Autumn Budget 2017

Summary of the Facts

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Commentary

Chancellor Philip Hammond presented his first Autumn Budget on 22 November 2017. There was nothing new or radical included in this budget.

The key announcement was that Stamp Duty has been abolished for first time buyers on homes worth up to £300,000 with the balance of a home to the value of £500,000 taxed at 5%. This ties in with the announcement to tackle the housing affordability challenge in England with investment to boost the supply of land, resources and skills to build more houses in England. This could be an opportunity for Northern Ireland builders as the Chancellor specifically mentioned measures to assist SMEs who cannot access the finance they need to build and compete with the larger construction firms which are cornering the market.

The headlines for Northern Ireland are an extra £660 million added to the Northern Ireland Executive's Budget, a review of the impact of VAT and Air Passenger Duty on Tourism for reporting in the 2018 Budget, continuing commitment to giving the Northern Ireland Executive the power to set the corporation tax rate once a restored Executive demonstrates its fiscal sustainability.

"...continuing commitment to giving the Northern Ireland Executive the power to set the corporation tax rate..."

A Belfast City Deal was mentioned which would be welcomed as nearly all major cities in Scotland and Wales have already agreed City Deals. This could bring a welcome injection of investment in major regeneration projects to upskill people and improve transport infrastructure. The Chancellor also mentioned this being the first Northern Ireland City Deal. So hopefully other cities throughout Northern Ireland will follow Belfast's lead.

Income Taxes

Personal Allowance
The personal allowance will increase from £11,500 to £11,850 from April 2018.

Tax Bands
The point at which individuals will be taxable at the higher rate will increase from £45,000 to £46,350 with effect from April 2018.

As previously announced, the dividend allowance has decreased from £5,000 to £2,000 from April 2018.

National Insurance
As previously announced, the abolition of Class 2 NICs has been postponed for one year.

Mileage rates for landlords
This measure which will come into effect from the current tax year (2017/18) onwards, will allow landlords the choice of claiming the fixed rate per business mile or deducting actual motor expenses incurred and claiming the capital allowances. This provision excludes companies or mixed partnerships. The mileage rate will be the same as those for trading individuals and employees.

This move is more consistent with trading businesses who already have this choice.

Capital Gains Tax payment for residential properties
The previously announced measure which introduced a 30-day payment window for payment of capital gains tax on residential property gains has been postponed until April 2020. This measure is already in place for non UK residents.

Marriage Allowance claims on behalf of deceased spouses
This measure allows marriage allowance claims to be made on behalf of deceased partners and spouses. This claim can be backdated by up to four years where the entitlement conditions have been met. These changes will come into effect from 29 November 2017.

The marriage allowance allows individuals to transfer 10% of their personal allowance to their spouse or civil partner as long as the individual receiving was not a higher rate or additional rate tax payer. Individuals will now be able to backdate their claims for up to four years.

The transfer of the marriage allowance permits the lower earning partner or spouse to reduce their tax bill by up to £230 a year in 2017/18. Today's change will have effect on and after 29 November 2017.

Diesel Company cars provided by employers to employees
Employers who provide employees with Diesel Company Cars registered on and after 1 January 1998, which are available for private use, will see an increase in the level of taxable benefits arising on the car and the fuel provided. The percentage used for calculating the taxable benefit and the cash equivalent of this taxable benefit has increased from 3% to 4%. This will come into effect from 6 April 2018.

Employer providing electricity for electric cars
The government announced from 6 April 2018 there will be no reporting requirements for a Benefit In Kind where the employer provide charging points in the workplace for employee owned electric and hybrid cars.

Enterprise Investment Schemes (EIS)
Changes have been introduced to the amount that individuals can invest under the EIS scheme in each tax year, in order to encourage more investments in knowledge intensive companies. The limit has doubled from £1 million to £2 million, provided that the excess over £1m is invested in knowledge-intensive companies.

The amount that EIS companies can raise has also been increased from £5m to £10m.

