

FREE GUIDE

AUTUMN STATEMENT 2016

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The information provided in this guide is of a general nature and is not a substitute for specific advice in your own circumstances.

We would recommend that you obtain specific professional advice from a professional adviser before you take or refrain from any action. Whilst we endeavour to use reasonable efforts to provide accurate, complete, reliable, error free and up-to-date information, we do not warrant that it is such. The information can only provide an overview of the law in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice.



EXPERT VIEW

Here in the office we were all looking forward to Philip Hammond's first Autumn Statement in a post-Brexit Britain. Would he be radical to make a name for himself? How would he deal with spending following the Brexit vote?

As it turned out, the most exciting announcement was that this was, in fact, Mr Hammond's first and last Autumn Statement. Going forward, there will be only one major fiscal event per year, being a Budget to be held in the Autumn. The intention is that this will give businesses longer to prepare for any tax changes prior to the start of the tax year in April. This new timetable also allows more time to review draft Finance Bill clauses which should make the process more meaningful than it is at present.

The tax changes in this Autumn Statement were kept to a minimum and the Chancellor took the opportunity to confirm that previously announced changes will go ahead as planned. This guide provides a summary of the announcements made together with some analysis of the practical implications.

DAVID EVANS - HEAD OF TAX

PERSONAL ALLOWANCE & HIGHER RATE THRESHOLD

Mr Hammond confirmed the Government's commitment to raise the personal allowance to £12,500 and the higher rate threshold to £50,000 by the end of this parliament.

As such, the personal allowance will increase to £11,500 and the higher rate threshold will increase to £45,000 from April next year.

OFF-PAYROLL WORKERS / IR35

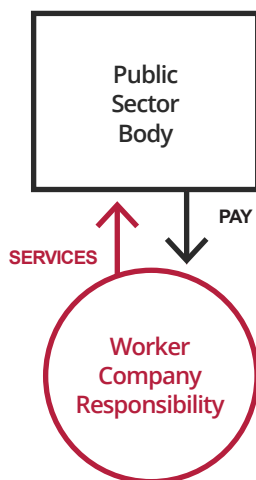
Following a consultation, the Government has announced that it will reform the rules around off-payroll working in the public sector. From April 2017, it will be the body who pays the worker's company who will be responsible for operating the new rules, as opposed to the worker themselves.

of care to ensure that people who work for them pay the correct amount of tax.

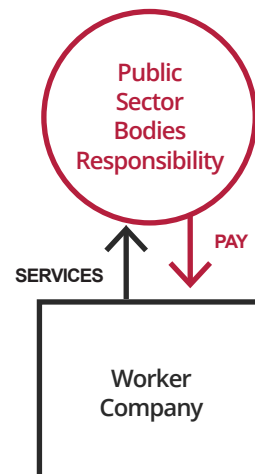
Mr Hammond announced that, following the consultation, there will not be a 5% tax-free allowance on the basis that those working in the public sector will no longer have the administrative burden of deciding whether the rules apply.

The Government think that public sector bodies have a duty

CURRENT SYSTEM



NEW SYSTEM



SALARY SACRIFICE ARRANGEMENTS

Under the current rules, employers can remunerate their employees in a variety of different ways and the taxation of each method of remuneration is different.

This can lead to inconsistencies between the tax that is paid. In response to this, Mr Hammond announced that changes will be made to salary sacrifice type arrangements.

The tax and employer National Insurance advantages will be removed from salary sacrifice arrangements from April 2017 with the following specific exceptions;

- Childcare vouchers
- Cycle to work
- Pensions (including pensions advice)
- Ultra-low emission cars

LEGAL SUPPORT

Mr Hammond also announced that from April 2017, employees will no longer be taxed on any legal support provided by their employer.

It is intended that this will be a fairer system as at the moment, only those needing legal support because of allegations against them can use the tax relief.

TAX ALLOWANCE FOR TRADING INCOME

As previously announced in Budget 2016, a new £1,000 income tax allowance will be introduced whereby individuals with trading income below £1,000 will not have to declare or pay tax on that income.

Mr Hammond announced that this trading income allowance will now also apply to certain miscellaneous income from providing assets or services.

MONEY PURCHASE ANNUAL ALLOWANCE

The money purchase annual allowance will be reduced to £4,000 from April 2017. This is because the Government believe that those aged 55 and over should not be able to achieve double pension tax relief, such as relief on recycled pension savings.

A consultation will be released giving further detail about the exact measures.



EXPERT VIEW

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From a Wealth Management view, the Autumn Statement had little effect on current legislation.

The industry was accepting the annual raid on pensions to bolster tax revenue via a reduction in tax relief and / or reduction in tax free cash which is always predicted and to date has not materialised.

Apart from the reduction of the Money Purchase Annual Allowance from £10,000 to £4,000 for people drawing from their pensions, the last ever Autumn Statement had little impact on long term strategies for the industry.

