employees and the self-employed.
- Some employees pay for work-related training and this is not reimbursed by their employer. Employees cannot currently receive tax relief other than in limited circumstances when the training is an intrinsic contractual duty of their existing employment.



### 5. Financing growth in innovative firms: Enterprise Investment Scheme knowledge-intensive fund consultation

- This consultation aims to build the government's understanding of the capital gap that knowledge-intensive companies face, and seeks views on the best way of closing that gap. It explores possible options for an EIS fund structure aimed specifically at investment in knowledge-intensive companies, while making clear the limitations within which such a fund model would operate.
- Options for the EIS could include dividend tax exemption; CGT relief; extended carry-back of income tax or CGT deferral; up-front tax relief.



### Also noted:

- Also of interest to online businesses is the consultation around VAT split payment. This includes the proposal to use payments technology to collect VAT on online sales and send it directly to HMRC. It is mainly designed to combat overseas businesses selling goods online to UK consumers without paying the correct UK VAT.

If you'd like to discuss any of the changes and how they might affect you, please contact us:



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