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Sestini & Co
TAX AND BUSINESS CONSULTANCY

Autumn Statement 2016
Five key areas of change

1. Rates and allowances

- Continuing increase to allowances: PA to £11,500 for 2017/18 and £12,500 by end of Parliament (2020); higher rate threshold to £45,000 for 2017/18 and £50,000 by end of Parliament
- The ISA limit will increase to £20,000 from April 2017
- The savings rate will remain at 0% on £5,000

2. National Insurance Contributions

- My prediction has come true regarding the Office of Tax Simplification recommendations re: simplifying the operation of NIC, including aligning time limits for payment and collection with tax deadlines and payment of NIC on termination payments over £30,000
- The use of salary sacrifice is to be restricted to pensions, childcare vouchers, cycle to work and low-emission cars to combat perceived abuse
- The government will also look into the employee business expenses regime and appropriate valuation of benefits in kind to bring in a level playing field between cash and non-cash remuneration

3. Offshore and non-domicile changes

- The non-dom changes and changes to offshore trust taxation are going ahead as planned including the introduction of IHT on UK property owned within offshore structures; we await the updated draft legislation on 5 December
- Business investment relief is to be improved, simplified and extended to enable more remittance basis money to be brought into the UK tax-free by non-doms
- Foreign pensions will be brought fully into UK tax so the 10% reduction in taxable pensions and reliefs against the taxation of offshore pension lump sums will be withdrawn however tax treaties may still work to reduce the UK tax on pension drawings
- The “tax-tail” on exporting UK pensions to approved overseas plans is to be increased from 5 years to 10: this will reduce the number of people who can benefit from moving abroad and setting up QROPs or other recognised offshore pension arrangements; there will also be a review of the qualification requirements
- I am also a little sad that the (admittedly little-known) s615 pension schemes – approved UK pensions for people working and living abroad - will be closed to new contributions
- There will be a consultation on bringing all non-resident companies receiving taxable income from the UK into UK corporation tax: perhaps more of an end-user basis of taxation vs the current model
- There will be a new requirement to make good unpaid UK tax on offshore interests within a specific time-frame – a move away from the disclosure regimes which have been prevalent over the last decade

4. Business taxes

- The business tax roadmap remains in place with corporation tax due to reduce to 17% by 2020 – there was a welcome reference to the importance of certainty to businesses
- Also welcome news that the substantial shareholding election will be simplified and made easier to access
- Rural business rates relief will be increased from 50% to 100% in line with small business rates relief
- Social Investment Tax Relief (SITR) will be made easier to access with an accreditation scheme for nursing homes and residential homes to be brought into this relief in the future
- Insurance premium tax will be increased again to 12%

5. Tax avoidance and administration

- Tax enquiry closure rules to be strengthened to provide “more certainty”
- Tax avoidance sanctions to be introduced for promoters and enablers of tax avoidance schemes rather than the end-users
- Investment in HMRC to increase the ability to litigate against tax evasion
- VAT flat rate scheme: a new rate being introduced of 16.5% to prevent perceived abuse of the scheme by small businesses with a low cost-base

If you’d like to discuss any of the changes and how they might affect you, please contact us:

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