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# 2017 Autumn Budget Review

Chancellor Philip Hammond presented the 2017 Autumn Budget to the House of Commons on 22 November. This newsletter reports on the key announcements and recent measures most likely to affect your business and personal finances. For further advice, please contact us.

## Inside...



## Duties

### Fuel duty

Fuel duty rates will remain frozen for the 2018/19 tax year.

### Alcohol and tobacco duties

All alcohol duty rates will be frozen. The government intends to introduce a new duty band in 2019 for still cider of a strength of at least 6.9% but not exceeding 7.5% alcohol by volume.

The duty rate on all tobacco products will continue to increase by 2% above RPI inflation each year until the end of the Parliament. Hand-rolling tobacco will rise by an additional 1% to 3% above RPI inflation this year. The new tobacco duty rates have effect from 6pm on 22 November 2017.

## Hammond's first Autumn Budget heralds vision of an 'outward looking, free-trading nation'

**Chancellor Philip Hammond's first Autumn Budget was delivered against a backdrop of economic and political uncertainty, fuelled partly by the ongoing Brexit process.**

Acknowledging that the UK has entered a 'critical phase' of negotiations, the Chancellor set out his vision of a 'new relationship' with the European Union – though he was keen to emphasise the need to prepare for 'every possible Brexit outcome', announcing that £3bn had been set aside for Brexit preparations.

While asserting that the economy 'continues to confound those who talk it down', the Chancellor revealed that the Office for Budget Responsibility has revised down UK economic growth for the next five years, with the economy expected to grow by 1.5% in 2017. Debt is also expected to reach a peak this year, reducing gradually thereafter as a share of GDP, while borrowing forecasts have also been revised downwards.

Technology and housing proved to be a key focus of the speech, with the Chancellor announcing a package of support for electric vehicles, including £400m for new charging points, and a £44bn investment fund to support the government's target of building an average of 300,000 new homes every year, over the next five years. The government will also make changes to the planning system to 'encourage better use of land in cities and towns'.

There was also some good news for first-time buyers, as the Chancellor revealed that any seeking to buy a property worth up to £300,000 will be exempt from paying Stamp Duty Land Tax with immediate effect.

Meanwhile, the income tax personal allowance will increase to £11,850 from April 2018, with the higher rate threshold rising to £34,500.

Although making a feature of his resistance to reducing the VAT registration threshold, the Chancellor did address the issue of business rates, announcing that firms being affected by the so-called 'staircase tax' could apply to have their bills recalculated and backdated, and that future revaluations will take place every three years.

Finally, entering at least partially into the festive spirit, the Chancellor announced that duty on most alcoholic drinks will be frozen, although a new band of duty will be introduced in 2019 for certain higher strength ciders.

# Car related benefits

## Car and fuel benefits

The taxable petrol and diesel car benefit is based on the car's $CO_2$ emissions. It is calculated using the car's UK list price and applying the 'appropriate percentage', as shown in the table on the right. In the Autumn Budget the Chancellor announced that the diesel supplement will be increased from 3% to 4% from 6 April 2018, but removed altogether for diesel cars which are certified to the Real Driving Emissions 2 (RDE2) standard.

The car fuel benefit is calculated by applying the same percentages to the fuel benefit charge multiplier, which for 2018/19 is £23,400.

## Employer-provided electricity for an electric car

The government will legislate to exempt employer-provided electricity from being taxed as a benefit in kind from April 2018. This will apply to electricity provided in workplace charging points for electric or hybrid cars owned by employees.

| $CO_2$ emissions | Appropriate percentage | |
|---|---|---|
| (g/km) | Petrol % | Diesel % |
| 0 - 50 | 13 | 17 |
| 51 - 75 | 16 | 20 |
| 76 - 94 | 19 | 23 |
| 95 - 99 | 20 | 24 |
| 100 - 104 | 21 | 25 |
| 105 - 109 | 22 | 26 |
| 110 - 114 | 23 | 27 |
| 115 - 119 | 24 | 28 |
| 120 - 124 | 25 | 29 |
| 125 - 129 | 26 | 30 |
| 130 - 134 | 27 | 31 |
| 135 - 139 | 28 | 32 |
| 140 - 144 | 29 | 33 |
| 145 - 149 | 30 | 34 |
| 150 - 154 | 31 | 35 |
| 155 - 159 | 32 | 36 |
| 160 - 164 | 33 | |
| 165 - 169 | 34 | |
| 170 - 174 | 35 | 37 |
| 175 - 179 | 36 | |
| 180 and above | 37 | |

# Business rates

Business rates will switch from being increased by RPI to being increased by CPI from April 2018, two years earlier than originally planned. Business rates revaluations will take place every three years, rather than every five years, starting after the next revaluation, currently due in 2022.

