Autumn Statement 2016

Detailed list of announcements at the Autumn Statement

www.gov.uk/government/uploads/system/uploads/attachment_data/file/571559/autumn_statement_2016_web.pdf

Budget moves to the autumn

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 OBR will produce a spring forecast from spring 2018 and the government will make a Spring Statement responding to that forecast. The Statement will review wider economic and fiscal challenges and launch consultations. The government will retain the option to make changes to fiscal policy at the Spring Statement if the economic circumstances require it.

Charities

Museums and galleries tax relief to include permanent exhibitions

The government will broaden the scope of the museums and galleries tax relief announced at Budget 2016 to include permanent exhibitions so that it is accessible to a wider range of institutions across the country. The rates of relief will be set at 25% for touring exhibitions and 20% for non-touring exhibitions and the relief will be capped at £500,000 of qualifying expenditure per exhibition. The relief will take effect from 1 April 2017, with a sunset clause which means the relief will expire in April 2022 if not renewed. In 2020, the government will review the tax relief and set out plans beyond 2022.

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Authorised investment funds: tax credits for exempt investors

The government will modernise the rules on the taxation of dividend distributions to corporate investors in a way which allows exempt investors, such as pension funds, to obtain credit for tax paid by authorised investment funds and will publish proposals in draft secondary legislation in early 2017.

Social investment tax relief changes

From 6 April 2017, the amount of investment social enterprises aged up to 7 years old can raise through SITR will increase to £1.5 million. Other changes will be made to ensure that the scheme is well targeted. Certain activities, including asset leasing and on-lending, will be excluded. Investment in nursing homes and residential care homes will be excluded initially, however the government intends to introduce an accreditation system to allow such investment to qualify for SITR in the future. The limit on full-time equivalent employees will be reduced to 250. The government will undertake a review of SITR within two years of its enlargement.

Gift Aid intermediaries to go ahead

As announced at Budget 2016, the government will give intermediaries a greater role in administering Gift Aid, simplifying the Gift Aid process for donors making digital donations.

Gift Aid small donations scheme changes to go ahead

Following the review announced at Autumn Statement 2015, the government is amending the Gift Aid Small Donations Scheme to make it more accessible and flexible, and to ensure fairer treatment between charities that are structured in different ways.

Social housing: reducing social rents and Right To Buy social housing

Reducing social rents – Refuges, almshouses, Community Land Trusts and co-operatives will be exempt from the policy to reduce social sector rents by 1% a year for 4 years from 2016-17

Right to Buy – The government will fund a large-scale regional pilot of the Right to Buy for housing association tenants. Over 3,000 tenants will be able to buy their own home with Right to Buy discounts under the pilot.

Funds for charities: women's charities, armed forces, rescue services and grammar schools

Tampon Tax Fund for women's charities The government will award £3 million to Comic Relief to distribute to a range of women's charities. The government will also invite applications from charities from 1 December 2016 for the next round of Tampon Tax funding to support women's charities, including those running programmes that tackle violence against women and girls.

The use of banking fines The government has committed a further £102 million of banking fines over the next 4 years to support Armed Forces and Emergency Services charities and other related good causes. This includes £20 million to support the defence related capital costs of the Defence and National Rehabilitation Centre at Stanford Hall in Nottinghamshire.

Grammar schools capital As part of the government's ambitious plans to ensure every child has access to a good school place, the Prime Minister has announced plans to allow the expansion of selective education in England. The government will provide £50 million of new capital funding to support the expansion of existing grammar schools in each year from 2017-18, and has set out proposals for further reforms in the consultation document 'Schools that Work for Everyone'. The devolved administrations will receive funding through the Barnett formula in the usual way

Employment taxation

Salary sacrifice to be blocked from April 2017 except for pensions, childcare etc.

