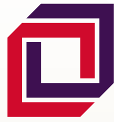
JOHNSTON
CARMICHAEL



Where sharp minds meet

Autumn Statement Briefing

November 2016

Helping you understand how proposed changes might impact you or your business

jcca.co.uk

Contents

3 Your core Autumn Statement team

4 Foreword by Susie Walker

5 Personal Tax

8 Business Tax

11 Employment Taxes

12 Indirect Taxes

13 Other Matters - Tax Administration

14 Infrastructure

14 Oil & Gas

15 Your local tax contacts

16 Wealth

18 Appendix 1: UK Rates and Allowances 2017/18

Your core Autumn Statement team

Susie Walker
Head of Tax
0131 220 2203
Susie.Walker@jcca.co.uk

Peter Young
Head of Private Client Tax
0131 220 2203
Peter.Young@jcca.co.uk

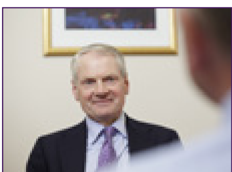
Craig Hendry
Managing Director
Johnston Carmichael Wealth
01224 259373
Craig.Hendry@jcwealth.co.uk

John McAuslin
Partner - Corporations
0141 222 5800
John.McAuslin@jcca.co.uk

Graham Seager
Partner - VAT
0131 220 2203
Graham.Seager@jcca.co.uk

Richard Britten
Partner - Employer Solutions
01224 212222
Richard.Britten@jcca.co.uk

David Ward
Partner - R&D
0131 220 2203
David.Ward@jcca.co.uk



Simon Burton
Tax Director - EIS
0131 220 2203
Simon.Burton@jcca.co.uk

Billy Cleland
Tax Director - Private Client
0131 220 2203
Billy.Cleland@jcca.co.uk

The Autumn Statement proposals may be subject to amendment in a Finance Act. You should contact us before taking any action as a result of the contents of this summary.

Foreword by Susie Walker

In Philip Hammond's first – and last – Autumn Statement, he conveyed a positive economic message with the UK forecast to be the fastest growing major economy in 2016. However, the Office for Budget Responsibility has forecast a slowdown in growth and inflation to rise over the next two years as Brexit begins to bite. The government's aim to have the country's finances in surplus in 2019/20 are now set aside, with the perceived longer term weaknesses in the economy instead being tackled head on, primarily by investing in infrastructure and innovation to raise Britain's productivity. The government now plans to return the public finances to balance at the earliest possible date in the next Parliament.

The Autumn Statement is to be replaced. From autumn 2017, Britain will have an autumn rather than spring Budget, giving businesses more certainty and stability from which to plan ahead. From 2018 there will be a Spring Statement, responding to the forecast from the OBR, but no major fiscal changes will be announced at this time.

The key messages from the government continue to be that Britain is open for business and that we must live within our means. There were a number of tax announcements affecting our client base which we have highlighted in this publication. Disappointingly, but unsurprising given the significant and ambitious plans around it, there was no announcement today on the outcome from the Making Tax Digital consultation which closed in early November. Instead, it was announced that the government's response will be issued in January 2017 together with the provisions to implement the previously announced changes.

Key highlights are:

- Insurance Premium Tax increasing from 10% to 12% from June 2017
- Fuel duty is frozen for the seventh consecutive year
- National Living Wage to increase from £7.20 to £7.50 per hour for those over 25 from April 2017
- The UK government's decision to focus on infrastructure spending will boost the Scottish Government's budget by +£800m to 2020/21
- Salary sacrifice schemes to be closed down, with certain exceptions.

Should you have any questions please contact any member of our core tax team or your usual Johnston Carmichael contact.

Susie Walker, Head of Tax

Personal Tax

The Chancellor confirmed the government's intention to raise the personal allowance to £12,500 and the higher rate threshold to £50,000 by the end of this Parliament in 2020/21.

The personal allowance and higher rate threshold will increase in 2017/18 again as previously announced:

	2016-17	2017-18	Projected 2020-21
Personal allowance	£11,000	£11,500	£12,500
Basic rate band	£32,000	£33,500	£37,500
Higher rate threshold begins	£43,000	£45,000	£50,000

Scottish resident taxpayers will need to wait for the Scottish Budget on 15 December to determine if the basic rate threshold and indeed income tax rates will diverge from the rest of the UK.

There was no announcement to change the threshold at which personal allowance is reduced. Those with net adjusted income above £100,000 will continue to lose £1 of personal allowance for every £2 of income above that level. They lose their full entitlement to personal allowance in 2017/18 when their net adjusted income exceeds £123,000.

The 45% additional rate band will continue to apply for those with taxable income above £150,000. Again, we may see a divergence in tax rates and bands in Scotland from next year and any changes should be announced in the Scottish Budget on 15 December.

The personal allowance remains the preserve of Westminster and the Chancellor has indicated that once this reaches £12,500, it will increase thereafter at the rate of inflation (CPI) rather than in line with the National Minimum Wage as previously announced.

Taxation of savings

The starting rate for savings will remain at £5,000 for 2017/18. Where an individual's taxable non-savings income is less than this limit, there is a 0% starting rate for savings income (e.g. interest from bank and building society accounts, interest distributions from unit trusts etc.) up to £5,000.

In addition to this, from 6 April 2016 a 0% personal savings allowance is available to basic rate and higher rate taxpayers. The allowance is £1,000 for basic rate taxpayers and £500 for higher rate taxpayers.

