The Chancellor, Philip Hammond’s first (and last) Autumn Statement from a tax perspective was fairly uneventful and largely confirmed many changes which had previously been announced would go ahead such as the reduction in the rate of Corporation Tax to 17% by 2020, changes to the taxation of non-domiciled individuals and offshore trusts from 6 April 2017 and restrictions to the use of salary sacrifice. Some minor new measures were announced and these are detailed below. The lack of new tax legislation is perhaps unsurprising following the Chancellor’s announcement that there was usually no need for bi-annual changes to the tax system and confirmation that we would move to an Autumn Budget from 2017 and a Spring statement from 2018 which would not generally make changes to the tax system.

With GDP set to slow in 2017 before recovering slowly, the Chancellor confirmed that he wanted to promote fairness and broaden the tax base and again highlighted previously announced policies to target individuals who held undeclared and untaxed monies overseas. He also confirmed that his aim was to ensure that “Britain remains the number one destination” and there were clear indications that he wanted to boost investment in key areas such as the tech industries and focus on infrastructure improvements to boost productivity in an attempt to cushion the impact of Brexit.

INDIVIDUALS

Many advisors were temporarily relieved there was no mention in the Chancellor’s Autumn Statement 2016 speech of the UK Non-Domiciled (non-doms) reforms due in April 2017. Did this mean the Government had listened to our concerns over the timing and lack of information? Unfortunately not, as the Autumn Statement 2016 document itself included a brief confirmation that the rules will go ahead in April 2017. The document also confirmed that some form of trust protection will exist for non-UK resident trusts set up by non-doms prior to becoming UK deemed domiciled. Frustratingly, no further detail was included which means the wait for certainty on these rules continues to get longer – and the time available to do any planning before the rules come into force continues to get shorter. As a recap on the new rules from April 2017:

- Non-doms who have been UK resident for 15 out of the past 20 years will be deemed UK domiciled for all UK tax purposes.
- Those born in the UK with a UK domicile of origin returning to the UK will be deemed UK domiciled on their return.
- Non-UK resident trusts set up by non-doms prior to becoming UK deemed domiciled will not be subject to tax on income and gains arising outside the UK.
and kept within the trust.

- UK residential property held through an offshore structure will be brought within the UK IHT net.

For those non-doms who still have unremitted income and gains sitting out of the UK, the good news is that the Government has confirmed its intention to extend the Business Investment Relief (BIR) scheme from April 2017. This relief allows UK resident non-doms to remit funds into the UK to invest in UK businesses without triggering a tax charge. There are still conditions around the relief but it is a useful flexible relief that we are seeing an increasing number of entrepreneurial clients benefiting from.

To tie in with the new rules pulling more people with offshore structures into the UK tax net is a strengthening of the rules around offshore tax evasion. Whilst seemingly minor, the new rule will legislate the requirement to correct a past failure to pay UK tax on offshore interests within a defined period. This new rule is called the ‘requirement to correct’ and allows HMRC to levy much harsher penalties and sanctions for those failing to meet this legal requirement.

PENSIONS

Despite lacking any meaningful detail, the Chancellor did reveal some small changes to foreign pensions which will be effective from April 2017. The Autumn Statement document highlights the following main changes:

- Bringing foreign pensions and lump sums paid to UK residents into tax, in line with the treatment of domestic pensions and lump sums;
- Extending UK taxing rights from 5 to 10 years over non-UK residents’ lump sum payments from pension funds transferred out of the UK;
- Updating the conditions that foreign pension schemes must meet to get UK tax relief on contributions and transfers, by removing the requirement for 70% of transferred funds to be used to provide the member with an income for life;
- Closing specialist pension schemes for those employed abroad to new additions; and
- Aligning the tax treatment of funds transferred to registered pension schemes.

We anticipate that draft legislation will be published on 5 December which should provide further detail.

With respect to UK pensions the government has announced a consultation on reducing the Money Purchase Annual Allowance (MPAA) from £4,000 from £10,000. This proposed measure will be effective from April 2017 and will reduce the amount individuals are able to contribute to a Defined Contribution pension having already accessed pension flexibly.
EMPLOYMENT

Within the 2016 Autumn Statement changes were announced to tackle disguised remuneration schemes by employers and employees. The government will now extend the scope to tackle the use of disguised remuneration avoidance schemes by the self-employed. Furthermore, the government will take steps to make it less attractive for employers to use disguised remuneration avoidance schemes, by denying tax relief for an employer’s contributions to the schemes unless tax and National Insurance are paid within a specified period.

The government will reform the off-payroll working rules in the public sector from April 2017 by moving responsibility for operating them, and paying the correct tax, to the contractor paying the worker’s company. This reform will mean that those working in a similar way to employees in the public sector will pay the same taxes as employees. The 5% tax-free allowance will be removed for those working in the public sector, reflecting the fact that workers no longer bear the administrative burden of deciding whether the rules apply.

Furthermore changes to the methods of remuneration were announced as follows:

- Salary sacrifice – the tax and employer National Insurance advantages of salary sacrifice schemes will be removed from April 2017, except for arrangements relating to pensions (including advice), childcare, Cycle to Work and ultra-low emission cars. This will mean that employees swapping salary for benefits will pay the same tax as the vast majority of individuals who buy them out of their post-tax income. Arrangements in place before April 2017 will be protected until April 2018, and arrangements for cars, accommodation and school fees will be protected until April 2021.

- Valuation of benefits in kind – the government will publish a consultation on employer-provided living accommodation and a call for evidence on the valuation of all other benefits in kind at Budget 2017.

- Employee business expenses – the government will publish a call for evidence at Budget 2017 on the use of the income tax relief for employees’ business expenses, including those that are not reimbursed by their employer.

- Company Car Tax (CCT) bands and rates for 2020-21 – new lower bands will be introduced for the lowest emitting cars. The appropriate percentage for cars emitting greater than 90g CO2/km will rise by 1 percentage point.

Other minor announcements included

- Increasing the National Living Wage (NLW) by 4.2% from £7.20 to £7.50 from April 2017 and

- Aligning the National Insurance secondary (employer) threshold and the National Insurance primary (employee) thresholds meaning that both employees and employers will start paying National Insurance on weekly earnings above £157.

FROM APRIL 2017
NATIONAL LIVING WAGE TO INCREASE BY 4.2%.
BUSINESS TAX

Research & Development
To ensure the UK tax system is strongly pro-innovation, the government will review ways to build on the introduction of the ‘above the line’ R&D tax credit.

Non-Resident Landlords
The government is considering bringing all non-resident companies receiving taxable income from the UK into the corporation tax regime. At Budget 2017, the government will consult on the case and options for implementing this change.

Letting Agent Fees
The government will ban letting agents’ fees to tenants, to give renters greater clarity and control over what they will pay.

Business investment Relief
Rules for the Business Investment Relief (BIR) scheme will change from April 2017 to make it easier for non-domiciled individuals, who are taxed on the remittance basis, to bring offshore money into the UK for the purpose of investing in UK businesses.

VAT Flat Rate Scheme
The government will introduce a new 16.5% rate from 1 April 2017 for businesses with limited costs, such as labour only businesses.

If you wish to discuss any of the points above, please get in touch with your usual Frank Hirth contact.