Following consultation, 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 consultation – including living accommodation

The government will consider how benefits in kind are valued for tax purposes, publishing a consultation on employer-provided living accommodation and a call for evidence on the valuation of all other benefits in kind at Budget 2017

Termination payments changes already announced apply from April 2018

As announced at Budget 2016, from April 2018 termination payments over £30,000, which are subject to income tax, will also be subject to employer NICs. Following a technical consultation, tax will only be applied to the equivalent of an employee's basic pay if their notice is not worked, making it simpler to apply the new rules. The government will monitor this change and address any further manipulation. The first £30,000 of a termination payment will remain exempt from income tax and National Insurance.

Exemption for employer provided legal support

From April 2017, all employees called to give evidence in court will no longer need to pay tax on legal support from their employer. This will help support all employees and ensure fairness in the tax system, as currently only those requiring legal support because of allegations against them can use the tax relief

Simplifying the PSA process from April 2018

As announced at Budget 2016 and following consultation, the government will legislate in Finance Bill 2017 to simplify the process for applying for and agreeing PSAs. This will have effect in relation to agreements for the 2018 to 2019 tax year and subsequent tax years.

Alignment of EE and ER NI thresholds from April 2017

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.

Dates for 'making good' on benefits in kind

As announced at Budget 2016 and following consultation, the government will legislate in Finance Bill 2017 to ensure an employee who wants to 'make good', on a non-payrolled benefit in kind will have to make the payment to their employer by 6 July in the following tax year. 'Making good' is where the employee makes a payment in return for the benefit in kind they receive. This reduces its taxable value. This will have effect from April 2017.

National living wage and national minimum wage rates from April 2017

Following the recommendations of the independent Low Pay Commission, the government will increase the National Living Wage (NLW) by 4.2% from £7.20 to £7.50 from April 2017. This is estimated to mean a pay rise for over a million workers. In total, earnings for a full-time worker on the National Minimum Wage (NMW) will have increased by over £1,400 a year since the introduction of the NLW in April 2016.12 The government's target is for the NLW to reach 60% of median earnings by 2020 subject to sustained economic growth.

The government will also accept all of their recommendations for the other NMW rates (which were last increased in October 2016) to apply from April 2017, including:

- Increase the rate for 21 to 24 year olds from £6.95 to £7.05 per hour
- Increase the rate for 18 to 20 year olds from £5.55 to £5.60 per hour
- Increase the rate for 16 to 17 year olds from £4.00 to £4.05 per hour
- Increase the rate for apprentices from £3.40 to £3.50 per hour

Tax-free childcare to be phased in from April 2017

Tax-Free Childcare will be introduced gradually from early 2017, with roll out beginning upon completion of the trial. Once the scheme is fully rolled out, the government will review its operation to ensure it is delivering as intended and to assess the benefit it is delivering for working parents.

Employee business expenses consultation

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

Employee shareholder status to be abolished

The tax advantages linked to shares awarded under ESS will be abolished for arrangements entered into on, or after, 1 December 2016. The status itself will be closed to new arrangements at the next legislative opportunity. This is in response to evidence suggesting that the status is primarily being used for tax planning instead of supporting a more flexible workforce.

VAT

Vat grouping consultation

The government will consult on VAT grouping

OTS to consider VAT simplification

The government has now asked the OTS to carry out reviews on aspects of the VAT system. From financial secretary to OTS letter: Alongside your continued work on corporation tax, I would like to request that the OTS carry out a review into the VAT system, to ensure that it is fit for purpose in our modern economy. The review should focus in particular on VAT accounting simplifications for SMEs, including annual and cash accounting, the flat rate scheme and the registration threshold. It could examine the rules for calculating VAT due to HMRC by businesses that make both VATable and VAT exempt supplies and it might also consider the complexity for businesses and administration under the current rate structure. It should, however, avoid any more fundamental review of VAT rates and be mindful of sensitivities post-referendum. Revenue neutrality, countering avoidance and thinking about how we might more effectively protect VAT revenues in the future remain key objectives of the government.

Tackling exploitation of the vat relief on adapted cars for wheelchair users

The government will clarify the application of the VAT zero-rating for adapted motor vehicles to stop the abuse of this legislation, while continuing to provide help for disabled wheelchair users.

Retail export scheme to go digital

The government will provide funding with a view to digitising fully the Retail Export Scheme to reduce the administrative burden to travellers.