New allowance for property and trading income

The government is to introduce two new tax allowances of £1,000 each for trading and property income. Those with incomes below these amounts will not be required to pay tax, or declare them either through their tax return or via their digital account which should replace tax returns by the end of this Parliament under the government's Making Tax Digital project.

National Insurance

National Insurance secondary (employer) and primary (employee) thresholds are to be aligned from April 2017 as follows:

	2016-17	2017-18
Weekly Employee threshold	£155	£157
Weekly Employer threshold	£156	£157

Class 2 NICs payable by the self-employed will be abolished with effect from April 2018.

Non-domiciled individuals

The Chancellor announced changes to the taxation of non-domiciled individuals, which he argues will make the tax system fairer to everyone:

> The government will end the permanency of non-domiciled tax status. From April 2017, non-domiciled individuals will be deemed to be domiciled in the UK if they have been resident for 15 of the last 20 years or if they were born in the UK with a UK domicile of origin (generally taking this from their father).

> Non-domiciled individuals who have a non-UK resident trust set up before they became deemed domiciled in the UK will not be taxed on income or gains arising outside the UK if 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.

> The government will introduce rules for the Business Investment Relief scheme to encourage non-domiciled individuals taxed on a remittance basis to bring offshore money into the UK for investing in UK businesses.

Pensions and savings tax

The money purchase annual allowance will be reduced from £10,000 to £4,000 from April 2017. The money purchase annual allowance applies to individuals who continue to make pension contributions having previously accessed a pension flexibly. This is not to be confused with the annual allowance applying to those who have not yet accessed their money purchase pension plans which remains at £40,000 per year, but subject to tapering for those with high incomes.

The government will legislate to bring within the scope of UK income tax, foreign pensions and lump sums received by UK residents as well as extending taxation rights for up to 10 years on emigrating UK residents who access lump sum payments from funds that have received UK tax relief.

Life insurance policies

The government will legislate in 2017 to ensure tax charges are recalculated on a “just and reasonable basis” in cases where life insurance policy part-surrenders and part-assignments can give rise under present legislation to disproportionate tax charges.

Junior ISA/Child Trust Fund and ISA limits

The junior ISA and Child Trust Fund limit will increase to £4,128 from April 207 and the main ISA subscription limit will increase from £15,240 to £20,000.

Partnerships

Following consultation, the government will legislate to clarify and improve certain aspects of partnership taxation to ensure profit allocations to parties are fairly calculated for tax purposes.

Capital Gains Tax (CGT) – individuals

Employee Shareholder Status (ESS)

Due to the perceived abuse of ESS, the government is to withdraw income tax relief and the CGT exemption for ESS shares on the receipt or buy-back of shares issued to an employee under an agreement made on or after 1 December 2016. The time delay between the Autumn Statement and the date of withdrawal is to allow those individuals who have already been offered, but have yet to accept, the opportunity to enter into an employee shareholder agreement. Those individuals who have received independent legal advice in connection with entering into an employee shareholder agreement before 23 November 2016, will have until the end of November 2016 to do so and still qualify for income tax reliefs and the CGT exemption. Shares acquired under agreements made before 1 December 2016 will not be affected, and the employing company will continue to benefit from corporation tax reliefs.

Offshore Funds

UK taxpayers who invest in reporting funds will be taxable on their share of the fund's reportable income and pay CGT on any gain when the shares or units in the fund are sold. Some funds will charge performance fees depending on the success of the fund. The government will legislate to ensure that any such fees are deductible against the capital gain, rather than the fund's reportable income.

Inheritance Tax

Donations to political parties

Donations to certain political parties qualify for exemption from inheritance tax (IHT). The exemption currently applies to those parties with members elected at the previous general election, and where either two members were elected to the House of Commons, or one member was elected and the party gathered 150,000 votes or more. The restrictions will be amended so that parties in the devolved legislatures will be able to qualify (i.e. not just the House of Commons). Seats acquired through by-elections will also qualify.

Entrepreneurial Taxes

The government announced that Finance Bill 2017 will make some changes to the Seed Enterprise Investment Scheme (SEIS) and the Enterprise Investment Scheme (EIS). HMRC say that the changes will clarify the rules for share conversion rights for shares issued on or after 5 December 2016. It is not clear what this measure will amount to at this stage, so there may be a relaxation of the existing provisions in some way, which would be helpful.

The government will also open a consultation to look at streamlining and prioritising the existing advance assurance service for SEIS and EIS. This service is immensely important to companies seeking to raise money under SEIS and EIS and any improvements to the service which flow from the consultation will be welcome.

From 6 April 2017, social enterprises will be able to raise up to £1.5 million using Social Investment Tax Relief (SITR), the SEIS and EIS equivalent for social enterprises. Other changes are planned to the scheme to ensure it is better targeted and a review will be undertaken of SITR once these changes have been put in place.

Amendments will be made to Venture Capital Trusts (VCTs) in relation to certain share for share exchanges. Details are awaited.

Business Tax

Tax deductibility of corporate interest expense

It has been confirmed that from 1 April 2017 there will be a Fixed Ratio Rule which limits corporation tax 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 provisions will be widened to protect investment in public benefit infrastructure which was a concern raised in response to the original government consultation document. Banking and insurance groups will also be subject to the rules in the same way as groups in other industry sectors.

Reform of corporation tax loss relief

Following the consultation document issued, the government has confirmed that losses incurred by a company after 1 April 2017 will be available to offset against profits from multiple income streams or from other companies within a group. These rules will restrict the amount of profit that can be offset by carried-forward losses to 50%. However, 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.

These rules will be more flexible because the current rules only allow losses carried forward to be used against profits of the same trade in the company where they were incurred. It should be noted however, that losses incurred pre-1 April 2017 will be subject to this 50% restriction, but not available for the flexible offset rules above.

