Autumn Statement summary

Philip Hammond, local MP for Weybridge and Runnymede where Everfair Tax is based, today delivered his first Autumn Statement. This was also the first financial review post the EU referendum and many in London and the Home Counties voted largely to remain. He therefore had additional pressure to set out the plan for spending and taxes, in the run up to Brexit taking effect. Mr Hammond had already indicated that he was willing to borrow more than George Osbourne, which meant perhaps less need for tax rises to fund spending needs. It was trailed as a being a statement for the Just About Managing (JAM) Families". However, in the run up to the announcement, there were signs that key policy decisions may be deferred to the main Budget in March. So what did we get?

Summary of key announcements:

- The plans around the changes to the rules for long term UK residents who are considered to be non-UK domiciled were also confirmed with no indication of significant changes to the proposals already set out.
- The proposals regarding the future treatment of offshore trust established before an individual becomes "deemed domiciled" was also referenced indicating that this will also go ahead as expected
- There will be some relaxation of the rules around business investment relief which allows individuals to use money which cannot otherwise be remitted to invest in UK companies
- There was confirmation of the intention to introduce rules to allow charging of Inheritance Tax on UK properties owned by offshore structures with effect from April 2017. There was unfortunately no indication that there will be any ability to unwind existing structures provided for in these rules
- The now obligatory crack down on tax avoidance took the form of new rules to require individuals to report previously undeclared overseas income. There will also be a requirement for intermediaries There will also be new penalties for users of any tax planning arrangements, which have been successfully challenged by HMRC
- There were no major changes to pre General Election pledges on allowances and rate bands. The personal allowance will increase to £11,500 from April 2017 and the higher rate band at which 40% tax becomes payable increasing to £50,000 by 2020. The savings allowance will also remain at £5,000. A new allowance of £1,000 for property and trading income will be introduced as announced in Budget 2016
- There was confirmation of the increase in the ISA limit to £20,000 from April 2017 with small inflationary changes to Junior ISA's and Child Trust Funds
- Traditional benefits such as gym memberships, private medical, mobile contracts and some others, will no longer be able to be able to be provided under salary sacrifice arrangements. Individuals will now need to ensure the value of these are taken into account in their tax code or on their self-assessment tax return. They can also reimburse the cost to their employer as long as this is done by the 6 July each year.
- Mr Hammond also announced that there will now be only one Budget going forward and this will be in the Autumn rather than Spring with effect from next year

In terms of the under which long term UK resident non-domiciled individuals will become deemed UK domiciled from April 2017, as no further details have been provided we are left waiting until the draft legislation is published. There was no mention of the rebasing to be offered to those becoming deemed domiciled in April 2017 under these rules or the ability to separate mixed funds but we do expect these valuable concessions to still be introduced. In the meantime, we would recommend that any taxpayers who are approaching 15 years or more of tax residence in the UK seek advice as soon as possible to ensure that any planning can be enacted swiftly before the changes come into effect in April. For US citizens already facing changes to their US tax position as a result of the recent US election, this may not prove too much of an additional burden given their current obligations to report and pay tax on a worldwide basis in the US.

On a more positive note, and perhaps a reflection of the Government's desire to continue to encourage UK investment post-Brexit, there are plans to change the rules for Business Investment Relief from April 2017 to make it easier for remittance basis non-domiciled taxpayers to remit offshore income and gains for investment in the UK.

Whilst the Government welcomes investment to the UK, taxpayers retaining interests offshore can expect ongoing scrutiny of their affairs. In particular, consultation is to take place on a legal requirement for intermediaries, i.e. advisers, arranging complex offshore structures to notify HMRC of both the structure and related clients. We will wait to see the consultation on this and work with other advisors to ensure that it does not catch legitimate tax planning arrangements.

Going forward, the tax treatment of foreign pensions will reflect the treatment for UK pensions, with foreign pensions and lump sums being fully subject to tax for UK residents. We expect this will broadly mean that taxpayers receiving foreign pensions will no longer benefit from the 10% exemption which is currently applicable in respect of foreign pensions which whilst disappointing is perhaps not unexpected. Specialist pension schemes for individuals working abroad will also be closed to new contributions. For taxpayers moving abroad, the UK will also extend their taxing rights over foreign lump sums drawn from pension funds which have received UK tax relief from 5 years to 10 years from the date of departure, perhaps making QROPS and QNUPS less attractive.

There may be some good news for taxpayers who find themselves under enquiry from HMRC in that legislation is to be introduced to give both HMRC and taxpayers earlier certainty regarding individual aspects of large, high risk or complex enquires.

It was also hoped that there may be changes in, or a reversal of, the rules on restricting mortgage interest relief for investment properties due to come in from April 2017. Another pre statement hope was changes to the 3% Stamp Duty Land Tax (SDLT) surcharge on second residential property purchases, or a reduction in stamp duty in general but again this didn't materialise.

The much trailed making tax digital initiative proposal requires small businesses, self-employed individuals and landlords to keep records electronically and report certain information quarterly. This has proved deeply unpopular due to the extra administration and resulting costs for those affected. Many were therefore hoping for a complete scrapping of these proposals but this has not materialised in this 'mini budget'.

Having ditched George Osbourne's policy however, of using this statement to set out policies of many Government Departments, the key will be in the detail which will become available in the next couple of weeks with the release of the draft Finance Bill 2017

If you have any questions or would like to discuss any of these proposals in more detail please contact us

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