VAT flat rate scheme – 16.5% rate for businesses with limited costs

The government will introduce a new 16.5% rate from 1 April 2017 for businesses with limited costs, such as many labour-only businesses. This will help level the playing field, while maintaining the accounting simplification for the small businesses that use the scheme as intended. Guidance which has the force of law, published today, will introduce anti-forestalling provisions.

Implementation of the fulfilment house due diligence scheme in 2018

As announced at Budget 2016 and following a consultation on the scope and design of the scheme, the government will legislate in Finance Bill 2017 to introduce a new Fulfilment House Due Diligence Scheme in 2018. This will ensure that fulfilment houses play their part in tackling VAT abuse by some overseas businesses selling goods via online marketplaces. The scheme will open for registration in April 2018.

VAT avoidance disclosure regime – promoters responsible

As announced at Budget 2016 and following consultation, legislation will be introduced in Finance Bill 2017 to strengthen the regime for disclosure of avoidance of indirect tax. Provision will be made to make scheme promoters primarily responsible for disclosing schemes to HMRC and the scope of the regime will be extended to include all indirect taxes. This will have effect from 1 September 2017.

Penalty for participating in VAT fraud

As announced at Budget 2016 and following consultation, the government will legislate in Finance Bill 2017 to introduce a new and more effective penalty for participating in VAT fraud. It will be applied to businesses and company officers when they knew or should have known that their transactions were connected with VAT fraud. The penalty will improve the application of penalties to those facilitating orchestrated VAT fraud. The new penalty will be a fixed rate penalty of 30% for participants in VAT fraud. This will be implemented following Royal Assent of the Finance Bill 2017.

Personal taxation

Personal allowance to £12,500 and higher rate threshold to £50,000 by end of parliament

The government will meet its commitment to raise the income tax personal allowance to £12,500 and the higher rate threshold to £50,000, by the end of this Parliament. Next year, the personal allowance will rise to £11,500 and the higher rate threshold to £45,000. Once the personal allowance reaches £12,500, it will then rise in line with CPI as the higher rate threshold does, rather than in line with the NMW.

Abolition of class 2 NICs from April 2018

Class 2 NICs will be abolished from April 2018, simplifying National Insurance for the self-employed. The Autumn Statement confirms that, following the abolition of Class 2 NICs, self-employed contributory benefit entitlement will be accessed through Class 3 and Class 4 NICs. All self-employed women will continue to be able to access the standard rate of Maternity Allowance. Self-employed people with profits below the Small Profits Limit will be able to access Contributory Employment and Support Allowance through Class 3 NICs. There will be provision to support self-employed individuals with low profits during the transition.

Time limits for NICs claims and assessments to be aligned

From April 2018, the government will remove NICs from the effects of the Limitation Act 1980 and Northern Ireland equivalent. This will align the time limits and recovery process for enforcing National Insurance debts with other taxes.

Starting rate for savings is £5,000 for 17/18

The band of savings income that is subject to the 0% starting rate will remain at its current level of £5,000 for 2017-18.

Cash ISA cap to £20,000 from April 2017

As previously announced, the government will continue to support saving by increasing the ISA limit from £15,240 to £20,000 in April 2017

NS&I investment bond at 2.2%

To provide support to savers NS&I will offer a new market leading 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. The product will be available for 12 months from spring 2017.

Reforms to the taxation of non-domiciled individuals

Individuals who live in the UK and make use of public services should pay their fair share of tax. The following reforms to the taxation of non-domiciled individuals make the tax system fairer for everybody:

- As previously announced, the government will end the permanency of non-domiciled tax status. From April 2017, non-domiciled individuals will be deemed UK-domiciled for tax purposes if they have been UK resident for 15 of the past 20 years, or if they were born in the UK with a UK domicile of origin. As previously announced, non-domiciled individuals who have a non-UK resident trust set up before they become deemed-domiciled in the UK will not be taxed on income and gains arising outside the UK and retained in the trust
- 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
- The government will change 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. The government will continue to consider further improvements to the rules for the scheme to attract more capital investment in British businesses by non-domiciled individuals

IHT reliefs for donations to political parties

From Royal Assent of the Finance Bill 2017-18, inheritance tax relief for donations to political parties will be extended to parties with representatives in the devolved legislatures, as well as parties that have acquired representatives through by-elections. This will ensure consistent and fair treatment for all national political parties with elected representatives.