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

The government is reviewing the position of non-resident companies who receive taxable income from the UK and are considering bringing these companies into the corporation tax regime. There will be a period of consultation and will form part of the 2017 Budget. 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 outlined in this document. No further details are currently available.

Substantial Shareholding Exemption (SSE) reform

The SSE rules are to be simplified from 1 April 2017 to remove the investing requirement within the SSE legislation and provide a more comprehensive exemption for companies owned by qualifying institutional investors. The Chancellor's announcement suggests that it will be a comprehensive exemption, and legislation is expected in December 2016 which will formalise the government's preferred option out of the options detailed in their consultation document earlier this year.

Authorised investment funds: dividend distributions to corporate investors

Rules on the taxation of dividend distributions to corporate investors will be modernised to allow exempt investors, such as pension funds, to obtain credit for tax paid by authorised investment funds. The proposals will be published in early 2017.

Corporation tax rate

The Chancellor confirmed the government's commitment to the business tax road map that was issued earlier this year, the aim being to give certainty for long-term investment in the UK. This includes a commitment to cut the main rate of corporation tax to 17% from 1 April 2020 and reduce the burden of business rates by £6.7m over the next five years.

Hybrids and other mismatches

The government has announced it will make minor changes in Finance Bill 2017 to ensure that the hybrid and other mismatches legislation works as intended. The changes will have effect from 1 January 2017.

Research & Development

Research and Development (R&D) formed a major focus for the Autumn Statement in recognition of the critical role R&D plays in driving productivity.

Additional funding

The government announced a new National Productivity Investment Fund (NPIF) of £23 billion, with priority being given to investment in R&D. £4.7 billion of the NPIF has been earmarked for science and innovation spending.

The NPIF will fund:

> An Industrial Strategy Challenge Fund. This is a new cross-disciplinary fund to support collaborations between business and the UK's science base which will set identifiable challenges for UK researchers to tackle. This fund will be managed by Innovate UK and research councils and will be modelled on the USA's Defence Advanced Research Projects Agency programme. It will cover a broad range of technologies, to be selected through an evidenced-based process.

> Innovation, applied science and research. Additional funding will be allocated to increase research capacity and business innovation. Once established, UK Research and Innovation (UKRI) will award funding on the basis of national excellence and will include a substantial increase in grant funding through Innovate UK.

Future tax changes

The government will also review the tax environment for R&D to look at ways to "build on" the introduction of the Research and Development Expenditure Credit (RDEC). The RDEC is available to large companies and also to SMEs where they are excluded from the more generous SME regime (e.g. where they are claiming for grant funded or subcontracted R&D projects). The review is intended to make the UK a more competitive place to undertake R&D. There will be no impact on current claims, but we will await further details on this review in the New Year to understand the potential benefits that may become available.

New guidance

Although not released as part of the Autumn Statement, HMRC have also just released new guidance on R&D tax relief for small companies. The guidance, titled "Research and development tax relief – making R&D easier for small companies", is contained in a 45 page booklet, including useful flow diagrams and case studies from different sectors to help SMEs to understand the basic concepts of the R&D tax relief regimes.

Patent box rules

Since the reform of the patent box rules, which began to be phased in from June 2016, we have been awaiting further details of how collaborative R&D (such as cost-sharing arrangements) would be dealt with under the new regime. Broadly speaking, the modified regime can limit patent box benefits based on the proportion of relevant R&D undertaken by the company. Cost-sharing arrangements are normal commercial arrangements allowing businesses to share the costs and risks of R&D. However, they may simply amount to contractual arrangements between separate companies, and the entitlement of those separate companies to patent box benefits are not easily dealt with under the modified approach of the reformed patent box regime.

Legislation will be included in Finance Bill 2017 to add specific provisions to the patent box rules, covering the case where R&D is undertaken collaboratively by two or more companies under a "cost-sharing arrangement". The provisions are designed to ensure that such companies are neither penalised nor able to gain an advantage under these rules by organising their R&D in this way. This will have effect for accounting periods commencing on or after 1 April 2017.

