



2017

Autumn Budget Summary

A report for small businesses and taxpayers

In this summary, we explain the main points of interest for small business owners in the Autumn Budget, as well as reminding you of some changes that have already been announced and are due to be introduced soon. If you would like to discuss how the latest announcements impact you, please contact our team.

Philip Hammond, The Chancellor of the Exchequer, announced his second Budget of this year to Parliament on Wednesday, 22nd November 2017.

From 2018 there will be a Spring Statement, responding to the forecast from the OBR, but no major fiscal event.

The key changes announced in this Autumn Budget that will affect small businesses were:

- VAT registration threshold frozen at £85,000 for the next two years
- Funding for British Business Bank increased to £2.5 billion
- The personal allowance set to increase to £11,850 from April 2018 – the higher rate threshold moves to £46,350
- Planned rise in fuel duty cancelled
- Business rates to now increase in line with consumer prices index instead of higher retail prices index
- £44 billion investment to encourage growth in housing market including Home Builders Fund and Small Sites Fund
- New consultation into off-payroll working in the private sector

To discuss today's announcements with a local accountant, call our team on **0800 0523 555** or visit www.taxassist.co.uk



VAT

VAT Registration Threshold

The Office of Tax Simplification (OTS) recently published a report entitled 'Value Added Tax: Routes to Simplification', in which it suggested slashing the VAT registration threshold and discussed the figure of just £26,000.

Despite rumours that the Government might follow the OTS' recommendation, the Government instead announced it would freeze the VAT registration threshold at its current level of £85,000 for two years.

Making Tax Digital and VAT

Making Tax Digital is the name for HM Revenue & Customs' (HMRC) plans that require certain businesses, self-employed individuals and landlords to keep records digitally and update HMRC on a quarterly basis.

In July 2017, the Government scaled-back their plans:

- Only businesses with a turnover above the VAT threshold (currently £85,000) will have to keep digital records and only for VAT purposes
- They will only need to do so from 2019
- Businesses will not be asked to keep digital records, or to update HMRC quarterly, for other taxes until at least 2020

There were no further announcements in the Budget relating specifically to Making Tax Digital. However, the fact that we have some certainty over the level of the VAT registration threshold until April 2020 allows businesses to forecast when they might be required to comply with Making Tax Digital.

VAT & Sellers on Online Marketplaces

The Government will extend HMRC's powers to hold online marketplaces Jointly and Severally Liable (JSL) for the unpaid VAT of overseas traders on their platforms to include all traders - including those in the UK. It is hoped this should crackdown on overseas traders establishing a UK shell company simply to escape the existing JSL regime.

The rules will also be extended to include non-UK businesses selling goods on their platforms, where the business was not registered for VAT in the UK and the online marketplace knew (or should have known) that the business should be registered for VAT in the UK.

As part of these changes, the Government will require online marketplaces 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. These changes will come into force on Royal Assent in the Spring.

Moving forward, the Government is expecting digital platforms to play a wider role in ensuring their users are compliant with the tax rules.

FINANCE

The Budget declared an action plan to unlock investment to support growth in innovative firms over the next 10 years by:

- Establishing a new £2.5 billion Investment Fund nurtured by the British Business Bank, with the intention to float or sell it once it has established a track record
- Doubling the annual allowance for people investing in knowledge-intensive companies through the Enterprise Investment Scheme (EIS) and the annual investment those companies can receive through EIS and the Venture Capital Trust scheme. The EIS scheme encourages investment in small unquoted companies in exchange for tax breaks
- Investing in a series of private sector fund of funds of scale. The British Business Bank will seed the first wave of investment with up to £500 million, unlocking double its investment in private capital. Up to three waves will be launched, supporting a total of up to £4 billion investment
- Extending the British Business Bank's Enterprise Finance Guarantee to March 2022 and expanding the programme to support up to £500 million of loans per annum. The Enterprise Finance Guarantee is a Government-guaranteed lending scheme intended to help smaller businesses who may be struggling to secure finance
- Working with businesses, lenders, insurers, the British Business Bank and the Intellectual Property Office to overcome the barriers to high growth, intellectual-property-rich firms, such as those in the creative and digital sector, using their intellectual property as collateral to access growth funding

In theory, all of these proposals should give businesses greater access to funding, but it will be interesting to see how well advertised each option is and how easy businesses find the approval process.

PERSONAL TAX

The Personal Allowance & Tax Bands

The personal allowance for 2018/19 is increased by £350 to £11,850. The basic rate band of 20% has also increased by £1,000 to £34,500. This means the 40% band starts on income from £46,350.

This results in a benefit of £70 for basic rate taxpayers and a maximum benefit of £340 for higher rate taxpayers but see the additional national insurance costs, below. Rates for Scottish taxpayers will be announced next month.

National Insurance

From 2018/19, National Insurance will apply from £8,424 to £46,350 at 9% for the self-employed (Class 4 National Insurance) and 12% for employees (Class 1). Class 2 for the self-employed is increased by 10p a week to £2.95 (£153.40 pa). This will incur a maximum increase for higher rate taxpayers of £83.05 for self-employed and £103.80 for employees.

As previously announced, the Chancellor has decided not to proceed with increasing the rate of Class 4 National Insurance for the self-employed and the abolition of Class 2 has been delayed by a year until 6th April 2019.

