

# Tech Talk

November 2016

## Autumn Statement

Philip Hammond's first Autumn Statement contained little in the way of headline grabbing news. However, there were a few throw away lines that may have serious implications for you and your clients. This Tech Talk picks up on some of these proposed changes and when more details become available, we will produce further Tech Talks.

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## Tax

The Chancellor reaffirmed that the personal allowance will rise to £12,500 and the higher rate threshold to £50,000 by the end of this Parliament. Thereafter, the personal allowance will rise in line with the Consumer Prices Index.

However, there is concern about fairness in the tax system and so the government intends to take action to ensure a level playing field, and to secure a sustainable tax base. It is suggested the government will:

- tackle tax avoidance, strengthening sanctions and deterrents and take further action on disguised remuneration tax avoidance schemes
- ensure multinational companies pay their fair share, and
- phase out the tax advantages of salary sacrifice arrangements.

The tax and employer National Insurance advantages of salary sacrifice schemes will be removed from April 2017, except for arrangements relating to pensions, childcare, Cycle to Work and ultra-low emission cars. The impact will mean that employees exchanging salary for benefits will pay the same tax as individuals who pay for them out of their net income. Any existing 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. By 2018/19 this action is expected to raise an additional £235m in tax revenue.

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## National Insurance

The National Insurance secondary (employer) threshold and the National Insurance primary (employee) threshold will be aligned from April 2017, meaning that both employees and employers will start paying National Insurance on weekly earnings above £157.

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## Insurance Premium Tax

Insurance Premium Tax will rise from 10% to 12% in June 2017, raising an expected £680m in 2017/18 tax year and increasing amount thereafter. This increase may negate some of the affect of the suggested premium reductions from the government efforts to clamp down on whiplash claims.

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## Reforms to the taxation of non-domiciled individuals

From April 2017, inheritance tax will be charged on UK residential property when it is held indirectly by a non-domiciled individual through an offshore structure, such as a company or a trust. This closes a loophole that has been used by non-domiciled individuals to avoid paying inheritance tax on their UK residential property

Changes will also be made to the rules for the Business Investment Relief (BIR) scheme 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.

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## Pensions

The Money Purchase Annual Allowance (MPAA) is intended to be reduced to £4,000 from April 2017. Treasury documents suggest “the government does not consider that earners aged 55 and over should be able to enjoy double pension tax relief, such as relief on recycled pension savings”. By 2017/18 this move is expected to raise an additional £70m in tax revenue.

It has previously been suggested by the Treasury that 98% of individuals funding their pension pay £10,000 or less each year. This change will therefore have a detrimental effect on a significant number of people who wish to flexibly access some of their pension rights but maintain a reasonable pension funding level going forward, compounded by the fact that there is no carry forward option with the MPAA.

It was also mooted that the tax treatment of foreign pensions will be more closely aligned with the UK’s domestic pension tax regime by bringing foreign pensions and lump sums fully into tax for UK residents. There is also talk of closing specialist pension schemes for individuals employed abroad (“section 615” schemes) to new saving, extending from 5 to 10 years the taxing rights on non-UK residents’ foreign lump sum payments from funds that have had UK tax relief for those individuals who have recently emigrated, aligning the tax treatment of funds transferred between registered pension schemes, and updating the eligibility criteria for foreign schemes to qualify as overseas pensions schemes for tax purposes.

We are also due a consultation on options to tackle pension scams, including banning cold calling in relation to pensions, giving firms greater powers to block suspicious transfers and making it harder for scammers to abuse ‘small self-administered schemes’.

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## Savings

To encourage savers, given the low interest rates available on savings accounts, NS&I is to offer a 3-year savings bond. The indicative rate is 2.2% but this may be adjusted to reflect market conditions when the product is launched. The bond will be open to those aged 16 and over, subject to a minimum investment limit of £100 and a maximum investment limit of £3,000. It is intended this will be available in spring 2017 for a limited period.

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## Future Budgets

The chancellor announced that he intends to move towards having a single major fiscal event each year. Following the spring 2017 Budget and Finance Bill, Budgets will be delivered in the autumn, with the first one taking place in autumn 2017. The rationale for this is it will give organisations more time to implement any changes before the end of the current fiscal year.



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## Further information

Visit the Technical Hub for further information:



[www.jameshay.co.uk/technicalhub](http://www.jameshay.co.uk/technicalhub)

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