



# Election 2019: what the Conservative Party manifesto means to you

With a general election confirmed for 12 December, the political parties are now in the process of launching their manifestos.

The **Conservative Party Manifesto 2019** and accompanying **Costings Document** sets out a number of policies. We summarise below the key tax policies announced.

The manifesto proposes that a Conservative government will “redesign the tax system so that it boosts growth, wages and investments and limits arbitrary tax advantages for the wealthiest in society”.

## Taxation of individuals

### Income and capital gains tax

In his Foreword, Boris Johnson pledges that the Conservative government will not raise the rate of income tax or National Insurance across the next Parliament.

They propose raising the National Insurance contributions (NIC) threshold to £9,500 next year. The manifesto states an ultimate ambition to raise this to £12,500 but the costings document does not have any plans for this over the next five years.

The manifesto states that a Conservative administration will review and reform Entrepreneurs’ Relief, and refers to this as one of the tax measures “that haven’t fully delivered on their objectives”.

There is no suggestion in the manifesto that the existing rules relating to the taxation of non-UK domiciled individuals will be changed.

### Inheritance Tax

The Conservative manifesto makes no new announcements concerning Inheritance Tax.

### Stamp Duty Land Tax

The manifesto announces that it will bring in a Stamp Duty Land Tax surcharge on non-UK resident buyers. It will be charged on top of the 3 per cent additional rate payable for second home or investment property purchased and be charged at up to 3 per cent. It will apply to companies as well as individuals, and to ex-pats.

## Taxation of businesses

### Tax avoidance and reliefs generally

The Conservatives propose new measures to tackle tax evasion and reduce opportunities for aggressive tax avoidance. A new anti-tax avoidance and evasion law will:

- double the maximum prison term to 14 years for individual’s convicted of the most serious examples of tax fraud;
- create a single, more resourced Anti-Tax Evasion unit in HM Revenue and Customs (HMRC) that covers all duties and taxes from individual errors to deliberate non-compliance - which is put on a legislative footing;
- consolidate existing anti-evasion and avoidance measures and powers; and
- introduce a new package of anti-evasion measures including measures to end tax abuse in the construction sector, illicit tobacco packaging and further measures to avoid profit-shifting by multinational companies.

### Corporate taxation

A returned Conservative administration would maintain corporation tax at 19%; previous plans to reduce to 17% in 2020 have been dropped. Costings suggest that there will be no change in the current rate until at least 2023-24.

The Conservative manifesto confirms that the Seed Enterprise Scheme and Enterprise Investment Scheme will continue in the next Parliament.

The manifesto proposes to increase Research and Development (R&D) tax credits to 13% and review the definition of R&D so that areas such as cloud computing and data are also incentivised.

In addition, the manifesto pledges to Implement the Digital Services Tax, a 2% tax from April 2020 on the revenues of search engines, social media platforms and online marketplaces which derive value from UK users.

## Other notable tax proposals

### VAT

The manifesto states that a future Conservative Government guarantees no increase in VAT.

### Customs and indirect taxation

In terms of Brexit, the Conservative manifesto pledges to keep the UK out of the single market and any form of customs union and to end a Brexit transition period on 31 December 2020. New customs arrangements will therefore apply from the end of 2020. This will also bring the UK out of the EU VAT system. Note that the proposed Irish protocol will mean that Northern Ireland has special status in terms of VAT and customs on goods.

The manifesto proposes to create free ports (special customs areas) across the UK.

### Brexit implications

The Conservative manifesto pledges to leave the EU by 31 January 2020 with a transition period to end by 31 December 2020. This will have implications for international tax – with some possible tax treaty implications from 31 January and further withholding tax changes from 31 December.

### Structures and Buildings Allowance (SBA)

Their costings document mentions a further 1% increase (to 3%) in the SBA for expenditure on the purchase, construction or renovation of non-residential buildings and structures.

### Business rates

The Conservatives propose a fundamental review of the business rates system. For one year (2020-21), they will increase the business rate discount for small retail businesses, and extend it to local music venues, small cinemas and pubs.

### Small employers

The Conservatives would increase the Employment Allowance by £1,000 per business for small businesses.

## How can we help?

Depending on the make up of the new Government, the future tax system in the UK may look very different to how it currently stands.

We have dedicated specialist teams across the areas highlighted above that can help you understand the impact for you and navigate through the changes.

The timing of commercial decisions such as business related disposals should be considered in particular given the Entrepreneurs' Relief review.

## Any questions? Get in touch



### Peter Legge

Partner, Tax  
T +(0)44 28 9587 1081  
E peter.legge@ie.gt.com

12-15 Donegall Square West, Belfast, BT1 6JH

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