Capital Allowances

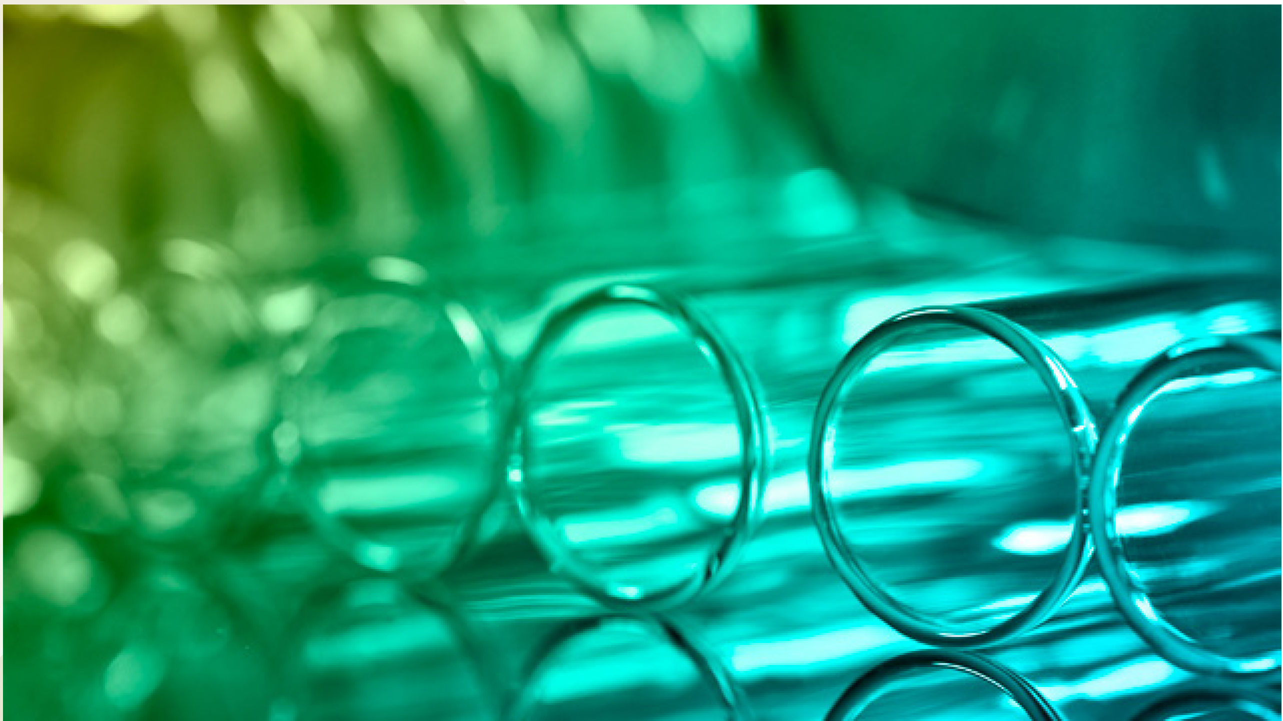
First year allowances for electric charging points

Any business incurring qualifying expenditure on new and unused electric charging points from 23 November 2016, will be entitled to a 100% First Year Allowance (FYA). The allowance will expire on 31 March 2019 for corporation tax purposes and 5 April 2019 for income tax purposes.

Whilst most electric vehicle (EV) users charge their vehicles at home or at work, public charging networks provide additional EV charging support and the opportunity to extend journey distances in EV mode.

Given that public charging networks are still at an early stage of development and vary widely in coverage, services offered, support, costs and membership options, the measure is designed to help make electric charging points a more common feature on the high street, which in turn should encourage the use of cleaner vehicles.

This measure will complement the 100% FYA for cars with low carbon dioxide (CO_2) emissions, and the 100% FYA for cars powered by natural gas, biogas and hydrogen.



Salary sacrifice/salary exchange

As expected, the government has decided to remove the tax and employer National Insurance advantages of salary sacrifice schemes from April 2017. The ability to use salary sacrifice arrangements will in future be restricted, particularly where there is a cash alternative. Arrangements in respect of pensions (including advice), childcare, cycle to work schemes and ultra-low emission cars will not be affected by the rules. 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. This change is expected to add over £1 billion to the Exchequer over the period to 2022.

PAYE Settlement Agreements

The Chancellor confirmed the previous plan to legislate in Finance Bill 2017 to simplify the process of applying for and agreeing PAYE Settlement Agreements. This will take effect from the 2018/19 tax year.

'Making good' benefits in kind

New rules will take effect from April 2017 in respect of employees who 'make good' non-payrolled benefits in kind. 'Making good' is where the employee makes a payment for all or part of the taxable benefit and this reduces the taxable element. Employees will, in future, have to make the payment to their employer by 6 July in the following tax year to reduce the taxable value.

Assets made available to employees

Finance Bill 2017 will clarify existing legislation so that employees who use assets for private use will only be taxed for the period the asset is made available for their private use. This will take effect from 6 April 2017.

Valuation of benefits in kind

The government has announced that it will consider how benefits in kind are valued for tax purposes and will specifically publish a consultation on employer provided living accommodation.

Termination payments

The Chancellor confirmed the previous announcement in the 2016 Budget for employer's Class 1 national insurance to be payable from April 2018 on termination payments above £30,000. The first £30,000 of the qualifying element of a termination payment will continue to be exempt from income tax and Class 1 national insurance. There will also be a simplification of the tax rules on payments made in lieu of notice.

Employee business expenses

The government will be considering in the 2017 Budget the ability for employees to claim Income Tax relief on business expenses, including those that are not reimbursed by the employer.

Tax free childcare

No further announcements were made on tax free childcare. Employer supported childcare, including childcare vouchers, will therefore continue to be available to new entrants up until April 2018.

Off-payroll working rules

As previously announced, the off-payroll working rules in the public sector will be revised from April 2017 so that the responsibility for ensuring the correct tax will move to the body paying the worker's company. This will relate to arrangements potentially caught by the IR35 rules. However, the 5% tax free allowance on the 'deemed salary' payment will be removed for those working in the public sector.

Legal support

From April 2017, employees called to give evidence in court will no longer need to pay tax on legal support from their employer.

Foreign pensions

The government announced that advantaged overseas retirement benefit arrangements are being reviewed and may no longer benefit from tax relief. The eligibility criteria is under consideration.

Indirect Taxes

VAT Flat Rate Scheme and low cost businesses

Using the Flat Rate Scheme, small businesses can opt to pay VAT by applying a sector specific percentage to the value of their turnover.

From 1 April 2017, Flat Rate Scheme users that spend less than 2% of turnover or £1,000 per annum on goods such as stock, must apply a new flat rate of 16.5%. For the purposes of this measure, capital expenditure as well as spending on vehicles, fuel, food or drink consumed by the business, is ignored. Labour only businesses using the scheme are likely to be among those adversely affected and this change is anticipated to raise £695 million over five years.