Venture Capital Trusts (VCTs)
The VCT scheme is being amended to exclude tax-motivated investments where there is little risk to the original investment. Unless the company has objectives to grow and develop over the long-term and there is a significant risk of loss of capital for the investor, no advance assurance will be given that income tax relief will be available.

The amount the VCT companies can raise has also been increased from £5m to £10m.

Pension lifetime allowance
The lifetime allowance for pensions will increase from £1m to £1.03m.

Making Tax Digital
Making Tax Digital continues to be a hot topic. Thankfully Mr Hammond appears to be listening

Income Taxes

to the concerns of many business owners. As announced in July only businesses with a turnover above the VAT threshold will be mandated to use the Making Tax Digital (MTD) from April 2019. Businesses below the VAT threshold will not be required to use MTD but can voluntarily sign up early. Further information on MTD is due to be published by the government on 1 December 2017.

This is a welcome announcement for smaller business but it still remains to be seen how this will work in practice.

National Living Wage (NLW)
The National Living Wage (NLW) will increase to the following from April 2018:
-Workers aged 25 years old and over will increase from £7.50 to £7.83
-Workers aged 21 to 24 years old will increase from £7.05 to £7.38
-Workers aged 18 to 20 years old will increase from £5.60 to £5.90
-Workers aged 16 to 17 years old will increase from £4.05 to £4.20

The apprentice rate for those aged under 19 or in the first year of apprenticeship will increase from £3.50 to £3.70.

Business Taxes

Corporation tax rates
As previously announced, the Corporation Tax rate remains at 19% from April 2018.

Research and Development
The Research & Development Tax Credit for large companies is to increase from 11% to 12% for expenditure incurred on or after 1 January 2018.

Capital Gains Tax indexation allowance
Indexation allowance for gains made by companies will be frozen from 1 January 2018. When a company disposes of a capital asset giving rise to a chargeable gain, indexation will be calculated up to December 2017.

Water & Energy Efficient Equipment
Loss making businesses acquiring energy or water efficient equipment, can claim a cash tax credit at two thirds of the current corporation tax rate of 19%, i.e. at 12.67%.

Zero Emission & Gas Refuelling Equipment
Businesses incurring expenditure on the acquisition of zero emission goods vehicles or gas refuelling equipment can claim 100% first year allowance for a further 3 years.

Reimbursement of employee subsistence expenses
From April 2019 employers will no longer be required to check receipts when reimbursing employees for subsistence when using benchmark scale rates.

Enhanced capital allowances
The list of energy saving technologies qualifying for enhanced capital allowances will be updated to include additional items.

Exise Duties

Air Passenger Duty
Short haul rates for Air PassengerDuty for the 2019/20 year will remain at the current levels. The long-haul reduced rate for the tax year 2019/20 will be frozen at the 2018/19 level but the standard rate will increase by £16 and the higher rate will increase by £47.

Vehicle Excise Duty – Diesel Supplement
From 1 April 2018 new diesel cars that don't meet certain standards will be subject to a supplement VED rate. The rate will rise from 3% to 4% from 6 April 2018.

Tobacco Duty
The duty rate on all tobacco products will continue to increase by 2% above inflation each year until the end of Parliament.

Fuel Duty
Fuel duty remains frozen.

Alcohol Duty
This remains frozen with the exception of some cheap ciders.

VAT

Thresholds
The current VAT registration and deregistration thresholds will remain in place for two years from 1 April 2018. The VAT registration threshold is currently £85,000 and the deregistration threshold is £83,000.

Joint & several liability – Online Marketplaces
A measure has been introduced to enable HMRC to hold online marketplaces jointly and severally liable for any future unpaid VAT of a UK business arising from sales of goods in the UK via that online marketplace. It will further allow HMRC to hold online marketplaces jointly and severally liable for any unpaid VAT of a non-UK business arising from the sale of goods in the UK via that online marketplace where that marketplace knew or should have known that the non-UK business should be registered for VAT in the UK.

The online marketplaces will be required to display a valid VAT number for all their sellers using their platform when they are provided with one and also ensure the VAT numbers are valid.

