SPRING BUDGET 2017

The Full Story

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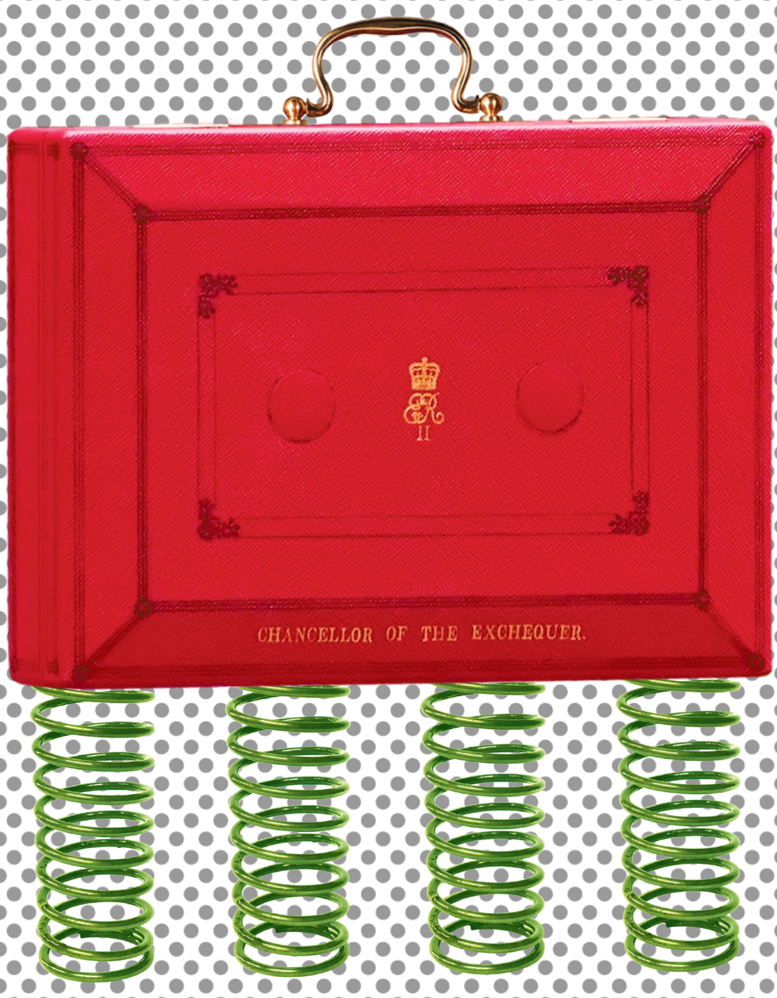

THE SPRING BUDGET THE FULL STORY

A Commitment to innovation and future talent

Today the Chancellor of the Exchequer, Philip Hammond, delivered his first and last Spring Budget. As expected, there was little major change, and it seems clear that the Chancellor has one eye on Brexit and what's to come.

Much of what's been previously announced was confirmed. The government seem committed to making the UK an innovation hub for businesses and young talent, with a commitment to R&D tax credits and having the lowest rate of corporation tax in the G20.

Here are our thoughts on the changes announced and how these might affect you.

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Tax

"It was great news to see that the Chancellor has postponed, for 12 months, the implementation of using the digital service for those taxpayers where their self-employment income or rental income does not exceed the VAT threshold. It'll be the biggest change to personal taxation since self-assessment was introduced in 1996-97. And it'll give these businesses chance to get their records in order ahead of April 2019."

Sarah Axe, Tax Partner

> The tax free personal allowance will increase to £11,500 from 6 April 2017

> The basic rate band will increase to £33,500 from 6 April 2017

> The higher rate threshold will therefore be £45,000 in 2017-18

> The Chancellor again confirmed the government's commitment to increase the personal allowance to £12,500 and the higher rate threshold to £50,000 by the end of this parliament

> The tax-free dividend allowance, which is currently £5,000, will reduce to £2,000 from 6 April 2018. If you've investments of up to £50,000, this shouldn't affect you. One of the main aims is to reduce the difference in tax between the self-employed and those who work through a company

> From 6 April 2018, Class 4 NIC will increase from 9% to 10%, with a further increase of 1% from 6 April 2019. Class 2 NIC - deemed to be "regressive and outdated" - will be abolished from April 2018 as previously announced

> The government confirmed they'll be consulting on proposals to bring the tax treatment of employer provided accommodation up to date. Currently, they regard an expensive property as one which is worth more than £75,000. Considering where house prices are now this is long overdue

> Making Tax Digital – Digital quarterly reporting for businesses and landlords with turnover below the VAT threshold has been deferred until April 2019

Any questions?

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#1 PERSONAL

Savings and Investments

"The Chancellor confirmed various measures to increase the incentives to save for the future. The increase in the annual ISA allowance is generous, however, those looking to invest in a new Lifetime ISA may well find limited availability of providers until much later in the 2017-18 tax year."