Mileage Rates for Landlords

Unincorporated landlords will be given the option to use a fixed mileage rate for business trips made by car, motorcycle or goods vehicle. This will be an alternative to claims for capital allowances and deducting the actual expenses incurred. The changes will be backdated to on and after 6th April 2017.

Van Benefit

The fixed level of benefit in kind for the private use of a company van is increased in line with the Retail Prices Index (RPI) to £3,350 and the fuel benefit to £633.

Marriage Allowance

The Government will now allow claims for the Marriage Allowance where a partner has died before the claim was made. These claims will be able to be backdated by up to four years. The Marriage Allowance is available where one partner has not used their personal allowance and the other partner is a basic rate taxpayer.

Stamp Duty

The Chancellor announced that first-time buyers will be permanently exempt from Stamp Duty for properties up to £300,000, with purchasers benefiting on homes up to £500,000. It's hoped the measure will mean 80% of first-time buyers will pay no Stamp Duty at all.

Off-payrolling Working Reform

The Government will consult on how to tackle non-compliance with the intermediaries legislation (commonly known as IR35) in the private sector.

The Government has implemented legislation within the public sector which ensures individuals who effectively work as employees are taxed as employees, even if they choose to structure their work through a company.

It recognises the importance of taking account of the needs of businesses and individuals who would implement any change and the consultation will draw on the experience of the public sector reforms, and external research already commissioned by the Government and due to be published in early 2018.

BUSINESS

Business rates – England & Wales only

After rent, business rates are probably the next biggest cost of using business premises. There were several announcements today that businesses will welcome:

- Bringing forward the planned switch in indexation from RPI to the main measure of inflation, which is currently CPI. This should mean that increases are more moderate because they'll be linked to the changes in prices we see to things like our weekly shop
- A one-year extension to 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
- Business rates valuations should be based on things like the use, turnover and rent a business are paying and they're currently reviewed every 5 years. However, the Government announced today that the Valuation Office Agency will review valuations every three years following the next revaluation, currently due in 2022
- The Government has retrospectively u-turned on the so-called 'staircase tax', which saw business rates calculated based on the number of rooms and floors being used and how they were linked.

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 – including those who lost Small Business Rate Relief because of the judgement. The Government will publish more detail on this soon

Fuel Duty

Fuel Duty has again been frozen for the eighth consecutive year. This is welcome news for business owners who rely on their cars and vans to run their businesses.

Connectivity

The Budget committed £385 million to develop next generation 5G mobile and full-fibre broadband networks.

The Government is also launching a new £190 million Challenge Fund that local areas around the country will bid for to encourage faster rollout of full-fibre networks by industry.

The Government will also consult on how to improve mobile communications for rail passengers and will invest up to £35 million to enable trials.

In a digital era where society is more transient, and people are facing longer commutes to work than ever before, a good phone signal and broadband connection is essential.

The Government will also be under pressure to supply better connectivity if it is to mandate that businesses report to them digitally every quarter under their plans for Making Tax Digital.

Limited Companies – Indexation Relief ceases from January 2018

Capital assets held in Limited companies will cease to benefit from indexation allowance from January 2018. This will bring them in line with individuals, so they will no longer be protected from inflationary increases. This is likely to reduce the benefits of holding property in limited companies.

Oil and Gas

The Government announced that a Transferable tax history for oil and gas can apply from 1st November 2018. This is to encourage investment to facilitate the transfer of late life oil and gas assets to stimulate the UK oil industry. This could bring much needed investment back into the oil industry.

TACKLING TAX AVOIDANCE

There is likely to be an increase in HMRC enquiries and investigations as the Government is providing additional resources and new technology for HMRC to bring in a forecasted £2.3 billion of additional tax revenues. The areas will include:

- Transforming their approach to tackling the hidden economy through new technology
- Further tackling those engaging in marketed tax avoidance schemes
- Enhanced efforts to tackle the enablers of tax fraud and holding intermediaries accountable for the services they provide using the Corporate Criminal Offence

- Increasing their ability to tackle non-compliance among mid-size businesses and wealthy individuals

- Recovering greater amounts of tax debt through a new taskforce to specifically tackle tax debts more than 9 months old

EMPLOYERS

The National Living Wage

The National Living Wage will increase by 4.4% from £7.50 to £7.83 from April 2018. This will help low-income households but will put a greater strain on employers.

A Reminder: Auto Enrolment

The increase coincides with the rise to the minimum pension contributions for employees automatically enrolled into a workplace pension scheme.

Date	Employer minimum contribution
Up to 5 April 2018	1%
6 April 2018 to 5 April 2019	2%
6 April 2019 onwards	3%

Date	Total minimum contribution
Up to 5 April 2018	2%
6 April 2018 to 5 April 2019	5%
6 April 2019 onwards	8%

Employers will need to ensure they factor the extra costs into their budgets for next year.

Electric Cars

As an added incentive to move towards electric vehicles, from April 2018 employers can provide electricity for employee's cars without the employee incurring any benefit in kind charge.

How this will work in practice remains to be seen, as it will be an added cost for the employer.

We hope you've enjoyed our breakdown of the Autumn Budget 2017 announcements and found this summary useful. Our team are on hand to help - please do speak to us if you'd like to discuss how the latest announcements will impact you or your small business.

To discuss today's announcements with a local accountant, call our team on **0800 0523 555** or visit www.taxassist.co.uk