VAT on vouchers
The government is planning to legislate in Finance Act 2018-19 to ensure businesses account for the same amount of VAT when customers pay with vouchers compared with other means of payment.

Stamp Duty Land Tax (SDLT)

SDLT: Relief for First Time Buyers
With immediate effect, first time buyers buying a new home will pay no SDLT up to £300,000 purchase price. For those purchasing property between £300,000 and £500,000, SDLT at 5% will be payable on the amount in excess of £300,000, a saving of £5,000.

Any properties purchased by first time buyers in excess of £500,000 will not be entitled to any relief.

To be eligible, buyers must be an individual or individuals who have never owned an interest in a residential property in the UK or anywhere else in the world and intend to occupy the property as their main residence.

This is a welcome measure for first time buyers getting onto the property ladder.

SDLT: Higher Rates
Currently, a higher rate of SDLT applies when individuals are purchasing a residential property when they already own at least one other, and are not replacing their main residence. A new measure will grant relief from SDLT due at the higher rate in in certain cases. It includes cases where a divorce related court order prevents someone from disposing of their interest in a main residence, a spouse or civil partner buys property from another spouse or civil partner, a deputy buys property for a child subject to the Court of Protection and a purchaser adds to their interest in their current main residence.

The new measure will also counteract abuse of the relief when someone who changes their main residence retains an interest in their former main residence.

Other Announcements

The government are proposing to reform the penalty system for late and missing tax returns. This will involve a new points-based system.

Anti-Avoidance

Extending offshore time limits
Following a consultation in Spring 2018 it is proposed to extend the assessment time limits for non-deliberate offshore tax non-compliance to 12 years.

Reverse charge VAT on payments to subcontractors
With an aim of tackling fraud in construction labour supply chains, from 1 October 2019 the government will introduce a VAT domestic reverse charge.

This means that the contractor will now account for the VAT and not the subcontractor.

This brings the UK in line with other EU countries such as ROI who presently operate such a charge.

Corporation tax: Impact of reorganisations of share capital on assets previously transferred to non-resident company
From 22 November 2017, the unintended tax charge which can currently arise in certain circumstances for UK companies, where the assets and trade of an overseas branch were transferred to an overseas company in exchange for shares in that overseas company the capital gains tax on the transfer was postponed and the overseas company is involved in a subsequent corporate restructuring, will no longer apply.

This will ensure that existing legislation on reconstruction does not interact in a way that acts as a barrier to commercial restructuring of companies.

Disguised remuneration: Further updates
From 6 April 2018, the disguised remuneration legislation targeting historical disguised remuneration avoidance schemes such as EBTs (whereby payments were made into the scheme by employee or self-employed individuals and loans were then made to these same individuals which would remain unpaid), will apply to the remuneration of owners of close companies.

Also, from Royal Assent of Finance Bill 2017-18, employees and self-employed individuals will have to provide HMRC with information on their outstanding loans by 1 October 2019 to enable HMRC to calculate the loan charge. HMRC will also be able to collect the loan charge from the employee if the employer is off-shore.

These additional pieces of legislation are designed to strengthen HMRC's ability to assess and collect tax in respect of outstanding loans which remain unpaid at 5 April 2019.

HMRC is making it clear that disguised remuneration avoidance schemes should not be used going forward.

Double taxation relief: changes to targeted anti-avoidance rule
The Targeted Anti-Avoidance Rule (TAAR) applying to taxpayers entering into schemes designed to artificially create or increase double taxation relief claims are changing.

The changes are:
•removal of the requirement for HMRC to issue a counteraction notice before the TAAR applies – for returns to be filed on or after 1 April 2018

•widening the scope of the schemes or arrangements to which the TAAR applies - on or after 22 November 2017.

Off-payroll working (IR35)
The government continues to consult on measures to tackle off-payroll working, with a view to extending the scheme to the private sector using similar reforms to those already applied in the public sector.

Employment status
The government continues to consult on this matter and will publish a paper with the aim of reforming and simplifying employment status tests.

Withholding tax
From April 2019, withholding tax must be applied to royalty payments paid to low tax jurisdictions.

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