Business taxation

Making tax digital to go ahead

In January 2017, the government will publish its response to the Making Tax Digital consultations and provisions to implement the previously announced changes.

£1,000 income tax allowance for property and trading income

As announced at Budget 2016, the government will create two new income tax allowances of £1,000 each, for trading and property income. Individuals with trading income or property income below the level of the allowance will no longer need to declare or pay tax on that income. The trading income allowance will now also apply to certain miscellaneous income from providing assets or services.

Rate of Corporation Tax to 17% by 2020

To continue providing the certainty that businesses need to make their long-term investments, the government is recommitting to the business tax road map and the principles that it sets out.5 This includes cutting the rate of corporation tax to 17% by 2020 and reducing the burden of business rates by £6.7 billion over the next 5 years.

Corporation Tax deduction for contributions to grassroots sport from April 2017

As announced at Autumn Statement 2015 and following consultation, in Finance Bill 2017 the government will expand the circumstances in which companies can get Corporation Tax deductions for contributions to grassroots sports from 1 April 2017.

Reform of loss relief from April 2017

Following consultation, the government will legislate for reforms announced at Budget 2016 that will restrict the amount of profit that can be offset by carried-forward losses to 50% from April 2017, while allowing greater flexibility over the types of profit that can be relieved by losses incurred after that date. The restriction will be subject to a £5 million allowance for each standalone company or group. In implementing the reforms the government will take steps to address unintended consequences and simplify the administration of the new rules. The amount of profit that banks can offset with losses incurred prior to April 2015 will continue to be restricted to 25% in recognition of the exceptional nature and scale of losses in the sector.

Tax deductibility of corporate interest expense from April 2017

Following consultation, the government will introduce rules that limit the tax deductions that large groups can claim for their UK interest expenses from April 2017. These rules will limit deductions where a group has net interest expenses of more than £2 million, net interest expenses exceed 30% of UK taxable earnings and the group's net interest to earnings ratio in the UK exceeds that of the worldwide group. The government will widen the provisions proposed to protect investment in public benefit infrastructure. Banking and insurance groups will be subject to the rules in the same way as groups in other industry sectors.

Capital allowances: short term first-year allowance for electric charge-points

The measure provides a 100% first-year allowance (FYA) for expenditure incurred on electric charge-point equipment. The allowance will expire on 31 March 2019 for Corporation Tax purposes and 5 April 2019 for Income Tax purposes.

Northern Ireland corporation tax – expansion to SMEs trading in NI

The government will amend the Northern Ireland corporation tax regime in Finance Bill 2017 to give all small and medium sized enterprises (SMEs) trading in Northern Ireland the potential to benefit. Other amendments will minimise the risk of abuse and ensure the regime is prepared for commencement if the Northern Ireland Executive demonstrates its finances are on a sustainable footing.

Clarification of tax treatment for partnerships

Following consultation, the government will legislate to clarify and improve certain aspects of partnership taxation to ensure profit allocations to partners are fairly calculated for tax purposes. Draft legislation will be published for technical consultation.

Bringing non-resident companies' UK income into the corporation tax regime

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. The government wants to deliver equal tax treatment to ensure that all companies are subject to the rules which apply generally for the purposes of corporation tax, including the limitation of corporate interest expense deductibility and loss relief rules.

Business rates rural rate relief doubled to 100%

To remove the inconsistency between rural rate relief and small business rate relief the government will double rural rate relief to 100% from 1 April 2017.

Substantial shareholding exemption (SSE) reform

Following consultation, the government will make changes to simplify the rules, remove the investing requirement within the SSE and provide a more comprehensive exemption for companies owned by qualifying institutional investors. The changes will take effect from April 2017.