Insurance Premium Tax (IPT) to rise to 12%

The standard rate of IPT will rise from 10% to 12% from 1 June 2017. This is the third rise in the standard rate of IPT since 2015 when it was 6%. Over five years this increase is expected to raise over £4 billion.

Licensing of tobacco machinery

Finance Bill 2017 is to introduce a licensing scheme for tobacco machinery. Applications for licences will be accepted from January 2018 and the scheme will come into force on 1 April 2018.

Implementation of the Fulfilment House Due Diligence Scheme

Finance Bill 2017 is 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.

Penalties for participating in VAT fraud

Finance Bill 2017 is to introduce a new fixed rate 30% penalty for participating in VAT fraud.

Soft Drinks Industry Levy

The government will publish draft legislation for the new Soft Drinks Industry Levy on 5 December 2016.

VAT grouping

It has been announced that the government will consult on VAT grouping and provide funding with a view to digitalising fully the Retail Export Scheme to reduce the administrative burden to travellers.

Avoidance

The government is to clarify the application of the VAT zero-rating for adapted motor vehicles to stop perceived abuse of this legislation, while continuing to provide help for disabled wheelchairs. Legislation will be announced in Finance Bill 2017 to strengthen the regime for disclosure of avoidance of indirect tax. This will be effective from 1 September 2017.

Other Matters - Tax Administration

The government has indicated its commitment to simplifying the tax code and has asked the Office for Tax Simplification to carry out reviews on aspects of the VAT system and on Stamp Duty on share transactions.

The government is to legislate to provide both HMRC and taxpayers earlier certainty on individual matters in large, high risk and complex tax enquiries.

Avoidance and evasion

The Chancellor announced new plans, and confirmed existing plans, for tackling tax avoidance, evasion and non-compliance. This includes:

> Disguised remuneration schemes – In the 2016 Budget, rules were introduced to tackle the use of disguised remuneration schemes by employers and employees. The rules are to be extended to the self-employed users of such schemes. In addition, the government is to make the use of disguised remuneration schemes even less attractive by denying tax relief for employer contributions unless tax and NIC has been paid within a specified time period.

> A new penalty regime is to be introduced after consultation for any person who has enabled another person or business to use a tax avoidance arrangement which is ultimately defeated by HMRC.

> Further resources are to be deployed to HMRC to help them counter avoidance and allow further tax cases to be litigated.

> New legal requirements are to be introduced to correct past failures to pay UK tax on offshore interests and are consulting on a legal requirement for intermediaries to disclose complex structures for clients holding money offshore.

> HMRC will be given further data gathering powers on money service businesses in order to identify those operating in the hidden economy.

> The government will consider restricting the access of licences or services to business on the condition they are registered for tax.

Apprenticeship Levy

There were no further announcements on Apprenticeship Levy. Therefore the previously announced 0.5% levy on an employer's costs in excess of £3 million per year from April 2017 to fund apprenticeships, should proceed as planned.

Annual Tax on Enveloped Dwellings (ATED)

The annual charge for ATED will rise in line with inflation for the 2017 to 2018 chargeable period. ATED applies to residential properties valued over £500k owned by a non-natural person, e.g. a company.

Infrastructure

Infrastructure financing and delivery

R&D, housing and transport infrastructure were announced as three key areas of focus and spend. To encourage private sector support and finance, the Chancellor announced:

- Treasury-backed infrastructure bonds – The Autumn Statement recommits to the UK Guarantees Scheme, and commits to extend it beyond the life of this Parliament, to at least 2026.

- To date, the scheme has issued nine guarantees that have delivered £1.8 billion of Treasury-backed infrastructure bonds and loans, which has supported over £4 billion worth of investment. The government is working with industry to understand the demand for construction-only guarantees.

- Private Finance 2 (PF2) – The government will develop a new pipeline of projects that are suitable for delivery through the PF2 Public Private Partnership scheme. A list of projects to make up the initial pipeline, covering both economic and social infrastructure, will be set out in early 2017. PF2 relates to English PPP procurement. In Scotland it is via Hub and NPD and we await the list of projects, and the extent of the Scottish Government's continued support of social infrastructure investment.

  To the extent our clients are involved in PF2 projects we will continue to support them through the bidding process and liaise with the aggregator financiers.

- Infrastructure performance – The Chief Secretary to the Treasury will chair a new ministerial group that will oversee the delivery of priority infrastructure projects. The Infrastructure and Projects Authority will lead a review to identify ways government, working with industry, can improve the quality, cost and performance of UK infrastructure. The review will report in summer 2017.

Oil & Gas

Petroleum Revenue Tax

Petroleum Revenue Tax (PRT) is a tax on profits from oil and gas production from certain older fields (those that obtained development consent before 16 March 1993). Following calls for PRT to be abolished, it was permanently zero-rated from 1 January 2016. Zero-rating PRT, rather than abolishing it altogether, allowed companies to continue to access their PRT history for carrying back trading losses and decommissioning costs. However, as the regime was not abolished, participators still have to submit returns. For those companies that do not require access to the PRT regime, these administrative requirements are unduly complex and time consuming.

Until now, it has not been possible to opt fields out of the PRT regime, without complying with a number of conditions that were originally designed to give HMRC assurance that there would be no tax loss to the Exchequer. Now that PRT has been zero-rated, this assurance and the related data that had to be supplied are no longer relevant. In response to demands from the oil and gas industry, the process for opting fields out of the PRT regime will be simplified, permitting a simple election, with no conditions.

