Edison Wealth Management

Budget Summary

November 2017

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The Chancellor announced the 2017 Budget yesterday. Despite the palpable Brexit-induced tension in Westminster the Chancellor has managed to deliver a Budget devoid of any major upsets or surprises.

We have summarised below what we think are the highlights.

If you would like to discuss any of the content in more detail, please feel free to contact us.

Economics

The state of the economy

Slightly disappointing figures on the state of the economy:

- Growth forecast for 2017 downgraded from 2% to 1.5%
- GDP downgraded to 1.4%, 1.3% and 1.5% in subsequent years before rising to 1.6% in 2021-22
- Productivity growth and business investment also revised down

Public spending

Some key changes to public spending and investment:

- £500m for 5G mobile networks and fibre broadband
- £540m to support the growth of electric cars, including more charging points.
- £2.3bn in research and development across key sectors such as artificial intelligence
- £3bn to be set aside over next two years to prepare UK for every possible outcome as it leaves
- Long-term goal to build 300,000 new homes a year by the mid-2020s, including £44bn in government support to the construction industry

Pensions

Lifetime allowance for pensions

Pension tax relief remains unchanged, which was a welcome relief. The Lifetime Allowance (LTA) will increase in line with CPI, rising to £1,030,000 for 2018/19.

The LTA limits the amount of pension benefits that an individual can withdraw across all their pension plans, without incurring additional tax charges.

State Pension and Pension Credit

The basic State pension will increase by 3% from April 2018 from £159.55 per week to at least £164.37 per week, an increase of £250 per annum.

Those, however, who reached state pension age before 6 April 2015 and are receiving the old basic state pension will only receive an increase from £122.30 to £125.97 per week, an increase of £191 per annum.

Stamp Duty Land Tax (SDLT)

Stamp duty will be abolished for first-time buyers purchasing properties under £300,000, or on the first £300,000 on properties worth between £300,000 and £500,000. Above this, they will pay the current rates of stamp duty. This change is effective from 22nd November 2017.

In contradiction to the Chancellor's aims, the Office for Budget Responsibility expects that the stamp duty cut will result in a 0.3% increase in average house prices.

Personal Tax

Income tax

The government aims to raise the personal allowance to £12,500 and the higher rate threshold to £50,000 by the end of this parliament.

The budget included the announcement that the personal allowance for tax year 2018/19 will increase to £11,850, and the basic rate limit will increase to £34,500, giving a higher rate threshold of £46,350.

Capital Gains Tax

The government intended to introduce a 30-day window for the payment of any capital gains tax due on the sale of residential property that isn't your principal private residence. This is now deferred to April 2020.

Profits generated on sales of properties by non-UK residents are to be brought into the scope of UK tax and will apply to gains accrued on, or after April 2019.

Investments

Individual Savings Account (ISA)

The ISA limit is to remain unchanged at £20,000.

From 6 April 2018, the Junior ISA and Child Trust Fund limits will increase to £4,260.

Save As You Earn scheme

Employees on maternity and parental leave who are saving through Save as You Earn schemes will be able to take a 12-month holiday from 6 April 2018, an increase from 6 months currently.

Enterprise Investment Scheme (EIS) and Venture Capital Trust (VCT)

The investment limit in the Enterprise Investment Scheme (EIS) for knowledge-intensive companies will be doubled.

Investors can currently put up to £1m into EIS qualifying investments per year and receive tax relief upfront, that limit now increases to £2m. Businesses receiving the investment could also see their potential annual income double through the scheme, which the government estimates will unlock more than £7bn in growth investment.

Corporation tax

Corporation tax was maintained at 19%, however, the chancellor announced changes to the way companies' chargeable gains are calculated.

The corporate indexation allowance allows for the effects of inflation when calculating the chargeable gains of companies. This allowance will be frozen from 1 January 2018 in order to bring the UK in line with other major economies and broaden the tax base through removing relief for inflation that is not available elsewhere in the tax system.

Tax evasion and the hidden economy

Requirement to notify HMRC of offshore structures

The government will publish a consultation response on the proposed requirement for 'designers' of certain offshore structures that could be misused to evade taxes, to notify HMRC of these structures and the clients using them. This work will be taken forward in conjunction with the OECD and EU.

Extending offshore time limits

Assessment time limits for non-deliberate offshore tax non-compliance will be extended so that HMRC can always assess at least 12 years of back taxes without needing to establish deliberate non-compliance, following a consultation in spring 2018.

Tax administration and compliance

Making Tax Digital (MTD)

Making Tax Digital is a key part of the government's plans to make it easier for individuals and businesses to get their tax right and keep on top of their affairs - meaning the end of the annual tax return for millions.

As announced in July and legislated for in the Finance (No. 2) Act 2017, no business will be mandated to use MTD until April 2019. Only those with turnover above the VAT threshold will be mandated at that point, and then only for VAT obligations. The scope of MTD will not be widened before the system has been shown to work well, and not before April 2020 at the earliest.

Late Submission Penalties and Late Payment Interest

The government will reform the penalty system for late or missing tax returns, adopting a new points-based approach. It will also consult on whether to simplify and harmonise penalties and interest due on late payments and repayments. This will ensure that the system is fair, simple and effective across different taxes. Final decisions on both measures will be taken following this latter consultation.

Faster recovery of Self-Assessment debt

HMRC will use new technology to recover additional Self-Assessment debts in closer to real-time by adjusting the tax codes of individuals with Pay As You Earn (PAYE) income. These changes will take effect from 6 April 2019.

Important Information

This summary is not intended as tax advice. It is for information purposes only so please do not act on the contents without taking expert tax advice first.

Queries on any of the areas covered in this summary should be directed by email or by phone on 020 7287 2225.

Edison
Wealth
Management

6 Duke Street St James's, London, SW1Y 6BN, United Kingdom
+44 (0)20 7287 2225 hello@edisonwm.com edisonwm.com