

# Review: Autumn Budget 2018

Chancellor Philip Hammond chose the Autumn Budget 2018 to announce that IR35 public sector reform will be extended to the private sector.

Other points set to have an affect on contractors and freelancers include an increase to the personal allowance, a new digital services tax, a freeze in fuel duty for the ninth year in a row, and a range of other key announcements.

The Chancellor declared that this Budget would “open a new chapter in our country’s economic future.”

Commentators have noted that Hammond didn’t produce many rabbits out of the hat. But the headline announcement for the self-employed is that public sector IR35 reform **will** be extended to the private sector – although not until 2020.



The Chancellor announces that the changes to IR35 made in the public sector will be extended to the private sector. This will exempt small businesses [#Budget2018](#)

## IR35 reform extends to the private sector

The Chancellor's announcement follows an [HMRC consultation on IR35 reform over the summer](#).

- [As with public sector reform, the responsibility for operating the off-payroll rules will shift from individuals to the organisation](#)
- [To give businesses time to prepare, the change won't be introduced until April 2020](#)
- [Small organisations will be exempt, to 'ease the administrative burden', and HMRC will support medium and larger organisations in implementing the change](#)

Critics of HMRC's plans for IR35 reform have consistently said that the full impact of public sector changes can't be known until 2019.

And while a delay will be broadly welcomed, there are still concerns surrounding its implementation – especially considering there will be different rules depending on the organisation's size.

## Your personal allowance increases

Your personal allowance is how much you can earn each year before you start paying tax. It increased to £11,850 in April 2018, and from April 2019 it rises once again to **£12,500**. The Daily Mirror says that this should give you £130 more a year.

The **threshold for the higher rate of income tax (40 per cent) will also increase to £50,000** in April 2019. This means one million people will stop paying the higher rate, according to the Treasury.

## The Budget for business

The Chancellor used the Budget to announce a raid on big technology companies, starting from April 2020.

- [If a digital company is profitable and has global sales of more than £500 million, they'll be eligible for the new digital services tax](#)
- [It's a two per cent tax on the revenues of digital businesses, and specifically calls out 'search engines, social media platforms and online marketplaces'](#)

The annual investment allowance is also set to increase to £1 million from £200,000 for two years.

Plus, the use of the Private Finance Initiative (a type of public-private partnership where private firms are contracted to complete public projects) will be abolished in the future.

## Other key announcements

The Chancellor referred to the 'end of austerity' throughout his speech, and made the following additional announcements affecting contractors and freelancers.

- Growth forecasts were raised slightly for 2019 and 2020, to 1.6 and 1.4 per cent respectively. They're unchanged for 2021 and 2022 (1.4 per cent and 1.5 per cent) and the forecast for 2023 is 1.6 per cent
- The growth forecast for 2018 was downgraded to 1.3 per cent, because of bad weather in the spring
- Since 2010 there's an additional 3.3 million people in work
- The Spring Statement in 2019 will be upgraded to a full Budget if necessary, following Brexit
- An extra £20.5 billion has been made available to the NHS over the next five years
- The work allowances in Universal Credit will be increased by £1,000, which the Sun reports will allow millions of people to earn £630 more from next April
- For the ninth year in a row, fuel duty will be frozen

## Budget 2018 announcements: a summary for the self-employed

It was a relatively low-key Budget, with the Chancellor saving his announcement on the personal allowance increase till last.

But the biggest announcement for self-employed contractors and freelancers is on IR35 reform. With the Treasury still to consult on the detailed operation of the reform, you can expect much more news on this over the coming months.