In addition, for companies that will remain within the PRT regime, the reporting requirements are to be simplified to reduce the administrative burden of complying with the filing of returns. The oil allowance and tax liability instalment reporting requirements will be removed as they are no longer relevant following zero-rating. These changes come in with immediate effect.

Your local tax contacts

Colin McKelvie
Partner
Aberdeen
01224 212222
Colin.McKelvie@jcca.co.uk

John Todd
Partner
Inverness
01463 796200
John.Todd@jcca.co.uk

Peter Young
Partner
Edinburgh
0131 220 2203
Peter.Young@jcca.co.uk

Alexander Arthur
Director, Tax
Inverurie
01467 621475
Alexander.Arthur@jcca.co.uk

Nicola Horsburgh
Director, Tax
Elgin
01343 547492
Nicola.Horsburgh@jcca.co.uk

Euan McLeod
Partner
Perth
01738 634001
Euan.McLeod@jcca.co.uk

Lauren Miller
Manager, Tax
Forfar
01307 465565
Lauren.Miller@jcca.co.uk

Ewan Wallace
Consultant
Stirling
01786 459900
Ewan.Wallace@jcca.co.uk

Jemma McBride
Manager, Tax
Fraserburgh
01346 518165
Jemma.McBride@jcca.co.uk

Ricky Murray
Partner
Glasgow
0141 2225800
Ricky.Murray@jcca.co.uk

Chris Campbell
Senior Manager, Tax
Huntly
01466 794148
Chris.Campbell@jcca.co.uk

JOHNSTON
CARMICHAEL
WEALTH

Little change for financial planning - but the devil is in the detail...

The 2016 Autumn Statement struck quite a different tone to previous announcements. The new Chancellor outlined revised public spending and growth forecasts as a result of recent events. However, there were no significant legislative changes, which is welcomed.

Whilst there were no seismic shifts, there are still significant issues for our clients to consider, both now and with one eye to the future.

Johnston Carmichael Wealth is an associate company of Johnston Carmichael. Our team of Financial Planners across Scotland advise individuals and businesses of all sizes. Our independent status enables us to deliver a broad range of tailored services and solutions across the market to our clients' benefit.

Johnston Carmichael Wealth believe that life is for living and we are proud to be the "trusted adviser" to our clients.

Craig Hendry, Managing Director, Johnston Carmichael Wealth

In what will be the first and last Autumn statement for Philip Hammond, no major changes were made in regards to financial planning.

The increases announced concerning the higher rate income tax thresholds may not be mirrored in Scotland due to devolved powers. Scottish income tax payers will have to wait until the Scottish Budget on 15 December for clarification.

The potential changes to salary sacrifice, which one thought might impact pension schemes and their members, haven't come to pass (for now?).

The state pension triple lock remains which is good news for pensioners who might have been concerned about this promise being revised.

Whilst there was some concern that the annual pension allowance of £40,000 pa would reduce, this proved not to be the case. Whilst many have called for the Lifetime Allowance to be reviewed, if not removed, there was no reference to this issue in the Statement. The only change regarding pensions was the reduction in the Money Purchase Annual Allowance from £10,000 to £4,000. This allowance is only relevant to individuals who have chosen to flexibly access their existing pension benefits. Not a significant issue for the majority, however it does reaffirm the government's desire to tackle pension "recycling".

Following the introduction of the pension freedoms, there has been a spike in scams where vulnerable pensioners have lost some or all of their savings. With this in mind, the government plan to introduce restrictions on pension cold calling which is welcomed.

Increased ISA contribution allowance from April 2017 of £20k pa remains. ISAs present valuable tax efficient retirement saving opportunities which help diversify future retirement planning whilst importantly retaining access to funds.

The ever popular National Savings range of products will be enhanced in 2017, with the introduction of a new bond paying 2.2% pa fixed for three years on a maximum deposit of £3,000. This will be welcomed by those looking to save in a guaranteed, secure manner.

For those concerned about inheritance tax, there did not appear to be any changes to existing legislation or proposals. The additional residence nil rate band applies to residential property included in an individual's estate on death which is bequeathed to children and descendants (including step children) and/or their spouses.

The general tone of the Statement was one of encouragement for business - specifically innovative and infrastructure focused enterprises. The announcement regarding increased amount of investment which social enterprises can raise via the Social Investment Tax Relief Scheme (SITR) would seem to suggest continued support for higher risk yet very tax efficient investments such as Enterprise Investment Schemes (EIS), Venture Capital Trusts (VCT) and Alternative Investment Market (AIM). Investments of these types are of interest to those looking to diversify their retirement planning and/or impacted by the reduction in the pension annual allowance as well as the tapered annual allowance.

Johnston Carmichael Wealth Limited is an associate company of Johnston Carmichael.

Disclaimer: While all possible care is taken in the completion of this document, no responsibility for loss occasioned by any person acting or refraining from action as a result of the information contained herein can be accepted by this firm.

Johnston Carmichael Wealth Limited is authorised and regulated by the Financial Conduct Authority.