PAUL LINDFIELD - WEALTH MANAGEMENT PARTNER

ISA ALLOWANCE

As previously announced, the ISA limit will increase to £20,000 from April 2017.

SOCIAL INVESTMENT TAX RELIEF (SITR)

The amount a social enterprise can raise via SITR will increase to £1.5 million from April 2017.

SIMPLIFYING PAYE SETTLEMENT AGREEMENTS

As previously announced, the Government will introduce a new process next year aimed at simplifying the application for PAYE Settlement Agreements.

It is expected that the new system will have effect for the 2018/19 tax year onwards.

NATIONAL INSURANCE THRESHOLD

From April next year the National Insurance Primary and Secondary thresholds will be aligned in a move recommended by the Office of Tax Simplification.

This means that from April 2017, employees and employers will start paying National Insurance on weekly earnings over £157.

CLASS 2 NATIONAL INSURANCE

It had been previously announced that Class 2 NICs will be abolished from April 2018. Mr Hammond confirmed that once Class 2 NICs have been abolished, the self-employed contributory benefits will be accessed via Class 3 NIC & Class 4 NIC. All self-employed women will still be able to

access the standard rate of maternity allowance and self-employed people with profits below the small profits limit will be able to access contributory employment & support allowance through voluntary Class 3 NICs.

CORPORATION TAX RATES

The Chancellor confirmed that the cuts to the corporation tax rate will go ahead as planned. The rates over the coming years will be:

FINANCIAL YEAR 2017	19%
FINANCIAL YEAR 2018	19%
FINANCIAL YEAR 2019	19%
FINANCIAL YEAR 2020	17%

CORPORATION TAX LOSSES

From April 2017, rules will come into effect that restrict the amount of profit that can be offset by brought forward losses. The restriction will be 50% of profit, subject to a £5 million allowance for each standalone company or group.

It was also announced that these rules will allow more flexibility over the types of profit that can be relieved by brought forward losses.

PATENT BOX

It was announced that the Patent Box rules will be amended to deal with situations where research & development is undertaken in a joint venture type scenario where costs are shared between two parties.

It is intended that companies should not be penalised or able to gain an advantage by organising their R&D activities in this way. The changes will come into force from April 2017

PARTNERSHIP TAX

It was also announced that the partnership taxation rules will be clarified to ensure that profit allocations to individual

partners for tax purposes are calculated in a fair manner.

GRASS ROOT SPORTS

Corporation tax relief will be expanded for contributions to grassroots sports from April 2017.

TAX ALLOWANCE FOR PROPERTY INCOME

It had previously been announced in Budget 2016 that a new £1,000 allowance for property income would be introduced in April 2017. The allowance means that people with property income below £1,000 a year would not be required to declare or pay tax on this income.

Those with income in excess of £1,000 could either deduct the allowance from their property income or continue to deduct property expenses as they do currently. The Chancellor confirmed that this measure will go ahead as planned.

LETTING AGENTS FEES

One of the headline grabbing measures introduced by the Chancellor was the announcement that letting agents will no longer be able to charge a fee to renters, for example when they sign new tenancy agreements.

No date was given for when this will come into force however, it will be interesting to see how this measure will affect rental prices.



FLAT RATE VAT SCHEME

A new flat rate of 16.5% was announced for the flat rate scheme. This will apply to businesses with limited costs, such as labour only businesses, and comes into effect from 1 April 2017. The Government hopes that this “will level the playing field” by bringing in an additional £695m of revenue without impacting “the small businesses that use the scheme as intended”.

A business with limited costs is defined as a trader whose VAT inclusive expenditure on goods is either;

- Less than 2% of their VAT inclusive turnover, or
- Greater than 2% of their VAT inclusive turnover but less than £1,000 per annum

An online tool will be released to help businesses determine whether or not they should use the new rate.

VAT GROUPS

The Chancellor also said that there will be a consultation on the treatment of VAT groups.

MAKING TAX DIGITAL

One of the biggest changes to the tax system over the next few years is the Government's proposals to “transform the tax system to make it one of the most digitally advanced tax administrations in the world”. Known as Making Tax Digital, the changes are set to come into force from April 2018 and the initial proposals included mandatory digital record keeping and the provision of quarterly updates by

businesses and the self-employed. The Government had issued a consultation about these plans which has recently closed. The Chancellor announced that the Government's response to the making tax digital consultation will be published in January 2017. As part of this publication, the Government will also release details of how they will implement previously announced changes.

HMRC REPORTING

It was also announced that HMRC will increase the frequency of their reporting. From 2017, HMRC will publish monthly reports giving details of their digital, telephony and

postal performance data along with details of taxpayer complaints.

ANY QUESTIONS?

Ask us, it's our job to know these things.

If you have any questions or queries about anything contained within this guide, no matter how small, please do not hesitate to contact us using any of the details below or search our website for more information.

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