The government will also legislate retrospectively to address the so-called ‘staircase tax’. Affected businesses will be able to ask the Valuation Office Agency to recalculate valuations so that bills are based on previous practice, backdated to April 2010.

The £1,000 business rate discount for public houses with a rateable value of up to £100,000, subject to state aid limits for businesses with multiple properties, will continue for one year from 1 April 2018.

# Business tax

## Corporation tax

Corporation tax rates are as follows:

| Financial year from | 1 April 2017 | 1 April 2018 | 1 April 2019 |
|---|---|---|---|
| Corporation tax rate | 19% | 19% | 19% |

As previously announced, the corporation tax rate is set to reduce to 17% from 1 April 2020.

## Indexation allowance

For disposals of capital assets on or after 1 January 2018, the indexation allowance that is applied in order to determine the amount of the chargeable gain will be calculated up to December 2017, irrespective of the date of disposal of the asset.

## Non-UK resident companies

Legislation will be introduced so that non-UK resident companies that carry on a UK property business or have other UK property income will be charged to corporation tax, rather than being charged to income tax as at present. A non-UK resident company that has chargeable gains on the disposal of UK residential property will also be charged to corporation tax, instead of capital gains tax as at present. The change will have effect on and after 6 April 2020.

## Knowledge-intensive companies (KICs)

The annual limit for individuals investing in KICs under the Enterprise Investment Scheme (EIS) will be increased to £2m, provided that anything above £1m is invested in KICs.

In addition, the annual EIS and Venture Capital Trust (VCT) limit on the amount of tax-advantaged investments a KIC may receive will be increased to £10m.

The permitted maximum age rules will also be amended to allow a KIC to use the date from which its annual turnover exceeded £200,000, instead of the date of its first commercial sale, when determining the date from which the end of the initial investing period is calculated.

For EIS the changes will apply to shares issued on or after 6 April 2018 and for VCTs the changes will apply to new qualifying investments made on or after 6 April 2018.

## Research & Development Expenditure Credit (RDEC)

The rate of RDEC is to increase from 11% to 12%.

This will have effect for expenditure incurred on or after 1 January 2018.

# National insurance contributions (NICs)

| 2018/19 | Employee (primary) | Employer (secondary) |
|---|---|---|
| Class 1 | | |
| Payable on weekly earnings of: | | |
| Below £116 (lower earnings limit) | Nil | – |
| £116 - £162 (primary threshold) | *0% | – |
| Up to £162 (secondary threshold) | – | Nil |
| Above £162 | – | 13.8% |
| £162.01 - £892 (upper earnings limit) | **12% | – |
| £162.01 - £892 (under 21s and apprentices under 25) | – | 0% |
| Above £892 | **2% | – |

*No NICs are actually payable but notional Class 1 NIC is deemed to have been paid; this protects contributory benefit entitlement.

**Over State Pension age, the employee contribution is generally nil.

| | | |
|---|---|---|
| **Employment Allowance** | | up to £3,000 (per year) |
| **Class 1A** | On relevant benefits | 13.8% |
| **Class 2** | Self-employed | £2.95 per week |
| | Small profits threshold | £6,205 per annum |
| **Class 3** | Voluntary | £14.65 per week |
| **Class 4** | Self-employed on annual profits | |
| | £8,424 - £46,350 | *9% |
| | Excess over £46,350 | *2% |

**Exemption applies if State Pension age is reached by 6 April 2018.*
In a change to the date originally announced, Class 2 NICs are set to be abolished from April 2019.

## Stamp Duty Land Tax (SDLT)

From 22 November 2017 first-time buyers paying £300,000 or less for a residential property will pay no SDLT.

First-time buyers paying between £300,000 and £500,000 will pay SDLT at 5% on the amount of the purchase price in excess of £300,000.

A first-time buyer is defined as an individual or individuals who have never owned an interest in a residential property in the UK or anywhere else in the world, and who intend to occupy the property as their main residence.

First-time buyers purchasing property for more than £500,000 will not be entitled to any relief and will pay SDLT at the normal rates.

This measure does not apply in Scotland. It will apply in Wales until 1 April 2018, when SDLT will be devolved to Wales.

## Value Added Tax

The rates for 2018/19 are as follows:

| From | 1 April 2018 |
|---|---|
| Standard rate | 20% |
| VAT fraction | 1/6 |
| Reduced rate | 5% |

### Turnover limits

| | |
|---|---|
| Registration – last 12 months or next 30 days over | £85,000 |
| Deregistration – next 12 months under | £83,000 |
| Annual and Cash Accounting Schemes | £1,350,000 |
| Flat Rate Scheme | £150,000 |

### VAT thresholds

The VAT registration and deregistration thresholds will not be uprated for a period of two years. The two year period ends on 31 March 2020.