Appendix 1: UK Rates and Allowances 2017/18

https://www.gov.uk/government/publications/tax-and-tax-credit-rates-and-thresholds-for-2017-18/tax-and-tax-credit-rates-and-thresholds-for-2017-18

Contents

1. Personal tax and benefits
2. National Insurance Contributions (NIC)
3. Working and child tax credits, child benefit and guardians allowance
4. Tax free savings accounts
5. Fuel benefit and van benefit charge

1. Personal tax and benefits

1.1 Income tax bands of taxable income (£ per year)

	2016-17	2017-18
Basic rate	£0-32,000	£0-33,500
Higher rate	£32,001-150,000	£33,500-150,000
Additional rate	Over £150,000	Over £150,000

1.2 Income tax rates - 2016-17

	Tax year 2016-17
Main rates (*1)	
Basic rate	20%
Higher rate	40%
Additional rate	45%
Dividend rates (*2)	
Dividend ordinary rate - for dividends otherwise taxable at the basic rate	7.5%
Dividend upper rate - for dividends otherwise taxable at the higher rate	32.5%
Dividend additional rate - for dividends otherwise taxable at the additional rate	38.1%

1.3 Income tax rates - 2017-18

	Tax year 2017-18
Main rates (*3)	
Basic rate	20%
Higher rate	40%
Additional rate	45%
Savings rates (*4)	
Starting rate for savings	0%
Savings basic rate	20%
Savings higher rate	40%
Savings additional rate	45%

	Tax year 2017-18
Dividend rates (*5)	
Dividend ordinary rate - for dividends otherwise taxable at the basic rate	7.5%
Dividend upper rate - for dividends otherwise taxable at the higher rate	32.5%
Dividend additional rate - for dividends otherwise taxable at the additional rate	38.1%
Default rates (*6)	
Default basic rate	20%
Default higher rate	40%
Default additional rate	45%

1.4 Starting rates for savings income

	Tax year 2016-17	Tax year 2017-18
Starting rate for savings	0%	0%
Starting rate limit for savings	£5,000	£5,000

1.5 Special rates for trustees' income

	Tax year 2016-17	Tax year 2017-18
Standard rate on first £1,000 of income which would otherwise be taxable at the special rates for trustees	Up to 20%, depends on the type of income	Up to 20%, depends on the type of income
Trust rate	45%	45%
Dividend trust rate	38.1%	38.1%

1.6 Income tax allowances

	Tax year 2016-17	Tax year 2017-18
Personal allowance (*7)	£11,000	£11,500
Income limit for personal allowance	£100,000	£100,000
Income limit for Married couple's allowance (*8)	£27,700	£28,000
Marriage allowance (*9)	£1,100	£1,150
Married couple's allowance for those born before 6 April 1935		
Maximum amount of married couple's allowance (*10)	£8,355	£8,445
Minimum amount of married couple's allowance (*10)	£3,220	£3,260
Blind person's allowance	£2,290	£2,320
Dividend allowance (*11)	£5,000	£5,000
Personal savings allowance		
Personal savings allowance for basic rate taxpayers (*12)	£1,000	£1,000
Personal savings allowance for higher rate taxpayers (*12)	£500	£500

2. National Insurance Contributions

2.1 Class 1 NICs: Employee and employer rates and thresholds (£ per week)

	Tax year 2016-17	Tax year 2017-18
Weekly Lower Earnings Limit (LEL) (*13)	£112	£113
Weekly Primary Threshold (PT) (*13)	£155	£157
Weekly Secondary Threshold (ST) (*14)	£156	£157
Upper Earnings Limit (UEL) (*15)	£827	£866
Upper Secondary Threshold for under 21s (*15)	£827	£866
Apprentice Upper Secondary Threshold (AUST) for under 25s (*15)	£827	£866
Employment Allowance (per employer)	£3,000 per year	£3,000 per year

Employee's (primary) Class 1 contribution rates	Tax year 2016-17	Tax year 2017-18
Earnings band (*16)	NIC rate	NIC rate
Below LEL	0%	0%
LEL - PT (*17)	0%	0%
PT- UEL	12%	12%
Above UEL	2%	2%

Married woman's reduced rate for (primary) Class 1 contribution rates	Tax year 2016-17	Tax year 2017-18
Weekly earnings from between the PT and UEL	5.85%	5.85%
Weekly earnings from above UEL	2%	2%

Employer's (secondary) Class 1 contribution rates	Tax year 2016-17	Tax year 2017-18
Earnings band (*18)		
Below ST	0%	0%
Above ST	13.8%	13.8%

Employer's (secondary) Class 1 contribution rates for employees under 21	Tax year 2016-17	Tax year 2017-18
Earnings band (*19)		
Below UST	0%	0%
Above UST	13.8%	13.8%

Employer's (secondary) Class 1 contribution rates for Apprentices under 25	Tax year 2016-17	Tax year 2017-18
Earnings band (*20)		
Below AUST	0%	0%
Above AUST	13.8%	13.8%

2.2 Class 2 NICs: Self-employed rates and thresholds (£ per week)

	Tax year 2016-17	Tax year 2017-18
Small Profits Threshold (SPT) (*13)	£5,965 per year	£6,025 per year
Class 2 contribution rates (*13)	Tax year 2016-17	Tax year 2017-18
Annual Profits (£ a year) (*21)	£ per week	£ per week
Below SPT	0	0
Above SPT (*22)	£2.80	£2.85
Special Class 2 rate for share fishermen	£3.45	£3.50
Special Class 2 rate for volunteer development workers	£5.60	£5.65

2.3 Class 3 NICs: Other rates and thresholds (£ per week)

	Tax year 2016-17	Tax year 2017-18
Voluntary contributions (*13) (*23)	£14.10	£14.25

2.4 Class 4 NICs: Self-employed rates and thresholds (£ per year)

	Tax year 2016-17	Tax year 2017-18
Lower Profits Limit (LPL) (*13)	£8,060	£8,164
Upper Profits Limit (UPL) (*15)	£43,000	£45,000
Class 4 contribution rates	**Tax year 2016-17**	**Tax year 2017-18**
Annual profits band (*24)	NIC rate	NIC rate
Below LPL	0%	0%
LPL to UPL	9%	9%
Above UPL	2%	2%