Jonathan Elsigood, Wealth Partner

> The ISA allowance for 2017-18 will increase to £20,000 from £15,240

> The Junior ISA/Child Trust Fund allowance, however, increases by inflation only, to £4,128 from £4,080

> Lifetime ISAs (LISA) will be introduced as planned from 6 April for individuals aged between 18 to 40 years:

- If you've invested before the age of 50, you'll receive an added 25% bonus from the government

- Your maximum annual contribution will be £4,000, and a £1,000 tax free bonus

- The £4,000 limit is used to form part of your overall annual ISA limit

- You can withdraw your savings at any time. But from 6 April 2018, any withdrawals made other than in specified circumstances will be subject to a 25% charge

- The withdrawal charge will not apply where the savings are used for a first-time house purchase, the account holder reaches 60, becomes terminally ill or dies

- Any type of investments which currently qualify to be held in a cash ISA or a stocks and shares ISA can be held in a LISA

> The new NS&I Savings Bond is to be introduced from April. The interest rate will be 2.2% gross pa but funds need to be tied up for three years. The minimum investment will be £100 and the maximum, £3,000. The bond will be available for 12 months and to individuals 16 years and over

Pensions

> Following consultation, the previously announced reduction in the Money Purchase Annual Allowance (MPAA) from £10,000 to £4,000 is to go ahead from 6 April. This applies where you've already flexibly accessed your pensions

> Transfers of UK pension funds to qualifying overseas pension schemes (QROPs) will suffer a 25% tax charge, unless certain conditions are met:

- Both the individual and the pension scheme are in the countries within the EEA; or

- If outside the EEA, both the individual and the pension scheme are in the same country; or

- The QROPs is an occupational pension scheme provided by the individual's employer

> The changes take effect for transfers requested on or after 9 March. In addition, payments from pension funds that have had UK tax relief and have been transferred to a QROPs, on or after 6 April, will be subject to UK tax rules. This will be for five full tax years after the date of transfer

Any questions?

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#2 BUSINESS

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Business Tax

"The Chancellor has clearly chosen not to rock the boat for businesses in this period of Brexit uncertainty. He stuck to his predecessor's goal of making it known that Britain is open for business."

Matt Hodgson, Tax Partner

> Corporation tax rates will reduce to 19% from 1 April and to 17% from April 2020

> The government announced plans to publish a consultation aimed at reducing the administration burden for companies making R&D tax credit claims

> The Patent Box rules have been amended to ensure that companies entering into cost sharing arrangements are neither penalised nor able to gain an advantage

> Starting from today, businesses transferring assets (such as land and property) from fixed assets to trading stock, will no longer be able to covert capital losses into trading losses

> From April 2017, companies will have greater flexibility in how they can use losses incurred. These losses may be offset against other sources of profits both within the loss-making company and any group of which it is a member

> Carried forward losses may be subject to a restriction to the extent that profits exceed £5m. In these circumstances, the relief will not be able to reduce the company or group's profits by more than 50%

> From 1 April 2017, new rules will restrict a group's net deductions for interest paid to 30% of EBITDA. Each group will be entitled to deduct up to £2m of net interest expenses before applying the restriction. The application is expected to be complex

> From 1 April 2017, there's going to be a relaxation of the substantial shareholding exemption, which will no longer require the investing company to be either a trading company or a parent of a trading group immediately before and after a disposal. The relief will also be available for qualifying institutional investors

> From 1 April 2017, there will be a new corporation tax relief for museums and galleries which develop new exhibitions. As announced in the Autumn Statement 2016, touring exhibitions can claim an effective tax credit of up to £100,000 and non-touring exhibitions up to £80,000

Property

> If you're an offshore property developer, all profits made when dealing in or developing UK land will be subject to UK taxation from today

> To soften the impact of the business rates evaluation in April 2017, three measures were announced:

- If your business loses Small Business Rate Relief, any increase will be capped at the greater amount of £50 per month, and the transitional relief cap;

- English local authorities will have a share of a £300m discretionary fund for individual hard cases in their local area;

- For one year only, there'll be a £1,000 discount for pubs with a rateable value or up to £100,000. This is expected to cover 90% of all pubs in the UK

Employment Taxes

> A new requirement for public bodies to deduct income tax and NIC for off-payroll workers engaged via an intermediary will come in from 1 April 2017

> HMRC will soon publish guidance to clarify rules on image rights for employers in respect of their employees

Any questions?

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#2 BUSINESS

Indirect Taxes

VAT

"As expected, there are no big changes to VAT or indirect taxes in this Budget. However, future big changes are more likely to come as we navigate our way through Brexit."

Julian Rosser, VAT Consultant

> From 1 April 2017, the registration threshold will increase from £83,000 to £85,000

> The deregistration threshold will increase from £81,000 to £83,000

> The government will soon remove the VAT 'use and enjoyment' provisions for mobile phone services provided to UK consumers. This means mobile phone services used outside the EU will now be chargeable to UK VAT, as is already the case when inside the EU

> The government is considering alternative methods of collecting VAT. In one measure, they'll be consulting on a new VAT collection mechanism for online sales. This is to reduce VAT avoidance by some overseas traders. There'll publish a consultation on 20 March 2017

> Do you work in the construction industry? On 20 March 2017, the government will publish a consultation aimed at targeting fraud in the supply of labour within the construction sector. Options include the introduction of a reverse charge mechanism, where the recipient would account for the VAT.

Insurance Premium Tax

> The rate will increase to 12% on 1 June 2017

Energy and Transport Taxes

> Vehicle Excise Duty (VED) – From 1 April 2017, VED rates for cars, vans and motorcycles registered before April 2017 will increase by Retail Price Index (RPI)

> Heavy Goods Vehicle (HGV) VED and Road User Levy rates will be frozen from 1 April 2017. The government will consult with industry to update the Levy. The aim is to reward hauliers that plan their routes efficiently

> Aggregates Levy – The Aggregates Levy rate for 2017-18 will be frozen at £2 per tonne, continuing the freeze that has been in place since 2009

Other Indirect Taxes

> The government will introduce a Minimum Excise Tax for cigarettes from 20 May 2017. This will tackle the very cheapest cigarettes, and the rate will be set at £268.63 per 1,000 cigarettes

> From 13 March 2017, the duty rates on beer, cider, wine and spirits will increase by RPI inflation, in line with previous forecasts. From Monday, a pint of beer will cost you 2p more and a bottle of wine will cost you 10p more

Any questions?

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