### Online VAT fraud

The government will legislate to extend HMRC's powers to hold online marketplaces jointly and severally liable for the unpaid VAT of overseas traders on their platforms to include all (including UK) traders.

Online marketplaces will be required to ensure that VAT numbers displayed for businesses operating on their website are valid. They will also be required to display a valid VAT number when they are provided with one by a business operating on their platform.

**In this Budget, we express our resolve to look forwards, not backwards.**

Chancellor Philip Hammond

# Income tax

| | 2018/19 | 2017/18 |
|---|---|---|
| **Basic rate band – income up to** | †£34,500 | †£33,500 |
| Starting rate for savings income | *0% | *0% |
| Basic rate | 20% | 20% |
| Dividend ordinary rate | **7.5% | **7.5% |
| **Higher rate – income between** | †£34,501 - £150,000 | †£33,501 - £150,000 |
| Higher rate | 40% | 40% |
| Dividend upper rate | **32.5% | **32.5% |
| **Additional rate – income over** | £150,000 | £150,000 |
| Additional rate | 45% | 45% |
| Dividend additional rate | **38.1% | **38.1% |
| **Starting rate limit (savings income)** | *£5,000 | *£5,000 |

*†For Scottish taxpayers only the limit for 2017/18 is £31,500. The Scottish government is set to introduce further changes to the income tax rates and bands for Scottish taxpayers for 2018/19.*
**If an individual's taxable non-savings income exceeds starting rate limit, then starting rate limit for savings will not be available for savings income. £1,000 of savings income for basic rate taxpayers (£500 higher rate) may be tax-free.*
***The tax-free dividend allowance is set to reduce from £5,000 to £2,000 from 6 April 2018.*

# Personal allowances

| | 2018/19 | 2017/18 |
|---|---|---|
| **Personal Allowance (PA)** | £11,850 | £11,500 |
| **Married couple's allowance (MCA)** Either partner born before 6 April 1935 (relief given at 10%) | *£8,695 | *£8,445 |
| **Transferable Tax Allowance ('Marriage Allowance')** For certain married couples (relief given at 20%) | £1,185 | £1,150 |

**Allowances are reduced by £1 for every £2 that adjusted net income exceeds £28,900 (2017/18 £28,000) to a minimum MCA of £3,360 (2017/18 £3,260). Where adjusted net income exceeds £100,000 (2017/18 £100,000), PA is reduced in the same way until it is nil regardless of the individual's date of birth.*

### Marriage Allowance: allowing claims on behalf of deceased partners

The government will legislate to allow Marriage Allowance claims on behalf of deceased spouses and civil partners, and for the claim to be backdated for up to four years where the entitlement conditions are met.

The changes will have effect on and after 29 November 2017.

# Other measures

### Entrepreneurs' relief

The government will consult in spring 2018 on how access to the relief might be given to entrepreneurs whose holding in their company is reduced below the normal 5% qualifying level as a result of raising funds for commercial purposes by means of issues of new shares.

### Taxing non-residents' gains on immovable property

The government has published a consultation on taxing non-residents' gains on immovable property. This measure will broaden the UK's tax base to include disposals of UK commercial property by non-residents, both directly and indirectly, and will bring all companies into charge on disposals of residential property, and all persons into charge on indirect disposals of residential property. The changes will have effect on and after 1 April 2019 for companies, and on and after 6 April 2019 for those in charge to CGT. An anti-forestalling measure to support this reform will have effect on and after 22 November 2017.

### Offshore trusts

New anti-avoidance rules will be introduced relating to the taxation of income and gains accruing to offshore trusts. This measure ensures that payments from an offshore trust intended for a UK resident individual do not escape tax when they are made via an overseas beneficiary or a remittance basis user.

Following consultation, minor changes have been made to the legislation, including to ensure that the onward gift rules can apply if the close family member rule applies, to clarify the position in the year of the settlor's death and in relation to onward gifts to multiple recipients. The changes will have effect on and after 6 April 2018.

## What they said...

'I report today on an economy that continues to grow, continues to create more jobs than ever before and continues to confound those who seek to talk it down.'

**Philip Hammond, Chancellor of the Exchequer**

'We have had the rhetoric of a long-term economic plan that never meets its targets when what all too many are experiencing is long-term economic pain - and the hardest hit are disabled people, single parents and women.'

**Jeremy Corbyn, Labour Party leader**

'Britain has gone from top of the growth league to deep into the relegation zone, with each person set to be £687 worse off per year.'

**Vince Cable, Liberal Democrats leader**