3. Working and child tax credits, child benefit and guardian's allowance

3.1 Working and child tax credits

£ per year (unless stated)	Tax year 2016-17	Tax year 2017-18
Working tax credit		
Basic element	£1,960	£1,960
Couple and lone parent element	£2,010	£2,010
30 hour element	£810	£810
Disabled worker element	£2,970	£3,000
Severe disability element	£1,275	£1,290
Childcare element of the working tax credit		
Maximum eligible cost for one child	£175 per week	£175 per week
Maximum eligible cost for two or more children	£300 per week	£300 per week
Percentage of eligible costs covered	70%	70%
Child tax credit		
Family element	£545	£545
Child element	£2,780	£2,780

£ per year (unless stated)	Tax year 2016-17	Tax year 2017-18
Disabled child element	£3,140	£3,175
Severely disabled child element	£1,275	£1,290
Income thresholds and withdrawal rates		
Income threshold	£6,420	£6,420
Withdrawal rate (per cent)	41%	41%
First threshold for those entitled to child tax credit only	£16,105	£16,105
Income rise disregard	£2,500	£2,500
Income fall disregard	£2,500	£2,500

3.2 Child benefit (£ per week)

	Tax year 2016-17	Tax year 2017-18
Eldest/only child	£20.70	£20.70
Other children	£13.70	£13.70
Guardians allowance (£ per week)		
Guardians allowance	£16.55	£16.70

4. Tax free savings accounts

	Tax year 2016-17	Tax year 2017-18
Individual Savings Account (ISA) subscription limit	£15,240	£20,000
Junior ISA subscription limit	£4,080	£4,128
Child Trust Fund (CTF) subscription limit	£4,080	£4,128

5. Fuel benefit and van benefit charge

	Tax year 2016-17	Tax year 2017-18
Car fuel benefit charge multiplier	£22,200	£22,600
Van fuel benefit charge	£598	£610
Van benefit charge	£3,170	£3,230

1. Apply to non-dividend income, including income from savings, employment, property or pensions. From 2017-18, the main rates will be separated into the main rates, the savings rates and the default rates
2. Apply to dividend income received above the £5,000 tax-free Dividend Allowance, introduced in April 2016 to replace the Dividend Tax Credit
3. Apply to non-savings, non-dividend income, including income from employment, property or pensions not subject to the Scottish Rate of income tax
4. Apply to savings income
5. Apply to dividend income received above the £5,000 tax-free Dividend Allowance, introduced in April 2016 to replace the previous Dividend Tax Credit
6. Apply to non-savings and non-dividend income of any taxpayer that is not subject to either the Main rates or the Scottish Rates of income tax
7. The Personal Allowance reduces where the income is above £100,000 – by £1 for every £2 of income above the £100,000 limit. This reduction applies irrespective of date of birth
8. This age-related allowance is reduced by £1 for every £2 of income over this limit
9. This transferable allowance is available to married couples and civil partners who are not in receipt of married couple's allowance. A spouse or civil partner who is not liable to income tax; or not liable at the higher or additional rates, can transfer this amount of their unused personal allowance to their spouse or civil partner. The recipient must not be liable to income tax at the higher or additional rates
10. The relief for this allowance is given at 10%.
11. From April 2016, the new Dividend Allowance means that individuals will not have to pay tax on the first £5,000 of dividend income they receive
12. From April 2016, the new Personal Savings Allowance means that basic rate taxpayers will not have to pay tax on the first £1,000 of savings income they receive and higher rate taxpayers will not have tax to pay on their first £500 of savings income.
13. Uprated by CPI
14. Autumn Statement 2016 announced that the Secondary Threshold would be aligned with the Primary Threshold. From April 2018 onwards, it will be uprated in line with CPI
15. These thresholds are uprated in line with the Higher Rate Threshold to maintain alignment between the Upper Earnings Limit and Higher Rate Threshold
16. The limits are defined as LEL - Lower Earnings Limit; PT - Primary Threshold; and UEL - Upper Earnings Limit
17. No National Insurance contributions (NICs) are actually payable but a notional Class 1 NIC is deemed to have been paid in respect of earnings between the LEL and PT to protect contributory benefit entitlement.
18. The limit is defined as ST – Secondary Threshold
19. The limit is defined as UST – Upper Secondary Threshold
20. The limit is defined as AUST – Apprentice Upper Secondary Threshold
21. The Limit is defined as SPT – Small Profits Threshold
22. Class 2 NICs are liable to be paid by all self-employed persons with profits above the Small Profits Threshold (SPT). The self-employed may choose to pay Class 2 if their profits are below the SPT
23. Class 3 NICs can be paid by contributors to make the year a qualifying year for the basic State Pension (new State Pension from 6 April 2016) and Bereavement Benefit purposes
24. These limits are defined as LPL – Lower Profits Limit; and UPL – Upper Profits Limit

Where sharp minds meet

Aberdeen
01224 212222

Edinburgh
0131 220 2203

Elgin
01343 547492

Forfar
01307 465565

Fraserburgh
01346 518165

Glasgow
0141 222 5800

Huntly
01466 794148

Inverness
01463 796200

Inverurie
01467 621475

Perth
01738 634001

Stirling
01786 459900

jcca.co.uk

JOHNSTON CARMICHAEL

Johnston Carmichael is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member or correspondent firm or firms.

Disclaimer: This update has been published for information purposes only. The contents of this document are not a substitute for tax, legal or professional advice. The law may have changed since this document was first published and whilst all possible care has been taken in the completion of this document, readers should seek tax advice based upon their own particular circumstances.